NATIONAL ECONOMIC BANK

(BANK GOSPODARSTWA KRAJOWEGO)

REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR 1927

IVth YEAR

WARSAW — 1928

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PRINTED BY THE PRINTING OFFICE OF THE POSTAL SAVINGS BANK (P. K. O.), WARSAW

NATIONAL ECONOMIC BANK

(BANK GOSPODARSTWA KRAJOWEGO)

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**) Appointed Deputy Government-Commissioner of the National Economic Bank on the 15th. X. 1927.

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I.

GENERAL ECONOMIC POSITION IN POLAND IN 1927.

During the year under review, the economic life of Poland gave signs that the rapid rate of progress hitherto achieved, was still being maintained. The revival, which had, during 1926, been manifest in almost every section of home production, owing to the then existing export opportunities, continued to be evident during the year, despite the disappearance of several of the original factors of its being, mainly owing to the great improvement in the general economic and political situation of the country. On the one hand some of the former particularly favourable conditions ruling in certain export markets were almost completely reversed, and export premiums underwent gradual reductions owing to the rise of price levels, while on the other hand there was a great and unexpected increase in the buying capacity of the home market. The growing needs of the domestic consumer, a factor which had already been observed in 1926, reached, in 1927, a level which permitted of a considerable increase of production generally. Such a growth in requirements during the year was in all probability due to a reaction from the preceeding restrictions on consumption — caused by past periods of sharp economic depression — a reaction which was quickened and intensified to a high degree by the easing of the problems of employment and wages, and has, therefore, presumably not tended to serve the normal requirments of the country in a proper manner. It may therefore be assumed that unless the situation is eased by foreign long term loans, there will be a setback during the current year to the present increases of production and consumption, owing to the flooding of the market. It is not, however, expected that such an event would seriously affect the general turnover of business, as the great improvement in the economic position of Poland during the last eighteen months justifies the view that the present stabilized conditions will continue.

The main economic achievements of the second half of 1926, were wholly maintained and consolidated during the year under review; the stability of the zloty was assured by the steady increase of the gold and foreign currency reserves of the Bank of Poland, and by the favourable results of the Stabilization Loan the equilibrium of the budget was maintained owing to the enormous increase of revenue as compared with expenditure, and the allocation of the proceeds of the foreign loan.

Another factor of note has been the continued consolidation of political conditions in Poland during the period under review. In view of the fact that in a young state, such as Poland, the ever changing aspect of public opinion has necessarily a strong bearing on the economic position of the country, the consistency of the policy follwed by the Government, both in dealing with general and with economic questions, is deserving of particular attention.

A feature of vital importance in public life, which cannot be measured by statistics, is the feeling of confidence in one's own powers and an unbounded faith in the future, which can normally only be upheld and cultivated under the soundest of political conditions; the remarkable progress recorded in this direction during the last few years has had a far reaching effect on the development of Polish national economy.

The year 1927 was an exceptionally favourable one for the State budget. The revenue increased by 662 million zlote, or about 35% to a total of 2,568 million zlote, derived chiefly from public taxes, and State Monopolies and Undertakings, as forecasted in our report for last year. The increase in the revenue from public taxes was 378 million zlote, or about 37%, as compared with 1926: it is attributed to the increase of the revenue from direct taxes by 124 million zlote — mainly as a result of increased public income — and to the rise of revenue from Customs duties by 122 million zlote, owing to increased imports.

The growth of returns from State Monopolies by 157 million zlote, or by 27%, is to be ascribed to the increased internal consumption of Monopoly products, the augmentation of alcohol prices, and finally, to the extension of the activities of the Spirits Monopoly.

The income from State Undertakings increased by 91 million zlote, or 83%, chiefly owing to the increased prices obtained for timber sold by the State forests, and the larger traffic on the Polish State Railways.

In contrast with the increase in revenue, the rise in expenditure was on a relatively small scale, being 440 million zlote, or about 24%, as compared with 1926, making a total expenditure of 2.292 million zlote. The increased expenditure was mainly in connection with cash payments and certain necessary capital investments which had, for economic reasons, been held over from the previous year. The final result of the budget was, therefore, a surplus of revenue over expenditure amounting to 276 million zlote.

The satisfactory results achieved during 1927, allowed the Government to meet all the disbursements anticipated by the Stabilization Plan, including the realisation of a surplus of nearly 300 million zlote, and the paying off of the floating debt of the Treasury. Thanks to the formation of a Treasury Reserve Fund, and to the practising of a number of budgetary rigours as provided for in the Plan, the maintenance of an equilibrium in Poland's financial policy has been secured, all the more so as the progressive increase in the income of the population, the growing output of the products of the State Monopolies, and last but not least, a source that has so far only partly been made use of, the price margin, giving the possibility for the further raising of prices and duties; all of these permit of a further growth of revenue being anticipated. There is no longer the slightest fear that the stability of the currency will ever again be threatened by the issue of Treasury Notes to cover a budgetary deficit.

The constantly growing gold and foreign currency reserves at the Bank of Poland, enabled the rate of exchange of the zloty to be maintained at a steady level during the year. In September, 1927, the reserves of gold and foreign currencies, after the deduction of liabilities, amounted to 405 million gold francs, representing a cover of about 50% of the note circulation, which latter had been increased during the year. The successful conclusion of the foreign Stabilization Loan in the month of October, made it possible to largly increase the gold and foreign currency reserves of the Bank of Poland, so that they at present reach 1.414.5 million zlote, as against a note circulation on the 31st December, of 1,003 million zlote, plus 309.4 million zlote in Treasury Notes and silver and nickel evinage. The substantial increase in these reserves, together with the placing, by foreign banks of issue, of re-discount facilities, to the extent of 20 million dollars, at the disposal of the Bank of Poland, eliminates the possibility of

any fluctuations in the Polish currency for a long period, from which it may be taken that sound foundations have been laid down for normal economic expansion, an for the co-operation of foreign capital in the restoration and reconstruction of Poland. The elimination of the hitherto unavoidable risk of exchange fluctuations from business transactions, and also the libration of the policy of the Government from an absolute dependence upon the foreign trade balance, will enable the focussing of closer attention upon the problem of the increasing and the cheapening of factory production and the rationalisation of labour conditions.

On reviewing the development of the trade balance in 1927 from the above points of view, it is possible to justly appreciate the great importance of the Stabilization Loan vis a vis the future economic development of Poland.

The trade balance for 1927, as compared with that for 1926, was closed with a deficit of 221,2 million gold francs. The responsability for this adverse showing, lay principally in the increase of imports, which were double those for the preceeding year, reaching a total of 4.9 million tons, valued at aproximately 1.7 milliard gold francs, while on the other hand the exports only increased slightly, reaching 20.4 million tons valued at about 1.5 milliard gold francs. If, from the excess of imports over exports, is deducted the sum of 161 million gold francs, being the approximate value of the grain which it was necessary to import on account of the under development of Polish agriculture, it will be seen that the lion's share of the 60 million gold francs still remaining, is made up of imports of raw materials, semi-manufactured articles, and other important commodities required for economically justified purposes, which constitute sane and useful imports. The simultaneous increase in the import of consumption articles — apart from grain — and luxuries, while less desirable, cannot have any serious effect upon the balance of trade, being but a fraction of the total imports in general.

While, on the one hand, the accumulation of substantial reserves of foreign currency, as the result of the Stabilization Loan, has permitted the adoption of a more liberal policy in respect of imports, on the other hand, the thus secured stability of the Polish exchange has created favourable conditions for the INFLUX OF FOREIGN CAPITAL INTO POLAND on a large scale.

It is true that during 1927 the inflow of foreign capital was not abundant, but this was mainly to be attributed to the fact that the negotiations for the conclusion of the Stabilization Loan were somewhat protracted, and were only concluded in the Autumn. It is anticipated that several foreign long term credits for considerable amounts will be arranged during the present and the forthcoming years. Credits for the purchase of goods were abundant during 1927, exceeding the aggregate for 1926, and are stated to have reached the record dimensions attained in the year following the introduction of the zloty.

Owing to the existence of the above mentioned facilities the deficit of the trade balance had no serious reprecussion on the foreign currency reserves of the Bank of Poland.

As a result of the comparative smallness of the long term credits received from abroad, the restoration of the financial market did not make any real progress during the year, although it cannot be denied that the stabilization of the currency has added considerably to the internal financial assets of the country, as may be exemplified by the fact that during the first nine months of the year the deposits in banks, and kindred financial institutions, increased by about 400 million zlote, or 33%, as compared with 1926, reaching a total of 1,616.9 million zlote. Of this amount the largest increase was in respect of deposits with savings banks which rose from 203 to 337 million zlote, or by 66%. The enormous growth of savings simultaneously recorded by Communal Banks and co-operative credit societies is in itself an excellent testimony to the progress

of the saving instinct among the majority of the population. Further progress in this direction will be facilitated by the assistance which will be rendered by the National Economic Bank not only to these institutions which are already in existence, but also to those which are in process of formation, or which may be constituted in the future.

As an immediate result of the growth of deposits, the scope of the activities of the Polish financial institutions has been considerably extended, as is seen from the fact that the total of short term credits allocated by the Polish Banks reached 1,932.6 million zlote, showing an increase of 560.3 million zlote, or 41%, over the same period in 1926, in which latter year the corresponding increase over the 1925 figures was only 217.8 million zlote.

A particularly noticeable factor was the great increase in 1927 of the short term credits granted by the branches of foreign joint stock banks, which rose from 55 to 125 million zlote, showing an increase of 128% over the previous year, and which played an important role in former German Poland, particularly in Polish Upper Silesia. However, even this widespread activity of the banks was only partly able to alleviate the position arising from the shortage of credit, which became more marked as both production and output revived. The rate of interest charged for private loans remained at a relatively high level during the year, and even had a tendency to rise during the last few months, and this, in spite of the fact that the official discount rate had been lowered three times during the year (from 9½% to 8%) while the bank rate had been lowered twice (from 15% to 12%). The cause of the continued dearth of credit on the private market was not only that the progress of economic advancement had surpassed the rate of the increase of capitalization, but also that in view of the difficulty of obtaining fresh capital many industrial concerns had been forced to finance investments of a capital nature from their income, and subsequently had to seek for fresh working capital on the money market. While the share and bond market made great strides towards recovery during the year, its situation was not yet sufficiently good to enable it to meet the most urgent local demands for capital, for which purpose it is considered that foreign aid will be necessary for some time to come if the long term investment market is to function normally.

The position of agriculture continued to improve during the year under review. The primary cause of this was the increase in prices for farm produce, the level of which has not only kept pace with the increases in other branches of production, but has also shown slight tendencies towards stabilization, as, apart from the harvest and pre-harvest periods, the prices of corn showed comparatively small fluctuations. Should this latter phenomenon, which has been brought about by the conditions on the world market, the stability of the currency and the policy of the Polish Government in respect of the duties on the import and export of grain, prove to be permanent, it is anticipated it will have a most beneficial effect upon the state of Poland's agricultural production, as well as upon its national economy in general.

Notwithstanding last year's good crops, the exports of farm produce have not shown any great increase, the only large excesses of exports over imports being in respect of barley and potatoes, although it may be observed that despite the customs dispute with Germany, some articles, such as eggs and butter, showed considerably increased export figures.

It has been found possible to replace the German market by others in respect of many agricultural products, including small cattle, which will naturally have the effect of strengthening the position of Poland in any negotiations with Germany relating to the export of farm produce etc., to that country. The successful results of the agricultural year enabled the farmens to pay off many of the obligations incurred at the time of the economic crisis, and

simultaneously to make investments. The betterment in the position of agriculture owes its existence principally to the substantial credits distributed by the Government among the farmers, thus allowing them to make up in some measure for the partial crop failure in 1926, and the inundations in the South of Poland in the beginning of 1927. The remainder of the credits were employed in the purchase of new means of production, mainly fertilizers.

The favourable trend of conditions apparent in the mining and foundry industry in the second half of 1926, became even more evident in 1927, mainly because of the great increase of consumption on the internal market, which was accompanied by a rise in production. On the other hand, the export position was not so good as in the previous year, particulary in the coal trade, where Polish coal exported to the Baltic and Scandanavian markets had to meet strong British competition, with the result that constant price reductions were necessary. As there was a simultaneous slackening in the demand for Polish coal from Czechoslovakia and Italy, the quantities exported during 1927 only reached 11.1 million tons, a decrease of 22%; as compared with 1926. At the same time owing to the increased internal consumption, which rose from 17.6 million tons in 1926 to 22.2 million tons in 1927, or by over 25%, the production for 1927 exceeded that for 1926 by 2.3 million tons, or 6½%. This appreciable improvement in the internal market, and also an increase in the consumption of coke, were principally due to the propitious conditions obtaining in the ironfounding industry, where owing to the augmented home demands, both from official and private sources, it became possible to increase the output of pig iron by about 290,000 tons, or 90%, and that of steel by about 460,000 tons, ar 60%. This veritable boom, was in no way to be attributed to an increase of exports, which only rose from 90.5 thousand tons in 1926 to 160.7 thousand tons in 1927. In April of the year under review, the selling price of iron was raised by 8%. The situation in the Polish iron ore mines showed a simultaneous improvement, production rising by 70%, while the imports of foreign high grade iron ore rose by 160%, from 23 to 59 thousand tons.

The zinc and lead industries, which are usually very active on the export market, have been seriously affected in the last few years by the fall of prices on the international markets, which has been caused by the excessive quantities of American zinc on offer. However, owing to the large schmes of re-organisation carried out, the Polish zinc industry was able to increase its capacity for production and for export, but unfortunately the financial results as yet achieved have not been entirely satisfactory.

The position of the oil industry has not been very favourable, a decrease of some 10% in the production, which fell from 796 to 721 thousand tons, having been recorded. This was principally the result of the exhaustion of old wells and the lack of fresh drillings. The small quantities of crude oil on offer, combined with a constant rise in prices, as compared with steadily decreasing prices abroad, resulted in a steadily upward tendency in the operating costs of the refineries, which were not employed to their full capacity, while at the same time both the home and export possibilities became worse and worse. The exports of petroleum products fell by 189 thousand tons, or by 40%, to 270 thousand tons, a loss which has to a large extent been compensated, by an increase of 20% in the consumption on the internal market, which rose from 293 to 347 thousand tons, but no actual improvement was noticable until the beginning of the present year, when the conditions of business on the internal market were governed by the newly formed oil cartel.

The order issued by the President of the Republic in November 1927 granting, for a period of ten years, special facilities in respect of the waiving of taxes on the capital invested in the drilling of new wells, and abolishing the prohibition on exports, in respect of 50% of the

oil produced from any such wells, has been of the greatest importance to the oil industry. This order also frees new wells drilled on State lands from the payment of the „brutto" or percentage tax on the oil produced.

One of the busiest sections of Polish industry was that connected with the manufacture of textiles, which is centered at Lodz and Bielsk, where a great increase of output was noticeable, especially during the past summer. The mills in the Lodz district have made great progress in the matter of bringing their products to a point of perfection, and are now making the highest grades of materials in order to suit the requirements of both the home and the export markets, with the result that the export business assumed much greater proportions than in 1926. However, the increased internal demand, coupled with the keen competition on foreign markets, especially from Czechoslovakia, has made the home market become more and more attractive to the textile industry. On the other hand, the Bialystok section of the industry, owing to lack of orders, remained in a state of stagnation.

Owing, no doubt, to the large capital investments made during 1927 by agriculturists and sugar refiners, the general engineering industry, in many cases, doubled its production. This was particularly noticeable in respect of machinery and agricultural implements, and was accompanied by a tendency to rising prices, resulting from increased prices for pig iron, and the higher rates of wages paid.

Excellent results were recorded by those textile machinery manufacturers who were catering for the home market, and also by the firms in the Bielsk district manufacturing mainly for export. The builders of electrical machinery, oil engines, railway locomotives, cars and wagons, enjoyed increased prosperity and decreased unemployment owing to larger output and greater sales. Favourable conditions were also observed in the small engineering, hardware, wire and rod, nut and screw, and constructional iron industries.

The favourable export conditions on the timber market continued, and brought about a lasting and enormous increase of prices on the internal market. As a result of the peculiar state of the trade relations existing between Poland on the one side, and Germany and Czechoslovakia on the other, it has become more profitable to ship timber in the log than sawn.

The unfavourable disproportion of prices between the raw timber and the sawn material, caused a crisis in the saw milling and furniture making industries, which has been particularly noticeable in Western Poland. The situation was somewhat relieved at the end of the year by the conclusion of a temporary agreement between Poland and Germany, regulating the import of Polish timber to the latter country. In itself, this agreement constitutes one of the first steps in the direction of normal commercial intercourse between Poland and Germany. The eventual reconstruction of the timber industry, both by the provision of an adequate control over exports, and by the recognition of the necessity for adequate supplies of material for the growing Polish building industry, is a question which will require many efforts, both financial and organisatory, before being attained.

The situation of the sugar industry showed considerable improvement, not only owing to the improved situation on the internal market but also to the favourable export conditions obtaining. Although the quantity of sugar exported in 1927 was lower than that in 1926, the value was larger owing to higher prices. The outlook for the Polish sugar industry in the immediate future can be regarded with optimism, for while on the one hand an increase in the local consumption can be confidently anticipated owing to the increased purchasing power of the population, on the other hand there is every reason for believing that the present favourable conditions obtaining

on foreign markets will be stabilized owing to the restriction of the competition of cane sugar by means of international agreements entered into by the sugar producers of the more important exporting countries.

The potato products industry passed through a severe period of depression during the 1926/7 campaign owing to the dearth of potatoes, with a consequent reprecussion on the production of starch and potato flour, which fell by about 50%. The more favourable results so far attained in the 1927/28 campaign foreshadow a turn for the better this year.

The production of alcohol also fell during the 1926/7 campaign, the figure being 57.8 million litres of 100% spirit, as against 62.6 million litres in 1925/6.

