

# NATIONAL ECONOMIC BANK

(BANK GOSPODARSTWA KRAJOWEGO)

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## REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR 1928

Vth YEAR

WARSAW — 1929





NATIONAL ECONOMIC BANK  
(BANK GOSPODARSTWA KRAJOWEGO)

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# NATIONAL ECONOMIC BANK

(BANK GOSPODARSTWA KRAJOWEGO)

## HEAD OFFICE:

KRÓLEWSKA No 5, WARSAW (POLAND)

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## BRANCHES:

- |                    |                 |
|--------------------|-----------------|
| 1. BIAŁA (Bielsko) | 11. ŁÓDŹ        |
| 2. BIAŁYSTOK       | 12. ŁUCK        |
| 3. BYDGOSZCZ       | 13. POZNAŃ      |
| 4. DROHOBYCZ       | 14. PRZEMYŚL    |
| 5. GDYNIA          | 15. RADOM       |
| 6. KATOWICE        | 16. RÓWNE       |
| 7. KOŁOMYJA        | 17. STANISŁAWÓW |
| 8. KRAKÓW          | 18. TARNÓW      |
| 9. LUBLIN          | 19. WILNO       |
| 10. LWÓW           | 20. WŁOCŁAWEK   |
- 
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# ADMINISTRATIVE COUNCIL OF THE NATIONAL ECONOMIC BANK

PRESIDENT OF THE COUNCIL:

Dr. Roman GÓRECKI

VICE-PRESIDENT OF THE COUNCIL:

Dr. Feliks MACISZEWSKI \*)

MEMBERS OF THE COUNCIL:

Dr. Leon BARAŃSKI

Director of the Monetary Department  
of the Ministry of Finance

Mr. Antoni OLSZEWSKI

former Minister of Industry and Commerce

Eng. Jerzy DRECKI

Director of the Labour Department of the  
Ministry of Labour and National Welfare

Mr. Stanisław ROŚCISZEWSKI

Director of the Presidential Department  
of the Ministry of Agriculture

Eng. Kazimierz GÓRSKI

Vice-Minister of Public Works

Mr. Stefan STARZYŃSKI

Director of the Presidential Department  
of the Ministry of Finance

Mr. Józef KOŻUCHOWSKI

Director of the General Department  
of the Ministry of Industry and Commerce

Mr. Jan STRZELECKI

Director of the Local Government  
Department of the Ministry of Interior

GOVERNMENT-COMMISSIONER:

Mr. Witold BRONIEWSKI \*\*)

DEPUTY GOVERNMENT-COMMISSIONERS:

Mr. Stefan RYBAŁTOWSKI

Mr. Witold PAWŁOWICZ

---

\*) Appointed Vice-President of the Council on the 5th February 1929.

\*\*) Appointed Government-Commissioner of the National Economic Bank on the 9th March 1928.

# BOARD OF DIRECTORS

CHAIRMAN:

Dr. Roman GÓRECKI

ACTING MANAGING DIRECTOR:

Mr. Eustachy KORWIN-SZYMANOWSKI

DEPUTY MANAGING DIRECTORS:

Mr. Wacław KONDESKI\*)

Dr. Feliks MERUNOWICZ\*)

DIRECTORS:

Dr. Leon BARYSZ

Dr. Adam PAWLIKOWSKI

Mr. Władysław BIZAŃSKI

Dr. Mieczysław SZENK

Mr. Walenty MILER

Mr. Jan Edward ŻYTKIEWICZ

---

\*) Appointed Deputy Managing Director of the Bank on the 15th March 1928.



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## I.

### GENERAL ECONOMIC POSITION IN 1928.

The past year, which closed the first ten years of the history of the restored State of Poland, has been marked by a further progress in almost every branch of economic life. Production, employment, wages, consumption, all have continued to increase; financial and trading undertakings have gained in strength and extended their activities; in fact there has been a general upward trend in the prosperity of the nation. In order that the importance of this particular year may be justly appreciated, it must be realised that while there has been nothing unusual in any of the indications of the general improvement in the economic position, it is a remarkable fact that this is the first time since the existence of the Polish Republic, that these improvements have been recorded under what may be considered as normal circumstances.

During the year it was noticed that the economic policy of the country was at last being freed from the abnormal and unstable influences, which, in previous years, had such a far reaching and even predominant influence on it. The existence of these influences had an evil effect on Polish economic institutions, either forcing them into an unnatural growth, or stultifying their field of activity. Although the general conditions of work were still somewhat uncertain, there was a definite progress towards the normal, and the advancement recorded under these conditions, may, to a certain extent, be taken as an indication of the existing prospects for development of the country. The period under review was not unmarked by friction and difficulty, partly proceeding from the unsettled policy of former years, and also from the insufficient development of some branches of Polish economic life. Energetic measures were taken, not only by the Government, but also by economic and social circles in order to remove obstacles and to meet normal requirements, with most excellent results. If the question is considered from this point of view, it will be seen that the year under review was in reality the one of the consolidation of the Polish State.

The budget for the financial year was most favourable. The revenue was 3,045 million zlote, an increase of 447 million zlote, or 19%, as compared with 1927, and was derived mainly from taxation. The largest item, 1,740 million zlote, being 57% of the total revenue, was derived from public taxation, and showed an increase of 338 million zlote over 1927. Included under this heading are direct taxes, which rose to 739 million zlote, as compared with 587 million zlote in the previous year. Another item was the revenue from customs, which rose from 316 to 448 million zlote, an increase of 42%, mainly as the result of the growth in imports. There was also an increase of 158 million zlote, or about 22%, in the revenue derived from state monopolies, chiefly through increased home consumption.

On the expenditure side of the budget there was a simultaneous increase, mainly in respect of the paying off of state debts which had been outstanding from previous years, i. e., since



the time of the mark currency, and of the first days of the Polish zloty. Another factor was that the salaries of civil servants were increased by 15% during the year in order to compensate them for the increased cost of living. Finally, as a result of the Stabilisation Loan of 1927, there was a considerable increase in the payments made in respect of interest on foreign loans. The combination of the above factors resulted in the raising of the expenditure by 617 million zloty to a total of 2,909 million zloty.

However, in spite of the increase in expenditure, which was on a relatively larger scale than in the previous year, the budget was closed with a surplus of 136 million zloty. The favourable results achieved enabled the Government to proceed with its scheme for the formation of a state reserve fund, which when added to the budget surplus and the proceeds from the stabilisation loan deposited with the Bank of Poland, raised the reserve fund to a level representing more than two months average expenditure of the State; a sum quite sufficient to meet all normal financial requirements.

The unbounded confidence in the stability of the Polish currency was based upon the strength of the financial position during the second half of the year, and also on the law of October, 1927, which came into force during 1928, regarding the formation of a gold and foreign currency reserve at the Bank of Poland. The holdings of gold and foreign currencies by the latter Bank, showed a slight decrease during the year, the figure falling from 1,414 million to 1,336 million zloty, a drop of just under 6%. The smallness of the change is remarkable when it is considered that the balance of foreign trade at the end of the year showed a deficit of 854 million zloty, as compared with 377 million zloty in 1927.

The maintenance of the gold and foreign currency reserves at approximately the same figure, in spite of the large deficit in the trade balance, was rendered possible by the large and continual influx of foreign credits, mainly loans and goods credits. These credits, which reached a total of several hundred million zloty, considerably eased the position.

On the one hand the influx of foreign long term credits was on a much smaller scale. It must be admitted that during the first half of the year there were several long term loans floated abroad, mainly by local authorities, including an American loan of 10 million dollars for the city of Warsaw, an English loan of half a million pounds for the city of Poznan, and an American loan of 11.2 million dollars for the Palatinate of Upper Silesia. On the other hand there was but little activity during the second half of the year, the economic depression on the American money market having checked the supply of long term credits. The same may be said of the bond and share market, although the comparative lack of interest shown by foreign buyers was to a large measure compensated by the increased sales on the home market. During the first nine months of the year the total of loans issued against bonds by Polish long term credit institutions reached a total of 354 million zloty, as compared with 214 million zloty for the whole of 1927.

The stabilisation of conditions — as shown by the favourable position of the State finances — the all round increase in prosperity, and last, but not least, the increased foreign confidence in the economic and political conditions of the country, was reflected in the great increase of deposits in the banks, with a resultant development in the activity of the credit institutions. During the first nine months of 1928 the total of deposits in purely Polish credit institutions increased by 29%, from 1,905 million zloty to 2,450 million zloty. It is a matter of great satisfaction to note that the largest increase was in respect of deposit accounts, which rose from 882 million zloty to 1,323 million zloty, an increase of 50%. There was also a large increase

in the deposits of savings banks and credit corporations, which enjoy an ever increasing confidence, owing to the support they receive from our Bank. The deposits with the former institutions increased from 291 million zloty to 447 million zloty, a rise of 64%, and with the latter from 114 million zloty to 164 million zloty, a rise of 44%.

In connection with the increasing capitalisation, which is augmenting at a rate faster than that of any other European country, there has been a favourable development in the credit activities of the leading financial institutions. The general total of short term credits rose from 1,949 million zloty in January to 2,692 million zloty at the end of September, an increase of 38%, the corresponding increase for 1927 having been 560 million zloty.

It must, however, be admitted that in spite of the considerable extension of the credit activities of both State and private banks, the shortage of ready money continued to be acute. There was a relative easing of the situation in the spring of 1928, after the severe winter, but towards the autumn the situation became worse, a definite improvement only commencing at the close of the year. The main cause of the continuous credit difficulties lies in the fact that the rise in rate of production has been faster than that of consumption, mainly owing to the continued smallness of the purchasing power of the farmers. Owing to this the necessity for credit continued to increase on a large scale. All attempts to accelerate the movement of goods have produced negative results, only causing the extension of the period for which commercial bills remained in circulation, and thereby enhancing the shortage of ready money. Recently, however, thanks to the intensive efforts of several independent groups of producers to reduce the terms of commercial bills, the disproportion between the credits available and the amounts demanded has tended to decrease, which has caused a corresponding reduction in the private discount rates.

The position of agriculture was not so favourable as in 1926/27. Although the harvest for the year under review exceeded that for 1927, the sale of the crops took place under conditions considerably worse than had then been the case. The fall in the prices of agricultural products upset the equilibrium maintained for the previous two years between the prices of industrial and of agricultural products, to the prejudice of the latter, as it not only diminished the purchasing power of the agricultural community, but also reduced their paying capacity. This decrease in price quotations affected almost every kind of agricultural product; the principal sufferers being those kinds of grain the import and export of which were subjected to heavy customs duties and restrictions, in order that the country should become self supporting. The only article freed from these restrictions was barley, of which large quantities were exported. Owing to the abundance of the crops of potatoes and hops, and to the adverse conditions prevailing on foreign markets, the prices of these articles also fell. On the other hand the sales prospects for French beans and for peas were slightly more favourable, with the result that the exports were increased to a figure almost double that for the previous year.

The conditions on the live stock market were also unfavourable, and the economic position of the small breeders suffered correspondingly. Owing to the surplus of supplies the prices for pigs remained at the low level which they had reached at the end of 1927, and as a result of this, although the Polish exports of hogs increased in number during 1928 as compared with the previous year, the value was proportionally smaller. The actual figures were as follows: 1927, exports 771,000 head, valued at 168 million zloty, and in 1928, exports 1,279,000 head, valued at 208 million zloty. Apart from this, the general dearth of fodder, combined with its



high price, which was noticed in almost every European country during 1928, was responsible for the placing, in the autumn, of large quantities of both stock cattle and horses on the market at rather low prices.

Nevertheless, in spite of the adverse factors mentioned above, the progress recorded during the year in respect of the breeding and marketing of cattle, poultry, eggs and butter, was greater than that which was observed for other agricultural products. This is evidenced by the continued rapidity of the development of the egg and dairy produce trade, the erection of properly organised slaughter houses and bacon factories, the formation of a syndicate for the promotion of the export of pigs and cattle, the enacting of a law concerning the standardisation of other goods intended for export, etc.

The considerable increase in means of agricultural production has, however, necessitated the employment of long term amortisation credits on a large scale. During the first nine months of the year, the sum of 229 million zloté was paid out in the form of mortgage bonds guaranteed on real property, of which total our Bank was responsible for 19 million zloté. The comparative figure for 1927 was 145 million zloté. It should, however, be observed that the actual amount of money required to be raised in this manner for the satisfaction of the requirements of the estate owners, has considerably exceeded the quantity of capital offered for this purpose.

On the world's coal markets there were plentiful amounts of coal available. After the wiping off of the arrears caused by the English coal strike, the struggle between the largest European exporters — England, Germany and Poland — for the conquest of the available markets became intense. Thanks to the efficacious steps taken by the Polish mine owners, who were accorded full support from the Government, mainly in the direction of reduced railway tariffs for sea borne export coal, the exports of Polish coal in 1928 rose to 13.4 million tons, an increase of 15% over the figures for the previous year. Apart from an enlargement in the sales to Czechoslovakia, there was a large augmentation in the amounts sent by sea to the Western, Scandinavian and Baltic countries, where Polish coal was successful in competing with the English product.

During the course of the year it became necessary to reduce the export prices of Polish coal on all markets except Austria, Czechoslovakia and Hungary — with which special agreements had been concluded — in view of the continual drop in the English quotations. As a result of this the financial results of the year's trading were relatively less favourable than those for 1927. The home prices were raised by 10% in April, 1928, and there was a further increase, in respect of certain grades, about the middle of September. The favourable development of the Polish industries, and particularly the good situation of the iron founding trade, caused an increase of the home consumption to about 23.5 million tons, or about 6% over the figures for the previous year. The total production of coal in 1928 was 40.6 million tons i. e. by 2.5 million tons more than in 1927, and was equal to about 99% of the production figures for 1913.

In 1928, as in 1927, there was a noticeable growth in the capacity of the home market for absorbing the products of the metallurgical industry, in particular that of the iron foundries. In 1928 the orders placed with the foundries by the Iron Syndicate amounted to 713,000 tons, or 35% more than in the previous year. As the result of this influx of orders, the outputs of pig iron, steel, and rolled products, rose to 684,000 tons, 1,437,000 tons, and 1,055,000 tons respectively. The increase over the outputs for 1927 amounted to 10% for pig iron, 15% for steel, and 20% for rolled sections.



Owing to the further drop in the quotations for zinc and lead, the export trade of the Polish zinc works, which, in relation to the other producing countries, occupy the third place in respect of production, and the second in respect of exports, was not so satisfactory as had been the case in 1927. However, increases were recorded both in respect of production and of exports, although the value of the latter showed a decline as compared with the previous year.

The favourable situation of the Polish petroleum industry, which had been manifest at the end of 1927, on the formation of a Syndicate comprising the largest undertakings, continued throughout the year, thanks to the prolongation of the Syndicate for a further period of five years, and to the building up of an organisation for the sale of oil products on the home market. The existence of the latter facilitated the tightening up of prices, and the further stabilisation of trade conditions. The output of crude oil increased by some 3%, to an average of 62,000 tons a month, owing to the coming into production of several new wells. The increase in the quantities of crude oil available enabled an improvement in the position of the refineries, the average monthly output of petroleum products rising from 51,500 tons in 1927 to 55,000 tons in the period under review, an augmentation of 7%.

In view of the continuous accretion in the local requirements for artificial fertilisers, there was a corresponding rise in the production of potassium salts. In spite, however, of an expansion of the output of the „Tesp“ company — in which the Bank holds an important financial interest — from 276,000 tons in 1927 to 343,000 tons in 1928, a rise of 20%, it was not possible to meet the ever increasing demands, with the result that over 91,000 tons of potassium salts had to be imported from abroad, this figure representing an increment of 10% over that for 1927.

In Poland, as in other European countries, the textile industry proved to be the one which was most sensitive to any fluctuations in market conditions. The greatest difficulties were experienced by the Lodz mills, which, taking encouragement from the favourable turnover of 1927, commenced the year by maintaining production at the high level of the final months of the previous year. As, however, the exports did not attain large proportions, and the absorption of the home market was already beginning to be affected by the growing tightness of money, the manufacturers found themselves at the beginning of the summer with large stocks in hand, of which they tried to dispose by selling against bills on ever extending terms of payment. These measures did not suffice to meet the situation, and in the second quarter of the year the mills were forced to restrict production to a considerable extent. The situation was, however, eased by a stoppage of work in October owing to a strike. By the middle of the last quarter of the year, employment had once again returned to the normal. As the difficulties experienced by the textile industry were mainly owing to the lack of any co-ordination of policy as to the volume of production and the conditions of sale, efforts were made to syndicalise the industry, and, up to the end of the year the following associations had been formed: — The Cotton Spinners Syndicate, the Convention of the Producers of Woollen and Combed Fabrics, and the Women's Fabrics Section.

The position of the Bielsk section of the industry was somewhat more favourable, and, in spite of a gradual depreciation in export conditions as compared with 1927, there was an increase in business. Nevertheless, here also, the manufacturers were obliged to sell goods on long credits in order to attract business, and following the example of Lodz, they have recently initiated endeavours to form associations for the purpose of regulating both production and sales. In as far as Bialystok was concerned there was a gradual improvement, thanks to an increase of exports, mainly to the Far East. Activity was particularly marked in respect of winter goods.

The metal and machinery industries operated mainly under favourable conditions; the production for the year showing an increase of 30% over 1927. Business in agricultural machinery and implements was, however, unfavourably affected by the decline in the financial position of the farmers, which became evident during the second half of the year, with the consequence that sales were mainly against long term bills. In view of the large amount of working capital tied up in bill credits, there was a falling off in production at the end of the year.

Hopes had been expressed that the anticipated revival in the building trade would improve the position of the builder's hardware makers, but they were not fully realised, with the result that business became more difficult during the course of the year. On the other hand there was a large increase of business in electric plant and motors, production having risen by almost 50% as compared with 1927. In the industrial machinery branch, great competition was felt from foreign suppliers, in particular by the manufacturers of textile and preparing machinery, and also of sugar beet and flour milling machinery. The reason for this lay mainly in the ability of the foreign supplier, with the assistance of his bankers, to sell goods on long term credits.

