

THE HOSPODÁRSKA BANKA OF BRATISLAVA

The origin of the Czechoslovak Republic in 1918 opened new business opportunities for the majority of Slovak banks. These were especially lending to industrial and commercial companies, which enabled them to increase their capital power and create their own industrial concerns. However, not all the banks were prepared for such a development, and they engaged in these companies beyond their capital and organizational possibilities and abilities. Such banks included the Hospodárska banka (HB – Economic Bank), founded in 1906 at Trnava by Milan Ivanka and Ján Záturecký with share capital of 100,000 crowns (K). Its main aim was to „support agriculture, industry and commerce by providing cheap credit, as well as assisting thrift by accepting deposits and paying interest on them“. By the end of 1918, the share capital of the bank had increased to 2 million K. The bank gradually established branches in Modra, Pezinok, Hlohovec and a sub-branch in Šoproň. It did business mainly in the area of agriculture, granting loans to landowners, but also to small farmers, for the purchase of agricultural equipment. During the war, it concerned itself with the sale on commission of wine and for this purpose it bought houses in Modra and Pezinok with large cellars for storing wine. By the end of 1918, it was one of the strongest financial institutions in the Trnava region.

Branches in Bratislava, Brezová pod Bradlom, Nové Zámky and Nitra were established in 1919. It expanded mainly by mergers, for example, with the Hospodárska banka of Brezová pod Bradlom. In the same year, its share capital was increased to 5 million Czechoslovak crowns (Kč) and the director Tomáš Tvarožek succeeded in selling almost half the shares to Slovak emigrants in America. The bank began to invest to a much greater extent in industrial companies such as the Považký liehovar (distillery) at Leopoldov, the Slovenská veľkonákupná spoločnosť (Slovak Wholesale Company) of Trnava, Prvá slovenská poisťovňa (First Slovak Insurance Company) in Bratislava, Parný mlyn (Steam Mill) at Šenkvice and Slovenská keramika (Slovak Pottery) at Modra.

In 1920, the extensive activity of the bank required further raising of the share capital to 20 million Kč, but this did not achieve the expected success, since about 16,000 shares were not bought. The unsold shares had to be taken by officials of the bank and a consortium

composed of members of the board of directors. Also in 1920, the bank continued with mergers, also acquiring the Ľudová banka (People's Bank) of Nové Mesto nad Váhom and the Roľnícka banka (Small Farmers' Bank) of Hliník. By participation in share capital and loans, it applied its influence especially in Bratislava companies, specifically in the Drevársky spolok (Timber Association), the Slovensko film company, Arenga sweet factory, Spoločnosť umeleckého priemyslu (Company of Artistic Industry), Bratislavská obchodná spoločnosť (Bratislava Commercial Company) and the Lignum timber association of Prague. From September 1920, it financed the operation of the Fischer chocolate factory in Trnava. Together with Tatra banka, it established the Drevárska banka (Timber Bank) in Bratislava and took a shareholding of 6 million Kč. The bank's headquarters was transferred to Bratislava in the same year. The rapid development of the bank is also shown by the fact that in two years all the items on its balance sheet grew by more than ten times: reserve funds to 12,140,362.31 Kč, deposits to 106,929,035.35 Kč and number of branches from 4 to 18.

However, it got into financial difficulties by the end of 1920 and attempted to obtain a loan of one million dollars from American banks, but the journey of director Ján Cablk to America did not bring the expected results. The bank continued with further, often inadequately considered mergers in 1921, for example with the Ľudová banka of Banská Štiavnica, the Banskoštiavnická sporiteľňa (Banská Štiavnica Savings Bank) and the Obchodná banka (Commercial Bank) in Levice, Sporiteľňa in Brezno and the Hospodárska banka of Šahy, which were later found to be suffering large losses. Although problems began to appear in the companies within its sphere of influence in the middle of 1921 as a result of economic crisis, the bank continued its extensive investments and authorized uncovered loans. The majority of these receivables became unpayable in the crisis years of 1922 and 1923, and the shares in companies became worthless.

The difficult situation of the HB led to talks about its merging with the Slovenská banka (SB) of Bratislava, which were completed at an extraordinary general meeting on 17th December 1921. The merger evoked great euphoria. Fedor Houdek described it as the “greatest event in the world of Slovak finance” and the



Slovenský peňažník (Slovak Financier) wrote enthusiastically about the origin of the “first large Slovak bank”. Although it looked like this on paper, since the SB was the largest financial institution in Slovakia with share capital of 70 million Kč, reserve funds of 47,404,544.46 Kč and 42 branches and sub-branches after the merger, the next years showed that it was a very bad deal. In an effort to expand its influence as fast as possible, the HB had taken over financial institutions without the most thorough examination of their overall financial situation. Its position was also worsened by unconsidered and erroneous investments,

which resulted from lack of the experience and prudence among the functionaries of the HB, where financing of industrial companies was concerned. As a result, the SB had to liquidate many of the deals of the HB in 1922-1923, and free itself from participation in industrial companies. This required great financial sacrifice. The head of the auditing section of the SB Ján Kynčl compiled a list of losses of the HB, which he calculated as 94,788,574.56 Kč.

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