The situation in the tanning industry has been somewhat depressed owing to the high prices of raw materials. An unsatisfactory feature is the great dependence of the industry on imported materials, the figures for which showed an increase of 100% in 1927, as compared with 1926.

The position of the chemical industry during the year under review has been favourable, and particularly so in respect of artificial fertilizers, where, thanks to the increased purchasing power of the farming community, owing to the substantial credits allocated by the Government for the purchase of fertilizers, the demand not only rose considerably but even exceeded the output by a large amount. As a result of this the Government have been obliged to commence the construction of a new synthetic manure plant at Tarnow, the capacity of the present Chorzow plant having proved to be insufficient.

In the year 1927, especially in the second half, there were signs, for the first time since the foundation of the Polish State, of an adequate allocation by the Government and by private individuals, of reasonable amounts of capital for building investments, and consequently, of a revival of building. Private constructional activities were in the main confined to the building of personal dwelling houses, with the result that the majority of the buildings erected last year were completed, either with Government aid through the intermediary of the National Economic Bank, or with assistance from Local Government Authorities, etc., as will be seen from the following figures. Credits granted for building purposes: — in 1926 — 23,282,000 zlote; in 1927 — 106,547,000 zlote. Private building investments in 1926 — 8,000,000 zlote; in 1927 — 27,000,000 zlote. Expenditure on Government buildings; — in 1926 — 13,200,000 zlote; in 1927 — 21,600,000 zlote. During the year there was also a great increase in the allocation of credits, both from Government and from local authorities, for the construction and extension of waterways and roads; there was also a certain amount of work done in connection with agricultural drainage systems. The already existing waterworks companies continued to effect improvements, whilst numerous fresh companies of a similar type are either projected, or in the course of formation.

The heavy demands for constructional materials, mainly at the close of the season, contributed to an improvement in the earthenware industry, which was mostly evident in the brick kilns, where the demand was frequently in excess of the supply, thereby causing a rise in prices, which has greatly improved the financial situation of this branch. On the other hand it must be realised that the high price of building materials is likely to have a serious effect on the development of building. The only remedy appears to lie in an extension of the number of brick kilns, and the Bank has, therefore, allocated special credits for that purpose.

The revival of building also had a favourable effect on the glass, cement, and lime industries, all of which showed an improvement during the year.

The growing demand for commodities on the part of the general mass of the population, which is making itself more and more felt, has been largely responsible for the revival in trade.

Amongst the factors which have facilitated this have been, firstly, and above all, the increased wage levels, which were due to the all-round increase of prices following upon the depreciation of the zloty in 1925; secondly, the improved situation of the rural community, which has been brought about by the increased prices obtainable for agricultural products, and which has enabled the farmers to expend larger sums on the purchase of necessities, and thirdly, the rationalisation of trade, which has also had a certain amount of influence owing to the lessening of the gap between the cost of production and the selling price of manufactured goods.

The general economic improvement is well illustrated by the increase in railway traffic, the average daily movement of loaded fifteen ton goods wagons having risen by 2,117 or 15%, as compared with 1926, to a total of 16,198 in 1927.

The movement of shipping in the port of Gdynia showed a considerable increase in the year under review, the arrivals being 530 vessels aggregating 423,000 nett registered tons, and the departures 519 aggregating 416,000 nett registered tons, both figures showing 100% increases over 1926. The main article of export was, as before, coal.

Another sign of economic advancement has been the steady drop in the figures of unemployed, accompanied by rises in workmen's wages. The number of registered unemployed fell during the year from 213.044 in the beginning of March to 117,021 at the end of October. Although, owing to seasonal causes, this latter figure had reached 164,000 at the end of December, it was, even then, far below the figure of 190,140 registered in December, 1926.

The number of hands employed in the mining, foundry and refining industries, according to official returns, increased from 615,386 in December, 1926, to 706,780 in December 1927. As a parallel with the increased number of hands employed, the number of "idle" days, and of complete stoppages of work, decreased considerably, a fact which naturally resulted in an increase of the wages earned by the workmen over given periods. An instance of this is given by the following figures relating to a large refining works, where the number of hours worked per week rose from 19,024,000 in December, 1926 to 22,167,000 in December, 1927. Owing to the pressing demands for increased wages, the emoluments of the workers and the salaries of the clerical staffs, were increased to an adequate level in almost all sections of industry.

II.

THE ACTIVITY OF THE NATIONAL ECONOMIC BANK.

The satisfactory development of economic conditions during the year under review, was reflected by the total of transactions undertaken by the bank. The growth of the business of the bank is unquestionable, as is shown by the steady increase of the balance sheet totals, which rose from 920 million zlote at the end of 1926, to 1,039 million in June, and finally to 1,435 million at the end of December, 1927.

The deposits of both the Treasury and of private persons showed satisfactory increases, in spite of the fact that the rate of interest payable on deposits was twice lowered during the year. On the other hand, there was a slackening down of the pressure, which had been exercised upon the bank by certain sections of production, which had been passing through a severe crisis, and, owing to the shutting down of other sources of credit, had been forced to apply to the bank for assistance. The improved conditions of the money market, combined with the more vigorous activity of the Bank of Poland, released the National Economic Bank from its duties as an universal credit supplier, and enabled it to direct more attention than it had hitherto done, to its normal functions as forseen by its statutes. Apart from this, a group of credit facilities, not previously forseen in the statutes, has been included, by arrangment with the authorities, in the scope of the bank's activities, as being more in accordance with the economic needs of the country.

By virtue of its position as a State Bank, the National Economic Bank will, in future, tend to confine its attentions to the assisting of economic units of a legal and private character, chiefly official and semi official enterprises, or enterprises of general economic importance to the State, the rendering of financial assistance to which will be in direct proportion to their national importance.

Apart from this — the normal activity of the Bank — there is the question of the provision of short and long term loans for communes and communal associations. The general scarcity of credit in Poland, as compared with the urgent requirements of local government authorities, makes the task of centering the activities of the Bank on the meeting of these needs, one of considerable importance. Another problem, closely connected with this one, is that of the formation and promotion of communal savings banks, which, to judge by previous experience, have good prospects for rapid and satisfactory development. Although efforts have been made by the Bank during the past year, especially during the second half, to solve both these problems, it is realised that considerably more attention will require to be devoted to them in the future, by an extension of the relevant departments.

In the sphere of credits for building, it is evident that the Bank will have, to maintain its present dominating position as a creditor, on account of the very small inclination of private capital in Poland, as in other countries, to make investments for the construction of dwelling houses. The role of the Bank, will in the future, be mainly restricted to the distribution of special government funds, designated for building construction as from its own resources only a small amount could freely be employed for this purpose.

Agriculturists, especially the holders of large estates, who have been enjoying every year, the use of the credit facilities of the Bank in the form of special short term loans, and intermediary credits in the form of long term loans, will continue to enjoy these facilities in the

future. The credits granted for agricultural improvements and for working capital will be extended, concurrently with the growth of agricultural production and of the intensity of cultivation, although it must here be observed that the figures for agricultural credits granted by the Bank, may in future record a decrease, in view of the anticipated extension of the activities of the State Agrarian Bank and of private agrarian banks, in the financing of production and the marketing of crops.

The assisting of industrial concerns, apart from those of primary national importance, as mentioned above, will in the first place be left to the private banks, although the Bank will not completely abandon its activities in this direction, as the provision is forseen of long term sinking fund credits for the heavy metallurgical and metal industries, the heavy chemical industry, public utilities, and other large industries employing modern equipment, due regard being given to the refinement of agricultural products.

Finally, the necessity for rendering the trade balance active by the facilitation of exports in the various branches of production to places abroad, where a market may exist, but where it has not been possible to do business owing to difficulties in obtaining export credits and bank guarantee on favourable terms, have instigated the Bank, to include the financing of these schemes in their general credit policy. The Bank does not contemplate the restriction of its role to the financing of export credits, but will also co-operate in the formation of new concerns or alternatively of new sections of production, which would either be prepared to handle the export trade in articles, the production of which is dispersed, or to produce, especially for the export market, goods manufactured under the most favourable conditions in Poland.

Apart from its special functions, as set out above, the National Economic Bank will continue the allocation of bank credits amongst the various sections of national life, thus supplementing the activities of the private banks. In addition it will also create special artisans credits.

Both the amounts standing to the credit of the Treasury, and of private concerns, increased during the year under review, although in a smaller measure than in 1926. The growth of the liquid capital of the bank, month by month, is shown in the following statement.

DATE		TREASURY AND PRIVATE DEPOSITS (000 omitted)						
		Total	Treasury Deposits	Treasury deposits in % of private deposits	Treasury bills	Savings books	Deposits of public bodies	Private deposits
31.XII.	1926	449.1	230.4	51.3	14.9	4.3	95.2	104.3
31.I.	1927	460.7	228.8	49.7	15.5	4.6	99.8	112.2
28.II.	"	463.6	231.8	50.0	9.1	5.1	98.3	119.3
31.III.	"	497.0	255.7	51.4	6.4	6.0	103.2	125.6
30.IV.	"	502.9	246.7	49.1	6.5	6.9	110.4	132.3
31.V.	"	514.6	247.7	48.1	6.7	7.8	109.0	143.5
30.VI.	"	527.2	247.5	46.9	7.0	8.4	117.5	146.8
31.VII.	"	555.6	256.9	46.2	6.9	8.9	121.6	161.3
31.VIII.	"	551.5	255.9	46.4	6.9	8.9	123.5	156.4
30.IX.	"	570.9	271.6	47.6	7.0	9.0	134.2	149.1
31.X.	"	567.2	268.3	47.3	6.9	9.7	133.7	148.7
30.XI.	"	585.8	271.4	46.3	6.8	10.3	141.1	156.2
31.XII.	"	599.9	284.2	47.4	0.5	11.3	149.0	154.9

From the figures quoted in the above table it will be seen that the general total of deposits increased by 150.8 million zlote, or 33%, to 599.9 million zlote, in addition to which the deposits of both public and private institutions showed a proportional increase of nearly twice that of the

Treasury deposits. The total of private deposits exceeded that of Treasury deposits in every month in the year, with the exception of February and March, reaching in July 53.8% of the whole, the figure for the end of the year being 52.6, as compared with fluctuations between 31.9 and 48.7% in 1926. These figures would tend to show that the business of the bank is more and more becoming based upon normal deposits, whilst the factor played by the Treasury deposits is gradually shrinking. As soon as the Bank has been made the recipient of the business of the various state enterprises, the stream of semi official desposits will grow larger, and thus bring this side of the Bank's activities to normal.

The amount of foreign capital which flowed into the coffers of the Bank was considerably larger during the first seven months of the year than subsequently, having during that period accounted for 70% of the year's increase. During the remaining months of the year a certain slackening in the flow was evidenced, and a drop was even noticed in the figures for private deposits, which may be explained by the severe shortage of money, which became apparant in the middle of the year, and which became sharper and sharper every month. There was also a decrease in the Treasury Bills, which fell from 14.9 million zlote in January to 0.5 million in December. This was due to the withdrawal of the deposits made by the Postal Savings Bank, and the expenditure of the money on the purchase of shares of the National Economic Bank.

As a direct consequence of the influx of foreign capital during the first few months of the year, the amounts rediscounted with the Bank of Poland, gradually grew smaller, arriving at the lowest level of 2.2 million zlote, or 2.3% of the bill portfolio, in March. Simultaneously, the proportion of ready money to the current liabilities af the bank showed a steady improvement, reaching 20.6% at the end of March; if to this sum are added the funds available with other Banks, especially abroad, and other quick assets, the proportion reaches 71%. However, beginning in April, the size of the rediscount operations began to steadily increase, reaching 31.7 million zlote at the end of September, the proportion to the bills in portfolio being 22.4%. It was only in October, in accordance with the general policy of the Bank, and in order to meet the requirements of public and private institutions, that limitations were imposed upon the rediscount business, with the result that the total of rediscounted bills at the end of the year had fallen to 19 million zlote, or to 13.9% of the bills in portfolio. Meanwhile the amount of liquid cash, showed a continual improvement, reaching 21.8% at the end of the year.

The growing volume of business, the large demands for credit, the necessity for fluidity, and finally, the considerable disproportion between the size of the authorised capital and the amount of credits granted, have combined to make necessary an increase in the paid up capital, which was accordingly increased in December by 85 million, to 120 million zlote, by the purchase, by the Treasury, of a sufficient number of communal debentures to make up this amount. The result of this action was that the paid up capital of the Bank, plus the reserves, amounted at the close of the year to 148.8 million zlote, which will enable a still greater extension of credit operations.

I. LONG TERM SINKING FUND CREDITS

IN MORTGAGE BONDS, COMMUNAL DEBENTURES AND BANK DEBENTURES.

It is obvious from the tenor of the statutes of the National Economic Bank that its basic function is the distribution of long term credit facilities in the form of mortgage bonds and debentures. However, for reasons not within its control, the Bank has, until recently, not been in a position to proceed in a proper manner with the issue of such securities. In view of these considerations the directorate of the Bank have decided, in

accordance with the statutes, to pay closer attention to the development of long term credit, particulary through the issue of communal debentures to meet the large demand for credits for investment purposes on the part of local government authorities. On the other hand, credits in the form of mortgage bonds have of late been somewhat reduced by the Bank, in view of the existence of numerous private banks which have many years experience in this class of business (see the table on page 21). Apart from this, the Bank has made it one of its main duties, to furnish industry with investment credits in the form of bank debentures.

The conditions for the development of long term issue credits in Poland, were not quite as favourable as they might have been in 1927, but even then they were much better than in 1926. The internal process of the capitalization of investment values was good, and assisted in the development of the home market for long term securities, the demand for which came, above all, from savings banks, insurance companies and private banks. The preceeding facts account for the sale by the National Economic Bank of large quantities of its 8% mortgage bonds and 8% communal debentures to the Postal Savings Bank, the Bank of Poland, insurance offices, public institutions, etc. The long term securities were also purchased by private individuals, which gave an indication of the growing confidence of the public in these securities, as a natural result of the soundness of the political and the economic situation. With regard to the sale of Polish long term securities abroad, it may be mentioned that Messrs Lissman & Co. of Frankfurt on Main, purchased a parcel of 8% communal debentures to a face value of 17.2 million gold zlote. Apart from this important transaction, several smaller quantities of communal debentures and mortgage bonds were sold upon foreign markets. In spite of the considerable foreign interest in the securities offered by the National Economic Bank, as was evidenced by the many applications for parcels of mortgage bonds and debentures, received from first class foreign financial houses, the Bank suspended all sales of its securities abroad in connection with the negotiations for a foreign loan, which, as has already been mentioned, were concluded only in the fourth quarter of the year.

As may be perceived from the table on page 21, the issue branch of the bank's activities was largely extended during the year, this was mainly due to the increased absorption powers of the internal market.

Almost simultaneously with the above there was a marked recovery in the exchange quotations for mortgage bonds and communal debentures, as may be seen from the following list of official quotations on the Warsaw Stock Exchange during the year. (In percentage of nominal value).

QUOTATIONS IN 1927.

8% Mortgage bonds of the National Economic Bank		8% Communal Debentures	
in Gold Zlote			
From 2.I. to 19.I.	80 —81½		—
„ 20.I. „ 22.I.	81½—83		—
„ 23.I. „ 16.II.	83 —84		—
„ 17.II. „ 29.III.	85		—
„ 30.III. „ 7.IV.	86 —86½	to the 25.III.	89 —90*)
„ 11.IV. „ 20.IV.	87 —89	„ 9.V.	91 —93*)
„ 21.IV. „ 25.IV.	89 —90	„ 3.IX.	90½—92
„ 26.IV. „ 29.IV.	91 —92	„ 31.XII.	92 —93
„ 30.IV. „ 31.XII.	92 —93		—

*) The 8% Comunal Debentures of the National Economic Bank were only officially quoted on the Warsaw Stock Exchange after the 9th May, 1927.

PROCEEDS OF THE ISSUE OF MORTGAGE BONDS AND DEBENTURES. *)

DATE	1927							1926
	Mortagage Bonds		Communal Debentures			Bank Debentures 7½%	Total	Total
	8%	7%	8%	7%	8% dollar			
	In Gol: Zlote							
1.I	12.870.158	—	46.980.940	—	108.403.154	—	168.254.252	132.652.612
31.I	15.204.198	—	46.980.040	—	108.403.154	—	170.588.292	132.649.774
28.II	16.286.078	—	47.135.740	—	108.403.154	—	171.824.972	133.133.438
31.III	17.588.118	—	46.607.872	—	108.403.154	—	172.599.144	133.202.496
30.IV	19.730.378	—	47.022.392	—	108.403.154	—	175.155.924	134.344.055
31.V	23.062.792	—	47.581.392	—	107.431.528	—	178.075.712	134.040.504
30.VI	28.369.852	—	50.345.432	—	107.190.850	—	185.906.134	135.336.520
31.VII	33.281.312	—	54.841.512	—	107.190.850	—	195.313.674	136.369.036
31.VIII	41.229.432	—	56.969.152	—	106.174.654	—	204.373.238	136.942.828
30.IX	47.541.832	—	68.725.352	—	106.674.654	—	222.441.838	139.132.098
31.X	51.536.532	—	79.083.536	—	105.621.986	—	236.242.054	139.262.732
30.XI	55.243.992	—	83.232.176	—	105.363.480	—	243.839.648	140.330.852
31.XII	58.857.712	798.000	83.765.376	106.294.800	105.363.480	2.565.000	357.644.368	168.254.252

Proceeds of issue of 8%, 7% & 7½% mortgage bonds as at 31.XII.27	357.644.368 goldzlote
Difference according to balance sheet, converted at 8.88 zl. to the dollar	401.880 zlote
Value of the issue of 8%, 7% & 7½%, mortagage bonds & debentures, as given in the balance sheet	357.242.488.— zlote
Value of the old 4 & 4½% mortagage bonds & debentures as given in the balance sheet .	34.056.539.72 zlote
General value of above issues as given in the balance sheet	391.299.027.72 zlote

*) 8% mortagage bonds and communal debentures have been converted as follows:
1 former gold zlote equals 1.72 of the present zlote
1 dollar equals 8.914 of the present zlote.

