

## **Commerzbank – over 140-year history**

### **Origins in Hamburg**

Commerzbank was founded in Hamburg in 1870 on the initiative of Theodor Wille, a merchant engaged in trade with South America. Wille successfully liaised with well-known trading companies and merchant banks such as L. E. Amsinck & Co., Conrad Hinrich Donner, Carl Geo. Heise, Hesse Newman & Co., Emile Nölting & Co., Wm. O'Swald & Co. and C. Woermann and put them in touch with renowned private bankers in Hamburg, Frankfurt am Main and Berlin, including M. M. Warburg & Co., Lieben Königswarter, B. H. Goldschmidt and Mendelssohn & Co. Together, they established an all-purpose bank in the form of a joint-stock company.

The founding committee was constituted on February 26, 1870. Of the earmarked capital of 20 million banco marks – a Hamburg currency converted at 1:1.5 when the mark was introduced – 10 million was initially raised. The founders took up half of the shares, which were denominated at 200 banco marks, and the remaining five million banco marks in capital were opened to public subscription. Investor interest was so intense that the public offering was 135 times oversubscribed.

The name of the new enterprise was Commerz- und Disconto-Bank in Hamburg, giving expression to the bank's main objectives of raising new funds for Hamburg trade and facilitating trading conditions. In order to develop overseas trade, in 1873 Commerz- und Disconto-Bank took a stake of approximately 50% in establishing the London and Hanseatic Bank in London. This link remained intact until the First World War.

At the end of the nineteenth century Germany rapidly developed into a powerful modern industrial nation. Commerz- und Disconto-Bank was active in a number of different areas, including generous trade finance and loans to small and medium-sized businesses. The bank also had close ties with shipping companies and the electricity industry. In 1871, for example, it was a founder member of a steamship company covering the Hamburg-South America route, and in 1893-94 it was involved in setting up the Schuckert Group and the Hamburg electricity works. Other major interests were lignite, chemicals, potassium and food as well as the metalworking and mechanical engineering industries. In addition, Commerz- und Disconto-Bank helped place government and municipal bonds, mostly from German and northern European issuers but also for Austria-Hungary and Russia. In 1901, the bank joined the Reichsanleihe-Konsortium, a group of some fifty major banks that floated loans for the Reich government.

To serve the important financial centres of Berlin and Frankfurt am Main, Commerz- und Disconto-Bank acquired the bank J. Dreyfus & Co. in 1897, which had branch offices in both cities. One result of this expansion was that Commerz- und Disconto-Bank dropped the words "in Hamburg" from its name.

## **Rise to become a leading bank in Berlin**

In 1905, Commerz- und Disconto-Bank boosted its position in the German capital by taking over Berliner Bank, with a subsequent shift in the focal point of business from Hamburg to Berlin. Within a few years the bank became one of Germany's leading financial institutions. From 1900 to 1923, Commerz- und Disconto-Bank acquired more than 45 regional and private banks. The most important move was the merger with Mitteldeutsche Privat-Bank, which had been founded in Magdeburg in 1856 and had a capital base of 60 million marks. Mitteldeutsche Privat-Bank played an important role in the financing of the sugar industry in particular. The merger increased the number of outlets by almost 100 to 284, mainly in Saxony-Anhalt, Saxony and Thuringia. In order to emphasize the significance of this development, the bank changed its name to Commerz- und Privat-Bank Aktiengesellschaft.

The consolidation process in the German banking industry accelerated in the late 1920s, when a number of big banks also merged with one another. In 1929, Mitteldeutsche Creditbank and Commerz- und Privat-Bank joined forces. The former had been founded in 1856 by Frankfurt bankers in the duchy of Saxony-Meiningen in Thuringia and moved its headquarters to Frankfurt am Main in 1886. The merger enabled Commerz- und Privat-Bank to expand its branch network to Hessen and Thuringia. In addition, it was possible to continue the key business relationships of Mitteldeutsche Creditbank with companies such as Ilse Bergbau Aktiengesellschaft, Consolidierte Alkaliwerke Westeregeln, Buderus'sche Eisenwerke and Beton- and Monierbau AG.

