

Monetary and banking policy in Reich-annexed Polish territories and the General Government

Miroslaw Kłusek

University of Łódź

ORCID ID: 0000-0003-4493-1440

Abstract

The implementation of Germany's monetary policy in the annexed territories consisted in replacing the Polish złoty with the Reichsmark as the only means of payment. In the case of the General Government, banknotes in Polish złoty from the Bank of Poland were replaced in 1940 by bills popularly known as the Kraków złoty, dispensed by the occupiers' Bank of Issue in Poland. In the territories annexed to the Third Reich, all Polish credit and savings institutions were subject to confiscation and receivership exercised by the Haupttreuhandstelle Ost in Berlin (Main Trustee Office for the East). Liquidation work involved both assets and liabilities. The Germans, fully aware of the central role of credit institutions in economic life, started measures to revive and rationalize the Polish credit apparatus in the General Government at the beginning of the occupation. This task was entrusted to the Banking Authority. Its efforts were primarily aimed at influencing credit institutions in such a way as to best serve the German wartime economy.

Following the German army's victory in the Polish campaign, Hitler issued an order on 8 October 1939 to incorporate the pre-war provinces of Poznań, Silesia, and Pomerania, as well as parts of Łódź, Białystok, Kraków, Kielce and Warsaw into the Reich on 1 November. The incorporation into Germany of a territory so large that it far exceeded the area of the former Prussian partition was decided for economic, strategic and political reasons. The borders of the Reich included Upper Silesia, the Dąbrowa Basin, the Jaworzyń district and Kalisz, i.e., more industrialized regions that were rich in natural resources. With the absorption of the Polish lands, the German border swelled eastwards to a considerable extent, in some places running only 20 km distant from Warsaw. This guaranteed favorable conditions for a possible invasion of both the truncated Polish state and of the Soviet Union. In addition, the incorporation of 91,900 km² of land into Germany was important for political reasons, providing the much-vaunted concept in Germany of living space (*Lebensraum*).

The General Government for the Occupied Polish Territories was established following Hitler's decree of 12 October 1939 (with effect from 26 October). It incorporated areas that remained after the annexation of parts of the Second Polish Republic into the Reich, and covered some 95,000 km², or 25% of pre-war Poland. From July 1940 onwards, this area was called the General Government (*Generalgouvernement*). The main motivation for its creation lay in Germany's desire to keep these territories separate from the Reich for racial and economic reasons.

The primary aim of this article is to present the monetary and banking policy of the German occupier in the lands incorporated into the Reich and in the General Government as an element of the plan for the economic subordination of the Polish lands to Berlin, and furthermore to indicate the similarities and differences in monetary and banking issues in these two occupied areas.

The occupier's monetary policy in Polish lands incorporated into the Reich

The Germans began regulating currency in as early as September 1939. On 7 September, the Reichsmark (RM) became legal tender in the Free City of Danzig. The local gulden remained valid only until the end of that month. By 30 September 1940, only the minor coins remained in circulation in addition to the Reichsmark. As for the annexed territories, the Reichsmark was introduced as legal tender in Silesia on 9 September. The Polish złoty (PLN) remained in circulation until 30 September, and in Zaolzie until 24 October, with the exception of the minor coins. The Polish złoty could be exchanged without restriction at a rate of 2:1 until 15 October in Silesia and until 31 October in Zaolzie. From 11 September, an order from the German authorities made the Reichsmark the required means of payment in

the occupied Polish territories. Nevertheless, the Polish złoty remained in circulation with a rate of 2:1 against the Reichsmark (Madajczyk, 2019, pp. 125–127; Łuczak, 1979, pp. 323–324).

At the same time, at the beginning of October 1939, physical currency minted in the Reich before the outbreak of war was introduced to replace the coinage in the occupied territories of Poland. Issued by the Reich Credit Offices (*Reichskreditkassen*) in divisions of RM 5, 2, 1 and 0.5, they were decreed legal tender everywhere except Silesia. In total, three currencies functioned on the market during the initial period of the occupation: the Polish złoty, the Reichsmark and the Reich Credit Offices' fiat money (Gójski, 2021, p. 49; Madajczyk, 2019, p. 126; Łuczak, 1979, pp. 323–324). An order of the Commander-in-Chief of the Land Forces dated 23 September obliged the Germans to begin the process of establishing Reich Credit Offices in all the occupied territories of Poland, including the General Government. A total of 23 Offices were established by the process' completion in November 1939, the primary task of which was to issue auxiliary funds in the form of fiat money. They also provided for the deposit of money and the taking out of loans, and took charge of purchasing foreign currency and bullion from the Polish and Jewish population. In addition, the occupier used the Offices as a deposit for looted foreign currency and valuables (Gójski, 2021, pp. 49–50; Madajczyk, 2019, p. 126; Łuczak, 1979, pp. 307–309). The Reich Credit Offices were supposed to be transitional in nature and each of their functions was assumed in the incorporated territories in November 1939 by branches of the Reichsbank, and in the General Government in April 1940 by the Bank of Issue in Poland (Madajczyk, 2019, p. 127; Łuczak, 1979, p. 309).

The process of implementing Germany's monetary policy in the incorporated territories was concluded by the recognition on 27 November 1939 of the Reichsmark as the sole means of payment. From that day until 16 December of the same year, the Germans exchanged all Polish banknotes and coins to the value of PLN 10, 5 and 2 in the areas of the Wartheland, the Reichsgau Danzig-West Prussia, and the territories incorporated into the province of East Prussia. Unlike in Silesia and Zaolzie, the occupier set the upper limit of exchange per person at PLN 1,000 for the Polish population. After 27 November, only coins to the value of PLN 1 and 1, 2, 5, 10, and 20 grosz minor coins from the Polish currency remained in circulation in the incorporated territories (with a ratio of 2:1 against the Reichsmark, except for 1 and 2 grosz coins, which had the equivalent of 1 and 2 pfennig). The remaining coins were ultimately withdrawn in October 1940. The value of all Polish money withdrawn from circulation in the lands incorporated into the Reich is estimated at between PLN 300 million and 1 billion (Madajczyk, 2019, pp. 126–127; Łuczak, 1979, p. 324). On 27 November 1939, fiat money from the Reich Credit Offices was also withdrawn, however this type of substitute money did not exist in larger quantities in these areas, as the Germans were counting on the

rapid introduction of the Reichsmark (Madajczyk, 2019, p. 126; Łuczak, 1979, pp. 324–325).

In the Białystok District, established on 22 July 1941 after the German invasion of the USSR and the incorporation of the relevant lands into the Reich, Soviet roubles, Reichsmarks, and the Reich Credit Offices' money remained in circulation for the first months. The latter was withdrawn from circulation in mid-December 1941 and roubles on 1 January 1942, until the Reichsmark remained the only form of legal tender. Until 15 February 1942, Soviet roubles could be exchanged for Reichsmarks at a ratio of 10:1 (Madajczyk, 2019, p. 127; Łuczak, 1979, p. 325).

The occupier's monetary policy in the General Government

The circulation of currency in the General Government was much more complicated. From 20 November 1939, when the incorporated territories were integrated with the Reich in terms of currency exchange and separated from the General Government by a foreign exchange and customs border, the General Government effectively constituted a separate zone with its own exchange system subordinated to German currency exchange laws (Baranowski, 1942, p. 11; Łuczak, 1979, p. 336). Thus, the Reichsmark, for which Polish złoty was exchanged until mid-January 1940, lost its status as a valid means of payment.¹ In addition to Polish złoty, the Reich Credit Offices' notes continued to circulate. Soon, the Germans were faced with the need to regulate the circulation of the Polish złoty. During the first few months of the occupation, there was an increased inflow of Polish currency into the General Government from Lithuania, Romania and Hungary, as well as from the incorporated lands and lands under Russian occupation, where it had been withdrawn. It is estimated that about 60% of the Polish currency in circulation before the war was concentrated within the borders of the General Government, which constituted only about 25% of the territory and 39% of the population of pre-war Poland (Madajczyk, 2019, p. 131; Łuczak, 1979, p. 326).

In order to stem the flow of Polish currency into the General Government and to reduce the range of its circulation, the Germans issued a decree on 10 January 1940 to the effect that PLN 500 and 100 notes must be deposited in banks by the end of that month. This deadline was later extended to mid-February 1940. Upon deposit, PLN 100 notes were exchanged for smaller denominations; initially, these were limited to two per person, and later reduced to one. These banknotes lost their legal tender

¹ Reichsmarks already in circulation were bought at a rate of PLN 2:1 RM (Rogowski & Wójcicka, 2019, p. 154).

status in the General Government as of 31 January 1940. The occupational authorities incentivized this exchange with promises of equivalent pay-out, which were not kept. In some cases, PLN 200 was paid out, but only to people who proved that they were in a very difficult financial situation. The deposited PLN 100 banknotes issued in June 1932 and November 1934 were returned into circulation on 31 January 1940 after being stamped “*Generalgouvernement für die besetzten polnischen Gebiete*” (“General Governorate for the Occupied Polish Region”) (Baranowski, 1942, p. 11; Głowiński, 2012, pp. 585–589; Madajczyk, 2019, pp. 132–135; Łuczak, 1979, pp. 326–327).

