
**BALANCE SHEET DATA OF THE NATIONAL
BANK OF THE KINGDOM OF SERBIA,
KINGDOM OF SERBS, CROATS AND
SLOVENES AND KINGDOM OF YUGOSLAVIA
IN 1884–1940**

Marko Bajić

The views expressed in the papers constituting this series are those of the author, and do not necessarily represent the official view of the National Bank of Serbia.

Economic Research and Statistics Department

THE NATIONAL BANK OF SERBIA

Belgrade, 12 Kralja Petra Street,

Telephone: (+381 11) 3027 100

Belgrade, 17 Nemanjina Street,

Telephone: (+381 11) 333 8000

www.nbs.rs

Balance sheet data of the National Bank of the Kingdom of Serbia, Kingdom of Serbs, Croats and Slovenes and Kingdom of Yugoslavia in 1884–1940

Marko Bajić

Abstract: Balance sheet data of the National Bank in 1884–1940 are analysed in the paper. Data were collected from the National Bank's annual reports and were classified by financial instrument and sector. The annex to the paper contains a simplified version of the National Bank's balance sheet as some accounts were aggregated to ensure better readability and clarity. Separate tables show more detailed data on loans to banks and corporates, capital, distribution of profit and net profit of the National Bank, and its reserve fund and other funds. To present the composition of some data in as detailed a manner as possible, such as, for instance, data on loans, it was necessary to carry out additional calculations based on available information from original sources and other publications.

For the purposes of this paper, we carried out an analysis of the factors impacting the creation of liquidity (banknotes in circulation and bank and corporate deposits with the National Bank). To better understand the extent to which the National Bank adhered to statutory limitations concerning the circulation and maintenance of the coverage of banknotes, we calculated the regular supply of banknotes in 1898–1919 and the free supply in 1920–1930. We carried out additional calculations of the dinar exchange rate against some currencies in order to present the unit value of a foreign currency against the dinar in accordance with present-day standards.

International developments and events with a direct or indirect impact on the National Bank's balance sheet changes are mentioned several times in the paper.

Key words: reserves, loans, banknotes in circulation, currency, temporary exchange, interest rates, liquidity creation, gold.

JEL Code: C32, G01, E44.

Non-Technical Summary

There are few papers in domestic professional literature that analyse the National Bank's balance sheet data in the period from the start of the Bank's operation in 1884 until the outbreak of World War II. This paper builds on the current papers and publications as it analyses, through several historical epochs, the balance sheet of the National Bank, with a special focus on the key accounts, such as reserves, loans and banknotes in circulation. The analysis also contains a text box concerning the National Bank's main activities and tasks, such as the issuance of banknotes, implementation of credit and interest rate policies, purchase and sale of gold and foreign currency as part of the currency policy, and their impact on balance sheet changes.

A special emphasis is placed on the government's impact on the National Bank's balance sheet, particularly in the periods of major economic and political events, and on the analysis of factors behind the expansionary or restrictive policy of lending to banks and corporates, which was often combined with currency and interest rate policies, aimed at preserving the reserves and currency stability. Based on the analysis of liquidity creation, it was determined which sectors and instruments had a primary impact on the creation of banknotes in circulation and deposits with the National Bank. The paper also contains additional calculations concerning the coverage of banknotes given numerous exemptions in place. The purpose of these calculations was to determine the National Bank's capacity to lend to banks and corporates in concrete periods.

Apart from the impact of political events on balance sheet changes, the analysis centres particularly on the impact of "extraordinary" events, such as monetary unification in the early '20s, the effect of the revaluation of the National Bank's reserves and the repercussions of the economic crisis of the early '30s.

