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La bella banca

100 years ago Banca d'America e d'Italia was founded. Deutsche Bank acquired it in 1986, and since 1994 it has been called "Deutsche Bank SpA".

Origins and founder



Banca dell'Italia Meridionale in Naples

The first four years of BAI's existence, following its foundation in Naples on 14 November 1917, already gives a clue as to the strongly international character that the bank was to develop during the coming years. It was founded by a group of Italian businessmen under the name 'Banca dell'Italia Meridionale', and already in August of its second year of operations the bank was appointed as representative in Italy for two US banks: Bank of Italy and East River National Bank. The first chairman, Giuseppe Caravita, Prince of Sirignano (died in 1920), was one of the prime movers behind the initiative. The deputy chairman was Giuseppe Di Luggo, the managing director was Carlo Caprioli.

The bank opened for business on 15 June 1918 in what would prove to be a difficult period immediately after the end of the Great War. Its capital was immediately increased from 3 million lire to 15 million lire and premises were rented in Naples at 11 Via Santa Brigida, in the same street where Deutsche Bank still has its main Naples office. The bank opened to the public even though building work on the premises was not finished until early 1920. In its 1919 annual report the bank writes, with charming sincerity, that „all shareholders, who know in what conditions our beloved officers and staff have to work, will want to thank them warmly, and will also want to extend their thanks to the customers, who have, perforce, to be received in cramped and unsuitable premises but who have never complained and have always praised the speed with which the bank works and the politeness and competence of our staff“.

In its first six months the bank was already active in the corporate finance market, co-underwriting three capital increases. Also in 1918, in December, a branch was being planned in Genoa (opened in June 1919). The first six months of operations closed with 204 current accounts worth a total of 4.4 million lire, plus 399 savings accounts worth a total of 2.7 million lire. The bank earned a profit right from the start (248,137.29 lire), on which a dividend of 5 per cent of the nominal capital was paid. The bank has remained profitable in every year of operations since.

In 1919 savings deposits increased fourfold to 10.6 million lire (1,899 savings accounts), and the number of current accounts more than doubled to 533 worth a total of 10.8 million lire. The first activity in the placing of government securities started in this year with the underwriting and placement of 25 million lire worth of the VI National Loan. The bank was still not allowed to operate in foreign exchange (it did not become a member of the Istituto Nazionale Cambi until 1920), much to the management's annoyance. Still in 1919, preparations were made to open a branch in Palermo (opened in 1920, closed in 1939) and Bari (opened in 1921). Profit in 1919 increased to 1,102,996.44 lire and the dividend was raised from 5 per cent to 6 per cent.



The Bari branch in Puglia in the 1960s

By the end of the following year, 1920, the bank had achieved a large increase in the number of savings accounts, which had risen to 5,205, amounting to a total of 58.8 million lire; current accounts totalled 16.6 million lire. In 1921 the bank acquired Banca Jarach & Sozzani, a private bank in Milan, and opened its first branch in the financial capital of Italy in Via San Prospero.

But let us return for a moment to its main US correspondent bank, Bank of Italy in San Francisco. Bank of Italy, which also controlled East River National Bank in New York, had already become something of a legend in the history of the US banking system. Within the space of less than twenty years, this small bank, founded in 1904 with 200,000 dollars of capital in North Beach, the Italian quarter of San Francisco, had become a major bank covering the whole of California. The guiding force behind this enterprise was the son of a Ligurian farmer who had emigrated to the United States just after 1850: Amadeo Peter Giannini.

Giannini at that time could not know that he had opened the first branch of what was destined to become one of the world's leading banks: Bank of America. The young American Italian simply knew that the community of which he was a part needed a new sort of bank – a bank that really tried to serve the small private customer, unlike the big American banks at the time, which intimidated anyone unfamiliar with the world of finance. Giannini would patiently explain the advantages of opening a bank account to his neighbours in North Beach and would constantly remind his Italian-American staff that anyone is a potential client, because the bank offers a service that is one of modern society's basic needs. All potential customers were warmly received at Bank of Italy, even if they only needed a 25-dollar loan. Giannini had the clerks' desks put in the banking hall on the ground floor, where he himself also worked, in order to prevent the kind of elitist atmosphere common at other banks. He wanted to be near to 'his' customers and not frighten them away.