Only minor coins remained in use from the Polish currency in the General Government after 1940; the occupational authorities accepted them only for reasons of practicality. A shortage of coinage was felt on the market; due to intensifying inflation, the coins’ nominal value fell below the value of the bullion from which they were minted, and coinage was often used for household purposes, such as hobnailing shoes. For similar reasons, by the end of 1942 the Germans had allowed Soviet coins at a value of 1 and 2 kopecks to remain in the District of Galicia, with a ratio of 1:1 to the grosz (Madajczyk, 2019, p. 127; Łuczak, 1979, p. 328).

Bank Polski. In the first days of September 1939, the evacuation of the headquarters of Bank Polski (Bank of Poland, BP) began.² Banknotes worth around PLN 1.4 billion, some 15 tons of silver coins and bullion, aval portfolios, securities, bank documents, archives, and plates enabling the printing of banknotes were all removed. A large part of these securities was taken to Dubno, where it was confiscated by the Russians after the city was occupied by Soviet forces on 17 September 1939. Also in early September, BP’s board of directors, including chairman Władysław Byrka, left Warsaw and went abroad (Madajczyk, 2019, p. 127; Karpiński & Kostkowski, 1962, pp. 8–11).

BP’s branches in the Reich-annexed territories were liquidated by the Germans and their property confiscated for the benefit of the Reich Treasury. In the General Government, the occupier deemed it impossible to reactivate BP due to its being evacuated in September, and initially decided to liquidate it in accordance with the law. BP’s situation in the General Government changed after the German occupation of France in 1940. In an effort to seize BP’s assets, and in particular the Polish gold reserves that had been removed in 1939 and taken to France, the Germans abandoned the liquidation of the bank and established the BP Office of the Board of Trustees. Doing this, they hoped BP in Warsaw would be granted legal legitimacy to recover the reserves. Nevertheless, the Bank

² More on Bank Polski during the Second World War: Gójski, 2021, pp. 131–155; Karpiński & Kostkowski, 1962.

of France refused to release the gold for legal reasons (Madajczyk, 2019, p. 127; Karpiński & Kostkowski, 1962, pp. 26–31).³

The establishment of the Office of the Board of Trustees, to which Bolesław Orzechowski, a member of BP management, was appointed, was a boon to its employees. The Board was able to safeguard the bank's immovable assets in the General Government, pay benefits to the many pensioners formerly employed at the institution,⁴ and re-admit its pre-war employees. The Germans agreed to this on the condition that these tasks be financed by BP from its own resources. The Board had difficulty raising funds in the first several months; the situation only changed when procedures were launched to collect liabilities from debtors to the Państwowy Bank Rolny (State Agricultural Bank, PBR) and the Centralna Kasa Spółek Rolniczych (Central Fund of Agricultural Companies, CKSR). The total value of the promissory notes collected at that time amounted to some PLN 40 million and made it possible to fulfil the tasks facing the Board of Trustees (Karpiński & Kostkowski, 1962, pp. 29–33).

The turning point for BP in the General Government was the General Governor's decree in September 1942 on Bank Polski, which dismissed the Board of Trustees and appointed a new directorate. The aim was to gain legal legitimacy for the BP directorate in Warsaw and to deprive the bank of its assets, meaning its complete removal from the economic life of the General Government (Gójski, 2021, pp. 147–151; Karpiński & Kostkowski, 1962, pp. 34–36; Madajczyk, 2019, p. 128).

The fate of BP was different in exile. Following Germany's occupation of France in 1940, its office was moved from its original location in Paris to London, where it remained until the end of the war. The management in exile was recognized as the fully legitimate representative of BP not only by the banks of the Allied countries, but also by neutral countries, particularly Switzerland. This position was also shared in court rulings. The Zurich District Court ruled in June 1942 that BP "continues to exist in London as a Polish legal entity" (as cited in Karpiński & Kostkowski, 1962, p. 12), thus confirming the continuity and immutability of BP in London. This carried with it the necessity to settle obligations to foreign creditors. Among others, BP paid off its pre-war debt to the Bank of France and liquidated report transactions at the Banque Franco-Polonaise. The fulfilment of its own obligations by BP in London and the recognition of its legal legitimacy by the banks and courts of Allied and neutral states resulted precisely in the Bank of France's refusal to hand over to the Germans the Polish gold located in France (Karpiński & Kostkowski, 1962, pp. 12–23).

³ More on the fate of Polish gold: Gójski, 2021, pp. 131–135; Karpiński, 1958; Kroll, 1960.

⁴ As with Bank Gospodarstwa Krajowego and Państwowy Bank Rolny, Bank Polski also had its own pension provisions.

In London, BP carried out financial transactions in Polish złoty as well as in foreign currencies. Operations in foreign currencies conducted in accounts of the Polish Ministry of Treasury concerned matters of national interest. Among the most important were aid to the embassy in Bucharest and to Polish refugees in Romania; grants to the Paris branch of Bank Polska Kasa Opieki (PKO); aid to Polish refugees in France; the provision of funds for military purposes, and the operation of Polish emigration centers in the United Kingdom. In addition, the Polish government-in-exile used loans at Bank Polski in London for, i.a., the organization of the Polish army in Canada, the purchase of medicines in Switzerland and their delivery, and aid to Polish refugees and citizens interned in camps in Spain (Karpiński & Kostkowski, 1962, pp. 16–17).

Neither did the BP in exile forget its employees still in Poland; the bank sent bills from its overseas reserves for as long as they remained in circulation within the area of the General Government (i.e. until April 1940). To aid in this, the bank availed itself of diplomats from South American nations, who could travel unhindered between Paris and Warsaw (Karpiński & Kostkowski, 1962, p. 12).

Bank of Issue in Poland. The occupiers' Bank of Issue in Poland (Emissionsbank in Polen) was established following the ordinance of Governor-General Hans Frank dated 15 December 1939 (Verordnung über die Emissionsbank in Polen). However, it only commenced operations on the basis of a proclamation dated 2 April 1940 (Bekanntmachung über die Emissionsbank in Polen) (Głowiński, 2012, pp. 552, 585; Madajczyk, 2019, p. 135). The bank possessed the status of a legal personality and operated from 8 April 1940 until 18 January 1945, i.e., until the liberation of Kraków. It was established as the first among the German occupation banks and was a state institution. In establishing the Bank of Issue in Poland, the occupiers followed a similar rationale as in the creation of the General Government: separation of currency in the General Government protected the Reich against the depreciation of the Reichsmark while simultaneously promoting the economic exploitation of the occupied territory. The creation a separate issuing institution in the occupied regions enabled, first and foremost, the carrying out of the occupation at the expense of the local population, as well as the supply of a sufficient number of tokens of exchange to the populace.

The Polish name of this bank [*Bank Emisyjny w Polsce* – transl.] and the typically Polish appearance of the bills served the purposes of propaganda exclusively in order to gain the public's trust. One manifestation of the Germanness inherent in this institution was the official language it used. Following the example of the Reichsbank, which was not subordinated either to the Reichsminister of Finance or of Economics, but directly to the "chief and chancellor," the Bank of Issue in Poland was not subordinated to the authorities of the General Government, but to

Governor-General Hans Frank himself. Although not formally subordinate to the Reichsbank, it was in fact dependent on it, just as the General Government was a separate administrative and economic entity completely dependent on the Reich. The dependence of the Bank of Issue on the General Government was thus derived from the dependence of the General Government on the Reich. The Bank of Issue carried out its primary tasks in close cooperation with the Reichsbank, i.e., financing the war effort and the economic exploitation of the occupied territories (Skalniak, 1966, pp. 61–78).

Shortly after the establishment of the Bank of Issue, an order from Governor-General Hans Frank dated 27 March 1940 caused banknotes with a face value of PLN 100 (stamped), 50, 20, and 10 to cease to be considered legal tender in the General Government. The same was applied to PLN 5 and 2 banknotes from 20 May of the same year. These bills were exchanged for banknotes of the Bank of Issue in Poland at a ratio of 1:1. The official date for the end of the exchange was set for 26 June (Łuczak, 1979, p. 327). Deluding themselves with the hope of a quick end to the war and the defeat of Germany, not everyone decided to hand over their pre-war Polish currency and collect bills from the Bank of Issue in Poland, known as “młynarki” (from the name of the bank’s director, Feliks Młynarski) or “górale” [*highlander* – trans.] (from the PLN 500 note which bore the image of a highlander). The value of Polish banknotes hidden during the occupation in the General Government is estimated at several hundred million pre-war złoty (Głowiński, 2012, p. 592; Madajczyk, 2019, p. 135; Łuczak, 1979, p. 328). The bank issued new, occupation-era banknotes worth PLN 500, 100, 50, 20, 2 and 1; in addition, the Germans introduced Polish steel coins minted in 1938, which had been produced for the war, and new minor coins of a value of 10 and 20 grosz (Głowiński, 2012, p. 592; Łuczak, 1979, pp. 328–329).