As confirmed by the analysis of balance sheet data, throughout the period observed, the National Bank's lending to the government had the strongest impact on balance sheet accounts, notably in times of war and the years of the country's reconstruction after World War I. This is also indicated by the results obtained in the analysis of liquidity creation. The National Bank pursued a successful issuance policy as it introduced banknotes in the country's financial system in the late 19th century and carried out monetary unification in the early 1920s. It also pursued a successful policy of lending to banks and corporates, as reflected in the economic progress and rising exports, despite limitations to the credit potential arising from lending to the government. Given the movements of gold in the early 20th century and the relatively stable dinar exchange rate between 1925 and 1940, we may conclude that the National Bank was successful in pursuing its currency policy, which was based on the purchase and sale of gold and foreign currency in the money market. The Bank's currency policy was supported by a restrictive credit policy, combined with FX and interest rate policies. The National Bank did not achieve sufficient success in pursuing its interest rate policy as it did not manage to more considerably reduce bank interest rates. Moreover, this policy was limited as a large quantity of banknotes which the Bank did not control was created based on loans that the government took from it. The Bank therefore resorted to measures that directly or indirectly limited the level of bank interest rates.

Apart from an analytical contribution to economic history, the paper contains a concrete contribution to monetary statistical history as it systematises data by financial instrument, with a clear segregation of data relating to banks, corporates and the government. To present the balance sheet structure in a manner that would be aligned with the structure of present-day central bank balance sheets, we carried out data adjustments, which involved the aggregation of individual accounts or presentation of their net position, which helped avoid unnecessary presentation of the assets and liabilities side of the same account in the balance (e.g. banknotes in circulation, bank capital etc.). Separate tables contain information on loans to banks, corporates and the government, and detailed data on financial instruments and currencies. Additional calculations were carried out to clearly segregate these data. Separate tables also show segregated data about the composition of funds shown as assets and liabilities in the National Bank's balance sheet. Based on data from the Bank's income statement, we extrapolated data concerning profit, net profit and profit and net profit distribution.

Contents

1 Introduction.....	84
2 Data processing methodology.....	85
3 Balance sheet of the National Bank 1884 – 31 January 1920	87
3.1 Tasks and remit of the National Bank.....	87
3.2 Balance sheet changes and liquidity creation	88
3.3 Banknotes in circulation	90
3.4 Loans and interest rates.....	92
3.5 Reserves.....	96
4 Balance sheet of the National Bank 1920–1930	97
4.1 Tasks and remit of the National Bank.....	97
4.2 Balance sheet changes and liquidity creation	98
4.3 Monetary unification and banknotes in circulation	100
4.4 Loans and interest rates.....	102
4.5 Reserves	105
5 Balance sheet of the National Bank 1931–1940	106
5.1 Tasks and remit of the National Bank.....	106
5.2 Balance sheet changes and liquidity creation	109
5.3 Banknotes in circulation	110
5.4 Loans and interest rates.....	111
5.5 Reserves	113
6 Other balance sheet items.....	114
7 Conclusion.....	117
Appendix	120
References	130

1 Introduction

In the late 19th century, the establishment of the National Bank was one of the main aims of the state-building agenda. As Serbia gained international recognition as an independent state in 1878, the need to create a central financial institution dealing with the issuance of money and lending to the corporate sector became even more pronounced. The National Bank was established in early 1883 and began to operate in July 1884. Until February 1920, the Bank operated as the Privileged National Bank of the Kingdom of Serbia and as the National Bank of the Kingdom of Serbs, Croats and Slovenes. From 1929 until 1941, it operated as the National Bank of the Kingdom of Yugoslavia.

The paper relies on the analysis of the National Bank's balance sheet data and follows their evolution through different historical epochs in which the country faced numerous political and economic challenges: 1) the start of operation of the National Bank in 1884 until the outbreak of World War I in 1914 – the gold standard was in force and the country was engulfed by major political events, such as the customs war with Austria-Hungary and the Annexation Crisis, the First and Second Balkan Wars; 2) World War I (1914–1918) until late January 1920, when the National Bank of the Kingdom of Serbia ceased to operate – the gold standard was abolished, similarly to other countries; 3) the 1920–1930 period, which covers the operation of the National Bank under the new law, when the country's reconstruction, monetary unification and stabilisation of the national currency were carried out; 4) the period from 1931 until the start of World War II, which covers the operation of the National Bank under the new law, short-term application of the gold-exchange standard, the economic crisis in Yugoslavia, the devaluation of the dinar, and preparations for World War II.¹

