

Bank and History

Historical Review

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A forgotten predecessor established 150 years ago: Schlesischer Bankverein

Schlesischer Bankverein was founded in 1856, in the year of the first big wave of bank companies established as stock corporations in the German states. As scepticism within the Prussian government towards banks based on the model of France's *Crédit Mobilier* was particularly widespread, the legal form of choice for new banks founded in the provincial capitals Königsberg (now Kaliningrad) and Breslau (now Wrocław) was the *Kommanditgesellschaft auf Aktien* (partnership based on shares). These did not require a government concession. Thus, Preussische Handels-Gesellschaft was founded in Königsberg and Schlesischer Bankverein in Breslau.

The founders and first personally liable partners of Schlesischer Bankverein were the Breslau-based banker Heinrich Fromberg, the Privy Counsellor of Commerce Wilhelm Lehfeldt and Chamberlain Count Adrian Joseph von Hoverden. They were members of the Silesian finance society and civil service aristocracy. The bank's limited liability capital stock was set at 6 million Taler.

The bank's lines of business were defined by its articles of association. The founders' agreement dated July 17, 1856, provided for the conducting of banking business as well as commercial and industrial business of all kinds. This covered not only the trading and lending of government, municipal and industrial securities, regional bonds, mortgages and debentures as well as the issue of shares and obligations of industrial companies, but also the trading in merchandise and the bank's own investments in industry. Furthermore, one special line of business was also to be pursued, in particular, by Heinrich Fromberg: business relations with Silesian nobility, who appeared to be nearly destined to invest in industry in light of the rich natural resources on their inherited family estates.

It was an ambitious program that the bank was only able to partially fulfil. This was primarily due to the poor economic conditions in the late 1850s. In its lending and holdings business, the bank had to exercise a great deal of caution and restraint. But larger turnovers and profits were not achieved in merchandise trading, which operated alongside the traditional private banker activities and banking business. Because of the difficulties in profitably investing equity capital and customers' deposits, the bank moved instead into the direct mortgage business.

With the economic boom at the beginning of the 1860s, overall conditions improved. In 1865, Schlesischer Bankverein reported a turnover of 73 million Taler and was able to disburse a dividend of 7.5 percent. In the same year, the bank opened its first branch by acquiring Bankhaus L. Bamberg's Ww. & Söhne in Glogau.

The Austro-Prussian war of 1866 engulfed Silesia, which shared a long border with the east Austrian province of Bohemia. Due to the rapid victory of Prussian troops in Bohemia, Silesia was at least not directly the site of battles, as had been feared. In spring 1866, the escalating conflict had led to a great deal of mistrust in Breslau's financial community and to the withdrawal of large sums and current account balances that had been deposited with Schlesischer Bankverein.

With the founding of the North German Confederation in 1867 and to a greater degree with the German Empire in 1871, the political groundwork had been laid for an economic upswing, which also encompassed the banking business. Between 1867 and 1872, Schlesischer Bankverein increased its volume of business significantly. Among the larger equity commitments were the acquisition of a sugar factory and the associated Herrschaft Kuhnern as well as shareholdings

in Oberschlesische Eisenbahn-Bedarfs-Gesellschaft (railway supplies), in Aktiengesellschaft für Schlesische Leinen-Industrie (linen fabrics), previously called C. G. Kramsta & Söhne in Freiburg, in Schlesische Tuchfabrik Förster (fabrics) in Grünberg, as well as in Schlesische Spiegel-Glas-Manufaktur (mirrors) in Ober-Salzbrunn. Together with the Berlin-based Bankhaus Delbrück Leo & Co., Schlesischer Bankverein participated in the legal transformation of Donnersmarckshütte into a stock corporation in 1872. The previous operator of the mining company was the industrial magnate Guido Henckel von Donnersmarck, who had at his disposal rich coal, iron and zinc reserves from his extensive landed properties in Upper Silesia. The most consequential shareholding, however, was the participation in the founding of Deutsche Bank in 1870: Schlesischer Bankverein subscribed to 125,000 Taler of Deutsche Bank's share capital of five million Taler.



Schlesischer Bankverein building in Breslau

At the height of the founders' boom, Schlesischer Bankverein was able to realize significant profits on its shareholdings, which it providentially used to strengthen its reserves. Just how necessary this precaution was came to light in the second half of 1873, when the economy's boom turned into an economic crisis. The stock market collapsed, affecting shares of even the most solid companies and causing a loss of 297,000

Taler on Schlesischer Bankverein's securities and syndicate accounts in 1873. Furthermore, write-offs were necessary on an additional 160,000 Taler in outstanding claims. It was only the regular banking business, still generating earnings, that prevented the profit and loss account from going into the red. The recession turned into a depression lasting several years, and it was not until the late 1870s that an improvement started to take effect.