In the timber industry employment remained at the same level as in the previous year. The direction of the channels of business suffered an almost complete reversal during the year, as while in 1927 the majority of the production was exported; in 1928 it was mainly absorbed by the home market. Owing to the reduction in the demand for Polish timber on the principal foreign markets, in connection with the general fall in the sales of building timber, there was an all round drop in export prices. One of the results of this was a marked reduction in the export of Polish timber in the log to Germany, which is usually a purchaser of about half of the exports of this particular article. As against this there was, however, to be recorded a considerable increase in the exports of sawn goods to Germany, owing to the conclusion of a timber agreement between the two countries. On the English market Polish timber was to a large extent supplanted by the cheaper Swedish, Finnish and Russian article. The sum total of all these influences was sufficient to cause a decrease of 20% in the weight of timber and sawn goods exported in 1928 as compared with the previous year, although, owing to the larger proportion of worked products, and to good marketing, the reduction in value only amounted to 5%. Particular attention is drawn to the veneer and plywood branches, which showed a satisfactory development during the year, export having been increased by 50%. Favourable developments were chronicled in the parqueting and furniture sections, in the latter case a substantial increase of the exports of bent wood furniture was recorded.

The steadily rising tendency which has been recorded in respect of the sale of sugar during the last few years, is of particular interest to the Bank, as the production of sugar in former Russian Poland has been greatly assisted by large allocations of credit. The sale of sugar on the home market during the 1927/8 campaign was 347,000 tons, as compared with 309,000 tons in the 1926/7 campaign, a gain of some 12%. This steady tendency to increased business constitutes a most favourable factor which should assist in the future development of the Polish sugar industry. The increase is all the more gratifying in that it has come after the good year of 1927, when the conditions prevailing on the international sugar markets were favourable, while since the spring of 1928, there has been a general decline in the export prices.

The output of the potato products industry during the 1927/8 campaign reached the record figure of 40,000 tons, being assisted by the excellent potato crop in that season. The sales of potato flour on the home market showed an increase, while the export conditions continued



to be favourable. In the present season, however, the situation on the importing markets has deteriorated, and the chances for the successful termination of the 1928/9 campaign are not so hopeful.

In spite of the fact that there has been a continuous fall in the requirements of the State Spirits Monopoly during the last three years, there has been a simultaneous increase in the output of the distilleries, the production of 100% spirit having risen from 57.8 mill. litres in 1926/27 to 66.2 mill. litres in 1927/8, an increase of approximately 14%. The reason for this lay in the restarting of a large number of distilleries which had formerly been inactive.

The combination of a further augmentation in the foreign price quotations for raw hides, together with a general rise in the prices for leather, seriously affected the sales of the products of the Polish tanneries, which were at the same time faced with heavy competition from Austria and Czechoslovakia. The general financial situation of the Polish tanning industry was somewhat difficult, mainly owing to the fact that it had to depend on the working up of quantities of foreign raw material which were delivered on credit, while at the same time there was a large increase in the export of raw hides.

During the year under review the Polish chemical industry continued to develop favourably, the greatest progress being shown in the production of artificial fertilisers. Owing to a considerable increase in the demands for the home agriculture market, the production and sales of this commodity attained a record figure in 1928. The Polish requirements for nitrate manures were strongly marked and greatly surpassed the productive capacity of the State Nitrate Works at Chorzow, with the result that the Government was obliged to construct a new factory at Tarnow. Favourable developments were also shown in the superphosphate industry, the sales in 1928 showing an increase of 20% over those of the previous year. Considerable advances were also shown in most of the other branches of the industry including, nitrate of ammonia, soda, explosives, carbide, coal bye-products, dyes, fats, bone products, artificial yarns, rubber, pharmaceutical preparations, etc.

During the year there was considerable increased activity in building, particularly during the first half, when energetic steps were taken by those Government departments and local authorities interested in this question. The increase of building on the part of the latter was chiefly due to the receipt of credits from abroad (Warsaw, Poznan, Palatinate of Silesia), and to further investments made by the National Economic Bank. The greatest increases in building activity were recorded in Poznan (in connection with the Polish National Exhibition, which is being held in that town in 1929), Warsaw and Lodz. Both the Government and the local authorities have expended considerable sums of money in putting up buildings for administrative and public use, as well as dwelling houses for officials and for workmen. It must, however, be remarked with regret that there was no particular activity in the building of private dwelling houses during the year, even in the second half, owing to the general deterioration of the situation on the internal money market, which has resulted in the almost complete dependence of private borrowers on the State, as represented by the National Economic Bank. The extent of the Government participation in private building activity may be seen from the numerous loans applied for and accorded by the Komitet Rozbudowy (Building Committee) up to the end of the year, the total exceeding the amount allotted for this purpose by 260 million zloty.

The year under review was not very favourable for commerce, as, in spite of the increased activity recorded in many branches of production, there was no improvement in trade.



Although there was a marked increase in turnover during the first half of the year this was followed by a severe slump in most branches which extended throughout the whole of the rest of 1928. The sections mainly affected were those concerned with hosiery, textiles, clothing and tanning. Apart from this there was a general depreciation in the financial situation, caused by the unfavourable position in respect of prices, which was reflected in the general slackness in meeting payments and an increase in the number of protested bills, the latter more especially in the last months of the year.

The movement of shipping in the port of Gdynia reached record totals both in respect of arrivals and departures, the figures for 1928 being composed as follows: arrivals — 1,108 vessels aggregating 985,000 registered tons, departures — 1,093 vessels aggregating 974,000 registered tons. For purposes of comparison the equivalent figures for 1927 are also given: arrivals — 530 vessels aggregating 423,000 registered tons, departures — 519 vessels aggregating 416,000 registered tons; from which it will be seen that there was a 100% increase during 1928. The imports during the year under review were 190,000 tons consisting chiefly of scrap iron, artificial fertilisers, rice, etc., while the exports were 1,767,000 tons, mainly coal. The corresponding figures for 1927 were 7,000 tons and 889,000 tons respectively. The construction of the port of Gdynia is proceeding in accordance with the original plans, and a further increase in its activities may be anticipated in the near future.

The improvement in the economic development of Poland during the year 1928 is also evidenced by the considerable betterment of the conditions of the labour market, both in respect of the reduction of unemployed and in the increase in the standards of wages. At the end of January the number of registered unemployed reached a total of 182,000, and from that time onwards showed a steady decrease reaching its lowest level of 78,000 at the end of October. Owing to seasonal causes the figure again rose to 130,000 at the end of the year, this being, however, 35,000 less than the corresponding figure for December 1927. During the course of 1928 there was a considerable increase in the number of hands employed in the mining, foundry and preparing industries, the total rising from 707,000 at the end of 1927 to 792,000 at the end of 1928. There was a simultaneous increase in output in numerous branches of production; in the coal industry the average output per man increased by several per cent during the year and considerably surpassed the pre-war level of 1913. There was an all round augmentation of wages in the different branches, the average level at the end of 1928 being over 10% more than at the end of 1927.

Both the Government and the local authorities have expended considerable sums of money in putting up buildings for administrative and public use, as well as dwelling houses for the unemployed. In addition, the building of private dwelling houses during the year, even in the second half, owing to the general deterioration of the situation on the internal money market, which has resulted in the almost complete dependence of private borrowers on the State as represented by the National Economic Bank. The extent of the Government participation in private building activity may be seen from the numerous loans applied for and recorded by the National Economic Bank. Up to the end of the year, the total exceeding the amount allotted for the purpose by 200 million zloty.

The year under review was not very favourable for commerce, owing to the increased activity recorded in many branches of production, there was an improvement in trade

## THE ACTIVITY OF THE NATIONAL ECONOMIC BANK.

The year 1928 was the first year in the history of the Bank during which its activities were carried out in accordance with the programme outlined in its statutes, as well as in conformity with its character as a State Credit Institution. In this lies the great difference as compared with the preceding year, when the Bank was still occupied with the liquidation of the financial obligations incurred during the economic crisis of 1924/5, and had not yet completely taken over its new functions. The stabilization of the internal economic situation during 1928, facilitated the concentration of the efforts of the Bank on those sections of economic life set out in its programme, or appertaining to its functions as a State Institution, being the instrument of the general economic policy of the Government. It can therefore be stated with all certainty that during this year the National Economic Bank has firmly established its position as being the principal supplier of long term credits and the main source of the funds required for the financing of the necessities of the nation; and that thanks to this the Bank has now assumed a definite position in the internal economic system of the country.

With regard to the increasing financial interests of the National Economic Bank, the board have endeavoured to come into direct touch and to maintain close contact with local government authorities and economic spheres, on the one hand with a view to becoming better acquainted with the real necessities of economic life, and on the other hand to disseminating amongst the large masses of population information as to the activities and intentions of the Bank. With a view to this end, lectures and conferences were held by the President of the Council of the Bank, Dr. Roman Górecki, in the more important business centres. Lectures were given at Lwow, Danzig and Poznan, the latter being honoured by the presence of the President of the Republic. The Board of Directors took part in a meeting at Lublin; and finally there were exchanges of views between the President of the Council and local business circles during the course of his visits to the other Branches of the Bank. Thanks to this approachment between the business community and the Bank, the authorities of the latter have succeeded in obtaining a great quantity of useful data which will permit of a further extension of its activities.

The best indication of the considerable progress recorded by the Bank during the year lies in the noticeable increase in the total of the balance sheet, which rose from 1,425 million zloté at the end of 1927 to 1,715 million zloté at the end of 1928. The necessity for maintaining a rational proportion between the total of the balance sheet and the sum of the issued capital forced the Board to consider the advisability of an increase in the latter. In consequence of this the capital of the Bank was increased in December, 1927 by 30 million zloté to 150 million zloté, and reached therefore, including the reserves, the total of 195 million zloté on the 31st December



1928. The entire issued capital is at present held by the Polish Government, but, as it was provided in the statutes that local government authorities should also be permitted to become shareholders in the Bank, this matter was brought up before the Economic Committee of the Cabinet on the 28th October 1928, and the necessary steps are now being taken with a view to achieving this.

## I. LONG TERM SINKING FUND CREDITS.

(IN MORTGAGE BONDS, AND IN COMMUNAL, BANK, AND BUILDING DEBENTURES).

In spite of the unfavourable conditions obtaining for the placing of long term interest bearing securities on the market during the year under review, the Bank continued to show further progress in this direction. At the end of 1927 the total of the loans granted by the Bank amounted to 1,027 million zloté, of which 38%, or 391 million zloté, was represented by bonds and debentures, while at the end of 1928 the figure of loans had risen to 1,331 million zloté, and the amount covered by issues had increased to 583 million zloté or approximately 44% of the total. It results from these figures that the increase in the total of long term sinking fund credits was larger in proportion than that of any of the other categories of credits, and it will be seen that during the year under review the activities of the Bank were mainly directed to the development of this type of credit. Thanks to the following out of this programme the general tendencies of the functions of the Bank have more closely approximated to its statutes and to the programme laid down in 1927, in that it has now definitely assumed the character of an issuing financial institution.

An indication of the general progress achieved during the year is given by the fact that the total of long term loans in mortgage bonds and debentures paid out during 1928 amounted to 201.8 million zloté as compared with 194.5 million zloté in 1927.

The obligations of the National Economic Bank in circulation increased from 357.6 million zloté on the 31st December, 1927, to 551.2 million zloté on the 31st December, 1928 (if the valorised bonds and debentures of the former National Bank are also included, this latter total is increased to 583.8 million zloté) showing an increase of 54% during the year. Full details of this are given in the table on the opposite page. During the period under review, the Bank confined its issues of securities to the same types as had been placed on the market during the previous year, i. e. 7% and 8% mortgage bonds, 7% communal debentures, and 7½% bank debentures, all in gold zloté. During the course of the second half of the year, the Bank also placed on the market a special issue of 7% communal debentures in dollars, which were mainly intended for sale abroad. At the end of the year, the Bank issued the first instalment of a series of 8% building debentures in gold zloté.

During 1928, the Bank sold 245.9 million zloté of its own issues of mortgage bonds, which were placed almost entirely on the internal market. As had been the case in previous years, the purchasers of these bonds were mainly credit and insurance institutions, such as the Postal Savings Bank, the Bank of Poland, the General Mutual Insurance Corporation, and finally the State Treasury, which bought large amounts of mortgage bonds and communal debentures. It was noticed that those members of the community who had before the war been large purchasers of long term debentures and similar securities, were still unable to absorb any but the smallest amounts. In addition to this, there was a decided lack of interest shown by foreign markets

POSITION OF MORTGAGE BOND AND DEBENTURE ISSUES \*)

D A T E	Mortgage Bonds		C o m m u n a l D e b e n t u r e s				B a n k D e b e n t u r e s		B u i l d i n g D e b e n t u r e s		T o t a l
	8% Ist issue in zlotie former parity	7% IInd issue in zlotie present parity	8% Ist issue in zlotie former parity	7% IInd issue in zlotie present parity	8% in dollars	7% in dollars	7 1/2% in zlotie present parity	8% in zlotie present parity			
	I	n	z	l	o	t	e	t			
31st December 1926	12,870.158	—	46,980.940	—	108,403.154	—	—	—	—	168,254.252	
" " 1927	58,857.712	798.000	83,765.376	106,294.800	105,363.480	—	2,565.000	—	—	357,644.368	
31st January 1928	59,250.216	1,969.200	83,765.376	111,533.800	104,284.886	—	2,565.000	—	—	363,368.478	
29th February "	59,933.916	3,201.800	82,711.188	123,708.800	104,284.886	—	5,987.800	—	—	379,828.390	
31st March "	60,836.916	5,685.500	82,711.188	129,616.800	104,284.886	—	5,987.800	—	—	389,123.090	
30th April "	60,836.916	9,397.000	82,711.188	134,420.800	104,026.380	—	7,197.800	—	—	398,590.094	
31st May "	59,261.482	11,901.300	82,711.188	137,062.000	104,026.380	—	7,362.800	—	—	402,325.150	
30th June "	59,278.682	13,529.800	82,711.188	143,066.200	104,026.380	6,952.920	7,842.800	—	—	417,407.970	
31st July "	59,278.682	17,419.200	82,711.188	148,681.200	102,912.130	25,583.180	12,247.800	—	—	448,833.380	
31st August "	60,499.882	19,996.800	81,613.312	155,794.200	102,912.130	33,739.490	13,612.800	—	—	468,158.614	
30th September "	62,512.282	22,121.300	81,613.312	157,213.000	102,912.130	34,764.600	14,067.800	—	—	475,204.424	
31st October "	62,818.442	22,843.300	81,613.312	158,948.000	102,635.796	38,419.340	14,067.800	—	—	481,345.990	
30th November "	62,818.442	24,378.400	81,613.312	160,504.800	102,635.796	39,399.£80	14,101.900	—	—	485,452.530	
31st December "	62,230.804	28,795.852	81,613.312	209,284.800	102,635.796	41,895.800	24,531.900	190.800	—	551,179.064	

Issues of 8%, 7 1/2% & 7% mortgage bonds of the National Economic Bank on 31.XII. 1928 . . . . . zl. 551,179.064.—  
 Issues of 4 1/2% & 4% mortgage bonds and debentures of the former National Bank on 31.XII. 1928 . . . . . 32,596.323.44

Total of issues on 31.XII. 1928 . . . . . zl. 583,775.387.44

\*) The first issues of 8% mortgage bonds and the 8% communal debentures were at the parity of 1 former zloty to 1.72 present zlotie.  
 Communal debentures in dollars are taken at the rate of 1 dollar to 8.914 present zlotie.



in Polish securities, a marked deterioration in the situation being observed on the New York money market in the second half of the year. The general result of this was that the amount of the securities of the Bank placed on foreign markets only reached the sum of 17.4 million zloté.

Owing to the small powers of absorption for investment securities possessed by the internal Polish market, and the large numbers of similar issues being placed by other long term credit institutions, it was not possible for the Bank to improve the quotations of its own securities on the local stock exchanges. The prices of 8% mortgage bonds and 8% communal debentures, which rose from 93% to 94% of their nominal value on the 11th February, 1928, remained at that level for the rest of the year. During the last months of 1928, the 7% mortgage bonds and the 7% communal debentures were introduced on the market, but, owing to technical difficulties, the quotations only reached 83%, corresponding to the price of the 8% securities. On the other hand, considerable interest was shown on the Vienna exchange in the 4% and 4½% converted mortgage bonds and debentures of the former National Bank, which are also quoted on the Lwow and Krakow exchanges (the 4% securities were quoted at 54 — 54½% and the 4½% at 57 — 62½% of their nominal values).

The results obtained by the Bank during the year 1928 in respect of the issue of long term sinking fund credits are very interesting. The sum of the local government loans realised during the year amounted to 72% of the whole, whilst in 1927 their participation had only amounted to 21%. These figures indicate clearly that the main difficulties experienced by the Bank during the year under review were in respect of the satisfaction of the demands received for long term credits from local government authorities. Apart from this, the Bank occupied itself during the year more in respect of the granting of credits for industry and for building, than for mortgages on real property, the proportion which these loans bear to the sum total of loans issued having dropped from 24% in 1927 to 15% in 1928. The carrying out of this policy during the year produced exceedingly good results and is in pursuance with the original plan for which the Bank was established, i. e. that as a government institution it should primarily cater for the needs of public institutions, and should as far as possible leave the provision of long term mortgage credits on real property to private concerns.

The loans made by the National Economic Bank in the form of mortgage bonds and debentures, up to the 31st December 1928, are given in the following table:

Type of loan	Number	Amount in zloté	Percentage of total
District Authorities . . . . .	159	45,954.690	8.1
Town do . . . . .	218	243,456.486	42.8
Rural district do . . . . .	22	888.640	0.1
Other do . . . . .	15	13,660.400	2.4
Country Mortgages . . . . .	348	50,562.400	8.9
Town do . . . . .	559	40,964.706	7.2
Conversion of building loans. .	59	2,887.800	0.5
Industrial . . . . .	15	24,677.800	4.3
Treasury . . . . .	2	146,200.000	25.7
Totals . . . . .	1,397	569,252.922	100.0





## 1. LOANS AGAINST COMMUNAL DEBENTURES.

During the course of the year 1928, the Bank paid out to local authorities 145.7 million złote in loans in communal debentures, a sum practically equalling the total of loans of this type made during the previous 3½ years (158.2 million złote). In the distribution of this record amount the Bank endeavoured, as far as possible, to divide the allocations equally between the various parts of the country, with the result that the share of the central palatinates, which had been approximately 88% until the end of 1927, fell to 59% in 1928, the respective shares destined for the remainder of the country being 12% and 41%. A careful study of the figures will show that the share of the other palatinates, particularly those in the south of Poland, shows an even greater increase.

