

# Chapter 9

## German International Banks in East Asia (1889–1913)



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**Abstract** In this paper, the development in and withdrawal from Asia of the Deutsche Bank and the development and characteristics of the Deutsch-Asiatische Bank (hereinafter, DAB), also in Asia, are analysed. On DBA, the analysis is based on the newly explored archival materials, which are original financial statements of the bank in 1906. DBA's headquarter was established in Shanghai, which was an economic centre in Asia linked to the international market. On the other hand, due to its Articles of Association, the DBA's overall corporate governance was determined in Berlin. During the steady development of the economic situation in Asia, the core banking operations of the DAB were foreign exchange business and trade-related lending to European trading companies, comprador capitalists, and local financial institutions, while in Shangdong Province, the German settlement in China, the DAB established close relationships with the railway and mining managements. As an outcome of business activities in 1906, the DAB generated almost all profits based mainly on foreign exchange revenue. In detail, the Shanghai, Tientsin, Berlin, Tingtau, Hong Kong and Yokohama offices earned profits. Thus, the role of the DBA was important not only from the perspective of the imperialism theory constrained by capital export but also from the perspective of establishing trade finance infrastructure.

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## 1 Introduction

The Deutsche Bank was founded to accomplish the task of foreign trade financing in 1870. The Shanghai and Yokohama branches were opened in 1872 to start the Deutsche Bank's business in East Asia. One of the jobs of the Deutsche Bank was to sell a large amount of silver, a good portion of which was part of the silver stock held by the German Government. Yet, both Asian branches were closed in 1875, with large currency losses caused by the fall of the silver price.

After the Deutsche Bank's withdrawal from East Asia, the Deutsch-Asiatische Bank was founded in 1889 to secure opportunities for Germany's commitments in East Asia. The Deutsch-Asiatische Bank was a joint institution of large German banks under the leading role of Disconto-Gesellschaft; however, the founding of the bank was an arduous process.

The Deutsch-Asiatische Bank was first headquartered in Shanghai, and then branches were opened not only in China, but in other Asian countries and Germany.

In this paper, the development and withdrawal of the Deutsche Bank and the development and peculiarity of the Deutsch-Asiatische Bank are analysed by using their financial statements and protocols of bank management. The analysis focuses on the original financial statements (the balance sheet and the profit and loss statement) of 1906, a relatively stable year in the history of the Deutsch-Asiatische Bank. The statements that were accidentally found to still exist in the Historical Archive of the Deutsche Bank included an entry of all titles of the accounts of the head office and all branch offices that reflected all banking activities.

First, the documents are explained based on their characteristics and composition. Next, the titles of the account of each branch office are placed together and consolidated. Then, the financial statements of each branch office are rearranged to match the original financial statements of 1906. Through this procedure, the synthesis balance sheet and the synthesis profit and loss statement are generated. With these synthesized financial statements, the financial conditions of the Shanghai head office and each branch are clarified, along with the tendencies of the internal transaction among all branch offices.

## 2 The Deutsche Bank's Branches in Shanghai and Yokohama and the Deutsche Bank's Withdrawal from Asia

### 2.1 *Establishment of the Deutsche Bank and Its East Asia Business*

The initiative for setting up the Deutsche Bank came from a group of private bankers headed by Adelbert Delbrueck. The plan was to create a big joint stock bank, whose main functions were to finance German overseas trade. With such a bank, German trade and industry were expected to free themselves from English dependence for the financing of overseas trade.

On 21 March 1870, the door of the Deutsche Bank was open for the First General Meeting of shareholders—76 shareholders (mainly private and joint stock banks) subscribed a starting share capital of 5 million Talers (15 million Marks).<sup>1</sup> Article 2 of the Statute of the Deutsche Bank stated that:

The purpose of the company is to carry on banking transactions of every description, in particular to further and to facilitate the trade relations between Germany, the other European countries and the overseas markets.<sup>2</sup>

On April 9 of the same year, the Deutsche Bank was established with a paid-up capital of 2 million Talers—that is, 40% of the nominal capital.<sup>3</sup> The Deutsche Bank opened a small head office in Berlin, the Bremen branch in 1871, and then the Hamburg branch in 1872. The Shanghai and Yokohama branches were opened in May 1872 to start the Deutsche Bank's business in East Asia. The opening of the London branch was delayed until March 1873 because of legal complications.

From the start, the Deutsche Bank's East Asian business suffered from Germany's adoption of the gold standard in 1872. However, the bank was given the job of selling 1000 million Marks of silver in East Asia.<sup>4</sup> This silver was a part of 1530 million Marks of silver stock, which the German Government held because of the demonetization of silver currency in Germany. However, the East Asian branches had capital denominated in silver, which, over the years, depreciated in terms of the gold-based Pound Sterling. That is, the silver price in London began to slip from 1873,

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<sup>1</sup>Müller and Forst (2007), pp. 12, 15.

<sup>2</sup>Pohl (1988a), Whale (1930), p. 16.

<sup>3</sup>Seidenzahl (1970).

<sup>4</sup>Pohl (1988c).

and one of the causes of this fall was the sales of silver demonetized by Germany itself. Large exchange losses thereafter and the general depression of trade in the 1870s forced the liquidation of the Deutsche Bank's Asia branches. The Shanghai branch was closed in 1875 with losses of 245,000 Marks and the Yokohama branch was closed in the same year with losses of 191,000 Marks. These losses together accounted for 10% of the original foundation capital (Dotationskapital) of the two branches.<sup>5</sup>

## 2.2 *Causes of the Deutsch Bank's Withdrawal from East Asia*

Table 1 shows the total assets and profits of the Berlin head office and its branches in the early years of the Deutsche Bank. For the Deutsche Bank, the total assets increased from 48.5 million Marks in 1871 to 148.7 million Marks in 1875. During the same period, the paid-up capital increased from 15 million Marks to 45 million Marks. The breakdown of total assets between the head office and those of the branches was about 35% for the former versus 65% for the latter. The net return on assets was far lower in the branches than in the head office. However, after the closing down of the two Asian branches in 1875, the return on assets of the branches increased considerably from 1.15% in 1874 to 1.28% in 1875. This shows the extent of the damages done by Asian branches to the performance of the Deutsche Bank. The fall of the silver price is conventionally considered 'the true reason why the Deutsch Bank (in East Asia) fell into difficulties'.<sup>6</sup> However, Bauert-Keetman commented that the scale of trade between Germany and China was not large in those days. Hence, the scope of business activity for the Deutsche Bank was low.<sup>7</sup> This may be the more appropriate evaluation. In either case, after the withdrawal from the East Asian business, although the original program of financing overseas trade was nominally maintained, the bank developed into a German universal bank, 'strengthening an entry to the domestic capital market more to investigate profit in banking services'.<sup>8</sup>

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<sup>5</sup>Plumpe (2004).

<sup>6</sup>Pohl (1988b), Barth (1995), pp. 20–21, Rosendorf (1940), p. 104.

<sup>7</sup>Bauert-Keetman (1988), p. 8.

<sup>8</sup>Gall et al. (1995), pp. 22–23.