The paper contains an analysis of factors impacting liquidity creation, the analysis of loans approved to banks, corporates and the government, the analysis of financial instruments based on which the loans were approved, the analysis of banknote circulation within the defined direct and indirect limitations and banknote coverage by reserves (gold, silver, foreign currency), and the analysis of factors influencing changes in reserves. These are the accounts which since the start of operation of the National Bank until the outbreak of World War II had the strongest impact on trends and changes in the National Bank's balance sheet, which is understandable as the Bank's main tasks included the issuance of banknotes, lending to banks, corporates and the government, and maintenance of stability of the national currency. The paper also contains a brief explanation of other items which did not have a strong impact on changes and composition of the balance sheet, but were important for the Bank's operation.

The results of the paper represent a contribution to the economic and monetary history of Serbia and Yugoslavia as only few papers deal with balance sheet data in the historical period in question. Two papers are worth mentioning: B. Hinić, Lj. Đurđević, M. Šojić, "Serbia/Yugoslavia: from 1884 to 1940", 2014 and B. Hinić, Lj. Đurđević, M. Šojić, "Monetary Conditions in the Kingdom of Serbia (1884–1914)", 2009. The analyses and

¹ Until the end of World War I, all amounts in dinars shown in the National Bank's balance sheet data and other statistics presented in the paper are shown according to the parity 1 dinar = 1 franc, as the gold standard was in force in Serbia.

information presented in this paper can be used for further research into historical data, and for the comparison of the scope of activities and tasks of 19th and 20th-century central banks with those of contemporary central banks. The information can also help analyse the challenges that central banks faced in the past and the ways they responded to preserve monetary and financial stability.

The paper contains a concrete contribution to monetary statistical history as balance sheet data were prepared according to the structure that is very similar to that of contemporary central banks. It also enables the comparison of data series over a longer period. Data were systematised by the financial instrument and sector (banks, corporates and the government). Separate tables were prepared with data about loans to banks, corporates and the government, and details about financial instruments and currencies. The tables with the National Bank's funds show the values of the reserve fund and the composition of other funds in assets and liabilities – assets show the market values of funds, and liabilities show the nominal amounts invested in government securities, shares of enterprises and banks etc. We extrapolated from the National Bank's income statement the data concerning profit, net profit and the distribution of profit and net profit.

2 Data processing methodology

To analyse the National Bank's balance sheet data, it was necessary to carry out methodological adjustments of source data collected from the Bank's annual reports for 1884–1940.

The accounts of coined gold, silver and foreign cash and external gold claims were taken from the “Treasury” account, which recorded the stock of manufactured banknotes. The liabilities included the “Banknotes manufactured for circulation” account – the difference between this account and the “Treasury” account of manufactured banknotes concerned the stock of banknotes in circulation entered in the Bank's balance sheet. The data on the structure of silver- and gold-backed banknotes were entered in the same way. The adjustments covered the period from 1884 until 31 January 1919.

Within the assets accounts “Loans under current accounts”, “Wallet” and “Loans on government bonds”, the amounts of loans pertaining to banks, corporates and the government were separated. These accounts showed aggregated amounts, which is why additional calculations and checks were needed to carry out the sectoral segregation of data. In some years, a part of government debt to the National Bank was recorded separately in balance sheet assets, and these data were added to the previously extrapolated data in order to obtain the total amount of loans extended to the government. As the government used different lending instruments, the annual reports contained individual data on government loans which were subsequently classified by the financial instrument.

The “temporary exchange” of the government with the National Bank is mentioned several times in the paper. In this transaction, the government could temporarily deposit gold and FX claims with the National Bank and receive in return an equal amount of banknotes without exchange rate losses (parity 1:1). The “temporary exchange” had a two-fold effect on the

Bank's balance sheet – on the one hand, on a rise in claims on the government based on issued banknotes and an increase in liabilities to the government in gold and foreign currency (government current account), and on the other hand, on the growth in reserves based on gold and foreign currency received from the government, and the increase in the quantity of issued banknotes. Judging by source data and publications, the National Bank did not treat this transaction as a loan but as a claim on the government. Still, in the analysis, the “temporary exchange” was treated as a loan as this transaction gave rise to monetisation and interest-free financing of government needs.