In accordance with its programme of operation the Bank granted investment loans to local government authorities, mainly for those outlays which would bring in a sufficient income for the payment of interest and the sinking fund. Apart from this various loans were also granted for road asphaltting.

Of the total of 145.7 million złote granted in loans during 1928, about 100 million was given to investment credits. Of this amount 40% was for electrification, 22% for road construction, 16% for slaughter houses, markets and baths, 4.2% for the assistance of fishermen, and finally 17.8% for all other requirements of local government authorities, such as brick kilns, cement works, schools, hospitals, etc. The applications submitted for loans of this type during 1928 exceeded 200 million złote, of which it was only possible to satisfy about 50%, but nevertheless even this reduced total was of far reaching significance to the economic life of Poland. The extensive assistance granted by the Bank in this direction caused a considerable increase in employment in public works and in industries connected therewith, and assisted in the general reduction of unemployment during the year.

Amongst the above mentioned 100 million złote in investment credits, attention should be drawn to the group of 7% dollar debentures, which were issued to the nominal total of 4.7 million dollars, or 41.9 million złote. These debentures were issued in connection with the efforts of the Bank to place a large block of these securities on the American market, but as the negotiations with the American financial group did not eventuate, the Bank took upon itself to assist those local government authorities who were expecting to receive loans from this floatation, and accorded them a credit of 5.2 million dollars, of which 4.7 million dollars were paid out during the year.

Apart from the credits mentioned in the preceding paragraph, the Bank granted a special credit of 46.2 million złote to the towns of Lublin, Częstochowa, Radom, and Piotrków, which had been receiving investment credits from the Ulen Company, and had found themselves in financial difficulties. The purpose of these special loans was to enable the towns to meet their liabilities and to balance their budgets until such a time as the works now being undertaken were producing revenue.

a) Loans to district authorities.

The position in regard to loans granted to district authorities is shown in the following tables:

Loans accorded up to the 31.XII. 1927 . . . . .	83	totalling	zl. 24,381.000
"    "    during 1928 . . . . .	101	"    "	27,612.042
"    "    up to the 31.XII. 1928 . . . . .	184	totalling	zl. 51,993.042
of which:			
cancelled . . . . .	7	"    "	2,910.352
realised . . . . .	159	"    "	45,954.690
remaining to be realised in 1929 . . . . .	18	"    "	3,128.000

Palatinate	Up to the 31st. December, 1928									Up to the 31st. December, 1927		
	T o t a l			In 8% Commu. Deb. Ist issue		In 7% Commu. Deb. IIInd issue		In 7% Commu. dollar Deb.		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	No.	Amount	%
	I n z l o t e											
Central . . . . .	101	32,048.670	69.8	36	13,090.920	39	10,266.600	26	8,691.150	42	14,300.520	87.4
Eastern . . . . .	30	7,543.770	16.4	5	1,032.000	7	1,118.800	18	5,392.970	6	1,100.800	6.8
Western . . . . .	9	2,534.560	5.5	1	430.000	7	1,748.000	1	356.560	1	430.000	2.6
Southern . . . . .	19	3,827.690	8.3	5	526.320	7	1,474.000	7	1,827.370	5	526.320	3.2
Total . . . . .	159	45,954.690	100.0	47	15,079.240	60	14,607.400	52	16,268.050	54	16,357.640	100.0

As will be seen from the above figures the sum of loans paid to district authorities during 1928 was approximately double that of the loans granted since the time of the foundation of the Bank. It will be noted that in these loans there are the same characteristic tendencies as in all other loans in this group, i. e. considerable increases to the eastern, western and southern palatinates, as compared with those in the centre of Poland.

The above loans were mainly granted for the construction of roads, the building of cement and clinker factories, and small amounts for the building of schools, mainly in the east.

b) Loans to Municipalities.

The position in regard to loans granted to Municipalities is shown in the following tables:

Loans accorded up to the 31.XII. 1927 . . . . .	157	totalling	zl. 183,568.576
"    "    during 1928 . . . . .	109	"    "	100,086.290
"    "    up to the 31.XII. 1928 . . . . .	266	totalling	zl. 283,654.866
of which:			
cancelled . . . . .	18	"    "	4,331.950
realised . . . . .	218	"    "	243,456.486
remaining to be realised in 1929 . . . . .	30	"    "	35,866.430



Palatinate	Up to the 31st. December, 1928										Up to the 31st. Dec., 1927			
	T o t a l			In 8% Com. Deb. 1st issue		In Com. 7% Deb. 2nd issue		In 8% Com. dollar Deb.		In 7% Com. dollar Deb.		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	%
I n z l o t e														
Central . . .	116	192,548.126	79.1	42	14,878.000	56	60,370.800	9	110,034.416	9	7,264.910	57	125,127.416	89.2
Eastern . . .	24	7,108.750	2.9	8	2,528.400	15	3,332.400	—	—	1	1,247.960	11	3,242.200	2.3
Western . . .	40	22,635.350	9.3	9	9,786.800	27	9,505.800	1	1,069.680	3	2,273.070	10	10,856.480	7.8
Southern . . .	38	21,164.250	8.7	6	1,035.440	23	14,201.000	—	—	9	5,927.810	6	1,035.440	0.7
Total . . .	218	243,456.486	100.0	65	28,228.640	121	87,410.000	10	111,104.096	22	16,713.750	84	140,261.536	100.0

As will be seen from the above tables the Municipal loans granted by the Bank in 1928, were one of the more important items of its long term credit activities, amounting to 51% of the total.

If a comparison of the sum of the loans to Municipalities during 1928 is made with the 29.1 million zloté of such loans paid out until the end of 1927, which latter figure is obtained after the elimination of the Ulen loans, which were of a special character, it will be seen that there was an increase of 3½ times the previous totals during the year under review. Even if the special loans granted to Lublin, Częstochowa, Radom, and Piotrków, totalling 46.2 million zloté, are deducted from the total, the remaining figure of 57 mill. zloté is still almost twice the sum total of all the previous years.

In the distribution of the Municipal loans the same tendency was noticed as in the other sections, in that there was an increase in the share of the southern and eastern palatinates and a decrease in respect of the central ones. The small percentage of the loans granted to the eastern districts is explained by the fact that municipal development in these areas is in a very low state of development, and that the financial position of the authorities is not too sound.

Among the municipal loans granted during the year the following call for special attention.

Włocławek. Credit of 4.9 million zloté, of which 1.4 million was paid during the year, for the construction of an electric power station for the use of the town and surrounding districts.

Bydgoszcz. A loan of 5.2 million zloté for the completion of the electric power station. Apart from this a special loan of 300,000 dollars was granted for the purchase of the previously existing power station. The last portion of this latter loan was paid out at the beginning of 1929.

Gdynia. Credit of 3.7 million zloté for building purposes in connection with the expansion of the town necessitated by the growth of the port.

Lodz. A loan of 3.5 million zloté for the building of water and sewerage works and for the purchase of the electric power station.

Lwów. A loan of 7.7 million zloté for improvements to the electric power station and the gas works, for the extension of the water works and the sewerage system, and also for the construction of dwelling houses for the working classes.

Poznań. Credit of 2 million zloté for the erection of buildings for the Polish National Exhibition; the condition was, however, made that after the closing of the exhibition the building should be used as a commercial school.

Stanisławów. A loan of 2.2 million zloté for the construction of an electric power station and a slaughter house, and for the repayment of outstanding short term liabilities.

Kalisz. A loan of 1.9 million zloté for the construction of a slaughter house and a cold storage plant, and also for the extension of the electric power station.

Lublin. A loan of 2.2 million zloté for the construction of an electric power station.

### c) Loans to Rural District Authorities.

For the first time in the history of the Bank, loans granted to rural district authorities have been treated as a separate item, as in former years they were included under the general heading of loans granted to Municipalities. In the following tables are given details of the loans accorded and realised during the year under review.

Loans accorded up to the 31.XII. 1927 . . . . .	16 totalling zl.	509.340
"    "    during 1928 . . . . .	30 " "	1,076.800
"    "    up to the 31.XII. 1928 . . . . .	46 totalling zl.	1,586.140
of which:		
cancelled . . . . .	7 " "	125.300
realised . . . . .	22 " "	888.640
remaining to be realised in 1929 . . . . .	17 " "	572.200

Palatinate	Up to the 31st. December, 1928							Up to the 31st. December, 1927		
	T o t a l			In 8% Commun. Deb. Ist issue		In 7% Commun. Deb. IInd issue		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	%
	I n z l o t e									
Central . . . . .	8	410.040	46.1	4	132.440	4	277.600	5	270.040	66.3
Eastern . . . . .	3	133.000	15.0	—	—	3	133.000	—	—	—
Western . . . . .	3	117.200	13.2	1	17.200	2	100.000	1	17.200	4.2
Southern . . . . .	8	228.400	25.7	3	120.400	5	108.000	3	120.400	29.5
Total . . . . .	22	888.640	100.0	8	270.040	14	618.600	9	407.640	100.0

As will be seen from the above table the credits granted to rural district authorities during the year under review did not attain any very great amount, but nevertheless they represented approximately 120% of the sum total of such loans granted during previous years.

The credits were mainly for the construction of rural roads, and in addition a series of credits were granted during the year to authorities in the palatinate of Nowogródek (Eastern Poland). Of these credits the majority were paid out during the year and the balance will be paid over during the course of 1929.



d) Loans to other Authorities.

In the following tables are given particulars of the loans granted to fish cultivation and other corporations.

Loans accorded up to the 31.XII. 1927 . . . . .	7 totalling zl. 2,261.400
" " during 1928 . . . . .	10 " " 11,852.000
" " up to the 31.XII. 1928 . . . . .	17 totalling zl. 14,113.400
of which:	
cancelled . . . . .	1 " " 375.000
realised . . . . .	15 " " 13,660.400
remaining to be realised in 1929 . . . . .	1 " " 78.000

Palatinate	Up to the 31st. December, 1928									Up to the 31st. December, 1927		
	T o t a l			In 8% Commun. Deb. Ist issue		In 7% Commun. Deb. IInd issue		In 7% Commun. dollar Deb.		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	No.	Amount	%
	I n z l o t e											
Central . . . .	4	1,850.000	13.5	—	—	4	1,850.000	—	—	1	750.000	61.8
Eastern . . . .	—	—	—	—	—	—	—	—	—	—	—	—
Western . . . .	7	11,650.000	85.3	1	344.000	3	2,392.000	3	8,914.000	1	344.000	28.3
Southern . . . .	4	160.400	1.2	2	120.400	2	40.000	—	—	2	120.400	9.9
Total . . . . .	15	13,660.400	100.0	3	464.400	9	4,282.000	3	8,914.000	4	1,214.400	100.0

As is shown in the above table the Bank granted two different corporation loans during the year under review, totalling 12.4 million zlot. This figure represents a tenfold increase of the loans granted in the year 1927.

Among the credits granted to fish culture companies attention is drawn to Spółka Wodna Powiatu Radomskiego (The Radom District Fish Culture Company) and Związek Regulacji rzeki Rawy (The Rawa River Regulation Union), amounting to zl. 500,000 and to zl. 2.2 million respectively.

In addition to the above mentioned corporations, loans were also granted to other institutions which were in need of financial assistance to enable them to complete their programme of public works. Amongst these credits were \$ 150,000 to the Związek Elektryfikacji Powiatów Chełmno — Świecie — Toruń (The Electric Power Union for the Chelmno, Swiecie and Torun Districts), and \$ 850,000 to the Pomorski Związek Komunalny w Toruniu (The Pommeranian Communal Association of Torun). The first of these credits was for the completion of the electrification in those districts, and the second was for the extension of the existing power station for the supply of electricity to the port of Gdynia.

2. LOANS GRANTED IN MORTGAGE BONDS ON COUNTRY ESTATES AND TOWN PROPERTIES.

During the year under review there was a marked decrease in the total of loans granted by the Bank in mortgage bonds on country estates, and town properties the figure falling from zl. 47 million in 1927 to zl. 31 million in 1928. The reason for this was the desire of the Bank to

restrict its activities in this direction, and to leave the field open to private long term credit institutions, as it was felt that the functions of the Bank lay more properly in the meeting of the long term credit requirements of other bodies and persons, notably local government authorities. The result of this partial withdrawal on the part of the Bank was reflected in the general increase in the amount of business handled by private financial concerns.

In view of this tendency all applications for loans in mortgage bonds were very carefully scrutinised by the Bank, the Administrative Council having decided that only those loans which tended to increase production, to re-build devastated areas, and to erect new buildings, were to be considered. The number of applications approved was in reverse proportion to the amount of facilities offered by private financial institutions in the district concerned. The maintenance of the demands for mortgage credits on the same level as before, indicates, however, the pressing nature of the requirements in this direction, which are quite out of proportion to the financial resources of the private long term credit institutions.

### a) Loans on Country Estates.

Acting on the basis of an agreement between the various government financial institutions, the Bank restricted the granting of loans to properties having an area of not less than 180 hectares, smaller properties being dealt with by the State Agrarian Bank. Particulars of the loans accorded and realised during the year are given in the following tables:

Loans accorded up to the 31.XII. 1927 . . . . .	458	totalling	zl. 74,403.700
"    "    during 1928 . . . . .	115	"    "	16,561.720
"    "    up to the 31.XII. 1928 . . . . .	573	totalling	zl. 90,965.420
of which:			
cancelled . . . . .	195	"    "	32,672.020
realised . . . . .	348	"    "	50,562.400
remaining to be realised in 1929 . . . . .	30	"    "	7,731.000

Palatinate	Up to the 31st. December, 1928							Up to the 31st. December, 1927		
	T o t a l			In 8% Mortgage Bonds Ist issue		In 7% Mortgage Bonds IInd issue		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	%
	I n z l o t e									
Central . . . . .	202	27,233.640	53.9	138	17,332.440	64	9,901.200	140	17,385.640	55.2
Eastern . . . . .	58	7,420.360	14.7	36	4,752.360	22	2,668.000	36	4,599.760	14.6
Western . . . . .	42	9,076.360	17.9	33	6,730.360	9	2,346.000	27	5,466.160	17.4
Southern . . . . .	46	6,832.040	13.5	35	4,957.040	11	1,875.000	31	4,033.400	12.8
Total . . . . .	348	50,562.400	100.0	242	33,772.200	106	16,790.200	234	31,484.960	100.0

The proportion of the loans granted by the Bank in respect of country estates fell during the year to 9.5% as compared with 13.3% in 1927.

The above mentioned figures do not, however, sufficiently indicate the present tendency of the Bank to restrict, as far as possible, the granting of credits to those areas which are unable to obtain financial assistance from other sources, i. e. the Eastern and Western Palatinates. They



mainly result from the necessity of honouring promissory notes issued at a time when the Bank had not yet embodied these territorial distinctions as part of its definite policy.

*b) Loans on Town Properties.*

In the following tables are given particulars of the loans granted on town properties:

Loans accorded up to the 31.XII. 1927 . . . . .	631	totalling	zl. 63,903.148
"    "    during 1928 . . . . .	325	"    "	13,800.724
"    "    up to the 31.XII. 1928 . . . . .	956	totalling	zl. 77,703.872
of which:			
cancelled . . . . .	292	"    "	29,660.206
realised . . . . .	559	"    "	40,964.706
remaining to be realised in 1929 . . . . .	105	"    "	7,078.960

Palatinate	Up to the 31st. December, 1928							Up to the 31st. December, 1927		
	T o t a l			In 8 <sup>0</sup> / <sub>0</sub> Mortgage Bonds Ist issue		In 7 <sup>0</sup> / <sub>0</sub> Mortgage Bonds IInd issue		T o t a l		
	No.	Amount	%	No.	Amount	No.	Amount	No.	Amount	%
	I n z l o t e									
Central . . . . .	185	20,470.160	50.0	129	16,263.460	56	4,206.700	127	14,784.660	51.0
Eastern . . . . .	40	3,200.340	7.8	24	2,553.340	16	647.000	23	2,505.180	8.6
Western . . . . .	127	7,378.824	18.0	64	4,982.324	63	2,396.500	62	4,638.000	16.0
Southern . . . . .	207	9,915.382	24.2	132	7,639.982	75	2,275.400	127	7,060.342	24.4
Total . . . . .	559	40,964.706	100.0	349	31,439.106	210	9,525.600	339	28,988.182	100.0

Of the total of long term loans realised in 1928, 5.9% were allotted on town properties as compared with 11.1% in the preceding year.

In comparison with the loans granted on country estates during the year under review, those granted on town properties were small, the proportion between the two being expressed by the ratio of 3 : 2 in favour of the former. The figures in the above table are to a large extent composed of outstanding promissory notes, including many relating to country estates.

In reality, however, the Bank considers town loans to be of greater importance, on the one hand owing to the small activity of urban credit institutions, and on the other hand in consideration of the necessity of aiding building operations by means of the issue of mortgage bonds, which is at present being done with Government assistance, although the amounts available are insufficient to meet current requirements.

3. CONVERSION LOANS IN MORTGAGE BONDS AND BUILDING DEBENTURES.

For the last few years the Bank has been granting credits for building in the shape of short term loans against bills with mortgage guarantees. In May 1927, a decree of the President of the Republic was issued concerning the expansion of towns, and in December of the same year the relevant executive regulations were issued by the Minister of Finance. The main purport

of this decree was to permit the conversion of building credits into long term mortgage loans in issued securities. The determination of the precise form which these credits should take and the application of the various instructions of the decree in respect of technical principles required, however, a considerable amount of time, owing to the numerous legal points raised, and the necessity for the preparation of special instructions and their approval by the competent authorities. After the completion of the preparatory work the Bank established a special Conversion Section in conjunction with the Long Term Credit Department. On the completion of the necessary preliminary organisation this section commenced its activities in May 1928.

The outstanding sum of building credits which had to be converted amounted to over 180 million zlot. The conversion of these sums within the shortest possible time was not only in the interest of the borrower, to whom this operation brought about a lowering in the rates of interest payable, but also to the State Treasury, as the funds which had been locked up in these credits again became available as a result of the conversion and could therefore be applied to fresh operations. The building credits have been liquidated by the issue of mortgage conversion credits, in 7% mortgage bonds (up to 50% of the value of the property) and in 8% building debentures (from 50 to 80% of the value of the property) which securities are now being purchased by the National Building Fund, which can place them on the market in exchange for funds which would formerly have been directly invested in building. The conversion loans are paid out to the clients at par and are bought in by the National Building Fund at the same rate, any differences being covered from the funds of the National Fund for the Expansion of Towns. In this manner the liabilities of borrowers do not increase, the nominal value of the new loan being the same as that of the old building credit.