After the occupation of eastern Lesser Poland in June 1941 and the creation of the District of Galicia, the Germans ordered that all pre-war Polish banknotes be deposited in banks by 25 August of that year. As in the case of the previously-created districts, here too they reneged on their promise to pay out an equivalent. Galician roubles in circulation were exchanged for Polish złoty from the Bank of Issue in Poland at a ratio of 5:1 (Madajczyk, 2019, p. 136; Łuczak, 1979, p. 328).

Stock exchange. With the outbreak of war, the stock exchange ceased to operate and securities operations froze. It was not until October 1939 that stock exchange transactions resumed.⁵ Initially, trading in bonds

⁵ Zbigniew Landau and Jerzy Tomaszewski see the reason for the resumption of securities trading in the difficult financial situation of bonds holders and debtors, who turned directly to banks to settle; consequently, the credit institutions

and letters of pledge was organized via newspaper advertisements and took place in cafeterias, as well as at illegal meetings of representatives of credit institutions.⁶ The Germans did not want to allow the resumption of regular and official stock exchange operations (Minutes of the conference of the Association of Financial Institutions..., 1939b, p. 226), but fears over the emergence of a black market, and thus a lack of control over the price of securities, forced the authorities to change their position (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 199). In February 1940, stock exchange meetings were made semi-legal and permission was granted for them to be held on a daily basis. In the following months, a stock exchange commissioner was appointed.⁷ The commissioner's task was to ensure that securities trading remained in line with the authorities of the General Government's credit policy (Die Bankenaufsichtsstelle..., 1940, p. 68). The largest stock turnover in its accounts was recorded in Bank Handlowy. Between 1940 and 1942, the value of securities operations of Bank Handlowy's head office and its various branches amounted to PLN 15 million, or twice as much as before the war (Landau & Tomaszewski, 1970, p. 133).

Initially, buyers showed particular interest in mortgage bonds, the rates of which were well above pre-war levels, in some cases reaching more than 90% of face value.⁸ Turnover of other securities was minimal. Polish state securities were marginally popular, with rates that oscillated between 5% and 8% of face value; interest only increased when the supply of more attractive securities was low, and their rate had reached 14% to 18% by the end of 1941. Nevertheless, they constituted an insignificant part of the total stock market turnover. For example, in December 1940, total purchases amounted only to PLN 35,000 (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 200).

From mid-May 1940, trust in the złoty increased in relation to money exchange, which had the significant effect of reducing demand for securities. There was no interest even in mortgage bonds, the rates of which had fallen below 50% of face value (Die Bankenaufsichtsstelle..., 1940, p. 69),

concerned decided to act as intermediaries in finding buyers (Landau & Tomaszewski, 1970, p. 133).

- 6 At the beginning of December 1939, the indicative rates for securities were as follows: 3% investment - PLN 23-26; 4% dollar - PLN 13-15; 4% consolidation - PLN 24-27; 4.5% internal - PLN 23-26; 5% conversion - PLN 27-32; 4.5% - TKZ (Towarzystwo Kredytowe Ziemskie ["Lands Credit Society"] in Warsaw) letters - PLN 50-53; Bank Polski - PLN 50-53. On the other hand, the value of diamonds reached as much as PLN 1,000 per carat (Minutes of the conference of the Association of Financial Institutions..., 1939b, p. 53).
- 7 Austrian citizen Oskar Sadeczek, director of the Warsaw branch of the Issuing Bank, filled the position from 1 July. His successor, Heinrich Winkler, assumed duties on 1 April 1941. In December 1942, the German occupation authorities dismissed the stock exchange commissioner (Landau & Tomaszewski, 1970, pp. 133-134).
- 8 The rate of mortgage bonds of the Towarzystwo Kredytowe Ziemskie in Warsaw reached 94% of face value (Die Bankenaufsichtsstelle..., 1940, p. 69).

leading to an unimpressive total turnover of the stock exchange during this period, which amounted to only PLN 5 million in the second half of 1940 (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 199–200). One exception was the shares in Bank Polski, the price of which rose from 16% to 52% of their nominal value. The reason for this increase may be attributed to rumors that the occupying forces were about to take possession of Bank Polski's gold exported from the country and encash it, from which the bank's shareholders were counting on high profits.

Stock prices were heavily influenced by the international political situation. Successes of the German army brought them down and rumors of setbacks pushed them up. News of impending war against the Soviet Union and the United States led to a large increase in the demand for securities and thus in their prices. For the banks, the excessive increase in rates was speculative, so they continued to rigidly adhere to the quotations set on the stock exchange (*Report of the PKO banking department for the month of September...*, 1941, pp. 17–21), while private holders began to liquidate securities on a wider scale where it was more advantageous, i.e., on the black market. This led to the creation of a second unofficial exchange in 1942, with higher rates. At the beginning of 1943, under-the-counter rates began to fall and to approach those given by the stock exchange, causing a brief period of levelling off. However, this did not last long. Due to the course of the war, hopes of imminent liberation were revived towards the end of 1943. Confidence in the occupation currency decreased markedly and interest in securities investment funds increased. Their unofficial rates rose significantly in relation to stock market quotes (*Landau & Tomaszewski*, 1970, pp. 133–134). This trend practically continued until the end of the war.

Banking in the Reich-annexed territories

Liquidation of Polish credit institutions.⁹ In accordance with Hermann Göring's decree to carry out the confiscation of Polish property – the *Polenvermögensverordnung* of 17 September 1940 (*Verordnung über die Behandlung von Vermögen...*, 1940, pp. 1270–1273) – all the assets of the three Polish state banks: Bank Polski, Bank Gospodarstwa Krajowego, and Państwowy Bank Rolny, which were located in the territories annexed into the Third Reich, were subject to confiscation and receivership by the Main Trustee Office for the East (*Haupttreuhandstelle Ost*).¹⁰ All other Polish credit institutions were earmarked for liquidation and placed under

⁹ More on the liquidation of Polish credit institutions: Klusek, 2013, pp. 99–113.

¹⁰ Under this decree, Polish property was subject to confiscation for the benefit of the Reich or institutions designated by the Reich (p. 1; pagination is missing from

receivership. This applied to both their assets and liabilities (Kaczmarek, 1995, p. 47).

Liquidation included physical assets (real estate, equipment, and goods); securities; settled liabilities of German debtors and of citizens of the Protectorate of Bohemia and Moravia; guaranteed and non-guaranteed debts of municipalities, municipal associations and municipal enterprises located in the territories incorporated into the Reich; liabilities of foreign debtors; and debtors of Polish nationality, if their property had not been confiscated (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht...*, 1941, p. 1; Deresiewicz, 1950, pp. 512–513). Claims were excluded against debtors whose property had been seized on the basis of the decree of 17 September 1940 on the confiscation of property of citizens of the former Polish state (*Verordnung über die Behandlung von Vermögen...*, 1940, p. 1270), as well as against public institutions, municipalities, municipal associations, and municipal enterprises. Furthermore, receivership administrators were exempted from collecting debts from those areas that were under Soviet rule until the German invasion of the USSR (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht...*, 1941, p. 3).

The assets of Polish credit institutions were monetized in German credit institutions, either being sold for cash or for liabilities, which were seized. In the interests of the Reich, which became the owner of the assets confiscated from Polish credit institutions as well as of creditors of German nationality, the Main Trustee Office for the East obliged the receiving administrators to sell the assets as soon as possible, recommending however that they be monetized in accordance with their value (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht...*, 1941, p. 4).

The Main Trustee Office for the East was particularly interested in the real estate that came with the liquidated credit institutions, as they represented a significant part of the assets and promised a guarantee of their rapid liquidation. Initially, the buildings were leased. Due to the nature of the premises, they were occupied (at a fee) by German credit institutions that were taken under primary consideration during sale. The Main Trustee Office for the East intended to meet the accommodation needs of the German savings banks in the first instance by using the buildings of the liquidated Polish savings banks.¹¹

the fonds of Państwowy Bank Rolny Grudziądz; see Łuczak, 1989, p. 155; 1993, p. 83; 2007, p. 130).

¹¹ The German savings banks occupied the premises of the Polish savings banks in as early as the beginning of their activities in the territories incorporated into the Reich (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht...*, 1941, p. 5).

The claims of the liquidated Polish credit institutions against debtors of German nationality and citizens of the Protectorate of Bohemia and Moravia were sundry in nature (Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht..., 1941, p. 7). Debtors of German nationality were native Germans and Volksdeutsche, regardless of their place of residence. National affiliations of citizens of the Polish state and of the city of Gdańsk were regulated by the "Deutsche Volksliste" (Verordnung über die Deutsche Volksliste..., 1941, p. 118; Pospieszalski, 1952, pp. 119–122; 1946, pp. 47–63).