Until 1920, the liabilities in the Bank's source balance sheet contained the “Principal” account, which pertained to the amount of capital determined by the Law on the National Bank. The assets contained the account “Shares and shareholders – unpaid amount of capital”, relating to the amount of capital that shareholders were obliged to pay. The difference between these two accounts was the amount of subscribed capital recorded in the balance sheet for the purposes of this paper.

To analyse the creation of liquidity (banknotes in circulation and bank and corporate deposits with the National Bank) until 31 January 1920, we used the following items calculated based on balance sheet data: 1) net reserves as the difference between gold, silver and FX claims and capital (capital was in gold, which is why changes impacted the changes in reserves); 2) loans to banks and corporates; 3) net claims on the government (the difference between loans to the government and government current accounts); 4) other net assets (the difference between assets accounts: *reserve fund and other funds, immovables and furniture, pledged and left values, sundry assets*, and liabilities accounts: *reserve fund, other funds, pledged and left values, sundry liabilities and pure profit*).

From 1920 to 1930, the following calculated items from the balance sheet were used in the liquidity creation analysis: 1) reserves (gold, foreign cash exchangeable for gold, silver); 2) foreign currency purchased by the National Bank in the FX market; 3) loans to banks and corporates; 4) net claims on the government (the difference between loans to the government and government current accounts); 5) other net assets (the difference between assets accounts: *reserve fund and other funds, immovables and furniture, pledged and left values, government domains, sundry assets*, and liabilities accounts: *reserve fund, other funds, pledged and left values, government domains, sundry liabilities and pure profit*).

In the analysis of liquidity creation for the 1930–1931 period, the following calculated balance sheet items were used: 1) reserves (gold and foreign cash exchangeable for gold); 2) foreign cash not exchangeable for gold; 3) net claims on banks and corporates (the difference between loans to banks and corporates with the due date based on sold treasury bills of the National Bank); 4) net claims on the government (the difference between loans to the government and government current accounts); 5) other net assets (the difference between assets accounts: *reserve fund and other funds, immovables and furniture, pledged and left values, government domains, securities purchases, coined money (nickel, silver), sundry assets*, and liabilities accounts: *reserve fund, other funds, pledged and left values, government domains, sundry liabilities and pure profit*).

We have made several terminological adjustments in the paper – instead of the terms “standard” or “metal standard”, used in source balance sheets and historical publications of

the National Bank for the calculation of the coverage of banknotes and sight liabilities, we used the term “reserves of the National Bank” (gold, silver, FX liabilities). We also used several times the term “currency policy” instead of “FX policy” as the former term better reflects the operation of contemporary central banks. The term “currency policy” was used in laws on the National Bank and concerned the Bank’s activities to preserve the stability of the currency in the gold market (until 1914) and later in the FX market (from 1920).

To ensure a simple overview of the balance sheet, we aggregated some accounts, such as different types of pledged values etc.

3 Balance sheet of the National Bank 1884 – 31 January 1920

3.1 Tasks and remit of the National Bank

The National Bank was established with the primary aim “to improve trade and the economy in the Kingdom of Serbia with cheaper capital and well-arranged loans”. It focused more on lending than on money issuance, and this role did not change until the new Law was adopted in 1920.

The National Bank’s main tasks and remit defined at the time of the Bank’s establishment were not significantly changed: 1) *issuance of banknotes*; 2) *purchase and sale of gold and silver*; 3) *extension of loans* – based on the discount and rediscount of bills of exchange and warrants, discount of coupons of government securities or loans guaranteed by the government, against the pledge of silver, gold, government securities, approval of loans under current accounts (the maximum loan maturity could not be longer than three months and this condition was not changed at the time of adoption of new laws on the National Bank); 4) *receiving money in the current account* interest-free and the issuance of cheques and money orders; 5) *payments and collections* in the country and abroad, and payments and collections in the name and for the account of the government; 6) *purchase and sale for someone else’s account* of gold, silver, securities etc.