A perusal of the figures in the table below, shows that the stock exchange quotations of mortgage bonds rose during the year by 15%, those of communal debentures by 4%, during the period from the end of March until the end of December, during which the quotations for mortgage bonds rose by 9%. The prices quoted for the mortgage bonds and communal debentures of the Bank, are very good when compared with other State bonds of simular standing.

The improvement in the market prices of the long term issues of the Bank, permitted the lowering of the interest rates paid on new issues, the last issues of mortgage bonds and communal debentures, which are made out in the present zlote, only paying 7%. The redemption periods for these securities have also been extended, in the case of mortgage bonds from 35½ to 36 years, and for communal debentures from 20½ to 30 years.

In addition to the above, the Bank, commenced, in the fourth quarter of the year, the issue of 7½% Bank Bonds, constituting investment loans for Polish industry. These securities are available in gold zlote or their equivilant in Swiss Francs, U. S. Dollars, Pounds Sterling, or Dutch Gulden, and are redeemable within 19 years.

The total of the sums realised through the various loans issued by the Bank, up to the 31 st December, 1927, is shown in the tabular statement on page 23.

A comparison of the loans issued up to the end of 1927, with those issued until the end of 1926, shows that during the year under review there were 534 loans issued, for a total of 194.478.740 zlote.

If the loans granted are classified according to their character, the 367.479.358 gold zlote issued until the end of 1927, can be divided as follows.

Type of loan	Number	Amount in gold zlote	Percentage
Land Mortgage	234	31.484.960	8,6%
Town do	339	28.988.182	7,9%
District Authorities	54	16.357.640	4,4%
Town do	93	140.669.176	33,3%
Other do	4	1.214.400	0,3%
Industrial	2	2.565.000	0,7%
Treasury	2	146.200.000	39,8%
Total	727	367.479.358	100,0%

1. LOANS GRANTED BY THE ISSUE OF MORTGAGE BONDS.

The aggregate of loans granted through the issue of mortgage bonds, showed a considerable increase during the year under review, the total amount of 8% mortgage bonds placed at the close being 59.675.142 gold zlote, an increase of 360% over the 1926 figure of 12,996,922 gold zlote (after conversion into the present currency). In addition, the Bank made at the end of the year an issue of 7% mortage bonds in the present zlote, to an amount of 798.000 zlote. The increase in the amount of loans was due to the large demands for long term credit from farmers, and from urban property owners, which could not be sufficiently met by credit societies or private mortgage banks. In consideration of the fact that the development of private credit institutions, with their long traditions, would lie in the interests of the economic life of the country as a whole, and that the continued issue of mortgage bonds by the National Economic Bank as a means of financing such loans, would create an undesirable form of competition, it is has been decided to restrict the activities of the Bank in this direction.

LOANS BY THE ISSUE OF MORTGAGE BONDS AND DEBENTURES *).

Loans accorded up to the 31. XII. 1926	381	for the amount of	197.395.980 goldzlote
" " during 1927	979	" " " "	310.523.984 "
" " up to the 31. XII. 1927	1.360	for the amount of	507.919.964 goldzlote
of which:			
" cancelled " " " " " "	74	" " " "	10.596.576 "
" realized up to the 31. XII. 1927	727	" " " "	367.479.358 "
" remaining to be realized in 1928	559	" " " "	129.844.030 "

Classification of the realized loans:

PALATINATES	up to the 31.XII. 1927														up to the 31.XII.26	
	in mortg. bonds				in communal debentures						in bank debentures		TOTAL		TOTAL	
	8%		7%		8%		7%		8% doll.		7½					
	number	Amount	number	Amount	number	Amount	number	Amount	number	Amount	number	Amount	number	Amount	number	Amount
	in goldzlotys															
Central	263	31.953.300	4	217.000	81	27.585.360	15	2.828.200	9	110.034.416	—	—	372	172.618.276	105	122.409.816
Eastern	58	6.904.940	2	200.000	14	4.076.400	3	266.600	—	—	—	—	76	11.447.940	8	648.440
Western	87	9.723.160	2	381.000	12	10.578.000	—	—	1	1.069.680	—	—	102	21.751.840	23	2.786.240
Southern	158	11.093.742	—	—	16	1.802.560	—	—	—	—	1	2.565.000	175	15.461.302	56	4.156.122
in all	565	59.675.142	8	798.000	123	44.042.320	18	3.094.800	10	111.104.096	1	2.565.000	725	221.279.358	192	130.000.618
Treasury	—	—	—	—	1	43.000.000	1	103.200.000	—	—	—	—	2	146.200.000	1	43.000.000
Total	565	59.675.142	8	798.000	124	87.042.320	19	106.294.800	10	111.104.096	1	2.565.000	727	367.479.358	193	173.000.618

out of the total of loans realized up to the 31.XII. 1927	367.479.358 goldzlote
have been amortised " " " " "	9.834.990 "
Outstanding ou the 31.XII. 1927	357.644.368 zlote
Difference according to the balance sheet upon converting at the rate of 8.88 to 1 dollar	401.880 "
State of the loans issued 8%, 7% and 7½% mortage bonds and debentures according to the balance sheet	357.242.488 zlote
State of the old valorised loans issued in 4% and 4½% mort. bonds and debentures according to the balance sheet	34.056.539.72 "
General status of the loans issued in mortage bonds and debentures	391.299.027.72 zlote

*) 8% mortgage bonds and debentures have been converted according to the following parity: 1 former goldzlote = 1.72 of the present goldzlote. 1 dollar = 8.914 of the present goldzlote.

A resolution of the board dated the 14th November, 1927, which was subsequently approved by the Minister of Finance, laid down the following principles in this respect: The National Economic Bank shall allocate credits obtained by the issue of mortgage bonds, above all in the Eastern and Western Provinces, and will be at liberty to employ such credits in regions affected by natural cataclysms. The issue of mortgage bonds in the remaining parts of Poland will only be allowed under economically justified circumstances, which will have to be established beforehand. Apart from this, the issue of loans, by this means, to industrial undertakings, will only be permitted in cases where it is established that the issuing of a loan by means of bank debentures is, for technical reasons, not practicable, provided however, that any such loan is secured by land or town mortgages.

a) Loans upon estates.

The increase in loans secured by mortgages on landed property far exceeded those upon urban properties, with the result that while at the end of 1926 the proportion of the land loans to the total issue of mortgage bonds was 44%, at the end of 1927 the figure had risen to 52%. A tabular statement showing the issue of these bonds is given below:

loans accorded up to the 31.XII. 1926 . . .	127	for the amount of	15.341.540	goldzlote
„ „ during 1927	331	„ „ „ „	59.062.160	„
„ „ up to the 31.XII. 1927 . . .	458	„ „ „ „	74.403.700	goldzlote
of those:				
„ cancelled „ „ „ „ „ . . .	46	„ „ „ „	5.718.140	„
„ realized	234	„ „ „ „	31.484.960	„
„ remaining to be realized in 1928 . .	178	„ „ „ „	37.200.600	goldzlote

Palatinate	To the 31st. December 1927							To the 31st December, 1926		
	8 %		7 %		Total			Total		
	No.	Amount	No.	Amount	No.	Amount	%	No.	Amount	%
	In goldzlote									
Central	138	17.220.640	2	165.000	140	17.385.640	55,2	33	2.755.440	48,4
Eastern	34	4.399.760	2	200.000	36	4.599.760	14,6	5	390.440	6,8
Western	26	5.165.160	1	301.000	27	5.466.160	17,4	10	1.367.400	24,0
Southern	31	4.033.400	—	—	31	4.033.400	12,8	9	1.186.800	20,8
Total	229	30.818.960	5	666.000	234	31.484.960	100,0	57	5.700.080	100,0

During the year under review the number of loans realised was 177, totalling 25,784,880 zlote.

As will have been seen from the above statement, by far the larger portion of the loans fell to the Central palatinates, then following the Western, Eastern and Southern. The highest comparative increase, fell, however, to the Western palatinates, where the 1927 figure was twelve times larger than that for 1926, owing to the closer attention which was paid to these districts during the period under review, although the official instructions as to the favoured position occupied in this respect by the border districts, were only issued late in the year. The land mortgage bonds, which, as before, were utilised by individual holders of areas of over 100 hectares, were issued by the Bank, mainly for the meeting of short term liabilities and farm investments, principally drainage schemes.

b) Loans upon urban property.

The loans based upon the issue of mortgage bonds upon urban property, which at the end of 1926, amounted to 56% of the total issues, had fallen to 48% by the end of 1927.. A tabular statement as to their development is given below:

loans accorded up to the 31.XII. 1926 . . .	234	for the amount of	21.465.944	goldzlote
„ „ during 1927	397	„ „ „ „	42.437.204	„
„ „ up to the 31.XII. 1927 . . .	631	„ „ „ „	63.903.148	goldzlote
of those:				
„ cancelled „ „ „ „ „	28	„ „ „ „	4.878.436	„
„ realized	339	„ „ „ „	28.988.182	„
„ remaining to be realized in 1928 . . .	264	„ „ „ „	30.036.530	goldzlote

Palatinate	To the 31st. December 1927							To the 31st December, 1926		
	8 %		7 %		Total			Total		
	No.	Amount	No.	Amount	No.	Amount	%	No.	Amount	%
	In goldzlote									
Central	125	14.732.660	2	52.000	127	14.784.660	51,0	58	4.115.960	56,4
Eastern	23	2.505.180	—	—	23	2.505.180	8,6	3	258.000	3,5
Western	61	4.558.000	1	80.000	62	4.638.000	16,0	11	211.560	2,9
Southern	127	7.060.342	—	—	127	7.060.342	24,4	46	2.711.322	37,2
Total	336	28.846.182	3	132.000	339	28.988.182	100,0	118	7.296.842	100,0

The number of loans realised during the year under review amounted to 221, totalling 21,691.340 zlote.

The largest volume of credit allocations fell to the Central palatinates, followed by the Southern, Western and Eastern. The greatest comparative increases, were, however, in the Western and Eastern palatinates, being 22 and 10 times respectively.

The loans granted in respect of town property in 1927, were mainly secured upon buildings constructed some time ago. The conversion of the building loans made by the Bank into mortgage bonds, was not undertaken during the year under review. Owing to the under developed state of the urban credit societies and mortgage banks, the National Economic Bank, has perforce been the main source of supply for long term credits for urban properties.

2. LOANS GRANTED BY THE ISSUE OF COMMUNAL DEBENTURES.

As has already been mentioned, the main aim of the Bank, as far as the allocation of long term credits is concerned, is the distribution of investment loans, in the form of communal debentures, amongst local government authorities. The needs of these bodies are very extensive, and according to the requests submitted to the Chairman of the Bank, during the year, by the Union of Polish Towns, the investment requirements of the larger towns in Poland exceed half a milliard zlote (roughly £ 10.000.000 or $ 50.000.000), and if the analogical needs of other bodies are also considered, the figure becomes much higher. It will therefore be

understood that this sphere of the Bank's work will require special attention and laborious efforts, with a view to ensuing that the field is adequately covered, and with this end in view, the Bank is co-operating with the higher representative bodies of these authorities, and also with the Ministry of the Interior, in whose hands lies the control of all local government authorities.

Owing to the difficulties experience in placing these long term communal debentures, the Bank was unable to meet in a sufficient measure the requirements of the local government authorities during 1927. Nevertheless the total of loans issued in 8% communal debentures during that year reached 44.042.320 of the present zlote, as compared with 5.899.000 in 1926, in addition to which 7% communal debentures to the value of 3.094.800 of the present zlote were placed during the year. The indebtedness of local government authorities in respect of the Ulen Company remained unchanged at $ 12.464.000. The obtaining of long term credits by local authorities in the form of Communal Debentures has been facilitated, as in the second half of the year the Bank began to make short term advances against communal bond issues.

a) Loans for District Authorities. (Rural).

The long term credits for district authorities, were considerably extended during the year, as will be seen from the following table.

loans accorded up to the 31.XII. 1926 . . .	6	for the amount of	4.368.000	goldzlote
„ „ during 1927	77	„ „ „ „	20.013.000	„
„ „ up to 31.XII 1927	83	„ „ „ „	24.381.000	goldzlote
of those:				
„ realized „ „	54	„ „ „ „	16.357.640	„
„ remaining to be realized in 1928 . .	29	„ „ „ „	8.023.360	goldzlote

Palatinate	To the 31st. December 1927							To the 31st December, 1926		
	8 %		7 %		Total			Total		
	No.	Amount	No.	Amount	No.	Amount	%	No.	Amount	%
	In goldzlote									
Central	36	13.090.920	6	1.209.600	42	14.300.520	87,4	4	3.784.000	100,0
Eastern	5	1.032.000	1	68.800	6	1.100.800	6,8	—	—	—
Western	1	430.000	—	—	1	430.000	2,6	—	—	—
Southern	5	526.320	—	—	5	526.320	3,2	—	—	—
Total	47	15.079.240	7	1.278.400	54	16.357.640	100,0	4	3.784.000	100,0

50 loans were realised during the year having a value of 12.573.640 zlote.

A fourfold increase in the long term credit facilities granted to rural district authorities, was necessitated by the fact that these bodies had received too many short term credits, the repayment of which would have placed them in a difficult financial position, and that in addition all responsibilities connected with the construction of roads fell upon them. It will be noted from the above table that approximately 94% of the total credits allocated to rural district authorities, fell within the territories of former Russian Poland, which is the most neglected part ot the country, both as regards means of communication and communal institutions. Another district which received special consideration was that of Pinczow, which is engaged in the construction

of a narrow gauge railway which will be of great importance to the city of Krakow and to the district of Upper Silesia, as regards the supply of foodstuffs and other commodities.

The granting of extensive credits to district authorities in other parts of Poland, was not practicable owing to their weak financial position, particulaly in the southern parts of the country.

b) Loans for Municipal Authorities.

A noticeable growth of the revenues, and consequently of the financial standing, of the majority of the municipal authorities, enabled the Bank to extend its activities in respect of the granting of long term credits to Polish towns, and as will be seen from the following table the loans granted for the year 1927, were larger than in the case of the district authorities:

loans accorded up to the 31.XII. 1926 . . .	3	for the amount of	2.115.600 goldzlote
„ „ during 1927	160	„ „ „ „	70.858.220 „
„ „ up to 31.XII. 1927	163	„ „ „ „	72.973.820 goldzlote
of those:			
„ realized „ „	83	„ „ „ „	29.565.080 „
„ remaining to be realized in 1928 . .	80	„ „ „ „	43.408.740 goldzlote

Palatinate	To the 31st. December 1927							To the 31st December, 1926		
	8 %		7 %		Total			Total		
	No.	Amount	No.	Amount	No.	Amount	%	No.	Amount	%
	In goldzlote									
Central	45	14.494.440	8	868.600	53	15.363.040	52,0	1	1.720.000	81,3
Eastern	9	3.044.400	2	197.800	11	3.242.200	10,9	—	—	—
Western	10	9.804.000	—	—	10	9.804.000	33,2	1	137.600	6,5
Southern	9	1.155.840	—	—	9	1.155.840	3,9	1	258.000	12,2
Total	73	28.498.680	10	1.066.400	83	29.565.080	100,0	3	2.115.600	100,0

The number of loans realised during the year under review was 80, with a value of 27.449.480 zlote.

The above figures indicate that there was a fourteenfold increase in the credits granted to municipal authorities during 1927, as compared with 1926. Simultaneously there has been a change for the better in their distribution, as for the first time it became possible to grant loans to towns in Eastern Poland, in addition the loans granted to towns in the West showed a large increase, while those for towns in the Southern palatinates and in former Congress Poland showed a decrease, although the largest proportion of loans was still absorbed by the latter. The majority of the loans were floated for the conversion of outstanding short term credits.

Out of the loan granted to ten Polish towns by Messrs Ulen and Company through the intermediary of the National Economic Bank, to a total amount of $ 12.464.000 or 111.104.000 zlote, the amount utilised until the end of 1927 was $ 9.084.000 or 80.974.776 zlote, of which $ 4,084,000 or 36.404.776 zlote were utilised during the year itself.

c) Loans for other Authorities.

Other authorities, such as Religious Bodies, Chambers of Commerce and Trade, etc, utilised during the course of 1927 four loans granted by the Bank, to a total amount of 1,214,000 zlote, of which 3 were in 8% debentures and totalled 464.000 of the present zlote, while the other was in 7% debentures to a value of 750.000 zlote. Three loans to the amount of 1,047.000 gold. zlote still remain to be realised.

3. INDUSTRIAL LOANS IN THE FORM OF BANK DEBENTURES.

During the year the Bank, for the first time, exercised the right given in paragraphs 55—60 of the Statutes, and commenced to issue loans through the medium of bank debentures, and the following regulations as to their administration have been drawn up: The interest has been fixed at 7½% of the nominal value, the redemption period at 18½ years, and the minimum amount of a loan at 300.000 zlote, and subsequentily at 100.000 zlote. These loans are primarily intended for the assisting of state enterprises, or concerns in which the State is interested.

The amount of such loans issued during the year was 6, totalling 12.692.000 zlote, of which the largest was for 2,565,000 zlote, for the Azot Company.

