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United – 25 years of Deutsche Bank in East Germany

The re-establishment of Deutsche Bank in the former East Germany is the subject of a new book (in German) entitled "Vereint. 25 Jahre Deutsche Bank in den neuen Bundesländern" ("United. 25 Years of Deutsche Bank in the New Federal States").

On 1 July 1990, Deutsche Bank, eight months after the fall of the Berlin Wall, commenced operations across the entire German Democratic Republic, from which the five new federal states were formed upon reunification. Pictures of the early days of the economic, monetary and social union of East and West Germany were seen around the world. Thousands gathered in front of Deutsche Bank's branch on Berlin's Alexanderplatz to be the first to hold the Deutsche Mark in their hands. It was the only bank to start exchanging money at the stroke of midnight.

The following survey highlights the essential steps on the way from the fall of the Berlin Wall to reunification, showing a very exciting chapter of German banking history.

"We are one people"

There was one small but very significant change on the streets of East Germany that heralded the start of reunification: the moment when the chant "We are the people!" became "We are one people!"



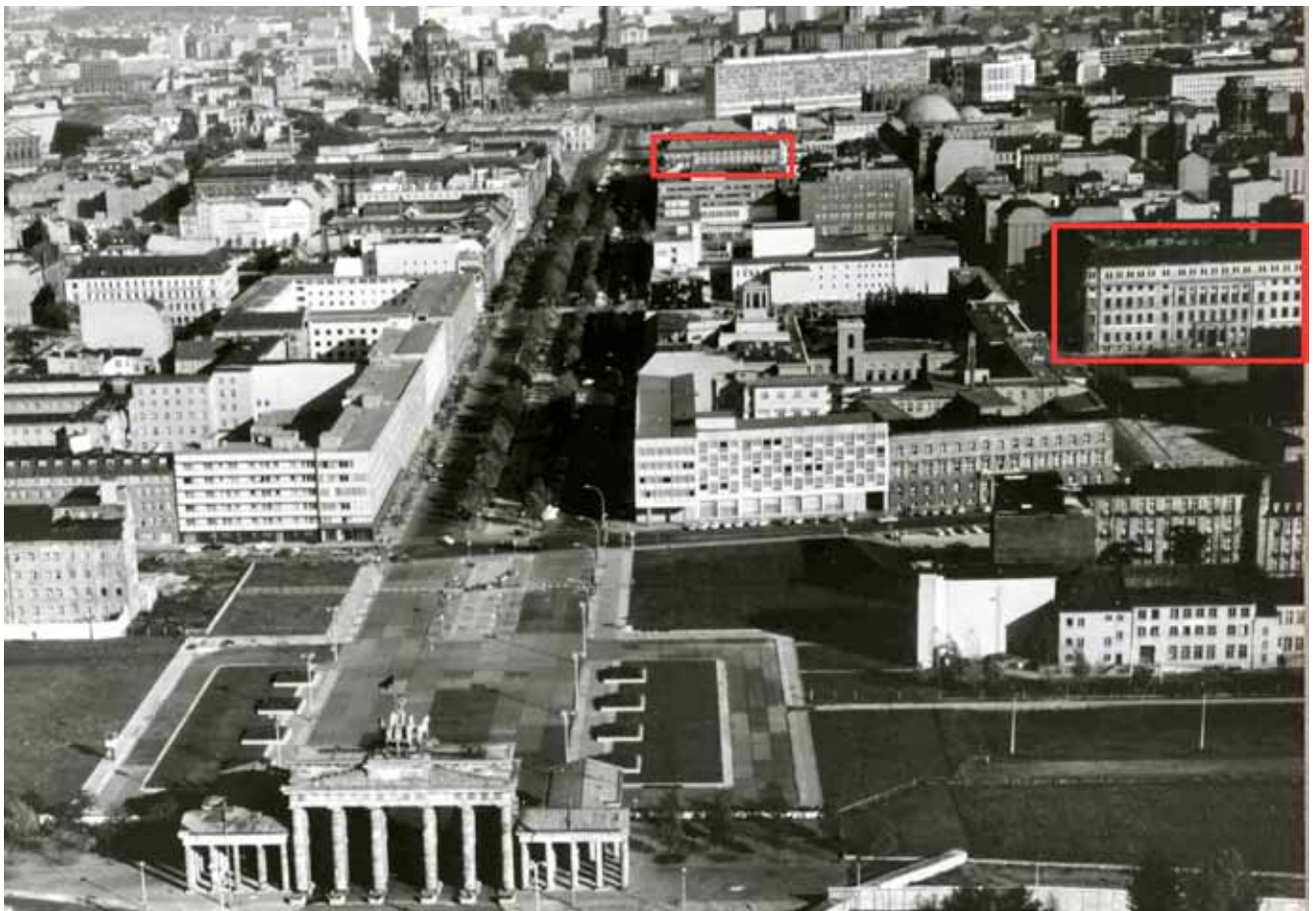
Proponent of unification:
Deutsche Bank's CEO
Alfred Herrhausen (1930-89).

