

## SLOVENSKÁ ĽUDOVÁ BANKA

At the General Meeting of Malacká ľudová banka (the Malacky Popular Bank) held on April 24, 1922, the Memorandum of Association of Slovenská ľudová banka, úč. spol. (Slovak Popular Bank – SPB) headquartered in Malacky was unanimously approved, and SPB assumed all liabilities of the Malacky Popular Bank. Later on, the SPB headquarters were moved to Bratislava. In setting its basic objectives, the bank decided to perform banking operations of all kinds so as to “...support and promote business, industry, agriculture and crafts, especially focusing on the needs of the Slovak common people”. Furthermore, the bank was authorised to open savings accounts and current accounts and accept deposits up to the level of twenty times the amount of its equity capital, and to provide loans for purchases of real estate, goods, raw materials, securities, and account payables. SPB was allowed to establish and organize commercial, general business and industrial companies, but its share in their equity capital could not exceed 10 %. The bank could also generate revenues as a depository of securities, foreign currency and valuables. The bank was not allowed to trade in any goods on its own account, with the exemption of transactions aimed at securing its own account receivables, or to conduct or mediate transactions with members of its supervisory committee or to do business with the profit participation by its own employees. Until the date of its forced liquidation, the bank had been headed by Jozef Bordáč, who previously was a co-founder of Roľnícka a priemyselná banka (the Farmers’ and Industry Bank) and director of Americko-slovenská banka (the American-Slovak Bank).

In 1923, Slovak Popular Bank merged with Úverná banka (the Credit Bank) in Pezinok. In 1926 it merged with Galantská ľudová banka (the Galanta Popular Bank), and in 1928 with Galantský vidiecky úverný ústav (the Galanta Rural Credit Institution). The mergers continued in 1930 with Nemecko-Ľupčianska banka (the German-Lupča Bank) and Skalická banka (the Skalica Bank) and in 1935 with Trnavská ľudová banka (the Trnava Popular Bank). Following the mer-



gers, one bank share was valued at Kč 3 million, whereas the nominal value of the share was Kč 100 in favour of its holder. In total, SPB had four branches.

In 1930, the situation of the bank began to steadily deteriorate due to violations of the law and its own statutes. Neither the Board of Direc-

tors nor Bordáč paid proper attention to auditor’s warnings about the illegal use of SPB funds. From 1935 onwards, the director claimed expenses for fictitious business trips (amounting to more than Kč 100 000 up to 1941) and other bank executives and branch directors did the same with his knowledge.

In 1940, Slovenská národná banka (the Slovak Central Bank) performed an audit at SPB and pointed to its loss-making situation. Bordáč and certain other members of the Board of Directors and Supervisory Committee were accused of inconsistency. They were allegedly linked to Slovenské drevo, úč. spol. (the Slovak Timber Company), where they “...conducted private transactions and earned benefits from these transactions”. Bordáč falsified minutes from the Slovak Timber Company board meetings for two consecutive years and proclaimed that neither he nor his son had participated in deals at this company. At his request, Hospodársky obchodný ústav (the Commercial Trade Institute) was established, where he wilfully applied arbitrary powers, conducted his own business and benefited from companies financed by SPB. Bordáč disputed the allegations stated in the audit reports. Nevertheless, in 1950 he was convicted by the court and sentenced to 18 months in prison.

On February 11, 1941, the Ministry of Finance decided to close SPB and suspend its management. At the same time, an administrative committee was instituted consisting of Arnošt Bella, the authorised signatory of Roľnícka vzájomná pokladnica (the Farmer’s Mutual Treasury), Ján Kubačka, the director of Ľudová banka Ružomberok (the Ružomberok Popular Bank), and Pavol Kmeť and Tomáš Cipciar, auditors of the Slovak Central Bank. The administrative committee had the same rights and obligations as the previous SPB management, and disciplinary procee-



dings were initiated against the former management for breach of duties. In its report of September 15, 1941, the administrative committee stated that as of January 31, 1940, 52 million Ks of the bank's balance-sheet total of 108 million Ks were invested in illiquid assets. At the same time, the committee rejected the petition by Dr. Vojtech Brestenský, chairman of the administrative committee, on "conducting other fantastic operations" without disturbing the bank's stability. Prior to the institution of the administrative committee, the bank attracted and maintained funds from external sources, primarily savings books deposits, and in violation of the law, provided savers with "surplus interests". Furthermore, the bank failed to write off real estate and account receivables, pay dividends and employ qualified staff. In its report of November 28, 1941, the Audit Committee of the Slovak Central Bank requested that compensatory da-

mages be claimed from the managerial staff of SPB.

On December 22, 1941, the Ministry of Finance ordered the liquidation of SPB, and entrusted the liquidation to Sedliacka banka (the Farmers Bank). Following the events of 1948, its liquidation was taken over by Slovenská Tatra banka (the Slovak Tatra Bank). SPB eventually ceased to exist in 1950, when the Czechoslovak State Bank was established. It was the single socialist bank that ensured monetary, credit, currency and issuing functions. It assumed all rights and obligations of Národná banka československá (the Czechoslovak National Bank), Živnostenská banka (the Sole-traders Bank), Slovenská Tatra banka and Poštová sporiteľňa (the Post Savings Bank) and became the single banking apparatus providing for a unified money and credit system.

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