**Table 1** Development of the Deutsche Bank (1871–1875) (Mark, %)

Fiscal year	1871	1872		1873	1874	1875
Total assets	48,481,325.85*			139,858,401.90**	156,760,662.80**	148,667,221.8
Economic growth	100			289	323	307
Assets: profit	A	P	A	A	P	A
Head office	64.0	88.6		80.6	67.2	74.8
Branches	36.0*	11.4*		19.4	32.8	25.2
					38.3	30.1
						65.6
						34.4
						48.5

Source Geschäft-Bericht der Direction der Deutschen Banken für die Zeit vom 1871 bis 1875

Note 1 The Exchange Rate of Taler to Mark as follows

\*4082 Goldthlr.:39 Gt = 4449 Couranthlr.:29Sgr (1.Goldthlr = 1.09 Couranthlr.) (Geschäft-Bericht der Direction der Deutschen Banken für das Jahre 1871, S.11)

\*\*1Thlr. = 30 Silbergroschen (Sgr.), 1Sgr. = 12 Pfennigen(Pf.), 1Thlr. = 3Mark

Note 2 A: Assets Holdings Ratios, P: Profit Securing Ratios

### 3 Development and the Peculiarity of the Deutsch-Asiatische Bank

#### 3.1 *Foundation and Business Organization of the Deutsch-Asiatische Bank*

After the German overseas banks experienced a 14-year interim in East Asia, the Deutsch-Asiatische Bank (hereinafter, 'DAB') was founded in 1889 to secure opportunities for Germany to make commitments in East Asia. The DAB faced difficult problems in the Chinese market from its inception. Most of the German firms engaged in business in East Asia had already developed close relations with the Hongkong and Shanghai Banking Corporation. Moreover, the Hongkong and Shanghai Banking Corporation opened a branch in Hamburg in 1889, thus coming into direct competition with the DAB.<sup>9</sup>

The founding of the DAB was an arduous process. The Government of Imperial Germany, in cooperation with the Disconto-Gesellschaft and the Deutsche Bank, put forward a plan to start a bank called the *Ostasiatische Bank* as the *Ueberseeische Reichsbank* (overseas state bank).<sup>10</sup> The project stumbled upon legal and practical difficulties, and was thus forfeited. Afterwards, a banking group of the Disconto-Gesellschaft and the Deutsche Bank formulated a plan to found a 'Deutsch-Chinesische Bank' in cooperation with all the major banks of Germany. However, recent research has revealed that another plan to find an overseas bank in China existed. In May 1887, a banking group headed by R. Warschauer & Co. and the Berliner Handels-Gesellschaft, which had succeeded in underwriting the first Chinese government securities in Marks,<sup>11</sup> announced a 'detailed plan to found an overseas bank establishment in China'. These two banking groups were soon unified through the intermediary efforts of the Koenigliche Seehandlung (Prussia's state bank). It is said that there was tacit pressure from Bismarck, recommending the two bank groups to join their forces.<sup>12</sup> The DAB was born as a result of this other plan.

One special feature of the DAB was that its capital and all its financial statements were expressed in terms of Shanghai Taels. However, the capital was paid up in Marks based on the then prevailing price of silver. As the first portion of the capital, 5 million Shanghai Taels (hereinafter, 'Sh.Tls.') were recorded.

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<sup>9</sup>Müller-Jabusch (1940), p. 50, Plumpe (2004), pp. 35–36.

<sup>10</sup>Wolff (1930), pp.39-40 and p.50, and Disconto-Gesellschaft (1901), pp.84–85.

<sup>11</sup>King (1991).

<sup>12</sup>Bauert-Keetman (1988), pp. 25–34.

The members of the founding consortium combined in the promotion are as follows:

1	Discont-Gesellschaft	805
2	Generaldirektion der Seehandlungssozietät	175
3	Deutsche Bank	555
4	Bleichröder	555
5	Berliner Handels-Gesellschaft	470
6	Bank für Berliener Handel und Industrie (Darmstaedter Bank)	310
7	Rob. Warchauer & Co. in Berlin	310
8	Mendelssohn & Co. in Berlin	310
9	Jacob S.H. Stern in Frankfurt a. M.	470
10	M.A.v. Rothschild & Söhne in Frankfurt a. M.	310
11	Norddeutsche Bank in Hamburg	380
12	Sal. Oppenheim jun. & Cie in Koeln	175
13	Bayerische Hypotheken-und Wechsel-Bank in Muenchen	175
Sum total		5000 <sup>a</sup>

(in thousand Sh.Tls.)

<sup>a</sup>Whale (1968), pp. 72–73

This amount which was paid up in 4.5 Marks in terms of the Sh.Tls. represented 25% of the nominal capital at the time of establishment. The initial effective capital consequently amounted to 5.655 Million Marks.

A few years later, in April 1895, Dresdner Bank, A. Schaafhausensche Bankverein and a banking house Born and Busse in the autumn of the same year, and Nationalbank für Deutschland and a banking house L. Behrens and Söhne joined with the DAB to expand the banking business in East Asia.

As the unpaid capital in 1896 decreased from 3.75 million Sh.Tls. in the previous fiscal year to 1.87 million Sh.Tls., 50% of this capital was contributed by the latter banks. Due to the exchange rate at that time—which was traded at 3 Marks per 1 Sh.Tls.—and although also explained by Otto, W., they would have participated with the equivalent amount to the preceding banks. At this stage, the DAB grew to be the national overseas bank representing the interest of the major banks in Germany.<sup>13</sup>

The DAB's head office was established in Shanghai and a branch office was opened in Tientsin in 1890. In the course of the next 20 years, an organization that covered China completely was steadily built up, as branch offices were opened in Hankow (1897), Tsingtau (1898), Tsinanfu (1904), Peking (1905) and Canton (1910). At the same time, the DAB also formed an Asia network of branch offices that included Calcutta (1896), Hong Kong (1900), Yokohama (1905), Kobe (1906) and Singapore (1906). In addition, branch offices were established in Germany, namely in Berlin (1896) and Hamburg (1906).<sup>14</sup>

<sup>13</sup>Müller-Jabusch (1940), pp. 31–2, 72–3, and Das Ziffernwerk, Aktiva, and Otto (1910).

<sup>14</sup>Whale (1968), pp. 73.

### 3.2 *Organization and Management Control Structure of the DAB*

In the protocol dated 26 August 1906 of the DAB, information reporting the business activities of the bank, such as an organization chart, names of associated companies, total holdings of securities, the process of capital increase, pay-out ratio over the past 10 years, and reserve funds of that year, are specifically described. Among them, a particularly noteworthy item included the organization chart on which the position and the home bank are clearly indicated next to the name of each member of the Supervisory Board and the name of branch manager which formed the Management Board. The Supervisory Board was composed of 16 members. The chairman was Dr Knappe from Seehandlungsszietät and the first deputy chairman was Schoeller, A. from Discont-Gesellschaft. In addition, the second deputy chairmen were Wallich, H. from Deutsche Bank and Urbig, F. from Discont-Gesellschaft. Being multilingual, Urbig, F. became the main person in charge of the China business.

The Executive Business Committee was set up by the Supervisory Board which elected nine members for this Committee. The Committee was the central headquarters for collecting the information on the activities of the bank, deliberating on the immediate business matters, and arranging the subjects for the Supervisory Board.

Managing Directors of the bank are assigned according to the importance of the business area, with three directors in the Berlin branch, but only one director in each of the other branch of Calcutta, Yokohama, Hamburg and even Shanghai head office.

According to the DAB's Articles of Association, the Supervisory Board had its domicile in Berlin. Further, three-quarters or more of its members had to be residents of Berlin, and all the members should have been residents of Europe.<sup>15</sup> As a result, the actual decision making for the management of the DAB was largely performed by the 'Executive Business Committee', which consisted of the leading members of the Supervisory Board and the principal directors of the Berlin branch office. Thus, the bank's business of the Shanghai head office and all branch offices were directed by policy decisions made in Berlin.<sup>16</sup>

After 1906, the bank's business involving public bonds and loans of national and local government in China, Japan and Korea, besides the securities of railway companies guaranteed by government, was being effectively dealt with in the meetings of the Consortium for Asian Business, which had been set up in 1890.<sup>17</sup> When the two different administrative governing bodies with different business area in East Asia both came into operation, the problem of how to handle both business entities in a unified and coordinated manner arose. In those days especially, the pursuit of

<sup>15</sup>Plumpe (2004), p. 45.

<sup>16</sup>Protokoll der Sitzung des Geschaefts-Ausschusses der Deutsch Asiatische Bank vom 26 Aug. 1906, Plumpe (2008), pp. 19, 20. The Committee members other than main members, according to available protocol, were Müller, W. from Dresdner Bank, Mendelssohn, R. V. from Mendelssohn & Co., Oppenheim, H., from Rob. Warchauer & Co., Fürstnberg, C. from Berliner Handels-Gesellschaft and Blaschke, A. from Bleichroeder.

<sup>17</sup>Müller-Jabusch (1940), pp. 52–53.



German interests itself was an inevitable task in the face of intensifying competition between the Western powers. The German banking syndicate responded to this complicated problem because the main persons in business management belonged to both organizations (Table 2).

