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BANK GOSPODARSTWA KRAJOWEGO

NATIONAL ECONOMIC BANK

WARSAW



REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR 1938

15th YEAR



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KRAJOWEGO

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Biblioteka Jagiellońska



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WARSZAWA — 1939.



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BANK GOSPODARSTWA KRAJOWEGO

NATIONAL ECONOMIC BANK

HEAD OFFICE AND HEAD BRANCH:

1, ALEJE JEROZOLIMSKIE, WARSZAWA

BRANCHES:

- | | |
|--------------------|-----------------|
| 1. BIAŁA (Bielsko) | 10. LWÓW |
| 2. BIAŁYSTOK | 11. ŁÓDŹ |
| 3. BYDGOSZCZ | 12. PIŃSK |
| 4. DROHOBYCZ | 13. POZNAŃ |
| 5. GDYNIA | 14. RADOM |
| 6. KATOWICE | 15. RÓWNE |
| 7. KOŁOMYJA | 16. STANISŁAWÓW |
| 8. KRAKÓW | 17. TARNÓW |
| 9. LUBLIN | 18. WILNO |
| 19. WŁOCŁAWEK | |
-

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Roman GÓRECKI, D. C. C. L.

MEMBERS OF THE COUNCIL:

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Julian PIASECKI, Eng.,
Vice-Minister of Communications

Michał WIERUSZ-KOWALSKI,
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Dr Eugeniusz PIETRZYŃSKI,
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Dr Adam ROSE,
Vice-Minister of Industry and Commerce

Wiktor MARTIN,
Director of the Mining and Iron Works
Trzyniec-Karwina at Cieszyn

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Deputy Department Director of the
Ministry of Finance

Ferdynand ŚWITALSKI
Former Vice-Minister of Finance

GOVERNMENT COMMISSIONER:

Stefan RYBAŁTOWSKI

DEPUTY GOVERNMENT COMMISSIONERS:

Wacław DRABAREK

Marian STĘPNIEWICZ

*) As on the 31st December, 1938.

The following members of the Council dropped out during 1938: Vice-President Józef Kożuchowski on the 1st December, having been appointed Vice-Minister of Finance and Mr. Tadeusz Narbutt, who resigned on the 31st October. The places were filled by Aleksander Litwinowicz, Eng., Brig.-Gen., 2nd Vice-Min. for Military Affairs and Mr. Stanisław Sadkowski, Deputy Department Director of the Ministry of Finance on the 19th January and Mr. Michał Wierusz-Kowalski, Vice-Minister of Agriculture and Agrarian Reform on the 1st November.

MANAGEMENT:

PRESIDENT:

Roman GÓRECKI, D. C. C. L.

GENERAL DIRECTOR:

Leon BARYSZ, D. C. C. L.

DEPUTY GENERAL DIRECTORS:

Tadeusz GARBUSIŃSKI, D. C. C. L. Paweł MINKOWSKI, D. C. C. L.

DIRECTORS:

Włodzimierz BACZYŃSKI Marian CHECHLIŃSKI, D. C. C. L.
Zygmunt WASSERAB, D. C. C. L.

AUDITING COMMITTEE:

CHAIRMAN:

Wiktor MARYNOWSKI, D. C. C. L.

MEMBERS:

| | |
|----------------------|------------------------------|
| Józef MIESZALSKI | Tadeusz SZUŁDRZYŃSKI |
| Marian STRUMIŁŁO | Stanisław ZACZEK |
| Kazimierz STRZELECKI | Stefan ŻUROWSKI, D. C. C. L. |

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I.

THE ECONOMIC POSITION OF POLAND IN 1938.

The year 1938 closes the first twenty years of the history of restored Poland. After the victorious war with Soviet Russia, the Polish people, on starting the foundation of the State and of their independent economic life, were faced with very difficult problems, arising primarily from the low state of economic development in the Polish provinces at the moment of the restoration of independence. Polish territory had been for a century and a half under the sway of three different powers of completely diverging economic structures, between whom business relations were almost at a standstill owing to the fact that the progress of economic development was directed only by the interests of the partitioning powers. This resulted in a serious depression of the economic status of the Polish provinces and retarded industrialization, communications and the expansion of towns. It followed therefore that the vast masses of the population became impoverished, which in turn proved obstructive to the course of monetary capitalization. Furthermore, most of the country had been completely destroyed and the inhabitants ruined by several years of war and occupation by foreign armies.

It is obvious that in the first years of independent life Poland had to devote considerable effort to the question of repairing the immense destruction caused by the military operations, by ordering the reconstruction of towns and villages, cultivating many millions of hectares of arable land which had lain fallow for many years, replenishing farm stocks, and reconstructing industry, mining, smelting, and communications. At the same time it was necessary to tackle the second problem, i. e. to counteract the negligence of the partitioning powers and the effects of their economic policy by uniting the three provinces into one uniform national economic system, in order to complete the inadequate economic equipment and to give the structure new and durable foundations for development, to fulfil the requirements of Poland's economic position.

Poland was obliged to accomplish this task in a time when there were only a few years of generally favourable economic conditions. In the first post-war years she suffered from the destructive monetary inflation and subsequently, soon after the currency reform, a very sharp economic and financial crisis took place. On the other hand, her economy strengthened considerably during the prosperous years of 1926—1929. The results achieved during that time were, however, offset largely in the following five years by a severe crisis hitherto unknown in the economic history of the world for scope and prolonged tension. In view of the fact that the depression made itself most felt in agriculture, Poland, being predominantly an agricultural country, was badly hit. The new period of recovery in evidence for the past five years still continues, enabling the second decade of the history of independent Poland, as was the case in the first ten-year-period, to be closed under economic conditions developing favourably.

With a background of such immense and unprecedented difficulties, never experienced in any other country, a comparison of the present state of economy with that in existence at the moment of the reuniting of Poland, illustrates clearly the great economic achievements of the Polish people in every line, but it should not be forgotten that this was attained by the strenuous efforts of the whole nation. In this brief account of economic results achieved in the first twenty years, apart from the entire restoration of the ravages of war, mention should be made in the first place of the following:

In finance, the creation of a sound currency based on a strong foundation, the ordering of the budgetary economy of the State by a secure equilibrium in the ordinary budget, the creation of a stable apparatus adapted to credit and savings requirements, and the restoration of savings and monetary capitalization, which, supported by the aforesaid apparatus and a stabilized currency, was responsible for the rise in deposits in financial institutions from practically nil to about Zł 5,000 million at the present moment.

In agriculture, the increase in acreage under the six principal agricultural products between the years 1921/1925 and 1933/1937 by 5.8 million hectares, or over 50%, the parcelation of 2,536,000 hectares in the years 1919/1937, the reuniting of about 770,000 agricultural units of a total area of about 5 million hectares in the years 1924/1937, the abolition of easements in 273,000 units, the marked development in the manufacture of agricultural and animal produce, in certain districts from their very foundation.

In industry, the creation of numerous new centres of production, particularly in the manufacturing industry: engineering, means of communication, electrical, chemical, timber, paper, defence, aircraft, automobile, etc.

In organization of trade and direct commercial relations with foreign countries, primarily the expansion of overseas trade with the support of the newly constructed port at Gdynia and a mercantile marine, increasing year by year.

In spite of difficult living conditions, Poland evidenced great demographic pressure, being among the countries with the largest natural increase of population, i. e. by some 8 million or 30% since the first official census taken in 1921. The industrialization of the country on a vast scale to counteract increasing unemployment, especially among the peasants, was therefore imperative. Another very important factor calling for a strong industry was the necessity for strengthening the bases of defence, in view of Poland's geographical situation. Under the influence of these considerations, some three years ago there was inaugurated a new period of economic development in Poland, that of planned industrialization and capital investment. The latter contributed largely to the growth of production and turnover, and to the general economic improvement.

Especially in the past year, the realisation of the public investment scheme and the consequent private investment movement had a decisive effect on Poland's growth in volume of activity in industry and trade, and increased employment and improved profits of economic processes, despite the fact that the economic trend in certain leading countries weakened, causing the situation in Polish agriculture to deteriorate and exports to shrink.

Polish economy undoubtedly found itself in 1938 influenced by the difficulties affecting economic life in general all over the world. This must be ascribed to the continued gravity of the political situation in Europe, which caused in the spring and autumn extreme tension and much anxiety. This brought about serious disquiet, particularly in finance: quotations collapsed on the foreign exchange markets, deposits fled from the banks, hoarding of gold increased, huge amounts of money were shipped from Europe to the U. S. A., exposing to danger the stability of currencies, which were all mainly responsible for the depreciation of the English

pound and the French franc. The situation in European countries was affected in the first half-year by the continued weakening of economic activity in the U. S. A., until a revival manifested itself there in the second half of the year. Signs of improvement in production were also notable in Europe by the end of the year, but not sufficient to offset the decline which had taken place in the previous year. The same phenomena were evident in foreign trade, which shrank as compared with 1937, while in the second half-year it was again on the upward grade. In view of the fact, however, that the check in the downward trend in most countries and the renewed improvement were largely due to the speeding up of armaments, there is reason to fear that the present recovery may not persist.

In Poland the adverse influence of political tension was also noticeable in money and credit conditions. In March and September it caused a sharp outflow of deposits from financial institutions. This necessitated, especially in the autumn, an expansion in credit activity by a larger use of the credit reserves of the Bank of Poland. The larger credit requirements were reflected also in an increase of industrial production and in a strong investment movement both public and private, owing to which the state of employed credits remained at a high level, while the total of deposits reached the previous level and even exceeded it. In addition to an outflow of deposits on two occasions and the growing demand for funds for production and capital investments, the weakening of capitalization last year was due to the deteriorating financial situation of agriculture which was badly hit by the sharply declining prices for agricultural produce on the international and domestic markets.

Due to increased investment activity, industrial production and sales showed an almost incessant upward movement, slowing down only temporarily in the second quarter of the year and in the autumn, and, as was the case a year before, the production of capital goods increased more rapidly than that of consumption goods. In the course of the year under review many industrial undertakings were brought into operation in the Central Industrial Area and other districts. Thanks to the growing turnover the profits of undertakings continued to improve, a fact which augmented business and investment activity. This was also responsible for a rise in quotations of industrial shares. The foreign trade balance was less favourable, exports having been restricted by sagging prices and difficult market conditions, while merchandise imports increased owing to the growing demand for means of production. The resulting deterioration in the balance of payments with foreign countries was responsible for a transient decline in the gold and foreign currency reserves of the Bank of Poland, which began to climb again by the end of the year, thanks to a favourable trade balance and the repatriation of Polish funds.

Generally speaking, last year witnessed a further strengthening of Poland's economy and the growing power of resistance of the economic development to the adverse influences of unsettled world conditions. It brought at the same time very important achievements in the field of foreign policy, such as the establishment of normal diplomatic and commercial relations with Lithuania, the reincorporation of the Transolzan and other Polish areas into the Republic of Poland. These events were also of great economic value, the reincorporation of densely inhabited and highly industrialized Silesia having enlarged considerably Poland's economic resources, particularly through the production of the two most important industrial raw materials: iron and coal.

The position of agriculture, in spite of better grain crops, was worse than in 1937., as the earnings of the farmers declined, due partly to the service of converted agricultural debt. The fall in prices of agricultural produce, caused by a drop on the international markets, heaviest in the second half of the year, was aggravated by the good grain crops. The crops of the chief

agricultural produce in 1938 amounted to (in brackets figures for 1937): wheat 21.7 million quintals (19.3 mil. q.), rye 72.5 million quintals (56.4 mil. q.), barley 13.7 million quintals (13.6 mil. q.), oats 26.6 million quintals (23.4 mil. q.), potatoes 345.6 million quintals (402.2 mil. q.) and sugar-beet 31.6 million quintals (32.5 mil. q.). The export prohibition applicable in 1937 and in the first quarter of 1938 to grain and milled products was rescinded in the spring when the supply of grain on the domestic market increased, while the necessity for counteracting the excessive decline in prices after the harvest required the restitution of customs drawbacks on grain to facilitate the export of the existing surplus. At the same time, as was the case in the previous years, credits were mobilized for loans against liens on grain and for intervention purchases. For the financing of these latter, a law imposed a special tax on milled products at the rate of Zl. 3 per 100 kg., to be levied when the prices of rye on the Warsaw Grain Market should stand for at least twenty days below Zl. 20 per 100 kg. In view of the fact that after the harvest the price of rye fell below that figure, the levy of the above tax was commenced on the 6th September, 1938. The receipts from this source gave to the State considerable funds for supporting grain prices on the home market and also gave a spurt to the export of grain and flour after the harvest. Exports of the four chief kinds of grain, and wheat and rye flour rose from 354,000 tons in 1937 to 419,000 tons in 1938, an increase of 18%. The value fell, however, by Zl. 3 million to Zl. 69 million. The great disparity between the prices ruling on the international grain markets and in this country, made it difficult for Poland to export grain in the first months after the harvest. Later on, however, the disparity eased considerably. As a consequence of intervention and increased exports the downward trend of grain prices in Poland was checked by the end of year. The price index for agricultural produce, which stood in the first half of 1938 at 50—52, and at 35.3 in November, rose to 35.8 in December.

The deterioration of the situation of grain production was to a certain extent compensated by an improvement in animal production due to increased home sales at higher prices. Exports of animal products rose considerably, rising in value by Zl. 30 million to Zl. 300.7 million, butter and eggs alone having increased by Zl. 18 million. The export of tinned meat (veal, beef and poultry), which is quite a new section in Poland's production, rose by 200%. The foot-and-mouth disease, which temporarily curtailed the turnover in cattle and dairy products, did not, however, cause any large losses to breeders, who report increasing earnings from year to year.

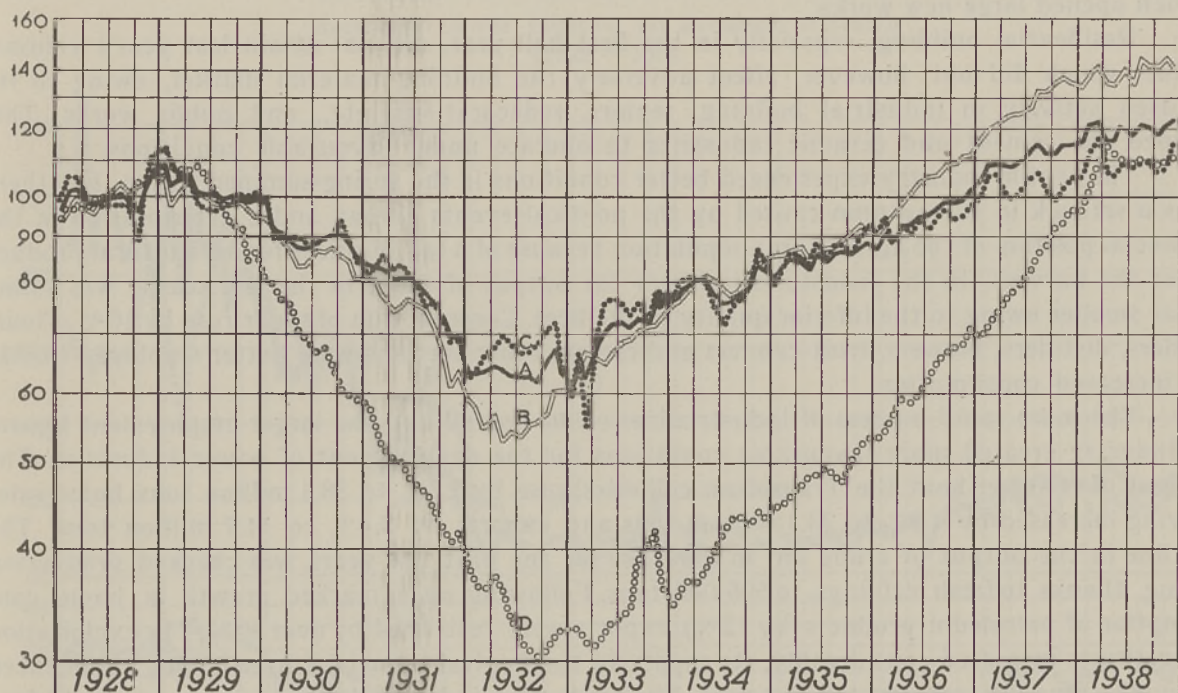
The improvement in industrial production in 1938 was also based mainly on the growing investment movement, particularly public investments in the defence industry and in basic economic equipment, such as roads, communications, power, building, agricultural ameliorations and others for the betterment of agricultural production and trade. Apart from public factors, increased investment movement was also shown by private initiative in the field of modernisation and expansion of existing industrial undertakings and of the construction of new factories. The efforts were mainly devoted to the Central Industrial Area, where factories and power plants already commenced were completed and the construction of new undertakings was begun. A part of these factories started operations in 1938.

Last year was characterised by a strong development of motorization. In addition to the existing assembling-works and factories of mechanically propelled vehicles there were created numerous industries ancillary to motorization. At the same time geological investigations were increased in search of minerals and other industrial raw materials. In certain industries, particularly in the textile industries, substitutes for a number of raw materials were more widely introduced and exploited, and industrialists devoted much attention to the manufacture of numerous other synthetic products.

With a view to encouraging capital investments and investigations (petroleum, ores, potassium salts, etc.), special laws introduced serious investment easements, particularly of a fiscal nature, amongst which mention should be made of a law dated 9th April, 1938, on investment easements constituting a codification of the easements for definitely specified investments and areas. This law also includes tax alleviations for purchasers of mechanically propelled vehicles. The abrogation of double taxation on the income of legal bodies will also exert a favourable influence on the revival of the share market and enhance the attractiveness of dividend bearing securities. In addition, on the basis of a clearing agreement with Germany, the State enabled private industrialists to purchase machinery for important amounts on credit for several years.

INDUSTRIAL PRODUCTION AND INVESTMENT INDICES

According to the Institute for Economic Research
(1928 = 100)



A General index of production
B Capital goods

C Consumption goods
D Machinery invested in industry and communication

The investment movement secured a high state of employment primarily for the capital goods industries, this index having risen by 10%, whereas that for consumption goods rose by 6.1% and that of production generally by 7.9%. The new general index, calculated by the Institute for Economic Research, rose from 110.7 in 1937 to 119.5 in 1938 (base 1928=100), the index of capital goods having risen from 127.3 to 140.0 and that of consumption goods from 102.7 to 109.0.

Among individual industrial sections of an investment nature, a marked increase in production was shown by the metallurgical industry. If one of the most urgent problems in 1937 was still the increase of the productive capacity of the iron and steel industry through new

capital investments, it found a solution in 1938, for a long time to come, through the reinforcement of existing factories by the Transolzan iron and steel works, now returned to Poland. The production of pig-iron rose by 34% to about 1 million tons and of steel by 6% to 1½ million tons. After a sharp increase in 1937, the output of domestic ores did not increase to the same extent since the purchase of necessary quantities of iron raw materials abroad at considerably lower prices than in the previous year encountered no difficulties. The zinc industry operated under less favourable conditions, the export markets for spelter having been dull. The production index in metal manufacturing and engineering industries rose by 15% and that of the electrical industry by 21%. The chemical industry augmented considerably the number of products, contributing thereby towards making Poland more and more independent of imports both of semi-finished and finished products. The production of artificial cellulose fibres improved considerably. At the same time the industry started production of new substitutes: casein-wool and synthetic-rubber. The increase in the production of paper and artificial threads created favourable conditions for the development of the cellulose industry, which opened large new works.

Residential building, especially in the first half-year, did not attain last year's volume, a fact which did not, however, affect adversely the building material market, owing to increased activity in industrial building, repairs, redecorations, etc., and public works. This helped the cement and ceramic industries to operate under favourable conditions.

The textile industry experienced better conditions in the spring-summer season, but there was a setback in the autumn caused by the political events abroad and a deterioration in the financial position of the agricultural population because of a fall in prices for agricultural produce after the harvest. In the foodstuffs industry the output of sugar in the last season was somewhat smaller owing to the inferior quality of the beet. Consumption of sugar rose by 10%. Flour-millers, distillers, brewers, fruit-canners and certain other sections were better employed thanks to increased consumption.

The more rapid process of industrialization in Poland and the larger employment figures of industry created more favourable conditions for the development of power industries. The output of coal (without the Transolzan collieries) rose by 5.2% to 38.1 million tons, home sales having increased by 4.6% to 23.1 million tons and exports by 3.4% to 11.7 million tons. The decline in the output of crude oil, in evidence for the past few years, was checked, production rising, thanks to fresh drillings, to 506,000 tons. Following on a marked growth in home consumption of petroleum products (by 12%), exports were restricted by over 50%. The exploitation of earth-gas increased considerably, its supply to the Central Industrial Area having commenced through a pipe-line constructed last year. The production index of electric energy rose by 10.6%.

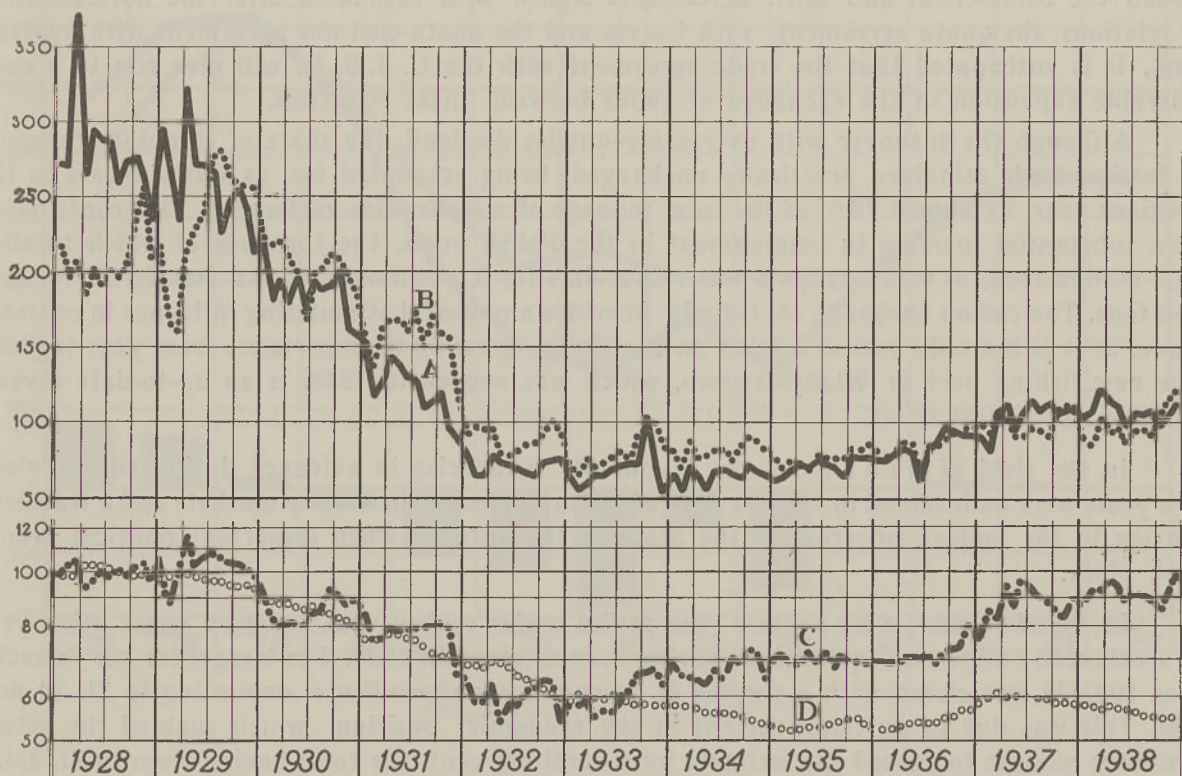
Following on increased production and turnover, the profits of industrial activity encouraged the creation of new undertakings, which may be seen from the number of licences purchased in 1938, the total having risen by 20,000 to 272,000. The increase in the consumption of industrial articles by the agricultural population showed, particularly in the second half of the year, a setback owing to a collapse in the profits of grain production. On the other hand, consumption by the urban population showed a marked increase due to a larger number of persons employed and a rise in salaries and wages with a simultaneous decline in the cost of living. Prices for merchandise showed a downward trend under the influence of falling world prices, especially for grain. The wholesales price index dropped between December, 1937, and December, 1938, from 58.1 to 55.0 (1928=100), agricultural articles having fallen from 52.3 to 47.7 and industrial articles from 59.6 to 57.3. The total of payrolls increased, salaries and wages having been raised in many industrial sections and the number of employed

increased. Employment in mining, smelting and large and medium industrial undertakings, inclusive of public utility undertakings, reached 900,000, an increase of 50,000 on the previous year. This, supported by intensive public works, led to a decline in the number of registered unemployed, the total being lower than a year before.