With accurate foresight, Schlesischer Bankverein had taken steps to address Berlin's rise to become the leading German banking and stock market city. In 1877, Schlesischer Bankverein participated as a limited partner in the Berlin-based Bankhaus Ehrecke, Fromberg & Co., co-founded by Georg Fromberg, son of Schlesischer Bankverein proprietor Heinrich Fromberg. After the withdrawal of the co-founder, the company was renamed Georg Fromberg & Co. The close connection was to continue to exist until 1917, when Schlesischer Bankverein, including its share in Georg Fromberg & Co., was to be merged into Deutsche Bank. In the late 1880s, Schlesischer Bankverein began to expand in Silesia as well. In 1886, it opened a branch in Liegnitz and held a stake in the Bankhaus Richard Vogt & Co. in Frankenstein.

In 1897, the most decisive event in Schlesischer Bankverein's more than 40-year history took place. Schlesischer Bankverein allied itself with Deutsche Bank in the form of a pooling of interests. The reason for this decision was that the partnership's representation in Berlin was no longer sufficient, and Schlesischer Bankverein was faced with the choice of either opening a branch in the capital or looking for a cooperation with a larger bank. For Deutsche Bank, the provincial bank was interesting because Deutsche Bank was not represented at this time in the Silesian industrial region.

The conclusion of the first pooling of interests agreement in the German banking industry – at the same time Deutsche Bank established close ties to the more important Bergisch Märkische Bank in Wuppertal-Elberfeld – was carried out through an exchange of shares. "With this action, the independence of the banks involved is not affected in any way: but we have secured the continuation of the connections involved in their previous scope, in that we have added another tie,

that of a solidarity of interests," as stated in Deutsche Bank's Annual Report 1897. An offer to exchange Schlesischer Bankverein shares for Deutsche Bank shares at the ratio of 3 : 2 was widely accepted by Schlesischer Bankverein shareholders. For its part, Schlesischer Bankverein took on a portion of the newly issued shares of Deutsche Bank. The pooling of interests was backed through reciprocal representation on the supervisory boards.

For Schlesischer Bankverein, the pooling of interests was very important. Despite its shareholdings in the Silesian industry, it had always remained a not very important regional bank; *Berliner Morgenpost* called the cooperation with the big bank in 1906 "basically, the best thing that it had done during its 50 years of activity." The advantage gained through the pooling of interests could be read in figures during the years from 1897 to 1900 in a 40-percent increase in revenues and a 15-percent increase in profits.

Schlesischer Bankverein used the favourable conditions to expand its network of branches. In 1900, it founded another limited partnership bank in Gleiwitz; in 1904 a branch was added in Rybnik (Upper Silesia); in 1905 the branch in Hirschberg of the Berlin-based Bankhaus Abraham Schlesinger was taken over; and a deposit-taking branch was opened at the same time in Sprottau. The bank gained a foothold in Kattowitz (now Katowice) by acquiring the majority share of Kattowitzer Bankverein, founded in 1904, which ultimately was fully merged into Schlesischer Bankverein in 1916. Another important shareholding was the acquisition in 1905 of three-quarters of the shares of Oberschlesischer Credit-Verein in Ratibor, which had been in existence since 1871 and which was also merged into Schlesischer Bankverein in 1916. At the beginning of 1917, Schlesischer Bankverein maintained in total branches in 21 Silesian towns, in addition to five branches in Breslau.

Despite the good development of business and satisfactory dividends, Deutsche Bank started to develop serious takeover plans in



In the bookkeeping department of Bankhaus Abraham Schlesinger in Hirschberg, 1905

the middle of the First World War for Schlesischer Bankverein and Norddeutsche Credit anstalt in Königsberg. Deutsche Bank had been anxiously monitoring the competition, which had grown for Schlesischer Bankverein through branches of Dresdner Bank and the Bank für Handel und Industrie in Breslau and Kattowitz. But tax-related advantages and Germany's territorial expansion to the east, as intended by politics and business, spoke for taking quick action. Member of the Management Board Carl Michalowsky expressed this motive in a report to his colleagues dated November 16, 1916: "The question of taking on Schlesischer Bankverein is coming closer and closer, if only because of the prospects of high tax increases. In addition, the establishment of our own branches in other eastern provinces will become even more urgent through the political and economic changes that the war will probably bring with it in the east."