Due to restricted conditions on the research materials, determining the exact number of meetings in both organizations was difficult, but ad hoc meetings of the Consortium for Asian Business were concentrated and called the most frequently.

**Table 2** Members of the DAB and the consortium for Asian business

The consortium for Asian business		The DAB	
The participating banks	Members of meetings	Executive business committee	Member of supervisor
Chairman	<b>Schoeller</b>	<b>Schoeller</b>	<b>Schoeller</b>
Bank für Handels & Industrie		<b>Klitzing</b>	<b>Klitzing</b>
Bayerische Hypotheken & Wechselbank			
Berliner Handeisgesellschaft	Mosler, <b>Füstenberg</b> , Ahrens	<b>Füstenberg</b>	<b>Füstenberg</b>
Bleichröder	<b>Blaschke</b> , Wolff		<b>Blaschke</b>
Deutsche-Asiatische Bank	<b>Erich, Rehders</b> , Messing	<b>Erich, Rehders</b>	
Deutsche Bank	Heinemann, Mankiewitz, Michaiowsky	<b>Wallich</b>	<b>Wallich</b>
Direction der Discout-Gesellschaft	<b>Urbig</b>	<b>Urbig</b>	<b>Urbig</b>
Dresdner Bank	Nathan, <b>Müller</b>	<b>Müller</b>	<b>Müller</b>
Jacob S. H. Stern	<b>Braunfels</b>		<b>Braunfels</b>
L. Behrens & Söhne			
Mendelssohn & Co.	<b>R. V. Mendelssohn</b> , P. V. Mendelssohn-Bartholdy	<b>R. V. Mendelssohn</b>	<b>R. V. Mendelssohn</b>
Nationalbank für Deutschland	Stern, Witting, Schiff, Curt Sobernheim		
Norddeutsche Bank in Hamburg	<b>Schineckel</b>	<b>Schineckel</b>	<b>Schineckel</b>
Sal. Oppenheim Jr. & Cie.	<b>H. Oppenheim</b>		<b>H. Oppenheim</b>
A.Schaaffhausenscher Bankverein	Schwitzer, Thomas, Schröder, <b>Samuel</b>		<b>Samuel</b>
Deutsch-Chinesische Eisenbahn-Gesellschaft	Hoeter		Managing Director

Source Konsortium für Asistische Geschäfte, Sizung für das Jahr 1909, Protokoll der Sizung des Mitglied des Aufsichtsrat der DAB von 18 Juni 1909 and Deutsch-Asiatische Bank (1894, 1897–1913) *Geschäfte- Bericht* für das Jahr 1909

**Table 3** Number of meetings of the Asian business

	1909	1910	1911	1912	1913	Total
Executive business committee	10	5	7	6	3	31
Supervisory board	1	1	2	2	1	7
Consortium for Asian business	11	4	8	11	11	45
Total	22	10	17	19	15	83

*Source* Protokoll der Sitzung des Mitglied des Ausschtrats der Deutsch-Asiatische Bank, 1909–1913, Protokoll der Sitzung des Geschäfts-Ausschusses der Deutsch-Asiatische Bank, 1909–1913 and Konsortium für Asiatische Geschäfte, Sitzung für das Jahr 1909–1913

For example, in chronological order, various meetings were held in 1909, three times in March, twice in May, and three times in June; in 1910, twice in October and in 1913, three times in January and four times from the end of April to the beginning of May (Table 3). The schedule of these meetings exceptionally overlapped with that of the Executive Business Committee.<sup>18</sup> Hence, a two-sided system of this sort was consciously constructed to allow for the strict division of the business areas of both entities.

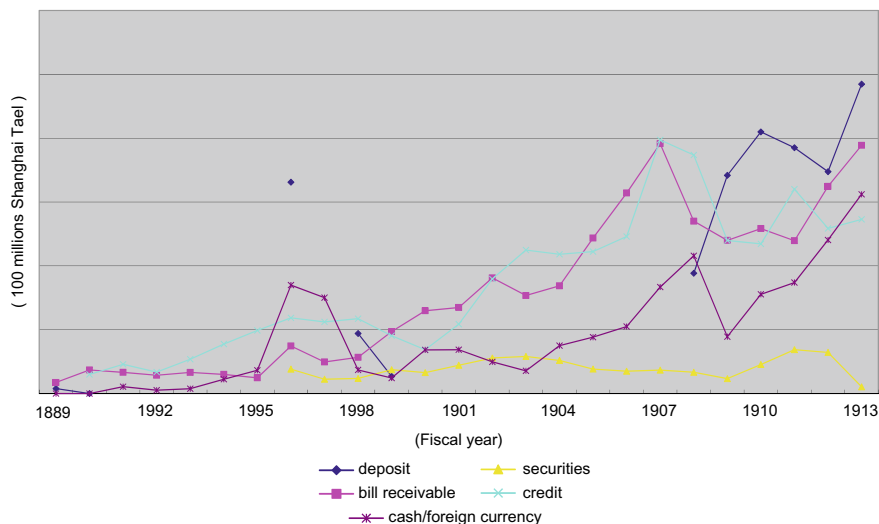
### 3.3 Main Assets of the DAB (1889–1913)

The movements of the five main asset accounts of the DAB are shown in Fig. 1 (in Sh.Tls.) from 1889 to 1913, namely deposits with other banks, bills receivable, securities, credits (loans and advances) and cash/foreign currency holdings. Among these accounts, bills receivable and credit grew rapidly. In 1907, bills receivable were 10.6 times of the amount in 1890, and credit grew to be 13.2 times of the level of 1890. On the other hand, securities holdings grew relatively slowly, and its amount never exceeded 3.5 million Sh.Tls. Although the DAB was a member of the Consortium for Asian Business on the issue of Asian securities in the German capital market and acted as the representative of the consortium in Asia, its holding of securities did not markedly increase. Indeed, the proportion of securities to the total assets declined in the course of time. Instead, cash/foreign currency on hand and deposits with other banks increased markedly from 1908.

The composition of assets of the branch offices underwent a remarkable change after 1908, when the Chinese economy underwent depression in the wake of the world economic crisis of 1907–8.<sup>19</sup> Then, in 1911, the Republican Revolution took

<sup>18</sup>Based on the remaining protocols, the Committee's holding was as follows: In 1909, on January 6, February 3, March 3, April 29, May 25, June 20, July 18, October 13, November 19 and 20; in 1910, February 9, March 8, April 13, May 18, June 28, July 28, September 13, December 6, and so on. Evidently, the Committee was regularly held almost once a month (Drawing up by means of the concerned year of Protokoll der Sitzung des Geschäfts-ausschusses der Deutsch Asiatische Bank).

<sup>19</sup>Müller-Jabusch (1940), p. 223.



**Fig. 1** The main assets of the Deutsch-Asiatische Bank (1889–1913)

**Table 4** Average value of every five years about main assets (1890–1913) (100 Mill. Shanghai Tael) (SD)

	Cash/foreign currency	Deposits with other bank (SD)	Bill receivable	Securities	Credit
1890–1894	0.562 (0.330)		1.622 (0.160)		2.408 (0.949)
1895–1899	1.151 (0.478)	7.538 (6.992)*	3.027 (1.360)	1.525 (0.427)**	5.379 (0.613)
1900–1904	2.977 (0.818)		7.680 (1.092)	2.341 (0.512)	7.998 (3.440)
1905–1909	6.731 (2.746)		14.591 (3.155)	1.671 (0.295)	15.790 (4.137)
1910–1913	8.236 (3.227)	20.338 (2.894)	15.139 (3.398)	2.366 (1.327)	13.579 (1.803)

Source Müller-Jabusch (1940) Ziffernwerk:Aktiva

Note 1 \*3 years of 1896, 98, 99; \*\*Years of 1896–1899

Note 2 4 years of 1910–1913, SD Standard Deviation

place. This scared the Chinese merchants, who drew cash from their accounts at the Chinese banks, and these banks were not able to deal with the withdrawals of the deposits. This event also took place in the background of the change of the main assets after 1908.<sup>20</sup> Table 4 shows the five-year average amounts of the five main asset accounts. In 1890–94 and 1895–99, the credits far surpassed the amounts of the bills receivable. From 1890 to 94, credits increased by 50%, and during 1895–99, the increase was 80%. However, the relationship between credits and bills receivable

<sup>20</sup>Deutsch-Asiatische Bank (1894, 1897–1913), *Geschäfts-Bericht* für das Jahr 1909–1911.

was completely reversed in 1900–04. The average amount of bills receivable for this period was 2.5 times of the average of the previous five-year period and amounted to about 8 million Sh.Tls. The average amount of the credits in 1900–04 was only 1.5 times of that of the previous period and the average sum of this account also reached 8 million Sh.Tls. In the next five years, 1905–09, the average amount of the bills receivable was 14.6 million Sh.Tls., which was 1.90 times of the previous period, while the average amount of credits was 15.8 million Sh.Tls., which was 1.97 times of the previous period. However, in 1910–13, credits declined a little and the average for the four years was 13.6 million Sh.Tls., while bills receivable showed a small increase in the average amount and reached 15.1 million Sh.Tls., thus surpassing the level of credits. However, the amount of bills receivable was subject to wide fluctuations from year to year.