## **The banking crisis and National Socialism**

Following the banking crisis of 1931, the government ordered Commerz- und Privat-Bank to merge with Barmer Bank-Verein Hinsberg, Fischer & Comp. in early 1932. This regional bank, which had been founded in 1867 in Wuppertal, had had its main office in Düsseldorf since the early 1920s. Clients of Barmer Bank-Verein included department stores such as Rudolph Karstadt AG and Leonhard Tietz AG as well as industrial firms in the Rhineland and in Westphalia.

Government intervention helped to overcome the banking crisis. Following a process of capital restructuring, the state and the central bank at that time, the Reichsbank, together held 70% of Commerz- und Privat-Bank's total capital of 80 million Reichsmarks and reserves of 30 million Reichsmarks. The government did not hold the stake long, however, as in 1936-37 a consortium led by Delbrück, Schickler & Co. placed the government-held shares with private investors.

In 1940, only a few years after the reprivatization, Commerz- und Privat-Bank assumed the name by which it had already often been called by the public: "Commerzbank Aktiengesellschaft."

After the National Socialists seized political power there was considerable pressure to remove Jews from Germany's political, social and economic life. Nazi organizations such as the German

Workers Front and party activists saw to it that within a few years all "non-Aryan" employees as well as management and supervisory board members were let go.\* For example, management board member Ludwig Berliner moved in September 1933 from Commerzbank to the Dutch associate bank Hugo Kaufmann & Co's. Under instruction from the Reich Economics Ministry, Curt Sobernheim resigned from the supervisory board in May 1933. He was accused of misconduct during the banking crisis. Dr. Albert Katzenellenbogen remained on the supervisory board until 1937 but was subsequently not re-elected. Staff members who were Jewish were also let go. All Jewish staff who lost their jobs received their retirement money, or they received a severance pay if they were not yet of retirement age. Commerzbank did not have any Jewish employees after 1938.

The policies of Commerzbank during the period of Nazi tyranny were marked by both business interests as well as by the ongoing adjustment to the political and economic conditions of the Nazi system. In 1935, for example, Commerzbank held takeover talks with the Jewish banking firm Gebr. Arnhold in Dresden. The negotiations were broken off, however, before an agreement could be reached. The Jewish banking firms Martin Schiff-Marcus Nelken in Berlin and Siegfried Falk in Düsseldorf, in which the bank had had stakes since the 1920s, were liquidated in 1936 and 1938 due to the drop-off in business.

In addition, Commerzbank was forced to participate along with other banks in the Nazi system of removing Jews from their jobs, which was done under the name of "Aryanization". In view of the deteriorating outlook for Jewish corporate clients, the Bank attempted to reduce as much as possible its own risk with these clients. The bank also assisted in the sale of some existing Jewish companies and attempted, after the "Aryanization", to develop business relationships with the new corporate management. The numerous laws and ordinances to expropriate Jewish assets reduced even further the room for action available for banks, drawing them into the network of officials and institutions that organized and implemented the expropriation of Jewish assets and the destruction of their economic existence.

During World War Two Commerzbank opened branches in German-occupied territory if government permission to do so was granted. From the end of 1940 onwards it acquired the Dutch company Rijnsche Handelsmaatschappij from Hugo Kaufmann & Co's. Rijnsche Handelsmaatschappij then took over a part of the Jewish-owned firm Hugo Kaufmann & Co's Bank in 1941. This enlarged subsidiary took on the name of Rijnsche Handelsbank N.V. in 1941 with its headquarters in Amsterdam and a branch in The Hague. Commerzbank also founded the subsidiaries Hansabank AG in Riga and Reval with a branch in Dorpat (1941) and Hansabank N.V. – Banque Hanséatique S.A. in Brussels (1942). And it also held smaller stakes in banks in

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\* An independent team of researchers has investigated the history of Commerzbank during the Nazi era. See in particular Ludolf Herbst und Thomas Weihe (eds.), *Die Commerzbank und die Juden 1933–1945*, Munich 2004.

Yugoslavia and Croatia. In 1943-44, Commerzbank took over the (non-Jewish) bank Hašek & Co. in Prague to transform it into a representative office.