The majority of East Germans were in favour of reunification with the prosperous Federal Republic. In the West German business community, one of the first to call for a union of the two states was the former Spokesman of the Management Board of Deutsche Bank, Alfred Herrhausen: "The opening of the Wall has raised the question of German reunification. Preferably, we should speak about 'unification'. In my opinion, a single, united German state is clearly desirable, not because of the attraction of sheer size or any power that size might confer, but because – historically, culturally and in human terms – it is a natural aspiration." Tragically, Herrhausen would not experience it for himself. While Germans were still celebrating the fall of the Berlin Wall, Herrhausen was murdered on 30 November 1989. By then, the governments of East and West Germany were already negotiating monetary, economic and social union. The resulting treaty came into force on 1 July 1990. After 9 November 1989 – the date on which the Wall fell – this was the second major milestone on the road to reunification.

A new start, many obstacles

For Deutsche Bank, 1 July 1990 marked the beginning of a return to its roots. Founded in Berlin in 1870, Deutsche Bank was well represented in what eventually became East Germany. The Bank's headquarters remained in Berlin until April 1945. After World War II, however, Soviet forces closed all Deutsche Bank branches in their zone of occupation. Now classified as a "dormant" company, the Bank was barred from all activity other than its own liquidation. What had once been Germany's largest bank suddenly disappeared from the streets of eastern Germany. And so it remained until a short time after the fall of the Berlin Wall.

Behind the Brandenburg Gate and Iron Curtain. Deutsche Bank's former Berlin headquarters (boxed), around 1970.

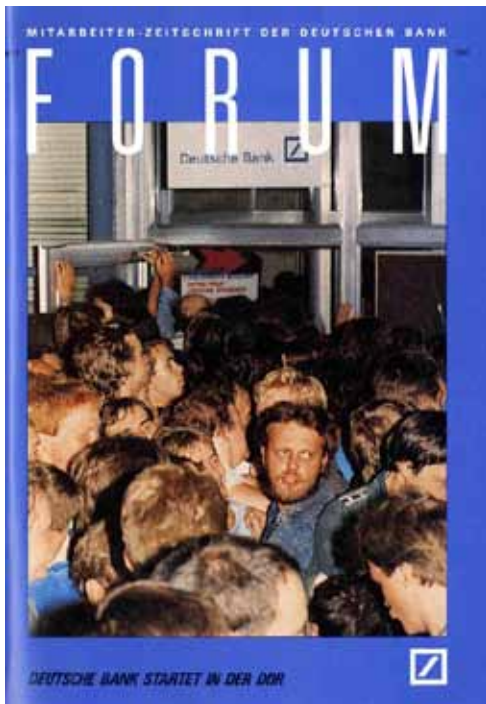


“Welcome payment”. Every GDR citizen receives 100 Deutschmarks (DM), West-Berlin December 1989.



In the first few days and weeks, many East Germans travelled to Deutsche Bank branches in the West. Every GDR citizen was entitled to a “welcome payment” of 100 Deutschmarks on entry into the Federal Republic. The Deutsche Bank branches in West Berlin alone issued some 62 million Deutschmarks in welcome payments to East Berliners. During the first few days, there were often turbulent scenes – especially when word spread that Deutsche Bank would be opening its branches on Sundays. An employee at the Rudow branch remembers what happened: “Some people had been waiting patiently for us to open since two in the morning. My boss phoned the Caritas welfare association and asked if they could bring some hot tea and something to eat – which they did right away. We didn’t stop for breaks – we wanted to give out as much money as we possibly could!” But the more time went on, the longer the queues became. It soon began to look as if some people wouldn’t be served. Then one employee had a bright idea: why not ask the American forces to transport some people to branches where the queues weren’t so long? And that is exactly what happened: “One hour after we made that call, the Americans had arrived with the first ten buses and started taking people to the Kurfürstendamm and Neukölln branches, where they got their money.” When the doors closed that evening, the Rudow branch alone had paid out half a million Deutschmarks.

When the Berlin Wall fell, there were over 16 million East Germans who now hoped that they too could enjoy a Western standard of living. The equalisation of conditions in East and West therefore became a top priority among policy-makers. The first step would be to convert the East German currency to the West German Deutschmark. Time was of the essence – as one of the slogans on the streets made clear: “If the D-Mark comes to us, then we’ll stay here. If it doesn’t, then we’ll go to it.” Tens of thousands were already heading West. In response, the governments in East and West Germany moved quickly to implement monetary union. Widely perceived as a symbol of prosperity and economic freedom, the Deutschmark was welcomed with huge celebrations in all the major cities. Overnight, the governments had not only opened the border – they had also opened up a new market. Goods flowed eastwards and rapidly filled the once chronically empty shelves. Now, the citizens of what was still the GDR wanted to convert their savings to Deutschmarks – the sooner the better.



Here comes the flood.
Deutsche Bank Alexanderplatz branch in Berlin became the first German bank to open its doors after the monetary union had come into effect – on the stroke of midnight.