The government could regularly borrow from the National Bank by using different instruments: bills of exchange, treasury bills, pledge of government bonds, loans under current accounts, temporary exchange against gold (introduced based on the 1908 Law on the National Bank). There were also other forms of government borrowing from the National Bank which were usually regulated by a separate law and were an exemption rather than a standing practice.

The 1883 Law on the National Bank established the gold standard, which was introduced in 1878 under the Law on the Coining of Serbian Money. Upon the model of countries of the Latin Monetary Union², the National Bank applied standards concerning the fineness and

² France, Belgium, Italy and Switzerland established the Latin Monetary Union in 1868. Silver coins were minted in the denominations of 1 dinar (5 grams), 2 dinars (10 grams), 50 paras (2.5 grams) of 835/1000 fineness, and 5 dinars (25 grams) of 900/1000 fineness. Gold coins were minted in the denominations of 10 dinars (3.23 grams) and 20 dinars (6.45 grams) of 900/1000 fineness.

weight of coined gold and silver money. The dinar had the same parity (it was *al pari*) as the currencies of Latin Monetary Union countries (France, Belgium, Italy and Switzerland) and the currencies of other countries applying the same standards.

The National Bank issued “gold-” and “silver-backed” banknotes. They were used in internal payment operations, while all international payments took place in gold. The Law on the National Bank stipulated the obligation to maintain the coverage of banknotes against the “metal standard” – the highest possible quantity of banknotes in circulation could be two and a half times above the coverage, i.e. minimum coverage was 40%. The Bank’s decision on coverage was not arbitrary, but was based on the conviction prevalent in advanced economies of the time – namely, a central bank could issue two and three times more banknotes than the amount of coined gold and silver in order to meet the demand for money.

The minimum gold coverage for gold-backed banknotes was $\frac{3}{4}$. The coverage for silver-backed banknotes could be both in gold and silver. The “metal standard” included all coined silver and gold, foreign currencies and external claims that were easily exchangeable for gold (hereinafter: reserves). As long as the gold standard was valid, the possibility to exchange banknotes for coined gold never ceased, except on the eve of the First Balkan War (1912), when gold-backed banknotes could be paid for 25% in coined silver. This was abolished only on the eve and after World War I.

The National Bank did not have the statutory obligation to buy silver for banknotes at a particular price, as was the case with gold, and it was not possible to exchange silver coins for banknotes. Silver-backed banknotes did not carry the value of silver in the same way as gold-backed banknotes contained the value of gold, which is why dinar’s fluctuations against gold were not related with the volatility of the silver and gold value. Silver-backed banknotes were practically a national currency whose value against gold changed – the premium paid was called *àgio*.

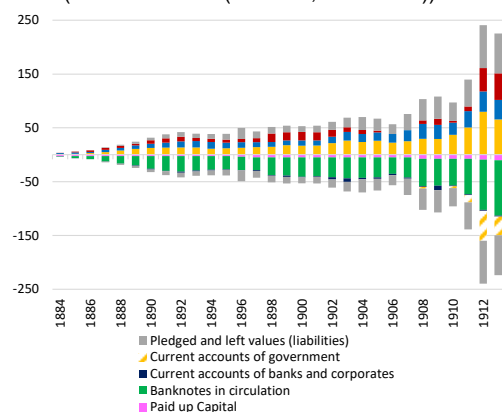
3.2 Balance sheet changes and liquidity creation

During the first years of its operation, the National Bank faced unfavourable economic circumstances. The economy and trade collapsed, domestic capital was insufficient and government finances were in disarray, which is why Serbia was forced to take foreign loans and borrow from the National Bank. Significant changes in the National Bank’s balance sheet took place only in the early 20th century as the last years of the 19th century saw gradual economic recovery, rising exports and the widening of the trade surplus. This was accompanied with an increase in reserves, elevated lending to banks and corporates, and more banknotes in circulation.