II. LONG TERM CASH CREDITS.

The assets side of the Bank's balance sheet shows also a certain sum of long term cash credits, the majority of which date back to the time of the economic crisis in 1924, 1925 and the first half of 1926, when a number of undertakings which were unable to increase their copital by normal methods, so as to pull themselves through the period of depression, or to adapt themselves to the new conditions created by the substitution of a stable monetary system for a highly inflated paper currency, had to call upon the Bank for financial assistance. Now that normal economic conditions are the rule, these debts are gradually being paid off, either by direct payments (advances to banks and to the Kooprolna) or by conversion into long term obliga tions, and in some cases by the taking over by the National Economic Bank of a portion of the issued capital of the company in satisfaction of its claim. On the other hand, the Bank, on account of the continued shortage of capital in Poland, will be obliged to continue to make medium term advances for some considerable time to come, it may be stated that these are in fact advance payments against long term credits issued in mortgage bonds or debentures. The principal recipients of these credits will be concerns engaged in building operations, although a part will be devoted to agricultural and communal credits, repayable through loans issued against mortgage bonds or debentures.

The total of long term credits issued until the end of 1927, attained the figure of 380,535.000 zlote, whilst the equivalent figure for 1926 was 79.449.000 zlote. This enormous increase is in reality mainly a book-keeping transaction caused by the transferrence to this account, from the accounts current, of a large number of items (loans to banks for reconstruction, loans to state enterprises, etc.), for which long extensions of the terms of repayment had been granted. The only actual increase in the amount of long term credits, was for building advances, particulars of which are given on pages 32, 33 & 34.

A tabular statement of the long term cash credits granted up to the 31st December, 1927, divided according to the various branches of national life affected, is given below.

G R O U P S		Zlote (000 omitted)
1. State Enterprises		15.425
2. Local Government and Communal Authorities		39.415
3. Savings Banks		—
4. Co-operative societies		70.282
5. Agriculture		40.320
6. Industry:		
a) Distilleries	11.622	
b) Chemical works	2.121	13.743
7. Trade		—
8. Banks		48.565
9. Ministry of Finance		71.993
10. Various:		
a) Arts and Crafts	135	
b) Staff	394	
c) Real estate owners	64.166	
d) Public utility undertakings	10.718	
e) Training and Educational Institutions	5.132	
f) Other objects	247	80.792
Total		380.553

The above total of 380.535.000 zlote, is divided as follows:

RECIPIENTS	For construction of dwelling houses	For building investments
	Zlote (000 omitted)	
Local Government Authorities	8.389	27.026
Co-operative Societies	70.282	—
Others	68.990	11.802 *)
Total	147.661	38.828

1. CREDITS FOR STATE ENTERPRISES.

In accordance with the provisions of its statutes, and following its programme, the Bank has grouped, under the above heading, all those undertakings which are the sole property of the

*) Valorised and for rebuilding

State, those in which the majority of the shares is held by the State, and finally those undertakings which are of general importance to the State. The Bank has displayed considerable financial activity in respect of these concerns during the last year, and has contributed in no small degree to the development and the rationalisation of their production.

The Ursus Engineering Company, the first Polish firm to manufacture motor cars, have, with the aid of the Bank, increased their capital to 15 million zlote. Practically the whole of the new issue of 892.500 shares of 15 zlote each, has been taken over by the Bank, who now hold 89.61% of the issued capital of the concern.

After having reconstructed and extended their works in 1926, the Ursus Company completed in 1927, the construction of a new motor car factory at Czechowice, near Warsaw, which has already commenced the production of motor lorries. The productive capacity of other departments of the works, including the foundry, press shops, and mechanical workshops, has been largly increased, enabling an augmentation in the output of internal combustion, engines, for which there is a considerable demand. With a view to a further increase in the working capital of the Ursus Company, the Bank, at the end of 1927, made them a written promise to grant a long term loan of 4.130.000 zlote by the issue of bank debentures.

The Starachowice Mining Company, during 1927, have made, with the assistance of the Bank, great strides in the modernisation of their plant and its adaption to the post war requirments of the market. In order to enable still further progress in this direction, the Bank is arranging to grant the company a long term mortgage credit to the amount of 17 million zlote.

During the year under review, the Bank, acquired 55.55% — 12.500 zlote — of the share capital of the Fabryka Śmigieł, Wyrobów Drzewnych i Metalowych (Propellor, Wood and Metal Works) Intégrale Chauvière Szomański i S-ka, which now amounts to 22.500 zlote.

Considerable activity was displayed by the Bank in connection with its investments in the chemical industry. Of the last issue of shares of the Azot Company of Jaworzno, amounting to 2,400,000 zlote, a large proportion was taken by the Bank, which now holds 66.81% of the entire issued capital, and has in addition granted to the company a loan, in bank debentures, to the amount of 2.565.000 zlote, nominal value, in order to enable them to meet their engagements and to increase their working capital. Owing to the amplitude of the financial assistance granted, the company were in a position to varigate their output and to modernise their methods of manufacture, thus enabling them to achieve better financial results.

Another company, the Przemysł Chemiczny w Polsce (Chemical Industry in Poland), is arranging to increase its capital by 1.200.000 zlote in the immediate future, with a view to making extensions and improvements, and the Bank has agreed to take over the greater part of the new issue. With a steadily growing production and an expanding market, the firm is now making good progress and substantial profits, thus enabling them to meet their former engagements.

In the endeavour to assist in the production of synthetic manures, the Bank rendered important financial assistance to the „Tesp" Potassium Salt Company, by according them considerable credits for investment purposes, and in assisting them to market their produce by discounting the bills received in payment from their agricultural clients. The concentration works at Kalusz, for low grade potassium salts, which the company had hoped to put into operation at the beginning of 1927, were not available until the end of the year, owing to the necessity for the erection of new vats and machinery, which were not completed until then. The tests which have been made, have on the whole proved to be satisfactory, so that there is every hope that, upon the completion of the supplementary work now in progress, the factory will be in

full operation in the autumn of 1928. The delay in the setting into operation of the plant, has been caused by the peculiar chemical composition of the Kalusz potassium salts, which contain a large quantity of practically insoluble sediments, which although causing no difficulties during concentration experiments in the laboratory, were sufficient to overcome the original equipment of the works. The completion of this plant will make it possible to employ immense quantities of low grade potassium salts which have been, until now, almost without value, except as admixtures to high grade natural salts. The experimental borings made at Stebnik, have proved to be most promising, and further surveys of the beds are now in progress. In order to pay off its maturing short term credits, the company resolved at the last general meeting to increase its capital by 10 million zlote, and the question is now receiving attention.

2. CREDITS FOR LOCAL GOVERNMENT AUTHORITIES AND COMMUNAL UNDERTAKINGS.

Under the heading „Long Term Cash Credits" are also included certain sums destined for the provision of work for the unemployed, which were transferred to the Bank by the Ministry of Labour and National Welfare, by virtue of an order, issued by the latter Ministry, on the 8th September, 1927. Loans made from the above sums, are distributed between communal associations and undertakings, for the prevention and the relief of unemployment.

Loans granted for the erection of mechanical bakeries or for the conversion of previously existing manual baking plants, are also included in the long term credits, a sum of 2.500.000 zlote having been allocated for this purpose by the Ministry of Finance. Out of this amount nine loans aggregating 1,162.000 zlote have already been granted. To the above sum has been added an amount of 1,699,952 zlote, the proceeds of an issue of 1,100,000 gold zlote (of the old parity) 8% communal debentures made by the Bank, in connection with a loan granted to the town of Warsaw for the construction of a mechanical bakery.

The last item to be mentioned under this heading, is that of payments made to local government authorities, as advances against long term credits in communal debentures, that for one reason or another, could not be realised at the moment. The advances of this kind made during the period under review amounted to 16.491.800 zlote, of which 28 loans for 16.356.000 zlote were realised, including four loans to the total of 15.000.000 zlote made to the town of Warsaw.

3. BUILDING CREDITS.

That the shortage of dwelling houses is a question to which both the Authorities and the Board of Directors of the National Economic Bank attach great importance, may be seen from the increase of 350%, in the year under review, in the total of loans granted for this purpose, as compared with 1926. The total number of loans accorded for building last year was 2,507, for 106.548.000 zlote, a sum which was 42% in excess of the total aggregate of loans for this purpose during the years 1924 to 1926, which amounted to 74.903.000 zlote. The activities of the Bank last year were mainly devoted towards financing the completion of those houses, the construction of which had already been commenced, so that the largest possible number of finished houses and flats should be available for use during the year. A certain amount of assistance was also granted to owners of pre war buildings, which for the most part were in a bad state of repair, for their complete overhaul, and in many cases for the provision of additional accomodation. These credit facilities were, in the main, granted to housing co-operative societies, and building contractors; their share on the 31st December, 1927, amounting to 41% of the total.

Building credits granted by the Bank.

Source of funds	1924		1925		1926		1927		Total	
	no.	amount	no.	amount	no.	amount	no.	amount	no.	amount
	In Zlote (000 omitted)									
Bank	277	4.389,1	76	3.198,1	153	3.495,0	556	11.797,0	1.062	22.879,2
Government . .	—	—	1.537	44.033,2	1.178	19.787,8	1.951	94.750.7	4.666	158.571,7
Total . .	277	4.389,1	1.613	47.231,3	1,331	23.282,8	2.507	106.547,7	5.728	181.450,9
Allocation of loans.										
Recipients:										
Local Authorities	3	67,0	68	6.452,3	60	3.298,5	83	6.319,7	214	16.137,5
Co-operative Societies . . .	37	1.252,0	122	15.684,0	144	6.802,0	253	51.647,3	556	75.385,3
Individual credits	237	3.070,1	1.423	25.095,0	1.127	13.182,3	2.171	48.580,7	4.958	89.928,1
Of the number accorded the following were realised.										
	—	2.871,8	—	29.998,7	—	33.717,3	—	81.073,6	—	147.661,4

The sums devoted to building credits were drawn mainly from the National Economic Fund, which had been collected in 1925 from the proceeds of the Dillon Loan. A sum of 50.000.000 zlote from this fund was transferred to the Bank by the Ministry of Finance, on the basis of the Town Expansion Act of the 29th April, 1925, and from the fund thus created, the Bank granted loans for the completion of buildings which had formerly been financed from the Government funds for the expansion of towns. The Act in question has since been amended by an order of the President of the Republic, dated the 22nd April, 1927, by virtue of which, the Government assistance for building, will in future be based upon two foundations, the National Fund for the Expansion of Towns, and the National Fund for the Facilitation of Building.

The National Fund for the Facilitation of Building, which was established in accordance with the provisions of Articles 15 and 16 of the above mentioned Act, is made up of the subsidies which were formerly paid directly by the National Economic Fund, or the Treasury, the proceeds of the sale of bonds and mortgages, and finally of other varying amounts, left over from the National Fund for the Expansion of Towns, in the shape of fees paid by borrowers, interest charges, etc.

Short term loans are made in cash from the National Fund for the Facilitation of Building, while long term sinking fund loans are made by the issue of mortgage bonds and debentures, which are exchanged for short term loans after the completion of building operations.

By virtue of the executive order issued in connection with the above mentioned Act, the control of the distribution of all these funds was vested in the Bank, which now grants loans for building purposes at low rates of interest, — 6% in 1927 — on the motion of a bench of magistrates, or of one of the committees appointed to deal with questions relating to building in various towns. In accordance with the regulations the needs of borrowers are dealt with in the following order: — municipalities, social philanthropic institutions, co-operative building societies, private individuals, and companies. Apart from these special attention is also given to the building of small houses.

Eighty per cent of the Fund has been allocated for distribution amongst various towns in strictly determined quotas, proportionate to the returns from the taxation of property and houses in those areas. The balance of twenty per cent is being distributed by the Minister of Finance, in conjunction with the Ministers of Public Works and of the Interior, among the devastated towns having insufficient dwelling houses to accomodate their increased population, and also for the development of surburban building.

In September 1927, the Government, assigned a further 100 million zlote to the National Fund for the Facilitation of Building, which sum is accordingly being gradually transferred to the Bank by the Ministry of Finance, about 20 million zlote having been received by the end of the year, which was almost wholly employed for the extension of the towns of Warsaw and Lodz, as suggested by the Minister of Finance, after consultation with the Ministry of Public Works.

In addition to the above the National Economic Bank, granted loans during the year from the balance of the 16 million zlote transferred to it by the Ministry of Finance in 1926, comprising the proceeds of the taxation imposed upon unemployed building plots and houses, the so called Building and Taxation Fund. Owing to the practical exhaustion of this Fund, the loans granted in 1927 amounted only to 839.200 zlote.

Thanks to the increased liquid capital available in the coffers of the Bank, the loans granted, during 1927, from its own funds were over five times greater than in 1926. In addition, as during the first half of the year the provision of building credits directly from Government funds was practically suspended, the Bank, out of its own resources, made advances of the sums necessary for the completion of buildings which had been commenced with direct Government assistance, on the understanding that they were to be repaid out of the credits subsequently to be received. These loans bore interest at the rate of 9½% per annum as from the middle of April, 1927.

The following loans have been accorded and paid out of the above mentioned funds.

Funds	Accorded		Paid out
	No.	Zlote	Zlote
National Economic Fund	1.206	49.729.740	47.922.633
Building and Taxation Fund	162	839.200	6.193.797*)
National Fund for the Facilitation of Building	583	44.181.775	15.485.645
Private Funds	556	11.796.950	11.471.500
Total	2.507	106.547.665	81.073.575

With the increase of the Government subsidies for building it became possible for the Bank to effect considerable reductions in the loans granted from its own resources, thus releasing

*) This sum comprises also loans accorded and not made use of in 1926.

these sums for employment for other purposes, as laid down by the Statutes. This tendency became particularly noticeable during the last quarter of 1927, as will be seen from the following table showing the allocations and payments in respect of building loans during the year.

Quarter	Accorded			Paid Out
	from Bank Funds	from Government Funds	Total	
	Z	l	o	t e
I	3.761.300	12.866.450	16.627.750	9.509.757
II	5.176.800	21.448.200	26.625.000	22.664.142
III	2.452.400	20.663.890	23.116.290	23.753.577
IV	406.450	39.772.175	40.178.625	25.146.099
Total	11.796.960	94.750.715	106.547.665	81.073.575

In an endeavour to relieve the strain on the Building Department of the Warsaw Office, and with a view to making the whole organisation for the granting of credit more elastic, the Bank has, in addition to the already existing Building Departments at Poznan, Lwow and Krakow, opened two new branches of this Department at Lodz and Gdynia. When the paramount extent of the expansion, not only of the port, but also of the town of Gdynia is considered, the importance of the activities of the local branch of the Bank, the only financial institution in the town, will be realised, particularly in connection with the constructional work on the harbour, which is being carried out with Government funds, and where great progress was recorded, noticeably at the end of the year. Out of the 5 million zlote assigned from Government funds for building in the port of Gdynia, over $2^1/_2$ million had been employed up to the end of December, 1927. Judging from the number of applications for constructional credits already received for 1928, there should be a great revival in construction this year, as the sum of $2^1/_2$ million zlote still remaining only covers 50% of the amounts asked for. The following statement of the building loans granted by the Bank and its branches during 1927, indicates the activity of this side of its work.

Branch	Loans accorded		Paid out
	No.	Zlote (000 omitted)	Zlote (000 omitted)
Head Office	1.688	89.239,4	64.673,6
Lwów	428	7.657,8	7.518,1
Kraków	192	2.414,8	2.787,6
Poznań	121	2.500,2	3.068,3
Gdynia	44	2.446,0	2.098,0
Łódź	34	2.289,5	928,0
Total	2.507	106.547,7	81.073,6

As the Town Expansion Act has no reference to Polish Upper Silesia, constructional activity in that district is being financed from a special fund called the „Silesian Economic Fund"

which has been collected by the Wojewode, and placed under the control of the branch of the Bank at Katowice. Out of this fund, which was only taken over in the last quarter of 1927, 142 long term cash loans, to the amount of 1,099,000 zlote, have been granted for the purpose of completing the constructions of buildings in the different towns of the district. The interest charges on these loans are at the rate of 4% per annum.

4. AGRICULTURAL CREDITS.

Amongst the various concerns which have received long term cash credits from the Bank, the most important is the Kooprolna Agricultural Co-operative Company, the total of whose unsettled foreign engagements which have been taken over by the Bank, amounting at the end of 1927, to 40,320.000 zlote. Owing to the importance of this company, which is the only co-operative society marketing the farm produce of former Russian Poland, the policy of the Bank in respect of the above credit had to be most carefully considered, and it was decided that for the moment no action, apart from that necessary to secure the claim of the Bank, should be taken.

A plan for the complete re-organisation of the undertaking, which will on the one hand permit of the gradual meeting of its engagements vis à vis the Bank, and on the other lead to its establishment on a normal basis where it can best serve the purpose of its existence, is now in course of preparation.

5. INDUSTRIAL CREDITS.

As an institution which was called into being at a time of crisis in order to reconstruct the economic life of Poland, the Bank, has, for many years, rendered financial assistance to those industrial concerns, which, although having reasonable prospects for future development, were in a difficult position as a result of the adverse economic situation. On the basis of a guarantee of the Bank Cukrownictwa of Poznan, the Bank granted to the Przeworsk Company, of Przeworsk, a credit of 5.500.000 zlote, on favourable terms, with the aid of which the firm was enabled to meet its most pressing engagements and to start a sugar mill at Horodenca.

Another significant step was the assistance granted by the Bank to the Grodek Pomeranian Electricity Supply Company, at Torun, by financing the expenditure incurred in the electrification, by that company, of the port and the town of Gdynia. The company are now engaged in the construction of a power line to Gdynia, for which purpose the Bank has advanced them 1.500.000 zlote.

The difficult conditions of the Polish sea fishing industry, have urged the Bank to consider carefully the question of rendering it a certain measure of assistance, both from economic and from political considerations. With this aim in view, the Bank, have now acquired 200 shares, valued at 10.000 zlote, in the Polish Sea Fisherman's Co-operative Union, of Gdynia, and have at the same time allowed certain credits to the union for the purchase of equipment, motor driven smacks, housing accomodation on the sea shore, etc., for which the nominal interest of 4% is being charged.