The Main Trustee Office for the East followed the principle of selling debts one by one or in blocks, and only as a last resort did it agree to the collection of debts directly by the receivers of liquidated Polish credit institutions. This certainly accelerated the work, while the obligations of the debtors remained unchanged. The pool of purchasers was reduced to German credit institutions only, whose interest was not limited to the collection of claims; they had to provide guarantees for the continuation of the liquidated institutions. For the German government, this was important because it contributed to the economic activity of the residents of the areas that had recently been incorporated into the Reich. In the event of difficulties in finding people willing to take over the defunct credit institutions, the trust office came to the aid of the liquidators (Kłusek, 2013, p. 102).

More often than not, liabilities were bought by institutions of the same type as the one being liquidated. An exception to this rule was allowed if a credit institution of a different type offered a better price. On the other hand, in cases where debtors had already become clients of German banks at that time, it was considered advisable to sell the liabilities to those institutions with which they had established accounts (Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht..., 1941, p. 8). The sales process was planned to be ceased by no later than July 1941.

These repayment requirements also applied to debtors of Polish nationality, meaning that receivership administrators of banks and credit cooperatives were obliged to collect the debt from Polish farmers for as long as their farms and lands had not completely passed under the administration of the Ostdeutsche Landwirtschafts (Ostland) (Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle unter Aufsicht..., 1941, p. 14) on the basis of the decree of 12 February 1940 (Öffentlichen Bewirtschaftung land und forstwirtschaftlicher Betriebe und Grundstücke in den eingegliederten Ostgebieten).

When liquidating the assets of Polish state banks, receivership administrators, like other Polish credit institutions, were obliged first to settle the liabilities arising from the liquidation of the bank and then to transfer the funds received to the accounts of the Main Trustees Office

for the East.¹² The practice of placing money in long-term investments was categorically forbidden; it was only permissible to leave an amount covering the monthly costs of the liquidation work. The remaining money had to be transferred immediately to the Main Trustees Office for the East VII/50 account at the Reichskreditgesellschaft in Berlin (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an die kommissarischen Verwalter beschlagnahmten Staatsbanken...*, 1942, p. 4) and then placed at the disposal of the Reich Ministry of Finance (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle Generalabwickler...*, 1943).

German credit and banking system. The development of the German credit and banking system was primarily to serve the interests of Germanization as quickly as possible.¹³ In the territories incorporated into the Reich, the occupation authorities only allowed German savings funds and banks to continue their pre-war activities; the first branches of the Reichsbank began operating in as early as September 1939 (Łuczak, 1979, p. 307), and in the early months of the occupation other banks from the Reich established their representative offices: the Deutsche Bank, Deutsche Bau- und Bodenbank, Bank der Deutschen Arbeit, Bank für Landwirtschaft, Reichskreditkasse, Landesgenossenschaftsbank, Deutsche Verkerskreditbank and Kreditverein. Later, further banks were established, such as the Landschaftliche Bank für Wartheland, branches of the Dresdner Bank and Deutsche Industriebank, and the Deutsche Genossenschaftsbank (Łuczak, 1996, pp. 120–121).

In total, around 2,000 credit institutions were located in the incorporated territories, of which more than 600 in the Wartheland (Łuczak, 1979, p. 310). Incomplete data suggest that industry in these areas during the occupation was bolstered by loans amounting to as much as several hundred million Reichsmarks.

Credit portfolios of institutions in the incorporated territories were rendered unavailable to Poles, while the German population was able more or less easily to take out long-term loans for investment purposes. As problems with the purchase of building materials, agricultural equipment, and raw materials worsened, interest in investment loans declined. Loans for German settlers were granted on special terms, both by banks in the Reich and those established by the Germans in occupied Poland.

¹² As a result of numerous errors in the accounting of incoming sums, new regulations for the keeping of accounts in Polish state banks were established in the summer of 1942 (*Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an die kommissarischen Verwalter beschlagnahmten Staatsbanken...*, 1942, p. 1; *Der Beauftragte für den Vierjahresplan Haupttreuhandstelle Ost an alle Generalabwickler...*, 1943).

¹³ More on the credit and banking system: Loose, 2007, pp. 83–282.

There was an abundant flow of loans to individual sectors of the economy, especially those that directly served the war effort, such as agriculture, the arms industry, and transport. Agricultural loans were mainly provided to German settlers, who also received credit for the reconstruction of agricultural, forestry, and horticultural holdings destroyed by warfare, as well as for the purchase of Polish farms, with repayment envisioned for a period spanning 33 years (Łuczak, 1979, pp. 313–314, 317).

Banking in the General Government

The territory of the General Government before the war included 2,084 financial institutions in the credit sector, of which 39 were banks, including six public banks with a total of 79 branches, 81 savings banks with 108 branches, and 1,900 credit cooperatives (Die Bankenaufsichtsstelle..., 20 May 1943, p. 9).

Shortly after the Germans' occupation of the Polish lands, civilian authorities began to rule in the General Government. Initially, these did not have a strictly defined plan of action with regard to Polish credit institutions; the orders they issued were mostly of a local nature. Exceptions were the cities of Kraków and Warsaw; in Kraków, many Jewish and Polish banks were closed down and representative offices of the more important German banks were allowed to start operations, while the measures taken in Warsaw were more extensive for reasons of greater economic significance.

Jewish credit institutions were closed down first. Jews were also removed from the boards of directors of other credit institutions, and control was introduced over their assets, particularly in matters relating to the disposal of cash (Der Leiter der Bankenaufsichtsstelle..., 1941, pp. 163–164). Subsequently, certain restrictions were introduced on 24 October 1939 to protect against excessive withdrawals (Der Beauftragte für das Bank – Geld..., 1939, pp. 75–76). The maximum weekly withdrawal in a bank was PLN 100 from an "old" account, i.e., one created before 5 October 1939, while other institutions further reduced this amount to PLN 50 per transaction.¹⁴ The occupier hoped that by rationing withdrawals, banks and savings funds would have time to replenish their cash stores by collecting pre-war debts. For withdrawals above these amounts, prior permission from the German authorities was required each time (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 164); this was only granted if it was declared that the sum received would be used for the most urgent

¹⁴ Waiting times for payouts stretched for hours, and, in some cases, days (L. Landau, 1962, p. 41).

economic needs such as the purchase of food or the repair of damage to dwellings and houses caused by warfare. The ordinance “Der Beauftragte für das Bank – Geld und Börsenwesen in Warschau,” which applied only to the city of Warsaw, was later extended to the entire district. In the other districts, no such limits applied; the disbursement of savings from old accounts took place as debtors settled debts incurred before 5 October 1939 (*Die Bankenaufsichtsstelle...*, 1940, p. 47).

This situation was not at all conducive to the rapid normalization of credit relations within the General Government. There was a lack of a common economic policy for the separate units subordinated to the authorities, and decisions were guided by immediate interests without regard to their farther-reaching consequences (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 167). Consequently, the German occupier, although aware of the central role of credit institutions in economic life, began efforts to revive and rationalize the Polish credit apparatus. This task was entrusted to the Banking Supervision Authority (*Die Bankenaufsichtsstelle...*, 1940, p. 45).

Banking Supervision Authority (*Bankenaufsichtsstelle*). The decree announcing the establishment of the Banking Supervision Authority was issued in December 1939 (*Verordnung über die Errichtung einer Bankenaufsichtsstelle...*, 1939), but it did not become binding until the April 1940 decree (*Verordnung über die Bankenaufsichtsstelle...*, 1940). The main purpose for the establishment of the Banking Supervision Authority was the organization of a single supervisory body of credit institutions located in the General Government.¹⁵ All domestic and foreign credit enterprises engaged in banking or savings activities were subordinated to the Authority.¹⁶ Credit institutions were understood to mean institutions engaged in the business of accepting deposits, granting loans and “the acquisition, disposal, safekeeping, and management of securities for third parties, the issue of mortgage bonds, loans, and similar securities” (*Verordnung über die Bankenaufsichtsstelle...*, 1940, p. 124). Mortgage lending companies, public and private savings banks, and credit cooperatives were also subject to banking supervision. Only the Bank of Issue in Poland and the German Post Office East and its branches were excluded from supervision.

From March 1941, the Banking Supervision Authority was subordinated to the General Commercial Department. This change had little effect on its activities; it continued to be directly subordinate to the Secretary

¹⁵ More on the Banking Supervision Authority: Gójski, 2021.

¹⁶ By a decision of the secretary of the General Government administration of 12 July 1941, the Authority was also subordinated to the day-to-day supervision of the savings banks (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 168).

for State of the General Government, who guaranteed a high degree of independence in decision-making (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 168).