The government budget for 1902 was prepared on realistic foundations, opening room for its reform, the consolidation of external debt and a reduction and complete elimination of debt with the National Bank (1906 and 1907). After government finances were put in order, economic recovery and export growth lasted from 1903 to 1911, as also seen in elevated lending to banks and corporates and Bank’s rising reserves. The account “pledged and kept values” was also on an increase – those were valuables kept with the National Bank, including mainly bills of exchange and other securities based on which loans were approved to banks,

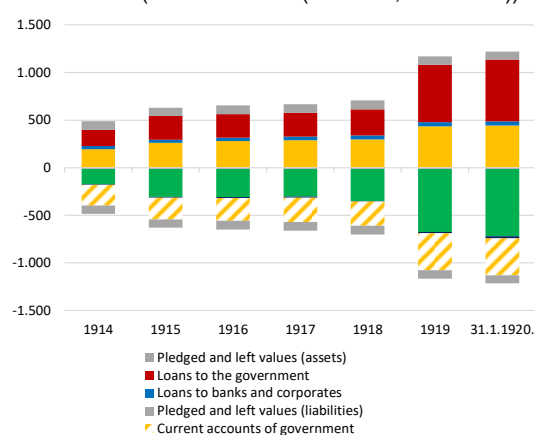
corporates and the government, which is why the amounts in assets and liabilities were the same (Chart 1).

Chart 1 Balance sheet of the National Bank 1884 – 1913 (in million dinars (assets +, liabilities –))



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 2 Balance sheet of the National Bank 1914 – 31 Jan. 1920 (in million dinars (assets +, liabilities –))



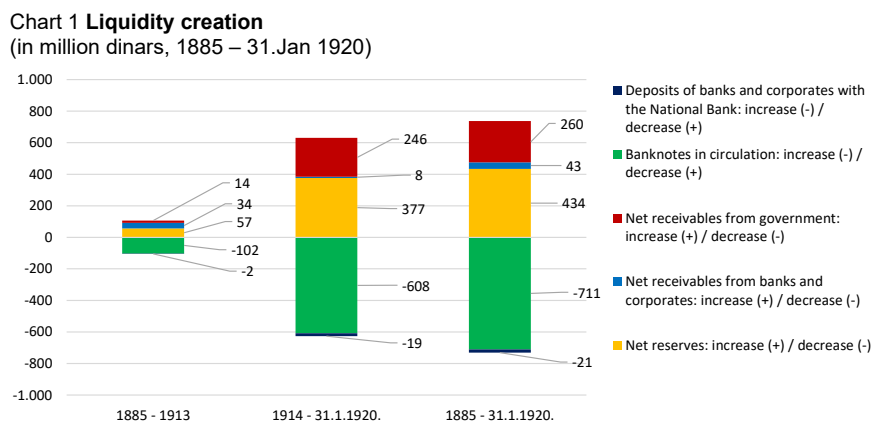
Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Upon the outbreak of the First Balkan War in 1912, Serbia faced a sharp rise in total loans, gold and silver reserves, and banknotes in circulation, mainly owing to the government's "temporary exchange" with the National Bank, aimed at financing the costs of war. The government deposited gold with the National Bank and received in return an equal quantity of silver-backed banknotes. The government continued to pursue the same policy after the outbreak of World War I. It borrowed most from France and Britain (around 400 million gold francs). It deposited these funds with the National Bank and received silver-backed banknotes in return. Just as it did during the Balkan Wars, in World War I the government used these funds mainly to finance its costs of war (Chart 2).

Serbia successfully weathered the political crises in its relations with Austria-Hungary in the early 19th century (the customs war in 1906 and Austria-Hungary's annexation of Bosnia and Herzegovina in 1908), which did not negatively affect changes in National Bank's balance sheet data. In the new circumstances, other export and import markets were quickly found, although until then the exports from Serbia to Austria-Hungary accounted for almost 90% of total exports and imports for 60%³.