The National Fund for the Expansion of Towns also makes itself responsible for a proportion of the interest during the whole period of amortisation, the amounts being 3% on mortgage bonds and 4% on building debentures. The result of this procedure is that the borrower never has to pay more than 4% per annum, a figure which should always bear a reasonable relation to the income received from the properties.

The activities of the Bank in respect of conversion loans are shown in the following tables:

Loans accorded up to the 31.XII. 1928 . . . . .	713	totalling	zl. 54,115.700
„ realised „ „ „ . . . . .	59	„ „	2,887.800
„ remaining to be realised in 1929. . . . .	654	totalling	zl. 51,227.900

Palatinate	Up to the 31st. December, 1928						
	T o t a l			In 7% Mortgage Bonds II <sup>nd</sup> issue		In 8% Building Bonds	
	No.	Amount	%	No.	Amount	No.	Amount
	I n z l o t e						
Central . . . . .	56	2,700.800	93.5	51	2,530.000	5	170.800
Eastern . . . . .	1	112.000	3.9	1	112 000	—	—
Western . . . . .	—	—	—	—	—	—	—
Southern . . . . .	2	75.000	2.6	1	55.000	1	20.000
Total . . . . .	59	2,887.800	100.0	53	2,697.000	6	190.800



The conversion also included the building loans of the P. K. O. (Postal Savings Bank), Bank Budowlany (Building Bank), Polski Bank Komunalny (Polish Communal Bank), b. Zakład Kredytowy Miast Małopolskich (former Credit Institution of Galician Towns) and other institutions.

The realisation of the first conversion loans was only commenced in the latter part of October, owing to the special difficulties experienced. One of the most intricate points arose in connection with the properties of Co-operative Societies, which form the majority of the clients of the National Economic Bank, and even although this fundamental difficulty has now been overcome, numerous complicated formalities are still required, especially in connection with those properties which were taken over from the State Treasury, and which are still subject to limitations and reservations which render impossible the granting of issue credits. It is hoped, however, that it will be possible to overcome the majority of these disabilities by legislation, and the necessary measures to this end are now being taken. The delay in the realisation of the conversion loans has been caused by the fact that the borrower has to cover his immediate liability (interest from the date of payment until the first instalment falls due, costs, etc.), at the moment of the realisation of the conversion loan, as the new loan cannot exceed the net amount of the old one, and for that reason there is no margin available for the covering of these payments.

The National Economic Bank is still engaged in the process of converting a further 100 mill. zloty of outstanding building credits, in addition to those which will be granted during the current year.

#### 4. INDUSTRIAL LOANS IN BANK DEBENTURES.

Statistics relating to the development of industrial loans in bank debentures, the issue of which was only commenced in the second half of 1927, are given in the following tables:

Loans accorded up to the 31.XII. 1927 . . . . .	6	totalling	zl. 12.692.800
"    "    during 1928 . . . . .	17	"    "	17.155.000
"    "    up to the 31.XII. 1928. . . . .	23	totalling	zl. 29.847.800
of which:			
cancelled . . . . .	2	"    "	365.000
realised . . . . .	15	"    "	24.677.800
remaining to be realised in 1929 . . . . .	6	"    "	4.805.000

Palatinate	Up to the 31st. December, 1928			Up to the 31st. December, 1927		
	No.	Amount	%	No.	Amount	%
	I n z l o t e					
Central . . . . .	12	21,382.800	86.6	—	—	—
Eastern . . . . .	—	—	—	—	—	—
Western . . . . .	2	730.000	3.0	—	—	—
Southern . . . . .	1	2,565.000	10.4	1	2,565.000	100.0
Total . . . . .	15	24,677.800	100.0	1	2,565.000	100.0

From the above statistics it will be seen that this particular type of loan is not developing as fast as has been the case with others.

The applications for industrial credits had reached a quarter of a milliard złote by the end of 1928, but it was, however, necessary to refuse applications reaching 72 mill. złote owing to the fact that a preliminary examination as to their financial and technical standing and their suitability for credit (a minimum of a 100,000 złote being necessary), demonstrated that they were not in a position to fulfil these essential conditions.

Another point of interest was, that, of those applications which had been put aside for favourable consideration, 17, covering an amount of 18 mill. złote, were subsequently rejected after further examination. From this it will be seen that the number of rejected applications was nearly as large as that of the loans granted. Judging by the results of the investigations which had been concluded by the end of the year or which were still in process of conclusion, the number of rejected applications will probably continue to increase.

It is evident that amongst those undertakings which present applications for industrial loans in bank debentures, there are a considerable percentage which are in a difficult financial position, and whose financial standing would only admit of the granting of a loan to an amount which would be insufficient to enable the reconstruction of the concern and its normal development in the future.

In view of the shortage of funds at its disposal, the Bank has been forced to restrict the granting of industrial loans to those undertakings which promise a useful development from the point of view of the interests of the State and of the economic life of Poland.

## II. PARTICIPATION IN INDUSTRIAL CONCERNS.

Since the foundation of the National Economic Bank its activities in respect of industrial credits have been mainly directed towards the financial assistance of industrial undertakings which are of economic importance to the country as a whole, and to those economic organisations in the existence and development of which the Government was especially interested. For this reason the concerns which have enjoyed primary consideration in respect of loans from Government funds administered by the Bank are those connected with the chemical, electrical, and metallurgical industries.

The assistance granted to these undertakings by the National Economic Bank has been expressed in the provision of the initial capital, the granting of working capital, and the provision of investment funds in the shape of long term mortgage credits in bank debentures.

The conditions under which the economic life of Poland developed during the first year of the existence of the Bank, made it impossible for the latter to confine its activities to the exclusive satisfaction of the financial needs of State undertakings. During the inflation period and the subsequent financial crisis, which lasted over several years, numerous private industrial undertakings were deprived of their working capital, and were compelled, in order to meet prices and to maintain production, to seek from outside the financial assistance which they were unable to obtain from private financial institutions, owing to the adverse economic situation. As the supply of foreign capital available was insufficient, it became necessary to call upon the State for assistance, this task being one which fell upon the National Economic Bank, owing to its being



the financial institution mainly concerned in the carrying out of the intention of the Government in respect of the reconstruction of the financial life of Poland.

On the termination of the crisis these concerns had to keep pace with the general march of progress, and, in order to insure their prospects for future development, were obliged to modernise their factories and to adapt their production to the increasing requirements and the altered demands of the market. The carrying out of these plans necessitated the provision of large amounts of investment and operating capital which could only be obtained by means of permanent long term investments. As a result, many factories were forced to obtain additional capital by the issue of shares, but as most of them were not able to raise the necessary funds privately they had to place themselves in the hands of the National Economic Bank, which took over the debts owing by them in exchange for shares, which the Bank will retain until such a time as it will once again be possible for the borrowers to obtain sufficient financial assistance from private sources.

In consequence of the financial necessities created by the general economic development of Poland, the holdings of the Bank in industrial undertakings increased very greatly, the total being 5,734,000 zlote at the end of 1926, as compared with 1,097,000 zlote at the end of 1925. Owing to the participation of the Bank in the reconstruction of numerous undertakings, there were further considerable increases during the following years, the total of investments reaching 20,113,000 zlote at the end of 1927, and 46,285,000 zlote at the end of 1928. As will be seen from the details given below relating to the interests of the Bank in certain undertakings, the course has been followed of purchasing paid up shares in artificial manure and chemical works, in the metallurgical industry, and in other undertakings in which the Government was obliged to intervene for economic or for political reasons.

In accordance with the policy of the Government, the Bank has taken a particular interest in the „Tesp“ Potassium Salt Company, and participated in the expansion of its capital from 15 to 20 million zlote during the year under review. Owing to the great increase in the demand for potassium fertilizers in Poland, the increase in the paid up capital of the Company is a question of fundamental importance, as it will enable the putting down of experimental borings for the purpose of discovering new salt beds. Thanks to research work carried out during the year, new deposits of potassium salts have been discovered at Kropiwnik and Stebnik, which have ensured the further favourable development of the company, and have enabled it to satisfy the local demands for potassium fertilizers to a much greater extent than before. During the current year the company will open a mine at Kropiwnik in order to exploit the newly discovered deposits.

Owing to the expansion of the concentration works at Kałusz, the amount of low grade potassium salts which were converted to high grade material increased considerably during the year; as a result of this the new plant has now been established on a firm financial basis. In accordance with the instruction received from the Bank, the „Tesp“ company has further expanded its activities in a direction which should also be of importance for the intensification of agricultural production, in that they have investigated the possibility of the commercial exploitation of the phosphorite beds at Niezwiska, in Eastern Galicia. The results already achieved, following the intensive research work carried out during 1928 permit of the supposition that the experiment will be attended by successful results.

The Bank further increased its investments in the Polish chemical industry, by participating in the increase of the paid up capital of the S. A. Przemysł Chemiczny w Polsce (Chemical Indus-

try of Poland, Ltd.) from 1.2 million złote to 2.4 million złote and has arranged to take a further 1.2 million złote in shares during the course of the current year. The funds received from this source will be employed for the payment of debts and for the organization of the working capital of the company. The favourable financial results received from the operations of this undertaking, which paid a dividend of 5% for the year 1927, should enable the Bank to secure an adequate return on its investment.

The „Azot“ Company Ltd., of Jaworzno is still in process of development, and has made considerable new capital investments which should increase revenue and enable a further expansion and an increased variety of production. In order to permit of further development, the shareholders, at a General Meeting in December, 1928, approved of an increase of the present capital of 4 million złote, by a further 2 million złote.

During the year the Bank acquired 44.6% of the share-capital of the Sp. Akc. Zakłady Chemiczne Grodzisk (The Grodzisk Chemical Works, Ltd.). This firm owns wood spirit plants at Hajnówka and Wygoda, and chemical products factories at Grodzisk, Gzichów, and Środula. The present capital of the company is 3,250,000 złote.

The interests of the Bank in various concerns engaged in the manufacture of machinery and plant, were considerably increased during the year under review.

On the completion, by the Bank, of the reconstruction of the S. A. Stowarzyszenie Mechaników z Ameryki (Association of Polish Mechanics from America) 36% of the entire issued capital was acquired. This firm occupies one of the foremost positions in the Polish machine tool industry. During the current year, the company will receive a long term loan in bank debentures, and the Bank will take over a new issue of shares, thereby increasing its holding to 55.5% of the capital. During the course of 1928 this company amalgamated with the Poręba Company, with whom it had been in close contact for a number of years.

The Fabryka Obrabiarek „Pionier“ S. z o. o. („Pionier“ Tool Works, Ltd.), in which the Bank owns an 11.4% interest, had an exceedingly favourable year. The dividend for the financial year 1927/8 was 15%. As the Polish production of precision tools is small, the development of this undertaking, which is now specializing in these articles, is being followed by the Bank with great interest.

At the end of 1928 the Bank had completed the reconstruction of the Polskie Akcyjne Towarzystwo Akumulatorów, Sp. Akc., w Białej (Polish Accumulator Company), in which it has taken over a large interest. In order to increase output the factory has been extended and is now running on full production. Owing to the favourable conditions now prevailing in the electrical engineering industry, it is anticipated that this firm will develop greatly in the near future.

The Towarzystwo Starachowieckich Zakładów Górniczych (The Starachowice Mining Company) continued the modernization of their plant during the year and installed a new furnace and a foundry. The necessary capital was secured by the realization of a long term loan of a nominal value of 9.6 million złote, the remaining funds being obtained from the Bank in the form of short term credits. Owing to the extensive financial assistance given by the Bank, the Starachowice Company was able to acquire a large interest in the recently formed „Zjednoczone Elektrownie Okręgu Radomsko-Kieleckiego“ Company (United Electric Power Stations of the Radomsko-Kielce District). The aim of the latter firm is to supply electric power to industrial concerns in its area, and it is expected that its formation will contribute towards the mod-



ernization and rationalization of the output of the local factories. From the above it will be appreciated that the financial results attained by the Starachowice Company have been satisfactory, considering that the year was one of expansion.

The Zakłady Mechaniczne „Ursus“, Sp. Akc. (The Ursus Engineering Company) are still developing their operations in all directions in accordance with the formulated plan. The two-ton light lorries placed on the market by this firm have proved to be as satisfactory in respect of quality as any similar vehicles manufactured by foreign competitors. During the course of the year the company commenced the manufacture of compressorless motors. As the financial results hitherto obtained have been unsatisfactory, owing to the smallness of the output, the necessity has arisen for an increase in production which can only be made possible by the provision of further plant and equipment and the expansion of the working capital.

The Fabryka Śmigieł, Wyrobów Drzewnych i Metalowych „Intégrale Chauvière“, W. Szomański i S-ka, Sp. z ogr. odp. (Propellor, Wood and Metal Works) has operated during the year under review under quite favourable conditions. Owing, however, to the fact that the principal articles manufactured by the company are wood and metal aeroplane propellers, for which there is but a small sale in Poland, the prospects for the future development of this concern are not too favourable, unless it is possible to find export markets which will absorb a far greater proportion of the production than has hitherto been the case.

The Krajowe Towarzystwo Meljoracyjne, Sp. Akc. (The National Amelioration Company) offered the Bank, at the end of 1928, the opportunity of taking up a new issue of shares amounting to Zl. 300,000, which had become necessary owing to the smallness of the original capital of Zl. 500,000. The Bank did not, however, avail itself of the right to purchase these shares, but, on the other hand decided to retain the holdings purchased in 1927, amounting to Zl. 180,000, or 22½% of the present capital. Thanks to the expansion of the field of activities of the company its development during the year was satisfactory.

During 1928, the Bank increased its holdings in the Danzig Tobacco Monopoly by the purchase of the interests of certain private banks. The Monopoly continue to prosper, as had been the case in previous years, and paid a dividend of 12%.

The activity and development of the Polskie Zjednoczenie Rybaków Morskich, Spółdz. z ogr. por. w Gdyni (The Polish Fish Co-operative Union) which was founded by the Bank in 1927, have been of particular interest, owing to the great economic and political significance of its operations on the coast. The Union has as its members 400 fishermen who have been assisted by the Bank by the granting of credits, totalling Zl. 700,000, at low rates of interest, during the year under review. With the aid of this money the Union purchased 26 motor trawlers and 8 engines, and supplied nets and equipment valued at Zl. 200,000 to its members at prices lower than those charged by commercial undertakings. In addition to this the Union granted various loans to its members for the construction of sailing boats and for the building of cottages.

In conclusion attention should be drawn to the activities of the British and Polish Trade Bank at Danzig which was founded at the end of 1926 by the Bank, in conjunction with English capitalists. The year 1928 was the first normal year of operation in the history of this institution, whose activities are mainly directed towards expansion of Polish trade abroad. The share capital of the bank was increased during the year from 3,000,000 to 5,000,000 Gulden. The dividend for 1928 was 4%.

### III. DEPOSITS AND CASH CREDITS.

#### 1. DEPOSITS.

During the year under review there was a considerable increase in the sums on deposit with the Bank, as is shown by the table below (in millions of zloté):

Date	Total	Treasury and private deposits						
		Treasury deposits	In % of total	Total other deposits	Treasury bills	Savings books	Deposits of public bodies	Private deposits
31.XII. 1927 . .	599.9	284.2	47.4	315.7	0.5	11.3	149.0	154.9
31.I. 1928 . .	620.0	290.3	46.8	329.7	0.6	12.3	157.8	159.0
29.II. " . .	604.3	267.8	44.3	336.5	0.6	13.0	166.7	156.2
31.III. " . .	682.0	288.3	42.3	393.7	0.6	13.9	203.1	176.1
30.IV. " . .	671.5	288.5	42.9	383.0	0.6	14.8	195.4	172.2
31.V. " . .	657.2	294.3	44.8	362.9	0.6	15.4	185.3	161.6
30.VI. " . .	738.7	293.7	39.8	445.0	0.6	15.8	271.1	157.5
31.VII. " . .	785.3	323.0	41.1	462.3	0.6	17.8	279.8	164.1
31.VIII. " . .	779.7	334.6	42.9	445.1	0.6	18.9	265.4	160.2
30.IX. " . .	771.2	346.6	44.9	424.6	0.6	18.9	248.3	156.8
31.X. " . .	758.7	346.4	45.6	412.3	0.6	18.3	235.4	158.0
30.XI. " . .	752.4	346.6	46.1	405.8	0.5	18.1	241.8	145.4
31.XII. " . .	707.6	356.2	50.3	351.4	0.5	19.2	235.2	96.5

As will be seen from the above table the deposits increased during the year by 107.7 mill. zloté, to 707.6 mill. zloté, an increase of 18%. Contrary to what had happened in 1927, the Treasury deposits showed an increase of almost double that attained by other sections; their proportion to the total having risen from 47.4% at the end of 1927, to 50.3% at the end of 1928.

The monthly development of the deposit accounts was most irregular. During the first seven months of the year the outside deposits in the Bank continued to increase, with the result that the total at the end of July attained the record figure of 785.3 million. This important increase was also largely due to the expansion of the deposits of public institutions by 87%, whilst on the other hand no such corresponding increase was shown in respect of Treasury deposits. During the last five months of the year, however, there was a continued falling off in the total of deposits, mainly owing to withdrawals by private persons and public bodies. The reason for the withdrawal of the private deposits lay in the shortage of ready money, which was caused, amongst other reasons, by the large expansion of production, which was commented upon in the first part of this report. The withdrawal of public deposits was due to the completion of investment programmes which had been commenced at the beginning of the year. On the other hand, the Treasury deposits showed large increases during the last three months owing to the Ministry of Finance having allotted considerable sums of money for the purpose of assisting building.



## 2. LONG AND SHORT TERM CASH CREDITS.

The increase of outside deposits in the Bank enabled it to make a considerable expansion in its credit activities. The total amount of cash credits, both long and short term, granted by the Bank during 1928, showed a large increase as compared with the previous year (636.1 mill. zlote in 1927, and 747.2 mill. zlote in 1928); in this total the short term credits showed a proportionately greater increase than the long term credits.

In spite of the gradual liquidation of the credits granted to private banks, at the time of the depreciation of the zlote, long term cash credits continued to play an important role in the general activities of the Bank, mainly owing to the great increase in credits for building.