On the other hand, the amount of cash/foreign currency on hand gradually increased from 1905, and deposits with other banks remarkably increased during 1910–13. In 1913, the amount of cash/foreign currency on hand plus deposits with other banks became almost equal to the sum of bills receivable and credits. Further, in the balance sheets of 1912 and of 1913, the amount of deposits, which had been included in the debt account in the balance sheets of former years, was independently shown for the first time.<sup>21</sup> Deposits exceeded 10 million Sh.Tls. in 1912 and 1913, nearly 60% of which consisted of time deposits of maturities of more than three months. The share of deposits to the total liability of the DAB was only about 20% in 1912 and 1913.<sup>22</sup> With the big banks in Berlin, the share of deposits to the total liability was about 43% during the same period. This difference reflects the difference in business of the domestic credit banks and of international banks such as the DAB. As the economic and political confusion continued and intensified in China, the DAB faced increasing difficulties. Although the instability benefitted the international banks, because an increasing number of Chinese people chose foreign banks as their safe havens and deposits continued to increase, the total liability of the DAB multiplied compared with the 20% share of deposits.

<sup>21</sup>Tomioka (1916), pp. 353, 369–371.

<sup>22</sup>

Unit: Shanghai Tael

Maturity dates of deposit	1912	1913
Within 7 days	1,172,006.33	1,690,052.08
From 7 days to 3 months	3,493,714.81	2,615,756.33
Over 3 months	7,178,794.88	5,820,643.85
Total	11,844,516.00	10,126,452.26

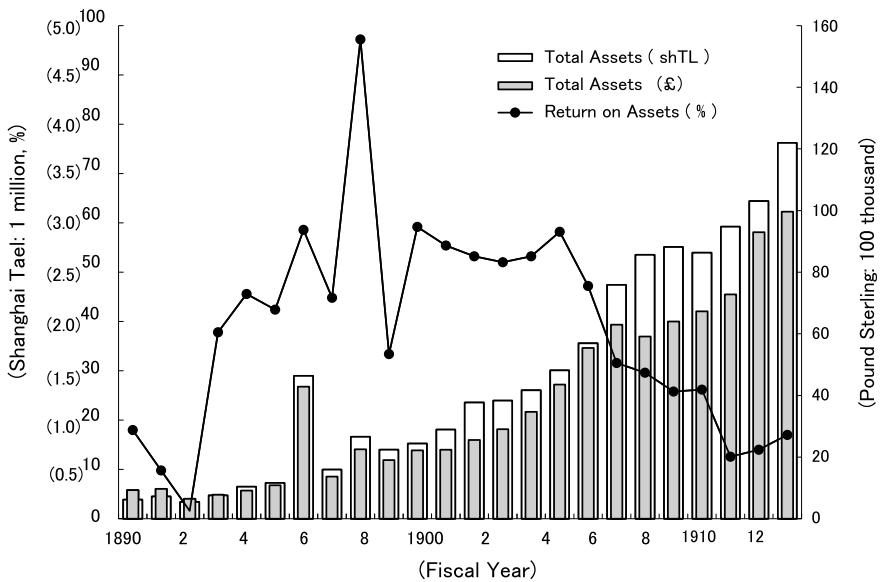
Source Deutsch-Asiatische Bank (1894, 1897–1913), *Geschäfts-Bericht* für das Jahr 1912–1913

### 3.4 Assets and Profits of the Entire DAB, 1889–1913

Figure 2 and Table 5 show the total assets and the return on assets of the DAB in its entirety. During 1890–94, the average of the total assets amounted to 4.60 million Sh.Tls. or 0.85 million Pound Sterlings. During 1910–13, the average total assets were 63.46 million Sh.Tls. or 8.32 million Pound Sterlings. Therefore, in terms of Shanghai Taels, the assets grew 13.80 times between the average of the years 1890–94 and that of the years 1910–13, but in terms of Pound Sterling, the growth was only 79 times during the same period. It also appears that, both in terms of Shanghai Taels and Pound Sterling, the growth of assets accelerated from 1900–04. Acceleration was particularly notable during 1905–09.

The DAB’s return on assets was subject to extreme fluctuations. Its average level and its standard deviation for each five-year period are shown in Table 3. In 1900–04, the return on assets was 2.23% and the standard deviation was 0.14%, so the coefficient of variation was only 0.063. In 1905–09, the average level of the return on assets was 1.92%, but the standard deviation was as high as 0.69%, which resulted in a coefficient of variation of 0.359. During 1910–13, the average was 0.87%—that is, less than half of that of the previous period. Moreover, the standard deviation was 0.31%, so that the coefficient of variation was 0.356. These figures suggest a declining trend in the return on assets, which is clearly shown in Fig. 2.

In conclusion, the DAB was favoured with good economic conditions up to about 1905 and realized a reasonable level of return on assets, but thereafter, the level of



**Fig. 2** Assets (Shanghai Tael, Pound Sterling) and Profit of the Deutsch-Asiatische Bank (1890-1913)

**Table 5** Total assets and return on assets on the average value of every five years (1890–1913) (SD)

	Total assets		Return on assets (%)
	1000 Shanghai Tael	1000 pound sterling	
1890–1894	4598.2 (1188.7)	846.7 (135.0)	1.13 (0.93)
1895–1899	15,361.8 (8418.6)	2180.3 (1262.1)	2.76 (1.26)
1900–1904	21,379.6 (4519.5)	2679.4 (532.1)	2.23 (0.14)
1905–1909	44,349.2 (11,062.8)	5701.5 (824.8)	1.92 (0.69)
1910–1913	63,460.0 (9532.3)	8317.2 (1557.0)	0.87 (0.31)

Source Müller-Jabusch (1940) Ziffernwerk Aktiva, Gewinn und Verlustrechnung, and Schneider, J., Schwarzer, and O., Zellfelder, F. (1992), pp. 153–154

Note 1 SD Standard Deviation

Note 2 The Exchange Rate of Shanghai Tael to Pound Sterling is set at the December of Every Years

Note 3 Unpaid Capital is deducted from Total Assets

return on assets declined and became subject to extreme gyrations. This change of circumstances is also reflected by the movement of the rate of dividends, which is shown in Table 6. Taking five-year averages, the distribution rate was as follows:

Years	Average rate of dividend (%)
1890–94	2.9
1895–99	8.0
1900–04	8.6
1910–13	6.25

## 4 Financial Statements of the DAB

### 4.1 Drawing up of the Financial Statements and Problems—Synthesis Balance Sheet and Synthesis Profit and Loss Statement

The original financial statements of 1906, the balance sheet (hereinafter, ‘Original B/S’) and the profit and loss statement (hereinafter, ‘Original P/L’) were accidentally found to still exist in the Historical Archive of the Deutsche Bank. In those financial statements, all titles of the accounts of the head office and all branch offices are described, added up, and further drawn up in handwriting.<sup>23</sup> In the history of the

<sup>23</sup>Deutsch-Asiatische Bank (1906a, 1907) and Protokoll der Sitzung des Geschäfts-Ausschusses der Deutsch-Asiatischen Bank von 24. Mai 1907.