On the formation of a company for the exploitation of the Danzig tobacco monopoly, the Danziger Tabak Monopol A. G., the Bank headed a group of Polish banks, which by virtue of the provisions of the Geneva Convention of the 10th March, 1927, had, in common with other international banking groups, the right of participating in the company. The Polish group, which, apart from the National Economic Bank, consisted of the Bank Związku Spółek

Zarobkowych, Bank Handlowy w Warszawie, Bank Zachodni, Polski Bank Przemysłowy and the Powszechny Bank Związkowy, acquired 22% of the capital at a cost of 1.870.000 Danzig Gulden, of which the share of this institution amounted to 552.500 Danzig Gulden, or 6.5%. The Bank has paid up three quarters of the amount owing for its share, while the balance of 138.125 Danzig Gulden, which was due in the last quarter of 1927, has not yet been paid over. The Tabak Monopol, which commenced operations at the end of June last, is making good progress.

While participating actively in the work of drainage construction, by the granting of long term investment credits to communal unions, the Bank acquired, during the year under review, a block of 18.000 shares in the National Drainage Company, at their face value of 10 zlote each, in order to be able to exercise a proper influence on the progress of the work carried on in this direction.

The Bank endeavoured to alleviate the difficult position in which the medium Polish Upper Silesian industries had been placed owing to foreign competition, and authorised the Katowice branch to grant credit to such undertakings to an aggregate amount of 500.000 zlote, secured by mortgages and repayable after two years.

6. BANK CREDITS.

The substantial volume of credits granted by the Government, through the intermediary of the Bank, to private banking concerns during the years 1925 and 1926, immediately after the break in the zloty exchange, saved them from the calamity which threatened owing to the closing down of foreign credits and the big rush of withdrawals on the part of depositors. These credits, which at the end of 1926, amounted to 57 million zlote, enabled the private banks to withstand the economic crisis, and subsequently to re-organise their business with a view to cutting down working expenses. Already, by the second half of 1926, the banks had begun to repay their obligations to the Government. The year 1927 — full of favourable conjunctures — was a good one for Polish banking business, as during that period, certain banks were able to repay, out of their debt to the Bank, sums considerably larger than those which were still required in order to complete the financial sanation of ther banks. To assist the banks in the meeting of their engagements, the Government has agreed to the repayment of the loans by annual instalments.

During 1927 fresh credits to the amount of 7.096.000 zlote were granted, as the total of the repayments during that period amounted to 10.890.000 zlote. The total debt owing by the banks, exclusive of interest, amounted at the end of December to 48.565.000 zlote, while the sums allocated by the Treasury for the assisting of the banks, amounted at the same date to 49,048,830 zlote.

III. SHORT TERM CREDITS.

At the end of the year under review the short term credits amounted to 255.586.000 zlote, as against 341.960.000 zlote at the close of 1926. The decrease is solely to be attributed to the transfer, in November, 1927, of a portion of the credits to the long term credit account, as has already been indicated in the relevant chapter of this report. On the other hand, bills discounted increased from 74.417.000 zlote at the end of 1926, to 136.907.000 zlote, at the end of 1927. Simultaneously there was a decrease in the amount of time loans, which fell from 29.371.000 zlote to 25.033.000 zlote. The development of short term credits during 1927, is illustrated in the following table (in thousands of zlote).

Date		Total	Bills discounted	Accounts current	Time loans
		In Zlote (000 omitted)			
31.XII.	1926	341.960	74.416	238.173	29.371
31.I.	1927	345.099	76.253	240.595	28.251
28.II.	"	353.198	84.462	239.588	29.148
31.III.	"	378.570	98.174	248.864	31.532
30.IV.	"	388.267	110.125	250.682	27.460
31.V.	"	405.252	120.496	256.088	28.668
30.VI.	"	414.457	123.345	262.184	28.928
31.VII.	"	432.695	132.727	271.978	27.990
31.VIII.	"	440.501	140.330	272.246	27.925
30.IX.	"	453.875	143.061	283.200	27.614
31.X.	"	436.539	144.582	266.935	25.022
30.XI.	"	254.256	146.540	82.832	24.884
31.XII.	"	255.586	136.907	93.646	25.033

In the tabular statement on page 38 is given the manner in which the short term credits were divided according to the various sections of the economic life of the country.

1. CREDITS FOR STATE ENTERPRISES.

Within its prescribed scope of action as a State Institution, the main function of the Bank, is, as has been emphasised in the introductory portion of this report, the provision of industrial credits to serve the needs of State Enterprises. In pursuance of this aim, such undertakings as Polmin, Chorzów, Państwowa Fabryka Aparatów Telegraficznych i Telefonicznych (State Telegraph and Telephone Works), which have, until the present, made use of the discount credit facilities of the Bank of Poland, will, in the future, be supplied with short term working credits, covering discount credits, goods credits, and other facilities, by the National Economic Bank.

On the 31st December, 1927, the indebetness of State enterprises, in respect of short term credits granted by the Bank, amounted to 12.205.000 zlote. The rate of interest for such credits was lowered, during 1927, to the level of the discount rate of the Bank of Poland.

2. CREDITS FOR LOCAL GOVERNMENT AUTHORITIES AND COMMUNAL UNDERTAKINGS.

In conformity with its programme, the Bank has not only taken over the distribution of long term investment credits amongst these bodies, in the form of communal debentures or in cash, but also furnishes to them short term credits for the balancing of occasional deficits occurring in the communal budgets, provided that they would normally be covered by the budget receipts in the relevant period.

The Bank granted during 1927, mainly in the second half of the year, considerable amounts of such credits, totalling 4.071.000 zlote, of which 60 loans, totalling 3.821.000 zlote, were realised. Apart from this, two short term loans, of 1.000.000 zlote each, were granted to the City of Warsaw from a special subsidy fund. The loans granted to local government authorities and towns, in order to temporarily balance their accounts, were, as a rule, secured on the receipts derived from additional taxes. The total of the short term loans thus granted, including credits for other purposes, attained 8.483.000 zlote at the end of the year, as compared with 4.137.000 zlote in 1926.

GROUP	Total	Bills discounted	Accounts current	Time loans
	In Zlote (000 omitted)			
1. State Enterprises	12.205	3.526	4.721	3.958
2. Local Government Authorities and Communal Undertakings	8.483	2.212	5.157	1.114
3. Savings Offices	5.153	5.109	11	33
4. Co-operative Societies	5.978	3.215	1.120	1.643
5. Agriculture	33.476	29.832	2.065	1.579
6. Industry				
A. Agricultural	14.849	6.019	7.499	1.331
1) *Sugar Factories*	*8.410*	*2.409*	*5.932*	*69*
2) *Distilleries*	*1.969*	*962*	*897*	*110*
3) *Flour Mills*	*3.475*	*2.266*	*578*	*631*
4) *Other agricultural objects*	*995*	*382*	*92*	*521*
B. Miscellaneous	64.991	36.197	18.293	10.501
1) *Coal*	*17*	*17*	—	—
2) *Oil*	*2.158*	*1.674*	*132*	*352*
3) *Mining*	*189*	*45*	*44*	*100*
4) *Foundry*	*7.131*	*4.665*	*643*	*1.832*
5) *Electrical & General Engineering*	*9.093*	*5.379*	*2.173*	*1.541*
6) *Textile*	*16.308*	*10.354*	*4.060*	*1.894*
7) *Chemical*	*4.060*	*3.531*	*395*	*134*
8) *Tanning*	*2.229*	*1.352*	*324*	*553*
9) *Paper*	*3.612*	*345*	*3.240*	*27*
10) *Polygraphic*	*608*	*463*	*33*	*112*
11) *Timber*	*5.998*	*3.056*	*2.199*	*743*
12) *Alimentary*	*2.401*	*528*	*1.058*	*815*
13) *Clothing & Fancy Goods*	*480*	*422*	—	*58*
14) *Metallurgical*	*2.511*	*1.548*	*781*	*182*
15) *Ceramic*	*4.734*	*996*	*2.313*	*1.425*
16) *Other industries*	*3.462*	*1.822*	*898*	*742*
7. Trade	55.4.07	41.959	11.142	2.306
including *Farm Produce*	*23.034*	*22.794*	*193*	*47*
8. Banks	19.761	2.483	17.178	—
9. Ministry of Finance	24.002	—	24.002	—
10. Miscellaneous	11.281	6.355	2.358	2.568
1) *Artisans*	*260*	*215*	*1*	*44*
2) *Executive Employees*	*943*	*502*	*5*	*436*
3) *Owners of Real Property*	*3.613*	*2.657*	*430*	*526*
4) *Public Utilities*	*1.081*	*744*	—	*337*
5) *Pedag. and Educat. Institut.*	*419*	*233*	*52*	*134*
6) *Others*	*4.965*	*2.004*	*1.871*	*1.091*
Total	255.586	136.907	93.646	25.033

3. CREDITS FOR SAVINGS OFFICES.

From the outset one of the aims of the Bank has been the formation of Savings Offices. The intention has been that these Savings Offices, akin to those in Western countries, may become a potential factor in the economic life of Poland, and that the concentration of the savings of the bulk of the population, will open up a market for the stocks of the Bank, and an important source for the supply of working capital. For certain technical reasons the supervision of these institutions was originally vested in the Postal Savings Bank (P. K. O.), and was only handed over to the Bank in the second half of 1927. Until this time the Bank had granted but little credit to the Savings Offices, their share of the short term credits at the end of June, 1927, being only 2.5 million zlote, or about 0.6% of the total of short term credits, but since that date a number of loans have been granted, which has considerably added to the indebtedness of these institutions, particularly in respect of discounted bills, the total at the end of December standing at 5.1 million zlote, showing an increase of 100% in six months.

4. CREDITS FOR CO-OPERATIVE SOCIETIES.

The importance of co-operation as a factor in co-ordinating the employment of small sums of capital, having been duly considered, the Bank decided to go into the question of the financing of co-operative societies, preferably by allowing credits to the larger institutions, but, owing to the fact that this question is still being attended to by the State Agrarian Bank, and the Postal Savings Bank, the matter has not yet fully matured. During the year the Bank seconded the efforts of the short term credit branches of building, consumers and artizans co-operative societies. On the 31st December, 1927, the indebtedness of co-operative societies to the Bank stood at 5,978,000 zlote, as against 3,433,000 zlote in 1926.

5. AGRICULTURAL CREDITS.

In agreement with other financial institutions, the Bank has undertaken to provide short term (seasonable) credits to farmers holding more than 100 hectares of land, for the marketing of crops, for the purchase of seed corn, and for relief in the event of natural disasters.

During the year under review the financial activity of the Bank in this respect reached considerable dimensions, and contributed in a large degree towards the prosperity enjoyed by agriculture; the total of the credits granted amounting to 14.740.000 zlote at the end of 1926, and to 33,476,000 zlote at the end of 1927. The extension of credits was warranted not only by the increased amount of funds available, but also by the improved financial resources of the farmers, whose prosperity was advanced by the favourable conditions of the market for farm produce. In order to assist agriculture the Bank has in these cases refrained, on principle, from demanding from the borrowers, bank endorsements or collateral security (letters of guarantee issued by banks or commercial houses), and was satisfied if the bills bore the endorsements of other responsible farmers. The introduction of this method of procedure greatly facilitated the obtaining of credit by agriculturalists, who were thus spared additional charges from intermediaries. Furthermore the Bank granted loans against six months bills, and not against three months bills, as had hitherto been the case, having thus endeavoured to adapt its terms of payment to the real needs of the industry. Finally, in its distribution of credits, the Bank was guided in its decisions by the advice of the agricultural associations, namely the Supreme Council of the Agrarian Associations, the Head Office of the Agrarian Union, and various local bodies.

During the year the Bank granted large credits for agriculture, including a credit of 10 million zlote in January for the purchase of seed corn, which became necessary owing to the shortage of seeds which was being suffered by many landowners on account of the bad harvests of 1926. This credit was granted for six months, with the right of extension for another four months. As it was subsequently found to be insufficient, a further credit for 10.400.000 zlote was arranged on the same terms. Thus the total of the credits granted for the purchase of seed corn in 1927, amounted to 20.400.000 zlote. In view of the fact that the farmes experienced certain difficulties in repaying their indebtedness at the end of the year the Bank consented to prolong the loans upon the payment of a portion of the principal.

In view of the fact that several districts had suffered considerably from natural disasters, the Bank arranged, in February, a relief credit of 2.000.000 zlote, bearing interest at 8% per annum, from a special deposit of the Treasury, to the farmers in the 16 devasted districts in the Eastern and Central palatinates. The total of the credits granted for this purpose, including those of November 1926, amounted to 4 million zlote.

On ascertaining that some of the farmers were short of ready money in the pre harvest period, the Bank allocated, in July, 1927, the sum of 7.5 million zlote for their assistance, by the discounting of six months bills. Again, in September, the Bank granted a further credit of 1.5 million zlote to those farmers whose crops had suffered from hailstorms. This latter credit, which was taken from the Treasury deposits, was at 4% per annum, and is repayable on the 31st March, 1928.

In general, the Bank, has been very considerate, in respect of the repayment of the relief credits granted to those farmers who suffered from elemental disasters in 1924, 1925 and 1926, all of which became repayable in 1927.

Apart from the above mentioned credits, the Bank arranged, from its own funds, several smaller allocations, including 500.000 zlote for farm leaseholders in Pomerania, 800.000 zlote for the purchase of seed corn by the Border Agrarian Union, and 900.000 zlote for the Upper Silesian Agrarian Union. The granting of these credits was justified by the special needs of the Polish farming communities in the border districts.

In addition to the foregoing sources of credit supply, the farmers also obtained large credits through the medium of the Agricultural Trading Undertakings (see the „Trade Credits Section"); including the latter, the total indebtedness of the agriculturalists to the Bank at the end of 1927, hand attained the figure of 56.510.000 zlote.

6. INDUSTRIAL CREDITS.

With the growing revival of trade, and the improved conditions of employment in industry during 1927, the requirements of working capital also increased. This demand was met by the Bank within the limits of its programme, special attention being paid to those sections of industry catering for the export markets. The financial assistance of the Bank was invoked by almost every branch of industry, in discount, time or goods credits, or in overdrafts on current accounts.

In the agricultural industry several large credits were accorded to sugar works, distilleries and mills. Owing to a slack period in the latter branch, the majority of the credits employed by the milling industry are only now being slowly liquidated, while a large number of committments which were gradually being paid off, have had to be prolonged.

Vigorous activity has been manifested in the foundry, metal, engineering, and electrical industries, which resulted in the practical exhaustion of the credits allocated to these branches.

In order to promote the cultivation of land, special assistance was granted to manufacturers of agricultural implements.

There was an increased demand for credit on the part of the textile industry, more particulary at the time of the extension of production for the summer season, the highest point being reached in the spring of the year. In order to increase the buying capacity of the home market, and to oust foreign competition in the form of dumping credits, the manufacturers were obliged to sell goods on steadily increasing credit terms, which, by the end of the year, had attained as much as four or five months. With a view to assisting this process, the Bank has arranged with the Bank of Poland for a rediscount credit, during the current year, to the amount of 12.5 million zlote which will be distributed among the various economic sections, and which will be allocated to the respective Branches where such bills are presented for discount.

Of the remaining industries, increased short term credits were employed during 1927 by the chemical, tanning, petroleum, alimentary, mineral, timber and papermaking industries.

In connection with the anticipated increase of building activity during 1928, a working credit of 12 million zlote was accorded to the ceramic industry in the December quarter of the year under review. This credit will be set into operation in the early part of the current year, in the shape of time loans paying interest at 9% per annum. Further credits will be made dependent upon sales.

7. TRADE CREDITS.

The majority of the commercial credits granted by the Bank during 1927, were comprised in those accorded to the Kooprolna Company, which apart from the usual discount facilities, made use of the following special arrangments; the credit accorded to them in 1926 for the purchase of artificial fertilisers for the spring season, was, in January, extended by 3 million zlote, to a total of 10 million zlote; in February a discount credit of £ 10.000 was placed at their disposal; in May a further credit of 10 million zlote for the purchase of artificial fertilisers for the autumn campaign, was accorded; in the September quarter a discount credit of 2.375.000 zlote was allotted for the purchase of malt for the breweries, and for peas and seeds for export; while finally, for the provision of artificial fertilisers for the spring campaign of 1928, a discount credit of 17 million zlote was placed at their disposal. The major portion of this latter credit had already been employed before the end of 1927.

The substantial credits granted to the Kooprolna for the purchase of artificial fertilisers, contributed greatly to the increased Polish consumption of these materials in 1927.

Important credits were also granted to the „Soil Products Trading Company", which was assisted, during the year under review, with special credits for transactions in grain, in addition to the credits which it normally receives. In order to assist in the financing of the sale of farm produce considerable credits were allocated to agricultural syndicates and agrarian unions.

In the endeavour to facilitate the purchase of oil seeds on the internal market by the oil cake factories, the Bank allowed credits, in September last, to the extent of half a million zlote, to this industry, for the purpose of financing the purchase of the necessary raw materials for the coming season. A seasonable credit of 400.000 zlote, was also granted by the Bank to the Hop Growers Syndicate, to enable them to make advances to the producers for the cultivation of the next season's crop of hops.

In order to assist the smaller Polish merchants in Polish Upper Silesia, who, owing to local conditions, are carrying on business under difficult financial conditions, authority was given to the branch office of the Bank at Katowice to allow to them, through the intermediary of the

local banks, a bill of exchange credit to the amount of 540.000 zlote, on the condition that in most cases the guarantee of the Bank Związku Spółek Zarobkowych be required. In addition, on considering the difficulties under which the smaller and medium traders were operating, the Bank granted, in certain districts, important credits, through the local savings offices and co-operative credit societies, in order to stimulate trade.

Export and import credits.