The general revival in business activity, caused by investments and increased production and consumption, created a field for the establishment of new commercial undertakings, whereby emphasis should be laid on the Polonization of this section of economic life. There was a rush to trade, especially in small business, by the agricultural population, which, on the one hand, may lead to a more rapid Polonization of trade, and, on the other, to an improvement in the situation of the partially or wholly unemployed rural inhabitants. As a result certain categories of trade and production co-operatives showed some development. The number of licences purchased in 1938 by trading firms rose by several thousands to 462,000.

INDICES OF TURNOVER AND PRICES

According to the Institute for Economic Research
(1928 = 100)



A Imports (in millions of zloty) C Index of railway loadings
B Exports (in millions of zloty) D Index of wholesale prices

Increased investments and industrial activity exerted a favourable influence on the foreign trade turnover, necessitating increased imports of raw materials and machinery. In view of the fact that exports were attended by difficulties, owing to a weakening in business conditions and turnover combined with falling prices, the foreign trade balance showed a deficit of over Zl. 115 million. The value of Polish imports amounted in 1938 to

Zl. 1,300 million, an increase of Zl. 50 million, as compared with 1937. On the other hand, exports fell by Zl. 10 million to Zl. 1,185 million. On the import side, there were increases in machinery, implements, automobiles and certain industrial raw materials. On the export side, there were increases in coal, agricultural produce and iron and steel. The increase in the exports of coal, iron and steel was most marked after the reincorporation of the Transolzan area into Poland. In contrast to several past years, last year witnessed a decline in the trade turnover with non-European countries, the result being an adverse trade balance of about Zl. 260 million. This was due mainly to a substantial falling-off in exports to the United States, with imports of raw materials from that country larger in volume than in 1937. On the other hand, the exchange of goods with European countries increased, based largely on clearing agreements, which constituted some 35% of the total value of the turnover. The first place, both in imports and exports, was held by Germany, with whom a commercial agreement was signed in the middle of 1938, on the basis of which both contracting parties will increase merchandise turnover by approximately the amount of goods stipulated in the Polono-Austrian agreement. England takes the second place in Poland's foreign trade, though this year there were decreases in both exports and imports. Amongst the remaining agreements signed in 1938 there should be mentioned the commercial and tariff agreements signed with Lithuania after the normalization of relations, the quota agreements with Latvia and the quota-customs agreement with Switzerland. It is anticipated that the trade agreement with the U. S. S. R. will give rise to a considerable expansion in the exchange of goods between these countries.

Although the turnover with overseas countries declined, the share of shipping transport in foreign trade remained practically unchanged, being accounted for, as was the case in the previous year, by almost 78% of the total tonnage of merchandise exchanged. This contributed to a substantial increase in employment in the Polish ports, the turnover of which totalled 16.3 million tons, of which Gdynia was responsible for 9.2 million tons and Danzig for 7.1 million tons. The cotton exchange at Gdynia provides a powerful stimulating influence in overseas trade, as it is the only cotton market on the Baltic, growing in importance from year to year. The new fishing port at Władysławowo, which was opened in 1938, is an up-to-date investment on the Polish coast.

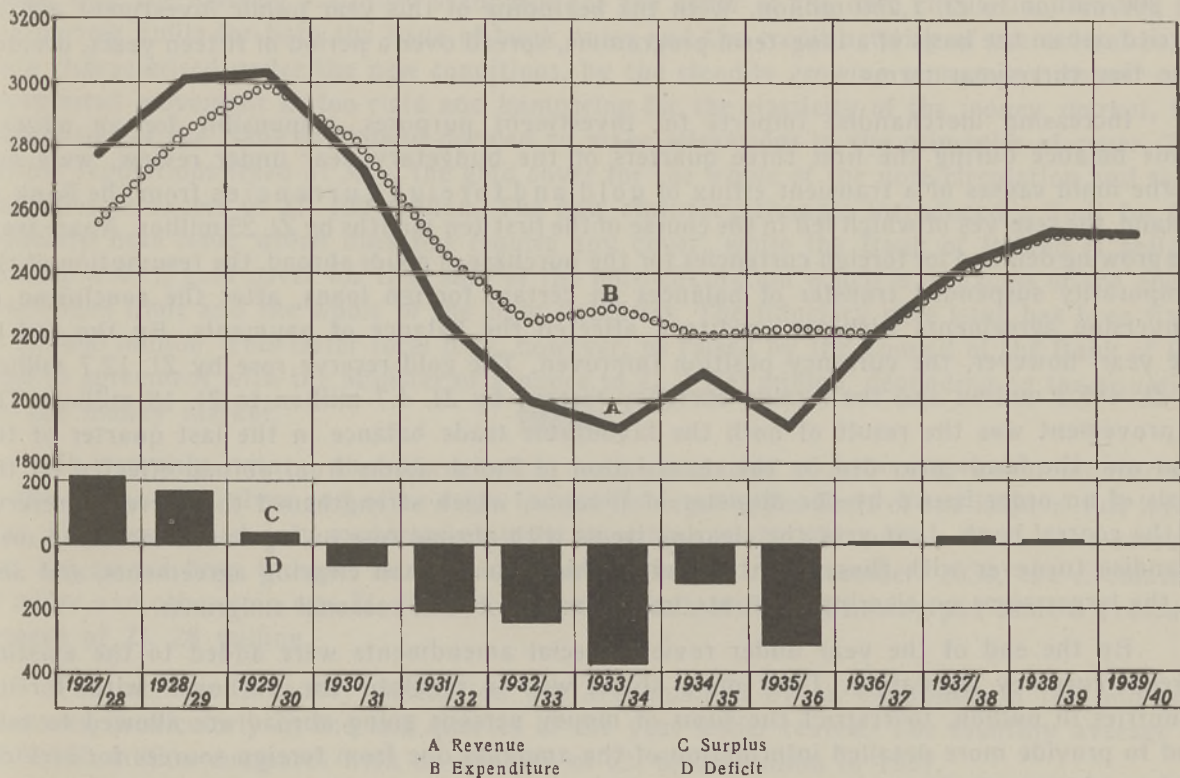
In the field of finance the favourable tendencies in evidence during the previous two years were maintained in 1938 in spite of disturbances on the money markets and a transient tension in the budget situation of the State in the autumn when important political events took place.

In the fiscal economy the period under review was the third consecutive year of a balanced budget, an equilibrium having been attained in 1936. The budget for the financial year 1937/38 was closed with a surplus of revenue over expenditure amounting to Zl. 24 million. This was due to an improvement in the economic position which enabled the actual Treasury receipts to exceed the estimate by several per cent, the total having risen to Zl. 2,426 million and expenditure to Zl. 2,402 million. The budget for the financial year 1938/39, as voted by the Legislative Houses, provided revenue and expenditure at Zl. 2,475 million. The receipts for the first three quarters (April—December, 1938) amounted to Zl. 1,826.8 million, showing, as compared with the equivalent period of the previous year, an increase of Zl. 66 million, or 4%. Increases in revenue were obtained from Public Taxes (with the exception of Customs), Monopolies and Administration, while there was a marked fall in the receipts from State Undertakings. The increase in expenditure, which was also due to larger requirements

in connection with the reincorporation and taking under administration of the Transolzan area, was, however, sharper than that in revenue. As a result the above period was closed with a slight surplus of revenue amounting to Zl. 1.8 million, as against Zl. 11.2 million a year before.

The State budget for the year 1939/40 closes on both the revenue and expenditure sides with a total of Zl. 2,526 million, showing a comparatively small increase amounting to Zl. 50 million on the year. According to the tendency of receipts during the new budget year, it is anticipated that the income from certain Public Taxes, Duties and State Monopolies, thanks to improved turnover and profits, will show an appreciable increase. Smaller amounts were assessed from State Undertakings, chiefly the railways and posts, which, owing to immense investment works, will have less to pay to the Treasury.

THE STATE BUDGET (In millions of zloty)



The State Debt on the 1st October, 1938, amounted to Zl. 4,973.9 million. This figure shows an increase of Zl. 210.9 million, as compared with the total at the same date in the preceding year. The Internal Debt on that date totalled Zl. 2,458.7 million, an increase of Zl. 327.4 million during the year. This was due both to new loans raised by the State Treasury and the conversion of bonds of foreign dollar loans held in Poland into a 4½% Internal Loan. The Foreign Debt, in spite of new commitments totalling some Zl. 80 million, fell by Zl. 116.5 million to Zl. 2,515.2 million, owing to repayments and a decline in the rate of exchange of those foreign currencies in which the loans were expressed. After the lowering of the rate of

interest on the converted foreign bond loans and a simultaneous lengthening of the periods of repayment of the capital thereon, the burden of the service of the Foreign Debt diminished considerably. In 1938, there were concluded conversion agreements including the 6% Dollar Loan of 1920, a portion of the 7% Stabilization Loan, the 8% Dillon Loan, the 7% Silesian Loan and the 7% Loan of the City of Warsaw. The interest on all these loans was reduced to 4½%. On the other hand, expenditure on the service of the Internal Debt rose appreciably, this Debt having increased mainly by borrowing for capital investment purposes.

For the financing of the public capital investment scheme in the budgetary year 1938/39, the State Treasury provided Zl. 1,063 million, or Zl. 70 million more than in 1937/38 and twice as much as in 1936/37. This sum comprises both budgetary and ex-budgetary expenditure on State programmes, based on special laws, and also on capital investments carried out by State undertakings and funds separated from the general administration, self-governments and insurance establishments. The investment programme for the budgetary year 1939/40 foresees an increase in expenditure from the above sources by about Zl. 200 million to Zl. 1,250 million. With the beginning of this year public investment will be carried out on the basis of a long-term programme, spread over a period of fifteen years, divided into five three-year terms.

Increasing merchandise imports for investment purposes, responsible for an adverse trade balance during the first three quarters of the budgetary year under review, were one of the main causes of a transient efflux of gold and foreign currencies from the Bank of Poland, the reserves of which fell in the course of the first ten months by Zl. 25 million. Apart from the growing demand for foreign currencies for the purchase of goods abroad, the resumption of the temporarily suspended transfer of balances on certain foreign loans, after the conclusion of conversion agreements with the creditors, affected the balance of payments. By the end of the year, however, the currency position improved. The gold reserve rose by Zl. 12.7 million to Zl. 445.2 million and the foreign currency reserve by Zl. 4.7 million to Zl. 18 million. The improvement was the result of both the favourable trade balance in the last quarter of the year and the funds provided by the repatriation of Polish assets from abroad effected on the basis of an order issued by the Minister of Finance, which strengthened the currency reserve of the central bank. Last year the clearing items with abroad rose owing to the increased merchandise turnover with those countries with which Poland had clearing agreements, and also to the larger sums on clearing accounts transferred by Polish seasonal emigrants.

By the end of the year under review special amendments were added to the existing foreign currency legislation. Their main object was to regulate the turnover with foreign countries in bullion, to restrict the sums of money persons going abroad are allowed to take and to provide more detailed information of the amounts due from foreign sources for services and goods exported.

After the reincorporation of Transolzan Silesia into Poland, the Polish currency in that area became the sole legal tender on the 18th October, 1938, while in the remaining areas of former Czechoslovakia which returned to Poland, Polish currency was introduced as legal tender in November and December, respectively. The Czechoslovak currency in circulation was exchanged at the rate of Zl. 16 per 100 korunas and this rate was fixed for all other purposes.

The circulation of money was increased under the influence of one significant development after another on the money market, particularly the efflux of deposits, witnessed

twice in the course of the year under review, and the growing demand for working funds in connection with a revival in economic and investment activity. The circulation of money showed a sharp increase in March, the efflux of deposits having compelled the financial institutions to employ more extensively the credits in the Bank of Poland, which had necessitated increasing the note circulation. The increase in the circulation of silver and other coin was not so pronounced. The circulation of money reached its apex of over Zl. 2,000 million at the close of September, i. e. during the final stage of the second outflow of deposits from the banks, caused by the unfavourable turn in European politics. Towards the end of the year, in connection with the reflux of deposits to the banks, the circulation of money fell to Zl. 1,866 million at the end of December, 1938. This figure shows, however, an increase of Zl. 369 million, as compared with the previous year. The whole increase was in the note circulation, which rose from Zl. 1,059 million to Zl. 1,406 million. As a result of these changes the gold cover of the note circulation and the sight liabilities of the Bank of Poland fell temporarily during the September developments and at the end of the year below the statutory limit, which is 30 %. When it was found that the existing statutory standards for the cover of the note circulation, leaving far too narrow limits for both the issue of bank notes and the credit activity of the central bank, were characterised under the new conditions, by the steadily growing economic turnover and investment movement as too rigid and hampering for the elasticity of the money market, the authorities of the Bank of Poland decided to make alterations in the principles of cover. The former regulations fixed at 30 % the gold cover for the whole of the note circulation and sight liabilities in excess of Zl. 100 million. The new statutory changes introduced a limit for the fiduciary note issue which does not require any cover, while the Bank of Poland is obliged to keep a 40 % gold cover for that sum of the note circulation which is in excess of the above mentioned limit and the whole of the sight liabilities. The fiduciary note issue has been fixed at Zl. 800 million. This latter total may, however, be raised by the Council of the Bank of Poland in agreement with the Minister of Finance to Zl. 1,200 million, depending on the situation on the money market.

Bibl. Jag.

It was only natural that the growing note circulation should bring about an increase in the demand for silver and other coin. Indeed the legal upper limit of the issue of this latter was, however, raised only moderately by Zl. 19 million to Zl. 490 million. The entire amount has not as yet been brought into circulation. At the end of December, 1938, the circulation of silver and other coin was Zl. 460.2 million, the Bank of Poland having put aside a Treasury reserve of Zl. 28 million.

The increase in money circulation was accompanied by an expansion in the non-cash turnover, particularly in the last quarter of the year under review. The monthly average of Zl. 6,850 million compares with an average of Zl. 6,067 million in 1937.

The reforms achieved in the monetary system created substantial reserves for the money market, extending the volume of credit activity for the growing requirements of production, distribution and capital investments. Whereas in 1937 a sharp growth of deposits with a far smaller expansion in credit activity provided marked liquidity to the money and credit market, the increasing demand for working funds and credit for investment purposes from economic life and public investors in 1938 was responsible for a considerable weakening in the process of lodging monetary deposits in the banks, at the same time necessitating additional credit

activity. To a certain extent, the aggravation of the financial position of agriculturists, caused by the fall in prices for agricultural produce and the increased burden of the debt service, also reacted in the same direction.

DEPOSITS IN FINANCIAL INSTITUTIONS
(In millions of zloty)

| I n s t i t u t i o n | 1935 | 1936 | 1937 | 1 9 3 8 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | 31.XII | 31.XII | 31.XII | 31.III | 30.VI | 30.IX | 31.XII |
| National Economic Bank | 299.3 | 393.8 | 563.8 | 576.6 | 525.3 | 460.4 | 513.3 |
| State Land Bank | 107.6 | 130.1 | 176.0 | 167.9 | 157.5 | 141.0 | 170.9 |
| Communal banks | 77.9 | 72.2 | 74.8 | 79.1 | 79.4 | 73.1 | 82.1 |
| Joint-stock banks ¹⁾ | 483.6 | 494.0 | 586.6 | 596.3 | 615.6 | 578.9 | 653.0 |
| Branches of foreign joint-stock banks | 46.7 | 62.7 | 61.6 | 67.7 | 79.2 | 65.5 | 75.2 |
| Post Office Savings Bank | 881.7 | 895.7 | 1,037.3 | 1,006.5 | 1,017.7 | 928.1 | 1,094.0 |
| Savings banks | 711.3 | 720.5 | 829.9 | 849.0 | 870.1 | 772.1 | 884.5 |
| Credit co-operatives ²⁾ | 270.1 | 264.1 | 295.7 | 304.5 | 322.7 | 307.1 | 322.4 |
| Total . . . | 2,878.2 | 3,033.1 | 3,625.7 | 3,647.6 | 3,667.5 | 3,326.2 | 3,795.4 |
| National Economic Bank: | | | | | | | |
| Treasury deposits | 540.0 | 441.0 | 375.1 | 368.5 | 378.2 | 386.5 | 369.8 |
| State Land Bank: | | | | | | | |
| Treasury deposits and Government funds administered by the Bank | 646.4 | 673.3 | 738.8 | 748.3 | 750.1 | 762.7 | 760.8 |
| Total . . . | 1,186.4 | 1,114.3 | 1,113.9 | 1,116.8 | 1,128.3 | 1,149.2 | 1,130.6 |
| Grand total . | 4,064.6 | 4,147.4 | 4,739.6 | 4,764.4 | 4,795.8 | 4,475.4 | 4,926.0 |

In addition to economic factors, the weakening in the accumulation of deposits was due to international anxieties which brought about heavy withdrawals of balances on two occasions, reaching the maximum in September, as the European political outlook became critical. Thanks to the fact that the requisite liquid resources were made immediately available, the banking machinery was able to fulfil irreproachably its numerous and complicated tasks connected with the control of deposits and credit. The full favourable effect of this was felt when the acute international conflict was settled, money having commenced to flow back to the banks in the last quarter of the year. At the end of December, 1938, the total of deposits was Zl. 170 million above the figure for the same date in 1937. It was also considerably larger than on the day when the September withdrawals commenced. The ratio of savings deposits to the total of bank deposits showed practically no change, as compared with 1937, amounting at the end of 1938 to 55%. This was due to the fact that the substantial increase in bank balances on savings accounts was offset by a rise in balances on cheque accounts in the Post Office Savings Bank. A comparison of the state of deposits in State banks with that in private banks showed a material change in favour of the latter. If the Post Office Savings Bank, in which deposits

¹⁾ Including larger banking houses.

²⁾ Including the Central Credit Institute of Agricultural Co-operatives.

rose, is left out of consideration for purposes of comparison, the total of deposits in State banks fell by Zl. 55.6 million, while in joint-stock banks, inclusive of the branches of foreign banks, it rose by over Zl. 80 million.

CASH CREDITS
(In millions of zloty)

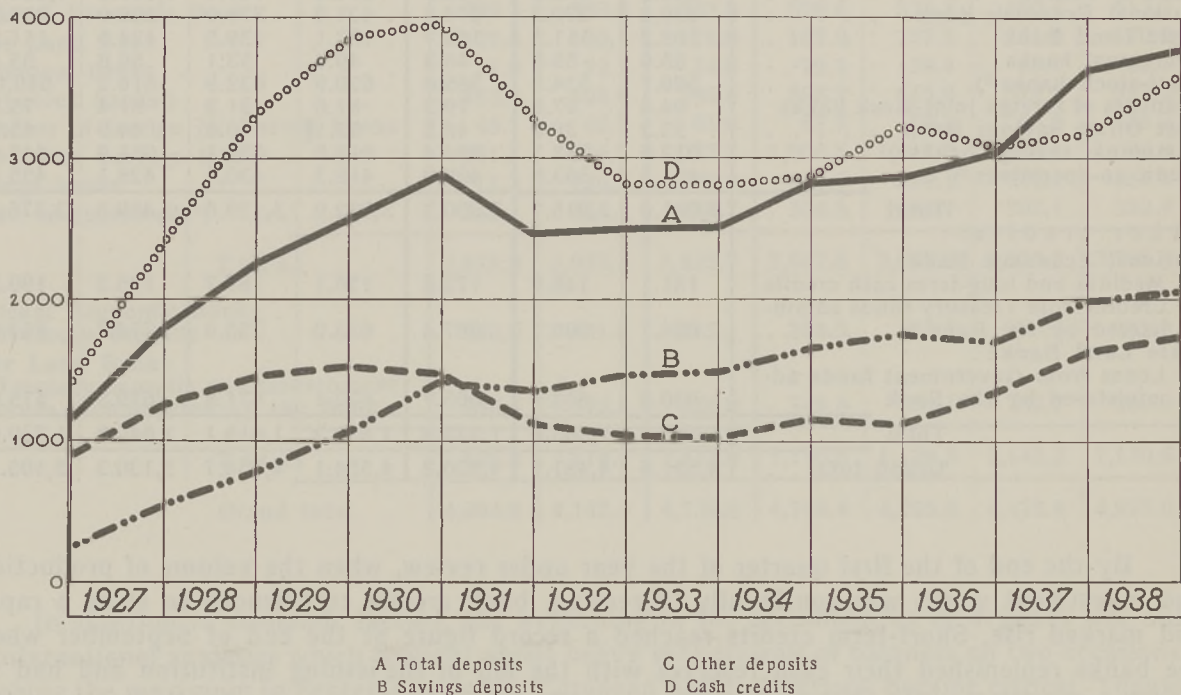
| Institution | 1935 | 1936 | 1937 | 1 9 3 8 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | 31.XII | 31.XII | 31.XII | 31.III | 30.VI | 30.IX | 31.XII |
| Short-term credits: ¹⁾ | | | | | | | |
| Bank of Poland | 866.2 | 855.6 | 708.5 | 671.3 | 741.4 | 1,167.0 | 1,024.6 |
| National Economic Bank | 239.3 | 270.3 | 370.4 | 427.2 | 378.0 | 326.9 | 333.3 |
| State Land Bank | 108.2 | 111.5 | 146.7 | 133.1 | 139.5 | 124.3 | 111.5 |
| Communal banks | 65.6 | 55.6 | 48.3 | 49.4 | 53.1 | 59.8 | 55.4 |
| Joint-stock banks ²⁾ | 569.7 | 534.9 | 585.0 | 620.9 | 632.9 | 616.2 | 649.0 |
| Branches of foreign joint-stock banks | 94.8 | 97.9 | 79.3 | 81.6 | 91.2 | 81.4 | 75.1 |
| Post Office Savings Bank | 33.3 | 38.0 | 48.5 | 53.1 | 40.6 | 44.9 | 45.9 |
| Communal savings banks ³⁾ | 612.6 | 588.3 | 604.4 | 618.0 | 632.1 | 631.9 | 645.4 |
| Credit co-operatives ³⁾ | 451.3 | 363.6 | 409.0 | 418.3 | 430.8 | 428.1 | 435.1 |
| Total | 3,041.0 | 2,915.7 | 3,000.3 | 3,072.9 | 3,139.6 | 3,480.5 | 3,375.3 |
| Other credits: | | | | | | | |
| National Economic Bank: | | | | | | | |
| Medium and long-term cash credits | 181.1 | 146.8 | 172.8 | 176.1 | 187.7 | 195.3 | 190.5 |
| Credits from Treasury funds administered by the Bank ⁴⁾ | 698.7 | 766.7 | 687.4 | 633.0 | 755.9 | 774.7 | 863.6 |
| State Land Bank: | | | | | | | |
| Loans from Government funds administered by the Bank | 630.8 | 652.5 | 665.7 | 672.1 | 671.5 | 679.8 | 675.9 |
| Total | 1,510.6 | 1,566.0 | 1,525.9 | 1,481.2 | 1,615.1 | 1,649.8 | 1,730.0 |
| Grand total | 4,551.6 | 4,481.7 | 4,526.2 | 4,554.1 | 4,754.7 | 5,130.3 | 5,105.3 |

By the end of the first quarter of the year under review, when the volume of production and investment works was continually increasing, bank credits commenced to show a rapid and marked rise. Short-term credits reached a record figure at the end of September when the banks replenished their cash reserves with the aid of the issuing institution and had to face heavy withdrawals of deposits. Total credits from the banks own funds, leaving aside rediscounts, diminished at the same time. When the money commenced to flow back to the banks, large amounts passed to the Bank of Poland for the repayment of credits. Nevertheless total short-term credits at the end of 1938 were some Zl. 375 million larger than a year before, of which about 85% fell to the central bank. The state of short-term credits in the State banks decreased in proportion to the movement in deposits, while the credit activity of the joint-stock banks, communal banks and savings banks increased. The credit co-operatives expanded their credit activity to a smaller extent. In the field of organising credit assistance for the smaller manufacturing workshops and trading businesses much activity was shown by the Christian banks granting credits free of interest. The number of these rose considerably. The State banks,

- ¹⁾ Exclusive of rediscount operations and discounted acceptances of the Acceptance Bank.
- ²⁾ Banks and larger banking houses.
- ³⁾ Inclusive of mortgage loans. Credit co-operatives including the Central Credit Institute of Agricultural Co-operatives.
- ⁴⁾ Together with special accounts.

on the other hand, increased medium-term and long-term cash loans and credits from Government funds administered by them. This is closely bound up with the growing credit requirements for carrying out the capital investment programme. For this purpose the State banks utilized a large proportion of rediscount credits in the issuing institution, while the private banks used a smaller proportion of this credit reserve. The banks also reduced their indebtedness towards foreign bankers by over Zl. 20 million.