There was a further favourable development of the issue of short term credits during the year under review. A summarised table showing the long and short term credits granted during 1928 is given below:

Date	Total	Long term credits	Short Term Credits			
			Total	Bills	Current accounts	Term loans
I n m i l l i o n s o f z l o t e						
31.XII. 1927 . . .	636.121	380.535	255.586	136.907	93.646	25.033
31.I. 1928 . . .	653.394	377.265	276.129	143.066	106.139	26.924
29.II. " . . .	639.450	380.320	259.130	144.546	85.717	28.867
31.III. " . . .	669.448	390.114	279.334	157.548	92.526	29.260
30.IV. " . . .	688.494	399.362	289.132	165.567	92.962	30.603
31.V. " . . .	686.755	395.003	291.752	169.151	91.742	30.859
30.VI. " . . .	707.069	401.301	305.768	182.327	92.180	31.261
31.VII. " . . .	735.813	414.733	321.040	195.818	93.139	32.083
31.VIII. " . . .	760.357	425.318	335.049	212.966	89.637	32.446
30.IX. " . . .	775.362	432.570	342.792	217.489	90.678	34.625
31.X. " . . .	786.484	469.769	316.715	209.301	73.690	33.724
30.XI. " . . .	790.799	479.038	311.766	193.412	72.123	46.231
31.XII. " . . .	747.205	439.313	307.892	177.441	87.200	43.251

As will be seen from the above table there was an increase of 52.3 million zlote in the short term credits granted during the year, the final total amounting to 307.9 million zlote, or 20% more than in 1927. It should, however, be observed that the development of this business was irregular, as owing to increased deposits the credits granted during the first 7 months attained a total of 321 million zlote, mainly in respect of bills of exchange and term loans, the overdrafts on current accounts having, with slight fluctuations, maintained approximately the same levels as in the previous years. During the next two months, in spite of a fall of 37.7 million in deposits, there was a rise in the short term credits — chiefly bill credits — by 21.8 million. In the last quarter, however, the short term credits decreased by 34.9 million, to 307.9 million zlote accompanied by a simultaneous decrease in the liabilities of the Bank to the Bank of Poland in respect of re-discount facilities by 20.9 million, to 38.9 million zlote.

The Bank endeavoured, within the limit of the funds available, to continue the carrying out of the programme outlined during 1927. Increasing amounts of financial assistance were given

to government undertakings, local government authorities, savings banks, and co-operative societies, the credits granted to these branches of the economic life of Poland, increasing from 43.2 million zloté on the 31st December 1927, to 110.8 million zloté at the end of 1928; their share in the total sum of the short term credits also increased considerably, namely from 18.6% in 1927 to 37.4% at the end of December 1928. In the remaining sections there was a slight increase in the credits granted to industrial concerns which rose from 79.8 million to 86.7 million zloté. Apart from this an important role was also played by credits granted to agriculture, the favourable measure of support accorded being in accordance with the policy of the Government to assist the agriculturalists to as great an extent as possible.

The distribution of the short term credits accorded by the Bank during the year under review, excluding the account of the Ministry of Finance, is shown in the following table (in millions of zloté):

Date	Total		Public Credits							Other Credits						
	General total	Coefficient 31.XII.27 = 100	Government undertakings	Local Government authorities	Savings Banks	Co-operative Societies	Sundry Bodies	Total of Public Credits	In % of the whole	Agriculture		Industry	Trade	Banks	Total of other Credits	In % of the whole
										Total	In % of the whole					
31.XII 27	231.6	100.1	12.2	8.5	5.2	6.0	11.3	43.2	18.6	56.5	24.4	79.8	32.4	19.7	131.9	57.0
31.I 28	244.7	105.6	15.8	5.1	5.2	6.2	13.9	46.1	18.8	59.6	24.4	87.0	33.4	18.6	139.0	56.8
29.II ..	248.0	107.1	16.6	3.3	5.8	6.3	12.3	44.3	17.9	56.2	22.7	91.3	37.5	18.7	147.5	59.4
31.III ..	267.3	115.4	19.2	3.3	5.9	7.6	12.9	48.9	18.3	64.2	24.0	94.9	40.8	18.5	154.2	57.7
30.IV ..	278.7	120.3	20.2	3.3	6.3	6.3	13.4	49.5	17.8	72.1	25.9	100.1	37.5	19.5	157.1	56.3
31.V ..	281.8	121.7	22.9	5.0	7.1	6.5	12.7	54.2	19.2	74.7	26.5	97.7	35.7	19.5	152.9	54.3
30.VI ..	292.8	126.4	24.8	7.1	7.6	7.5	12.4	59.4	20.3	80.7	27.6	98.6	34.7	19.4	152.7	52.1
31.VII ..	310.5	134.1	26.4	9.0	8.0	10.4	14.8	68.6	22.1	86.2	27.8	104.6	33.7	17.4	155.7	50.1
31.VIII ..	323.9	139.9	29.3	11.5	8.9	12.2	14.9	76.8	23.7	93.6	28.9	102.6	33.9	17.0	153.5	47.4
30.IX ..	332.2	143.4	32.4	13.7	9.4	13.1	16.9	85.5	25.7	91.9	27.7	103.2	35.7	15.9	154.8	46.6
31.X ..	306.5	132.3	35.6	14.9	10.1	12.9	21.1	94.6	30.9	80.0	26.1	91.2	29.3	11.4	131.9	43.0
30.XI ..	303.5	131.0	36.7	15.9	21.9	13.2	16.3	104.0	34.3	69.6	22.9	89.2	29.4	11.3	129.9	42.8
31.XII ..	295.6	127.6	44.8	17.6	21.8	13.0	13.6	110.8	37.4	56.3	22.4	86.7	31.2	10.6	128.5	43.5

The detailed allocation of the long and short term credits given by the Bank up to the end of 1928, is shown in the table on page 38.

#### a) Credits to Government and other Undertakings.

One of the most important tasks entrusted to the Bank, by virtue of its statutes, is the furnishing of working capital to Government undertakings and to those concerns financed by the Bank itself. The activities of the Bank in this direction constitute one of the main portions of its short term credit activities. During the course of the year under review the indebtedness of these institutions to the Bank, which was mainly in respect of long term cash credits granted in previous years, usually in the form of advances against eventual issues of mortgage credits in bank debentures, on account of forthcoming increases in share capital, showed a decrease of more than 35% as compared with 1927. The total of these debts at the end of 1928 was 9,939,000 zloté. The long term cash loans, which were destined mainly for the extension of



Tabular statement of long and short term cash credits granted up to the 31st December 1928, classified according to the various sections of Economic Life.

G R O U P	Total sum of credits	Longterm cash credits	Short term credits			
			Total	Bills	Current accounts	Time loans
			I n Z l o t e (000 o mitted)			
1. State Enterprises . . . . .	54.717	9.939	44.778	15.551	22.043	7.184
2. Local Government Authorities and Undertakings . . . . .	85.722	68.078	17.644	9.340	3.176	5.128
3. Savings Banks . . . . .	21.821	—	21.821	9.314	64	12.443
4. Co-operative Societies . . . . .	116.930	103.894	13.036	10.702	2.066	268
5. Agriculture . . . . .	96.337	40.035	56.302	50.709	3.031	2.562
a) farming . . . . .	31.518	941	30.577	26.114	1.924	2.539
b) trade . . . . .	64.819	39.094	25.725	24.595	1.107	23
6. Industry:						
A. Agricultural . . . . .	34.176	12.400	21.776	7.449	13.660	667
a) sugar factories . . . . .	11.264	—	11.264	4.314	6.935	15
b) distilleries . . . . .	18.849	12.400	6.449	820	5.595	34
c) mills . . . . .	2.531	—	2.531	1.347	775	409
d) other branches. . . . .	1.532	—	1.532	968	355	209
B. Miscellaneous . . . . .	73.726	8.760	64.966	40.060	14.454	10.452
a) coal . . . . .	41	—	41	41	—	—
b) petroleum . . . . .	1.672	—	1.672	1.116	177	379
c) mining . . . . .	6.138	—	6.138	4.953	840	345
d) foundry . . . . .	5.260	460	4.800	3.715	221	864
e) general and electrical engineering	7.997	—	7.997	6.567	1.057	373
f) textile . . . . .	14.961	3.023	11.938	9.411	1.929	598
g) chemical . . . . .	4.158	529	3.629	3.389	210	30
h) tanning . . . . .	2.213	—	2,213	1.398	759	56
i) paper . . . . .	4.371	2.188	2.183	857	1.135	191
j) polygraphic . . . . .	642	—	642	333	36	273
k) timber . . . . .	8.524	2.560	5.964	2.350	2.573	1.041
l) alimentary . . . . .	1.664	—	1.664	512	580	572
m) clothing and fancy goods . . . . .	952	—	952	418	532	2
n) metallurgical . . . . .	4.347	—	4.347	1.964	194	2.189
o) ceramic . . . . .	7.140	—	7.140	1.297	2.654	3.189
p) other branches . . . . .	3.646	—	3.646	1.739	1.557	350
7. Trade . . . . .	35.969	4.738	31.231	26.719	2.846	1.666
a) in the strict sense . . . . .	4.231	—	4.231	3.181	645	405
b) commercial undertakings . . . . .	31.738	4.738	27.000	23.538	2.201	1.261
8. Banks . . . . .	58.797	48.217	10.580	2.838	7.717	25
9. Ministry of Finance . . . . .	25.355	13.164	12.191	—	12.191	—
10. Miscellaneous . . . . .	143.654	130.088	13.566	4.759	5.951	2.856
a) artisans . . . . .	642	—	642	262	8	372
b) executive employees . . . . .	734	—	734	391	108	235
c) property owners . . . . .	110.040	106.023	4.017	2.788	368	861
d) public utility institutions . . . . .	16.244	15.448	796	719	4	73
e) educational institutions . . . . .	9.204	7.868	1.336	179	1.009	148
f) others . . . . .	6.790	749	6.041	420	4.454	1.167
Total . . . . .	747.204	439.313	307.891	177.441	87.199	43.251

production by the increase in the size of factories, were granted to such firms as the Tesp, the Chemical Industry of Poland, and the Starachowice Companies.

During the same period there was a large increase in the short term operating credits granted to Government and semi-governmental undertakings by the discounting of bills, overdrafts on current accounts and fixed period loans. The total of such loans issued during the year appreciated by 267% as compared with 1927, reaching 44,778,000 zloté on the 31st December. These credits were granted to the following firms: Chorzów, Polmin, Gwarectwo Brzeszcze, Zakłady Zdrojowe Krynica, Zjednoczone Warszawskie Towarzystwo Transportu i Żegluga and others. Assistance was also given to the Państwowa Wytwórnia Aparatów Telegraficznych i Telefonicznych (State Telephonic and Telegraphic Apparatus Factory) for the completion of new factory buildings, and to the Żegluga Polska (Polish State Shipping Company) for the purchase of new steamers in the United Kingdom, and for the operation of new shipping lines from Polish ports.

### *b) Credits for Local Government Authorities and Municipal Undertakings.*

The credits granted to local government authorities consisted mostly of cash advances for building and investment purposes and of working capital for municipal undertakings. The Bank also granted various temporary loans to communal associations. The liabilities of local government authorities towards the Bank in respect of long term cash loans increased during the year under review by 73%, to a total of 68,078,000 zloté. There was an even greater increase in the short term cash loans, which rose from 8,483,000 zloté at the end of 1927, to 17,644,000 zloté at the end of 1928, an increase of 110%.

Apart from loans received for the provision of housing accomodation, the liabilities of local government authorities include advances amounting to 3,650,000 zloté on account of mortgage loans in communal bonds, and also loans amounting to 5,649,000 zloté for the temporary reinforcement of the funds of communal associations. In addition to these the Bank also granted short term cash loans for building construction to towns which were negotiating for loans from abroad; the total of these advances reached 27,760,000 zloté at the end of 1928.

In 1927, the Ministry of Finance created a special fund of 2,500,000 zloté for the mechanisation of existing municipal manual bakeries, and for the construction of new mechanical bakeries. During the year certain authorities took advantage of this fund, but assistance was only given to those applications which were strongly supported by the Ministry of the Interior. The loans granted out of this fund in 1927, amounted to 512,000 zloté, leaving a balance of 1,988,000 zloté at the beginning of 1928. During the year 13 additional loans amounting to 1,628,000 zloté were approved and a further 360,000 zloté in loans is now under consideration. The granting of the last named credits will exhaust this fund. The actual loans paid out during 1928 amounted to 1,382,000 zloté.

### *c) Credits for Savings Banks.*

A considerable impetus was given to the founding of communal savings banks by the decree of the President of the Republic of the 13th April, 1927, and the corresponding regulations issued by the Ministers of the Interior and of Finance on the 26th March, 1928. These laws have given a new legal basis for the operations of communal savings banks and



have enabled them to develop in a rational manner. A permanent and steady increase in the deposits in these banks has facilitated a further expansion in their activities and the growth of their operations.

In connection with the above mentioned decreases the activities of the Bank in respect of the granting of credits to Communal Savings Banks are continually increasing. The assistance given to these institutions by the National Economic Bank has been in the following forms:

a) The granting of credits to newly established savings banks, in order to strengthen their financial resources in the period immediately after their formation.

b) The granting of re-discount facilities for the purpose of increasing the liquid funds at the disposal of savings banks.

The extent of the credit assistance granted by the Bank to savings institutions is shown by the following figures:

	Formation credits:		Re-discount credits:	
	No of Banks	Amount	No of Banks	Amount
On 31st December, 1927. . . . .	18	złote 215,000	123	złote 8,125,000
On 30th June, 1928 . . . . .	45	„ 815,000	155	„ 10,755,000
On 31st December, 1928. . . . .	72	„ 1,405,000	192	„ 14,625,000

The sum allocated for formation credits became exhausted on the 31st December, 1928, while only 9,314,000 złote was paid out of the sum allocated for re-discount credits. The formation credits increased by 553% up to the 31st December, 1928 as compared with 1927, whereas the accorded re-discount credits show but an increase of 80%. The state of exhausted re-discount credits increased by 83% up to the end of 1928 as compared with the 31st December, 1927 (5,100,000 złote).

At the beginning of 1928 the National Economic Bank extended its activities to the granting of credit assistance to minor industries and trades. These credits were granted by communal savings banks for 2½ year periods, repayment being by instalments of 10% every three months. Interest was at 9% per annum, except in Poznan and Silesia where it was 6%. For the allocation of these credits special advisory committees were formed in connection with the savings banks. These committees consisted of a chairman appointed by the National Economic Bank and of representative members of the interested trades. This method of granting trade credits through communal savings banks is most convenient and suitable for borrowers. The repayment of instalments has, with certain slight exceptions, been regular. By the 31st December, 1928, the amount of trade credits granted was 13,699,000 złote, spread over 235 savings banks. The outstanding credits on that date, according to the books of the Bank, amounted to 10,294,000 złote.

In addition to the above, the communal savings banks, have received other term credits from the Bank totalling half a million złote.

The total amount of credits, of all kinds, granted by the Bank to communal savings banks, as on the 31st December, 1928, was 30,269,000 złote, whereas the state of the exhausted credits on that date was 21,821,000 złote.

By means of the credits granted to communal savings banks the National Economic Bank has given assistance to the extensive spheres of economic life which lie within the orbit of these institutions. The beneficial influence of the facilities offered has enabled the expansion of the credit activities of the savings banks, and the consequent expansion of banking

operations has led to greater confidence on the part of depositors. By reason of the credit assistance granted by the National Economic Bank to the communal savings banks the latter have been enabled to extend their activities to practically the whole field of banking business during the year under review.

Up to the present there has been a steady progression recorded in the state of the communal savings banks, as is indicated by the continuous increase in the total of savings deposits with these institutions. The development of these banks gives rise to the well founded anticipation that in the near future, thanks to the substantial financial assistance granted by the National Economic Bank, they will become a reservoir of savings, and, later on, a means for the disposal of the securities issued by the Bank.

#### *d) Credits for Co-operative Societies.*

During the course of 1928 the P. K. O. (Postal Savings Bank) liquidated its commitments in respect of co-operative societies, all its credit activities in this direction being taken over by the National Economic Bank during the month of April. For this reason there was a considerable expansion in the amount of these credits granted by the Bank as compared with the previous year.

In view of the fact that there has been a delimitation between the spheres of credit activities of the National Economic Bank and the State Agrarian Bank, in so far as co-operative societies are concerned, it has been decided that the former should restrict its activities to urban and rural-urban co-operative societies, to which group belong the majority of professional co-operative societies.

The credit activities of the National Economic Bank comprise assistance to credit co-operative societies, urban productive societies, artisan traders societies, provision supplying societies, all of which are united into 5 revision associations. In exceptional cases, which are considered as being worthy, assistance is also granted to other co-operative societies, provided that they can be classed as urban or rural-urban societies.

The credit assistance of the National Economic Bank was for the reinforcement of working capital, mainly in the form of the re-discount of bills of exchange.

Up to the end of 1928 the National Economic Bank had granted credits to 352 co-operative societies, amounting to 17,424,700 zloté. In this sum is included 15,412,000 zloté granted to 321 co-operative societies in the form of re-discount facilities, 367,000 zloté granted to 22 co-operative societies in the form of time loans, and 1,646,000 zloté granted to 9 co-operative societies in the form of overdrafts on current accounts. On the 31st December, 1928, the exhausted re-discount credits granted to co-operative societies amounted to 10,702,000 zloté, the exhausted time loans to 268,000 zloté, and the exhausted overdrafts on current accounts to 2,066,000 zloté; totalling in all 13,036,000 zloté.

The debts of co-operative societies to the National Economic Bank on the 31st December, 1927, were 5,978,000 zloté, which figure was increased by almost 120% during the course of the year under review. This increase testifies to the expansion of the relations between these societies and the National Economic Bank, and to the importance which is attached to the rôle which the former are destined to play in the economic life of Poland.

The financial assistance granted by the Bank has enabled the credit co-operative societies to extend their operations in respect of the satisfying of the necessities of the working



and middle classes who are unable to enjoy the facilities offered by private banks. In this manner, by influencing the general increase of confidence in the financial standing of co-operative societies in general, the Bank has facilitated the increase of the savings deposited with them. It is considered that after having satisfied the needs of their members, the co-operative societies should, in the future, have sufficient funds at their disposal to invest in the securities issued by the National Economic Bank. The granting of credits to those co-operative societies supplying foodstuffs has facilitated the rationalization of consumption in large areas of the country.