Giannini's Bank of Italy in San Francisco was the first to reopen after the earthquake of 1906

When San Francisco was devastated by an earthquake in April 1906, Giannini's Bank of Italy was the first to reopen in the rubble of the city and, by channelling the savings of other Italian émigrés towards the reconstruction of San Francisco, the bank made a major contribution towards the economic recovery of the area and, at the same time, laid the foundations for the growth of the Bank of America empire.¹

The earthquake and ensuing fire showed Giannini at his best and revealed his keen sense of the importance of the social role of banks: before the flames reached the bank, Giannini loaded the cash and share certificates onto a cart together with fruit and vegetables, which he took to the safety of his own home 20 miles away. The next day, whilst other banks were unable to repay the deposits of their clients, Giannini was able to continue business as usual in an improvised office. Whilst other bankers refused loans to those who had lost everything in the earthquake, Giannini lent money to anyone he considered honest and who wanted to rebuild what they had lost.

His principles persuaded him to grant loans to small private customers, and so the 'timeplan' loans were born. He treated his top managers and humblest clerks with the same cordiality, and many years later he did not take advantage of the bank's success to make himself a rich man: he twice refused the offer of a special emolument of one million dollars which the Bank of America board had awarded him. His personal fortune, which could have been immense, did not exceed 300,000 dollars. When he did receive one-and-a-half million dollars, he immediately donated it to the newly founded Faculty of Agricultural Economics at the University of California.

Within 15 years of its foundation, the bank had become a major institution in North Beach and extended its presence to the whole of the state of California. It financed farmers, especially those with small and medium-sized farms, the commercial enterprises of the Italian community, large reconstruction projects, and even some Hollywood film projects (including some of the silent films made by Charlie Chaplin).



Amadeo P. Giannini and his wife in 1922

Bank of Italy soon set up offices in New York, the financial capital of the US, and even the most important banking families of the time began to see their monopoly there threatened by this upstart bank founded in San Francisco's Italian quarter, which was not only growing at an alarming rate but was also introducing a revolution in banking techniques. It was during this period that Amadeo P. Giannini was able to realise one of his dreams: to set up a permanent link between his bank and a bank in Italy. Of his 300,000 depositor clients, 80,000 had an Italian surname, so a link with Italy was indispensable, despite the distance separating Italy from the west coast of the US. Negotiations with the newly founded Banca dell'Italia Meridionale made rapid progress and, in 1919, Bancitaly Corporation, the holding company for Giannini's Bank of Italy, subscribed to a capital increase of Banca dell'Italia Meridionale and took up the remaining shares of a capital increase from the previous year, thereby acquiring majority control of the bank.

From that time on, Giannini personally followed the development of his Italian

bank. He would attend the main board meetings and shareholder meetings as often as possible, even though the journey from San Francisco to Italy was long and not without risks.

Characteristics of the bank in the 1920s and 1930s

Both Giannini's US bank, Bank of Italy, and his Italian bank, Banca dell'Italia Meridionale, grew and prospered. Between 1918 and 1920, total assets had increased almost tenfold from 20.27 million lire to 192.55 million lire; over the same period net equity increased from 10 million lire to 17.23 million lire.

By 1919 the bank had already spread beyond its native Naples to Palermo and Genoa. Genoa was significant because the opening of a branch there represented the first in a long series of acquisitions of small local banks in Italy, in this case Istituto Ligure di Cambio. It is certainly no coincidence that the first acquisition was in the region in which Giannini's family had its origins.

The economic climate in Italy was still critical and so, in order to guarantee financial stability and in view of the bank's continuing rapid growth, in 1921 the bank embarked on a series of cost-cutting measures; operating costs, which had grown from 1.2 million lire in 1919 to 4 million lire in 1920 and then 7.5 million lire in 1921, grew less rapidly in the following years (reaching 9.3 million lire in 1922). In view of the difficult times, the Italian side welcomed Giannini's involvement in Banca dell'Italia Meridionale because the fourfold capital increase between 1921 and 1923 (from 25 million lire to 100 million lire) and membership of the (then) Transamerica Group guaranteed it the stability that many other Italian banks lacked. Thus, by the end of 1922, five representatives of the majority shareholder sat on the bank's 20-strong board (two, including Giannini, had already joined in 1919). The end of 1921 and the first half of 1922 – a period of major depression in Italy – saw the arrival of a fascist government and a slowdown in the bank's growth, but a continuous increase in profits.

On 29 March 1922, the shareholders' annual general meeting in the austere head office building in Via Santa Brigida in Naples, at which Giannini was present, approved the change of name. The new name chosen by Giannini clearly reflected the bank's new vocation and the affiliation to its American parent: Banca d'America e d'Italia SpA, or BAI for short.