**Table 6** Dividend rate (1890–1913)

Fiscal year	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901
Dividend rate (%)	–	2.5	0	0	5	7	8	10 + Bonus	6	10	6	7	7
Fiscal year	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	
Dividend rate (%)	9	10	10	11	9	8	8.5	8	8	5	5	7	

Source: Bautert-Keetman (1988), p. 323

DAB, a characteristic of 1906, the year which the organization of the DAB was readied in Germany, India and each Chinese foothold city was that the profit rate was good, and the business expansion was performed favourably.

In the Original B/S and the Original P/L, the assets, debt, capital and performance of the DAB were displayed in the local currency peculiar to the area in which each branch office was located, because the branch offices existed under separate currency systems—for example, Calcutta was the Rupee, Singapore was the Straits-Settlements-Dollar, Hong Kong was the Hong Kong-Dollar, Yokohama and Kobe were the Yen, Berlin and Hamburg were the Mark, and lastly each area of the China had its own peculiar Tael. In hindsight, the financial statements should have been displayed in two kinds of currency, the local currency and the Shanghai Tael, along with the exchange rate of local currency with the Shanghai Tael at the time of their making.

The form of the financial statements was composed of unified titles of accounts used in the DAB in its entirety. Accordingly, each title of an account item was calculated by unifying the common account item that each branch office displayed. As an example, a part of the credit account (Shanghai head office, and Singapore, Yokohama, and Tientsin branch offices) with some revisions in the debtor side of Original B/S was extracted in Table 7.

The branch office with the credit concerned relating to the other branch offices is shown in parenthesis in the first column, namely the 'Name of Debtors'. The branch office names arranged below the '( )' are those of the borrowers, or in other words, the debtors to the branch office with the credit. Further, the name of the branch office within each parenthesis is taken away as an extract object here. The amounts of the account are indicated in the next column, namely 'Credit in Each Currency (1)'. The Shanghai head office is shown in Shanghai Tael, while the other branch offices are mainly shown in the local currency of the area where each branch office was located. The amount of credit in each currency converted to Shanghai Tael is set up in the column 'In Terms of the Shanghai Tael (2)'. Based on the comparison of the amounts in these two columns, the exchange rate of each currency for Shanghai Tael at the time when the Original B/S was made can easily be calculated. The credit of each branch office is also put in the debt account in the same amount to the creditor side. In this sense, mutual relations of the inside businesses between all the offices of the DAB can be understood by comparing the amount in credit against each debt. On the other hand, credit for the customers excluding the other offices of the DAB under the office concerned, shown in the fourth column as 'Credit after the Adjustment (4)', can be determined by subtracting the credit of the second column that the office holds in the other offices from the third column, namely 'Total Credit of Each Office (3)'. In other words, the credit of all other customers is  $(3) - (2) = (4)$ . Lastly, the sum of the credit of each office, the 'Combined Credit of the Bank (5)', is the total credit of the DAB in its entirety.

In summary, the following points should be noted:

1. The above example was only a part of the debtor side in the Original B/S.



**Table 7** Credit account in debtor side of synthesis balance sheet (original)

Name of debtor	Credit in each currency (1)	In terms of the Shanghai Tael (2)	Total credit of each office (3)	Credit after the adjustment (4)
<b>Shanghai</b>			5,214,873.50	
Tsingtau	120,861.31			
	101,573.80			
	117,827.95			
Hankow	200,193.77			
Yokohama	9,996.63			
Culcutta	525,754.69			
	66,150.06			
Singapore	10,570.30			
Tsinanfu	7,223.68			
Berlin	1,173,097.92			
Hamburg	3,277.65			
Kobe	17,649.82			
Hong Kong	1,197.99			
Tientsin	94,868.11			
Subtotal		2,450,273.68		2,764,599.82
<b>Singapore</b>			1,149,599.82	
Shanghai	Str.\$1, 730.00	1,312.64		
Kobe	Str.\$120.23	91.22		
	Y40, 900.56	27,147.75		
Culcutta	Str.\$2, 110.20	1,601.11		
Berlin	Mk.827510	262,285.26		
Hong Kong	HK\$278, 193.91	204,472.52		
Yokohama	Y1, 430.13	949.25		
Hamburg	Mk.6, 634.00	2,102.69		
Subtotal		499,962.44		6,49,637.38
<b>Yokohama</b>			440,392.47	
Hong Kong	Y331.24	243.83		
Kobe	Y38, 765.39	25,730.53		
Singapore	Str.\$236.91	179.75		
Hamburg	Mk.30,007.00	9,510.94		
Shanghai	Y76, 142.68	50,539.70		
Tsingtau	Y6, 281.69	4,169.47		
Subtotal		114,513.60		325,878.87
<b>Tientsin</b>			1,875,485.10	

(continued)

**Table 7** (continued)

Name of debtor	Credit in each currency (1)	In terms of the Shanghai Tael (2)	Total credit of each office (3)	Credit after the adjustment (4)
Tsingtau	Mx\$2, 177.51	1,614.19		
Kobe	tTL9,737.66	10,224.54		
Berlin	Mk.144,198.30	45,704.69		
Yokohama	Y8,458.07	5,614.04		
Hong Kong	HK\$7,741.65	5,690.11		
Shanghai		55,345.82		
	Mx\$4,119.49	3,049.45		
Peking	pTL4,661.49	4,941.18		
Tsinanfu	Mx\$150.41	111.35		
Tientsin ?		79,051.68		
Subtotal		211,347.05		1,664,138.05
Combined credit of the bank (5)				121,75,306.74

An extract from 4 offices (Shanghai · Singapore · Yokohama · Tientsin) 31 December 1906  
*Source* Deutsch-Asiatische Bank (1996b), *Zusammenstellung der Bilanzen per 31 December 1906*  
 in Historical Archive of the Deutsche Bank

*Note 1* All the values without the currency unit mark stand for the Shanghai Tael (sh.TL.)

*Note 2* Rate of conversion and the mark of each currency unit are as follows. 1(sh.TL.) = 1.318 Straits-Settlements-Dollar (St\$) = 1.35 Mexican Dollar (Mx\$) = 3.155 Mark (Mk.) = 1.507Yen (Y) = 0.96 Tientsin Tael (tTL.) = 0.95 Peking Tael (pTL.) = 1.36 Hongkong-Dollar (HK\$)

*Note 3* As for Tientsin? The reading is impossible

2. Though the notation of each title of an account differed, all titles of the accounts were based on a unified standard in both the debtor side and the creditor side.
3. This form also applied to the Original P/L.

## 4.2 Financial Statements of Each Office

In analysing the financial statements for this paper, all data for the accounts of each office, which had been collected in the unified standard of the DAB in its entirety, were reduced to each office again. Next, that data were arranged in the same form of the financial statements. In other words, the financial statements of each individual office were rearranged to match the Original B/S and the Original P/L (I reversed the items here, since the reasoning would be that the Original B/S and Original P/L, which were accidentally found to still exist, were used as the templates to make the financial statements for the individual offices).

The financial statements made through this procedure were recreated—that is, the individual balance sheet (hereinafter, ‘B/S’) and the individual profit and loss statement (hereinafter, ‘P/L’) of the head office and each branch office. Next, the

titles of the accounts in the B/S and P/L of the individual offices were placed together, consolidated and arranged such that the accounts of each office corresponded to the unified standard of titles of accounts in each form. Furthermore, the column of the combined totals of the DAB in its entirety was added. The end results are presented in Table 8, ‘The Synthesis Balance Sheet (The Head Office/Branches Offices, a Simple Version)’, and Table 9. ‘The Synthesis Profit and Loss Statement’.

In Table 8, the following points are considered as important:

1. The Stockholders equity, such as stock capital account and revenue reserve account, was taken from the Shanghai head office, and Dotationskapital (or officially provided capital, which was mentioned with a title, for example, Calcutta Capital) were used for the establishment of the foreign branch offices (i.e., Calcutta, Singapore, Berlin, Hong Kong, Yokohama and Kobe), except in the China area.
2. In Table 8, the total of the debtor side of the DAB in its entirety and that of the creditor side are expected to be equal; however, the total of both sides did not always agree at the level of the individual office. In other words, disagreement of the debtor side and the creditor side occurred.
3. In the internal transaction between the offices,<sup>24</sup> the entry in one office was already filled out in an accounting book, but it was not registered, in case a report did not arrive in the other office.
4. The setting of an account in transit would be necessary in accounting to allow this disagreement to be equal.<sup>25</sup> However, the amount itself, which was mentioned in each account of the debtor and the creditor, was appropriated without setting this adjustment account item in particular.
5. Capital Abzweigung (which was mentioned with a title, ramification of Dotationskapital) corresponded to the officially provided capital in the debtor side. However, neither of these accounts was mentioned in the balance sheet of the annual report of 1906.