The rush at other locations is remarkable as well, Deutsche Bank Gera branch on 1 July 1990.

1 July 1990, 00:00, Berlin, Alexanderplatz

On the hot summer afternoon of 30 June 1990, just a few hours before the new monetary, economic and social union came into force, there was another reason for excitement in the air: the FIFA World Cup in Italy. As people looked forward to the quarter-final match between West Germany and Czechoslovakia, thousands of cars thronged the city streets with horns blaring, windows open and flags fluttering in their slipstream. Meanwhile outside the Deutsche Bank branch on Alexanderplatz, a huge crowd of people was gathering. As the Deutschmark was incompatible with East German ATMs, every banknote would have to be issued over the counter by hand. Deutsche Bank had set up shop in a former administration building, with a few brightly coloured balloons and stand-up displays as hastily arranged décor. Everyone knew that, in just a few hours, this would be where history was made. On the stroke of midnight, this Deutsche Bank branch became the first German bank to open its doors after the monetary union had come into effect. The Bank's press spokesman sought to reassure the crowd, informing them through a loudhailer that there was "plenty of money for everyone". Some 300 photographers, journalists and television crews were there that night to broadcast the events to the world. The local police were also on hand but could do nothing to hold back the crowd. As things transpired, the money did run out and the rush was on to get more. It wasn't until morning that things finally began to settle down. In those first few hours after midnight, staff in the Alexanderplatz branch issued around 10 million Deutschmarks to customers. The images of that night were broadcast around the world. After more than four decades of separation, Germany was now finally reunited as a single economic and monetary area.



Uncharted territory

During the lead-up to monetary union, Deutsche Bank had joined forces with the GDR State Bank to create the Deutsche Bank-Kreditbank AG. In just a few weeks, this had become a fully-functioning commercial bank with over 9,000 employees, of which more than 8,000 came from the State Bank.



Deutsche Bank branch network in East Germany in July 1990.

By the time the union came into force, the new Deutsche Bank-Kreditbank was operating from 140 locations across East Germany. While that may sound very organised, the reality was rather more chaotic. There was, after all, a shortage of all kinds of equipment, including phone lines, computers, network hardware, fax machines, printers and data centres. Often, the only way to get a quick response was by mobile phone.

It was also necessary to train the former State Bank employees in the new banking practices. Most employees were unfamiliar with lending procedures and the core banking process of risk assessment. "It's depressing to discover that none of the things we'd already learned can be carried over and used in the new role. [...] It's all uncharted territory" – is how one new employee described her first impressions in training. To help set up the new branches, around 1,000 employees moved from West to East, with 400 deciding to stay. "What we set in motion in the GDR was a kind of 'controlled chaos'," recalled former Chairman Hilmar Kopper. The people and economy of East Germany would now have to absorb, in a very short space of time, things that had taken years to develop in the West. By the start of the monetary union, Deutsche Bank had invested some 250 million Deutschmarks in developing its branches in East Germany. "Now we're ready for business," said Hilmar Kopper, "now we face the test." It was a test the Bank would pass with flying colours. Within three months of commencing operations in the former GDR, the Bank had already welcomed its 250,000th private client. New accounts were being opened at a rate of 5,000 a day. Many people used the new era to develop their careers and businesses. Initially, however, things were anything but easy for business clients. The Bank was committed to supporting larger companies and industrial concerns through loans for restructuring and modernisation. However, the usual process of risk assessment was almost impossible. There were no reliable balance sheets, income statements or any other figures to work with. It was a true challenge to forecast whether a proposed business plan would actually prove to be viable.

Mobile branch. In the first months after commencing business buses were used at several locations.



Deutsche Bank assumes the risk

Many loans were initially secured by the Treuhand privatisation agency. As time went on, however, Deutsche Bank assumed an increasing level of risk – sometimes reaching its own feasibility limits. By the end of 1992, the Bank's total lending in the former GDR had reached 18 billion Deutschmarks. Two years later, the Treuhand ended the last remaining state-guaranteed loans. From then on, Deutsche Bank was solely responsible for all its credit risks – which in the new federal states were three times as high as in the old. Some 10 years after reunification, the process of re-establishing the Bank in the former GDR was largely complete. Today, approximately 1,000 of those original employees are still with Deutsche Bank. For many, the years of upheaval and rebuilding were the most formative period in their careers. According to Harald Eisenach, now Head of Region East in Germany, "the implementation of structural change in our economy and society was undoubtedly a rocky road." But as the growth in employment and sales over the past 10 years clearly indicates, the new federal states are catching up. Today, Deutsche Bank is an integral part of economic and business life in the new federal states. In addition, the Bank has increasingly invested in business units that deliver nationwide or even global services. Examples include the Berlin Risk Center or the crucially important facility in Schkeuditz near Leipzig, which is responsible for tasks such as the processing of credit and payment transactions.



New colleagues. Former State Bank employees during a crash course in Western banking at Deutsche Bank headquarters in Frankfurt, Spring 1990.