On 29 March 1923, it moved its registered legal office from Naples to Rome, which reflected its greater geographical expansion in the centre and north of Italy (the head office had already been moved to Rome in November of the previous year). Its territorial expansion in various regions of Italy continued at a remarkable pace: the relocation of its head office to Rome in 1922 had co-incided with the opening of a main branch in that city. 1923 was a particularly eventful year in the bank's early history. There were three further acquisitions: Banca Italiana di Sconto di Bologna, Banca Nazionale di Credito di Chiavari (Genoa), and Banca Immobiliare Italiana (Milan). 1923 was also



Head office of the bank in Via Santa Brigida in Naples, which changed its name to Banca d'America e d'Italia in 1922



In 1923 the head office of Banca d'America e d'Italia was officially relocated to Rome

the year in which Angelo Alvino started his record-breaking run of 35 years as General Manager (1923 to 1958).

In 1924, a branch was opened in Lucca and the following year, in 1925, came two further acquisitions, both in Genoa. The local Russian Bank for Foreign Trade (previously owned by the tsars) and Banca Olandese del Sud America were both bought, thus clearly marking an expansion into the field of international trade finance. In the same year, the bank's capital was once again doubled to 200 million lire. One year later, still in Genoa, the bank acquired the local branch of Crédit Commercial de France.

In 1928, BAI bought the Italian shares of Živnostenská banka, Prague, thereby acquiring a branch in Trieste and one in Abbazia (Opatija) in the province of Rijeka in Istria (Croatia), which was closed in 1947, and also bought up Banco Busi, Bologna. By now, BAI had 51 branches in most major regions of Italy. Also in 1928, the bank founded a subsidiary, the finance company Ameritalia S.A.I. (closed in 1932) and in 1931 it founded Ameritalia Travel Service S.A.I., a travel agency for its customers located in the main branch buildings. This subsidiary was sold in 1940, but it is interesting to note that the name Ameritalia was widely used as an abbreviated form of the bank's name.

In 1930, BAI took over parts of Banca Italo-Britannica, which had collapsed. In this way the bank acquired a number of branches in other major cities in Italy, including Turin, Venice and Milan in the fashionable Via Manzoni. Meanwhile, Banca Italo-Britannica's London office became Bank of America's London branch (also in 1930).

Apart from these acquisitions, BAI extended its branch network by opening many small branches and sub-branches in minor centres, mainly in Liguria and Puglia. The reason for the choice of these regions was that the bank was an important link for Italian workers who had emigrated to the US and left their families behind. The volume of remittances of savings back to these families was considerable even for those days: in 1922 BAI processed 133,769 such remittances worth a total of more than 125 million lire at the time; four years later this volume had doubled to 266,288 transactions worth over 260 million lire (the average wage for clerks at that time was a mere 700 lire per month). In many small Italian towns, BAI represented a vital link connecting Italian families with their breadwinners who had fled to the US to escape the very harsh economic conditions afflicting Italy in the 1920s. When Deutsche Bank acquired BAI in 1986, its branch network still covered more or less the same geographical footprint as it had in this period.

The remittance of émigrés' savings was by no means the only foreign business that BAI transacted; its affiliation to Bank of America meant that the bank was predestined to occupy a significant position in trade finance, especially the financing of exports and imports to and from the United States. The bank's 1928 annual report states that „the movement of funds across the accounts of foreign correspondent banks has doubled as a result of the higher volume of export and import transactions“.



Two Ligurian branches in the 1960s:
Rapallo (left) and San Remo



Branch at the Milan trade fair in 1930

In the 1920s, the Italian economy was impaired by isolationist policies which certainly did not encourage foreign trade; BAI built up expertise in foreign business, starting from the US, which was to stand it in good stead in the years ahead. The 1932 annual report states that 15 per cent of Italy's exports to the US were settled either through BAI or with the bank's involvement as a correspondent, despite the fact that at the time the bank was little more than ten years old. It is not surprising that by the 1930s BAI already had a branch at Milan's trade fair.

Meanwhile, links with the Californian parent bank became closer when Amadeo Giannini's son Mario became a member of BAI's board of directors in 1923 and spent several months in Italy as vice-president of the Executive Committee, a post he retained until 1929 (Giannini's other son, Virgilio, was a board member of BAI from 1935 until his death in 1937). One year earlier, in 1928, BAI's head office had been relocated to Milan. However, it was not until 22 March 1946 that the bank's registered legal office was moved from Rome to Milan.