The chairmanship of the Banking Supervision Authority in the General Government was entrusted to the German Commissioner of the Bank of Issue in Poland, Fritz Paersch. The combination of his two functions was intended to consolidate the supervision of monetary, currency, and credit policy in the hands of one person. In the case of the credit market, it was hoped that close cooperation between the Banking Supervision Authority and the Bank of Issue would improve the situation of credit institutions in the General Government in the short term. This was to be achieved by joint efforts to draw excess cash from the market and to strengthen the position of new operations, thus improving the financial condition of the banks (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 168–169).

The powers of the Banking Supervision Authority chair were very broad. To him lay decisions of whether a credit institution could begin or resume business, and it was also within his power to close down banking enterprises or restrict their activities, especially those relating to the disposal of property and the performance of their own obligations. He also had the power to issue orders amending certain provisions of the banking legislation of the former Republic of Poland and to withdraw powers of attorney from persons authorized to represent credit institutions.

The chair of the Banking Supervisory Authority, Fritz Paersch, exercised his powers to create organizational structures in mid-1940, appointing supervisors (*Aufsichtspersonen*) for individual departments of the credit sector and trustees (*Treuhänder*) for the credit companies (*Die Bankenaufsichtsstelle...*, 1940, pp. 48–49). A supervisory person for the District of Galicia, which was annexed to the General Government, was appointed in August 1941. His duties covered all aspects of credit activities, and his main task was to adapt the post-Soviet system to the mechanisms prevailing in the rest of the General Government (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 171).

The supervisors' duties included the inspection and evaluation of the members of the board of directors and other authorities of the institutions under their authority and of all their branches in the General Government. In the assessments, attention was paid above all to the extent to which the activities of the credit companies corresponded to the interests of the occupying power. Banks whose work was already supervised by German trustees were not subject to inspection. In addition, the *Aufsichtspersonen* were authorized to inspect all kinds of bookkeeping, statements, and reports, as well as to attend meetings of boards of directors and other bodies of the credit institutions under their supervision. Appointments to managerial positions in these institutions were only possible with the prior approval of the head the Banking Supervision Office

(Letter from Banking Supervision Authority head Fritz Paersch to Max Bischof..., 1940, pp. 83–84).

The Banking Supervision Authority began its work with an order on the uniformity of “old” and “new” accounts (*Anordnung nr. 1 des Leiters der Bankaufsichtsstelle...*, 1940, pp. 77–79). Uniform regulations were introduced for areas where the division between the two types of accounts had not yet been made by that time. For the Kraków and Radom districts, the limit was 15 September 1939, and for the Warsaw and Lublin districts it was 5 October 1939. Contributions from banking operations belonging to “old” accounts could not be transferred to “new” accounts. It was however permissible to transfer assets to accounts already established after the occupation of credit institutions by the German occupation authorities, subject to the approval of the head of the Banking Supervision Authority. In contrast, assets from “new” accounts could not be used directly or indirectly to settle liabilities incurred during the pre-war period. Credit institutions could only pay these debts as receivables flowed into “old” account (Skalniak, 1966, p. 37). The size of the disbursements made was left to the individual institutions, which depended primarily on their financial situation (Fritz Paersch. *Begründung der Vorlage*, n.d., p. 82). The basic condition was that the total withdrawal amount should not exceed 20% of the deposit, with a maximum amount of no more than PLN 5,000 for banks and PLN 2,500 for savings funds. These upper limits could be raised, but only if there was a guarantee that the money would be used for necessary economic purposes (Letters from Banking Supervision Authority head Fritz Paersch to Emil Breuer, Leopold Platenik and Max Bischof..., 1940, pp. 88–92; *Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 174).

Making a clear distinction between old and new financial operations and prohibiting of the use of deposits from new accounts to settle old liabilities were intended to instill confidence in customers to place their savings in credit institutions (*Die Bankenaufsichtsstelle...*, 1940, p. 47). It did not matter to the occupier that this regulation proved particularly disadvantageous for the Polish population holding deposits in old accounts. The disbursements from them did not depend on the financial situation of the bank, but on the proceeds of the old operations and on the internal regulations of the financial institutions, which their own needs in the first instance and only then allocated the remaining capital to satisfy the claims of their customers.

In contrast to business enterprises, where the majority of appointed trustees were native Germans, personal banking was practically limited to people of Polish nationality. The reason for this can be seen in the need to quickly replace Jews removed from management and can be explained by security considerations for deposited funds. The main reason for the introduction of trustees into credit institutions was the desire to have clients believe that their deposits would be additionally secured and that they should therefore continue to deposit their savings without fear.

The presence of trustees of German nationality was initially limited to the state-owned Bank Gospodarstwa Krajowego and Państwowy Bank Rolny. Once the situation in the savings market normalized, the trustees were removed (*Die Bankenaufsichtsstelle...*, 1940, p. 49).

The tasks entrusted by the occupation authorities to Banking Supervision Authority in the General Government were carried out with a very modest German staff. The elaboration of general issues was handled by only three people; one person each was assigned to supervise individual sectors of the credit market, which also resulted in a total of only a handful of officials (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 169). In contrast, the staff apparatus of the entire credit market, who were almost entirely of Polish nationality, numbered some 7,077 people in April 1943, of whom 1,069 were employed in the Bank of Issue and 102 in Bank Polski.¹⁷ In addition, 1,623 people worked in public banks, 1,588 in private banks (*Die Bankenaufsichtsstelle...*, 18 May 1940, p. 32), 1,163 in savings funds and 928 in credit cooperatives (*Die Bankenaufsichtsstelle...*, 20 May, 1943, p. 16; *Anlage 2*, n.d., p. 176).

When assessing the importance of the Banking Supervision Authority in the reconstruction and development of the credit market in the lands incorporated into the General Government, it should be remembered that its activities were primarily aimed at making credit institutions serve the German war economy as well as possible (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 171).

Changes in the credit system and credit cooperatives. There were 5,597 credit cooperatives in Poland before the outbreak of the Second World War. Of these, 1,360 were located in the territory of the General Government with the exclusion of the later-annexed District of Galicia. These cooperatives were subordinated to 10 headquarters, of which only two remained in the General Government, among which was included the most important: Centralna Kasa Spółek Rolniczych [Central Fund for Agricultural Cooperatives] (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 158–159).

The Central Fund occupied a special place in the credit policy of the occupying power. Its scope of functions was expanded and it was made the main financial institution for the entirety of cooperative activity in the General Government. A great deal of freedom was left in the operations of the old accounts and transactions could take place without major problems, while the granting of new credit was carried out under the strict control of the Fund managers, who were under German control. The

¹⁷ 15,120 people were employed in credit institutions in the area of the General Government on 1 September 1939, including 1,144 in the Bank of Poland (*Die Bankenaufsichtsstelle...*, 20 May 1943, p. 16).

Germans involved the institution in the leasing of agricultural machinery. Together with Państwowy Bank Rolny and the Central Agricultural Office, it set up the MAFIGE financial society with a share capital of PLN 500,000, however this society was not able to develop more widely due to insufficient allocations of machinery (Der Leiter der Bankenaufsichtsstelle..., 1941, pp. 184–186).

In comparison to the Central Fund, the remaining credit co-operatives were of little importance. At the beginning of the occupation, some 600 Jewish cooperatives had been liquidated (Die Bankenaufsichtsstelle..., 20 May, 1943, p. 10), then an expansion of the branch network was planned in the case of the agricultural credit cooperatives as a measure of reorganization. This was necessary in order to fulfil the tasks set for Polish agriculture by the Department of Food and Agriculture. However, it soon became apparent that due to the decline in farmers' demand for credit, rural cooperatives were forced to reduce their activities and concentrate on fighting for survival in spite of relatively good financial health (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 185).

The Germans reduced the number of municipal credit cooperatives to the bare minimum; the activities of those that survived consisted mainly of conducting operations on old accounts, and only in a few cases was it possible to expand the scope to include new operations. Clerical and workers' credit cooperatives were earmarked for complete liquidation, while artisanal ones were supported by the occupation authorities (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 190).

State-owned and public banks. The General Government administration took over the state-owned Bank Gospodarstwa Krajowego and Państwowy Bank Rolny. Bank Gospodarstwa Krajowego, operating under the name Landeswirtschaftsbank-Bank Gospodarstwa Krajowego, had branches in Warsaw, Lubin, Kraków, Rzeszów, Tarnów and Radom. It was mainly concerned with granting short-term (working capital) loans to companies and enterprises playing an important role in the war economy, for example in the armaments and food industries, and in agriculture. Granting these loans had to comply with guidelines from the Banking Supervision Authority. Bank Gospodarstwa Krajowego also granted long-term loans, but these were reserved primarily for the administration of the General Government (Gójski, 2021, pp. 206–209).