Table 9 reflected the annual performance of the business activity of the DAB in its entirety during 1906 (I am not sure of the point intended, as Fig. 1 shows that the level of securities was habitually low, so I deleted the statement for now). The performance of each office was sorted by either profit or loss. However, interestingly, the debtor side and the creditor side of the individual office were always balanced.

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<sup>24</sup>For the discussion of the Deutsch-Asiatische Bank, I changed all references of ‘branch’ to ‘branch office’, so that the term ‘offices’ can be used to refer to the Shanghai head office and the individual branches.

<sup>25</sup>Tokai Bank (1967), pp. 294–299.

**Table 8** Synthesis Balance Sheet (The head office/branches, Simple Version, 31 December 1906, Shanghai Tael)

Debtor	Combined	Shanghai	Tientsin	Culcutta	Berlin	Tsingtau	Hankow	Hong Kong	Tsinaifu	Peking	Yokohama	Singapore	Hamburg	Kobe
Cash/Foreign Currency	5247429.03	3069640.19	274380.98	393074.23	109245.43	175940.8	64609.88	618493.81	58203.61	57152.04	254870.14	47013.67	6701.53	118102.72
Bill Receivable	16140481.51	3481214.53	2158594.82	3722487.15	112532.65	1018502.9		1332801.83	7466.94		2034330.89	653807.24	4024.9	1614717.63
(Domestic Bill)	772043.11	162423.44	71009.11	280341.96	22038.99	17658.44					140757.98			77813.19
Foreign Bill of Exchange	14952863.41	3194000.19	2087585.71	3442145.19	10924.35	975042.94		1332801.83	7466.94		1834166.65	653807.24	4024.9	1410897.47
(Others)	415574.99	124790.9			79569.31	25801.55					59406.26			126006.97
Securities	1752875.77	1517513.18	5779.51	86715.39	119902.77			5880			10898.77			6186.15
Credit	12175306.74	2764599.82	1664138.05	1296095.49	2426123.4	1214285.3	196565.71	1032770.65	167096.47	12301.63	325878.87	649637.38	230469.87	195344.09
Buildings and Lands	606600.97	288274.42	79051.68			57256.13	19596.64			50347.45	112074.65			
Personal Property	30272.9	668.22	1777.46	855.88		1249.22	393.62	487.71	541.42	827.67	2845.53	6928.45	4874.62	8823.1
Capital Abzweigung	4355036.92			691860.99	99119.44			1420000			750556.24	7587.50		634750.25
Total	40308003.84	11121910.36	4183722.5	6191089.13	2866923.69	2467234.4	281165.85	4410434	233308.44	120628.79	3491455.09	2116136.74	246070.92	2577923.94
<b>Creditor</b>	<b>Combined</b>	<b>Shanghai</b>	<b>Tientsin</b>	<b>Culcutta</b>	<b>Berlin</b>	<b>Tsingtau</b>	<b>Hankow</b>	<b>Hong Kong</b>	<b>Tsinaifu</b>	<b>Peking</b>	<b>Yokohama</b>	<b>Singapore</b>	<b>Hamburg</b>	<b>Kobe</b>
Stock Capital	7500000													
Dotationskapital	4371792.83	86806.24		658616.9	99119.44			1470000			663750	7587.50		634750.25
Revenue Reserve	634768.36	634768.36												
General Reserve	371828.83	371828.83												
a All Kinds of Fund	617158.81	617158.81												
Debt	24779379.28	6727568.03	3894807	3376024.21	3309019.18	1727756.2	150006.35	1623715.4	504284.35	576108.59	1740079.26	659843.87	115391.04	374975.82
Acceptance and guarantee	624419.88				416164.45								208255.43	
(Income)	1482011.14	919783.35	84921.8		251300.64	124233.27		56311.15	5850.02		39610.91			
(Loss)	73355.29			12962.65			6518.36			20702.06		22549.95	9937.8	684.47
Net Profit	1408655.85													
Total	40308003.84	16857713.62	3979728.8	4021678.46	4075603.71	1851989.5	143487.99	3150026.55	510134.37	555406.53	2443440.17	1396043.92	313708.67	1009041.6

Source Making up from Deutsch-Asiatische Bank (1906b), Zusammenstellung der Bilanzen per 31 December 1906 in Historische Archiv der Deutsche Bank  
Note "All Kinds of Fund" is added to Adjustments funds of Foreign Currency, Allowance for possible Loan Losses, Reserve for Buildings and Unpaid Dividend etc.

Table 9 Synthesis profit and loss statement (31 December 1906, Shanghai Tael)

Debtor	Combined	Shanghai	Tientsin	Culcutta	Berlin	Tsingtau	Hankow	Hongkong	Tsinanfu	Peking	Yokohama	Singapore	Hamburg	Kobe
Administrative expenses	492,768.41	107,523.03	37,995.07	57,862.28	45,974.57	40,680.76	12,025.22	47,901.34	10,185.58	23,383.04	47,957.86	26,084.59	11,008.14	24,186.93
Travelling expenses	16,019.52	5909.39	707.07	1709.33	224.31			1400.91	45.46	22.68	2779.27	1886.25	127.89	1206.96
Correspondence expenses	70,060.89	18,429.76	5979.81	6814.37		2758.30		18,819.39	267.43	231.94	10,250.40	2943.43	104.04	3462.02
Brokerage fee	101,336.83	20,503.72	13,124.56	11,684.68				34,437.05		1742.88	6732.84	7251.00	11,240.07	5860.10
Provision	18,826.70										67,720.37			
(Loss)	42,182.02	7829.57	2718.97	17,219.42				12,516.78	484.30	74.39	5841.23	575.36	1315.87	1321.92
(Income)	23,355.32				13,917.71	1721.82								36,037.93
Advertising expenses	1131.50				1131.50									
Stamp duty	4645.01			3167.45				1387.85				89.71		
Tax	4419.01				4419.01							38830.34		
Miscellaneous expenses	4857.03			98,457.53	4857.03									
(Income)	148,2011.14	919,783.35	84,921.80		251,300.6	124,233.3	6518.36	56,311.15	5850.02	20,702.06	39,610.91	22,549.95	9,937.80	684.47
(Loss)	73,350.29			12,962.65										
Net profit	1408655.85													
Total	2,122,720.75	1,079,978.8	145,447.28	85,494.88	293,989.4	165,950.5	5506.86	172,774.47	15,864.19	4604.09	101,490.05	16,280.39	-13.6	35,353.46
Creditor	Combined	Shanghai	Tientsin	Culcutta	Berlin	Tsingtau	Hankow	Hongkong	Tsinanfu	Peking	Yokohama	Singapore	Hamburg	Kobe
Profit brought forward	121,469.59	121,469.59												

(continued)

Table 9 (continued)

Creditor	Combined	Shanghai	Tientsin	Culcutta	Berlin	Tsingtau	Hankow	Hongkong	Tsinanfu	Peking	Yokohama	Singapore	Hamburg	Kobe
Gains on securities	288,881.41	31,347.53			257,533.5								0.42	
Coupon	563.64				558.94								4.70	
Foreign exchange gain	1,394,250.92	730,425.85	134,391.39	45,300.38	67.17	155,029.3	5061.46	189,699.10	13,988.94	2064.29	70,376.44	12,753.69	74.44	35,018.44
Rent from Shanghai office	12,000.00	12,000.00											79.56	
Custodial services	1450.00	1450.00												
Loan interest	288,807.93													
(Income)	305825.72	ientsin	11055.89	40194.50	20532.52	10,921.18	445.40		1875.25	2539.80	31113.61	3526.70		335.02
(Loss)	17017.79							16924.63					93.16	
Miscellaneous revenue	15,297.26				15,297.26									
Total	2,122,720.75	896,692.97	145,447.28	85,494.88	293,989.4	165,950.5	5506.86	172,774.47	15,864.19	4604.09	101,490.05	16,280.39	-13.6	35,353.46