The depression of the late 1920s and the Wall Street Crash of 1929 left their mark on BAI and its parent bank, as they did on the whole financial sector around the world. Whilst the bank's annual reports sing the praises of the policies and achievements of the fascist government, its balance sheets and its profit and loss accounts reflect the harsh economic realities of Italy in the early 1930s. Its total assets dropped from 1 billion lire in 1930 to 630 million lire in 1934, and net profit fell from 12.8 million lire to 0.2 million lire between 1928 and 1933. Although the bank earned a book profit throughout this period, it severely depleted its accumulated reserves in 1933 in order to cushion the impact of writing down asset values in future years. From 1930 to 1945 inclusive no dividend was paid.

In 1936 the Italian government passed a series of laws which established the framework for Italian banks: the Banking Act (Law No. 375 of 12 March 1936) remained in force until an EC Directive obliged Italy to update it in 1990. It was also during the mid-1930s that the state holding corporation

IRI was established as a result of the collapse of Banca Nazionale di Sconto; among its many financial and industrial interests are the three Banks of National Interest.

In the 1937 annual report we read that deposits increased during the year by 18.8 per cent to 73.8 million lire and that 476,943 bills were discounted (104,792 more than in 1936) for a total of 1 million lire (the average bill amount was less than 2,000 lire, the equivalent today of 1 euro). In 1939 the Committee of Ministers and the Inspectorate of Banking launched a plan to revise the branch networks of Italian banks. As a result of this plan, BAI closed (or was obliged to close) five branches, including Ventimiglia, Pistoia and Palermo, as well as two representative offices.

Tracing the effects of the changing economic climate during these two decades on the bank, we note that BAI's total assets grew substantially from 192.55 million lire in 1920 to 1 billion lire in 1930, whilst in the depression and in the pre-war years there was virtually no further growth: total assets reached only 1.02 billion lire in 1940. In the same period, net equity grew from 17.23 million lire in 1920 to reach 242.58 million lire in 1930; as a result of the depression, equity in 1940 was slightly lower (226.32 million lire).

The war years and post-war reconstruction

In 1939, shortly before the outbreak of war, BAI bought the Milan business of National City Bank, New York, and this was the last major development before the war years put a stop to the bank's growth. With Italy directly involved in the Second World War, BAI found itself in one of the most difficult periods of its history; even though it suffered only relatively light losses compared with many other Italian banks, the war years were certainly not easy for the bank.

The entry of the United States into the conflict following the Japanese attack on Pearl Harbor in December 1941 provoked immediate reactions from the fascist government in Italy: all US property in Italy was confiscated, and so on 14 January 1942 the government's confiscation order was notified to BAI. The director of the Milan branch of the Italian central bank, Francesco Sforza, was appointed as commissioner by the government to run BAI. In August 1943 BAI's building in Via Manzoni in Milan, 100 yards from the famous La Scala opera house, was destroyed in an Allied air attack. Other BAI buildings to suffer serious bomb damage were the main branch in Milan's Via San Prospero as well as the branches in Genoa and Turin.



Via Manzoni in Milan after an air raid in 1943

In 1943, with the virtual division of Italy, communication between the bank's head office in Milan and the branches in the liberated south of Italy became particularly difficult. In 1944, BAI split into two separate units: the branches in the central and southern parts of Italy reported to a new head office in Rome, whilst the branches in the north continued to report to Milan. One branch, at Castelnuovo di Garfagnana, remained in a sort of 'no man's land' between

Liguria and Tuscany, cut off from the rest of the world until April 1945. In the bank's 1943 annual accounts the branches in Bari, Molfetta, Naples, Pontecagnano and Sorrento (i.e. the southern branches) were included using the only figures available, namely those as at 30 June, whilst for the northern branches the figures were reported as at 31 December. The next year things were even worse, and the same June 1943 figures were used for the above branches, whilst for various branches in Tuscany figures as at 31 March 1944 or 30 June 1944 had to be used at year-end.

Meanwhile the confiscation order was slightly modified in June 1944, the bank was placed in the care of the Ente Gestione e Liquidazione Immobiliare, and Francesco Sforza was replaced by Giordano dell'Amore as special commissioner. The latter remained until June 1945; he was a well-known economist and subsequently became Rettore (chancellor) of Milan's Bocconi University.

Within two months of the liberation of Italy, the Comitato di Liberazione Nazionale (CNL) revoked the confiscation order on 15 June 1945 and restored ownership and management control of the bank to its rightful owners. This did not mean that the bank simply returned to the state it had been in six years earlier: the economic and social environment had completely changed; Italy's war losses, whilst not on the same scale as those of Germany, were nonetheless serious. Italian industry was in urgent need of reconstruction if the country was to pull itself out of its plight.