In order to save resources during the World War Two, the German government ordered the closing of bank branches. In 1942-43, Commerzbank closed approximately 100 mostly smaller branch offices in Germany. The last annual accounts published on December 31, 1944 showed that the balance sheet had tripled to five billion Reichsmarks compared to the pre-war year of 1938. But the figures also clearly showed an erosion of assets. Due to the lack of alternative investments, almost two thirds of the Bank's assets were invested in government securities whose recoverability was doubtful.

### **Decentralization and mergers**

When business was resumed after 1945, Commerzbank no longer had its branches in central and eastern Germany. Of the 359 offices and branches that the Bank had in 1940, 161 or almost 45% were in the Soviet occupation zone. In the three western zones, the decentralization of the major banks ordered by the Allied military governments led to the splitting up of Commerzbank into nine branch groups. A law passed in 1952 on bank locations allowed the big banks to hive off some of their business and achieve partial centralization in three companies in the north, west and south of the German Federal Republic. For Commerzbank these new firms were Bankverein Westdeutschland AG (after 1956 Commerzbank-Bankverein AG), Düsseldorf, with capital of DM 27.5 million; Commerz- und Disconto-Bank AG, Hamburg, with capital of DM 12.5 million; and Commerz- und Credit-Bank AG, Frankfurt am Main, with capital of DM 10 million.

The basis for the amalgamation of these three successor institutions into one bank was legislation passed in 1956 that removed the restrictions on the branches that banks could have. The biggest of the three banks, Commerzbank-Bankverein in Düsseldorf, took over the other two banks in 1958, resulting in the creation of "Commerzbank Aktiengesellschaft" on July 1, 1958. In legal terms it was the founding of a new bank. In Berlin the special political situation of the four-power status resulted in the founding of Berliner Commerzbank AG in 1949. With German unification, Berliner Commerzbank merged with the parent bank on October 1, 1992.

Since the 1950s, Germany's major banks have paid great attention to retail customers and have established companies providing financial services. They have also gone global.

Once the restrictions on locations was lifted in 1958, Commerzbank began to expand its branch network, especially in southern Germany, in a bid to move closer to its retail customers. By 1962, the bank had 372 outlets, eclipsing the pre-war number.

German unification proved to be a major challenge for the banking industry. Commerzbank was quite clear that it wanted to resume its former position in central and eastern Germany by building up its own branch network, and the first branch was opened in Halle on June 30, 1990.

### **Globalization of banking**

As European integration proceeded and the German Federal Republic's links with the global economy intensified, Commerzbank started to step up its activities abroad in the 1950s. Initially, the focus was on representative offices and holdings, but in 1967 the bank was involved in the founding of International Commercial Bank Ltd. in London, and two years later the subsidiary Commerzbank International S.A., Luxembourg was formed.

An important step on the way to becoming a major bank with international operations was the cooperation with foreign partner banks that began in the early 1970s. The Europartners group was disbanded after about 20 years, though, as the various parties involved had developed different interests and thus wanted to go their own ways.

The New York representative office was opened in 1967 and was converted into a branch in 1971, the first German bank branch in the United States. Commerzbank's presence in Latin America, Africa and the Middle East largely takes the form of representative offices. Since 2007 the Bank has had a branch office in Dubai. Asia has not been neglected either. The Hong Kong branch was established there in 1979. Commerzbank opened its representative office in Singapore in 1970, which was transformed into a branch in 1990. In addition, there are four branches in China. Today, Commerzbank has a global presence through its some 70 locations abroad in major business and financial centres in around 50 countries. In addition, it has a network of relationships with over 5,000 banks throughout the world.

### **Commerzbank yesterday and today: a wide range of financial services**

With some 10,000 advisors and more than 11 million customers Commerzbank is a leading provider of financial services for private and business customers today. Commerzbank has also been offering insurance products to its clients for a long time. In the 1980s the bank joined a bancassurance alliance along with Leonberger Bausparkasse and the DBV Insurance Groupe, and the three also worked together with the Swiss insurance company Winterthur. After a strategic realignment in 1999, an exclusive partnership was struck with the AMB Generali Group, one of Germany's largest insurance companies. In 2010, Commerzbank started a cooperation with Allianz and Bausparkasse Wüstenrot.