Contrary to the practice followed in Western European countries such as Great Britain, France, Germany, Italy, Belgium and Holland, the question of export credits has played, until recently, but little, if any, part in the economic life of Poland. The reason for this unfavourable state of affairs was to be seen, not so much in the general lack of fluid capital, but in the absence of properly organised export centres which were in a position to employ export credits as an effective instrument for the expansion of Polish trade abroad. This factor is also responsible for the comparatively slow progress of the export trade, despite the favourable conditions which have been prevailing on the world markets for the last two years, and were it not for the financial assistance granted, the marketing of Polish products abroad would meet with considerable difficulties. The sum total of the export credits granted to Polish industry, cannot be compared with the hundreds of millions of zlote which other countries have been in a position to employ. The main source of supply of this type of credit, apart from the Bank of Poland, which only grants special kinds of export credits through the discounting of foreign bills of exchange on easy terms, was the National Economic Bank, which has endeavoured, as far as possible, to assist the exporting industries. The granting of assistance in this direction was, however, hampered by the absence of properly organised export syndicates, with the result that the general course of events was by nature spasmodic, lacking continuity of effort, and therefore uneven. Realising the necessity for the increasing of exports by means of a constructive collaboration in the formation of new sections of production and special associations for dealing with exports, as was mentioned when describing the programme of the Bank, it was decided that it would, in close co-operation with the Government Authorities, offer special assistance to any efforts which would tend to clear the path for the reaching of the desired objective, the acquiring of a steady hold on those foreign markets in which Polish trade has the opportunity for expansion, by the rationalising of the export trade. The principal recipient of export credits during the year under review was the Polros company, which specialises in trade with Russia, and which received a number of credits to an aggregate value of 1.200.000 dollars. In addition, the agricultural and timber industries, and a number of small concerns engaged in trade with Russia and Roumania, also received assistance.

The question of import credits can be regarded as being supplementary to that of export credits, as their object is to enable the home industries to import the necessary raw materials from abroad without necessitating the locking up of the working capital of the firms concerned. As has been the case for several years past, the main user of the so called „Reimbursement Credits" was the textile industry, which employed them to cover their imports of cotton and wool, the next most important users being the chemical and aircraft manufacturing industries. The aggregate of import credits granted increased during the year under review by about $ 300.000, as compared with 1926, the total being £ 215.000, $ 85.000 and 2.300.000 French Francs, which figures indicate that the centre of gravity has shifted from New York to London. In view of the urgent necessities of the industries the Bank granted, during 1927, not only three months credits as heretofore, but also six months credits.

8. BANK CREDITS.

Discount credits to banks were only granted on a small scale, and in exceptional cases, during the year under review. The principal recipients were: the British and Polish Trade Bank at Danzig, an institution founded for the promotion of business relations between Poland and abroad, which was allocated a credit of about a million zlote, of which some 40 % had been utilised up to the end of the year; the Polish Communal Bank, embodying the majority of the savings offices in former Russian Poland, to which was allocated a credit for a similar amount; and for the use of departmental councils and district departments, a single credit of 1.000.000 zlote. The total of the credits actually granted under these three headings had reached, at the end of the year, the sum of 2.483.000 zlote.

IV. GUARANTEES.

As in 1926, the total of the guarantees issued by the Bank during 1927, showed a considerable decrease, being 61.6 million zlote at the end of December, as compared with 120.3 million zlote at the corresponding period of the preceding year. This drop is, in itself, a testimony to the further recovery of the economic position of Poland, and to the growing confidence in its financial capacities shown by foreign countries. The guarantees were mainly employed by industrial concerns, and to a lesser degree by state enterprises, trading undertakings and banks.

In the following is given a classification of the guarantees in respect of the various sections of production, as on the 31st December, 1927 (000 omitted).

Group		Amount
1. State Enterprises		8.306
2. Local Government Authorities		407
3. Co-operative Societies		122
4. Agriculture		303
5. Industry		
a) Farm:		
including Sugar Works	25.871	
Distilleries	4.505	
Mills	40	30.416
b) Miscellaneous:		
including Coal	185	
Mining	139	
Foundry	1.774	
Engineering	4.104	
Textile	4.790	
Timber	3.687	
Chemical	36	
Leather	499	
Metal	584	
Cement	2.495	
Mineral	2	
Other	796	19.091
6. Trade		1.414
7. Banks		1.311
8. Miscellaneous		193
Total		61.563

The majority of the guarantees shown above, have been endorsed by the Treasury, although their proportion to the total, is steadily growing smaller, owing to their gradual discharge. The amount of such guarantees fell during the year from 98.3 to 42.3 million zlote, whilst, during the same period, ordinary guarantees were maintained at more or less the same level. The proportion of the guarantees endorsed by the Treasury fell from 81.7% at the beginning, to 70.9% in the middle, and finally to 68.6% at the end of the year.

V. ADMINISTRATION OF THE BANK.

1. STAFF.

Number of officials.

Owing to the remarkable development of the business of the various sections of the Bank, a corresponding increase in the size of the staff became necessary, the figure rising by 20% during the year, from 788 officials and 187 lower grades at the end of 1926, to 955 officials and 214 lower grades at the end of 1927.

Salaries.

The Board, having considered the fact that under paid employees cannot be expected to perform their duties satisfactorily, decided to make substantial increases in the salaries of the staff as from the 1st August, when a new scheme of payment was introduced allowing for average increases ranging between 25 and 30%.

Appointment of additional staff.

In considering candidates for appointment to posts in the Bank, close attention was paid to their capabilities, both theoretical and practical. The increased scale of emoluments available, particularly in the second half of the year, caused a simultaneous improvement in the standard of the candidates presenting themselves.

2. RE-ORGANISATION OF THE BANK.

The steady development in the operations of the Bank of National Economy, and the unexpected and far reaching differentiation of its work, has caused certain difficulties in the organisation of its internal administration according to a considered plan, with the result that the adaption of the internal structure of the Bank did not keep pace with the increase of business, which necessarily reflected upon the efficiency of its work. In view of the above, it was decided in the second half of 1927, to start upon the gradual re-organisation of the internal administration.

One of the first points to be dealt with was the definition of the rights and duties both of the members of the directorate and of the staff, and with this end in view, the „Service Regulations for the Employees of the Bank" was drafted at the end of the year and was put into force on the 1st January, 1928. Detailed and analogical regulations were prepared and issued in respect of the functions of membres of the Board of Directors. In addition to the above full instructions were issued relating to the salaries, wages and dues of all persons connected with the Bank.

Simultaneously with the publication of these regulations, a complete scheme was drawn up for the re-organisation of the Head Office, providing for a detailed delimitation of the functions and duties of each department and section, which scheme was also put into force on

the 1st January, 1928. A special committee of organisation of the Board of Directors, was established with the object of working out the necessary instructions as foreseen by the Statutes, and of issuing the necessary working regulations rendered necessary by the re-organisation of the Head Office. The Committee will also endeavour to co-relate the functions of the various departments of the Bank. The re-organisation is being carried out with the view of making the activities of the Bank efficient to the degree that is expected from a modern financial institution, and at the same time to provide for a scientific organisation of the work.

Until the present the internal re-organisation of the work of the Head Office has been hindered by the lack of adequate office accommodation. Thanks to the intelligent adaption of the present premises this handicap has, to a great extent, been alleviated, and will be completely removed upon the completion of the new building for the Head Office, the construction of which will begin early in the current year.

3. BRANCHES.

The increase of the activities and the importance of the National Economic Bank, has necessitated a re-organisation of the branches in order to cope with the present conditions of operation. For this reason it is intended to establish branches, where they do not at present exist, in all the principal towns (residences of Woyewodes) and other economic centres, while the smaller branches will simultaneously be liquidated. In pursuance of this policy three of the smaller branches, at Żywiec, Oświęcim and Cieszyn (Western Little Poland and Polish Upper Silesia), which were situated in the areas of operation of the more important branches at Katowice, Biała and Kraków, were closed; while at the same time new branches were opened at Gdynia, for the purpose of financing the expansion of the port and the economic life of the Polish sea coast, and at Łuck, the residence of the Woyewode of Wolhynia. In the second half af the year a branch was also opened at Włocławek, an important centre in the Kujawy district.

With the introduction of these changes in the organisation, it was decided to establish a closer contact between the Head Office and the provincial branches, and with this object in view, periodical meetings of the branch managers are being arranged for the exchange of views and the harmonising of the policy of the branches with the general lines of policy laid down by the Head Office. The first meeting of this kind took place on the 16th, 17th and 18th December, 1927, when the managers of the branches took the opportunity of acquainting themselves with the new programme of the Bank; at the same time various routine matters were discussed.

4. CHANGES IN THE ADMINISTRATIVE COUNCIL.

On the 1st July, Dr. Jan Kanty Steczkowski, President of the Administrative Council, and Chairman of the National Economic Bank, retired, and was succeeded by Brigadier General Dr. Roman Górecki, who was offered the post by the President of the Republic, on the motion of the Cabinet.

The following members of the Administrative Council indicated their intention of retiring during the year, upon the expiration of their mandates: — Dr. Leon Barański, Departmental Director of the Ministry of Finance; Jerzy Drecki, Eng, Departmental Director Ministry of Labour and National Welfare; Józef Kożuchowski, Departmental Director Ministry of Industry and Commerce; Dr. Feliks Maciszewski, Brigadier General and Chief of the Corps of Control; Antoni Olszewski, Eng, former Minister of Industry and Commerce; Stanisław Rościszewski, Secretary, Ministry of Agriculture; Stefan Starzyński, Departmental Director Ministry of Finance; and Władysław Weissbrod, Departmental Director, Ministry of Home Affairs.

5. CHANGES IN THE BOARD OF DIRECTORS.

The following directors retired from office during 1927: — Dr. Juljan Różycki, on the 1st February; and Stanisław Roszkowski, on the 1st November. The following Vice Directors also retired: — Emil Krug, Lwów Branch; Feliks Wiliński, Drohobycz Branch; and Mieczysław Brzezicki, Head Office.

In August Dr. Leon Barysz was appointed Vice Director, and in October, the Administrative Council appointed him Director. In addition the following Vice Directors were appointed by the Administrative Council as members of the Board: — Walenty Miler; Dr. Adam Pawlikowski; and Jan Edward Żytkiewicz.

Dr. Feliks Merunowicz, manager of the Lwów Branch, was appointed to a post in the Head Office, and was relieved by Władysław Bizański.

III.

COMMENTS ON THE BALANCE SHEET FOR THE YEAR 1927.

The balance sheet for the year 1927 was closed with a total of 1.425.215.415.23 zlote, inclusive of guarantees, or 1.363.651.831.21 zlote, exclusive of guarantees.

The following table gives the balance sheet totals — exclusive of guarantees — and the annual increases in percentage, for the last four years:

Year	Total of Balance Sheet	% Increase
1924	224.028.816.45	—
1925	555.569.193.42	67.6
1926	798.149.067.76	43.6
1927	1.363.651.831.21	70.9

LIABILITIES.

Items 1—3. **Capital and Reserves:**

		31. XII. 1926		31. XII. 1927
a) Issued Capital	zlote	35.000.000.00	zlote	120.000.000.00
b) Reserve Fund	„	2.832.310.10	„	4.446.159.17
c) Reserve Fund for Mortgages and Debentures	„	2.482.400.15	„	4.400.307.52
d) Reserve against exchange losses	„	8.491.900.73	„	17.612.668.99
e) Mortgage Loan Valorisation Fund	„	2.320.194.99	„	2.270.567.61
f) Savings Deposits Valorisation Fund	„	168.939.45	„	87.224.37
Total .	zlote	51,295,745,12	zlote	148,816,927,66

During the year under review the capital was increased by 85,000,000 zlote, from 35,000,000 zlote to 120,000,000 zlote, as the Government had contracted a loan to the amount of 103.200.000 zlote in 7% communal debentures, which were, by agreement with the Ministry of Finance, subsequently purchased by the Bank for its own account.

The Statutory Reserves (b & c) were increased during the year by 3.531.756.44 zlote. The increase was composed as follws:

a) The transfer of the net profit for 1926, in accordance with § 73 of the Statutes . . . . . zlote 3,025.967.01

b) The transfer of registration fees — § 17 of the Statutes — and of the profits made by the Bank upon the redemption of mortgage bonds and the amortisation of debentures — § 17, para, 2, of the Statutes — . . . . . zlote 505.789.43

The temporary reserves rose by zlote 8.989.425,80 during 1927, the increase was composed as follows:

a) Reserve against exchange losses and bad debts, composed of transfers from income during the year: . . . . . zlote 9.120.768.26
b) Valorisation fund for mortgage loans (e), for the adjustment of losses arising from non collectable loans . . . . „ 49.627.38
c) Valorisation fund for savings deposits (f) which, in consequence of the re-valuation of a portion of the pre war deposits, was reduced by . . . . . „ 81.715.08

Item 4. **Treasury Deposits** reached on the 31st December, 1927, the record figure of 284.195.629.30 zlote, an increase of 53.816.586.48 zlote, as compared with the corresponding date in 1926. These sums are pre-eminently time deposits, in connection with the financial action of the Government.

Item 5. **Deposits.** The general total of deposits increased during the year by 97.016.094.20, or by 44%, as compared with the preceeding year. In the following statement are given details relating to the various classes for the two years:

		31. XII. 1926		31. XII. 1927
a) Time deposits	zlote	38.312.417.24	zlote	72.851.421,07
b) Deposits in gold (gold zlote) . .	„	490.999.32	„	—
c) Deposits in dollars	„	6.685.616.97	„	13.214.183.01
d) Current cheque accounts	„	78.643.221.67	„	117.047.374.28
e) Savings deposits (passbooks) . .	„	4.288.570.85	„	11,299,238.84
f) Treasury bills	„	14.924.300.—	„	493.400.—
g) Credit balances	„	75.358.383.37	„	100.813.986.42
Total .	zlote	218.703.509.42	zlote	315.719.603.62

The deposits in gold zlote, which were introduced simultaneously with the dollar deposits, were entirely withdrawn during 1927.

The holdings of Treasury Bills fell by 14.430.900 zlote, during the year, mainly owing to the withdrawal of deposits by the Postal Savings Bank (P. K. O.), for the purchase of stock in the National Economic Bank.

Item 6. **The bill rediscount account** rose during the year by 12.109.978.58 zlote, from 6.876.619,42 to 18.986.598 zlote; of which total 15.971.408.30 zlote related to bills in zlote and 3.015.189.70 zlote to bills in foreign currencies.

Item 7. The „**Loro**" account of other banks increased by 58,374,497,71 zlote to 62.414.356.95 zlote, of which total 56.226.332.97 zlote was in respect of the deposits of local banks, including 50.885.015 zlote from the State Agrarian Bank and 2.016.636 zlote from the Polish Communal Bank.

Item 8. The **„Nostro"** accounts with other banks have increased considerably, as will be seen from the following statement:

		31. XII. 1926		31. XII. 1927		+ —
a) Deposits with local banks .	zlote	89.237.57	zlote	9.355.432,82	+ zlote	9.266.195.25
b) Deposits with foreign banks	„	13.271.69695	„	33.802.951.14	+ „	20.531.254.19
Total .	zlote	13.360.934.52	zlote	43.158,383.96	+ zlote	29.797.449,44

The increase in the amounts on deposit with local banks, was brought about by the deposit of the securities of the National Economic Fund with the Bank of Poland, as a temporary measure, in order to obtain ready money for constructional loans; while the increase in the deposits with foreign banks, resulted from the loan received from the Bankers Trust Company, amounting to $ 2.551.382.26.

Item 9. The total of **drafts** drawn on the Bank, but not presented for payment on the 31st December, 1927, amounted to 286.995.46 zlote.

Item 10. **Issues:**

		31. XII. 1926		31. XII. 1927
a) Mortgage Bonds	zlote	25.585.860,17	zlote	70.613,443,79
b) Communal Debentures	„	168.770.767.91	„	306.458.372.48
c) Railway Debentures	„	11.749.691.43	„	11.662.211.45
d) Bank Debentures	„	—	„	2.565.000.00
Total .	zlote	206.106.319.53	zlote	391.299.027.72

The considerable increase in the amount of long term credits, is explained by the remarkable recovery in the money market during the year, which resulted in a qreater demand for the securities issued by the Bank. The rise in the amount of Communal Debentures was due to the debenture loan of 103.200.000 zlote contracted by the Government for the purpose of increasing the capital of the Bank, and also to the increased facilities granted to communal bodies for the raising of loans for economic and cultural development.

During the year under review the Bank, for the first time, floated loans in the form of $7^1/_2$% bank debentures for the financing of industrial undertakings.

Item 11. The **mortgage and debenture sinking fund account,** which includes the sums set aside for the amortisation of these securities, as and when they fall due, showed a decrease of 869.942.09 zlote during the year.

Item 16. The **mortgage account** was decreased during the year by 1.155.722.52 zlote to a total of 243.022.93 zlote, owing to a payment of 1.150.497.50 zlote, on account of the mortgage on the Potocki Palace at Krakowskie Przedmieście 32 Warsaw, and by partial repayments of other debts.

Item 17. **Collections.** This item increased by 5,549,345,68 zlote, as shown below:

	31. XII. 1926		31. XII. 1927
zlote	8.758.879.96	zlote	14.308.225.58

Item 18. **Various accounts.** The principal points calling for attention are set out below:

a) Mortgage department	zlote	19.957.614.46
b) Non interest bearing accounts for settlement	„	15.068.490.15
c) Acceptances	„	3.304.169.94

The total was 38.330.274.55 zlote, an increase of 3.282.478.42 zlote over the figures for 1926.

Item 19. **Transitory accounts** amounted to.

	31. XII. 1926		31. XII. 1927
zlote	8.657.342.80	zlote	23.572.438

Item 20. The **net profit** is given in the profit and loss account-see below.

Item 21. **Creditors in respect of guarantees:**

		31. XII. 1926		31. XII. 1927
	zlote	120.250.728.43	zlote	61.563.584.02
of which backed by the Treasury .	„	98.284.886.34	„	42.237.620.31

The decrease was due to the expiration oi the guarantees assumed on behalt of the Bank Cukrownictwa and the Związek Pol. Przem. Cukrownictwa — £ 650.000, the Spółka Handlowych Cukrowni Związkowych — £ 250.000, and other small guarantees.