In 1947 the bank's head office moved to its newly refurbished premises in Via Manzoni in Milan

Although the bank's total assets had grown almost tenfold between 1939 and 1945 to 7.9 billion lire, profits and capital had remained relatively unchanged despite the high level of inflation during the war years. In 1945 in particular its total assets more than doubled (with the inclusion of up-to-date figures from all branches), and operating costs rose alarmingly. In 1946 customer deposits rose by 126 per cent, and thanks to improved profitability the bank was able to resume payment of a dividend after 16 years. Total assets had grown by then to 22.2 billion lire, and the bank was, by modern standards, substantially under-capitalised with a capital ratio of just over 5 per cent. In early 1947 the bank's capital was increased by 100 million lire. Inflation was still running high (62 per cent in 1947), and from this year onwards the bank no longer reported cents (i.e. hundredths of a lira) in its figures. By 1948 international trade was picking up again rapidly, with BAI's letter of credit (L/C) business tripling that year. In the same year operating costs rose by 31.3 per cent and, of these, 82 per cent represented staff costs. However, thanks to the fundamental health of the bank and to more favourable business conditions, profits picked up rapidly too. The branch in Abbazia (Istria) was closed. Also in that year the bank's head office was moved from Via San Prospero (the main branch in Milan) to its newly refurbished premises in Via Manzoni.

Giannini and his management team from Bank of America realised not only how difficult the situation was but also that BAI could play a significant role in the country's reconstruction programme and in the forging of trade links between Italy and the United States. In October 1945, only a few months after VE day, Amadeo Giannini arrived in Milan together with Russel Smith, the

head of Bank of America's international department, to personally put in place the measures needed to ensure that BAI played its part in the reconstruction work over the coming years despite the many problems that the bank had to face as a consequence of the losses suffered during the war years.

Giannini was shocked at the state of the country compared with the Italy he knew from his visits of the 1920s and early 1930s. The importance of Bank of America and the fact that Giannini was a particularly influential figure in the US and able to establish a powerful pro-Italian lobby meant that BAI's share in the redevelopment work was far larger than its size would have led one to expect. Bank of America's first loans to Italy – granted less than one year after the end of hostilities, mainly to enable the textile sector to purchase cotton – were naturally routed through the bank's Italian subsidiary. Between 1945 and 1947, i.e. before the Marshall Plan came into operation, Bank of America granted loans totalling nearly 40 million dollars.

It was hardly surprising therefore that as early as 1946 BAI should be appointed as one of only twelve Italian banks authorised to operate with foreign correspondents. Today, with the relaxation of foreign exchange controls, it is perhaps hard to imagine the significance of being included in this select group. It was of prime importance for an Italian bank anxious to participate in post-war reconstruction work.



BAI's Naples branch decorated with the Italian tricolour and the Stars and Stripes in 1966

In the same year, 1946, Amadeo Giannini's son Mario was appointed as a member of the US commission that oversaw the financing of foreign trade. The following year, Bank of America and BAI – with the support of the Export-Import Bank of the United States – granted a 10 million dollar loan to Fiat to help finance the reconstruction work. In 1947 the Marshall Plan or European Recovery Programme, named after the American Secretary of State George Marshall, was launched. Under this plan, the US undertook to provide economic aid to Europe after the Second World War. Nearly 20 per cent of Italian aid was routed through BAI for all sectors of industry. BAI supported large, medium-sized and small companies, although its links with Fiat were particularly close. Until 1952 approximately 80 per cent of Fiat's export and import business was routed through BAI, and in 1957 Fiat's chairman Gianni Agnelli joined BAI's board, where he remained until 1966 and was then replaced by his brother Umberto, who continued there until 1972.

In 1949 a further capital increase of 50 million lire took place whilst business volumes continued to grow; further capital increases of 100 million lire were carried out in 1951 and 1952 to bring the capital up to 500 million lire. Between 1940 and 1950 the bank's total assets grew more than 70-fold from 1.02 billion lire to 75.45 billion lire, whilst its net equity doubled from 226.32 million lire to 550 million lire. Between 1938 and 1954 the bank's deposits increased 228-fold compared with the national average of 83-fold. Despite this rapid growth the annual report is careful to emphasise at all times that the main criteria of management are founded on prudence and the necessity to maintain a high degree of liquidity.