#### *e) Credits for Building.*

As has been the case in previous years, the National Economic Bank, in its capacity as a distributing organization for the Fund for the Expansion of Towns, was not only the most important, but practically the sole source of supply for capital for the building of houses during the year under review. The activities of the Bank in this direction were carried out in virtue of the decree of the President of the Republic concerning the Expansion of Towns, dated 22nd April, 1927. Apart from the funds supplied by the Government, the Bank accorded numerous loans for building purposes from its own funds; the sum total of these loans during the year increased by 137%, as compared with 1927, and by 122%, as compared with the total sum of building credits accorded by the Bank from its own funds until the end of 1927.

The total sum allocated by the Government for the purpose of assisting building during the 1927/28 season amounted to 100 million zl. As the allocations made to certain towns during the fourth quarter of 1927 had already absorbed 44% of this fund, it was only possible to grant loans to the amount of 59,571,000 zl. during 1928. This latter sum, when added to the loans made by the Bank from its own funds, made a total of 87,498,000 zl., or some 21% less than the figures for 1927.

At the same time the total of loans realized during 1928 exceeded the figures for the previous year by 25,858,000 zl., or almost 32%. As had been the case in 1927, the Bank gave, as far as possible, priority to the requirements of those buildings which were in the process of completion, so that the largest number of finished dwelling houses should be available for use at the earliest possible moment. This principle was embodied in an order issued by the Ministry of Finance at the end of 1928.

In contrast to the year 1927, when over 48% of the total of loans accorded fell to the share of dwelling and house building co-operative societies, the proportion of the allocations to these institutions during 1928 fell to 31%. The main reason for this was the fact that the majority of the co-operative building societies in Warsaw had already exhausted their share of the 1928 credits before the end of 1927. The proportion of loans granted to private individuals and Government institutions rose to 54.7% in 1928, as compared with 46% in 1927, and that of local government authorities to 14.3% as compared with 6%.

The development of building is illustrated by the following statement showing the number and amount of building credits accorded by the Head Office and Branches of the Bank during the last 5 years (in millions of zloty):

Loans accorded:

Source of funds	1924		1925		1926		1927		1928		T o t a l	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Bank . . .	277	4,4	76	3,2	153	3,5	556	11,8	298	27,9	1.360	50,8
Government	—	—	1.537	44,0	1.178	19,8	1.951	94,8	2.597	59,6	7.263	218,2
Total . .	277	4,4	1.613	47,2	1.331	23,3	2.507	106,6	2.895	87,5	8.623	269,0

Distribution of loans:

Recipients:												
Private individuals	239	3,1	1.428	25,3	1.127	13,2	2.171	48,6	2.558	47,9	7.523	138,1
Co-operative Societies .	37	1,3	122	15,7	144	6,8	253	51,6	242	27,1	798	102,5
Local Authorities . . .	1	0.020	63	6,3	60	3,3	83	6,3	95	12,5	302	28,4

Loans realised:

	—	2,9	—	30,0	—	33,7	—	81,1	—	106,9	—	254,6
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The realization of the 100 million zł. Government credit for the 1927/8 building season was commenced during the last quarter of 1927, when the Bank issued promissory notes against it to an amount of 44,182,000 zł. At the end of September the Bank received a further advance of 20 million zł., from this credit, destined for the construction of buildings in Warsaw, Lodz and certain towns which had been devastated by the war; which latter had consequently been placed by the Minister of Finance, in conjunction with the Ministers of Public Works and of the Interior, at the head of the list of recipients of Government building credits for 1928. Credits for the remainder of the towns on the list became effective on the last of April 1928, after the Minister of Finance had transferred to the Bank a further 20 million zł. from the fund. During the third and fourth quarters of the year 3 further instalments totalling 37,500,000 zł., were paid to the Bank by the Ministry of Finance, and, in order to bring the total up to 100 million zł., the Ministry purchased from the Bank mortgage bonds and communal debentures to an amount of 22,500,000 zł. Apart from this the Ministry of Finance assigned to the Bank, during the last quarter of 1928, a sum of 4,034,000 zł., as an advance against building credits for 1929. The loans accorded by the Bank from these various sources during 1928, in accordance with the suggestions of the Committee for the Expansion of Towns, amounted to 59,571,000 zł.

In order to support the movement of building in those towns which had already exhausted their share of the credits by the end of the previous year, or in cases where the amounts allocated had proved to be insufficient to meet current requirements, and for the completion of those buildings already commenced (Warsaw and Lodz) the Bank, on the recommendation of the Government, granted loans totalling 21,925,000 zł., against the Government building fund for 1929, in accordance with the suggestions made by the Committee for the Expansion of Towns. Apart from this, and without the concurrence of the Committee, and thereby not counting against future Treasury allocations, the Bank granted from its own funds credits totalling 6,002,000 zł., of which Gdynia received 2 million zł.; thanks to which the public resources available for the expansion of that town rose to 6 million zł. during the course of the year.



In the following table are shown particulars of the sources from which loans were accorded and paid out during 1928:

S o u r c e	A c c o r d e d		Paid out
	No. of loans	Zlote	Zlote
Government Economic Fund . . . . .	814	20,000.000	23,815.244
Government Building Fund . . . . .	1.783	39,571.221	57,426.008
Economic National Bank . . . . .	298	27.926.700	25,690.368
Total . . . . .	2.895	87,497.921	106,931.620

Owing to the lateness of the paying in of credits from the Ministry of Finance during 1927, there was a disproportionate allocation of loans in the fourth quarter of that year. On the other hand, during 1928, it was possible to distribute these loans in a more even manner and in proportion to the requirements of the building market. The largest sum of loans granted for building during 1928, was during the first and third quarters, the greatest activity in respect of building being in the latter period. Owing to the shortage of Government credits at various periods there were fears that it would not be possible to complete the majority of buildings already commenced, and for this reason the Bank came forward with substantial assistance from its own resources, as will be seen from the following table of loans granted, according to quarters:

Quarter	A c c o r d e d			Paid out
	From Government Funds	From Bank Funds	T o t a l	
	z l o t e			z l o t e
I	14,730.450	4,790.000	19,520.450	31,559.728
II	13,865.210	5,344.750	19,209.960	20,044.466
III	18,850.603	11,799.300	30,649.903	28,917.249
IV	12,124.958	5,992.650	18,117.608	26,410.177
Total . . . . .	59,571.221	27,926.700	87,497.921	106,931.620

Independently of the financing of building construction by the granting of cash loans, either from the funds of the Treasury, or from the resources of the Bank, the latter endeavoured to attract, during the period under review, private investors to furnish capital for the building of dwelling houses, in accordance with the provisions of article 28 of the above mentioned decree for the Expansion of Towns. By virtue of this article, apart from Government funds, there may also be used for building purposes any other funds obtained either from public institutions or private persons in accordance with the regulations. The conditions for these loans have to be approved by the Minister of Finance after discussion with the Committee for the Expansion of Towns. As it was not possible to acquire such funds in the shape of long term building credits, the Bank gave, in particular cases which had been approved by the Committee, promises to grant long term loans in mortgage bonds and debentures after the completion of the buildings involved, provided that the market was in a position to absorb the securities issued by the Bank. During the year under review the Bank entered into 4 agreements of this kind, covering an amount of 1,337,700 zl.

With a view to facilitating the expansion of the organisation for the granting of building credits, the Bank opened two branches of the Building Department at Wilno and Równo, during the course of the year, and has arranged to open further branches at Bydgoszcz, Lublin and Włocławek, as soon as the Government will have assigned to them the 1929 credits for the Fund for the Expansion of Towns.

In the following table are given particulars of the distribution of building credits during 1928, according to Branches:

B r a n c h e s	A c c o r d e d		Paid out złote
	No. of loans	Złote	
Head Office . . . . .	* 975	40,343.130	44,587.107
Lwów . . . . .	829	15,980.070	10 876 268
Poznań . . . . .	293	9,402.700	8,813.150
Łódź . . . . .	260	6,875.600	25,831.600 *)
Gdynia . . . . .	130	5,316.300	5,542.800
Kraków . . . . .	124	4,518.400	4,208.992
Wilno . . . . .	134	2,993.818	4,296,700 *)
Równe . . . . .	150	2,067.903	2,775.103 *)
Total . . . . .	2895	87,497.921	106,931.620

From the above table it will be seen that the strain on the Building Department of the Head Office was considerably relieved during the course of the year under review, and that the credits were mainly assigned and paid out by the Branches in the centres which were mostly in need of them, and where building activity was most pronounced. The employment of this system will undoubtedly facilitate the rapid meeting of urgent requirements, and will also simplify the technique for the according and the paying out of loans. In 1927, 84% of the loans accorded, and 80% of those actually paid, emanated from the Head Office, while in 1928, the corresponding figures, were 46% and 42% respectively. The greatest increase in the according of building credits, and in the amount of loans realised, took place in Lodz, which town shares with Warsaw the first place on the list for the receipt of building credits.

The expansion of the town of Gdynia is proceeding at a rapid rate, owing to the extension of the harbour and the development of the movement of goods and passengers. During the year under review, except for certain buildings, the construction of which was undertaken for Government authorities and State undertakings, practically the entire building activity of the town was assisted by the National Economic Bank, either in the form of private buildings or municipal investments. The absolute dependence of the building action on the help accorded in Government funds was particularly manifest at the end of the season, when an almost complete stoppage in building operations was threatened owing to the exhaustion of the Government credits. In order to prevent this eventuality the Bank advanced a further 1,000,000 złote from its own funds.

The Silesian Economic Fund, destined for the erection of workmen's dwelling houses, continued to be managed by the Katowice branch of the Bank. In accordance with the plans of

\*) The considerable difference between the amount of loans paid, as compared with those accorded, was caused by the transfer of loans from the Head Office to certain of the branches.



the Council of the Palatinate, the Bank accorded during 1928 loans from this fund amounting to 7,078,000 zloté for the completion of buildings within the district. The actual total of loans paid out until the end of the year was 5,820,000 zloté.

In addition to the credits granted by the Bank for building purposes on the basis of the decree for the expansion of towns, the Bank was able to accord substantial financial assistance during the course of the year to the Military Billeting Fund, which received short term credits for the completion of dwelling houses for the troops. The total of loans accorded by the 31st December was 21.6 million zloté, of which 11.6 million zloté was paid out during the course of the year. These credits were granted as short term advances secured on the income from billeting taxes and other resources which are received by the Billeting Fund by virtue of a decree of the 15th July, 1928, concerning the quartering of the Army in times of peace.

### *f) Credits for Agriculture.*

As had been the case in previous years the National Economic Bank continued during 1928, to grant further substantial credit assistance to medium and large size agrarian properties, either through land credit organizations, or private agrarian banks, or finally directly to property owners.

During 1928 the Bank granted the following short term credits to agriculture:

In February owing to the damage done to the spring sowings by the unfavourable atmospheric conditions, it was decided to allot a sum of 28,000,000 zloté for the purpose of discounting bills for the purchase of seeds. It was arranged that this credit should be repaid during the course of December 1928, but when that time arrived it became apparent that the agriculturalists would not be in a position to meet their indebtedness, owing to the medium position of the crops during the year and the fact that other obligations were due at about that time. Taking these facts into consideration the Bank agreed to prolong these credits for an additional period of several months, during which it is anticipated that the farmers will be able to repay the majority of the amounts due. These prolongations were mainly accorded in the Eastern palatinates.

In view of the bad natural conditions obtaining during 1928 in a number of districts in the palatinates of Warsaw, Bialystok and Wilno, the Bank arranged that these districts should receive the benefit of a special "calamity credit" amounting to 1½ million zloté, which was to have been repaid on the 1st October, 1928.

The special "calamity credits" which had been arranged by the Bank in 1926 and 1927, for the benefit of the farmers in the Eastern and Central palatinates, the repayment of which had fallen due in previous years, were prolonged until the 21st February, 1929. The total of these "calamity credits" during the year under review was approximately 3 million zloté.

In addition to the above named credits, the Bank arranged a special credit of 1 million zloté for the benefit of the Eastern palatinates, which was due to be repaid on the 15th December, 1928. The shortage of ready money amongst the farmers in the period immediately preceding the harvest induced the Bank to arrange a special credit for their assistance in July, as had been the case in previous years. The amount of this credit was 5 million zloté, and it is of interest to know that practically the whole of it was repaid at the due dates.

The credit of 1 million zł., which was granted in September 1927 for the benefit of those farmers who had suffered losses owing to hail storms, was only repaid during the last quarter of the year under review.

In addition to the credits granted to the farmers through the medium of territorial organizations, important sums were also advanced to the Bank Ziemiański w Warszawie (Warsaw Land Bank).

The direct credits granted to farmers by the Bank during the year under review did not exceed 1 million zł. These loans were repaid in quarterly instalments, spread over a period of 12 months. Credits of this kind were only accorded in exceptional cases to agriculturalists of good standing.

During 1928 the Bank adopted the system of demanding that bills accepted from farmers should bear the endorsement of other responsible agriculturalists.

When granting credits to farmers the Bank took advantage of information obtainable from the various territorial organizations, namely the Rada Naczelna Organizacji Ziemiańskich w Warszawie (Council of the Territorial Organisations in Warsaw), and also from local land unions and agricultural societies.

Among the separate categories of agricultural credits are included those for fisheries, which were made by the Bank during the first half of 1928, on the basis of a special understanding with the State Agrarian Bank. In dealing with this question, the Bank, bearing in mind its importance, granted two kinds of credits, i. e. medium term credits for terms of two to three years for investments in fisheries, and also short term credits for one year for operating expenses, such as the stocking and fertilizing of ponds and the feeding of fish. As had been the case in previous years, the Bank also granted certain long term loans for the establishing of new fisheries and for the completion of large programmes of investment.

The above mentioned fisheries credits were provisionally fixed at 300,000 zł. for the medium term and 500,000 zł. for the short term loans. While at the end of December the total of medium term credits accorded amounted to 355,000 zł., that of short term credits was only 301,790 zł. The non exhaustion of the latter credits is explained by the fact that owing to certain delays, the Bank was only able to make them available in the second half of June, while the fisheries usually stock up with fry and food in the spring. In spite of the delays, however, the demands for medium term credits were considerable, and it was not possible to satisfy them within the limits of the provisional allocations, which were slightly exceeded.

One of the main items in the section of long term credits for agriculture, is the liability of the Kooprolna Company to the Bank. This debt was incurred by the Bank taking over the foreign commitments of the Company in respect of a loan obtained from England in 1925. During the year under review the Kooprolna repaid to the Bank the arrears of interest, and also a portion of the outstanding capital debt, with the result that the liabilities were reduced from 40.3 million zł. at the end of 1927 to 39.1 million zł. in 1928.

As the activities of the Kooprolna Company satisfy the necessity of a large number of agriculturalists, chiefly in Congress Poland, which is a great centre of the agriculture industry, the Bank decided to apply a policy of the gradual repayment of their outstanding liabilities in such a manner as not to affect the stability of the Company. By the adoption of this policy the



Bank has not only secured its own debts from the Kooprolna, but also those of other creditors. During the course of the year, there was a detailed re-organization of the Kooprolna and also of the institutions which were indebted to it. Taking into consideration the weak financial standing of some of the latter, it became necessary for the Bank to intervene in several cases by the creation of Committees for the guaranteeing of the stability of the weaker units. The result of this was an increased all round efficiency in respect of credits.

Apart from these guarantees a system of control was organised by appointing officials of the Bank to those institutions owing money to the Kooprolna. By the help of this control not only was the basis of the guarantee expanded in as far as the Bank was concerned, but it was also possible to reconstruct many of the institutions incorporated in the Kooprolna, and, finally, programmes were established for the gradual repayment of the debts owing to the Kooprolna by certain of these concerns. With a view to carrying out this programme it was considered advisable that some of the companies connected with the Kooprolna should be converted into co-operative form, as it was felt that in this manner it would be possible for them to fulfil their functions more adequately.

### *g) Credits for Industry.*

Credits for industry are amongst those classes of credits from which the Bank decided to withdraw itself gradually under its new programme of activity, leaving this aspect of the credit situation to the ever widening field of the private banks. The result of this was that there was only a nominal increase in the total of industrial credits during 1928, and it may be said that the figure even decreased in relation to the general development of the cash credit account. The growth of industrial credits, such as it was, during the year, was chiefly accounted for by an increase of 30% in the credits granted to agriculture and of 10% in the credits to other sections of industry. The total for the end of the year was 73,726,000 zloté as against 67,112,000 zloté, at the end of 1927. In this last group only the long term cash credits increased by more than 6.5 million zloté, while the sum of the short term credits amounted at the end of 1928 — the same as it was the case at the end of 1927 — to about 65 million zloté.

In agriculture the most important item was an increase in the credits granted to the sugar industry by 2,900,000 zloté, the respective figures for 1927 and 1928 being 8,400,000 and 11,300,000 zloté. At the end of the year this industry had received approximately the same amount of advances as had been granted to the textile industry. An even larger increase was shown by the advances to the distilling industry which increased from 2 million zloté to 6,400,000 zloté. The liabilities of the milling industry decreased during the year.

There was a general decrease in the credits granted to all other branches of industry with the exception of the mining, metallurgical and ceramic. The first two of these had taken slight advantage of the facilities offered by the Bank during the preceding years. With regard to the ceramic industry, the marked growth and the strong position that it held at the end of the year was mainly due to the allocation by the Bank of a special credit for its assistance. In order to increase the production of bricks, the brickmakers have been granted a credit for this year amounting to 12 million zloté.

In consideration of the damage suffered by many brick kilns and the necessity for their mechanization the Bank allocated 2 million zloté for investments in mechanical brick works; taking into consideration only those producing over half a million bricks annually. These credits

were at low rates of interest, i. e. 9% per annum. As the sine qua non condition for the granting of credit, the National Economic Bank required that the selling price of bricks should not exceed the cost price by more than 20—30%. The assistance which was actually given during the course of the year was not so large as had been anticipated, as the brick manufacturers, foreseeing large sales during the season, refused to bind themselves to the limitation of profits proposed by the Bank. The total of loans actually granted during the year to brick manufacturers was, therefore, only 7,633,500 zloté.

On the other hand the brick makers made more extensive use of the facilities offered by the Bank for medium length credits of 2 to 3 years' duration. The numerous applications received during the month of March, caused the Bank to extend the amount originally allocated for this purpose by a further million zloté. By the end of the year even this sum had proved too small, the total of loans accorded having risen to 3,158,600 zloté.