Source: Making up from Deutsch-Asiatische Bank (1906c), *Zusammenstellung der Gewinn- und Verlustrechnungen per 31 December 1906*, in *Historische Archiv der Deutsche Bank*

### ***4.3 Financial Analysis of the DAB—Taking the Shanghai Head Office and the Branch Offices into Consideration***

As for the ratio of each title of the accounts in the debtor side of Table 8, the largest account was bills receivable, which occupied 40% of the total, and within that account, foreign bill of exchange held 37%, which surpassed the 30.2% of the credit in the next rank below. In the trend of this ratio, a characteristic of the business activity of the foreign bank was shown explicitly. The ratio of securities occupied only 4.3% of the entire assets and was remarkably less than the 13% of cash/foreign currency. In addition, Capital Abzweigung, which was not mentioned in the balance sheet of the annual report as previously noted, was approximately 10% of the total, worth 4.37 million Sh.Tls.

Next, in the creditor side, stock capital of the prior-mentioned stockholders' equity in Table 8, was 7.54 million Sh.Tls. The size of Dotationskapital reached to two-thirds of the stock capital, and these two accounts held 29.5% of the total in the creditor side. Consequently, the compounded owned capital equalled a little under 40% of the total assets, if 4% of the various revenue reserve, general reserve, and all kinds of funds accounts and 3.5% of the net profit account are added. Though the content of the debt account was not explained, it was mainly a current account. The borrowed capital of this debt occupied 61% of the creditor side. Based on this capital composition, the financing in those days appeared to specially emphasise financial policy to cope with risk.

The role and the business activity of the Shanghai head office and those of the branch offices varied according to the country or the area in which each office was located. The characteristics of each office could be understood to some extent, if the trend of the accounts that reflected the business activity of each office is analysed.

First, in balance sheet of each office, the offices in which the total of the debtor side was less than the creditor side were illustrated by the Shanghai head office, the two branches offices in the China area (Tsinanfu and Peking), and the two German branch offices (Berlin and Hamburg), particularly in the Shanghai head office, where stock capital and the various revenue reserves and all kinds of funds accounts constituted the main part of the creditor side.

In addition, the four branch offices (Berlin, Hamburg, Tsinanfu and Peking) had a common characteristic on the debtor side—that is, the foreign bill of exchange was extremely low. For the Peking branch office, most of the office's assets consisted of cash/foreign currency and building and land, which clearly showed that the office hardly performed normal bank business.

In the other case, the offices in which the total of the debtor side was greater than the creditor side were exemplified by all the other offices. In those offices, the differences in the totals were not great; however, when considering the ratio of foreign bill of exchange and credit—a better indicator of the business activity of each branch office—the results were not as consistent.

**Table 10** Business performance of each office (31 December 1906. Shanghai Tael, %)

Office's name	Total assets of offices		Salary roll (yearly)	Return on assets	Volume of trade		Returns	
	Value	%			Bill receivable	Credit	Foreign exchange profit	Loan interest
Shanghai	11,121,910.36	27.6	102,450	8.3	31.3	24.9	76.2	19.2
Tientsin	4,183,722.50	10.4	36,825	2.0	51.6	39.8	92.4	7.6
Calcutta	6,191,089.13	15.4	59,251		60.1	20.9	53.0	47.0
Berlin	2,866,923.69	7.1	46,392	8.8	0.0	84.6	0.0	6.7
Tsingtau	2,467,234.39	6.1	39,345	5.0	41.3	49.2	93.4	6.6
Hankow	281,165.85	0.7	17,900		0.0	69.9	91.9	8.1
Hongkong	4,410,434.00	10.9	44,772	1.3	30.2	23.4	109.8	-9.8
Tsinanfu	233,308.44	0.6	10,608	2.5	71.6	3.2	88.2	11.8
Peking	120,628.79	0.3	11,160		0.0	10.2	44.8	55.2
Yokohama	3,491,455.09	8.7	44,081	1.1	58.3	9.3	69.3	30.4
Singapore	2,116,136.74	5.2	35,955		30.9	30.7	78.3	21.7
Hamburg	246,070.92	0.6	20,528		1.6	93.7		
Kobe	2,577,923.94	6.4	30,276		62.6	7.6	99.1	0.9
Canton			8000					
Total	40,308,003.84	100.0	507,543	3.5	40	30.2	69.7	14.4

Source Synthesis Balance Sheet, Synthesis Profit and Loss Statement, and Protokoll der Sitzung des Geschäft-Ausschusses der Deutsch-Asiatische Bank von 1. February 1911

Next, from the standpoint of the profitability in Table 9, foreign exchange gain<sup>26</sup> contributed remarkably in the effective performance of the DAB, which occupied 65.7% of the total profit. This contribution became the main profit source that was far beyond the 13.6% of the loan interest in the creditor side.

However, in Table 10, 'Business Performance of Each Office', the return on assets of the DAB in its entirety (14 offices) was 3.5%, but only six of the branch offices were profitable, while the other seven branch offices (Calcutta, Hankow, Peking, Singapore, Hamburg, Kobe and Canton) all suffered losses. Of the head office and six branch offices that were profitable, the large-scale offices with high constitution ratios, Shanghai (27.6%), Tientsin (10.4%), Berlin (7.1%), Tingtau (6.1%), Hong Kong (10.9%) and Yokohama (8.7%), held 70.8% of the total assets. Of those offices, Shanghai, Berlin and Tingtau were notable, where the return on assets of each office far exceeded the return on assets of the DAB in its entirety. In other words, the DAB was mainly supported by the performance of these three offices.

<sup>26</sup>Ando (1957), pp. 393–395.



#### ***4.4 Internal Transaction Relations Among All the Offices in the DAB***

In Table 8, it is possible to identify the problem with the debtor side and the creditor side of each office. The credit and the debt in each office are shown clearly by the procedures previously mentioned. Further, the credit and the debt held by each of the offices represented the transaction volume of that office. Therefore, the accounts of an office were relative to those of the other offices in the DAB; in other words, the accounts within the credit of an office were in the debt of the other offices. For example, the credit of the Calcutta office to the Berlin office conformed with the debt of the Berlin office to the Calcutta office. If the credit and the debt of each office external to the DAB were to be assessed, based on the other business transactions, the internal transactions would need to be deducted from the transaction volume (credit or debt) of each office.

On the premise that the credit and debt accounts were correctly handled by each office, the business activity of the offices for the DAB in its entirety can be depicted by the ratio of the total of the transactions of each office to the total of all offices, as shown by Table 11, 'Internal Transaction Relations Between the Offices'. In this table, the business performance of each office can be scrutinized individually by the ratios of office credit/total credit and office debt/total debt.

From a quantitative point of view, Tientsin, Tsingtau and Hong Kong in the China area and Yokohama had relatively high ratios of both credit and debt. In these branch offices, the bulk of the transaction volume was occupied mostly by business external to the DAB, so these branches were evidently being operated in high degrees of self-sustaining management. Next, in the same Table, the ratio of each office to all offices in the aggregate can be recognized in the large-scale offices such as Shanghai, Calcutta, Berlin and Hong Kong. Shanghai (21.8%) and Berlin (28.1%) together accounted for nearly 50% of all the offices. Therefore, the internal transactions between the offices were obviously developed with the large-scale offices at the core of the DAB.

A general snapshot of the data in Table 11 has been illustrated in Fig. 3, 'Bird's-Eye View of Internal Transactions Relations Between the Offices in the DAB'. According to the results, the old offices and the new offices surely deepened the transactional relationship with the Berlin office. The old offices expanded the transactions with Germany and the new offices started activity by the support of credit from the Berlin office. In addition, offices like Calcutta were able to operate under the weight of excessive debt to the Berlin office.