STATE OF DEPOSITS AND CREDITS
Without Treasury deposits and administered funds
(In millions of zloty)



If the periods of tension affecting the money market by the withdrawal of deposits are omitted, the banks operated in 1938 under more favourable conditions than in the previous year, showing a broadening of both turnover and profits from which banking shares derived considerable benefit. The lowering of the interest rate on deposits on two occasions in 1937 provided cheaper money for credit institutions in 1938. In connection with the growing credit requirements the conditions for lodging funds and the full employment of working funds improved. Under the influence of a falling-off in the liquidity of the money market, the ratio of protested bills of exchange to the total number presented for payment rose slightly. There could also be observed a tendency to lengthen the periods for which the bills of exchange were drawn. On the whole, however, solvency in industry and commerce showed no marked change for the worse and the year under review passed without any serious collapses or bankruptcies of existing enterprises. On the other hand, the payment of debts by agriculturists was accompanied by difficulties, especially after the sharp decline in grain prices in the second half of the year.

Although loanable funds were less abundant on the money market than in 1937, the position in the security market improved in 1938, which was primarily reflected

in a sharp rise of prices of securities. The political events in Europe in March and September and the accompanying collapses on the World Stock Exchanges caused a temporary profusion in the supply of securities. These influences were, however, moderate and short-lived, especially in shares, which appreciated in value almost continually throughout the whole of the year. The improvement in the financial status of companies and the anticipated rise in dividends, as well as the low prices of shares in proportion to the actual value of enterprises, brought about a broadening interest in securities and a hesitancy to sell them. Total turnover on the Warsaw Stock Exchange rose from Zl. 108.6 million in 1937 to Zl. 109.8 million in 1938, the slight decrease in dealings in State bonds having been more than offset by increases in the transactions in mortgage bonds and debentures of State banks and credit societies and also in shares.

A notable development disclosed by the Institute for Economic Research is that the quotations of securities improved in 1938, as compared with 1937, the indices for the 10 leading fixed-interest securities having risen from 84.1 to 100.6, i. e. about 20% and those for the 9 leading industrial shares from 31.9 to 43.5, i. e. 36. % (base 1928=100). In the group of fixed-interest securities, Government bonds and bonds of long-term credit institutions appreciated, which reduced the interest actually realised and thereby also the cost of long-term credits. The financial foundations of the credit societies showed a further strengthening. The 5½% mortgage bonds and debentures of the State banks stood at 81 for 100. The 6% bank debentures of the National Bank Economic were dealt in at 97 for 100. The total turnover in fixed-interest securities on the Warsaw Stock Exchange fell from Zl. 95 million in 1937 to Zl. 93.2 million in 1938, transactions in Government bonds having declined by Zl. 6 million to Zl. 61.2 million. The turnover in mortgage bonds and debentures of the State banks and credit societies rose by Zl. 4 million to Zl. 32 million. In November a Presidential Decree commanded the conversion of those mortgage bonds and debentures yielding high interest which have hitherto not been liable to conversion in virtue of the law of 1932. The interest rate on these securities, varying between 8% and 6%, as well as the interest on the loans backing the aforesaid securities was reduced to 5½% and to 4½% for the bonds of the Land Credit Society of Warsaw. Owing to the completion of the conversion, a large number of various types of securities and varying rates of interest was reduced to a few types, and the interest was better adjusted to the present conditions.

In the course of the year under review attention was chiefly focussed on industrial issues, while there was less activity in Bank of Poland shares. The remaining bank shares were only infrequently quoted and the turnover aggregated Zl. 500,000. The total turnover in shares on the Warsaw Stock Exchange in 1938 amounted to Zl. 16.6 million, an increase of Zl. 3 million or 23% on the previous year. The prices of all interest bearing securities rose, metallurgical issues having shown the most appreciable improvement on balance.

The improvement in investment activity was accompanied by a rise in the amount of capital issues of newly established companies. In 1938, the paid-up capital of 57 newly created joint-stock companies aggregated Zl. 66 million, as compared with Zl. 11 million and 17 enterprises in 1937. On the other hand, in 1938 the capital of the existing joint-stock companies was increased by Zl. 42.5 million, as against Zl. 111.6 million a year earlier. At the same time the existing companies reduced their capital by Zl. 18.6 million and Zl. 60 million, respectively.

In the course of the year under review the volume of new issues of the long-term credit institutions was in excess of that in 1937. The National Economic Bank introduced on the Stock Exchange a new medium-term security destined for financing industrial investments, namely 6% bank debentures for a total amount of Zl. 7.9 million, redeemable within seven

and a half years. The Bank also issued in 1938 Zl. 38.2 million 6% mortgage bonds and building debentures for the conversion of building loans granted from the State Building Fund. The 4½% issues of the State Land Bank aggregated Zl. 3 million. The issue of Zl. 12.9 million 5% mortgage bonds by the Urban Credit Society of Warsaw marked the recommencement of borrowing on a larger scale. Apart from this, other private institutions and communal banks issued Zl. 30 million mortgage bonds and debentures mainly for conversion purposes. With this end in view the Acceptance Bank also issued Zl. 15.3 million bonds, as compared with Zl. 18.4 million in 1937. Owing to the fact that the total new issues were in excess of the amount of the securities of long-term credit institutions redeemed in 1938, the circulation of the securities of corresponding types rose from Zl. 1,973.9 million in 1937 to Zl. 2,015.7 million at the end of 1938.

The new issues of the State Treasury were chiefly destined for the consolidation of certain items of the Public Debt and a further conversion of dollar loans: the 4% debentures of the Consolidation Loan, amounting to Zl. 94.8 million, and the 4½% debentures of the Internal Loan, amounting to Zl. 65.7 million. The total of this latter loan fixed at Zl. 312.8 million, indicates considerable repatriation of Polish foreign loans. The new commitments of the State Treasury in debentures totalled Zl. 52 million, as a result of the increase of the issues of the 4% Gold Rente by Zl. 35.8 million and of the 3% Land Rente by Zl. 16.2 million. The State Treasury also issued scrip mainly for financing public investment programmes for a considerably larger amount than in 1937.

* * *

Last year was a very favourable period for Poland's national economy. A notable development was the constructive activity in industrialisation which, particularly in recent years, has indicated the direction for Poland's economic policy. The first stage of the investment programme and industrial equipment as well as of the reinforcement of bases of defence, is nearly completed. Thanks to an improvement in economic conditions and an increased inflow of funds, the realisation of the programme has been shortened by one year. The carrying out in full of the works proposed three years ago created a basis for the drafting of an extensive, long-term programme, calculated for fifteen years in advance, to be realised in five three-year periods. In the new budgetary year was commenced the realisation of the works foreseen in the scheme for the first three-year period, the main objects being the expansion and improvement of the defence industry. Poland commenced these works strengthened both by the economic value of the Transolzan area and the economic achievements of the past year. The investment works outlined for the near future, opening a vast field of activity for private initiative, also created favourable prospects for the development of industry and trade in the current year. On the other hand, international economic tendencies were not so favourable, a fact which had already last year adversely affected agriculture in and merchandise exports from Poland. In the near future investments and growing industrial production will require increased imports of industrial raw materials and means of production. The foreign currency situation will, however, at the same time necessitate increased exports and broader access for Polish goods, primarily to those countries benefiting from Poland's increased buying. Above all is the need for easier access for Poland to raw materials of primary importance for investments and for the industrialisation of the country.

II.

ACTIVITY OF THE NATIONAL ECONOMIC BANK.

A SURVEY OF FIFTEEN YEARS' WORK OF THE BANK.

The year under review is the fifteenth financial year in the activity of the National Economic Bank. The creation of this institution at the time of the first currency reform and settlement of public finances after the prolonged inflation was one of the prime factors in the country's recovery from the negligence of the partitioning powers and the damage caused by the war and its consequences, as well as in the adjustment of Poland's economic structure to the needs of the restored State. In view of the great demand for and lack of private capital, this task was entrusted to the National Economic Bank, which, in its capacity of State institution, must centralise public financial assistance for all important branches of production and exchange from the general economic and social point of view.

Apart from the long-term and short-term credit activity, carried on in accordance with the Statutes and destined primarily for the meeting of social and economic needs, the Bank fulfils its part as an instrument of the financial and economic policy of the State within precisely fixed limits. This activity is based on funds and means supplied or secured by the Treasury to the Bank.

In the course of the past fifteen years the activity of the Bank has shown a strong and rapid rate of development in the above mentioned fields. It slowed down only partly during the great economic depression of the years 1931—1934. The most notable indication of the progress is the marked expansion in credit operations, the state of which rose from Zl. 75 million in the first balance sheet as per 31st May, 1924, to Zl. 2,360 million at the end of 1938. This total shows the importance of the National Economic Bank in Poland's economic life, indicating at the same time that amongst the financial institutions in Poland the Bank is the largest supplier of credit.

Foremost in the credit activity of the Bank comes the long-term credit. This, demanding by its natural character capital which might be permanently lodged and then used for financing investment processes, is primarily based on money obtained from the sale of mortgage bonds and debentures issued by the Bank. The total long-term issue credit granted by the Bank during the past fifteen years amounted to Zl. 1,150 million. The greatest part of these issues were floated at home and the balance abroad. The domestic buyers of these issues were the institutions receiving savings deposits and those managing the funds from compulsory capitalization processes and also private individuals.

All the available sources of the investment market were utilized for raising funds for long-term credit and it is remarkable that under the existing conditions considerable amounts of money were obtained, especially in view of the generally universal post-war reluctance of

investors to place money on long-term. The controlled market, consisting mainly of the Post Office Savings Bank and public legal insurance companies, played an important though not the sole part therein. This may be seen from the fact that at the end of 1937, of the Bank's issue in circulation, amounting to Zl. 936 million, the above institutions held Zl. 660 million, the balance being in the hands of other financial institutions and both domestic and foreign private investors. The funds obtained from the sale of mortgage bonds and debentures went to augment the Bank's resources distributed in long-term credits required for the investment needs of the country, which were most urgent and essential from a general economic point of view. Apart from the loans in mortgage bonds and debentures, the Bank also granted long-term and medium-term cash loans, in which the credits from the funds supplied or secured by the State Treasury to the Bank played the principal part. The total of these credits at the end of 1938 reached Zl. 1,054 million, without short-term credits which attained a balance sheet total of Zl. 370 million.

The position of the credits of the Bank at the end of the years 1924 to 1938, divided into cash and issue loans, is given below (after allowing for amortization) in millions of zloty:

| Year | Cash credits | | Total | % of total | Issue credits | % of total | Grand total of credits |
|------|----------------------------|-----------------------------------|-------|------------|---------------|------------|------------------------|
| | General Banking Section *) | Treasury funds admin. by the Bank | | | | | |
| 1924 | 94 | 2 | 96 | 59 | 67 | 41 | 163 |
| 1925 | 138 | 128 | 266 | 62 | 165 | 38 | 431 |
| 1926 | 171 | 269 | 440 | 68 | 206 | 32 | 646 |
| 1927 | 279 | 357 | 636 | 62 | 391 | 38 | 1,027 |
| 1928 | 361 | 386 | 747 | 56 | 584 | 44 | 1,331 |
| 1929 | 395 | 414 | 809 | 55 | 663 | 45 | 1,472 |
| 1930 | 426 | 589 | 1,015 | 58 | 735 | 42 | 1,750 |
| 1931 | 442 | 642 | 1,084 | 58 | 792 | 42 | 1,876 |
| 1932 | 405 | 618 | 1,023 | 55 | 838 | 45 | 1,861 |
| 1933 | 387 | 651 | 1,038 | 56 | 823 | 44 | 1,861 |
| 1934 | 449 | 626 | 1,075 | 57 | 807 | 43 | 1,882 |
| 1935 | 470 | 699 | 1,169 | 60 | 793 | 40 | 1,962 |
| 1936 | 443 | 767 | 1,210 | 57 | 924 | 43 | 2,134 |
| 1937 | 544 | 688 | 1,232 | 58 | 906 | 42 | 2,138 |
| 1938 | 561 | 863 | 1,424 | 60 | 936 | 40 | 2,360 |

The fact that the long-term and medium-term credit activity of the Bank attained in a relatively short time such dimensions may be ascribed to the structure of the Bank's working funds. Of the total of the latter, the Bank's own capital attained Zl. 200.8 million, remaining in the last few years on a practically unchanged level, even though in the years between 1935 and 1937 the Bank made large contributions towards debt-relief for agriculture and local authorities. Thanks to the fair stability of the capital entrusted to the Bank, demand deposits constituted a comparatively small proportion, amounting at the end of 1938 to Zl. 362 million. The remaining working funds of the Bank are in nature term accounts and are mainly supplied from special funds, directly connected with credits for definitely fixed purposes.

*) These credits are granted exclusively from the Bank's own funds. They include short-term credits amounting at the end of 1938 to Zl. 370 million and cash loans of a long-term and medium-term character.

When considering the need for credit of the individual sections of economic life, the Bank's attention was directed chiefly towards State undertakings and institutions, local authorities, and social and economic institutions. This fundamental feature of the credit policy of the National Economic Bank is illustrated by the following division of cash credits to public and private recipients (in millions of zloty):

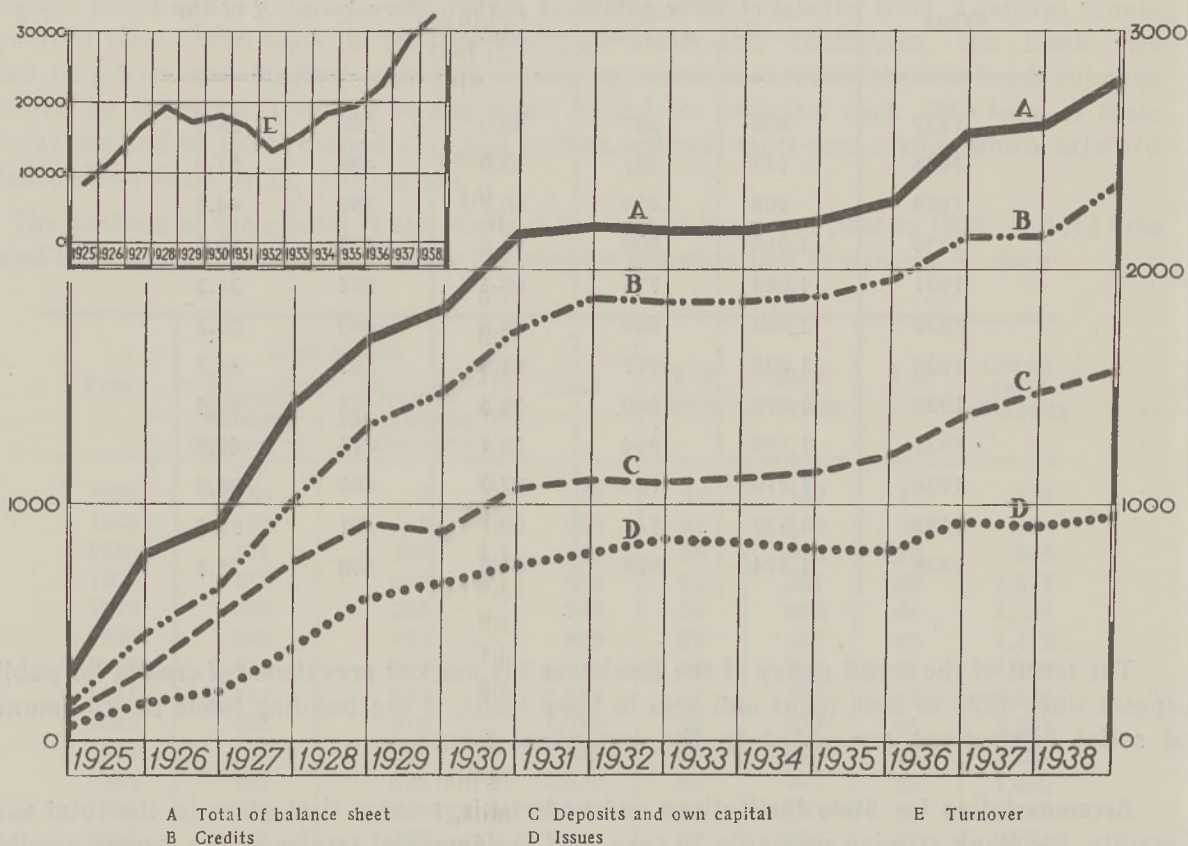
| Year | Total of cash credits | For public purposes | % of the total | For private purposes | % of the total |
|------|-----------------------|---------------------|----------------|----------------------|----------------|
| 1927 | 636 | 267 | 42.0 | 369 | 58.0 |
| 1928 | 747 | 321 | 43.0 | 426 | 57.0 |
| 1929 | 809 | 450 | 55.7 | 359 | 44.3 |
| 1930 | 1,015 | 608 | 59.9 | 407 | 40.1 |
| 1931 | 1,084 | 710 | 65.5 | 374 | 34.5 |
| 1932 | 1,023 | 680 | 66.5 | 343 | 33.5 |
| 1933 | 1,038 | 677 | 65.3 | 361 | 34.7 |
| 1934 | 1,075 | 640 | 59.5 | 435 | 40.5 |
| 1935 | 1,169 | 694 | 59.4 | 475 | 40.6 |
| 1936 | 1,210 | 750 | 62.0 | 460 | 38.0 |
| 1937 | 1,232 | 741 | 60.1 | 491 | 39.9 |
| 1938 | 1,424 | 918 | 64.5 | 506 | 35.5 |

The result of the credit policy of the Bank was the marked prevalence of credits for public purposes since 1929 in cash loans and also in issue loans, if the building loans for communal and social institutions are added to the communal loans.

Accommodation for State institutions and undertakings takes first place in the total sum of credits, the Bank striving primarily to take over the financial service of the largest possible number of State undertakings. Credits for this purpose reached Zl. 779 million, as in addition to direct credits for undertakings, the Bank has also participated since 1936 in the financing of State investment plans, with a view to harmonizing and concentrating the financial and economic efforts, to accelerate the pace of industrialization with especial regard to the defence requirements of the country. For financing the investment plan, which is of fundamental importance for Poland's economic life, the Bank discounted investment bills of exchange, which were rediscounted in the Bank of Poland, and also granted credits from its own funds. The total of credits for investment purposes, figuring on the special accounts of the Bank in the section of Treasury funds administered by the Bank, amounted at the end of 1938 to Zl. 318 million. These credits are especially mentioned in the changes effected at the beginning of 1939 in the Statutes of the Bank of Poland, concerning the consolidation of the debt of the State banks obtained in the Bank of Poland in the years 1931—1938. These credits were transferred on the 1st April, 1939, to the amortization credit of the State Treasury in the Bank of Poland, whereby the direct indebtedness of the National Economic Bank to that institution was cancelled.

The own funds of the National Economic Bank hitherto invested in the financial plans of the State amount to Zl. 31 million and this sum may increase as and when the Bank will have adequate funds at its disposal.

NATIONAL ECONOMIC BANK
General development of activity
(In millions of zloty)

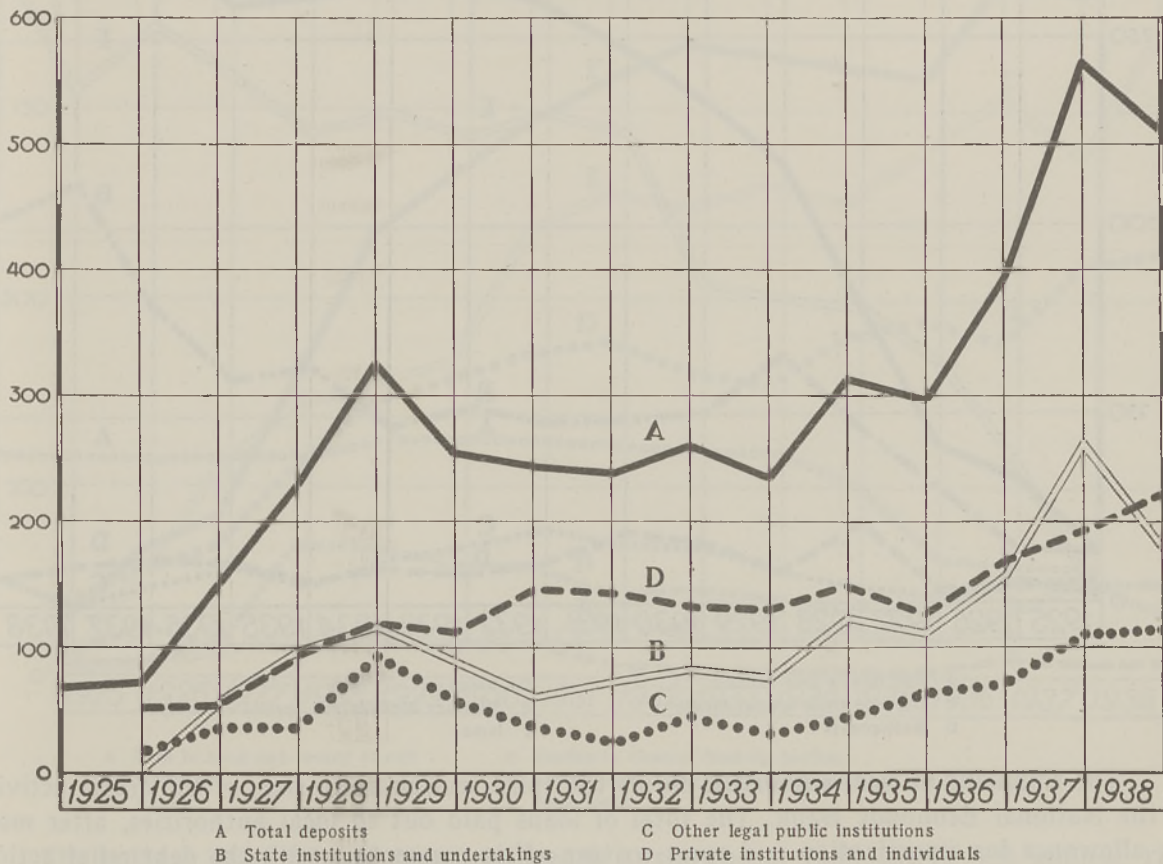


The credits granted to the concerns associated with the Bank, the development of which is closely connected with the industrial evolution of the country, occupy quite a prominent place in the credit activity of the National Economic Bank. Owing to the fact that the Bank has sold its holdings in some of the undertakings, it only participates in the capital of the following: Starachowickie Zakłady Górnicze S. A., Stowarzyszenie Mechaników Polskich z Ameryki S. A., Przemysł Chemiczny "Boruta" S. A., Zakłady Chemiczne "Grodzisk" S. A. and Towarzystwo Eksploatacji Soli Potasowych S. A. The participation of the Bank in these undertakings was considered by the Government to be indispensable in view of their general economic importance and the necessity for ensuring them an adequate financial basis for further development.

The second place in the credit activity of the Bank is held by the **financing of residential building**. The ultimate purpose of encouraging the building movement is not only to reduce the shortage of flats, but also to exert a favourable influence on business conditions and to stimulate turnover in many branches of production, indirectly interested in the building movement.

The main object of the financial assistance of the Bank was to make available the largest number of flats, especially of small flats, consisting in accordance with § 13 of the executive regulations of the law on the expansion of towns of the 22nd April, 1927, of not more than 3 rooms and kitchen. Flats of this type do not suit the requirements of the workpeople. For this purpose increasing amounts of money have been allotted, and distributed through the Towarzystwo Osiedli Robotniczych, which was established in 1934. Rural building has also benefited from special credit assistance, loans being granted by the State Land Bank and the Central Credit Institute of Agricultural Co-operative Societies.