The second state-owned bank operating in the General Government, called by the occupier the Staatliche Agrarbank – Państwowy Bank Rolny, had branches in Warsaw, Kraków, Kielce and Lublin, and two sub-branches in Radom and Radomsko.¹⁸ During the occupation, it pro-

¹⁸ More on the activities of Państwowy Bank Rolny during the Second World War: Klusek, 2013, pp. 117–174.

vided short-term working capital loans for the purchase of fertilizers and seeds, as well as for agricultural machinery and cattle. Later, it launched medium-term investment and reconstruction loans for some farmers and food and agricultural establishments.

Given that state-owned Bank Gospodarstwa Krajowego and Państwowy Bank Rolny were managed in the General Government by the occupation authorities and operated under German names, they should not be considered the same entities as the corresponding institutions established and operated in the interwar period. The formal continuation of the Państwowy Bank Rolny from the period of the Second Republic should be seen as the Państwowy Bank Rolny in London.¹⁹ As a result of cooperation of the authorities in exile with the management of Państwowy Bank Rolny – President Maurycy Jaroszyński and Director Karol Kasiński – it was possible to launch operations in London quickly, under the auspices of the Polish government as it had been before the outbreak of war.²⁰ Within a short time, the bank was legally recognized by international entities (something that could not be said of Państwowy Bank Rolny in operation in the General Government), except, of course, in countries conquered by or favorable to the Reich. It was immediately accepted by American and English banks, and cooperation with them went well. There were no major problems with the funds deposited in Państwowy Bank Rolny's accounts with the American J. Henry Schroder Banking Corporation in New York, which agreed to transfer them to the account of the Ministry of Treasury in exile. The money was at the disposal of the Chairman of the Commission for Państwowy Bank Rolny, Karol Alexandrowicz (Letter from the Chairman of the Commission for Państwowy Bank Rolny Karol Alexandrowicz to the Minister of the Treasury in London dated 17 April, 1942, p. 32). Of the American banks, only the Bank of the Manhattan Company caused difficulties in recovering Państwowy Bank Rolny's deposits, but after lengthy negotiations, its management also agreed to allow the bank to use the funds in the account. At the end of the war, USD 3,800 were transferred to England to the Państwowy Bank Rolny's accounts in London (Letter to Financial Counsellor of the Polish Embassy in Washington Janusz Żółtowski..., 1942, p. 31; Letter from the chairman of the commission for Państwowy Bank Rolny Karol Alexandrowicz, to deputy financial adviser W. Narajowski in New York dated 4 August 1942, p. 46; Letter from Państwowy Bank Rolny to the Minister of the Treasury in

¹⁹ More: Klusek, 2013, pp. 132–134.

²⁰ The accounts of Państwowy Bank Rolny show that custody of the bank was exercised, as it had been before the war, by a commissioner who received a monthly emolument (Letter from Bank Gospodarstwa Krajowego in London to Państwowy Bank Rolny in London..., 1942, pp. 40–41; Report of the PKO audit committee..., 1942, pp. 54–56).

London dated 4 March 1944, p. 117; Letter from the Chairman of the Commission for Państwowy Bank Rolny to the Minister of the Treasury, 18 July 1944, p. 149).

Cooperation proceeded without greater difficulty between Państwowy Bank Rolny and English banks: Westminster Bank Ltd. in London, the British Overseas Bank Ltd. in London and Midland Bank Ltd. in London (Letter from the Chairman of the Commission for Państwowy Bank Rolny Karol Alexandrowicz to the Treasury in London dated 29 April 1942, p. 36; Letter from the Chairman of Państwowy Bank Rolny Commission to the credit department of the Treasury in London dated 13 May 1945, p. 154). The same was true of Hambros Bank Ltd. in London, with which Państwowy Bank Rolny was indebted for nearly GBP 34,000. The bank, which had only modest supplies of cash in exile, was helped by the Treasury, which settled part of the debt (GBP 13,500). Hambros Bank saw this as a goodwill gesture and suspended the maturity of repayments until the end of the war (Letter from the Chairman of the Commission for Państwowy Bank Rolny Karol Alexandrowicz to the Treasury in London dated 29 April 1942, p. 36; Letter from the Treasury to Financial Counsellor at the Polish Embassy in London Wacław Mohl..., 1942, pp. 48–49; Letter from the Treasury to Financial Counsellor at the Polish Embassy in London Wacław Mohl..., 1942, p. 52).

Państwowy Bank Rolny in London used most of the funds from its deposits in English banks to cover administrative costs (Letter from the Chief Director of Państwowy Bank Rolny Wacław Staniszewski..., 1941, p. 20), while some of the money from accounts in American banks was used to help former employees and their families who were in the country, in France or in German captivity.²¹ Food parcels were sent to Warsaw via the intermediary of the Polish Red Cross in Lisbon, the recipients of which included members of the bank's board in the General Government: Stanisław Hołowiński, Stanisław Riedel and Tadeusz Zdziechowski. Parcels of clothing, food and cigarettes to the bank's employees imprisoned in Oflag were sent via the Polish Red Cross in Lisbon and the British Red Cross (Letter from Państwowy Bank Rolny to the Minister of the Treasury in London dated 11 June 1941, p. 8; Letter from the Chief Director of Państwowy Bank Rolny Wacław Staniszewski..., 1941, p. 9; Letter from the Polish Embassy in Lisbon to the Director of the Państwowy Bank Rolny..., 1941, p. 12; Letter from Państwowy Bank Rolny to the Financial Counsellor of the Polish Embassy in Lisbon Władysław Houwalt..., 1941, p. 15; Letter from the Treasury in London to the State Bank..., 1941, p. 18; List for the dispatch of parcels to Warsaw..., 1941, pp. 25–26; Detailed Państwowy

²¹ A similar campaign was also carried out by the Bank Gospodarstwa Krajowego, which began operating in London in August 1940 (Z. Landau, 1993, p. 58).

Bank Rolny account statement sent by the Polish Red Cross delegation in Lisbon..., 1942, pp. 173–174; Copy dated 9 October 1942, 1942, p. 183; List of amounts paid to employees..., n.d., p. 184; Letter from the Chairman of the Commission for Państwowy Bank Rolny to the Polish Red Cross..., 1943, p. 280; Letter from the General Board of the Polish Red Cross..., 1943, p. 282; Letter from Państwowy Bank Rolny to the Minister of the Treasury in London dated 22 July 1943, p. 330).

During the first period of its operation in exile, Bank Gospodarstwa Krajowego's activities were dispersed across Paris, Bern and Tel Aviv. Due to its considerably limited financial resources, the bank's main business venture was conducting negotiations with foreign creditors over the repayment of interest and principal on its loans and looking after its own employees who remained in the country or found themselves abroad. The execution of these tasks fell within the remit of the Commission for the Regulation and Settlement of Bank Gospodarstwa Krajowego's Foreign Interests, commonly referred to as the Commission for Bank Gospodarstwa Krajowego Affairs, established in early December 1939 by the Minister of the Treasury. Roman Górecki was appointed chairman, followed in October 1941 by Karol Alexandrowicz, who also acted as curator of the Bank Council. Thanks to Commission's work, the Bank was able to dispose of its loan balances, except those in banks located in countries associated with the Reich. All these actions allowed Bank Gospodarstwa Krajowego in exile to protect its most important capital abroad balances from being seized by the German occupiers (Z. Landau, 1998, pp. 215–216).

Following the German invasion of France in the summer of 1940, the bank's office was moved to London from Paris. In addition, the Bank Gospodarstwa Krajowego in London had small offices in New York, Zurich, Tel Aviv and Tehran. The most important problem to be solved was the matter of settling obligations to the Export-Import Bank and Ulen & Company. In relation to the former, BGK was encumbered with a loan of USD 3,334,000, contracted before the outbreak of war for the purchase of copper and cotton in the USA. Bank Gospodarstwa Krajowego in exile succeeded in negotiating the payment of interest only, with the suspension of principal instalments. Over the course of the war, the bank spent the sum of USD 550,000 for this purpose. By contrast, of its obligations to the Ulen & Co. amounting to USD 220,000, it paid USD 198,000 after settlement. These operations strained the bank's financial resources so much that it was unable to carry out anything but minor operations (Z. Landau, 1998, pp. 216–217).

A wide-ranging aid campaign for employees remaining in Poland included the delivery of food and medicine packages via the Polish embassies in Sweden and Portugal. Those who had been taken to prisoner-of-war camps located in Germany were also taken care of, and parcels of basic necessities were sent to them via Switzerland. In addition, care was taken of bank employees who had come from the USSR to Great Britain, where

they were given support in language and further training, among other things (Z. Landau, 1998, p. 217).