In addition, Commerzbank has had a stake since 1951 in ADIG Allgemeine Deutsche Investment Gesellschaft mbH, Germany's oldest investment fund company. In 1988, Commerzbank was one of the founders of ADIG-Investment Luxemburg S.A. The two ADIG companies were merged in

September 2002 with Commerzbank Investment Management GmbH (Commerzinvest), the specialized investment fund subsidiary founded in 1969, and with Commerz Asset Managers GmbH to form cominvest Asset Management GmbH. In the course of the merger between Commerzbank and Dresdner Bank, cominvest was sold to Allianz.

Online Banking began in 1997 and in 2002 it was extended to become a virtual branch. At the address [www.commerzbanking.de](http://www.commerzbanking.de), clients can use the internet to conduct their financial transactions and stay abreast of developments on the financial markets.

The subsidiary comdirect bank AG, is a leading direct bank and the market leader in online securities business for modern investors, offering brokerage, banking and advice. Since it was established in 1994, comdirect has consistently expanded its business model. It has developed from an online broker to a full-service bank with a complete range of services for private customers under one roof. comdirect has been listed on the SDAX since 2000. In 2009, comdirect took over European Bank for Fund Services GmbH (ebase), thus expanding its B2B business. Financial service providers, insurance companies, banks, asset managers and other businesses all use the multi-client solutions offered by ebase to manage their investment securities accounts as well as products related to asset accumulation, old-age provision and investment. Today, more than 2.8 million customers use the products and services of the comdirect Group.

In addition, Commerzbank expanded consistently into central and eastern Europe. In the meantime, Poland is Commerzbank's second core market. The Polish subsidiary mBank ranks among the largest banks in Poland. mBank services more than 4.5 million customers in Poland, the Czech Republic and Slovakia. Commerzbank considers itself to be the preferred partner of German Corporates in the region.

Commerzbank can look back on many years of experience in the capital markets business, too. In the early years of the German Federal Republic the bank was involved in new issues for bonds and initial public offerings for stocks, whether for corporations, public agencies or international organizations. For example, Commerzbank helped to bring Volkswagen AG public in the 1960s and was involved in the initial public offering for Coca-Cola in Germany. In the 1970s the bank helped finance the German-Soviet natural gas business.

Throughout its over 140-year existence Commerzbank has always been able to prove the validity of its business model – even during times of market turbulence. The boom of the New Economy at the turn of the new millennium was followed by a sharp drop on the stock markets and a downturn in the real economy. With the revaluation of its securities and investments portfolio and a new share issue of common stock in the autumn of 2003, Commerzbank embarked on a new growth path. A clear sign of this growth came in 2003 with the takeover of the branch business of SchmidtBank in Hof. Another milestone was the takeover of Eurohypo, an acquisition that took place in two steps in 2005-06, and Commerzbank became the second largest bank in Germany.

On September 1, 2008, Commerzbank announced the takeover of Dresdner Bank. Nine months later, the merger of Dresdner Bank AG into Commerzbank AG was entered in the commercial register. Because of the worldwide banking crisis the German state holds a stake of 25% plus one share in Commerzbank. In April 2008, Commerzbank announced a range of capital measures to enable the silent participations of the Financial Market Stabilisation Fund (SoFFin) to be repaid insofar as possible. The Bank repaid €14.3bn of SoFFin's comprehensive package of €16.2bn of silent participations – much earlier than expected.

In October 2009, Commerzbank unveiled its new logo. The three-dimensional yellow ribbon is a further enhancement of the Dresdner Bank logotype and visibly combines both banks. In November 2012, Commerzbank introduced its new brand positioning “fairness and competence” and the new claim “The bank at your side”, expressing the bank's overall strategy.

Today, Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. The core markets of Commerzbank are Germany and Poland. With the business areas Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, its private customers and corporate clients, as well as institutional investors, profit from a comprehensive portfolio of banking and capital market services. Commerzbank finances more than 30 per cent of Germany's foreign trade and is the unchallenged leader in financing for SMEs. With its subsidiaries comdirect and Poland's mBank it owns two of the world's most innovative online banks. With some 1,200 branches Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts approximately 15 million private customers, as well as one million business and corporate clients. The bank is represented at all the world's major stock exchanges. In 2013, it generated gross revenues of more than EUR 9 billion with approximately 54,000 employees on average.