NATIONAL ECONOMIC BANK
 Deposits by categories of depositors
 (In millions of zloty)

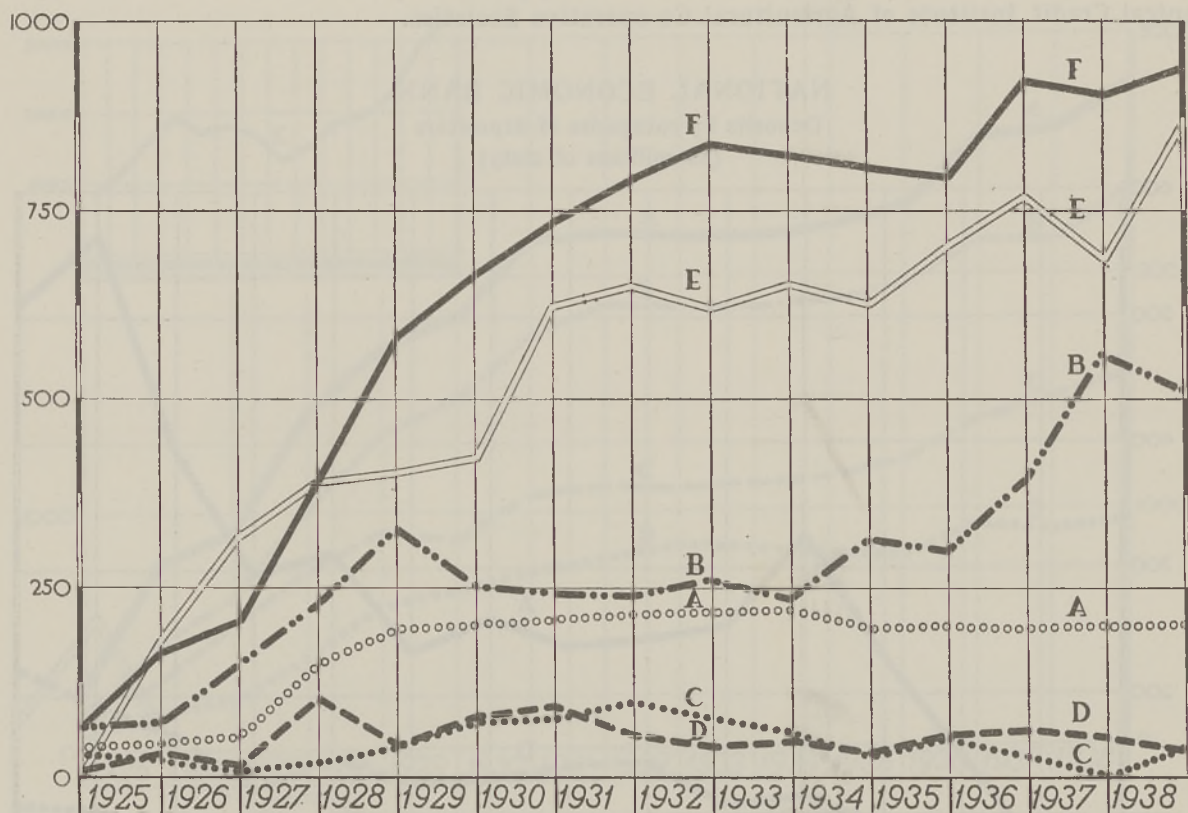


The financial plan of the Bank for 1938 provided, in addition to credits for residential building, also the granting of loans for the acquisition of building lands, the preparation of the respective plans, the construction of buildings in climatic and health resorts, also of buildings for commercial and industrial purposes and the erection of garages.

The best indication of the results of the building activity is the fact that from the commencement of credit activity of this type until the end of 1938 the Bank granted loans aggregating Zl. 744 million for general residential building and Zl. 40 million for working class dwellings. With the assistance of these credits there were erected 147,499 flats, containing

395,895 rooms and 8,993 flats for workpeople, containing 16,692 rooms. The nature of the increase is characterised by the fact that of the total number 92.1% represents residences of up to three rooms and kitchen, of which 46.8% were one and two-roomed flats.

NATIONAL ECONOMIC BANK
Structure of liabilities
(In millions of zloty)



- | | |
|----------------------------------|--|
| A The Bank's own capital | D Banks |
| B Deposits (incl. special funds) | E Treasury deposits and special accounts |
| C Rediscounts | F Issues |

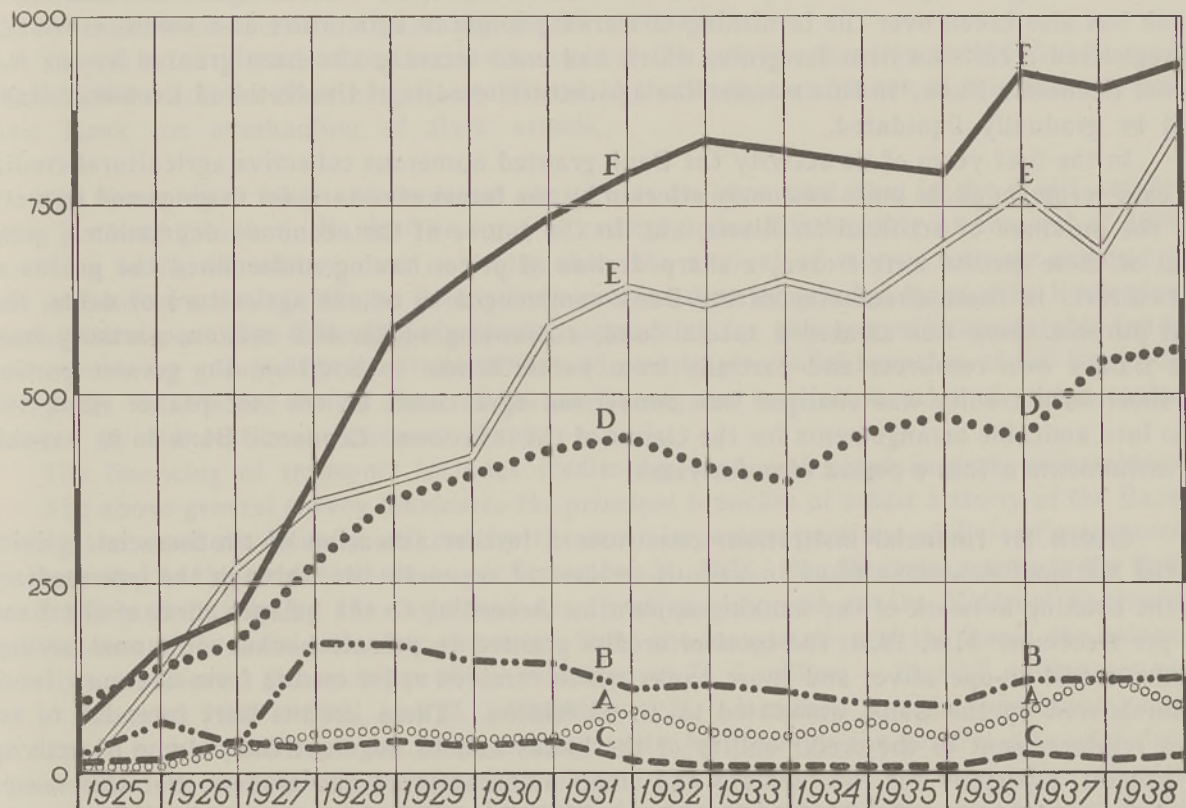
The financing of local authorities forms the third section as to size of the credit activity of the National Economic Bank. The total of loans paid out to local authorities, after making allowance for amortization and sums written off in connection with the debt-relief action, amounted at the end of 1938 to Zl. 383 million. This sum does not of course include the loans granted to local authorities for residential building. With the above financial assistance the local authorities in the various districts of Poland made urgent and indispensable investments, with a view to accelerating the economic development of the communities and the modernization of their plant and equipment. This is confirmed in certain cases chiefly by the construction of new and in others by the extension of the existing establishments of an economic and social character, e. g. gas-works, electric-power stations, water-supply stations, sewerage, schools, hospitals, etc.

In view of the fact that the situation of the local authorities deteriorated considerably, having been adversely affected by the prolonged economic depression, the Bank commenced

at the end of 1934 to relieve of debts those local authorities who had benefited from its credit assistance. The Bank devoted from its own funds Zl. 47.6 million for this purpose. The results obtained in this respect must be considered reassuring, which is evident from the genuine recovery in economy of a growing number of those local authorities whose finances are now being based on sound foundations with the collaboration and control of the Bank.

NATIONAL ECONOMIC BANK

Structure of Assets
(In millions of zloty)



- | | |
|----------------------------------|--|
| A Cash in hand and money at call | D Credits in General Banking Section |
| B Securities | E Credits from Treasury funds administered by the Bank |
| C Banks | F Issue loans |

The balance sheet total of **industrial credits** at the end of 1938 was Zl. 231 million. This amount does not, however, give a full picture of the part taken by the Bank in financing the process of industrialization of the country, since the lion's share of the credits, figuring in the group of institutions and undertakings of the State and local authorities is of a predominantly industrial character. The crediting of industry includes, in addition to financial assistance for reinforcement of the working funds of the above undertakings, also various loans for capital investment purposes. Apart from these credits, the Bank granted long-term cash amortization loans, which showed a marked increase in 1938, because of new credits granted for a period of seven years for the extension and modernization of medium and small manufacturing undertakings. Emphasis should be laid on the rather lively financing in recent years of industrial production by opening special credits. At the end of 1938 the Bank also opened industrial

credits for the purchase in Germany of machinery, implements, tools, apparatus and equipment, as provided in the additional trade agreement of the 30th September, 1938. It is anticipated that these credits will develop to a marked extent in 1939.

Agriculture and breeding benefited at the end of 1938 from credits totalling Zl. 115 million, consisting mainly of long-term cash and amortization loans which had been granted in previous years. Agricultural credits were granted either directly to farmers or through agricultural organizations, chiefly for larger and medium-sized land holdings, the financing of the smaller holdings being left entirely to the State Land Bank. By mutual agreement, this latter Bank has also taken over the furnishing of working funds to agriculture as a whole, especially of registered credits on liens for grain, which had until recently also been granted by the National Economic Bank. In this manner the agricultural credits of the National Economic Bank will be gradually liquidated.

In the first years of its activity the Bank granted numerous collective agricultural credits on easy terms for those units adversely affected by the forces of nature, for sowings and harvest, for the purchase of artificial fertilizers, etc. In the course of the economic depression a great deal of these credits were frozen, a sharp decline of prices having undermined the profits of agriculture. In these circumstances the Bank commenced to relieve agriculture of debts. For this purpose there was created a special fund, amounting to Zl. 46.2 million, partially from the Bank's own resources and partially from public funds. In addition, the greater portion of short-term credits was changed into conversion agreements on the Acceptance Bank and also into amicable arrangements for the claims of the National Economic Bank to be payable in instalments within a period of seven years.

Credits for financial institutions constitute a further extension of the financial activity of the National Economic Bank in various sections of economic life, through the intermediary of the existing network of the banking apparatus. According to the balance sheet of the Bank as per December 31st, 1938, the total of credits granted to private banks, communal savings banks, credit co-operatives and those banks which received relief credits from Treasury funds administered by the Bank, amounted to Zl. 93 million. These credits were intended to act as a reinforcement of the credit ability of the banks and to augment the volume of activity in general, especially for the medium and small manufacturers and traders. For this reason the interest charged by the Bank on these loans differed but little from the official discount rate.

Credits for communal savings banks and credit co-operatives are included in the programme of the Bank's activities. Favourable results were obtained in the establishment of autonomous financial institutions in the Central and Eastern Voievodships, and in the replenishment of the cash available to the new banks by placing at their disposal foundation and rediscount credits. Financial protection was also given to the communal savings banks during the critical days, as for instance in September, 1938, at the time when it was most needed owing to the heavy withdrawals of deposits, when to a great extent it enabled the banks to overcome the pressure.

The apparatus of the communal savings banks, of the credit co-operatives, of the Bank Związku Spółek Zarobkowych and of certain branches of the National Economic Bank was used for the distribution of credits amongst small manufacturers and traders. This was most marked in respect of credits for artisans, amounting to Zl. 15 million, repayable in six to ten quarterly instalments. The above mentioned banking institutions were empowered to grant 20% of the quotas allocated in sixteen quarterly instalments for the purchase of machinery,

repair of existing factories, redecoration of premises etc. The object of this action is to protect the economically weak workshops and the credits are granted at a rate below self-cost.

The social-economic activity of the Bank has been extended to credits for merchants. These were previously distributed only in the area of the Voievodship of Silesia, but of late they have also been distributed in the Central Voievodships. Credits on easy terms, placed at the disposal of the merchants, amounted to Zl. 2.6 million.

Apart from the National Economic Bank, active promoters of activity in this field are the Christian interest-free banks, the main object of which is to assist the small artisans, home-workers and the smallest retail shopkeepers. These banks obtained an endowment of Zl. 423,000 and an interest-free credit amounting to Zl. 200,000.

To give a full picture of the social-economic credit activity, mention should also be made of Zl. 800,000 credit for river barges, established at the Bydgoszcz branch of the National Economic Bank for overhauling of river vessels.

The financing of trade and transport constitutes an important item in the credit activity of the National Economic Bank. The total of credits under this heading at the end of 1938, amounting to Zl. 44 million, does not fully show the amount of money actively engaged in these sections of economic life, as it only indicates the directly granted loans. The Bank gives especial attention to the financing of exports, earmarking for this purpose considerable funds. These credits are granted by the Head Office and certain provincial branches of the Bank and also by the British and Polish Trade Bank at Danzig, an institution most of whose capital is owned by the National Economic Bank.

The financing of transport includes credits for land and sea transport undertakings.

The above general survey illustrates the principal branches of credit activity of the Bank, showing the amounts actually utilized by the most important sections of Poland's economic life, according to the balance sheet as per December 31, 1938. **The financial results to the Bank** were influenced largely by the tasks and the functions imposed on the National Economic Bank because of its social-economic character. Since the inauguration of the Bank, the balance sheets have, however, shown net profits amounting to Zl. 7 million — Zl. 12.7 million per annum in the years 1928 — 1931 and Zl. 2.6 million — Zl. 3.5 million p. a. in subsequent years. The decline in net profits of the Bank is sufficiently justified by the general all-round drop of prices and the consequent deterioration of earnings. Furthermore the liquidation of post-crisis processes necessitated undertaking debt-relief action on rather a large scale to meet Polish conditions, and writing off considerable sums to set assets on a healthy plane. For the debt-relief action the Bank earmarked from its own funds over Zl. 60 million, taking this amount from profits without impairing the paid-up capital, the statutory reserves or the profitability of the Bank. Yet the Bank retained for its debtors many alleviations provided by the debt-relief legislation and in addition was more ready to apply credits on easy conditions, to stimulate the economic development of the economically weak classes, and to increase their competitive ability thereby. The Bank found cover for the above services in the earnings of normal credit operations. Emphasis should be laid on this latter point, since the National Economic Bank constitutes in addition to the central bank one of the cheapest sources of credit in Poland.

ACTIVITY OF THE NATIONAL ECONOMIC BANK IN 1938.

1. GENERAL OBSERVATIONS RELATING TO THE OPERATIONS OF THE GENERAL BANKING SECTION AND THE TREASURY FUNDS ADMINISTERED BY THE BANK.

In 1938 the activity of the Bank was mainly influenced by an appreciable revival of the production processes and a consequent increase in the demand for capital for investment purposes. This manifested itself, on the one hand, in an efflux of deposits chiefly of State institutions and undertakings, owing to the vast State investment programmes, and, on the other hand, in an expansion of the Bank's credit activity, primarily for the financing of industry. The expansion of the credit activity with a simultaneous diminution of deposits necessitated some mobilization of the liquid reserves in the form of both rediscounts and liens on securities. In previous years, these reserves had only been utilized to a very small extent.

A further result of the development in the activity of the Bank was an appreciable growth of the turnover by Zl. 3,659 million to Zl. 32,857 million and an increase of the total of the balance sheet by Zl. 186 million to Zl. 2,791 million. The net profit for the financial year 1938 was Zl. 3.5 million, an increase of Zl. 0.3 million, as compared with 1937.

The political events which took place in March and September, 1938, causing a transient but heavy outflow of deposits from the money market, were also responsible for the increased demands depositors made upon the banks. This was, however, only of a secondary nature, reflecting the situation of the financial institutions accredited with the National Economic Bank or lodging their idle funds there. For these institutions, particularly the communal savings banks, and also the private banks, the Bank released for immediate payment whatever funds deposited by them even for very long terms and, quite apart from this, not only allowed them to employ at once the credit quotas which had previously been allocated, but also supplied them with fresh credits. Thus the Bank, supplementing the assistance of the central bank, helped greatly to restore confidence after the political troubles and unsettlement in the international situation had relaxed, imparting a much needed strengthening influence in the money market to bring about the return to normal conditions.

The **working capital** of the Bank decreased in the course of the year under review mainly in the group of deposits, the total of which, after having risen from Zl. 540.2 million at the beginning of the year to Zl. 557.1 million at the end of February, fell to Zl. 430.3 million in September, to rise only to Zl. 480.2 million at the end of the year. This figure shows a decrease of Zl. 60 million on the previous year's total. The chief reason for this decline, in all categories of deposits, was the considerable withdrawal of funds by State institutions and undertakings. The efflux was closely connected with the realization of the State investment plan and cor-

TABLE I.
SUMMARY OF DEPOSITS

by categories of depositors
(In millions of zloty)

| DATE | Grand total | Treasury funds | | Special deposits of the Employment Fund | Deposits | | | | |
|--------------|-------------|----------------|-------------------|---|----------|--------------------|------------------------------------|-------------------------------|--------------------------------------|
| | | Total | In % of the total | | Total | State institutions | Legal*) public insurance companies | Local government institutions | Private institutions and individuals |
| 31 Dec. 1924 | 69.5 | 2.3 | 3.3 | — | 67.2 | . | . | . | . |
| 31 " 1925 | 251.0 | 179.1 | 71.4 | — | 71.9 | 2.7 | 9.7 | 8.3 | 51.2 |
| 31 " 1926 | 468.1 | 317.1 | 67.7 | — | 151.0 | 56.5 | 22.1 | 16.3 | 56.1 |
| 31 " 1927 | 603.5 | 373.3 | 61.9 | — | 230.2 | 97.5 | 20.8 | 16.5 | 95.4 |
| 31 " 1928 | 713.3 | 388.0 | 54.4 | — | 325.3 | 115.4 | 30.1 | 63.2 | 116.6 |
| 31 " 1929 | 672.2 | 417.2 | 62.1 | — | 255.0 | 87.4 | 38.8 | 19.4 | 109.4 |
| 31 " 1930 | 752.3 | 509.2 | 67.7 | — | 243.1 | 59.9 | 23.5 | 14.5 | 145.2 |
| 31 " 1931 | 745.4 | 506.7 | 68.0 | — | 238.7 | 70.8 | 13.6 | 12.2 | 142.1 |
| 31 " 1932 | 744.7 | 483.6 | 64.9 | — | 261.1 | 81.5 | 20.7 | 25.4 | 133.5 |
| 31 " 1933 | 768.7 | 531.9 | 69.2 | — | 236.8 | 74.5 | 18.1 | 14.5 | 129.7 |
| 31 " 1934 | 803.4 | 489.0 | 60.9 | — | 314.4 | 121.9 | 25.6 | 19.2 | 147.7 |
| 31 " 1935 | 839.2 | 540.0 | 64.3 | 12.3 | 286.9 | 97.5 | 38.4 | 24.7 | 126.3 |
| 31 " 1936 | 834.8 | 441.0 | 52.8 | 15.9 | 377.9 | 140.1 | 48.0 | 21.9 | 167.9 |
| 31 " 1937 | 938.9 | 375.1 | 40.0 | 23.6 | 540.2 | 238.1 | 73.4 | 34.4 | 194.3 |
| 31 " 1938 | 883.1 | 369.8 | 41.9 | 33.1 | 480.2 | 146.4 | 79.2 | 33.4 | 221.2 |

TABLE II.
REPARTITION OF DEPOSITS BY TYPES

(In thousands of zloty)

| DATE | Grand total | Demand deposits | | | | | Time deposits | Sundry credit balances |
|--------------|-------------|-----------------|-----------------|---------------------------|------------------|------------------------|---------------|------------------------|
| | | Total | Cheque accounts | Foreign currency accounts | Savings deposits | Communal savings banks | | |
| 31 Dec. 1924 | 67,168 | 25,923 | 24,517 | 537 | 869 | — | 41,020 | 225 |
| 31 " 1925 | 71,881 | 51,654 | 31,773 | 17,131 | 2,750 | — | 14,146 | 6,081 |
| 31 " 1926 | 150,991 | 94,354 | 78,643 | 11,423 | 4,288 | — | 53,434 | 3,203 |
| 31 " 1927 | 230,223 | 151,230 | 117,047 | 22,884 | 11,299 | — | 59,106 | 19,887 |
| 31 " 1928 | 325,267 | 180,710 | 137,385 | 17,155 | 19,206 | 6,964 | 136,253 | 8,304 |
| 31 " 1929 | 255,024 | 131,064 | 97,015 | 8,286 | 23,800 | 1,963 | 116,099 | 7,861 |
| 31 " 1930 | 243,142 | 116,848 | 69,610 | 10,282 | 34,991 | 1,965 | 103,681 | 22,613 |
| 31 " 1931 | 238,698 | 134,820 | 78,870 | 6,170 | 46,425 | 3,355 | 97,981 | 5,897 |
| 31 " 1932 | 261,108 | 158,735 | 96,795 | 5,173 | 53,030 | 3,737 | 97,156 | 5,217 |
| 31 " 1933 | 236,783 | 156,381 | 94,027 | 2,941 | 55,022 | 4,391 | 67,133 | 13,269 |
| 31 " 1934 | 314,361 | 208,620 | 137,954 | 1,477 | 63,489 | 5,700 | 91,550 | 14,191 |
| 31 " 1935 | 286,945 | 191,274 | 127,395 | 796 | 58,292 | 4,791 | 83,961 | 11,710 |
| 31 " 1936 | 377,864 | 239,859 | 168,570 | 14,677 | 49,800 | 6,812 | 115,223 | 22,782 |
| 31 " 1937 | 540,178 | 330,160 | 258,232 | 7,550 | 54,350 | 10,028 | 174,847 | 35,171 |
| 31 " 1938 | 480,200 | 303,733 | 222,422 | 14,643 | 53,124 | 13,544 | 153,770 | 22,697 |

*) Until 1929 inclusive of public utility companies.

responded almost entirely with the increase recorded a year before. Owing to the fact that the total of State deposits decreased by Zl. 91.7 million to Zl. 146.4 million, their ratio to the total of deposits fell from 44.1% to 30.5%. On the other hand, deposits of legal-public insurance establishments rose to a larger extent than those of private depositors. The total of private deposits rose by Zl. 26.9 million to Zl. 221.2 million.

T A B L E III.
S U M M A R Y O F C A S H C R E D I T S
(In thousands of zloty)

| Y E A R | Grand total of cash credits | S h o r t - t e r m c r e d i t s | | | | L o n g - t e r m c a s h c r e d i t s (including building loans) | | |
|--------------|-----------------------------------|-----------------------------------|---|---------------|--|---|-------------------------------|--|
| | | Total | Bills dis- counted and protested | Term loans | Current accounts and conversion agreements | Total | General Banking Section | Treasury funds ad- ministered by the Bank |
| 31 Dec. 1924 | 96,548 | 82,311 | 48,277 | 25,684 | 8,350 | 14,237 | 11,888 | 2,349 |
| 31 „ 1925 | 266,742 | 122,556 | 52,953 | 22,285 | 47,318 | 144,186 | 15,908 | 128,278 |
| 31 „ 1926 | 439,683 | 156,728 | 73,309 | 24,554 | 58,865 | 282,955 | 14,338 | 268,617 |
| 31 „ 1927 | 636,122 | 220,340 | 136,907 | 21,614 | 61,819 | 415,782 | 58,611 | 357,171 |
| 31 „ 1928 | 747,637 | 282,274 | 177,441 | 40,149 | 64,684 | 465,363 | 79,515 | 385,848 |
| 31 „ 1929 | 808,711 | 326,678 | 185,064 | 62,071 | 79,543 | 482,033 | 68,680 | 413,353 |
| 31 „ 1930 | 1,015,018 | 317,120 | 168,278 | 35,082 | 113,760 | 697,898 | 108,806 | 589,092 |
| 31 „ 1931 | 1,083,573 | 325,176 | 169,264 | 30,329 | 125,583 | 758,397 | 116,132 | 642,265 |
| 31 „ 1932 | 1,022,853 | 285,460 | 135,546 | 24,442 | 125,472 | 737,393 | 119,066 | 618,327 |
| 31 „ 1933 | 1,037,347 | 269,343 | 129,699 | 22,546 | 117,098 | 768,004 | 116,875 | 651,129 |
| 31 „ 1934 | 1,074,632 | 283,172 | 98,405 | 32,429 | 152,338 | 791,460 | 166,126 | 625,334 |
| 31 „ 1935 | 1,169,170 | 289,314 | 97,591 | 35,079 | 156,644 | 879,856 | 181,148 | 698,708 |
| 31 „ 1936 | 1,210,275 | 296,919 | 104,483 | 34,414 | 158,022 | 913,356 | 146,753 | 766,603 |
| 31 „ 1937 | 1,231,609 | 371,463 | 167,657 | 51,098 | 152,708 | 860,146 | 172,811 | 687,335 |
| 31 „ 1938 | 1,424,229 | 370,175 | 137,591 | 55,922 | 176,662 | 1,054,054 | 190,491 | 863,563 |

The bankers' credit balances showed a similar evolution to that of deposits generally, having dropped by Zl. 17.8 million to Zl. 34.9 million. This was due to a falling off in the accounts of domestic banks, while those of foreign bankers rose in the course of the year under review by Zl. 2.1 million.

The above losses in deposits and bankers' balances were partly redeemed by an increase in special funds of Zl. 9.5 million and in idle funds of the Issue Section of Zl. 9.6 million.

The principal source, however, of replenishment of the Bank's working funds was from the Zl. 36.9 million rediscount credits, while in the previous years the Bank only employed Zl. 1 million of these.