The 1950s and the years prior to acquisition by Deutsche Bank

In the post-war years BAI experienced a period of growth comparable to its early years: the number of staff trebled between 1946 and 1953, the number of current accounts increased by 74 per cent from 1946 to 1947 and by a further 50 per cent the following year; savings deposits and current account deposits both doubled in the space of a few years. Foreign business, including trade finance and the processing of émigrés' remittances, grew rapidly once again. 13 new branches were opened within five years.

This growth is reflected in the bank's balance sheet figures: total assets grew from 75.4 billion lire in 1950 to 236.3 billion lire in 1960, whilst net equity increased from 750 million lire to 5.5 billion lire following a series of capital increases. It is a sign of the bank's fundamental health that dividend payments to shareholders, resumed in 1946, continued uninterrupted until 1976.

On 3 June 1949 Amadeo Giannini died at his home in Hillsborough, United States, aged 79, followed only three years later by his son Mario in August 1952. He was deeply mourned, and the obituaries published at his death recalled his guiding principles: 'Treat the poor man just as you would treat the rich man' and 'Don't ever become so important that you forget the small people'. They recalled how Giannini's first Bank of Italy branch in San Francisco was opened in 1904 in the room of an inn, and his first employees were the innkeeper and a docker from the port.

In the early 1950s, Bank of America was restructured and the parent bank was split off from Transamerica Corp, the holding company in which the shares of BAI, amongst others, were held. However, in 1956 the status quo was restored and BAI reverted to direct ownership by Bank of America.

Towards the end of the 1950s, the Italian economy entered a boom period: the industrial 'golden triangle' of Milan, Turin and Genoa underwent a phase of unprecedented expansion. During this period, BAI concentrated on developing its foreign business after initial tentative moves towards the liberalisation of trade in Europe. In 1956 Italy passed legislation to stimulate foreign investment in the country, and BAI became the main banker for a number of subsidiaries of multinational corporations. This process gained momentum in the following year with the creation of the European Economic Community.

In 1960 BAI inaugurated its operations centre, and this radically changed the bank's internal systems. In the same period BAI contributed to the establishment of two new financial institutions whose aim was to stimulate medium-term economic development in Italy and overseas: the first was Interbanca - Banca per Finanziamenti a Medio e Lungo Termine SpA, founded together with Banco Ambrosiano and Banca Nazionale dell'Agricoltura; the second was Société Financière pour les Pays d'Outre-Mer (SFOM), whose main field of activity was in under-developed countries. SFOM was founded in collaboration with Bank of America, Banque Nationale de Paris, Banque Bruxelles Lambert and Dresdner Bank. BAI at this time was at the forefront of the economic boom in Italy and, thanks to its longstanding international links, was



Small customer loans were launched under the Prestitempo brand in 1965



In 1969 BAI introduced BankAmericard as the first bank-operated credit card on the Italian market

able to play a particularly important role in the financing of foreign trade and investment.

In 1965 the bank judged that the time was right to launch a product that its parent bank had been offering for many years: consumer loans. It became the first bank in Italy to offer basic personal loans to anyone who wanted to make purchases but needed to spread the payments over three to five years. The product's ethos was consistent with the spirit of the founder Giannini, focusing closely on the needs of small customers. In the first four years over 25,000 loans worth a total of 7.3 billion lire and an average of 300,000 lire each were granted.

Four years later BAI introduced the first bank-operated credit card onto the Italian market and called it BankAmericard. It was launched as a mass-market product, and the publicity deliberately recalled Giannini's philosophy by using the slogan 'La banca per tutti' (the bank for everyone). Over 200 banks joined the BankAmericard / Visa system. At the beginning of the 1980s there were 600,000 cards in circulation; by 1993 over 1.5 million cards had been issued.

On 12 December 1966, BAI founded a finance company in Luxembourg called Finabai - Société Financière S. A. with the aim of increasing its share of foreign commercial banking business. Through Finabai the bank acquired various shareholdings, including a 20.7 per cent stake in Cornèr Bank, based in Lugano and with branches in the Italian-speaking Swiss canton of Ticino (1972, sold in 1984); it also bought a stake in Compagnie Financière Conseil SpA, a fiduciary company that managed investment portfolios in Italy. The finance company in which BAI had meanwhile increased its shareholding, Société Financière pour les Pays d'Outre-Mer, acquired a presence in Switzerland with control of United Overseas Bank, a commercial bank based in Geneva. SFOM at that time had banking subsidiaries in twelve African countries.

Also in 1966, in order to strengthen its links with Central and South America, BAI acquired a small shareholding in Adela Investment Company.