ASSETS.

Item 3. The **Securities Account** increased from 32.685.220 to 151.801.289.27 zlote, owing to the purchase of the communal debentures of the loan contracted by the Government for the purpose of increasing the capital of the Bank, and through the purchase of $ 2,500.000 of the „Dillon" loan.

The total of this account is made up as follows:

		31. XII. 1926		31. XII. 1927
a) State Loans	zlote	11.624.526.33	zlote	36.549.248.07
b) Treasury Notes	„	5.047.349.56	„	—
c) Mortgage Bonds	„	756.185.85	„	8.826.657.11
d) Debentures	„	15.257.158.32	„	106.425.384.09

Item 4. **Interests in subsidiary undertakings** increased from 5.734.437.16 to 20.113.351.73 zlote, mainly owing to the taking over by the Bank of the new issues of shares in the Ursus and Azot companies, and the purchase of a block of shares in the Danzig Tobacco Monopoly.

Items 6 to 9. **Short term cash credits:**

		31. XII. 1926		31. XII. 1927
a) Bills discounted	zlote	74.255.914.30	zlote	136.419.462.80
b) Bills protested	„	160.615.36	zlote	488.088.25
c) Time loans (secured by bills, goods, promissory notes, mortgages, etc.)	„	29.370.862.49	„	25.032.981.75
d) Debits to current accounts . .	„	238.172.816.92	„	93.646.039.26
Total .	zlote	341.960.209,07	zlote	255,586,572,06

The decrease in the short term credits during the year has been shown only for purposes of record, as when it is considered that, as mentioned before, a sum of, 184.925.489.24 zlote was transferred from this account to that of long term cash credits, it will be realised that in actual fact there was an increase during the year of 98.551.852.23 zlote.

Item 10. Banks **„Loro“:**

		31. XII. 1926		31. XII. 1927
a) Local banks	zlote	4.102.103.20	zlote	6.173,863.90
b) Foreign banks	„	2.832.45	„	21.510.00
Total .	zlote	4.104,935.65	zlote	6.195.373.90

Item 11. Banks **„Nostro“:**

		31. XII. 1926		31. XII. 1927
a) Local banks	zlote	766.999.38	zlote	1.039.159.95
b) Foreign banks	„	33.736.027.96	„	25.309,817.78
Total .	zlote	34,503,027.34	zlote	26,348,977,73

Item 12. **Loan issues.** See Item 10 of Liabilities.

Item 16. **Real property.** This account was increased by 1.086.215.40 zlote to 9.315.371.66 zlote, by the acquisition of property in Lódź, Włocławek and Poznań.

Item 18. **Collections.** See Item 17 of Liabilities.

Item 19. **Various Accounts:**

	31. XII. 1926		31. XII. 1927
zlote	31,072.133.71	zlote	30.270,052.57

Item 21. **Debtors in respect of guarantees.** See Item 21 of Liabilities.

COMMENTS ON THE PROFIT AND LOSS ACCOUNT.

as at the 31st December, 1927.

Full provision having been made for interest, overhead charges, bad debst, amortisation, statutory renumeration for the Members of the Board and the staff, staff pension fund, etc., the net profits for the year amounted to:

4,582,845,87 zlote.

This amount was appropriated as follows:

a) 35% to reserve fund for mortgage bonds and debentures . .	zlote	1.603.996.06
b) 40% to the general reserve fund	„	1.833.138.35
c) 25% to the credit of the Government, as the sole shareholder in the National Economic Bank	„	1.145.711.46

IV.

BALANCE SHEET ON THE 31st DECEMBER, 1927
PROFIT AND LOSS ACCOUNT FOR 1927

BALANCE SHEET AND INCOME AND EXPENDITURE ACCOUNT OF THE PENSION FUND FOR 1927

BALANCE

National Eco

ASSETS. on the 31st

		zlote	gr.
1. **Cash in hand, and with Bank of Poland and Postal Savings Bank**		46.177.827	51
2. **Foreign currencies**		4.307.722	11
3. **Securities:**			
a) State Loans	36.549.248.07		
b) Pupillary investments	115.252.041.20	151.801.289	27
4. **Interests in subsidiary undertakings, shares, etc.**		20.113.351	73
5. **Bonds and coupons due for payment**		41.379	—
6. **Bills**		136.419.462	80
7. **Protested bills**		488.088	25
8. **Time loans:**			
a) Against securities	549.447.55		
b) „ gold and silver	300.—		
c) „ bills of exchange	17.318.378.50		
d) „ promissory notes	601.029.36		
e) „ goods	6.189.087.27		
f) „ railway documents	348.994.07		
g) „ warrants	25.745.—	25.032.981	75
9. **Debtors on current accounts:**			
a) Covered	93.646.039.26		
b) Uncovered	—	93.646.039	26
10. **Banks „Loro":**			
a) Local	6.173.863.90		
b) Foreign	21.510.—	6.195.373	90
11. **Banks „Nostro":**			
a) Local	1.039.159.95		
b) Foreign	25.309.817.78	26.348.977	73
12. **Intermediate loans:**			
a) Mortgage Bonds	70.613.443.79		
b) Communal Debentures	306.458.372.48		
c) Railway Debentures	11.662.211.45		
d) Bank Debentures	2.565.000.—	391.299.027	72
13. **Instalments on the issue of loans**		19.091.272	13
carried forward		920.962.793	16

SHEET

nomic Bank

December, 1927.

LIABILITIES.

		zlote	gr.
1. **Capital**		120.000.000	—
2. **Statutory reserves:**			
a) General reserve	4.446.159.17		
b) Reserve for mortgage bonds and debentures	4.400.307.52	8.846.466	69
3. **Other reserves:**			
a) For exchange losses	17.612.668.99		
b) For valorisation of mortgage loans	2.270.567.61		
c) For valorisation of savings deposits	87.224.37	19.970.460	97
4. **Treasury deposits**		284.195.629	30
5. **Deposits:**			
a) Time	72.851.421.07		
b) In dollars	13.214.183.01		
c) At sight-cheque accounts	117.047.374.28		
d) Savings books	11.299.238.84		
e) Treasury notes	493.400.—		
f) Other accounts	100.813.986.42	315.719.603	62
6. **Bills rediscounted**		18.986.598	—
7. **Banks „Loro":**			
a) Local	56.226.332.97		
b) Foreign	6.188.023.98	62.414.356	95
8. **Banks „Nostro":**			
a) Local	9.355.432.82		
b) Foreign	33.802.951.14	43.158.383	96
9. **Drafts**		286.995	46
10. **Securities issued:**			
a) Mortgage bonds	70.613.443.79		
b) Communal debentures	306.458.372.48		
c) Railway debentures	11.662.211.45		
d) Bank debentures	2.565.000.—	391.299.027	72
11. **Sinking funds:**			
a) Mortgage bonds	2.499.67		
b) Communal debentures	1.343.936.34		
c) Railway debentures	59.996.34	1.406.432	35
carried forward		1.266.283.955	02

		złote	gr.
brought forward		920.962.793	16
14. **Long term cash Credits:**			
a) Investment loans as valorised	11.192.691.43		
b) Reconstruction loans	566.593.90		
c) Building loans	174.686.046.95		
d) Instalments outstanding after capitalisation of mortgage bonds	43.088.25		
e) Sundry cash loans	194.046.392.55	380.534.813	08
15. **Coupons on drawn bonds and debentures** . . .		14.484	07
16. **Real property**		9.315 371	66
17. **Movable property**		1.157.911	75
18. **Collections**		14.308.225	58
19. **Sundry accounts**		30.270.052	57
20. **Transitory accounts**		7.088.179	34
		1.363.651.831	21
21. **Debtors in respect of guarantees**		61.563.584	02
		1.425.215.415	23

D E P O

	Nominal value	Market value
Stocks on hand	6.041.552.162.44	393.304.608.92
Debtors in respect of deposits	1.316.809.154.—	70.923.926.83
	7.358.361.316.44	464.228.535.75

CHAIRMAN OF THE BANK: Dr. Roman Górecki.

ACTING MANAGING DIRECTOR: Eustachy Korwin-Szymanowski.

BOARD OF DIRECTORS:

Dr. Leon Barysz, Władysław Biżański, Dr. Feliks Merunowicz, Walenty Miler, Dr. Adam Pawlikowski, Dr. Mieczysław Szenk, Jan Edward Żytkiewicz.

		zlote	gr.
brought forward		1.266.283.955	02
12. **Drawn mortgage bonds and debentures in circulation**		655.075	02
13. **Unpaid coupons**		2.220.466	20
14. **Redemption fund for coupons of mortgage bonds and debentures**		13.250.412	95
15. **Instalments paid in advance**		205.115	09
16. **Mortgagees**		243.022	93
17. **Collections**		14.308.225	58
18. **Sundry accounts**		38.330.274	55
19. **Transitory accounts**		23.572.438	—
20. **Net profit for distribution in accordance with § 73 of the Statutes:**			
a) 35% — Reserve fund for mortgage bonds and debentures	1.603.996.06		
b) 40% — General reserve	1.833.138.35		
c) 25% — At the disposal of the Government .	1.145.711.46	4.582.845	87
		1.363.651.831	21
21. **Creditors in respect of guarantees (letters of guarantee)**		61.563.584	02
		1.425.215.415	23

S I T S

	Nominal value	Market value
Creditors in respect of deposits	6.350.680.089.12	292.313.894.75
Own deposits „Nostro"	1.007.681.227.32	171.914.641.—
	7.358.361.316.44	464.228.535.75

HEAD ACCOUNTANT: Vice Director Ignacy Szotarski.

PROFIT AND
of the National

DR. for the year ending

		zlote	gr.
1. Interest paid:			
a) On current accounts	14.533.988.23		
b) On re-discounted bills	1.142.707.45		
c) On savings deposits	554.972.02		
d) On treasury notes	595.979.56		
e) On sundry accounts *)	3.176.284.11	20.003.931	37
2. Operating expenses:			
a) Salaries and wages	8.669.578.54		
b) Pensions	391.027.73		
c) Contributions to pension fund	1.382.312.35		
d) National health insurance	190.006.86		
e) Printing and stationery	360.947.31		
f) Lighting, heating and rent	618.373.91		
g) Postage, telegrams and telephones	415.410.03		
h) Travelling expenses and allowances	187.394.89		
i) Other expenses	1.060.282.88	13.275.334	50
3. Amortisation:			
a) Real property	196.959.63		
b) Movable property	146.586.58		
c) Loans raised on account of capital	1.078.614.63	1.422.160	84
4. Written off:			
a) Bad debts	880.403.49		
b) Transactions with the Mutual Credit Bank	354.211.14	1.234.614	63
5. Net profit		4.582.845	87
		40.518.887	21

*) Including interest on the loan raised for the purpose of increasing the capital, and on mortgages on properties belonging to the Bank.

LOSS ACCOUNT
Economic Bank

31st December, 1927. CR.

		zlote	gr.
1. **Interest received:**			
a) On discounted bills	11.990.811.03		
b) On stocks and shares	5.310.796.07		
c) On current accounts	1.755.900.61		
d) On time loans	12.972.198.55		
e) On loans against goods	783.091.56		
f) On reconstruction loans	883.237.96		
g) On the detention of intermediate loans	384.874.81		
h) On the capitalisation of instalments in arrears	3.961.43	34.084.872	02
2. **Commissions:**			
a) On bills	70.028.40		
b) On collections	325.353.05		
c) On drafts	232.329.66		
d) On current accounts	847.531.61		
e) On deposits	219.876.92		
f) On exchange transactions	774.773.12		
g) On guarantees and endorsements	660.740.92		
h) On goods	134.256.59		
i) On other transactions	392.043.02	3.656.933	59
3. **Exchange differences**		1.086.606	18
4. **Refund of expenses incurred on behalf of third parties**		234.796	50
5. **Additional receipts for operating expenses of issue department**		1.066.976	44
6. **Administration of property**		222.808	27
7. **Refund of sums previously written off**		165.894	21
		40.518.887	21

AUDITORS CERTIFICATE.

We, the duly appointed auditors of the National Economic Bank, hereby certify that we have examined the above balance sheet for the year ended 31st December, 1927, and the profit and loss account for the year 1927, and have satisfied ourselves:

1. That the items comprised in the balance sheet, closed on each side with a total of zl. 1.425.215.415.23 (including guarantees and collections) have been accurately entered, and are in accordance with the books of the Head Office, and the statements submitted by the Branches.

2. That the sum given as net profit — zl. 4.582.845.87 is correct.

3. That the books and vouchers, kept by the Head Office, are correct and properly kept.

In view of the above, we consider that the the balance sheet and the profit and loss account above referred to, should be approved.

Warsaw, 17th February, 1928.

Chief Auditor:

Broniewski.

Auditors:

S. A. Alland. *Tadeusz Pieńkowski.*

J. Kucza. *Antoni Repeczko.*

Balance sheet of the Pension Fund

of the officials and staff of the National Economic Bank

for the year ended 31st December, 1927.

ASSETS	Zlote	gr.	LIABILITIES	Zlote	gr.
On deposit with the National Economic Bank . . .	2.049.978	—	Capital of the Fund on 31st Decemb. 1926 Zl. 3.617.974.62		
Securities	2.306.624	99	Surplus for the year 1927 „ 2.153.503.05	5.771.477	67
Real Property	1.414.874	68			
	5.771.477	67		5.771.477	67

Income and Expenditure account

of the Pension Fund

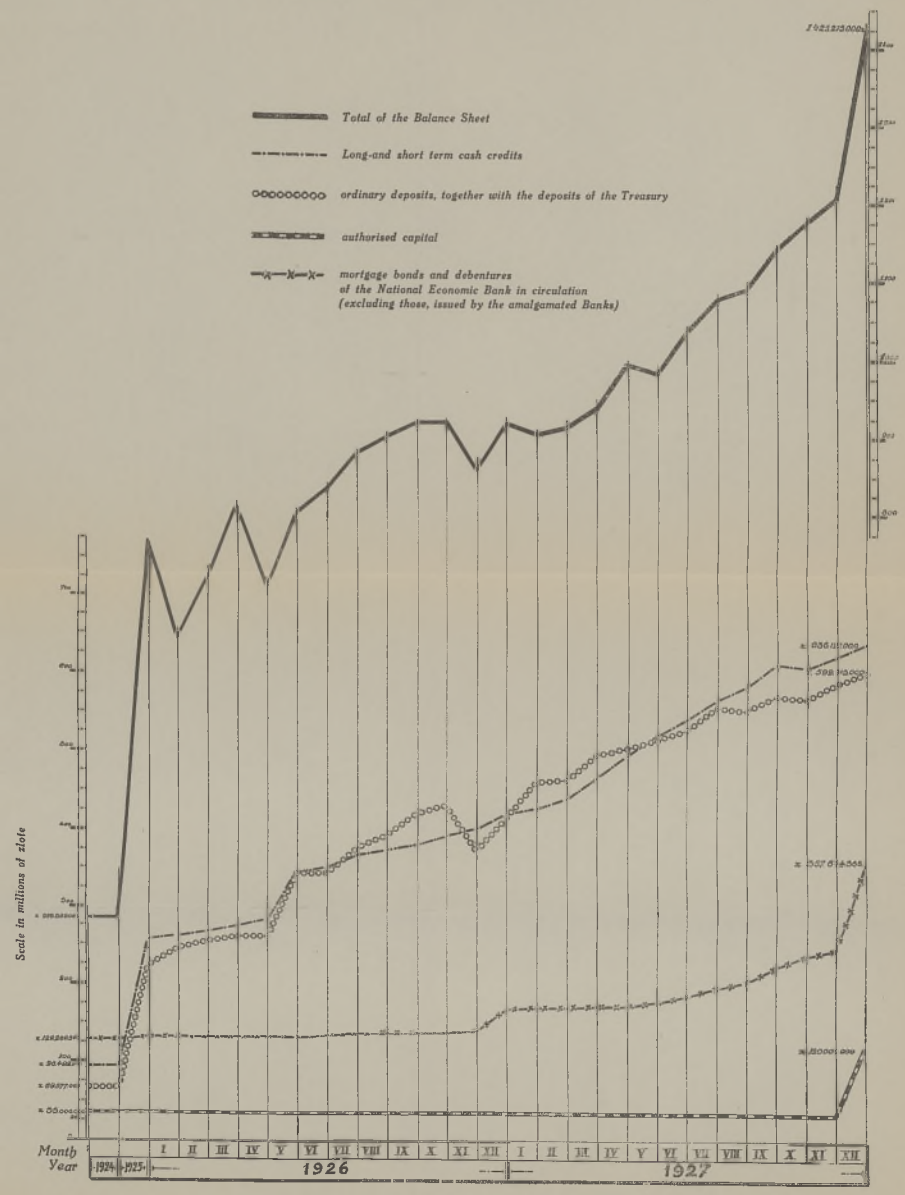
for the year 1927.

EXPENDITURE	Zlote	gr.	INCOME	Zlote	gr.
Pensions to staff & widows	69.652	30	Contributions from the Bank: a) Ordinary Zl. 369.257.— b) Extraord. „ 1.000.000.—	1.369.257	—
Post Mortem payments . .	3.996	98	Contributions of members .	424.544	80
Stamp fees and taxes . .	9.757	51	Premium reserve	120.536	18
Surplus for the year 1927 .	2.153.503	05	Profit on house administration	47.616	—
			Profit on stocks and shares .	5.813	70
			Coupons on securities . . .	180.517	46
			Interest on bank account . .	88.624	70
	2.236.909	84		2.236.909	84

V.

DIAGRAMS.