The Treasury funds administered by the Bank decreased by Zl. 5.4 million to Zl. 369.8 million. The building loans showed a decline, but the fall of these funds by Zl. 11.7 million was the result of the conversion of cash building deposits into mortgage bonds and building debentures for Zl. 27.2 million.

Among the remaining deposits emphasis should be laid on the decline of the relief funds for banks by Zl. 4.4 million in connection with the repayment of certain relief credits and an increase of sundry deposits by Zl. 10.7 million.

The special accounts showed the largest changes, however, having increased by Zl. 182 million to Zl. 494.2 million, mainly owing to the special credits granted by the Bank in the form

T A B L E IV.
GENERAL SUMMARY OF CASH CREDITS

according to the particular categories of borrowers as per December 31st, 1938.
(In thousands of zloty)

| B O R R O W E R S | Total sum of cash credits | In % of the sum total | Short-term credits | | | | Long-term cash loans General Banking Section | Credits from Treasury funds administered by the Bank |
|--|---------------------------|-----------------------|--------------------|--------------------------------|---------------|------------------|--|--|
| | | | Total | Bills discounted and protested | Term loans | Current accounts | | |
| State institutions and undertakings | 657,946 | 46.20 | 77,539 | 33,498 | 26,284 | 17,757 | 75,262 | 505,145 |
| 1. Institutions: | | | | | | | | |
| a) building loans | 30,983 | 2.18 | — | — | — | — | 16,324 | 14,659 |
| b) other credits | 360,455 | 25.31 | 38,962 | 15,012 | 17,684 | 6,266 | 28,889 | 292,604 |
| 2. Undertakings | 266,508 | 18.71 | 38,577 | 18,486 | 8,600 | 11,491 | 30,049 | 197,882 |
| Associated undertakings | 26,491 | 1.86 | 25,130 | 2,567 | 358 | 22,205 | 312 | 1,049 |
| Local authorities | 113,821 | 7.99 | 11,083 | 248 | 1,458 | 9,327 | 86,178 | 16,610 |
| 1. Offices: | | | | | | | | |
| a) building loans | 25,440 | 1.79 | — | — | — | — | 9,565 | 15,875 |
| b) other credits | 87,090 | 6.11 | 10,054 | 60 | 1,421 | 8,573 | 76,325 | 711 |
| 2. Undertakings | 734 | 0.05 | 720 | 179 | 37 | 504 | — | 14 |
| 3. Other self-governments | 557 | 0.04 | 259 | 9 | — | 250 | 288 | 10 |
| Co-operative societies (excl. credit institutions) | 50,981 | 3.58 | 3,405 | 928 | 208 | 2,269 | 4,865 | 42,691 |
| 1. Agricultural-trading | 2,075 | 0.15 | 1,836 | 156 | 91 | 1,589 | 230 | 9 |
| 2. Building and housing: | | | | | | | | |
| a) building loans | 42,345 | 2.97 | — | — | — | — | 3,678 | 38,667 |
| b) other loans | 5,045 | 0.35 | 130 | — | 18 | 112 | 957 | 3,958 |
| 3. Others | 1,496 | 0.11 | 1,439 | 772 | 99 | 568 | — | 57 |
| Financial institutions | 91,525 | 6.43 | 53,823 | 42,334 | 4,411 | 7,078 | 173 | 37,529 |
| 1. Joint-stock banks | 44,133 | 3.10 | 23,070 | 13,906 | 844 | 3,320 | 164 | 20,899 |
| 2. Communal savings banks | 21,178 | 1.49 | 16,963 | 14,175 | 2,201 | 587 | — | 4,215 |
| 3. Co-operative savings and credit societies | 23,740 | 1.67 | 11,436 | 8,854 | 116 | 2,466 | — | 12,304 |
| 4. Others | 2,474 | 0.17 | 2,354 | 399 | 1,250 | 705 | 9 | 111 |
| Agriculture and breeding | 61,020 | 4.28 | 44,523 | 1,012 | 467 | 43,044 | 8,847 | 7,650 |
| Mining | 6,936 | 0.49 | 5,273 | 2,358 | 48 | 2,867 | 9 | 1,654 |
| 1. Coal | 4,601 | 0.33 | 4,133 | 1,717 | — | 2,416 | — | 558 |
| 2. Petroleum | 2,245 | 0.16 | 1,140 | 641 | 48 | 451 | 9 | 1,096 |
| Industry | 198,516 | 13.93 | 113,689 | 39,364 | 19,639 | 54,686 | 1,582 | 83,245 |
| 1. Foundry | 61,172 | 4.30 | 21,290 | 3,880 | 250 | 12,160 | — | 39,882 |
| 2. Metal | 6,389 | 0.45 | 6,173 | 3,207 | 1,376 | 1,590 | 3 | 213 |
| 3. Engineering and electrical | 10,505 | 0.74 | 10,200 | 1,516 | 3,067 | 5,617 | 250 | 55 |
| 4. Precious metals and precision goods | 999 | 0.07 | 999 | 557 | 72 | 370 | — | — |
| 5. Ceramic: | | | | | | | | |
| a) adhesive substances | 4,554 | 0.32 | 4,542 | 233 | — | 4,309 | 12 | — |
| b) brick | 5,078 | 0.36 | 4,993 | 293 | 2,487 | 2,213 | 85 | — |
| c) other | 1,782 | 0.13 | 1,348 | 366 | 361 | 621 | — | 434 |
| 6. Chemical | 14,286 | 1.00 | 14,183 | 4,613 | 211 | 9,359 | 77 | 26 |
| 7. Textile | 48,127 | 3.38 | 13,473 | 7,517 | 309 | 5,647 | 535 | 34,119 |
| 8. Leather | 2,707 | 0.19 | 2,470 | 1,423 | 100 | 947 | 237 | — |
| 9. Paper | 1,661 | 0.11 | 1,657 | 82 | 60 | 1,515 | 4 | — |
| 10. Timber | 3,916 | 0.27 | 3,914 | 1,389 | 106 | 2,419 | 2 | — |
| 11. Foodstuffs: | | | | | | | | |
| a) sugar | 5,879 | 0.41 | 2,958 | 1,944 | — | 1,014 | — | 2,921 |
| b) distilling | 7,753 | 0.54 | 4,214 | 3,828 | 11 | 375 | 4 | 3,535 |
| c) brewing | 800 | 0.06 | 800 | 111 | 38 | 651 | — | — |
| d) flour-milling | 4,832 | 0.33 | 4,692 | 476 | 1,186 | 3,030 | 140 | — |
| e) others | 2,929 | 0.20 | 2,927 | 381 | 990 | 1,556 | 2 | — |
| 12. Clothing and fancy-goods | 456 | 0.03 | 435 | 358 | — | 77 | — | 21 |
| 13. Polygraphic | 278 | 0.02 | 278 | 114 | 98 | 66 | — | — |
| 14. Building | 6,526 | 0.46 | 6,470 | 891 | 5,331 | 248 | 1 | 55 |
| 15. Gas, water and electricity | 6,202 | 0.44 | 4,262 | 756 | 3,435 | 71 | — | 1,940 |
| 16. Others | 1,685 | 0.12 | 1,411 | 429 | 151 | 831 | 230 | 44 |
| Artizans *) | 528 | 0.04 | 272 | 54 | 84 | 134 | 28 | 228 |
| Trade | 24,221 | 1.70 | 24,219 | 14,085 | 382 | 9,752 | 2 | — |
| 1. Agricultural | 2,514 | 0.18 | 2,514 | 1,130 | 52 | 1,332 | — | — |
| 2. Others | 21,707 | 1.52 | 21,705 | 12,955 | 330 | 8,420 | 2 | — |
| Communication and transport | 1,883 | 0.10 | 1,383 | 56 | 907 | 420 | — | — |
| Miscellaneous | 190,881 | 13.40 | 9,886 | 1,087 | 1,676 | 7,123 | 13,233 | 167,762 |
| 1. Social institutions: | | | | | | | | |
| a) building loans | 18,272 | 1.28 | — | — | — | — | 2,904 | 15,368 |
| b) other credits | 5,852 | 0.41 | 3,828 | 951 | 863 | 2,014 | 1,271 | 753 |
| 2. Others: | | | | | | | | |
| a) building loans | 146,347 | 10.28 | — | — | — | — | 4,529 | 141,818 |
| b) other credits | 20,410 | 1.43 | 6,058 | 136 | 813 | 5,109 | 4,529 | 9,823 |
| Grand total | 1,424,229 | 100.00 | 370,175 | 137,591 | 55,922 | 176,662 | 190,491 | 863,563 |

*) This item gives direct artizan debts. Credits for artizans are usually given by the Bank through the intermediary of the KKO (Communal Savings Banks) or other similar institutions and are shown in their accounts under items V/2 and 3 with a total of Zl 7.3 million. The total sum of artizan credits at the end of 1938 may therefore be taken as being Zl 7.8 million.

of discounting bills of exchange for financing the State investment plan. This credit, in accordance with the new statutory regulations of the Bank of Poland, was changed on the 1st April, 1939, for an amortization credit of the State Treasury, by which the Bank's obligations under this heading expired. The tables I and II, given on page 33, illustrate the distribution of deposits by categories of depositors and the repartition of deposits by types for the years 1924 — 1938.

Cash reserves, which include in addition to cash, money at call and foreign currencies also Treasury bills and matured coupons, amounted at the end of 1938 to Zl. 86.4 million. The high standing of the cash reserves is indicated by the fact that their total represents a cover of 26.5% for sight deposits, or 18% for the total amount of deposits. For the meeting of sight liabilities, quite apart from the aforesaid cash reserves, the Bank maintained in the Bank of Poland considerable liquid reserves in the form of untouched rediscount and lombard quotas.

The bankers' debit balances, payable mainly at sight, rose in the course of the year under review by Zl. 4.9 million to Zl. 21 million, constituting a further contribution to the cash reserves.

The portfolio of securities, which is highly income-bearing and may easily be used to increase the cash reserves, forms an important item in the Bank's assets. According to the balance sheet the Stock Exchange value of the portfolio at the end of 1938 was Zl. 126.2 million. The holdings of the Bank's issues rose by Zl. 6.6 million, while those of other institutions, particularly State securities, fell by Zl. 2.7 million and shares and participations by Zl. 2.5 million.

The **credit activity of the Bank** showed during the year under review a considerable revival, the total of credits granted having risen by Zl. 222 million. Even this large total does not, however, afford a true indication of the extent of the credit activities of the Bank, as it is only the result of offsetting new loans against repayments, conversions, etc. There were increases in all groups of credits, including cash and issue credits, from the Bank's own funds and from the Treasury funds administered by the Bank.

In the section of cash credits, which rose by Zl. 192 million, the expansion in the volume of the Bank's activity was primarily the result of the collaboration in carrying out the State investment plan indicated by a considerable increase in credits for industrial purposes, particularly for those industries which are of especial importance to the country as a whole. Consequently, the total of credits for public purposes rose to a larger extent than the credits for private purposes. The percentage participation of credits for private purposes fell therefore from 39.9% to 35.5% even though the actual amount of credits rose by Zl. 15 million to Zl. 506 million, as may be seen from the summary on page 25.

On the other hand, the total of credits for public purposes rose by Zl. 177 million to Zl. 918 million, increasing the percentage from 60.1% in 1937 to 64.5% in 1938.

Details relating to the credit policy of the National Economic Bank in 1938 in financing economic life, and the changes which took place, as compared with the previous year, as well as the repartition of the total of cash credits, and the various forms of credit are shown in tables III and IV.

The Bank's cash credit activity was substantially enlarged in the course of the year under review. From a comparison of the balance sheet it may be seen that the total of credits granted in the General Banking Section rose by Zl. 17 million to Zl. 561 million. In reality the increase was more than four times as much, if account is taken of the transfers to other sections of the credit operations of Zl. 48 million temporarily financed from the Bank's own funds. Of the actual increase in credits amounting to Zl. 65 million, Zl. 36 million fell to short-term credits, Zl. 19 million to long-term credits and Zl. 10 million to credits from special funds of the Employment Fund.

The short-term credit activity of the National Economic Bank developed mainly in the form of current accounts, the balance sheet total of which rose by Zl. 25.7 million. Term loans increased by Zl. 4.8 million, while the portfolio of bills of exchange decreased by Zl. 30.1 million, owing to the transfer of Zl. 37 million for temporarily credited bills of exchange from the Bank's own funds to Section III of the balance sheet.

The above figures represent the total of credits from which economic life benefited on the 31st December, 1938. The Bank allocated to that end, however, much larger amounts in the form of fresh credits, the total of which attained Zl. 138 million, indicating a definite enlargement of the credit requirements of some industries for developing with considerable rapidity the processes of production. Of this amount the Bank accorded more than one-half to private industries, especially the smelting and engineering industries, without neglecting, however, the remaining industries, e. g. the foodstuffs, textile, clothing, metal, chemical, etc. Apart from this, the Bank granted to State institutions and undertakings, chiefly industrial, short-term credits totalling Zl. 15 million. The total of credits from the Bank's own funds granted for industrial purposes amounted to Zl. 90 million, or 65% of the total of the short-term credits granted in 1938. The balance of this action fell mainly to financial institutions with a total of Zl. 35 million, of which both private banks and communal savings banks benefited equally in the critical days of September. Finally, Zl. 9 million was granted to trade. The requirements of the latter were not only satisfied by means of direct credits. Appreciable sums of money were also allocated for the indirect financing of trade, i. e. the purchase of bills of exchange from private banks and communal savings banks.

This considerable enlargement of the financial basis creates favourable conditions for augmenting the economic turnover, provided that this in turn brings about a reasonable basis for short-term financing. During the year under review, despite an apparent decline in the bill portfolio, bills of exchange, as a credit instrument, played a more important part than in the previous year. This follows from the increase in the supply of bills of exchange for discount from Zl. 420 million (without "investment bills of exchange") to Zl. 488 million. Apart from this, as was the case in previous years, the Bank bought a certain amount of scrip of the State Road Fund and the Polish State Railways from those firms who had received them in payment for orders carried out.

Among the credit activities for special purposes, emphasis should be laid on the financing by the National Economic Bank of cotton imports through the Łódź and Gdynia branches. The Bank also enlarged the loans inaugurated in 1937 on liens of timber with a view of facilitating the organized sale of timber and the control of the timber market by imposing the standardization of timber materials. On the same line as the State Land Bank, the National Economic Bank also granted credits on easy terms to firms dealing in bread grains and oil seeds. These credits were intended to regulate the trend of prices of grains and oil-seeds and to enable the borrowers to maintain large stocks until the new harvest. In so far as the motorization action is concerned, the Bank broadened the credits for certain industries, for the automobile trade and for the purchasers of mechanically propelled vehicles, to whom the Bank granted loans through certain employees organizations.

Parallel with the broadening of the basis of financial assistance for industry and trade, the Bank also enlarged its credit activity for artisans, small factories and merchants. Credits of a social-economic character have been dealt with in the preface to part II of this Report.

Short-term and long-term credits, figuring in the accounts of the General Banking Section, were granted to reinforce the capital of economic life. Their repayment, being spread over a period of many years, enabled the borrowers to undertake economic investments and the

installation of expensive business equipment. They were also destined for the conversion of loans previously contracted by the debtors as short-term obligations. The total of medium-term and long-term credits rose in 1938 by Zl. 28.3 million. According to the balance sheet, they rose only by Zl. 17.7 million, owing to the fact that cash building loans, totalling Zl. 10.6 million, were transferred from the Bank's own funds to the Issue Section. The medium-term and long-term credit activity was mainly from the special funds for local authorities, for building in the Central Industrial Area, for building credits generally and for the sale of land sites on credit.

The credits granted from the Treasury funds administered by the Bank continued to grow appreciably, the total having risen by Zl. 176 million, allowance being made for the conversion into issue loans of the building credits from the State Building Fund, which decreased by Zl. 15.5 million, even though fresh building loans were granted in the course of the year under review. In this section, the largest increase was recorded in the special accounts, the total of which rose by Zl. 182 million to Zl. 499 million, owing to the allocation of fresh funds for State investment purposes. The balance sheet total of the relief credits for banks decreased by Zl. 3 million to Zl. 34 million. The sundry credits increased by Zl. 12.7 million to Zl. 104.2 million. In this section, fresh loans were of a preeminently investment character. Among these credits, there should be mentioned in the first place the loans for electrification purposes, amounting to Zl. 3.5 million, granted to inaugurate the action entrusted to the Bank by the Ministry of Industry and Commerce in accordance with the law of the 24th February, 1937, concerning the expansion of the electrification network of the country.

The **concerns associated with the Bank** were composed, as in previous years, of the following five firms: „Starachowice”, „Stowarzyszenie Mechaników Polskich z Ameryki”, „Grodzisk”, „Boruta” and „Tesp”. They showed in the course of the year under review a further appreciable increase in both production and turnover. The total value of sales of the above undertakings rose by Zl. 36 million to Zl. 131 million, as compared with Zl. 67 million in 1936. This expansion also led to a further increase in the profit made by these firms during the same financial year.

The indebtedness of these five firms to the Bank for cash credits amounted to Zl. 26 million at the end of 1937, constituting 2.1% of the total of the Bank's credit operations, as compared with Zl. 21 million, or 1.5% at the end of 1938. The average number of workmen employed by these five concerns rose from 11,999 in 1937 to 14,065 in 1938 and that of brain-workers from 1,632 to 1,881.

Apart from the above five firms the Bank took over at the beginning of 1933 as trustee of the Government the majority of the shares of Messrs. Scheibler & Grohman of Łódź. As a result of the negotiations initiated with the creditors and shareholders of the above mentioned firm, an agreement was reached regarding the conditions of collaboration and execution of financial obligations for a period of six years (1938—1943). It is anticipated that during this period the firm will greatly reduce its indebtedness towards the Bank. In the course of the year 1938 a part of this latter plan was already realized.

The **solvency of the debtors** of the Bank in the General Banking Section should be regarded as satisfactory. This may be seen from the percentage ratio of protested bills of exchange to the bill portfolio, amounting at the end of 1938 to less than 1⁰/₁₀₀. The ratio of the sums of protested bills of exchange to those presented for payment in any particular month was about 2%. The number of lawsuits decreased, as in order to safeguard its rights the Bank was obliged to take legal proceedings against its debtors chiefly in respect of claims which had arisen during the crisis. In agricultural credits, owing to the completion of the normal agreements action

of the Acceptance Bank, the National Economic Bank tended to conclude amicable settlements with its debtors, on the basis of which the repayment of debts was as a rule spread over a period of seven years.

Buying in of real property sold by bailiff's auctions was, as in the case of previous years, to carry out the Bank's wish to release for private economic life the undertakings and immovables which had been taken over by the Bank for debts as safeguards for claims. Among the industrial undertakings which were sold by the Bank there should be mentioned a brick-yard, a furniture factory, a flour-mill and a paper-mill. Among urban immovables, the Bank bought in at auctions and sold 174 immovables among which there were several free building sites. The Bank sold 12 land sites for Zl. 6,134,000 to the Ministry of Agriculture and Agrarian Reform.

The **financial results** showed little change, as compared with the previous year. The gross profit rose, however, by Zl. 5,213,000 to Zl. 65,525,000, there being an increase in the total of interest received, mainly on bills discounted, by Zl. 5,710,000 to Zl. 53,878,000, with a simultaneous increase in the interest paid on rediscounts by Zl. 5,677,000 to Zl. 30,589,000. The operating expenses rose in 1938 by Zl. 844,000 to Zl. 15,186,000, owing to larger personnel expenditure, caused by a considerable growth in the volume of the Bank's activity.

The net profit shown by the National Economic Bank for the financial year 1938 amounted to Zl. 3,540,000, or Zl. 307,000 more than in 1937 and Zl. 914,000 more than in 1936. The sum destined for writing off, amounting to Zl. 9,105,000, was somewhat larger than a year ago. It included normal operating reductions and sums transferred to special reserves, such as the reserve for bad debts sued for by legal proceedings, the reserve for reduced interest on credits of a social-economic character and the funds for the financial and credit action for special purposes. Apart from this the Bank devoted Zl. 3,297,000 for relieving local authorities from debts and Zl. 1,500,000 as an endowment for the Staff Pension Fund of the National Economic Bank.

2. LONG-TERM CREDITS.

The Bank's long-term credit activity consisted mainly, as was the case in previous years, of the conversion of short-term commitments of debtors. Apart from this, in the course of the year under review the Bank endeavoured, within the limits of the funds available, to grant fresh long-term credits, primarily for industrial investment purposes. Long-term credits continued to be granted principally in the form of cash amortization loans, which in actual fact are long-term cash loans, secured and repaid in the same manner as long-term issue loans, constituting a basis for the issue of securities in the future.

During 1938 the Bank effected 729 cash amortization loans for a total sum of Zl. 40,354,000. Of this the largest amounts were building loans, followed by industrial, communal and mortgage loans. Conversion loans aggregated Zl. 29,579,000 and fresh credits Zl. 10,775,000.

In the **group of building credits** the Bank converted 586 cash amortization loans amounting to Zl. 24,269,000, of which 577 loans, totalling Zl. 23,663,000 were from the State Building Fund and the balance from the Bank's own funds. At the end of 1938, the Bank had outstanding tentative arrangements to effect 536 loans, totalling Zl. 24,542,000. In addition, the Bank converted 850 long-term cash loans, totalling Zl. 38,179,000. The grand total of long-

term loans for building purposes granted by the Bank since the beginning of the activity up to the end of 1938, in securities issued by the National Economic Bank or in cash, without amortization, is shown below :

| | Number | Amount |
|---|--------|-------------|
| a) Loans in 5½% & 6% mortgage bonds | 7,372 | 345,864,000 |
| b) „ „ „ „ „ building debentures | 1,922 | 83,998,000 |
| c) Cash amortization loans | 367 | 24,011,000 |
| Total | 9,661 | 453,873,000 |

During the year under review the Bank arranged on the loans granted to housing co-operatives, for separate mortgage inscriptions for individual flats. For this purpose the Bank made for 14 co-operatives tentative arrangements on account of 251 flats, and in view of the fact that 5 housing co-operatives carried out the conditions provided by such arrangements, the Bank effected 136 new loans, secured by individual flats.

The debt-relief action, carried on by the National Economic Bank on the basis of the Presidential Decree of the 27th November, 1935, included the credits paid out on account of the State Building Fund in the years 1927—1931, and were mainly to assist those debtors who received credits at a time when the costs of construction of dwelling-houses were exceptionally high.

The above debtors will benefit until the 30th June, 1940, from reductions of 1% in interest and from the possibility of paying the annuity instalments within three months of their due date of payment in mortgage bonds or in building debentures, which are accepted at par, regardless of their market quotations, and, in the case of cash amortization loans, at the price of their realization. In addition, debtors who had received building credits from the State Building Fund in the years 1928—1930, were freed from 50% of the administration surtax.

Some 60% of all debtors in the group of building conversion loans benefited from the above alleviations which amounted for the year under review to Zl. 5,810,000.

Apart from this, in conformity with Article 5 of the above-mentioned Presidential Decree, the Debt-Relief Commission of the National Economic Bank prepared for submission to the Minister of Finance a list of rural communes, co-operatives and social-humanitarian institutions, whose debts should be reduced. On the basis of the decision of the Minister of Finance, the following amounts, due to the State Building Fund, were cancelled during the year under review :

| | |
|-------------------------|------------------|
| In respect of principal | Zl. 2,541,156.55 |
| In respect of arrears | „ 497,247.81 |
| Total . . . | Zl. 3,038,404.36 |

In the **group of urban mortgage credits**, the Bank's activity manifested itself in effecting 55 new cash amortization loans for a total of Zl. 1,522,000, granted up to 30%, and, only in exceptional cases, up to 40% of the assessed value of the immovable property. At the end of the year under review, 45 tentative arrangements for new loans, totalling Zl. 1,362,000 were outstanding. The grand total of long-term urban mortgage loans, granted by the Bank in mortgage bonds or in cash, up to the end of 1938, without taking into consideration amortization, was as follows :

| | Number | Amount |
|--------------------------------------|--------|----------------|
| In 5½% mortgage bonds | 824 | Zl. 53,720,000 |
| In cash amortization loans | 197 | „ 5,779,000 |
| Total | 1,021 | Zl. 59,499,000 |

T A B L E V.