BAI's subsidiary Finabai set up a new subsidiary in 1980 called BAI Bank (Cayman), a commercial bank based in Grand Cayman which was used to grant foreign currency loans to Italian and multinational companies. It had capital of 2 million US dollars, and over 70 per cent of its lending business was with small or medium-sized companies. Both BAI Bank (Cayman) and its parent Finabai were consistently profitable enterprises.

Meanwhile in the 1970s there was strong growth in small and medium-sized companies in the Italian economy. BAI opened new branches in Lombardy and Veneto, whilst its main branches in the southern regions were developed in order to be able to serve this customer group as well at home and abroad. Thanks also to particularly capable local management under Antonio Tonello's leadership, the bank flourished and grew at an unprecedented rate. Its total assets grew from 236 billion lire in 1960 to 1,153 billion lire ten years later, in a period when inflation was running at only 3 to 5 per cent p.a., and in 1977 topped the 2,000 billion lire mark. The number of branches, which in 1931

had been 58, had grown by 1961 to 72 and in the next ten years grew to 83. Profits grew from 750 million lire in 1960 to 25 billion lire 20 years later, and the bank paid a dividend ranging from 27.5 per cent to 55 per cent of capital; net equity increased more than 20-fold in the same period.

In the 1970s the Italian branches of BAI were still concentrated in Liguria, Puglia and around Naples



In 1970 a new data centre was opened at Vignate San Pedrino near Milan, which continued until the centre in the western suburbs of the city was opened in 1984 after three years of redevelopment. A representative office was opened in London in 1971, and the branch network continued to grow, albeit less rapidly than previously. A new branch was opened in 1979, four in 1980 and four in 1983, including for the first time important locations such as Verona, Padua, Como, Cuneo and Pescara.



BAI's premises in Via Borgogna, Milan, in the late 1970s

In 1976 the bank acquired its head office building in Milan's Via Borgogna, and the various head office departments were moved there between 1977 and 1978 after substantial restructuring work had been completed. The considerable investment in fixed assets, including the new data centre, as well as the need to ensure that the bank remained adequately capitalised in a period of high inflation meant that the bank stopped paying a dividend in 1977 and only resumed it 15 years later in 1992. Foreign business volumes continued to grow, although the bank no longer occupied the predominant position in international business in the Italian market that it had had in the 1950s and 1960s.

By 1980 the bank had 91 branches and 2,700 staff; during this decade the number of branches grew to 100 and the staff rose to over 3,000. 80 per cent of BAI's customer deposits and 33 per cent of its customer lending were attributable to private individuals, and the ratio of loans to deposits was 58 per cent. Although the bank no longer had the growth rates of the 1960s and 1970s, it remained consistently profitable. It was only in order to finance expansion and investment in fixed assets that no dividend was paid during the 1980s. Throughout the decade, in common with the rest of the banking system, customer lending grew much more rapidly than deposits, so that by 1990 the ratio had increased to 100 per cent, a ratio sustainable only by virtue of the bank's impeccable parentage.

In September 1982, the bank founded BAI Leasing SpA, a wholly owned subsidiary. Following the Banco Ambrosiano scandal, Italian banks were obliged to restructure certain foreign subsidiaries in order to increase the level of accountability and supervision. In this context, with effect from 1 April 1984, Finabai was transformed into a bank called Banca d'America e d'Italia (Luxembourg) S.A., which then absorbed BAI Bank (Cayman)'s assets and liabilities. The Caribbean subsidiary was therefore liquidated. In the same year the bank's stake in UOB Holding (formerly SFOM) was sold. One year later BAI founded a mutual fund management company, BAI Gest SpA, which started with just one investment fund (Fondo America).

In 1984 the bank made a sizeable contribution to the restoration and refurbishment work on Amadeo P. Giannini's former house at Favale di Malvaro near Chiavari in Liguria. The house has been donated to the municipality and is open to the public.

Acquisition by Deutsche Bank

In the mid-1980s, Bank of America was going through a period of temporary financial stringency and decided that it would have to implement a programme of divestment if it wanted to regain the level of liquidity and capital stability that a major banking group requires. It was eventually decided, with great reluctance, that BAI was among the shareholdings that would have to be sold. At this time, Deutsche Bank had recognised that its European presence required significant expansion in selected countries if the Group was to



BAI's head office in Milan's
Via San Prospero in the 1980s

be ready to meet the challenge of the Single European Market, which had already been planned for 1992. Deutsche Bank was one of the few institutions with the capital strength needed to make such a sizeable purchase in cash.