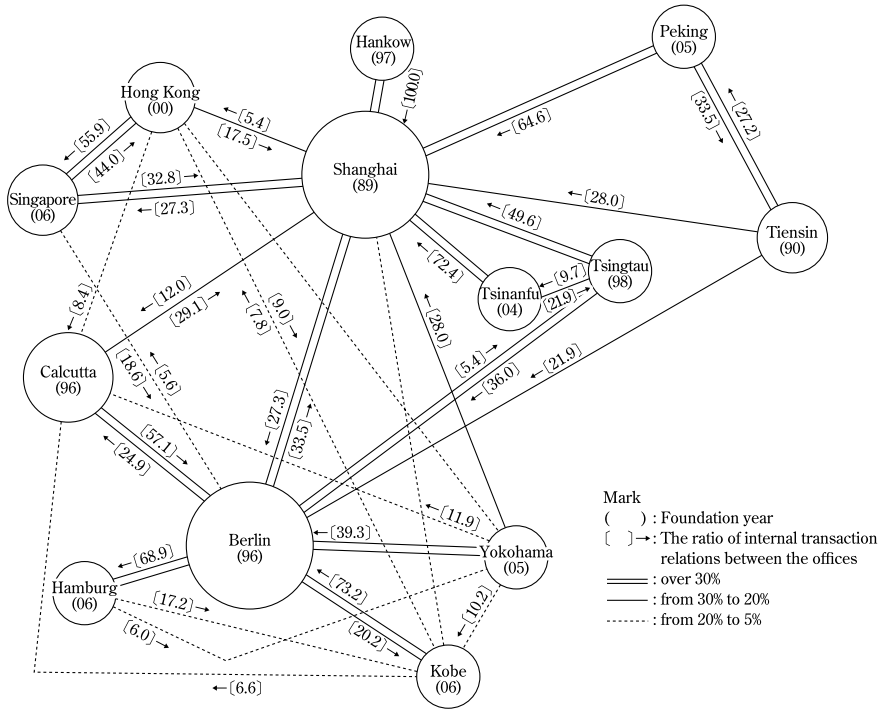
Speaking in general, Shanghai was significantly important to the DAB as the financial centre in the East Asia. All the branch offices exhibited a tendency to strengthen their relationship with the Shanghai head office, because Shanghai was located on the intersection between the Chinese market and the overseas market. For this reason, the Shanghai head office played not only the central role in the management system of each branch office in the China area but also influenced those offices to have closer business relationships with the Shanghai area itself. However,

**Table 11** Internal transaction relations between the offices (31 December 1906, Shanghai Tael, %)

Office's name	Office credit/total credit	Office debt/total debt	Total of our-and your account	%	Shanghai	Tientsin	Calcutta	Berlin	Tsingtau	Hankow	Hongkong	Tsinaifu	Peking	Yokohama	Singapore	Hamburg	Kobe
Shanghai	53.0	85.3	3,607,807.54	21.8													
Tientsin	88.7	92.1	547,636.12	3.3	3.2	*14.4	0.2	2.6	0.4	100.0	17.5	72.4	64.6	28.0	32.8	2.1	1.9
Calcutta	82.4	65.8	2,032,381.14	12.3	12.0	0.6		24.9			8.4	3.6	33.5	1.1		0.4	1.1
Berlin	45.3	65.8	4,651,998.52	28.1	27.3	21.9	57.1		36.6		4.1			39.3	2.5	0.7	6.6
Tsingtau	97.2	72.6	686,233.98	4.1	4.0	0.5		5.4			0.8	21.9	0.5	0.8	18.6	68.8	73.7
Hankow	75.9	42.8	262,709.68	1.6	1.6											1.9	0.5
Hongkong	61.9	77.4	1,110,402.31	6.7	5.4	1.7	4.6	1.0	1.4					6.7	44.0	1.6	7.8
Tsinaifu	36.5	97.4	303,959.25	1.8	1.8	2.0			9.7				1.4				
Peking	2.3	99.1	444,815.24	2.7	2.6	27.2			0.3			2.1					
Yokohama	74.0	80.6	526,485.88	3.2	3.1	1.0	3.1	4.5	0.6		3.2				0.1	6.0	4.2
Singapore	56.5	58.9	961,267.70	5.8	27.3		1.7	5.6	0.1		55.9			0.2		1.3	2.1
Hamburg	67.2	72.0	157,481.39	0.9	0.9	0.1	0.1	2.3	0.4		0.2			1.8	0.1		2.1
Kobe	53.3	25.3	1,277,171.11	7.7	7.5	2.6	4.1	20.2	0.9		9.0			10.2	1.9	17.2	
Total			16,570,349.86	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: A Synthesis Balance Sheet (a simple version, 31 December 1906)

Note: The ratio of each office to all offices on our account and your account in the aggregate is assessed at %



**Fig. 3** Bird’s-Eye View of Internal Transactions Relations Between the Offices in the DAB. *Source* Adopted from Akagawa (2009) with permission from the Society of Business and Commerce, Keio University

there were not as many internal, close transactional relationships among the branch offices themselves as there were among the core offices and the other offices—for example, we can see this in the percentage of transactions between Tientsin and Peking, Hong Kong and Singapore, Shanghai and Hankow and Tsingtau and the Tsinanfu.

As mentioned above, the main business area of the DAB was the entire Asian region. Particularly for the German colony, in the Shangdong Province, the ratios of two branches (Tingtau and Tsinanfu) were almost a 7% return on assets (Table 10) and nearly 6% for internal transactions (Table 11). The economic advance by Germany into the Shangdong Province, for which the Shangdong Railroad Company and the Shangdong Mine Company were founded as the centre of activity, was adopted aggressively. At the time, the role of the Deutsch-Asiatische Bank was significantly important to Germany, but it did not put restrictions on the colonial policy of imperialism in assessing the DAB business in its entirety. As a result, the Hamburg branch office primarily maintained relationships with the Berlin branch office, despite the increase of business in China by German trading companies. In Hamburg, transactional relationships between British overseas banks and German trading companies

were remarkably strong, so the Hamburg branch experienced more difficulty in establishing business activity with those trading companies, as close relationships between the London money market and Asia were already subject to British overseas banks.

## 5 Conclusion

The activities of German banking in East Asia were initiated by the Deutsche Bank to undergo the transition to the gold standard. However, the Deutsche Bank was unable to open enough of the business market and respond to fluctuations in exchange rates. Consequently, it was forced to withdraw in a few years. Later, conditions for re-entry of German banking were brought about by an increase in foreign trade between Germany and East Asia, besides loan requests from East Asian countries.

Hence, under the leadership of the Disconto-Gesellschaft and with the support of the Prussian government, the DAB, in which most of the German major banks participated, was established as a business entity representing German interests in Asia. The characteristic of the DAB's management method was to install the head office in Shanghai, which was an economic centre in Asia linked with the international market, and keep close relationships between this office and the other Asian branches. Due to the Articles of Association, the overall corporate governance of the DAB was determined in Berlin. During the steady development of the economic situation in Asia, the core banking operation of the DAB was foreign exchange business—mainly transactions of bills receivable and lending to European trading companies, comprador capitalists, and local financial institutions. This is evident from the outcome of the DAB's business activities in 1906, when, for example, the head office and five branch offices accounted for 70% of the total assets of the bank and generated almost all profits based mainly on foreign exchange revenue. However, because the seven branch offices including the large-scale Calcutta branch posted losses, the proper selection of the branch office area and use of management method which conformed to the business environment were indicated to be extremely important in the development of the international banks. Furthermore, to be prepared for remarkably high risk in the overseas banking business, raising the capital adequacy ratio was necessary.

With the crisis of 1910 and the Xinhai Revolution of 1911, the DAB's core banking business was greatly affected and inevitably suffered. The phenomenon of major change was that the foreign banks were selected as escape routes for Chinese companies.

The DAB's foreign currency and cash holdings increased sharply, which resulted in a significant decline in the rate of return on assets.

Furthermore, in the German colony of Shangdong Province, the DAB established deep relationships with railway and mining management. Although the two branches of the DAB operating in that area played important roles, the business contribution from loans did not amount to a large proportion of the bank in its entirety.

Thus, the role of international banks was important not only from the perspective of the imperialism theory constrained by capital export, but also that of establishing trade finance infrastructure.

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