REPORTITION OF CASH AMORTIZATION LOANS GRANTED IN 1938
according to categories of borrowers and groups of voievodships

| Type of loans | Central | | Eastern | | Western | | Southern | | T o t a l | |
|--|-------------|-------------------|-------------|----------------|-------------|------------------|-------------|-------------------|-------------|-------------------|
| | num- ber | zloty | num- ber | zloty | num- ber | zloty | num- ber | zloty | num- ber | zloty |
| Industrial | 21 | 3,050,000 | — | — | 3 | 290,000 | 9 | 4,565,000 | 33 | 7,905,000 |
| Country estates relieved from debts | 8 | 233,800 | 1 | 6,400 | 2 | 148,600 | 16 | 188,900 | 27 | 577,700 |
| Urban immovables | 27 | 695,400 | 3 | 82,200 | 7 | 425,800 | 18 | 318,300 | 55 | 1,521,700 |
| District authorities relieved from debts | 2 | 95,900 | — | — | — | — | 2 | 344,500 | 4 | 440,400 |
| Municipalities | 2 | 248,000 | 1 | 312,500 | — | — | 3 | 787,500 | 6 | 1,348,000 |
| Municipalities relieved from debts | 11 | 2,300,600 | 2 | 107,600 | 1 | 290,000 | 4 | 1,593,400 | 18 | 4,291,600 |
| Conversion building loans | 374 | 19,598,100 | 9 | 108,700 | 94 | 2,254,700 | 109 | 2,307,900 | 586 | 24,269,400 |
| a) from Bank funds | 7 | 571,000 | — | — | — | — | 2 | 35,000 | 9 | 606,000 |
| b) „ the State Building Fund | 367 | 19,027,100 | 9 | 108,700 | 94 | 2,254,700 | 107 | 2,272,900 | 577 | 23,663,400 |
| G r a n d t o t a l | 445 | 26,221,800 | 16 | 617,400 | 107 | 3,409,100 | 161 | 10,105,500 | 729 | 40,353,800 |

T A B L E VI.

REPORTITION OF CASH AMORTIZATION LOANS GRANTED UNTIL THE END OF 1938
according to categories of borrowers and groups of voievodships (without amortization)

| Type of loans | Central | | Eastern | | Western | | Southern | | T o t a l | |
|--|--------------|--------------------|-------------|------------------|-------------|-------------------|--------------|-------------------|--------------|--------------------|
| | num- ber | zloty | num- ber | zloty | num- ber | zloty | num- ber | zloty | num- ber | zloty |
| Industrial | 21 | 3,050,000 | — | — | 3 | 290,000 | 9 | 4,565,000 | 33 | 7,905,000 |
| Country estates | 1 | 76,500 | 1 | 33,000 | 5 | 390,300 | — | — | 7 | 499,800 |
| „ relieved from debts | 144 | 4,030,000 | 30 | 647,900 | 14 | 556,000 | 39 | 1,386,200 | 227 | 6,620,100 |
| Urban immovables | 93 | 2,984,436 | 5 | 123,700 | 37 | 1,005,200 | 62 | 1,665,140 | 197 | 5,778,476 |
| District authorities | 1 | 37,500 | 1 | 65,000 | 1 | 1,000,000 | 1 | 380,000 | 4 | 1,482,500 |
| „ relieved from debts | 2 | 95,900 | — | — | 1 | 62,900 | 2 | 344,500 | 5 | 503,300 |
| Municipalities | 6 | 1,117,000 | 4 | 1,029,900 | 7 | 17,645,000 | 4 | 14,487,500 | 21 | 34,279,400 |
| „ relieved from debts | 15 | 46,816,600 | 2 | 107,600 | 1 | 290,000 | 6 | 1,665,800 | 24 | 48,880,000 |
| Conversion building loans | 2,509 | 160,371,464 | 198 | 5,616,500 | 780 | 29,925,600 | 1,006 | 34,087,860 | 4,493 | 230,001,424 |
| a) from Bank funds | 153 | 10,974,364 | 1 | 80,000 | 8 | 131,200 | 22 | 536,260 | 184 | 11,721,824 |
| b) „ the State Building Fund | 2,356 | 149,397,100 | 197 | 5,536,500 | 772 | 29,794,400 | 984 | 33,551,600 | 4,309 | 218,279,600 |
| G r a n d t o t a l | 2,792 | 218,579,400 | 241 | 7,623,600 | 849 | 51,165,000 | 1,129 | 58,582,000 | 5,011 | 335,950,000 |

TABLE VII

ISSUE LOANS GRANTED UNTIL THE END OF 1938 ACCORDING
(without

| Borrowers and types of loans. | Central | | | Eastern | | |
|---|--------------|--------------------|-------------|------------|-------------------|------------|
| | number | zloty | % | number | zloty | % |
| Country estates: in 4½% mortgage bonds . . . | 219 | 30,570,440 | 49.0 | 65 | 8,336,160 | 13.4 |
| Urban immovables: in 5½% mortgage bonds . . | 266 | 26,840,460 | 50.0 | 46 | 3,360,740 | 6.2 |
| Converted building loans: | 5,328 | 308,254,441 | 71.7 | 357 | 10,129,630 | 2.4 |
| in 5½% mortgage bonds | 2,417 | 138,351,900 | | 148 | 4,424,400 | |
| „ 6% „ „ | 1,710 | 105,278,242 | | 119 | 4,274,469 | |
| „ 5½% building debentures | 675 | 27,992,100 | | 32 | 583,700 | |
| „ 6% „ „ | 526 | 36,632,199 | | 58 | 847,061 | |
| Treasury: in 5½% communal debentures . . | 2 | 146,200,000 | 100.0 | — | — | — |
| Districts: in 5½% communal debentures . . . | 118 | 35,470,670 | 69.0 | 31 | 7,643,770 | 14.9 |
| Municipalities: | 164 | 244,463,126 | 71.7 | 36 | 11,598,660 | 3.4 |
| in 5½% communal debentures | 154 | 130,428,710 | | 36 | 11,598,660 | |
| „ 6% „ „ | 1 | 4,000,000 | | — | — | |
| „ 3% „ „ in dollars | 9 | 110,034,416 | | — | — | |
| Rural communes: in 5½% communal debentures | 9 | 435,040 | 31.7 | 11 | 463,000 | 33.8 |
| Other communal associations: in 5½% communal debentures | 6 | 2,181,000 | 9.4 | 1 | 319,692 | 1.4 |
| Industry: | 37 | 26,452,800 | 63.8 | — | — | — |
| in 5½% bank debentures | 16 | 23,402,800 | | — | — | |
| „ 6% „ „ | 21 | 3,050,000 | | — | — | |
| Grand total | 6,149 | 820,867,977 | 71.4 | 547 | 41,851,652 | 3.6 |

TO CATEGORIES OF BORROWERS AND GROUPS OF VOIEVODSHIPS
amortization)

| Western | | | Southern | | | Total | | | |
|---------|-------------|------|----------|-------------|------|--------|---------------|-------|-------|
| number | zloty | % | number | zloty | % | number | zloty | % | % |
| 66 | 15,459,960 | 24.8 | 52 | 7,954,240 | 12.8 | 402 | 62,320,800 | 100.0 | 5.4 |
| 251 | 11,231,924 | 20.9 | 261 | 12,286,982 | 22.9 | 824 | 53,720,106 | 100.0 | 4.7 |
| 1,347 | 47,638,091 | 11.1 | 2,262 | 63,839,518 | 14.8 | 9,294 | 429,861,680 | 100.0 | 37.4 |
| 444 | 16,298,000 | | 1,205 | 31,161,700 | | 4,214 | 190,236,000 | | |
| 574 | 22,858,606 | | 755 | 23,216,324 | | 3,158 | 155,627,641 | | |
| 128 | 2,147,500 | | 127 | 3,283,500 | | 962 | 34,006,800 | | |
| 201 | 6,333,985 | | 175 | 6,177,994 | | 960 | 49,991,239 | | |
| — | — | — | — | — | — | 2 | 146,200,000 | 100.0 | 12.7 |
| 12 | 3,309,560 | 6.4 | 27 | 5,007,690 | 9.7 | 188 | 51,431,690 | 100.0 | 4.5 |
| 53 | 44,259,712 | 13.0 | 63 | 40,610,314 | 11.9 | 316 | 340,931,812 | 100.0 | 29.6 |
| 52 | 43,190,032 | | 63 | 40,610,314 | | 305 | 225,827,716 | | |
| — | — | — | — | — | — | 1 | 4,000,000 | | |
| 1 | 1,069,680 | | — | — | | 10 | 111,104,096 | | |
| 3 | 117,200 | 8.5 | 12 | 333,400 | 26.0 | 35 | 1,348,640 | 100.0 | 0.1 |
| 11 | 20,528,208 | 88.5 | 4 | 160,400 | 0.7 | 22 | 23,189,300 | 100.0 | 2.0 |
| 5 | 1,020,000 | 2.5 | 11 | 13,990,000 | 33.7 | 53 | 41,462,800 | 100.0 | 3.6 |
| 2 | 730,000 | | 2 | 9,425,000 | | 20 | 33,557,800 | | |
| 3 | 290,000 | | 9 | 4,565,000 | | 33 | 7,905,000 | | |
| 1,748 | 143,564,655 | 12.5 | 2,692 | 144,182,544 | 12.5 | 11,136 | 1,150,466,828 | 100.0 | 100.0 |

Mortgage loans on country estates were only granted in connection with the debt-relief action for agriculture in the form of long-term cash loans for the conversion of instalments in arrears in accordance with the law on debt-relief of 1932. In the course of the year under review the Bank effected such loans for a total of Zl. 578,000, closing therewith entirely the debt-relief action conducted on the basis of the Presidential Decree of the 24th October, 1934.

The total of long-term loans on country estates, without taking amortization into consideration, granted up to the end of 1938, is given below :

| | Number | Amount |
|----------------------------|------------|-----------------------|
| In 4½% mortgage bonds . | 402 | Zl. 62,321,000 |
| In cash amortization loans | 234 | „ 7,120,000 |
| Total . . . | 636 | Zl. 69,441,000 |

During the year under review the volume of parcellation activity increased considerably in the country estates benefiting from the long-term loans of the National Economic Bank. The main reason for this was not only the destination of certain areas for parcellation in connection with the realization of the law dealing with agrarian reform, but also an individual action tending to put on a more healthy basis those country estates badly burdened by debt. Of a total of 350 country estates benefiting by loans from the Bank, 80 estates were under parcellation, while in 9 estates certain areas were acquired at forced sales by the State Treasury because they had not undergone parcellation in due time. In 1938, eleven long-term loans were liquidated, eight estates having been bought by the Bank by auction and three estates having been parcellated.

In the section of **industrial credit**, the Bank commenced by the end of 1937 to grant medium-term credits for capital expenditure. In the course of the year under review this type of credit showed a considerable expansion. The main object was to encourage the industrialization of the country, with special attention to the requirements of the medium and small industrial undertakings. These loans were granted for the extension and modernization of existing plant, the creation of new factories, the reinforcement of working funds and the repayment of burdensome debts.

In the course of the year under review the Bank realized 33 loans, totalling Zl. 7,905,000 and issued against them 6% bank debentures. Apart from this at the end of 1938 there were 9 tentative loans amounting to Zl. 1,753,000 outstanding. The grand total of long-term industrial credits granted up to the end of 1938 (without tentative loans outstanding and amortization) was as follows :

| | Number | Amount |
|--------------------------|-----------|-----------------------|
| In 5½% bank debentures . | 20 | Zl. 33,558,000 |
| In 6% „ „ . | 33 | „ 7,905,000 |
| Total . . . | 53 | Zl. 41,463,000 |

In the long-term **financing of local authorities**, the Bank's activity expressed itself in granting 28 cash amortization loans for an amount of Zl. 6,080,000 and at the end of 1938 there were 11 tentative cash amortization loans, totalling Zl. 7,129,000 and 1 tentative issue loan for Zl. 1,875,000 outstanding.

The loans granted in the course of the year under review arose mainly through the conversion of arrears on previous commitments of local authorities, for which the Bank effected

22 debt-relief loans, totalling Zl. 4,732,000. The balance was from the realization of new credits destined for financing various municipal investments. The new credit activity of the Bank was expressed in granting 29 short-term loans to an amount of Zl. 12,732,000 for the working funds of the associations of local authorities.

The grand total of credits extended to the associations of local authorities exclusively in the form of long-term loans, from the opening of the National Economic Bank until the end of 1938, was Zl. 471 million, made up as follows :

| | Number | Amount |
|-------------------------|--------|-----------------|
| In communal debentures | 561 | Zl. 416,901,000 |
| Cash amortization loans | 48 | „ 54,327,000 |
| Total | 609 | Zl. 471,228,000 |

The balance of the long-term communal loans, without the credits of the former Polish National Bank, amounting to Zl. 7,522,000, was Zl. 338,745,000 at the end of 1938. It was made up as follows :

| | Amount |
|-----------------------------------|-----------------|
| In 5½% communal debentures | Zl. 200,468,000 |
| In 6% „ „ | „ 3,984,000 |
| In 3% „ „ (Ulen) | „ 40,911,000 |
| In 5½% „ „ (relief) | „ 41,518,000 |
| Cash amortization loans | „ 51,864,000 |
| Total | Zl. 338,745,000 |

The service of the long-term debt of the associations of local authorities showed a favourable trend. This may be seen from the decline in the state of arrears and surplus payments in respect of current instalments and instalments in arrears. The legal foundations and the limits for taking over a portion of the service of the Ulen loans and of the entire relief loans by the State Treasury have been set in a law dealing with the improvement of the finances of the associations of the territorial local authorities, published on the 5th August, 1938 (Journal of Laws No. 59, Item 455).

The issue activity of the Bank in the course of the year under review was confined to putting into circulation new securities totalling Zl. 46,084,031.19 on the basis of the long-term loans granted by the Bank. The fresh issues were as follows :

| | Totals |
|------------------------------------|-------------------|
| 6% mortgage bonds 8th issue . . | Zl. 33,932,234.03 |
| 6% building debentures 4th issue „ | „ 4,246,797.16 |
| 6% bank debentures 3rd issue . . | „ 7,905,000.— |

The 6% mortgage bonds and building debentures were issued for Zl. 27,208,077.60 for exchange against cash deposits of the State Building Fund. The balance, i. e. Zl. 10,970,953.59 was for the conversion of building loans from the Bank's own funds and was taken over by the Bank to replenish the holdings of its own securities. The 6% bank debentures were the result of the medium-term credit activity for encouraging industrial investments, which led to their being made out for a shorter period, i. e. seven and a half years. They were introduced on the Warsaw Stock Exchange on the 12th October, 1938, and have been quoted at 97 per Zl. 100 face value ever since.

Thanks to the new issues, the state of the securities issued by the National Economic Bank rose, after allowing for amortization, by Zl. 30,658,129.44 to Zl. 913,809,755.18 and, inclusive of the issues of the former Polish National Bank, the state of which declined owing to amortization by Zl. 669,495,75 to Zl. 22,566,087.64, to Zl. 936,375,842.82 at the end of the year.

The rate of interest on the securities issued by the National Economic Bank, in circulation in the U. S. A., i. e. mortgage bonds P. Z./1, was reduced from 7% to 4½% per annum on the basis of a special agreement reached with five American banks. This agreement included 95% of these securities for a total of \$ 807,000.

In addition, by virtue of the Presidential Decree of the 18th November, 1938, the rate of interest on the issues of the National Economic Bank in circulation on the open market after the conversion of 1932 was reduced from 7%, 7½% and 8%, respectively, to 5½%, as from the 30th June, 1939, in respect of mortgage bonds and building debentures and as from the 1st October, 1939, in respect of communal and bank debentures.

The reduction of the rate of interest on securities imposed by the above-mentioned Presidential Decree also brought about a change in the exchange quotations of the issues of the National Economic Bank. The previous prices were 94% and 93% for the 8% issues and 83.25% for the 7% issues. Now, after the conversion, the 5½% issues have been quoted at 81%.

The **solvency of debtors** in the section of long-term credits was favourable on the whole. The decrease in the instalment arrears by Zl. 4.2 million to Zl. 17.3 million, indicates that the receipts exceeded the amount of the instalments due for payment. The receipts were chiefly in cash, the balance having arisen from the conversion of instalment arrears into relief loans granted mainly to local authorities. The decline in the state of instalment arrears and the changes that occurred in the course of 1938, as compared with the previous year, are illustrated by the figures given below (in thousands of zloty):

| | December 31, 1937 | December 31, 1938 | Changes |
|---|----------------------|----------------------|---------|
| 4½% land loans | 5,235 | 5,075 | — 160 |
| 5½% urban loans | 2,528 | 2,061 | — 467 |
| 5½% building loans | 2,432 | 2,055 | — 377 |
| 5½% industrial loans | 2,348 | 2,311 | — 37 |
| 5½% and 3% communal loans | 8,329 | 5,259 | — 3,070 |
| Total of instalments on issues of the National Economic Bank | 20,872 | 16,761 | — 4,111 |
| Total of instalments on issues of the former Polish National Bank | 578 | 538 | — 40 |
| Grand total | 21,450 | 17,299 | — 4,151 |

Even though various alleviations were conceded to enable the debtors to meet their commitments, the Bank was obliged to resort in certain cases to forced sales by auction. Only 25 actually took place, at which the Bank acquired 13 immovables, including 2 country estates. In the remaining cases the Bank suspended the auction and granted to the debtors facilities for repayment of their debts. In 18 cases the auction on country estates was suspended by the Court of Justice, petitions having been filed by the debtors with the Voievodships for the institution of amicable agreements in conformity with the Decree of the President of the Republic of the 24th October, 1934.

3. BUILDING AND DEVELOPMENT ACTIVITY.

According to the Government plan for 1938, the total sum of funds destined for financing the building activity and the development of building lands was fixed at Zl. 50.3 million, or Zl. 9.3 million more than in the previous year. With the assistance of the credits from these funds there were constructed houses in towns and villages, also workers' tenements and a certain number of garages. A detailed plan of the utilization of the financial resources in 1938 is set out below (in millions of zloty):

| | | |
|--|-----|-----------------|
| 1) From the State Building Fund : | | |
| a) for the building of blocks of flats, small dwellings and the repair of old houses | Zl. | 28.5 |
| b) for building in climatic and health resorts | „ | 0.5 |
| c) for the development of building land and town planning | „ | 2.0 |
| 2) From the Employment Fund : | | |
| d) for workers tenements | „ | 12.0 |
| 3) From special funds : | | |
| e) for the construction of garages | „ | 1.0 |
| f) for rural building | „ | 6.3 |
| <u>Total . . .</u> | | <u>Zl. 50.3</u> |

Within the normal limits of the urban building activity from the quota amounting to Zl. 28.5 million, the Bank granted credits to 130 towns for a total of Zl. 27,270,000. This sum was almost equally divided between the building of blocks of flats and small dwellings, while for the repair of old houses the Bank devoted Zl. 1,165,000, or somewhat over 4% of the quota. Building credits for small dwellings have been making rapid progress in the Southern and Eastern Voievodships while the Central Voievodships—especially Warsaw — and the Western Voievodships have mainly been demanding credits for the construction of blocks of flats.

In addition to the credits allocated from the quota for 1938, the Bank accorded 409 loans amounting to Zl. 477,000 from the unexpended balance of the quotas from previous years, and 129 new loans, totalling Zl. 970,000 from its own funds. For building in 7 climatic and health resorts the Bank granted 36 loans, totalling Zl. 421,000.

The division of building loans granted from the State Building Fund and from the Bank's own funds in 1938, according to categories of borrowers is shown in the table below :

TABLE VIII.
REPARTITION OF BUILDING CREDITS
granted in 1938, according to categories of borrowers

| Borrowers | State funds | | Bank funds | | Total | |
|-------------------------------|-----------------|---------------|-----------------|-----------|-----------------|---------------|
| | number of loans | zloty | number of loans | zloty | number of loans | zloty |
| Communes | 6 | 302,100.— | — | — | 6 | 302,100.— |
| Cooperatives | 6 | 141,500.— | — | — | 6 | 141,500.— |
| Social institutions | 18 | 883,100.— | 1 | 500,000.— | 19 | 1,383,100.— |
| Private individuals | 3,672 | 26,841,024.64 | 128 | 469,800.— | 3,800 | 27,310,824.64 |
| Grand total . . . | 3,702 | 28,167,724.64 | 129 | 969,800.— | 3,831 | 29,137,524.64 |

Of the total amount of building credits granted during the year under review 93.7% fell to private persons, 4.8% to social institutions, 1.0% to communes and 0.5% to co-operatives.

The residential building credit activity in 1938 expressed itself in the construction of 12,936 flats, composed of 34,170 rooms. These figures, as well as those shown in table X indicate that the Bank financed almost exclusively the construction of blocks of residential flats containing up to 3 rooms and kitchen, in compliance with the requirements of the executive regulations of the law on the expansion of towns of the 22nd April, 1927. This type of flat represents 95 % of the dwellings constructed in 1938 with the financial aid of the Bank. The proportion decreased to 92.1% in the years 1929—1938.

Taking into consideration the social and economic aspects of residential building, the Bank, apart from encouraging the construction of small flats, endeavoured to engage the greatest possible amount of economically idle private capital in urban building. As a result, the proportion of the Bank's credits to the capital of the borrowers invested in building was relatively small, being 22.3%. The building credit activity of the Bank, since the commencement up to the end of 1938, expressed itself in granting 41,177 loans, totalling Zl. 743.5 million. Thanks to these credits the Bank financed the construction of 147,499 flats, composed of 395,895 rooms. The division of the building loans granted from State funds and from the Bank's own funds up to the end of 1938, according to the various categories of borrowers is shown in the table below:

T A B L E IX.
REPARTITION OF BUILDING CREDITS
granted until the end of 1938, according to categories of borrowers

| Borrowers | State funds | | Bank funds | | Total | |
|-------------------------------|-----------------|----------------|-----------------|---------------|-----------------|----------------|
| | number of loans | zloty | number of loans | zloty | number of loans | zloty |
| State institutions | 12 | 4,536,000.— | 4 | 7,350,000.— | 16 | 11,886,000.— |
| Communes | 565 | 58,977,962.33 | 9 | 278,250.— | 574 | 59,256,212.33 |
| Cooperatives | 2,143 | 220,836,040.— | 196 | 24,129,700.— | 2,339 | 244,965,740.— |
| Social institutions | 654 | 92,284,100.— | 74 | 5,455,806.81 | 728 | 97,739,906.81 |
| Private individuals | 36,304 | 307,801,456.99 | 1,216 | 21,888,759.36 | 37,520 | 329,690,216.35 |
| Grand total | 39,678 | 684,435,559.32 | 1,499 | 59,102,516.17 | 41,177 | 743,538,075.49 |

T A B L E X
NUMBER OF FLATS AND ROOMS FINANCED IN THE COURSE OF 1938

| Type of flat | Contingent for small residential building | | Other contingents | | Total | |
|-------------------------------|---|-----------------|-------------------|-----------------|-----------------|-----------------|
| | number of flats | number of rooms | number of flats | number of rooms | number of flats | number of rooms |
| one-roomed | 1,104 | 1,104 | 1,351 | 1,351 | 2,455 | 2,455 |
| two-roomed | 2,429 | 4,858 | 1,029 | 2,058 | 3,458 | 6,916 |
| three-roomed | 2,523 | 7,569 | 1,578 | 4,734 | 4,101 | 12,303 |
| four-roomed | 1,287 | 5,148 | 990 | 3,960 | 2,277 | 9,108 |
| five-roomed | 311 | 1,555 | 191 | 955 | 502 | 2,510 |
| six-roomed and more | 94 | 578 | 49 | 300 | 143 | 878 |
| Grand total | 7,748 | 20,812 | 5,188 | 13,358 | 12,936 | 34,170 |

The financial assistance for the construction of workmen's dwellings conducted by the TOR was increased by Zl. 2 million to Zl. 12 million. During the year under review the Bank

granted from this quota 40 loans, totalling Zl. 12,801,000, mainly for house blocks and 15 loans, aggregating Zl. 1,718,874 for one-family houses. With the aid of these credits the Bank financed the construction of 2,203 new flats, composed of 4,191 rooms in 20 towns and 7 industrial settlements, giving priority to the requirements of the Central Industrial Area.

The division of the loans granted in 1938, according to the various categories of borrowers, is shown in the table below :

| Borrowers | zloty | % |
|---|--------------|-------|
| Society for the Construction of Working Class Dwellings and Settlements | 3,630,000.— | 28.5 |
| Municipalities | 1,722,874.— | 13.7 |
| Industrial undertakings | 4,365,000.— | 34.2 |
| Social institutions | 2,633,000.— | 21.6 |
| Military Billetting Fund | 250,000.— | 1.1 |
| State Road Fund | 200,000.— | 0.9 |
| | 12,800,874.— | 100.0 |

From the commencement of the activity of the TOR (Society for the Construction of Working Class Dwellings and Settlements) to the end of 1938 there were erected 8,993 flats, containing 16,692 rooms.

Residential building in the Silesian Voievodship benefits from credits from the Silesian Economic Fund, from which the Bank realized during the year under review 294 loans, totalling Zl. 5,786,089.33. This brought the number of loans granted since the beginning of the action to 4,111, aggregating Zl. 59,936,245.51. With the aid of these credits there were constructed until the end of the year under review 16,864 flats, composed of 40,241 rooms at a total cost of Zl. 156 million.