The negotiations with Deutsche Bank were concluded within a short space of time in autumn 1986, and on 23 December that year the sale took place at a price of 603 million dollars, a record for a foreign acquisition of an Italian bank. Thus, nearly 70 years after its birth, BAI finally left the group that had been launched by its founder Giannini, but became part of a group that shares the same vocation of customer service not only to small personal clients but also to corporate customers of all sizes.

In 1988 the bank's subsidiary in Luxembourg, Banca d'America e d'Italia (Luxembourg) S.A., was closed as it was no longer required in the context of the new parent group. New subsidiary companies established since Deutsche Bank's acquisition include BAI Factoring SpA (established in 1987), BAI Società di Intermediazione Mobiliare SpA (established in 1991) and DB Fiduciaria SpA (a fiduciary company acquired from BAI's sister company DB Finanziaria SpA in 1992).

The bank's profitability and capital strength increased continuously in the period following the acquisition, and its dividend payment was resumed in 1992, although it was suspended in the year in which Banca Popolare di Lecco was acquired because over 50 per cent of this acquisition was financed by the bank in Italy out of its own cash flow. In 1989 the bank had 100 branches; following the relaxation of Bank of Italy regulations on the opening of new bank branches, and in common with the rest of the Italian banking system, it embarked on a course of rapid expansion of the network, which had reached 120 branches at the end of 1990; by the end of 1992 the total was 149.

Banca Popolare di Lecco



As mentioned above, in November 1993 BAI made another acquisition, the twelfth in its history and larger than any previous one. The bank that it acquired was Banca Popolare di Lecco, a strong regional bank with 90 branches around Lake Como and in the Brianza, the prosperous area between Milan, Como and Lecco.² The purchase, from majority shareholder Banca Popolare di Novara for a total of around 800 billion lire (including the shares of minority shareholders subsequently bought out during 1994), was partly financed to the tune of 300 billion lire by a capital increase from Deutsche Bank (December 1993) and by a 100 billion lire 10-year subordinated loan from the parent (January 1994). Following this transaction, BAI's equity at the end of 1993 amounted to 1.4 billion lire.

Banca Popolare di Lecco was formally merged into BAI on 1 December 1994 and so no longer presented an annual report for 1994. Because of the particular position that BPL occupied in the local community (its market share in some locations exceeding 40 per cent), it was decided that the bank should remain as a commercially independent division within BAI and that the name 'BPL' should not completely disappear, but that it should remain on branch signage together with the additional information that the bank was a division of BAI. The only exceptions to this rule were BPL's branches in Milan and Rome (three each), which took the name BAI. However, the logical consequence of the retention of the name BPL was that the name BAI itself no longer appeared appropriate in the new context: the BPL division's branches would have had a very long name containing the words 'Lecco', 'America' and 'Italia' – somewhat confusing, especially considering that the bank was part of a German group!

In 1994 the name 'BAI' was changed to 'Deutsche Bank'



It was for this reason that the decision was taken to change the name 'Banca d'America e d'Italia SpA' to 'Deutsche Bank SpA' with effect from 1 October 1994. There was much regret at the demise of an historic name, which had lasted for 72 years, and all branches held 'farewell' parties to mark the event.

The adoption of the name Deutsche Bank was extended to all group subsidiaries: thus BAI Leasing and BAI Factoring became Deutsche Bank Leasing and Deutsche Bank Factoring respectively, BAI Gest became Deutsche Bank Fondi, and BAI SIM became Deutsche Bank Securities SIM.

Despite the bank's rapid expansion and its acquisition of new business areas, it remains one of its objectives to retain a common corporate culture, embracing not only the legacy of Giannini but also the guiding principles of Deutsche Bank. It finds itself in a stronger position than at any other time in its history, with 620 branches in all main regions of Italy. As a result of the acquisition of Banca Popolare di Lecco the highest concentration of its branches is in Lombardy, but there is still a strong focus on the regions of Naples and Liguria, from where the bank draws its origins dating back to the beginning of the last century.

Rupert Limentani

¹The Bank of Italy merged with the smaller Bank of America, Los Angeles in 1928. In 1930, Giannini changed the name „Bank of Italy“ to „Bank of America“.

²This brief history of BAI cannot do justice to the many events that have marked Banca Popolare di Lecco's history, which have been amply documented in a number of books published during recent years. One of the most complete accounts of the bank's early years appeared on its 75th anniversary in 'I Settantacinque Anni della Banca Popolare di Lecco 1872-1947' (Lecco, Banca Popolare di Lecco / Fratelli Grassi 1948).

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