The general meetings of Deutsche Bank and Schlesischer Bankverein voted in favour of the merger on March 7, 1917. The previous proprietors of Schlesischer Bankverein, Georg Cohn and Jean Bucher, joined Deutsche Bank as directors of the Breslau branch, which continued business under the name "Schlesischer Bankverein Filiale der Deutschen Bank" without a hitch. The branch in Breslau continued to work until the city was captured by the Red Army in 1945.

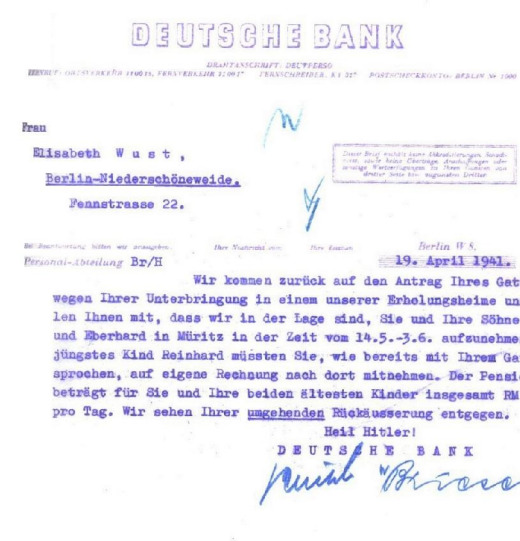
"Aimée" and Deutsche Bank

On April 19, 1941, Elisabeth Wust from Berlin was the recipient of good news. Deutsche Bank's personnel department informed her: "We will be able to

accommodate you and your sons [...] in Müritz during the period May 14 to June 3." Following the First World War, Deutsche Bank set up recreational houses that became

very popular among its staff. In addition to these, the bank began to reserve a set number of rooms in the 1930s in attractive holiday resorts. From 1934 on, for instance, Deutsche Bank employees and their families were able to book rooms at reduced rates in Hotel Johannes in the Mecklenburg resort Graal-Müritz on the Baltic Sea. The bank continued this offer right up to the year before the war ended.

Elisabeth Wust, who travelled in 1941 to the Baltic Sea with her three children at that time, is known by millions. She is Aimée of "Aimée & Jaguar", the love story of two women in Second-World-War Berlin, elaborately filmed in 1999 by Max Färberböck. In the film, Elisabeth Wust was played by Juliane



Köhler; her Jewish friend Felice Schragenheim – Jaguar – by Maria Schrader. Several years before this, the journalist and author Erica Fischer had written about the fates of the two women (Felice Schragenheim died in a concentration camp just before the war ended) in a book that has since been published several times and translated into 11 languages.

Something that the film does not mention but that the book outlines in some detail is that both Elisabeth's father, Günther Kappeler, and her husband, Günther Wust (they were declared divorced in 1943), worked as bank officers at Deutsche Bank's Berlin headquarters. Günther Kappler joined Disconto-Gesellschaft in 1912, which merged with Deutsche Bank in 1929. He worked in the correspondence department until the end of the Second World War. After 1945, he lived in East Berlin, later moving to the Western zone of the city before returning to Koblenz, where he was originally from. Günther Wust finished his apprenticeship training at Deutsche Bank's Berlin office in 1922 and was in the same department as his father-in-law until he was called up for service in 1940. He was listed as missing in the autumn of 1944 and declared dead in 1974. She also had another relative who worked for Deutsche Bank.

Elisabeth Wust passed away on March 31, 2006 in Berlin. She was 93 years old.

Lost & Found

Take away the cobblestones!

"The steadily increasing level of traffic in Hanover has made a series of special regulations necessary which have meant that, among other things, a portion of the horse-drawn traffic encumbering Georgstrasse has been detoured to Rathenauplatz between Georgsplatz and Bahnhofstrasse. Due to this essentially necessary measure, Rathenauplatz [...] is primarily traversed by heavily laden horse-drawn vehicles, which cause not just a large amount of noise on the cobblestones laid in the roadway there, but also a nearly uninterrupted, significant shaking of the buildings. As a result, it has become

nearly impossible for the banks and companies located on Rathenauplatz, which have signed below, even for the briefest period of time, to open the windows without the noise from the street immediately preventing not only any effective communication on the telephone – as well as any discussion whatsoever – but also the telephone apparatuses themselves are suffering from the permanent vibrations, and even the buildings will suffer damage over the course of time."

(Petition of several companies, including the Hanover Branch of Deutsche Bank, to Mayor Menge, dated August 24, 1927)