The quota for rural building credits was increased in 1938 by Zl. 1.3 million to Zl. 6.3 million, which was distributed by the Central Institute of Agricultural Co-operative Societies and the State Land Bank through the intermediary of credit co-operatives and savings and credit banks of the respective communes.

The application of considerable amounts of money for the construction of garages, inaugurated in 1937, was continued and extended in 1938. To the quota of Zl. 1 million allocated for 1938, the Bank added the balance of Zl. 494,500 left over from 1937. From this total the Bank granted 27 loans, aggregating Zl. 1,122,010 for the construction of 30 garages in 10 towns, containing boxes for 1,263 automobiles, autobuses, and lorries, and also 4 motor service stations and 2 oil stations.

The principles for the construction of garages, ratified by the Minister of Finance, establish the upper limit of the credit at 50% of the cost of construction at the rate of interest of 6½% per annum with a period of redemption spread over 15 years.

The erection in Eastern Poland of 229 various commercial premises and factories in 1938, the total cost of which was calculated at Zl. 1,080,000, involved 18 loans amounting to Zl. 411,800.

The action for the development of building lands in 1938 was carried on in 18 towns in which the Bank took under its administration 53 plots of ground, having an area of about 660 hectares. The Bank sold 360 sites of a total area of 25 hectares. Since the commencement of the building land development action in 1932 until the end of 1938, the Bank sold sites having a total area of 166 hectares. The credits for the purchase of building lands in towns were granted by the Bank from receipts from the sale and leasing of State grounds. The quota

from this source, including the balance left over from previous years, amounted in 1938 to Zl. 1,258,000. Out of this sum, for the purchase of building lands, the Bank effected until the end of the year under review loans to 7 towns for a total of Zl. 590,000.

For land development there was destined in 1938 from the State Building Fund a credit quota of Zl. 1.5 million, of which the Bank granted 11 loans, totalling Zl. 1,156,000. Since the beginning of this action the Bank granted 116 loans for a total of Zl. 14,089,000.

For financing the costs of surveying and town planning, also in climatic and health resorts, the Bank granted to local authorities 7 loans, totalling Zl. 468,000. This brought the number of loans for this purpose since the beginning of the action to 80 for a total of Zl. 1,214,000.

The debt-relief action in respect of building credits from the State Building Fund was approaching completion. In 1938, with the consent of the Minister of Finance, it was applied to 121 loans for a total of Zl. 3,181,293.97. Since the beginning of this action until the end of 1938, there were settled the cases of 64 housing and residential building co-operatives, of 28 social and humanitarian institutions and of 1 municipality, i. e. 93 cases, comprising 334 loans, totalling Zl. 32,720,760.88, inclusive of interest and costs.

4. ADMINISTRATION.

During the year under review the Vice-President of the National Economic Bank, Mr. Józef Kozuchowski, retired from the board of the Bank, having been appointed Vice-Minister of Finance. His place remains unfilled. Mr. Teofil Narbutt, Director of the Central Bureau for Agricultural-Financial affairs, resigned from the Administrative Council of the Bank. The following were appointed to the Administrative Council: Brig.-Gen., Eng. Aleksander Litwinowicz, 2nd Vice-Minister for Military Affairs, Mr. Wierusz-Kowalski, Vice-Minister of Agriculture and Agrarian Reform and Mr. Stanislaw Sadkowski, Deputy Department Director in the Ministry of Finance.

The personnel of the Bank (staff and service) on the 31st December, 1938, numbered 1,500 persons: 1,282 brain workers and 218 service workers. Among the brain workers, the Bank employed 962 men and 320 women, whilst in the lower ranks there were 193 men and 25 women.

The Work Organization Bureau continued to strive for a greater elasticity in the activity of the Bank, and especially for the improvement and simplification of the manipulation technique. Among others, there were prepared and published various instructions and regulations dealing with activities in individual sections of the Bank and regulations previously issued were codified.

The Inspectorate effected during the year under review a detailed inspection of all the nineteen provincial branches and of the building credits in fourteen branches having Building Departments. Apart from this out of eight branches having Long-term Credit Departments, the Inspectorate checked the accounts of three. In Warsaw there were investigated the Foreign Liquidation Bureau, the Administration of Real Property and the Administrative Department of the Head Office.

The **Auditing Committee**, appointed by the Minister of Finance as a statutory organ of control, audited the balance sheet and the profit and loss account for the year 1938. The Auditing Committee also checked the accounts and activity of the various sections of the Head Office, the Head Branch in Warsaw, and of the provincial branches at Lwów, Radom, Stanisławów and Kolomyja.

III.

COMMENTS ON THE BALANCE SHEET FOR THE YEAR 1938.

The **accounts** for 1938, as compared with those for 1937, showed a further increase in the turnover of the National Economic Bank. At end of the year the ledgers were closed with a total of Zl. 32,857 million, an increase of Zl. 3,659 million on the previous year. The main items are shown below (in thousands of zloty):

| | Debit | Credit |
|--|-----------|-----------|
| Cash in hand and money at call | 6,894,761 | 6,911,529 |
| Foreign currencies | 3,597 | 3,800 |
| Bills discounted | 1,842,475 | 1,872,550 |
| Term loans | 47,337 | 42,513 |
| Debtors on current account | 1,490,473 | 1,459,698 |
| Banks "Loro" and "Nostro" (home & foreign) | 1,333,989 | 1,311,323 |
| Cheque accounts | 4,856,720 | 4,817,087 |
| Foreign currency accounts | 118,900 | 126,088 |
| Savings deposits | 52,443 | 51,214 |
| Current accounts of communal savings banks . | 246,604 | 250,165 |
| Fixed-period deposits | 288,574 | 267,497 |
| Bills rediscounted | 86,256 | 115,790 |

The **balance sheet** of the National Economic Bank for the year 1938 was closed with a total of Zl. 2,791,300,924.75, inclusive of collections and guarantees. This total shows an increase of Zl. 185.5 million over the corresponding figures for 1937. The development for the years 1924—1938 is shown in the following table:

| Year | Total of the balance sheet | Index of increase (1924 = 100) |
|------|----------------------------|-----------------------------------|
| 1924 | 283,359,067.74 | 100 |
| 1925 | 773,942,219.60 | 273 |
| 1926 | 920,159,796.19 | 325 |
| 1927 | 1,425,215,415.23 | 503 |
| 1928 | 1,715,360,386.48 | 605 |
| 1929 | 1,830,839,311.48 | 646 |
| 1930 | 2,151,261,194.73 | 759 |
| 1931 | 2,183,365,642.07 | 771 |
| 1932 | 2,160,495,781.91 | 763 |
| 1933 | 2,166,633,629.42 | 765 |
| 1934 | 2,211,129,282.83 | 780 |
| 1935 | 2,286,299,262.09 | 807 |
| 1936 | 2,571,716,980.12 | 908 |
| 1937 | 2,605,792,265.60 | 920 |
| 1938 | 2,791,300,924.75 | 985 |

A comparison of the above figures will show that the operations in 1938 exceeded those of previous years.

GENERAL BANKING SECTION.

LIABILITIES.

Items 1 and 2. Capital and reserves:

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|-----------------------------|----------------------|----------------------|-----------------------------|
| a) Capital paid up. | Zl. 150,000,000.— | Zl. 150,000,000.— | — |
| b) Reserve fund | ,, 19,582,706.32 | ,, 20,229,320.19 | + 647 |
| Total | Zl. 169,582,706.32 | Zl. 170,229,320.19 | + 647 |

The reserve fund increased by a further Zl 647,000, twenty per cent of the net profit for the year 1937 having been transferred to it in accordance with Art. 13 of the Decree of the President of the Republic of December 3rd, 1930 (Journal of Laws No. 86, Item 666) regarding the National Economic Bank.

Items 3, 4 and 5. Demand deposits, fixed deposits, and sundry credit balances:

| | December 31, 1937 | % | December 31, 1938 | % | Changes in thous. of Zl. |
|---|----------------------|-------|----------------------|-------|-----------------------------|
| Cheque accounts | Zl. 258,232,271.44 | 47.8 | Zl. 222,422,091.57 | 46.3 | —35,810 |
| Foreign currency accounts | ,, 7,550,180.74 | 1.4 | ,, 14,646,222.10 | 3.1 | + 7,096 |
| Savings deposits | ,, 54,350,312.28 | 10.1 | ,, 53,121,779.12 | 11.1 | — 1,228 |
| Current accounts of communal savings banks | ,, 10,027,317.— | 1.8 | ,, 13,542,624.— | 2.8 | + 3,515 |
| Total demand deposits | ,, 330,160,081.46 | 61.1 | ,, 303,732,716.79 | 63.3 | —26,427 |
| Fixed-period deposits in Polish currency | ,, 174,165,853.41 | 32.2 | ,, 151,803,445.58 | 31.6 | —22,362 |
| Fixed-period deposits in foreign currency | ,, 681,290.68 | 0.2 | ,, 1,966,588.88 | 0.4 | + 1,285 |
| Total fixed-period deposits | ,, 174,847,144.09 | 32.4 | ,, 153,770,034.46 | 32.0 | —21,077 |
| Total sundry credit balances | ,, 35,171,215.59 | 6.5 | ,, 22,697,501.96 | 4.7 | —12,474 |
| Grand total | Zl. 540,178,441.50 | 100.0 | Zl. 480,200,253.21 | 100.0 | —59,978 |

The following table shows the distribution of fixed-period deposits according to the terms of withdrawal, as on December 31, 1938 :

| Maturity within: | T o t a l s | |
|-----------------------------|------------------|-------|
| | in thous. of Zl. | in % |
| 1 month | 30,390 | 19.8 |
| 2 months | 13,936 | 9.0 |
| 3 months | 32,984 | 21.5 |
| 4, 5 and 6 months | 39,859 | 25.9 |
| over 6 months | 36,601 | 23.8 |
| Total | 153,770 | 100.0 |

Item 6. Deposits for special purposes rose by Zl 9,486,000 to Zl 33,100,516.39. This item includes deposits of the Employment Fund, directly connected with the credits figuring in Item 16 on the Assets side.

Item 7. Bills rediscounted :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|----------------------------------|-------------------------|--------------------------|-----------------------------|
| a) In Polish currency | Zl. 1,009,738.— | Zl. 30,366,686.18 | + 29,357 |
| b) In foreign currency | „ 18,277.32 | „ 195,570.97 | + 177 |
| Total | Zl. 1,028,015.32 | Zl. 30,562,257.15 | + 29,534 |

Item 8. Rediscounted acceptances of the Acceptance Bank amounted to Zl. 6.365.709,—

Items 9 and 10. Banks “Loro” and “Nostro” :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|----------------------------|--------------------------|--------------------------|-----------------------------|
| a) Polish banks | Zl. 44,145,686.09 | Zl. 24,331,194.12 | — 19,815 |
| b) Foreign banks | „ 8,531,233.30 | „ 10,584,904.78 | + 2,054 |
| Total | Zl. 52,676,919.39 | Zl. 34,916,098.90 | — 17,761 |

The total of the banker’s accounts, as per December 31, 1938, amounting to Zl. 34,916,098.90 was divided as follows (in thousands of zloty) :

| | | |
|---------------------------|--------|-------|
| Demand accounts | 30,022 | 86.0% |
| Term accounts | 4,894 | 14.0% |

Item 11. Acceptance Bank ex re acceptance credit showed a total of Zl 24,102,558.—, a decrease of Zl. 1,875,000, as compared with the end of 1937. This item, representing bills from the conversion of agricultural credits, corresponds with Item 10 on the Assets side.

Item 12. Drafts drawn on the National Economic Bank and which had not been presented for payment until the close of 1938 totalled Zl. 865,461.44, an increase of Zl. 398,000 on the previous year.

Item 13. Suspense accounts, comprising the transitory and interperiodic items, were closed at the end of the year with a total of Zl. 48,518,328.72, an increase of Zl 4,608,000 on the previous year.

Item 14. Interest charged in the course of 1938 and transferred to the accounts for 1939 amounted on the 31st December, 1938, to Zl. 2,776,003.45.

Item 15. Balance of the Bond Issue Section rose in the course of the year under review by Zl. 9,620,000 to Zl. 32,894,885.41. This is a purely accountancy item, closing the second section of the balance sheet. It corresponds with Item 28 of the Assets side.

Item 16. Balance of Treasury funds administered by the Bank rose by Zl. 343,000 to Zl 376,956.41. This corresponds with Item 31 of the Assets side, closing the third section of the balance sheet.

Item 17. Net profit for the year 1938 was Zl.3,540,078.78, an increase of Zl.307,000 on the previous year.

The distribution of the net profit, in accordance with Art. 13 of the Decree of the President of the Republic of Poland of the 3rd December, 1930, regarding the National Economic Bank (Journal of Laws No. 86, Item 666) is given below :

| | |
|--|------------------|
| 1) 35% to increase the special reserve for securities issued by the Bank . . . | Zl. 1,239,027.57 |
| 2) 20% to the reserve fund | „ 708,015.76 |
| 3) 10% for various purposes provided by the Statutes | „ 354,007.88 |
| 4) 35% i. e. the balance was placed at the disposal of the Government as the participation of the Treasury in the profit of the Bank | „ 1,239,027.57 |
| Total | Zl. 3,540,078.78 |

A S S E T S.

Items 1, 2, 3 and 7. Cash in hand and money at call with the Bank of Poland and the Post Office Savings Bank, inclusive of Treasury bills, Investment bonds, foreign currencies, drawn securities and matured coupons fell by Zl. 42,279,000 to Zl. 86,384,170.48. As will be seen, the ratio of the cash reserves to the total of sight deposits, inclusive of sundry credit balances, was 26.5% and 18.0% to the total deposits.

Item 4. Fixed interest securities account of the Bank, decreased by Zl. 2,686,000 to Zl. 42,173,453.51. The portfolio was composed of State securities, valued at Zl. 38,931,000 and other securities, valued at Zl. 3,242,000. Among Government securities, the main items were: the 4% Consolidation Loan, the 6% National Loan, the 5% Conversion Loan and the 5% Railway Conversion Loan. Among other securities there were mainly mortgage bonds of the land credit societies.

Item 5. Securities issued by the National Economic Bank rose, as compared with the end of 1937, by Zl. 6,636,000 to Zl. 49,107,724.95.

Item 6. Shares and participations in the concerns associated with the Bank and others declined by Zl. 2,549,000 to Zl. 34,933,306.53. This item is composed of participations in the capital of five industrial concerns associated with the National Economic Bank, namely : Stara chowice, Stowarzyszenie Mechaników Polskich z Ameryki, Grodzisk, Boruta, and Spółka Akcyjna Eksploatacji Soli Potasowych, also in three undertakings at Danzig, viz., British and Polish Trade Bank, Bank of Danzig and the Danzig Tobacco Monopoly.

Items 8, 9, 11, 12 and 13. Short-term credits showed the following changes during 1938:

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|--|--------------------------|--------------------------|-----------------------------|
| a) Bills discounted | Zl. 167,537,734.97 | Zl. 137,463,133.20 | —30,074 |
| b) Bills protested | „ 119,601.20 | „ 128,094.56 | + 9 |
| c) Term loans | „ 51,097,966.45 | „ 55,922,019.28 | + 4,824 |
| d) Sums due in respect of conversion agreements | „ 36,248,816.67 | „ 34,509,260.88 | — 1,740 |
| e) Debtors on current accounts | „ 116,458,706.29 | „ 142,152,273.28 | +25,693 |
| Total | Zl 371,462,825.58 | Zl 370,174,781.20 | — 1,288 |

The liquidity of the portfolio of bills of exchange on the 31st December, 1938, was as follows:

| Maturity | Number | In % | T o t a l s | |
|-----------------------------|----------------|--------------|------------------|--------------|
| | | | in thous. of Zl. | in % |
| 1 month | 62,199 | 33.5 | 37,995 | 27.6 |
| 2 months | 51,124 | 27.6 | 33,722 | 24.5 |
| 3 months | 31,240 | 16.8 | 28,487 | 20.7 |
| 4, 5 and 6 months | 31,777 | 17.1 | 30,451 | 22.2 |
| over 6 months | 9,322 | 5.0 | 6,808 | 5.0 |
| Total | 185,662 | 100.0 | 137,463 | 100.0 |

During the year under review the Bank discounted 820,255 bills of exchange for Zl. 488,450,000. The following statement shows the distribution of the bills by amounts:

| Amount | Number | In % |
|---------------------------------|----------------|--------------|
| less than Zl. 100 | 243,526 | 29.7 |
| from „ 101 to Zl. 200 | 201,161 | 24.5 |
| „ „ 201 „ „ 500 | 227,802 | 27.8 |
| „ „ 501 „ „ 1,000 | 85,974 | 10.5 |
| „ „ 1,001 „ „ 2,000 | 30,634 | 3.7 |
| „ „ 2,001 „ „ 5,000 | 18,325 | 2.2 |
| „ „ 5,001 „ „ 10,000 | 7,994 | 1.0 |
| over „ 10,000 | 4,839 | 0.6 |
| Total | 820,255 | 100.0 |

The ratio of protested bills of exchange to those presented for payment at the close of 1938 was 1.9%, as compared with 1.5% a year before.

The liquidity of the term loans as on December 31, 1938, is shown in the following statement:

| Maturity within: | T o t a l s | |
|-----------------------------|------------------|--------------|
| | in thous. of Zl. | in % |
| 1 month | 3,837 | 6.9 |
| 2 months | 3,033 | 5.4 |
| 3 months | 5,577 | 10.0 |
| 4, 5 and 6 months | 10,614 | 19.0 |
| over 6 months | 32,861 | 58.7 |
| Total | 55,922 | 100.0 |

Item 10. Acceptances of the Acceptance Bank: See Item 11 on the Liabilities side.

Items 14 and 15. Banks "Loro" and "Nostro":

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|----------------------------|--------------------------|--------------------------|-----------------------------|
| a) Polish banks | Zl. 3,370,715.57 | Zl. 336,828.20 | — 3,034 |
| b) Foreign banks | „ 12,687,866.67 | „ 20,625,800.46 | + 7,938 |
| Total | Zl. 16,058,582.24 | Zl. 20,962,628.66 | + 4,904 |

Item 16. Loans from special funds, which correspond with Item 6 on the Liabilities side, include loans granted by the Employment Fund. The total of these loans rose in the course of 1938 by Zl. 9,486,000 to Zl. 33,100,516.39, of which Zl. 1,555,000 was in communal loans and the balance, or Zl. 31,546,000, in building loans. This latter amount was exclusively for the building activity carried on by the Society for the Construction of Working Class Dwellings and Settlements.

Item 17. Expenditure on behalf of the State Building Fund increased by Zl. 1,873,000 to Zl. 17,869,817.08, representing transitory payments effected by the National Economic Bank for the State Building Fund.

Item 18. Communal loans increased by Zl. 5,839,000 to Zl. 73,916,437.14, of which Zl. 51,864,000 was in cash amortization loans, constituting a basis for the future issue of securities by the Bank. These rose by Zl. 5,753,000, as compared with the end of 1937. The balance, amounting to Zl. 22,052,000, consists of medium-term cash loans.

Item 19. Long-term loans:

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|---|--------------------------|--------------------------|-----------------------------|
| a) Loans to cover arrears of interest on building credits | Zl. 1,015,273.21 | Zl. 925,989.03 | — 89 |
| b) Revalued loans of amalgamated institutions | „ 1,723,034.89 | „ 1,351,199.11 | — 372 |
| c) Building loans from the Bank's own funds „ | 5,343,877.12 | „ 5,447,825.32 | + 104 |
| d) Cash amortization and other loans . . | „ 57,039,305.92 | „ 57,878,859.59 | + 840 |
| Total | Zl. 65,121,491.14 | Zl. 65,603,873.05 | + 483 |

The building loans from the Bank's own funds rose by Zl. 104,000 to Zl. 5,447,825.32. They are converted into cash amortization loans, figuring in Item 19 d). The most important items in the cash amortization loans are the loans granted to State undertakings. These include also cash amortization loans amounting to Zl. 11,428,000, of which Zl. 6,886,000 are land loans, originating from the debt-relief action, Zl. 4,536,000 municipal loans and Zl. 6,000 other loans.

Items 20 and 21. Immovable and movable property rose by Zl. 186,000 to Zl. 32,260,281.57 owing to the erection of new buildings for the Bank at Poznań and Wilno.

Item 22. Suspense accounts increased by Zl. 1,630,000 to Zl. 17,858,878.49, comprising, as Item 13 on the Liabilities side, the ordinary transitory items and interperiodic settlements.

BOND ISSUE SECTION.

LIABILITIES.

Item 18. Special reserve for securities issued by the National Economic Bank rose by Zl. 1,478,000 to Zl. 30,565,397.79. This was due to :

| | |
|--|------------------|
| a) the distribution of the net profit for the year 1937 (in accordance with Art. 13 of the Decree of the President of the Republic of Poland, dated 3rd December, 1930, Journal of Laws No. 86, Item 666, relating to the National Economic Bank | Zl. 1,131,574.29 |
| b) inscription fees, according to § 17 of the Statutes of the National Economic Bank, the profit of the Bank from the purchase of mortgage bonds and debentures, destined for redemption, and the earnings on obliterated coupons and drawn bonds and debentures | Zl. 346,618.22 |

The distribution of the above reserve by type of bonds, as at the end of 1938, compared with the same date of the preceding year, is given below :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|--------------------------------------|-------------------|-------------------|-----------------------------|
| a) mortgage bonds | Zl. 7,867,425.47 | Zl. 8,453,013.32 | + 586 |
| b) communal debentures | ,, 17,571,271.06 | ,, 18,154,303.98 | + 583 |
| c) railway debentures | ,, 1,317,082.83 | ,, 1,342,949.76 | + 26 |
| d) building debentures | ,, 493,444.84 | ,, 588,275.72 | + 95 |
| e) bank debentures | ,, 1,065,859.33 | ,, 1,097,621.01 | + 31 |
| f) cash amortization loans | ,, 772,121.75 | ,, 929,234.— | + 157 |
| Total | Zl. 29,087,205.28 | Zl. 30,565,397.79 | + 1,478 |

Item 19. Mortgage bonds and debentures issued by the late Polish National Bank shrank by Zl. 669,000 to Zl. 22,566,087.64, the following changes having taken place :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|----------------------------------|-------------------|-------------------|-----------------------------|
| a) mortgage bonds | Zl. 5,215,701.74 | Zl. 4,832,552.74 | — 383 |
| b) communal debentures | ,, 7,691,433.65 | ,, 7,521,826.90 | — 170 |
| c) railway debentures | ,, 10,328,448.— | ,, 10,211,708.— | — 116 |
| Total | Zl. 23,235,583.39 | Zl. 22,566,087.64 | — 669 |

The above securities are pre-war issues of the former Polish National Bank, one of the amalgamated institutions. They have been revalued and taken over by the National Economic Bank and are being gradually liquidated.