The most important public bank in the General Government was the Poczta Kasa Oszczędności [Post Office Savings Banks] (PKO). In October 1939, at the beginning of the occupation, German authorities intended to close PKO completely as a state institution. Plans for its immediate liquidation were abandoned under the influence of customers waiting in long queues to withdraw their savings (Wojdaliński, 1967, pp. 168–169). PKO's situation in comparison to other Polish banking institutions in the General Government was much worse. Closely linked to the Polish Post Office (Morawski, 1998, p. 50), which had ceased to exist, it had no share capital, and all its deposits derived from on-demand deposits were overwhelmingly placed in securities of the State Treasury, state banks and credit societies, i.e., institutions that were insolvent during the occupation or at its beginning.²² PKO was encumbered with passbook payments, as well as benefits for over 3,000 employees (Wojdaliński, 1967, p. 170). In October 1939, Eugen Bączkowski and Marian Rybak were appointed as trustees of PKO, and Erwin Propach was appointed commissary manager for the whole bank (Der Beauftragte für Bank..., 1940, p. 16). The tasks of the bank were established in May 1941 by the Postsparkassenamt der Deutschen Post Ost (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 182).

In the early days, the main income into PKO's vaults was the złoty currency found in customers' open deposit boxes and forcibly deposited into blocked accounts.²³ Almost PLN 2 million were accumulated in this way, which were used to pay out ongoing withdrawals.

Propach made the further fate of PKO contingent on raising funds to cover deposit payments and all administrative costs. He categorically opposed the sale of the bank's assets; PKO's existence was sustained by forcibly liquidating its assets, allowing it to raise the necessary funds for withdrawals from savings and checking accounts. Administrative expenses were covered by day-to-day operations, e.g., proceeds from commissions, interest, sale of coupons, and rents from bank-owned property

²² At the outbreak of the war, PKO held securities to the value of PLN 1,059 million, including PLN 231.9 million of state- and Bank Gospodarstwa Krajowego bonds, while mortgage bonds to the value of PLN 309.9 million were pledged as collateral for an open credit account with BP (Wojdaliński, 1967, p. 173).

²³ On 12 October 1939, the forced opening of PKO customers' vaults began. Securities, documents and jewelry were handed over to the owners. Polish money was transferred to the blocked account of the tenant of the cassette at PKO, while gold bullion and foreign currencies were confiscated by the Germans and the owners were paid the equivalent at the official price. From the beginning of the action until its conclusion in March 1940, 6,200 cashboxes were opened or broken into. Almost PLN 2 million were deposited into checking or savings accounts, and Polish securities worth more than PLN 29 million were submitted for deposit (Minutes of the conference of the Association of Financial Institutions..., 1939a; Characteristics of PKO activity..., 1940, pp. 26, 254; Wojdaliński, 1967, p. 169).

(Wojdaliński, 1967, pp. 172–173). Thanks to the management's efforts, the stock exchange was resurrected and a market for the sale of securities was successfully launched. PKO, taking advantage of the panic in Polish society in connection with the securities exchange action that was to take place, sold securities for more than PLN 5 million to the private market.²⁴ This was particularly intensified until mid-January 1940, and then slowed down markedly, but after a few weeks good sales resumed.²⁵ The bank's activities during the war were limited to liquidating assets and paying out pre-war deposits. Among PKO's largest debtors were Bank Gospodarstwa Krajowego and Państwowy Bank Rolny. These banks redeemed their securities from PKO over the course of the occupation (Characteristics of PKO activities..., 1940, pp. 233, 248–249; Report of the PKO Audit Committee..., 1940, p. 2a; Report of the PBR..., 1941, pp. 62–63; Note on Państwowy Bank Rolny..., 1951, p. 7; Report of the PKO banking department for the month of June..., 1941, pp. 11–12; Wojdaliński, 1967, pp. 174–179), which enabled the bank to unfreeze its own capital and to allocate it to the disbursement of passbooks (Note on Państwowy Bank Rolny..., 1951, p. 7).

Credit societies. Discussions about mortgage credit institutions in Poland should actually be limited to credit societies. Of the three landed societies, the headquarters of two found themselves within the borders of the General Government after the outbreak of war; in comparison, only seven of the 15 municipal societies experienced the same. To this number must also be added the Polish Industrial Credit Society with its seat in Warsaw (Der Leiter der Bankenaufsichtsstelle..., 1941, p. 158).

For the German occupation authorities, only the Towarzystwo Kredytowe Ziemskie (TKZ) in Warsaw and the Towarzystwo Kredytowe Miejskie (TKM) of the city of Warsaw were of significance (Der Leiter der Bankenaufsichtsstelle..., 1941, pp. 191–192). Their mortgage bonds were very popular with purchasers, so it was decided not to liquidate these institutions; indeed, there were even ideas to extend their activities to urban and rural areas throughout the General Government. For this, however, it was necessary to improve their financial situation. A large proportion of the debtors to both TKZ and TKM were in the areas that had been annexed to Germany. The Banking Supervision Authority expected that the losses of the societies incurred as a result would be compensated by the Reich.

²⁴ The majority of Poles did not believe in the reliability of the money exchange to take place in 1940. Thus, attempts were made in every way to allocate the złoty by purchasing securities (Note on PKO bank operations..., 1940, pp. 166–168; Wojdaliński, 1967, pp. 173–174).

²⁵ This was due to the commencement of the money exchange campaign in January, which was originally scheduled to end on 31 January 1940, and most of the demand for securities had been met.

Other credit societies did not play a major role and their mortgage bonds were not as popular. Consequently, these institutions were earmarked for liquidation (*Die Bankenaufsichtsstelle...*, 1940, pp. 54–55).

Private banks and credit institution unions. There were 26 Polish private banks and four foreign banks, of which 15 were headquartered in the General Government (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 156). In the opinion of the UNB, this number was too high and a partial reduction had to be made for economic reasons. In mid-1940, it was not yet entirely clear which branches would be liquidated. Making a selection depended on balance sheet statements and assessments of the financial situation of each of these institutions by UNB officials. Banks experiencing issues with capital and capital-raising were selected for dissolution; in the remaining cases, capital that had withered or been lost due to the war was intended to be replenished (*Die Bankenaufsichtsstelle...*, 1940, p. 58). The liquidation of private banks proceeded slowly, with 12 still active in October 1941, none of which had any major problems in carrying out operations in old accounts. Instead, an exceptional increase in the number of deposits in new accounts was recorded by Bank Handlowy, whose customers were mainly Poles (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 183).

Following the example of the interwar period, credit institution unions continued to function during the occupation. As early as December 1939, the Association of Credit Institutions in Warsaw was established by the head of the Warsaw District. It comprised state banks, public banks, private banks, local savings banks and the Central Fund of Agricultural Companies (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 187). A local Association of Private Banks was established in Kraków, led by Germans. In August 1941 it was incorporated into the *Zentralkammer Hauptgruppe Gewerbliche Wirtschaft* (*Der Leiter der Bankenaufsichtsstelle...*, 1941). The activities of both unions were essentially limited to providing advice to their members. Occasionally, the Banking Supervision Authority asked them to express their opinions on particular credit issues. On the territory of the General Government, there was still a pre-war savings bank association in Warsaw, but it was of little significance.²⁶

Savings banks. Savings banks were the most favored by the German occupation authorities among the credit institutions in the General Government. By the outbreak of the Second World War, 353 savings banks were operating in Poland, of which 69 resumed work in the General Government (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 157, 183). Of the four auditing associations supervising the banks, only the association in

²⁶ Its only activity was to issue recommendations to savings banks in the Warsaw District (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 187).

Warsaw continued to operate after the outbreak of the war.²⁷ The financial situation of these institutions was relatively good; some of the larger banks, to which subscriptions to Polish state loans belonged and which had trouble in selling them, faced difficulties. By contrast, provincial banks with capital involved in local enterprises were in better shape (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 184).

The German occupier attached particular importance to the development of savings banks. The care of the local authorities, especially the district authorities, contributed to such a significant increase in deposits in the new accounts that their value even exceeded that of new deposits in Polish private banks. Money in the savings banks was deposited primarily by public institutions and only to a small extent by private individuals (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 157, 184).

The favor of the German authorities for the savings banks, however, did not mean that their number was accepted. The aim was to leave only one savings bank for the entire district, and of the urban ones, only those in the largest centers were to be retained. By 1943, this plan had been carried out with only a few exceptions, with 53 of the 81 main branches remaining. At the same time, in order to make better use of financial surpluses, the number of branches in the provinces was increased from 27 to 67 (*Die Bankenaufsichtsstelle...*, 20 May 1943, p. 10).

Among the most important tasks of the banks were the collection of savings, the distribution of credit to the local population, with a particular focus on small and medium-sized enterprises. In addition, once the economic situation had stabilized, it was planned to use them for medium- and long-term mortgage loans (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 189).

Polski Bank Komunalny was envisaged as the central financial institution for the savings banks. After expansion, it was to be in charge of collecting and managing the financial reserves of the savings banks (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 189).

Communal loan and savings banks had a similar nature of lending activity. In the summer of 1939, there were 975 in Poland, of which 570 in the area of what would become the General Government. In the opinion of the *Bankenaufsichtsstelle*, they were an artificial creation set up by the Polish state, and often served political rather than economic purposes (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 158). Consequently, they were considered of little importance and were scheduled for liquidation or for conversion into savings banks or credit cooperatives (*Die Bankenaufsichtsstelle...*, 1940, p. 54; *Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 190).