The steps taken by the Bank in this direction resulted in a considerable increase in production and also in a slight fall in the price of bricks. However, as the development of building during 1928 was not so extensive as had originally been anticipated, the brick kilns in several districts, particularly the larger manufacturers, found themselves in a difficult financial situation at the beginning of the winter, owing to the impossibility of disposing of large stocks of bricks. Bearing this in mind the Bank adopted a most liberal policy in respect of the repayment of the credits already granted, extensions being given in most cases till 1929, the payments being made in instalments.

#### *h) Credits for Commerce.*

In addition to the credits granted by the Bank to agriculture, important credits were granted during the year under review to the farmers through the intermediary of agricultural trading companies. As had been the case in the previous year, the Kooprolna Company received extensive credits for the purchase of artificial manures. In addition to the normal discount credit of 600,000 zloté, the Kooprolna received several special credits during the year. The discount credit of 17 million zloté which had been granted in 1927 for the purchase of artificial manures, was increased in January 1928 to 23 million zloté. In May a further credit of 18 million zloté was granted for the purchase of artificial manures for the autumn, and in November a similar credit of 23 million zloté was opened for the requirements of the spring 1929, of which latter amount 3½ million zloté had been used by the 31st December.

Apart from the above the Kooprolna also received a discount credit of 2,375,000 zloté for the purchase of brewing barley, peas, and seeds for export abroad.

Another company which also received credits from the Bank during 1928 was the Soil Produce Trading Company, which received 1½ million zloté for the purpose of granting loans to flour mills.

Amongst the other firms which benefited from credits from the National Economic Bank should be mentioned the Hop Planters' Syndicate, which received 600,000 zloté against production and sales; the Warsaw Agrarian Syndicate which received 300,000 zloté; and the Union of Fish Producers which received 100,000 zloté.



The policy which was initiated by the Bank several years ago of granting export credits to industry and commerce, was favourably developed during the year under review. The total of bills relating solely to exports, which were purchased by the Bank in 1928, amounted to \$ 4,540,000 of which \$ 3,770,000 were in respect of commerce and the balance in respect of industry.

Of the commercial credits over 90% were received by the Polros Company (Polish - Russian Trading Company), whilst the chief recipients of industrial credits were the iron and timber industries, the share of the former amounting to 85% of the whole. The securities purchased from the iron industry originated in the majority of cases from the trade with Russia.

Apart from the above mentioned credits, which were purely for exports, considerable credits were granted by the Bank by the purchase of bills which indirectly enabled the increase of exports. Of these particular credits the main recipient was the oil industry which took \$ 2,200,000.

With regard to import credits, which were for the facilitation of the admission of raw materials indispensable for Polish industry, the totals amounted to £ 270,000, \$ 435,000 and 3,300,000 French francs, an increase of about 55% over the 1927 figure. The pound and dollar credits were entirely employed by the textile industry whilst the francs were for the needs of the aircraft manufacturers. The textile credits were exclusively for covering the supply of raw wool, which is chiefly purchased on the London market, owing to the lower discount rates ruling there. As had been the case in 1927 the credits were granted for periods of three and six months.

#### *i) Credits for Banks.*

In connection with the rapid recovery of the Polish private banks from the disastrous effects of the zloty inflation period, it is of interest to note that the repayment of the sums loaned by the Bank for reconstruction during that time is progressing favourably and steadily. The repayments during 1928 amounted to 14,872,000 zloty or about 40% more than in 1927, while no additional credits were granted during the year. On the 31st December 1928 the capital value of the reconstruction credits granted to Banks amounted to 38,725,000 zloty, the decrease during the last two years having amounted to 17,800,000 zloty.

During the year under review the Ministry of Finance ratified the plans for the repayment of reconstruction credits by those banks which had not received any assistance up till the end of 1927. All these credits were repaid at due dates and in accordance with the programme of the Ministry. In order to facilitate these repayments, the Ministry of Finance authorised the banks to make them in quarterly instalments.

Apart from the question of reconstruction credits granted to the private banks during periods of crisis, the National Economic Bank also accorded discount credits in exceptional cases. The total of credits accorded in this manner up to the end of 1928 was 3.4 million zloty.

The principal recipients of discount credits in 1928 were the Polish Communal Bank which received 2 million zloty, of which half was for the building of houses by communal savings banks in former Congress Poland. The British and Polish Trade Bank of Danzig which was established at the end of 1926 by the National Economic Bank in conjunction with the Anglo - International Bank Ltd., of London, received credits amounting to one million zloty. Finally, the Bank of Polish Industrialists received a credit of 400,000 zloty.

#### IV. GUARANTEES.

Ever since the beginning of 1926 there has been a steady decrease in the amount of guarantees given by the National Economic Bank to the various branches of the economic life of Poland, which has been mainly due to the constant improvement in the general situation in the country. The total of guarantees, which was 218,200,000 zlote on the 31st December 1925, had decreased to 61,564,000 zlote on the 31st December 1927, and was further reduced to 29,173,000 zlote at the end of the year under review, a reduction of 53%. The main recipients of guarantees were industrial concerns and State undertakings, while agriculture, which had been one of the most important items in 1927, fell to insignificant proportions in 1928.

The distribution of guarantees amongst the various branches of production on the 31st December 1928, is shown in the following table, in thousands of zlote:

G r o u p s	T o t a l
1. State Undertakings . . . . .	12.076
2. Local Government Authorities and Communal Undertakings . . . . .	124
3. Co-operative Societies . . . . .	88
4. Agriculture . . . . .	348
5. Trade . . . . .	1.208
6. Industry:	
a) agricultural:	
comprising: sugar factories . . . . . 2.200	
distilleries . . . . . 45	
other . . . . . 1	2.246
b) Miscellaneous:	
comprising: foundry . . . . . 543	
electrical and general engineering 1.816	
textile . . . . . 3.275	
chemical . . . . . 35	
paper . . . . . 55	
timber . . . . . 143	
cement . . . . . 5.736	
clothing and fancy goods . . 188	
metallurgical . . . . . 476	
ceramic . . . . . 13	
other . . . . . 498	12.778
7. Banks . . . . .	153
8. Miscellaneous . . . . .	152
Total . . . . .	29.173



## V. ORGANISATION.

### 1. STAFF QUESTIONS.

#### *Number of officials.*

Owing to the increased activities of the Bank during 1928 it became necessary to increase the staff by 90 persons, or about 8%. The Board have always endeavoured, when meeting demands for increased staff, to do so by transferring officials from one department to another and by the rationalisation of the office work. As a result of this the staff of the Bank on the 31st December 1928, was 1,048 officials and 228 lower grades, as compared with 955 officials and 214 lower grades at the end of 1927.

#### *Salaries.*

During the year under review the scheme of staff payments which had been established in the second half of 1927 still remained in force. Individual increases of salaries and wages were granted by the promotion of a certain number of officials, with a view to equalising the differences between the salaries paid to officials in particular groups. Thanks to the regulation of salaries, which took into consideration the educational qualifications of the officers concerned, and to the application of an appropriate personal policy in respect of promotions and examinations, there has been an increasing tendency noted amongst the officials to improve both their theoretical and practical knowledge, as was demonstrated on the occasion of the examinations passed by the various officials on appointment to their posts.

### 2. RE-ORGANISATION OF THE BANK.

On the 1st January 1928 the re-organisation scheme, which established the division of work between the particular departments and sections of the Head Office, was put into force. The existing Organisation Committee in the Directorate prepared the necessary rules and instructions for the normalisation of the activities of the Bank. Special attention was paid to the question of giving more elasticity to the work of the Branch Offices and at the same time increasing their uniformity.

The work of re-organisation in the Head Office during the current year was assisted by the fact that the Bank's premises were more adapted to the rational planning of the office accommodation. In addition, the construction of the new Head Office was commenced in the autumn of 1928, and, in spite of the lateness of the season, a considerable amount of work was completed before the end of the year.

### 3. BRANCH OFFICES.

During the month of June 1928 a Branch of the Bank was opened at Radom, which is an important economic centre for the central palatinates of Poland. During the year building sections were established in the Branches at Wilno and Rowno for the purpose of assisting building in the eastern districts.

The authorities of the Bank endeavoured to maintain the closest touch with the Branch Offices during the year under review, as had been the case in 1927. For this purpose the President of the Bank, Dr. Roman Górecki, made several personal visits to the different offices with a view to acquainting with the working conditions in the various districts. In addition to

this the Central Inspectorate of the Bank carried out detailed inspections of the Branch Offices in accordance with the new scheme, which provides that all Branch Offices must undergo such inspections approximately every year, and that in addition special inspections should be carried out occasionally. During the course of these inspections enquiries were made into the material aspects of the business conducted by the Branch, the efficiency of its office work, and whether it was being carried out in accordance with the approved methods.

On the 1st and 2nd June was held the second meeting of Branch managers. The discussions at this meeting were devoted to the question of social credits. Numerous statistics were presented regarding the employment of these credits both in Poland and abroad. Discussion was also made of the credit activities of the Bank in respect of co-operative societies and savings banks.

#### 4. CHANGES IN THE ADMINISTRATIVE COUNCIL.

During 1928 Mr. Władysław Weissbrod resigned from the Administrative Council, and in his place Mr. Jan Strzelecki, a departmental director of the Ministry of the Interior, was nominated by the Ministry of Finance.

#### 5. CHANGES IN THE BOARD OF DIRECTORS.

The following gentlemen resigned from the Board during 1928 owing to their having reached the age for retirement — Dr. Lucjan Szpor, Director of the Bank; Mr. Józef Kretschmer, and Mr. Juljusz Reiner, Deputy Directors of the Bank.

The Administrative Council of the Bank nominated Mr. Waclaw Konderski, late director of the Kraków branch of the Mortgage Bank, and Dr. Feliks Merunowicz, formerly a director of the National Economic Bank, as deputies to the Managing Director. During the year the following gentlemen were appointed Vice - Directors of the Bank: Dr. Marjan Chechliński; Dr. Józef Drzewicki; Dr. Tadeusz Garbusiński; Mr. Stefan Jarnutowski; Mr. Edmund Komorowski; Mr. Jan Ruckgaber and Dr. Zygmunt Wasserab. Mr. E. Komorowski, one of the Vice - Directors, was granted unlimited leave, without salary, by the Board; the Director of the British and Polish Trade Bank in Danzig being appointed in his place.

#### 6. CHANGES IN THE STATUTES.

During the year the two following changes were made in the statutes of the National Economic Bank:

By an order of the Minister of Finance dated the 15th March, 1928, (Journal of Laws of the Polish Republic, No. 41 of 1928, item 402), § 87 of the Statutes was amended to provide for the appointment of two deputies to the Managing Director in lieu of one.

By an order of the Minister of Finance dated the 5th May, 1928, (Journal of Laws of the Polish Republic, No. 56, of 1928, item 532), the stipulation of § 13 of the Statutes, concerning the security of loans issued by the Bank, in the respect that they serve as a separate portion of the assets forming a guarantee for the mortgage bonds and debentures, was duly completed. To § 30 was added an instruction to the effect that mortgage deeds constituting the security for loans advanced by the Bank, should contain a proviso including a detailed description of the issue in question. If the description covers closed issues of mortgage bonds or debentures, it is provided that they shall be described as such in the mortgage deed.



### III.

## OBSERVATIONS ON THE BALANCE SHEET FOR THE YEAR 1928.

The balance sheet for the year 1928 was closed with a total of zł. 1,686,187,735.74 exclusive of guarantees, or zł. 1,715,360,386.48 inclusive of guarantees.

For purposes of comparison the totals of the balance sheets — excluding guarantees — for the last five years are given below, together with their annual percentage of increase:

Year	Total of balance sheet	Increase in %
1924	224,028,816.45	—
1925	555,569,193.32	148,0
1926	798,149,067.76	43,6
1927	1,363,651,831.21	70,9
1928	1,686,187,735.74	23,6

### LIABILITIES.

#### Items 1—3. Capital and Reserves:

	31. XII. 1927	31. XII. 1928
a) Paid up capital . . . . .	złote 120,000,000.—	złote 150,000,000.—
b) Reserve fund . . . . .	„ 4,446,159.17	„ 6,279,297.52
c) Reserve fund for mortgage bonds and debentures . . . . .	„ 4,400,307.52	„ 7,048,187.45
d) Valorisation fund for mortgage loans . . . . .	„ 2,270,567.61	„ 2,569,823.30
e) Valorisation fund for savings deposits . . . . .	„ 87,224.37	„ 69,308.63
f) General reserve . . . . .	„ 17,612,668.99	„ 28,793,443.05
Total . . . . .	złote 148,816,927.66	złote 194,760,059.95

During the year under review the paid up capital was increased from 120 million złote to 150 million złote. This increase of 30 million złote was provided by the Ministry of Finance.

The statutory reserves (b & c) were increased during the year by zł. 4,481,018.28, composed as follows:

a) The transfer to reserve of the net profit for 1927, in accordance with § 73 of the statutes . . . . .	złote	3,437,134.41
b) The transfer to reserve of registration fees — § 17 of the statutes — and of the profits made by the Bank upon the redemption of mortgage bonds and debentures . . . . .	„	1,043,883.87

The other reserves were increased during the year by zł. 11,462,114.01, composed as follows:

a) The reserve against exchange losses and bad debts was increased by	złote	11,180,774.06
b) The valorisation fund for mortgage loans was increased by . . . . .	„	299,255.69
c) The valorisation fund for savings deposits was decreased by . . . . .	„	17,915.74
in consequence of the re-valuation of a portion of the pre-war deposits.		

*Item 4.* The **deposits of the Treasury** increased during the year by zł. 72,027,918.03, reaching, on the 31st December, 1928, a total of zł. 356,223,547.33. The majority of these deposits are on long term, and have been made as a part of the credit policy of the Government. The relevant items are as follows:

a) Building fund . . . . .	złote	196,444,307.07
b) Reconstruction fund . . . . .	„	53,572,506.92
c) Special deposits of the Ministry of Finance . . . . .	„	35,970,707.70
d) Other funds administered by the Bank . . . . .	„	70,236,025.64

*Item 5.* The total of general **deposits** increased during the year by zł. 35,692,455.85 or 11.3%. A detailed statement of the various totals for the two years is given below:

	31. XII. 1927	31. XII. 1928
a) Time deposits . . . . .	złote 72,851,421.07	złote 133,125,049.49
b) Time deposits in dollars . . . . .	„ 13,214,183.01	„ 17,367,130.56
c) Sight cheque accounts . . . . .	„ 117,047,374.28	„ 137,384,974.82
d) Savings deposits . . . . .	„ 11,299,238.84	„ 19,205,895.34
e) Treasury bills . . . . .	„ 493,400.—	„ 538,200.—
f) Credit balances . . . . .	„ 100,813,986.42	„ 43,790,809.26
Total . . . . .	złote 315,719,603.62	złote 351,412,059.47

*Item 6.* The **bill re-discount** account increased by zł. 19,895,913.14, i. e. from zł. 18,986,598 to zł. 38,882,511.14. Of this latter total, bills in złote accounted for zł. 27,248,136.79, and bills in foreign currency for zł. 11,634,374.35.

*Item 7.* The „Loro“ accounts of other banks decreased by zł. 44,904,792.11 i. e. from zł. 62,414,356.95 to zł. 17,509,564.84. This large decrease was mainly due to the withdrawal of the deposits of the Państwowy Bank Rolny (State Agrarian Bank).



Item 8. The „Nostro“ accounts showed a considerable decrease, as will be seen from the following figures:

	31. XII. 1927	31. XII. 1928	Decrease
a) Local Banks . . . . .	złote 9,355,432.82	złote 5,180,322.22	złote 4,175,110.60
b) Foreign Banks . . . . .	„ 33,802,951.14	„ 17,921,110.99	„ 15,881,840.15
Total . . . . .	złote 43,158,383.96	złote 23,101,433.21	złote 20,056,950.75

The decrease in the amount on deposit with local banks was mainly due to withdrawals from the Bank of Poland, while that in respect of foreign banks, was due to the repayment of loans to the Bankers Trust Company.

Item 9. The total amount of **drafts** drawn on the Bank, which had not been presented for payment on the 31st December, 1928, was zł. 211,099.33.

Item 10. The **mortgage** fund dropped to zł. 237,345.30, a decrease of zł. 5,677.63, owing to the repayment of certain mortgages.

Item 11. The total of the **sundry accounts** in 1928 amounted to złote 45,783,918.67, this being an increase of złote 7,453,644.12 over the figures for 1927. The principal items in this section as it now stands are given below:

a) Mortgage department . . . . .	złote 20,396,516.43
b) Interest free agricultural loans . . . . .	„ 20,968,670.56
c) Acceptances . . . . .	„ 4,418,731.68

Item 12. The totals of the **transitory accounts** for 1927 and 1928, were as follows:

31. XII. 1927	31. XII. 1928
złote 23,572,438.—	złote 24,000,989.89

Item 13. There was an increase of zł. 1,983,099.09 in the **collections** account, as will be seen from the following figures:

31. XII. 1927	31. XII. 1928
złote 14,308,225.58	złote 16,291,324.67

Item 14. **Bond and debenture issues:**

	31. XII. 1927	31. XII. 1928
a) Mortgage bonds . . . . .	złote 70,613,443.79	złote 101,105,677.14
b) Communal debentures . . . . .	„ 306,458,372.48	„ 446,618,498.30
c) Railway debentures . . . . .	„ 11,662,211.45	„ 11,328,512.—
d) Bank debentures . . . . .	„ 2,565,000.—	„ 24,531,900.—
e) Building debentures . . . . .	„ —	„ 190,800.—
Total . . . . .	złote 391,299,027.72	złote 583,775,387.44

Item 15. The **mortgage bond and debenture sinking fund** account increased by zł. 1,195,373.57 during the year, the final total being zł. 2,601,805.92.

*Item 18.* The redemption fund for the coupons of mortgage bonds and debentures rose by zł. 7,776,005.04 during the year to a total of zł. 21,026,417.99. The previous year's total was zł. 13,250,412.95.

*Item 20.* Details as to the **net profit** are given in the profit and loss account.