Item 20. Mortgage bonds and debentures issued by the National Economic Bank in circulation rose by Zl. 30,658,000 to Zl. 913,809,755.18. In 1938 the Bank issued fresh securities for a face value of Zl. 46,084,031.19. This is made up as follows: 6% mortgage bonds, totalling

Zl. 33,932,234.03, 6% building debentures, totalling Zl. 4,246,797.16 and 6% bank debentures for Zl. 7,905,000. The changes which took place in these issues are shown below:

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|--|---------------------------|---------------------------|-----------------------------|
| 4½% mortgage bonds | Zl. 54,336,974.— | Zl. 51,443,624.— | — 2,893 |
| 4½% " " PZ/1 | " 7,425,362.— | " 7,336,222.— | — 89 |
| 5½% " " | " 148,976,910.— | " 145,542,076.— | — 3,435 |
| 6% " " | " 116,870,901.28 | " 148,989,607.21 | + 32,119 |
| 7% " " | " 33,999,454.— | " 33,235,902.— | — 764 |
| 8% " " | " 14,669,106.— | " 14,607,444.— | — 62 |
| 5½% building debentures | " 27,800,100.— | " 27,295,000.— | — 505 |
| 6% " " | " 43,770,297.98 | " 46,716,522.16 | + 2,946 |
| 8% " " | " 759,100.— | " 664,100.— | — 95 |
| 5½% bank " | " 18,089,382.— | " 16,961,248.— | — 1,128 |
| 6% " " | " — | " 7,905,000.— | + 7,905 |
| 7½% " " | " 500,056.— | " 500,056.— | — |
| 5½% communal " | " 338,890,382.— | " 336,148,890.— | — 2,742 |
| 6% " " | " 4,000,000.— | " 3,983,600.— | — 16 |
| 7% " " | " 18,735,180.48 | " 18,180,423.81 | — 555 |
| 8% " " | " 13,417,720.— | " 13,389,340.— | — 28 |
| 3% " " Series I & II in dollars | " 40,910,700.— | " 40,910,700.— | — |
| Total | Zl. 883,151,625.74 | Zl. 913,809,755.18 | + 30,658 |

The distribution of the mortgage bonds, according to type of loans for which they were issued, is given below:

| | December 31, 1937 | December 31, 1938 | Changes |
|---|-----------------------|-------------------|-----------------|
| | In thousands of zloty | | |
| a) on country estates | 54,337 | 51,444 | — 2,893 |
| b) on urban immovables | 38,989 | 38,183 | — 806 |
| c) for the conversion of building loans | 282,953 | 311,528 | + 28,575 |
| Total | 376,279 | 401,155 | + 24,876 |

Item 21. Drawn mortgage bonds and debentures not presented for payment until the end of 1938 amounted to Zl. 922,916.42, an increase of Zl 221,000, as compared with the previous year. The above sum is made up as follows:

| | |
|----------------------------------|-----------------------|
| a) mortgage bonds | Zl. 708,053.38 |
| b) communal debentures | " 157,439.04 |
| c) building " | " 10,000.— |
| d) railway " | " 47,424.— |
| Total | Zl. 922,916.42 |

Item 22. Matured coupons not presented for payment until the end of 1938 declined by Zl. 164,000 to Zl. 1,585,866.98. This amount is made up as follows :

| | |
|----------------------------------|-------------------------|
| a) mortgage bonds | Zl. 1,303,593.60 |
| b) communal debentures | „ 163,894.95 |
| c) railway „ | „ 108,099.68 |
| d) bank „ | „ 10,278.75 |
| Total | Zl. 1,585,866.98 |

Item 23. Instalments paid in anticipation fell by Zl. 399,000 to Zl. 1,993,908.85. This consists of instalments paid before their maturity and of repayments in excess of the redemption plan. The distribution by types of securities is given below :

| | |
|----------------------------------|-------------------------|
| a) mortgage bonds | Zl. 1,611,561.36 |
| b) communal debentures | „ 222,476.08 |
| c) building „ | „ 159,871.41 |
| Total | Zl. 1,993,908.85 |

Item 24. Receipts on account of current instalments on issue loans increased, as compared with 1937, by Zl. 548,000 to Zl. 12,100,130.06. This item consists of the receipts in respect of instalments falling due in the near future.

Item 25. Sundry issue accounts amounted to Zl. 23,706,721.21, a decrease of Zl. 5,078,000 on the year. They include various settlements connected with the payment of instalments on issue loans and the service of securities issued by the National Economic Bank.

ASSETS.

Item 23. Issue loans of the late Polish National Bank : See Item 19 of the Liabilities side.

Item 24. Issue loans of the National Economic Bank correspond with Item 20 of the Liabilities side. In the course of 1938 they showed the following changes :

| Mortgage bonds | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|-------------------------------|---------------------------|---------------------------|-----------------------------|
| 4½% land | Zl. 54,336,974.— | Zl. 51,443,624.— | — 2,893 |
| 5½% urban | „ 38,988,922.24 | „ 38,183,261.82 | — 806 |
| 5½% conversion | „ 166,081,909.76 | „ 162,538,382.18 | — 3,544 |
| 6% „ | „ 116,870,901.28 | „ 148,989,607.21 | + 32,119 |
| Debentures | | | |
| 5½% building | „ 28,559,200.— | „ 27,959,100.— | — 600 |
| 6% „ | „ 43,770,297.98 | „ 46,716,522.16 | + 2,946 |
| 5½% bank | „ 18,589,438.— | „ 17,461,304.— | — 1,128 |
| 6% „ | — | „ 7,905,000.— | + 7,905 |
| 5½% communal | „ 371,043,282.48 | „ 367,718,653.81 | — 3,325 |
| 6% „ | „ 4,000,000.— | „ 3,983,600.— | — 16 |
| 3% „ in dollars Series I & II | „ 40,910,700.— | „ 40,910,700.— | — |
| Total | Zl. 883,151,625.74 | Zl. 913,809,755.18 | + 30.658 |

Item 25. Arrears of instalments on issue loans dropped in the course of 1938 by Zl. 4,151,000 to Zl. 17,298,823.23. The distribution of this sum by types of loans is given below :

| | T o t a l s | |
|---|------------------|--------------|
| | In thous. of Zl. | In % |
| Mortgage bonds | | |
| 4½% land | 5,075 | 29.3 |
| 5½% urban | 2,061 | 11.9 |
| 5½% conversion | 1,785 | 10.3 |
| Debentures | | |
| 5½% building | 270 | 1.6 |
| 5½% bank | 2,311 | 13.4 |
| 5½% communal | 739 | 4.3 |
| 3% „ in dollars | 4,520 | 26.1 |
| Total of instalments on issues of the National Economic Bank | 16,761 | 96.9 |
| Total of instalments on issues of the former Polish National Bank | 538 | 3.1 |
| Grand total of instalments on issue loans | 17,299 | 100.0 |

Item 27. Sundry issue accounts amounted on the 31st December, 1938, to Zl. 20,575,970.77, a decrease of Zl 8,861,000, as compared with a year before. They are of the same character as the analogical accounts of the Liabilities side (Item 25).

Item 28. Balance with General Banking Section rose by Zl. 9,620,000 to Zl. 32,894,885.41. For details see Item 15 of the Liabilities side.

TREASURY FUNDS ADMINISTERED BY THE BANK.

LIABILITIES.

Item 26. Treasury funds and deposits administered by the Bank fell in the course of 1938, as compared with the previous year, by Zl. 5,383,000 to Zl. 369,759,006.75. They are composed of the following funds :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|-------------------------------|---------------------------|---------------------------|-----------------------------|
| a) building | Zl. 244,314,362.94 | Zl. 232,632,888.35 | — 11,681 |
| b) relief for banks | „ 35,421,553.90 | „ 31,021,156.20 | — 4,400 |
| c) sundry | „ 95,406,522.88 | „ 106,104,962.20 | + 10,698 |
| Total | Zl. 375,142,439.72 | Zl. 369,759,006.75 | — 5,383 |

Item 27. Special accounts rose during 1938 by Zl. 181,954,000 to Zl. 494,180,910.94. They correspond with Item 30 of the Assets side.

Item 29. Credits granted from Treasury deposits showed the following changes in 1938, as compared with the preceding year :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|---------------------------------------|--------------------|--------------------|-----------------------------|
| a) building credits from the State | | | |
| Building Fund : | | | |
| 1) non-converted | Zl. 220,529,539.11 | Zl. 210,204,595.27 | — 10,325 |
| 2) converted | ,, 21,321,781.19 | ,, 16,182,166.85 | — 5,140 |
| b) relief credits for banks | ,, 36,985,657.19 | ,, 33,998,578.90 | — 2,987 |
| c) other credits | ,, 91,495,290.40 | ,, 104,169,691.32 | + 12,675 |
| Total | Zl. 370,332,268.59 | Zl. 364,555,032.34 | — 5,777 |

Item 30. Special accounts rose by Zl. 182,005,000 to Zl. 499,007,928.94. This item includes the operations connected with the capital investment plan and also the assistance of the Government to industry and financial institutions as well as Treasury guarantees to the Bank. This corresponds with Item 27 of the Liabilities.

Item 31. Balance with the General Banking Section rose by Zl. 343,000 to Zl. 376,956.41. (See Item 16 of the Liabilities).

ITEMS NOT INCLUDED IN THE BALANCE SHEET.

These accounts showed the following changes in 1938, as compared with 1937 :

| | December 31, 1937 | December 31, 1938 | Changes in thous. of Zl. |
|--|-------------------|-------------------|-----------------------------|
| 1. "Collections accounts" on the Liabilities side and on the Assets side, respectively | Zl. 27,528,956.75 | Zl. 27,581,284.18 | + 52 |
| 2. "Guarantees on account of Customers" on the Liabilities side and the "Liability of Customers for guarantees" on the Assets side, respectively | ,, 20,607,567.31 | ,, 20,838,103.97 | + 231 |
| 3. "Acceptances on account of Customers" on the Liabilities side and "Liability of Customers for Acceptances" on the Assets side, respectively | ,, 1,541,697.95 | ,, 3,242,407.73 | + 1,701 |
| Total | Zl. 49,678,222.01 | Zl. 51,661,795.88 | + 1,984 |

D E P O S I T S.

| | Nominal value in various currencies | | Nominal value in various currencies |
|--|--|---|--|
| Deposits in safe - custody with the Bank | 979,524,888.83 | Customers' securities in safe-custody | 890,773,818.61 |
| Deposits in safe - custody elsewhere | 117,729,204.70 | Bank's own securities | 206,480,274.92 |
| Total | 1,097,254,093.53 | Total | 1,097,254,093.53 |

ASSETS.

| | | zloty | gr. |
|-------------------------|--|---------------|-----|
| GENERAL BANKING SECTION | | | |
| 1. | Cash in hand, with Bank of Poland and Post Office Savings Bank | 53,735,217 | 89 |
| 2. | Treasury bills and Investment bonds | 32,037,000 | — |
| 3. | Foreign currencies | 202,470 | 11 |
| 4. | Fixed interest bearing securities | 42,173,453 | 51 |
| 5. | Bonds issued by the National Economic Bank | 49,107,724 | 95 |
| 6. | Shares and participations | 34,933,306 | 53 |
| 7. | Drawn bonds and matured coupons | 409,482 | 48 |
| 8. | Bills discounted | 137,463,133 | 20 |
| 9. | Protested bills | 128,094 | 56 |
| 10. | Acceptances of the Acceptance Bank | 24,102,558 | — |
| 11. | Term loans | 55,922,019 | 28 |
| 12. | Claims in respect of conversion agreements | 34,509,260 | 88 |
| 13. | Debtors on current accounts | 142,152,273 | 28 |
| 14. | Banks "Loro": | | |
| | a) Polish | 14,302.— | |
| | b) foreign | 3,067,243.— | |
| 15. | Banks "Nostro": | | |
| | a) Polish | 322,526.20 | |
| | b) foreign | 17,558,557.46 | |
| 16. | Loans from special funds | 33,100,516 | 39 |
| 17. | Claims in respect of payments for the State Building Fund | 17,869,817 | 08 |
| 18. | Communal loans | 73,916,437 | 14 |
| 19. | Long-term loans: | | |
| | a) for arrears of interest on building loans | 925,989.03 | |
| | b) revalued loans of amalgamated institutions | 1,351,199.11 | |
| | c) building loans from Bank funds | 1,447,825.32 | |
| | d) cash amortization loans and others | 57,878,859.59 | |
| 20. | Immovable property | 31,745,847 | 03 |
| 21. | Furniture, fittings, etc. | 514,434 | 54 |
| 22. | Suspense accounts | 17,858,878 | 49 |
| | Carried forward | 868,448,427 | 05 |

STWA KRAJOWEGO

ECONOMIC BANK

SHEET

December, 1938.

LIABILITIES.

| GENERAL BANKING SECTION | | zloty | gr |
|-------------------------|---|-------------|----|
| 1. | Capital | 150,000,000 | — |
| 2. | Reserve fund | 20,229,320 | 19 |
| 3. | Call deposits: | | |
| | a) cheque accounts 219,007,506.16 | | |
| | b) foreign accounts in zloty 3,414,585.41 | | |
| | c) foreign currency accounts 14,646,222.10 | | |
| | d) savings deposits 53,121,779.12 | | |
| | e) current accounts of communal savings banks . 13,542,624.— | 303,732,716 | 79 |
| 4. | Fixed deposits | 153,770,034 | 46 |
| 5. | Sundry credits balances | 22,697,501 | 96 |
| 6. | Special funds | 33,100,516 | 39 |
| 7. | Bills rediscounted | 30,562,257 | 15 |
| 8. | Rediscounted acceptances of the Acceptance Bank | 6,365,709 | — |
| 9. | Banks "Loro": | | |
| | a) Polish 19,724,253.— | | |
| | b) foreign 10,250,367,19 | 29,974,620 | 19 |
| 10. | Banks "Nostro": | | |
| | a) Polish 4,606,941.12 | | |
| | b) foreign 334,537.59 | 4,941,478 | 71 |
| 11. | Acceptance Bank ex re acceptance credit | 24,102,558 | — |
| 12. | Drafts | 865,461 | 44 |
| 13. | Suspense accounts | 48,518,328 | 72 |
| 14. | Interest for 1939 | 2,776,003 | 45 |
| 15. | Balance of Bond Issue Section | 32,894,885 | 41 |
| 16. | Balance of Treasury funds administered by the Bank | 376,956 | 41 |
| 17. | Net profit | 3,540,078 | 78 |
| | Carried forward | 868,448,427 | 05 |

ASSETS.

| | | zloty | gr |
|---|--|----------------------|----|
| Brought forward . . . | | 868,448,427 | 05 |
| BOND ISSUE SECTION | | | |
| 23. | Bond loans of the former Polish National Bank: | | |
| | a) mortgage bonds | 4,832,552.74 | |
| | b) communal debentures | 7,521,826.90 | |
| | c) railway debentures | 10,211,708.— | |
| | | <u>22,566,087</u> | 64 |
| 24. | Bond loans of the National Economic Bank: | | |
| | a) mortgage bonds | 401,154,875.21 | |
| | b) communal debentures | 412,612,953.81 | |
| | c) building debentures | 74,675,622.16 | |
| | d) bank debentures | 25,366,304.— | |
| | | <u>913,809,755</u> | 18 |
| 25. | Instalments on bond loans (arrears) | 17,298,823 | 23 |
| 26. | Coupons of drawn bonds | 105,261 | 90 |
| 27. | Sundry issue accounts | 20,575,970 | 77 |
| 28. | Balance with General Banking Section | 32,894,885 | 41 |
| | | <u>1,007,250,784</u> | 13 |
| SECTION OF TREASURY FUNDS ADMINIS- TERED BY THE BANK | | | |
| 29. | Loans granted from Treasury funds: | | |
| | a) building loans from the State Building Fund: | | |
| | 1) non-converted | 210,204,595.27 | |
| | 2) converted | 16,182,166.85 | |
| | | <u>226,386,762</u> | 12 |
| | b) relief credits for banks | 33,998,578 | 90 |
| | c) other loans | 104,169,691 | 32 |
| 30. | Special accounts | 499,007,928 | 94 |
| 31. | Balance with General Banking Section | 376,956 | 41 |
| | | <u>863,939,917</u> | 69 |
| Total of the balance sheet . . . | | 2,739,639,128 | 87 |
| | Collections, as per contra | 27,581,284 | 18 |
| | Liability of Customers for guarantees, as per contra | 20,838,103.97 | |
| | Liability of Customers for acceptances, as per contra | 3,242,407.73 | |
| | | <u>24,080,511</u> | 70 |
| Grand total | | <u>2,791,300,924</u> | 75 |

| | | zloty | gr |
|---|---|----------------|----|
| Brought forward | | 868,448,427 | 05 |
| BOND ISSUE SECTION | | | |
| 18. | Special reserve for securities issued by the N. E. B.: | | |
| | a) cash amortization loans | 929,234.— | |
| | b) mortgage bonds | 8,453,013.32 | |
| | c) communal debentures | 18,154,303.98 | |
| | d) railway debentures | 1,342,949.76 | |
| | e) building debentures | 588,275.72 | |
| | f) bank debentures | 1,097,621.01 | |
| | | 30,565,397 | 79 |
| 19. | Securities issued by the former Polish National Bank in circulation: | | |
| | a) mortgage bonds | 4,832,552.74 | |
| | b) communal debentures | 7,521,826.90 | |
| | c) railway debentures | 10,211,708.— | |
| | | 22,566,087 | 64 |
| 20. | Securities issued by the N. E. B. in circulation: | | |
| | a) mortgage bonds | 401,154,875.21 | |
| | b) communal debentures | 412,612,953.81 | |
| | c) building debentures | 74,675,622.16 | |
| | d) bank debentures | 25,366,304.— | |
| | | 913,809,755 | 18 |
| 21. | Drawn bonds not presented for payment | 922,916 | 42 |
| 22. | Matured coupons not presented for payment | 1,585,866 | 98 |
| 23. | Instalments paid in advance | 1,993,908 | 85 |
| 24. | Instalments on bond loans | 12,100,130 | 06 |
| 25. | Sundry accounts | 23,706,721 | 21 |
| | | 1,007,250,784 | 13 |
| SECTION OF TREASURY FUNDS ADMINISTERED BY THE BANK | | | |
| 26. | Treasury funds: | | |
| | a) building funds | 232,632,888 | 35 |
| | b) relief funds for banks | 31,021,156 | 20 |
| | c) other funds | 106,104,962 | 20 |
| 27. | Special accounts | 494,180,910 | 94 |
| | | 863,939,917 | 69 |
| | Total of the balance sheet | 2,739,639,128 | 87 |
| | Collections, as per contra | 27,581,284 | 18 |
| | Guarantees on account of Customers, as per contra 20,838,103.97 | | |
| | Acceptances on account of Customers, as per contra 3,242,407.73 | 24,080,511 | 70 |
| | Grand total | 2,791,300,924 | 75 |

BANK GOSPODAR

NATIONAL
PROFIT AND
for the year ended

EXPENDITURE.

| | | zloty | gr |
|--|---------------|------------|----|
| 1. Interest paid on: | | | |
| a) deposits and current accounts | 15,475,742.28 | | |
| b) rediscounts | 13,465,715.71 | | |
| c) savings deposits | 1,578,747.28 | | |
| d) other accounts | 59,316.23 | 30,588,521 | 50 |
| 2. Exchange differences on securities | | 1,504,089 | 57 |
| 3. Expenses: | | | |
| a) operating expenses | 562,514.34 | | |
| b) office expenses | 1,089,117.72 | | |
| c) sundry expenses | 997,521.37 | | |
| d) motor upkeep | 111,481.18 | | |
| e) salaries and wages | 11,989,282.43 | | |
| f) pensions | 436,368.58 | 15,186,285 | 62 |
| 4. Amortization: | | | |
| a) immovable property | 641,375.10 | | |
| b) furniture, fittings, etc. | 163,573.61 | 804,948 | 71 |
| 5. Written off | | 9,104,515 | 84 |
| 6. Relieving of local authorities of debts | | 3,296,919 | 86 |
| 7. Endowment for the Staff Pension Fund of the N.E.B. | | 1,500,000 | — |
| 8. Net profit | | 3,540,078 | 78 |
| Total . . . | | 65,525,359 | 88 |

STWA KRAJOWEGO

ECONOMIC BANK

LOSS ACCOUNT

31 st December, 1938

INCOME.

| | | zloty | gr |
|---------------------------------|--|-------------------|-----------|
| 1. Interest received on: | | | |
| a) | bills discounted | 22,443,259.67 | |
| b) | current accounts | 11,225,261.72 | |
| c) | fixed loans | 3,144,762.34 | |
| d) | long-term and communal loans | 6,200,175.51 | |
| e) | building loans | 416,787.15 | |
| f) | securities | 9,491,227.54 | |
| g) | interest on arrears of bond loans | 932,242.01 | |
| h) | other accounts | 24,768.08 | |
| | | 53,878,484 | 02 |
| 2. Commissions on: | | | |
| a) | collections | 185,977.68 | |
| b) | drafts | 127,673.13 | |
| c) | current accounts and others | 568,634.15 | |
| d) | exchange transactions | 405,598.22 | |
| e) | deposits | 155,659.72 | |
| f) | guarantees | 306,210.29 | |
| g) | building loans | 1,452,732.94 | |
| h) | other accounts | 1,597,709.24 | |
| | | 4,797,195 | 37 |
| 3. | Exchange differences on drafts and currencies | 273,771 | 25 |
| 4. | Administrative charges payable to Bond Issue Department | 3,733,320 | 12 |
| 5. | Administration of immovable property | 438,038 | 07 |
| 6. | Refund of sums previously written off | 2,404,551 | 05 |
| Total | | 65,525,359 | 88 |

AUDITORS' CERTIFICATE.

The Auditing Committee has examined the Balance Sheet of the National Economic Bank for the year ended 31st December, 1938, as well as the Profit and Loss Account for the year ended on that date, and states:

1) That the items comprised in the Balance Sheet, closed on each side with a total of Zl. 2,791,300,924.75 (inclusive of collections, guarantees and acceptances) 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 of the Head Office are correct and have been properly kept.

In view of the above, the Auditing Committee proposes that the Balance Sheet of the National Economic Bank, as on December 31st, 1938, and the Profit and Loss Account for the year ended on that date, be approved.

Warszawa, 27th February, 1939.

Chairman:

Dr W. Marynowski

Auditors:

M. Strumiłło

Strzelecki

S. Zaczek

Mieszalski

T. Szuldrzyński

Stefan Żurowski

TO THE
PRESIDENT OF THE NATIONAL ECONOMIC BANK

Warszawa.

Dear Sir,

Following on your letter of the 10th March, 1939, L. 120/39/M., I beg to inform you that, basing myself on the protocol of the Auditing Committee of the 27th February, 1939, and on the decision of the Administrative Council of the Bank of the 9th March, 1939, confirming the Balance Sheet and the Profit and Loss Account for the year 1938, and in accordance with § 72 of the Statutes of the Bank, I hereby grant to the Authorities of the Bank a general discharge for their action during the operating year 1938.

MINISTER OF FINANCE

Signed: *E. Kwiatkowski.*

Balance sheet of the Staff Pension Fund
of the National Economic Bank
as on 31st December, 1938

| A S S E T S | zloty | gr | L I A B I L I T I E S | zloty | gr |
|---|------------|----|---|------------|----|
| Cheque accounts with the National Economic Bank | 1,130,802 | 12 | Capital | 27,449,114 | 51 |
| Deposits with the Bank | 561,880 | 50 | Mortgagees | 1,184,520 | 68 |
| Securities | 9,245,059 | 08 | Other accounts | 430,005 | 12 |
| Immovables | 20,494,202 | 95 | Surplus of revenue over expenditure for the year 1938 | 2,694,956 | 29 |
| Other accounts | 326,651 | 95 | | | |
| Total of the balance sheet | 31,758,596 | 60 | Total of the balance sheet | 31,758,596 | 60 |
| | | | | | |

Income and Expenditure Account
of the Staff Pension Fund
for the year 1938

| E X P E N D I T U R E | zloty | gr | I N C O M E | zloty | gr |
|---|-----------|----|--|-----------|----|
| Pensions and allowances to widows | 1,132,871 | 17 | Contributions from the National Economic Bank | | |
| Post-mortem payments | 8,666 | 37 | a) ordinary | 567,645 | 74 |
| Reserves transferred to the Social Insurance Establishments and repayment of contributions to members | 39,809 | 45 | b) extraordinary 1,250,000.— | 1,817,645 | 74 |
| Amortization of real property | 239,596 | — | Contributions from members | 615,068 | 99 |
| Surplus of revenue over expenditure for the year 1938 | 2,694,956 | 29 | Premium reserve | 89,874 | 37 |
| | | | Profit on house administration for the year 1938 | 639,217 | 90 |
| | | | Coupons of securities | 785,757 | 74 |
| | | | Interest | 152,212 | 97 |
| | | | Exchange differences on drawn securities | 16,121 | 57 |
| Total | 4,115,899 | 28 | Total | 4,115,899 | 28 |
| | | | | | |

Balance sheet of the Silesian Economic Fund

as on 31st December, 1938

| ASSETS | zloty | gr | LIABILITIES | zloty | gr |
|---|------------|----|---|------------|----|
| National Economic Bank . . . | 843,883 | — | Capital | 50,941,624 | 27 |
| Loans | 51,026,641 | 95 | Other accounts | 215,360 | 34 |
| Immovables bought at bailiff's auctions | 60,823 | 73 | Surplus of revenue over expenditure | 822,580 | 64 |
| Other accounts | 48,216 | 57 | | | |
| Total of the balance sheet | 51,979,565 | 25 | Total of the balance sheet . | 51,979,565 | 25 |

Balance sheet of the Silesian Communal Loan and Assistance Fund

as on 31st December, 1938

| ASSETS | zloty | gr | LIABILITIES | zloty | gr |
|------------------------------|-----------|----|---|-----------|----|
| National Economic Bank . . . | 521,498 | — | Capital | 3,117,478 | 63 |
| Loans | 2,658,381 | 54 | Other accounts | 13,447 | 96 |
| Other accounts | 86 | 60 | Surplus of revenue over expenditure | 49,039 | 55 |
| Total of the balance sheet . | 3,179,966 | 14 | Total of the balance sheet . | 3,179,966 | 14 |

Balance sheet of the American Economic Fund

for the year ending 1934

| Assets | Liabilities |
|--|---|
| Cash and cash equivalents Receivables Investments Real estate Other assets | Accounts payable Notes payable Other liabilities Total liabilities |
| Total Assets | Total Liabilities |

Balance sheet of the American Economic Fund



| Assets | Liabilities |
|--|---|
| Cash and cash equivalents Receivables Investments Real estate Other assets | Accounts payable Notes payable Other liabilities Total liabilities |
| Total Assets | Total Liabilities |

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