²⁷ The auditing association in Poznań and Katowice was liquidated by the Germans and in Łwów by the Russians (*Die Bankenaufsichtsstelle...*, 1940, p. 63).

German credit institutions in the General Government. Shortly after the end of Poland's unsuccessful defensive war, German credit institutions began efforts to expand their activities into the General Government.²⁸ Their interests centered around larger cities, which were strong economic centers, and Warsaw became the main target. This was due not only to the fact that it was an economic hub, but also that in its territory most of the enterprises were in the hands of German trustees, who wanted German rather than Polish banks for financial services. By mid-1940, however, representative offices of German banks were established only in Kraków. The Bankenaufsichtsstelle argued against opening branches in Warsaw on the grounds that Polish banks were just as capable of serving the German clientele, especially since the question of old and new banking operations had been settled by law and the fear that new deposits would be used to make withdrawals from pre-war deposits no longer existed. Furthermore, in addition to the Polish banks, the Issuing Bank in Poland also operated, which was at the disposal of the companies managed by the German trustees. In fact, the authorities in the General Government were first concerned with building a banking system based on the Polish institutions already in operation, and only after this process was completed did it envisage German bank to be allowed to enter the market on a wider scale in a form appropriate to the needs of the General Government's economy. (*Die Bankenaufsichtsstelle...*, 1940, p. 59). The details were to be arranged between the General Government administration and the relevant parties in the Reich.

Initially, the activities of German banks in the General Government were quite limited. Deutsche Bank and Creditanstalt-Bankverein were represented by the CA-BV branch in Kraków, the Dresdner Bank-Länderbank group did business through its daughter company Komerzialbank in Kraków and a branch in Tarnów, while Comerzbank had its own branch in Kraków (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 180). Bank der Deutschen Arbeit received permission to start work and open a branch in Kraków. In addition, Verkehrsbank Ost was established as a limited liability company with equity capital of PLN 400,000. Initially, it dealt with the management of the free capital of the Ostbahn, and ultimately its activities were extended to cover the same area as those of the Verkehrskreditbank in the Reich (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 181).

The conduct of business by German banks in the General Government was not limited to servicing newly-established German companies and enterprises managed by German trustees. After a period of stabilizing

²⁸ More on German credit institutions in the General Government: Gójski, 2021, pp. 220–229; Loose, 2007, pp. 292–304.

their position in the market, they also began to take on the customers of private Polish banks (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 181). Struggling to raise equity capital, the Banking Supervision Authority allowed for the possibility of their involvement in the financial system of the General Government by establishing cooperation with Polish banks, which could supplement it by allowing German banks to participate. The advantage for the German side would be that the Polish institutions had a well-developed network of representative offices, qualified and cheap staff and, most importantly, enjoyed a high degree of trust from the local population. Not surprisingly, many German banks were in favor of such a solution (*Die Bankenaufsichtsstelle...*, 1940, pp. 59–60). According to Paersch, in 1940, Bank Handlowy in Warsaw and Bank Związku Spółek Zarobkowych were the Polish financial institutions most suitable for takeover by German banks; the former was characterized by a well-developed banking apparatus and a long tradition, and had sizeable financial resources committed to new operations, while the latter was seen as eminently national and enjoyed the special trust of the Polish population. It was precisely because of the population, however, that Paersch believed that Bank Związku Spółek Zarobkowych should become a purely Polish bank. Next to be Germanized were Powszechny Bank Kredytowy and Powszechny Bank Związkowy (*Die Bankenaufsichtsstelle...*, 1940, pp. 59–60).

The Ostdeutsche Privatbank, Dresdner Bank, Creditanstalt-Wiener Bankverein and Bank der Deutschen Arbeit were interested in acquiring the Polish banks. The Banking Supervision Authority's agreement to this was conditional on the Polish banks being rebalanced and, therefore, their shares being valued. Another problem to be solved was the question of the Reich government's satisfaction of the Polish banks' financial claims for lost assets in the territories annexed to the Reich (*Die Bankenaufsichtsstelle...*, 1940, p. 61). Arguably, the German banks themselves were anxious to clarify the exact situation of their potential accomplices and did not press for an acceleration of the takeover process.

In reorganizing the credit system, the plan was to leave only two Polish joint-stock banks in the General Government. The previously mentioned Bank Związku Spółek Zarobkowych was to be merged with Bank Dyskontowy Warszawski, and Bank Zachodni in Warsaw with Genossenschaftsbank AG (*Die Bankenaufsichtsstelle...*, 1940). The others were scheduled to be taken over by German banks or to be liquidated.

Credit institutions in the District of Galicia. Before the outbreak of the Second World War, there were 25 banks, 61 savings banks and 1,743 credit cooperatives in the area where the Germans later established the District of Galicia (*Die Bankenaufsichtsstelle...*, 20 May, 1943, pp. 9–10). After the occupation of the eastern lands of the Second Polish

Republic by the Soviet army, Polish credit institutions were shut down and the most important of them nationalized.²⁹

After the German army's invasion of the USSR in 1941, all Soviet credit institutions ceased operations and their mostly-Russian management fled, having previously destroyed most of their documentation or exported it. It was therefore virtually impossible to reconstruct the credit market from before the Soviet invasion. The Banking Supervision Authority therefore decided to build a completely new credit system in the District of Galicia. First and foremost, the intention was to draw on pre-war Ukrainian credit cooperatives. Raiffeisen banks were to be established in villages and small towns, Ukrain-Banken in the larger cities, and Centrobank in Lwów as the Central Bank (*Der Leiter der Bankenaufsichtsstelle...*, 1941, pp. 193–194).

In addition, representative offices (branches) of two state banks already operating in the General Government were opened in Lwów: Państwowy Bank Rolny under the name Agrarbank AG Lemberg³⁰ and the Land Management Bank under the name Landeswirtschaftsbank AG Lemberg.³¹ These were joint stock companies with a share capital of PLN 5 million each, and their scope of operations overlapped with that of the parent institutions in Warsaw. The task of Agrarbank in Lwów was to finance enterprises related to food, agriculture, forestry, horticulture, and fishing, and to support all enterprises and establishments related to agricultural exchange and production (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 194). On the other hand, Landeswirtschaftsbank AG Lemberg was primarily to support the economic development of Galicia, especially industry, construction, trade, and crafts (Gójski, 2021, p. 244).

The possibility of allowing German banking institutions to enter the credit market was also considered, but only once the process of reprivatizing Soviet-nationalized enterprises had gained momentum (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 194). On the other hand, no consent was given for the return or opening of representative offices of Polish institutions already operating in the General Government. Local credit cooperatives were to be set up to serve the Polish population, but only in those localities where Poles constituted a clear majority (*Der Leiter der Bankenaufsichtsstelle...*, 1941, p. 195). By mid-1943, the Germans had opened 84 credit establishments in the District of Galicia – very few when compared to the 1,745 in operation on 1 September 1939 (*Die Bankenaufsichtsstelle...*, 20 May, 1943, p. 11).

²⁹ Shortly after the occupation of Lwów, a council of bank commissioners took over supervision of the banks; the granting of credit and the withdrawals by persons from the layer of holders was prohibited (Landau & Tomaszewski, 1970, p. 123).

³⁰ More on Agrarbank AG Lemberg: Klusek, 2013, pp. 167–174.

³¹ More on Landwirtschaftsbank AG Lemberg: Gójski, 2021, pp. 243–245.

Conclusion

The implementation of Germany's monetary policy in the Reich-incorporated territories ended with the recognition of the German mark as the sole means of payment on 27 November 1939. In these territories, the Polish złoty, banknotes and coins were exchanged without restriction for marks at a 2:1 ratio. The circulation of legal tender in the General Government was much more complicated. In the initial phase of the occupation, the German mark, the Polish złoty and Reich Credit Fund notes were recognized at the same time. In the end, the Polish złoty remained the legal tender, replaced in 1940 by notes from the Issuing Bank in Poland, the so-called "Kraków złotys", or "młynarki", at 1:1 to the pre-war złoty.

The fate of Polish banking during the Second World War unfolded variously, depending on the situation of credit institutions in the various occupied areas. In the territories incorporated into the Reich, all assets were confiscated and placed under the management of Main Trustee Office for the East in Berlin, with liquidation measures concerning both assets and liabilities. The funds remaining after satisfying the liabilities of the dissolved institution were placed by the receivership at the disposal of the Reich Ministry of Finance. The situation of banking in the General Government was different. The occupier, aware of the importance of credit institutions for economic life, reorganized the Polish credit apparatus. This task was entrusted to the Banking Supervision Authority, which only left those credit institutions it deemed necessary for the German war economy and supported their activities.

(transl. by Ian Stephenson)

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