*Item 21. Creditors in respect of guarantees:*

	31. XII. 1927	31. XII. 1928
	złote 61,563,584.02	złote 29,172,650.74
Of which endorsed by the Treasury . . . . .	,, 42,237,620.31	,, 9,157,832.26

## ASSETS.

*Item 3.* There was a decrease from zł. 151,801,289.27 to zł. 122,946,952.97 in the **securities account** owing to the sale of the Dillon Loan Bonds to the Bankers Trust Company, and to the reduction of the holdings of communal debentures.

The relevant totals were as follows:

	31. XII. 1927	31. XII. 1928
a) Government loans . . . . .	złote 36,549,248.07	złote 28,610,206.51
b) Mortgage bonds . . . . .	,, 8,826,657.11	,, 7,931,116.33
c) Debentures . . . . .	,, 106,425,384.09	,, 86,405,630.13

*Item 4.* There was a large increase in the investments in **subsidiary undertakings**, which rose from zł. 20,113,351.73 to zł. 46,285,391.56. This increase was mainly due to the purchase of shares in the „Azot“, „Ursus“, „Tesp“ and „Starachowice“ Companies.

*Items 6—9. Short term credits:*

	31. XII. 1927	31. XII. 1928
a) Discounted bills . . . . .	złote 136,419,462.80	złote 176,100,994.04
b) Protested bills . . . . .	,, 488,088.25	,, 1,340,069.92
c) Term loans (secured on bills, goods, promissory notes, mortgages, etc.) . . . . .	,, 25,032,981.75	,, 43,250,857.15
d) Overdrafts on current accounts . . . . .	,, 93,646,039.26	,, 87,199,616.86
Total . . . . .	złote 255,586,572.06	złote 307,891,537.97

*Item 10. Banks „Loro“:*

	31. XII. 1927	31. XII. 1928
a) Local Banks . . . . .	złote 6,173,863.90	złote 1,456,977.55
b) Foreign Banks . . . . .	,, 21,510.—	,, 138,363.50
Total . . . . .	złote 6,195,373.90	złote 1,595,341.05



*Item 11. Banks „Nostro“:*

	31. XII. 1927	31. XII. 1928
a) Local Banks . . . . .	złote 1,039,159.95	złote 2,883,938.21
b) Foreign Banks . . . . .	„ 25,309,817.78	„ 38,678,366.91
Total . . . . .	złote 26,348,977.73	złote 41,562,305.12

*Item 13. Real property.* This account increased by zł. 110,333.34 to zł. 9,425,705.—

*Item 15. Sundry accounts:*

	31. XII. 1927	31. XII. 1928
	złote 30,270,052.57	złote 32,777,460.70

*Item 17. Collections.* See item 13 of „Liabilities“.

*Item 18. Loans.* See item 14 of „Liabilities“.

*Item 21. Creditors in respect of guarantees.* See item 21 of „Liabilities“.

## OBSERVATIONS ON THE PROFIT AND LOSS ACCOUNT

for the year ending 31st December, 1928.

Full provision having been made for interest, overhead charges, sinking fund and amortisation payments, statutory bonus for the Board and Staff, staff pension fund, etc., the net profit for the year amounted to

zł. 7,194,057.83.

This amount was expended as follows:

a) 35% to the reserve fund for mortgage bonds and debentures . . . . .	złote 2,517,920.24
b) 40% to the general reserve fund . . . . .	„ 2,877,623.13
c) 25% to the Government, as the sole shareholder in the National Economic Bank . . . . .	„ 1,798,514.46

IV.

BALANCE SHEET ON THE 31st DECEMBER, 1928  
PROFIT AND LOSS ACCOUNT FOR 1928

BALANCE SHEET AND INCOME AND EXPENDITURE ACCOUNT  
OF THE PENSION FUND FOR 1928.



# BALANCE

## National Eco

### ASSETS.

on the 31st

	złote	gr.
1. Cash in hand, and with Bank of Poland and Postal Savings Bank . . . . .	52,583,581	40
2. Foreign currencies . . . . .	3,351,938	27
3. Securities:		
a) State Loans . . . . .	28,610,206.51	
b) Pupillary investments . . . . .	94,336,746.46	
4. Interests in subsidiary undertakings, shares, etc. . . . .	46,285,391	56
5. Bonds and coupons due for payment . . . . .	115,344	36
6. Bills . . . . .	176,100,994	04
7. Protested bills . . . . .	1,340,069	92
8. Time loans:		
a) Against securities . . . . .	1,124,975.44	
b) " gold and silver . . . . .	1,850.—	
c) " bills of exchange . . . . .	25,194,590.71	
d) " promissory notes . . . . .	150,678.01	
e) " goods . . . . .	4,509,559.—	
f) " railway documents . . . . .	373,099.21	
g) " warrants . . . . .	7,200.—	
h) Savings books deposits in Communal Savings Banks	11,888,904.78	43,250,857 15
9. Debtors on current accounts:		
a) In local currency . . . . .	65,323,672.30	
b) In foreign currency . . . . .	5,982,757.49	
c) Pending . . . . .	15,893,187.07	87,199,616 86
10. Banks „Loro“:		
a) Local . . . . .	1,456,977.55	
b) Foreign . . . . .	138,363.50	1,595,341 05
11. Banks „Nostro“:		
a) Local . . . . .	2,883,938.21	
b) Foreign . . . . .	38,678,366.91	41,562,305 12
12. Long term cash loans:		
a) a/c of the Min. of Fin. ex re. the Match Monopoly . . . . .	12,754,866.96	
b) Loans for relief purposes from Governm. funds administered by the Bank . . . . .	44,667,824.66	
c) Loan to „Kooprolna“ . . . . .	39,094,200.72	
d) Building loans . . . . .	284,827,550.72	
e) Other long term cash loans . . . . .	57,968,513.86	439,312,956 92
13. Real property . . . . .	9,425,705	—
14. Movable property . . . . .	1,152,339	88
Carried forward . . . . .	1,026,223,394	50

# SHEET

n o m i c B a n k

December, 1928.

## LIABILITIES.

		z l o t e	g r.
1.	<b>Capital</b> . . . . .	150,000,000	—
2.	<b>Statutory reserves:</b>		
	a) General reserve fund . . . . .	6,279,297.52	
	b) Reserve for mortgage bonds and debentures . . . . .	7,048,187.45	13,327,484 97
3.	<b>Other reserves:</b>		
	a) For conversion of mortgage loans . . . . .	2,569,823.30	
	b) For conversion of savings deposits . . . . .	69,308.63	
	c) General fund . . . . .	28,793,443.05	31,432,574 98
4.	<b>Treasury deposits:</b>		
	a) Building fund . . . . .	196,444,307.07	
	b) Relief funds . . . . .	53,572,506.92	
	c) Special deposits of the Min. of Finance . . . . .	35,970,707.70	
	d) Other funds admin. by the Bank . . . . .	70,236,025.64	356,223,547 33
5.	<b>Deposits:</b>		
	a) Time . . . . .	133,125,049.49	
	b) In dollars . . . . .	17,367,130.56	
	c) Current accounts . . . . .	137,384,974.82	
	d) Savings books . . . . .	19,205,895.34	
	e) Cash assignments . . . . .	538,200.—	
	f) Other accounts . . . . .	43,790,809.26	351,412,059 47
6.	<b>Bills re-discounted</b> . . . . .		38,882,511 14
7.	<b>Banks „Loro“:</b>		
	a) Local . . . . .	14,642,659.20	
	b) Foreign . . . . .	2,866,905.64	17,509,564 84
8.	<b>Banks „Nostro“:</b>		
	a) Local . . . . .	5,180,322.22	
	b) Foreign . . . . .	17,921,110.99	23,101,433 21
9.	<b>Drafts</b> . . . . .		211,099 33
10.	<b>Mortgagees</b> . . . . .		237,345 30
11.	<b>Sundry accounts</b> . . . . .		45,783,918 67
12.	<b>Transitory accounts</b> . . . . .		24,000,989 89
13.	<b>Collections</b> . . . . .		16,291,324 67
14.	<b>Securities issued:</b>		
	a) Mortgage bonds . . . . .	101,105,677.14	
	b) Communal debentures . . . . .	446,618,498.30	
	c) Railway debentures . . . . .	11,328,512.—	
	d) Bank debentures . . . . .	24,531,900.—	
	e) Building debentures . . . . .	190,800.—	583,775,387 44
	Carried forward . . . . .	1,652,189,241	24



		Złote	gr.
	Brought forward . . . . .	1,026,223,394	50
15.	Sundry accounts . . . . .	32,777,460	70
16.	Transitory accounts . . . . .	15,097,196	96
17.	Collections . . . . .	16,291,324	67
18.	Loans against issues:		
	a) Mortgage bonds . . . . .	101,105,677.14	
	b) Communal debentures . . . . .	446,618,498.30	
	c) Railway debentures . . . . .	11,328 512.—	
	d) Bank debentures . . . . .	24,531,900.—	
	e) Building debentures . . . . .	190,800.—	583,775,387 44
19.	Instalments on loans against issues:		
	a) Due . . . . .	7,904,186 61	
	b) Current . . . . .	4,089,310 33	11,993,496 94
20.	Coupons on drawn bonds and debentures:		
	a) Mortgage bonds . . . . .	19,122 25	
	b) Communal debentures . . . . .	9,378.84	
	c) Railway debentures . . . . .	973.44	29,474 53
21.	Debtors in respect of guarantees . . . . .	1,686,187,735	74
		29,172,650	74
		<u>1,715,360,386</u>	<u>48</u>

**D E P O**

	Nominal value	Market value
Stocks on hand . . . . .	5,282,102,050.12	384,227,640 96
Debtors in respect of deposits . . . . .	1,001,317,989 67	61,615,894.90
	<u>6,283,420,039.79</u>	<u>445,843,535.86</u>

*CHAIRMAN OF THE BANK: Dr. Roman Górecki.*  
*ACTING MANAGING DIRECTORS: Wacław Konderski, Dr. Feliks Merunowicz.*  
*BOARD OF DIRECTORS: Dr. Leon Barysz, Władysław Bizański, Walenty Miler, Dr. Adam Pawlikowski, Dr. Mieczysław Szenk, Jan Edward Żytkiewicz.*

		Zlote	gr.
	Brought forward . . . . .	1,652,189,241	24
<b>15. Sinking funds:</b>			
a) Mortgage bonds . . . . .	104.11		
b) Communal debentures . . . . .	2,294,168.53		
c) Railway debentures . . . . .	31.10		
d) Bank debentures . . . . .	285,840.30		
e) Issues of the former Polish National Bank . . . . .	21,661.88	2,601.805	92
<b>16. Drawn mortgage bonds and debentures:</b>			
a) Mortgage bonds . . . . .	540,138.14		
b) Communal debentures . . . . .	373,954.50		
c) Railway debentures . . . . .	21,996.—	936,088	64
<b>17. Unpaid coupons:</b>			
a) Mortgage bonds . . . . .	1,632,556.57		
b) Communal debentures . . . . .	265,536.03		
c) Railway debentures . . . . .	307,826.70	2,205,919	30
<b>18. Coupon redemption fund:</b>			
a) Mortgage bonds . . . . .	3,679,258.93		
b) Communal debentures . . . . .	16,204,332.39		
c) Railway debentures . . . . .	225,970.22		
d) Bank debentures . . . . .	909,224.45		
e) Building debentures . . . . .	7,632.—	21,026,417	99
<b>19. Instalments paid in advance:</b>			
a) Mortgage bonds . . . . .	34,183.32		
b) Communal debentures . . . . .	21.50	34,204	82
<b>20. Net profit for distribution in accordance with § 73 of the Statutes:</b>			
a) 35% — Reserve fund for mortgage bonds and debentures . . . . .	2,517,920.24		
b) 40% — General reserve . . . . .	2,877,623.13		
c) 25% — At the disposal of the Government . . . . .	1,798,514.46	7,194,057	83
		1,686,187,735	74
<b>21. Creditors in respect of guarantees . . . . .</b>		29,172,650	74
		1,715,360,386	48

## S I T S

	Nominal value	Market value
Creditors in respect of deposits . . . . .	5,552,775,290.94	276,615,238.33
Own deposits „Nostro“ . . . . .	730,644,748.85	169,228,297.53
	6,283,420,039.79	445,843,535.86

HEAD ACCOUNTANT: Vice Director Ignacy Szotarski.



# PROFIT AND of the National

DR.

for the year ending

		z l o t e	g r.
<b>1. Interest paid:</b>			
a)	On current accounts . . . . .	25,023,855.31	
b)	On re-discounted bills . . . . .	2,241,916.19	
c)	On deposit accounts . . . . .	1,032,914.19	
d)	On cash assignments . . . . .	33,516.38	
e)	On sundry accounts *) . . . . .	3,044,798.85	
		31,377,000	92
<b>2. Exchange differences . . . . .</b>		5,007,680	54
<b>3. General expenses:</b>			
a) Operating expenses:			
1)	Office expenses . . . . .	961,807.46	
2)	Upkeep of buildings . . . . .	772,302.14	
3)	Sundry expenses . . . . .	3,488,172.85	
4)	Motor transport . . . . .	136,859.65	
5)	Salaries and wages . . . . .	12,897,923.18	
		18,257,065.28	
b)	Pensions . . . . .	541,685.62	
c)	Administration of property . . . . .	63,091.92	
		18,861,842	82
<b>4. Amortisation:</b>			
a)	Real property . . . . .	201,299.85	
b)	Movable property . . . . .	309,364.61	
c)	Loans raised on account of capital . . . . .	1,168,300.78	
		1,678,965	24
<b>5. Written off . . . . .</b>		899,652	96
<b>6. Net profit . . . . .</b>		7,194,057	83
		65,019,200	31

\*) 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, 1928.

CR.

		z l o t e	g r.
<b>1. Interest received:</b>			
a) Discounted bills . . . . .	16,237,922.80		
b) Stocks and shares . . . . .	7,943,600.98		
c) Current accounts . . . . .	2,904,356.26		
d) Time loans . . . . .	22,019,051.75		
e) Loans against goods . . . . .	665,658.78		
f) Reconstruction loans . . . . .	3,537,652.85		
g) Retention of loans against issues . . . . .	3,611,911.21		
h) Capitalisation of instalments in arrears . . . . .	1,250.10	56,921,404	73
<b>2. Commissions:</b>			
a) Bills . . . . .	153,797.03		
b) Collections . . . . .	408,745.84		
c) Drafts . . . . .	215,257.38		
d) Current accounts . . . . .	838,058.83		
e) Deposits . . . . .	135,301.83		
f) Exchange transactions . . . . .	303,628.85		
g) Guarantees and endorsements . . . . .	911,808.98		
h) Goods . . . . .	70,004.36		
i) Other transactions . . . . .	550,573.98	3,587,177	08
<b>3. Refund of expenses on behalf of third parties . . . . .</b>		641,012	99
<b>4. Additional receipts for operating expenses of issue department . . . . .</b>		3,503,542	91
<b>5. Administration of property . . . . .</b>		262,441	56
<b>6. Refund of sums previously written off . . . . .</b>		103,621	04
		<b>65,019,200</b>	<b>31</b>



## 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, 1928, and the profit and loss account for the year 1928, and have satisfied ourselves:

1. That the items comprised in the balance sheet, closed on each side with a total of zloté 1,715,360,386.48 (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 books and vouchers, kept by the Head Office, are correct and properly kept.

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

Warsaw, 26th February, 1929.

Chief Auditor:

*J. Kulski.*

Auditors:

*S. A. Alland.*

*T. Pieńkowski.*

*Dr. W. Marynowski.*

*A. Repeczko.*

Warsaw, March, 26th, 1929.

To

The President of the National Economic Bank

Warsaw.

In reply to your letter dated March 1st, 1929, No. 266/29/M., I beg to inform you, that, in accordance with both the resolution of the Administrative Council dated February 28th, 1929, and the Auditors Certificate of February 26th, 1929, certifying the Balance Sheet and the Profit and Loss Account of the National Economic Bank for the year 1928, I hereby grant, as required by § 72 of the Statutes of the Bank (Journal of Laws of the Polish Republic, for the year 1924, No. 46, item 478) to the authorities of the Bank a general receipt for the financial year 1928.

Acting Minister of Finance

(—) *Grodyński.*



The accounts of the National Economic Bank for the year 1953 have been audited in accordance with the provisions of the Act of 1952 and the results of the audit are set out in the accompanying statement of auditors certificate.

To  
The President of the National Economic Bank  
Warsaw

I beg to inform you that in accordance with both the resolution of the Administrative Council dated February 28th, 1953 and the Auditors Certificate of February 20th, 1954, certifying the Balance Sheet and the Profit and Loss Account of the National Economic Bank for the year 1953, I hereby grant, as required by § 75 of the Statute of the Bank (Journal of Laws of the Polish Republic for the year 1952 No. 36, item 438) to the authorities of the Bank a general receipt for the financial year 1953.

Acting Minister of Finance  
(-)

S. A. S.

W. D.

**Balance sheet of the Pension Fund**  
of the officials and staff of the National Economic Bank  
for the year ended 31st December 1928.

A S S E T S	Zlote	gr.	L I A B I L I T I E S	Zlote	gr.
On deposit with the National Economic Bank . . . . .	3.621.873	76	Capital of the Pension Fund on the 31st Decemb., 1927 Zl. 5.771.477.67		
Securities . . . . .	3.110.548	26	Surplus for the year 1928 . . „ <u>2.438.081.25</u>	8.209.558	92
Real properties . . . . .	1.477.136	90			
	<u>8.209.558</u>	<u>92</u>		<u>8.209.558</u>	<u>92</u>

**Income and Expenditure account**  
of the Pension Fund  
for the year 1928.

E X P E N D I T U R E	Zlote	gr.	I N C O M E	Zlote	gr.
Pensions to staff and widows	95.626	65	Contributions from the Bank:		
Post mortem payments . . . . .	7.359	—	a) Ordinary Zl. 459.016.09		
Stamp fees and taxes . . . . .	19.526	84	b) Extraordin. „ <u>1.000.000.—</u>	1.459.016	09
Overhead charges . . . . .	681	72	Contributions from members . . . . .	478.986	54
Surplus for the year 1928 . . . . .	2.438.081	25	Premium reserve . . . . .	55.104	67
			Profit on house administration	95.194	36
			Profit on stocks and shares . . . . .	53.807	91
			Coupons on securities . . . . .	247.905	76
			Interest on Bank account . . . . .	171.260	13
	<u>2.561.275</u>	<u>46</u>		<u>2.561.275</u>	<u>46</u>