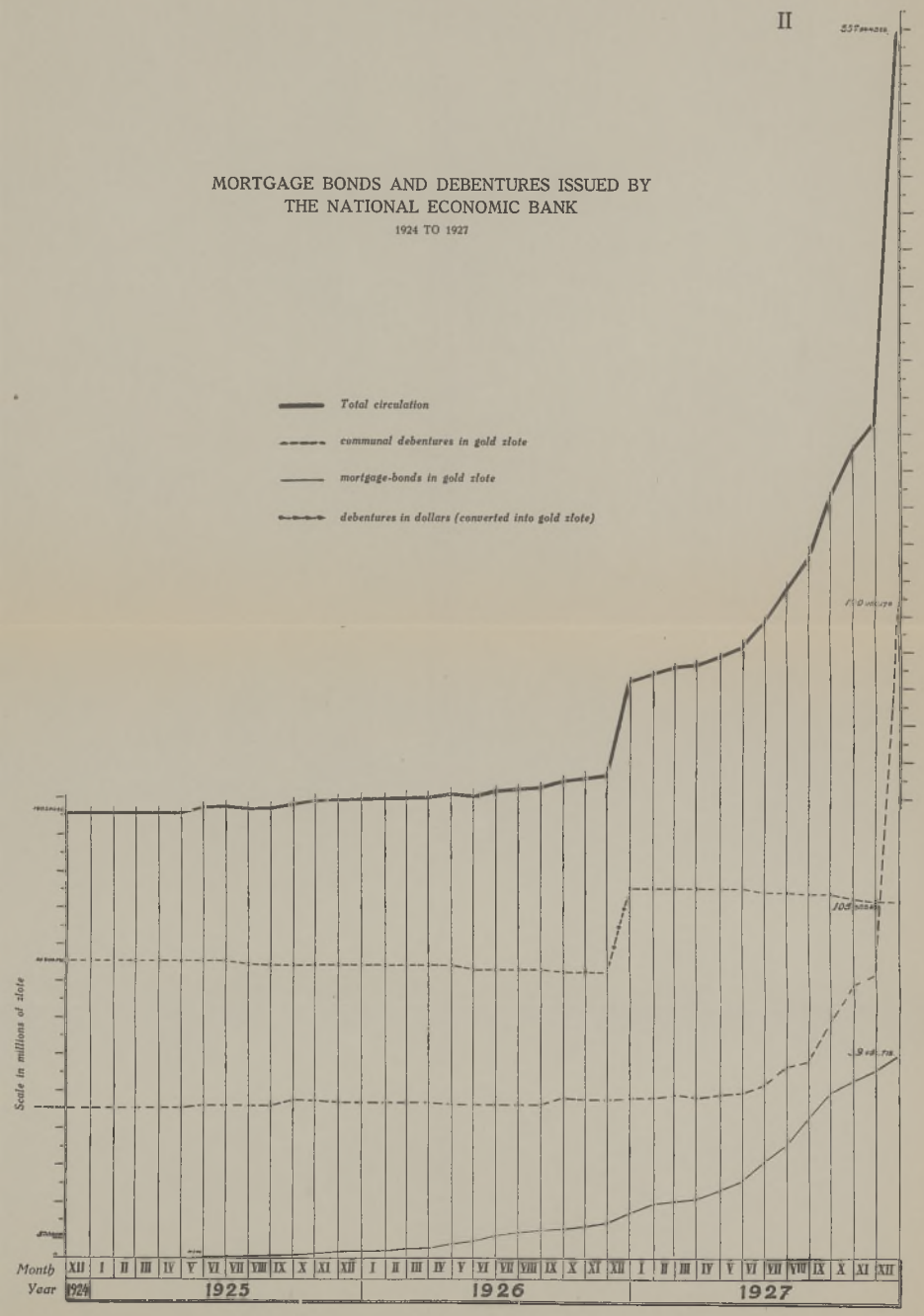
GRAPHICAL STATEMENT OF THE PROGRESS OF THE NATIONAL ECONOMIC BANK

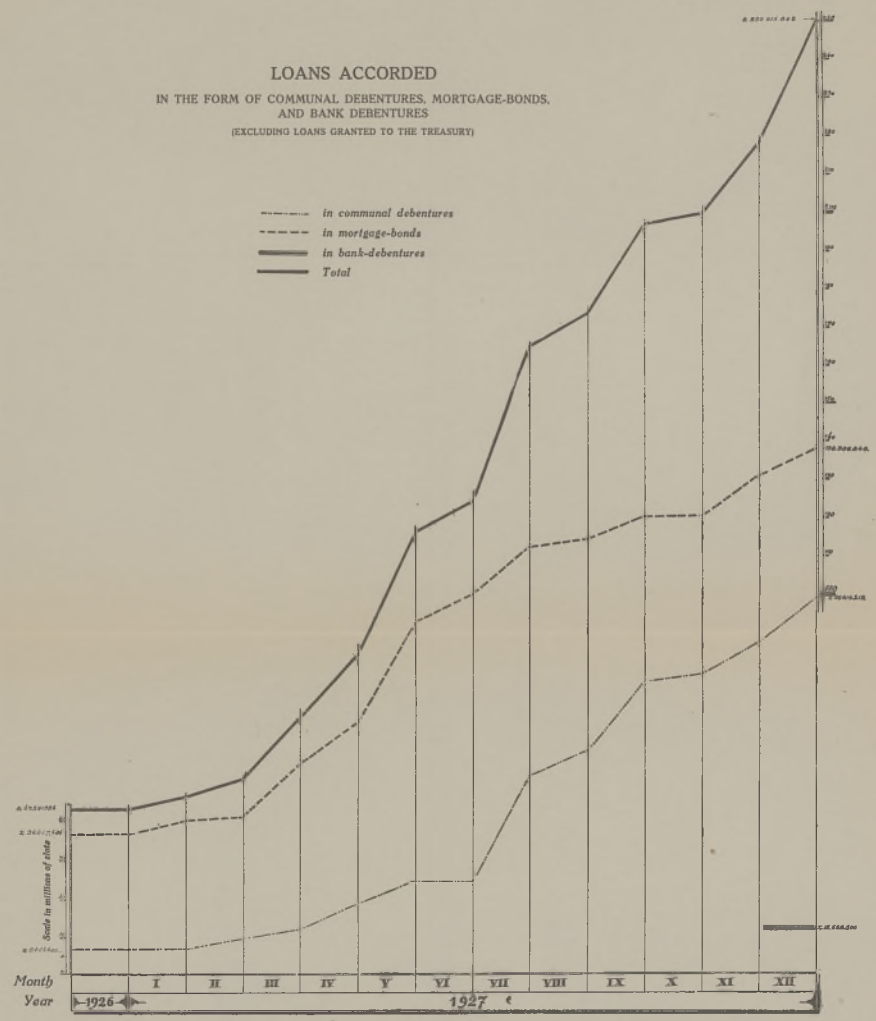


II

MORTGAGE BONDS AND DEBENTURES ISSUED BY
THE NATIONAL ECONOMIC BANK

1924 TO 1927

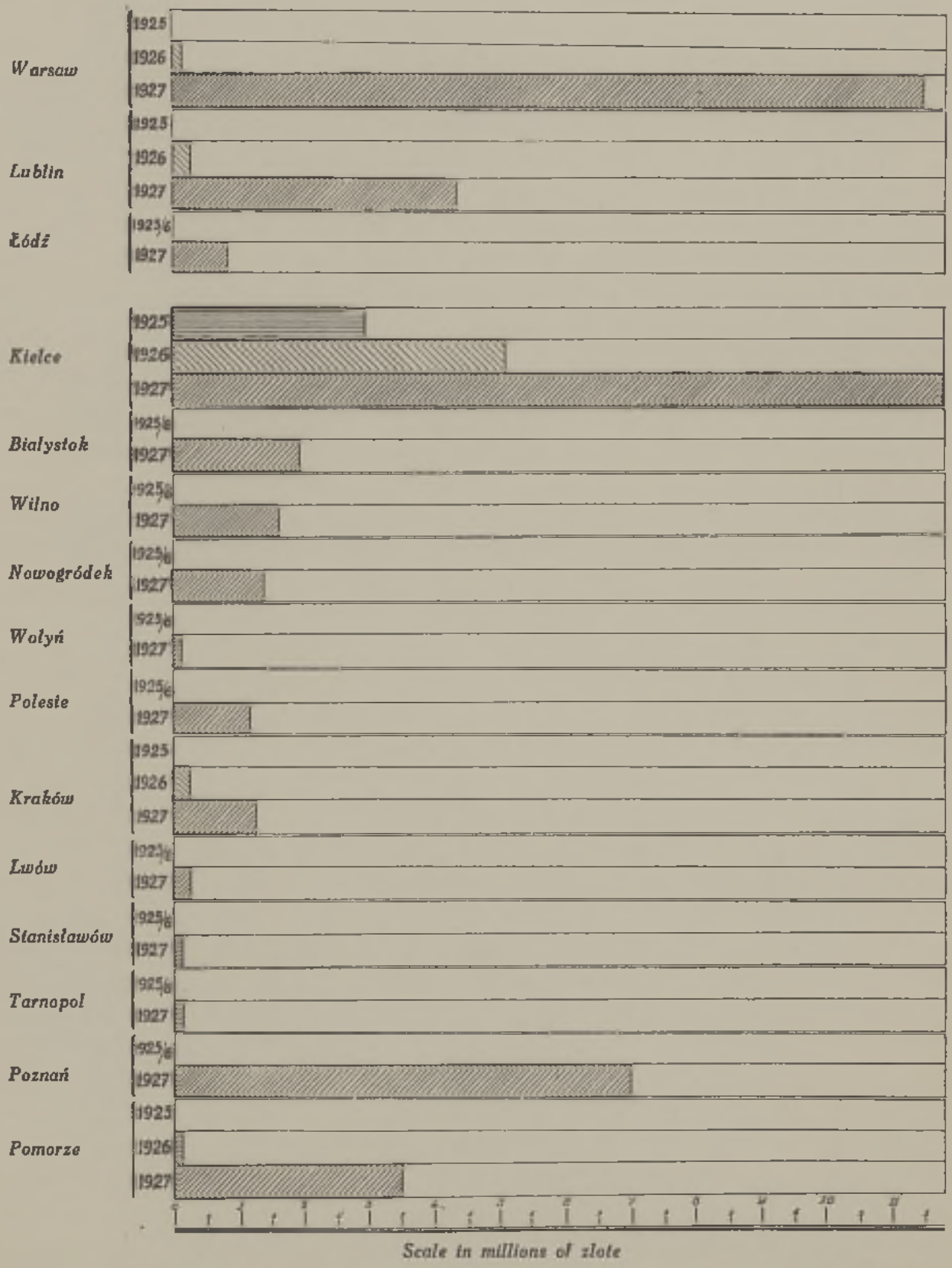



LOANS ACCORDED
IN THE FORM OF COMMUNAL DEBENTURES, MORTGAGE-BONDS, AND BANK DEBENTURES
(EXCLUDING LOANS GRANTED TO THE TREASURY)
in communal debentures
in mortgage-bonds
in bank-debentures
Total
Scale in millions of zloty
Month
I
II
III
IV
V
VI
VII
VIII
IX
X
XI
XII
Year
1926
1927

CLASSIFICATION OF LOANS IN COMMUNAL DEBENTURES ACCORDING TO DISTRICTS

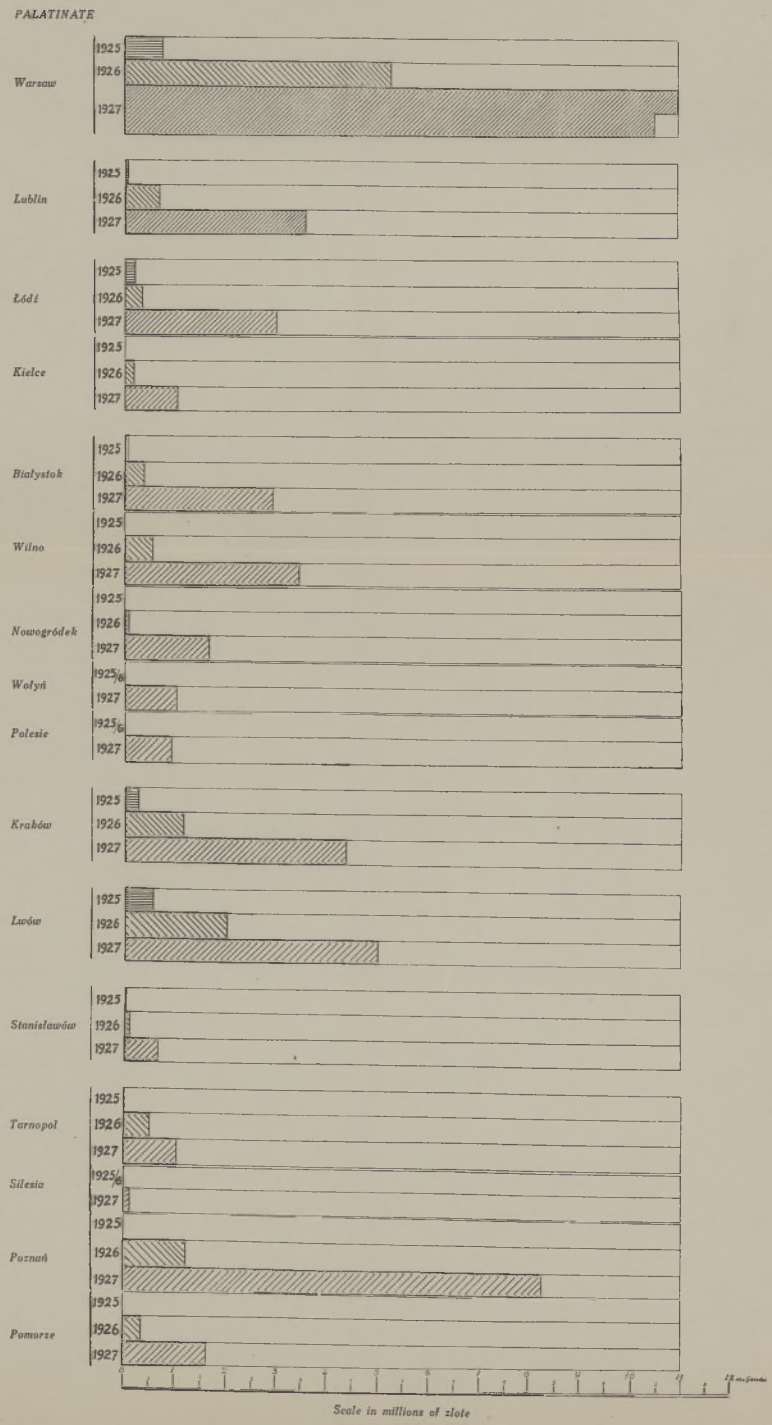
TOTALS AS ON 31. XII. 1925, 1926 AND 1927

PALATINATE



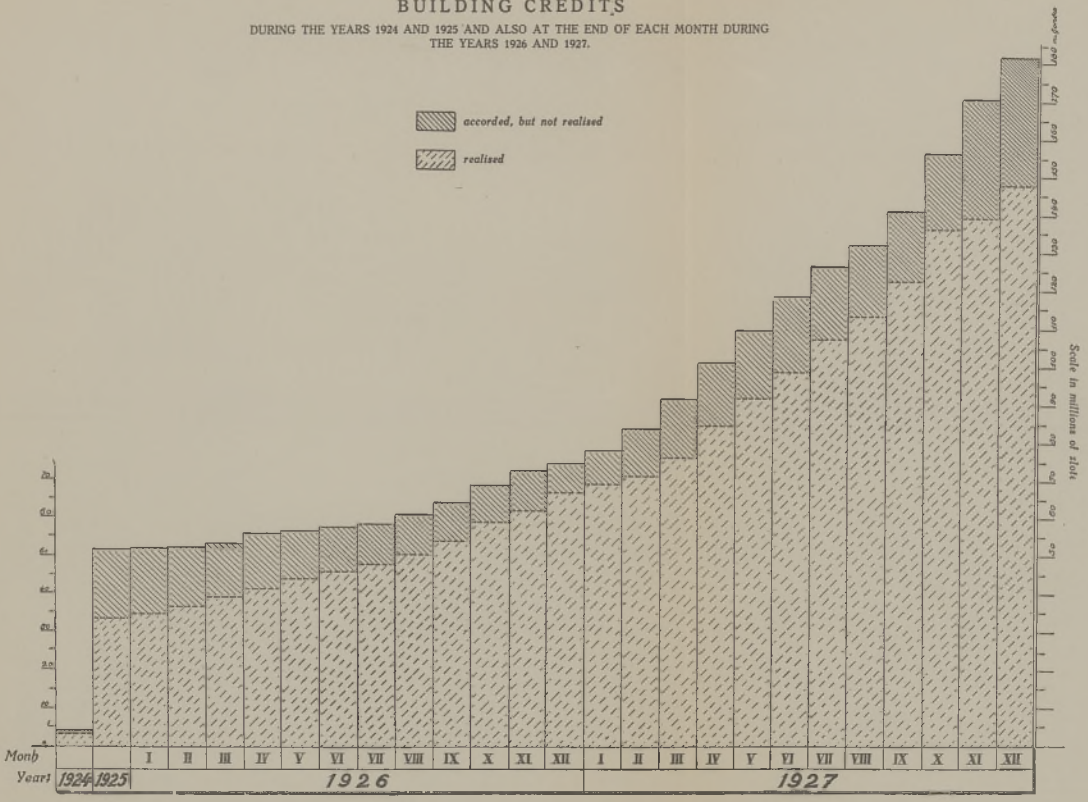
CLASSIFICATION OF LOANS IN MORTGAGE-BONDS ACCORDING TO DISTRICTS

TOTALS AS ON 31. XII. 1925, 1926, 1927.



BUILDING CREDITS

DURING THE YEARS 1924 AND 1925 AND ALSO AT THE END OF EACH MONTH DURING THE YEARS 1926 AND 1927.



SHORT-TERM CREDITS ISSUED

ON BEHALF OF LOCAL GOVERNMENT-AUTHORITIES, SAVINGS-OFFICES AND CO-OPERATIVE SOCIETIES