The analysis of the creation of liquidity (banknotes in circulation and bank deposits) based on balance sheet data confirms the strength of the government's impact on the creation of the most important items of the National Bank's balance sheet. If we observe the entire period or only the period since the start of World War I, the increase in government borrowing from the National Bank or a rise in net reserves had the primary impact on liquidity creation. The effect of the government's "temporary exchange" on a rise in reserves in the period from 1885 until 31 January 1920 was around 90%, reflecting mainly the inflow of gold from the government since the start of World War I owing to the Allies' loans (Chart 3).

³ Data source: Statistical Yearbooks of the Kingdom of Serbia.



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

3.3 Banknotes in circulation

The National Bank issued its first banknotes in gold – the so-called “gold-backed” banknotes. In the early days of its work, the National Bank strove to maintain the circulation, given the deep distrust toward the banknotes among both households and corporates at that time. Gold-backed banknotes did not circulate for long, as they were swiftly exchanged for coined gold with the National Bank. The loans approved by the National Bank were also often immediately converted for coined gold. However, with the strengthening of confidence in the National Bank, these problems gradually faded.

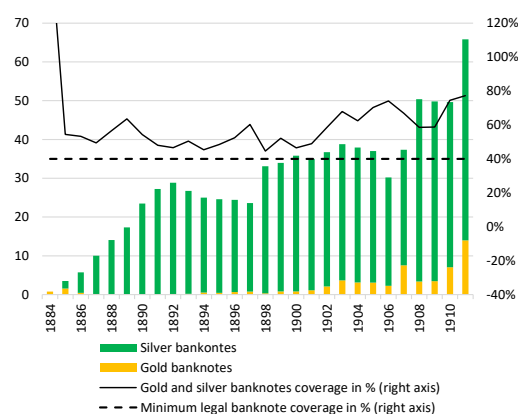
For precautionary purposes, the National Bank maintained high, 100% gold coverage of gold-backed banknotes and it was only in 1904, with the decline of the agiotage and an increased inflow of gold on account of the rising exports, that the coverage was reduced to 80%. While maintaining the precautionary gold standard, the National Bank was unable to issue larger quantities of gold-backed banknotes. Gold-backed banknotes had a high nominal value and did not meet the needs of internal payment transactions or loan demand. On the other hand, there was enough silver against which the National Bank started to issue “silver-backed” banknotes in late 1885, in order to meet loan demand and secure enough banknotes to meet the needs of internal payment transactions.

Due to these reasons, the share of gold-backed in total banknotes was very low, at around 2% until 1900. With the improvement of economic circumstances and especially thanks to the inflow of gold generated by rising exports in 1901–1911, the share of gold-backed banknotes increased to 10% on average, only to drop to merely 2% in the period 1912 – 31 January 1920, due to the large increase in the quantity of silver-backed banknotes. Until 1911 the quantity of silver-backed banknotes in circulation increased the most on account of growth in the National Bank's reserves (around 40%) and lending to banks and corporates (around 30%)⁴. Since 1912 the quantity of silver-backed banknotes increased exclusively due to the government borrowing from the National Bank for the purpose of funding war expenditures and, to a large

⁴ Results based on the analysis of liquidity creation in that period.

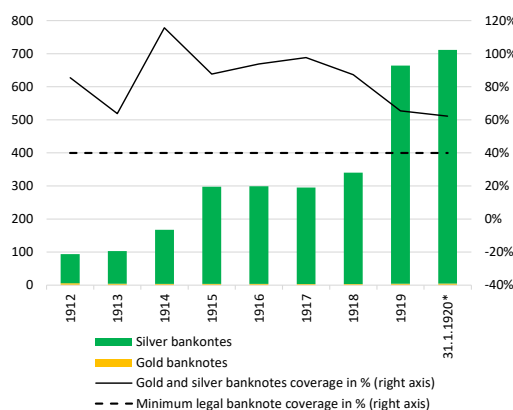
extent, the country's recovery in the aftermath of World War I. During the whole period the National Bank held sufficient reserves to back circulating banknotes, in some periods by more than 50%. It is interesting that the reserves were high even during World War I thanks to the loan which the government took from the Allies and deposited with the National Bank (Charts 4 and 5).

Chart 4 Circulation of gold- and silver-backed banknotes (in million dinars, 1884–1911)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

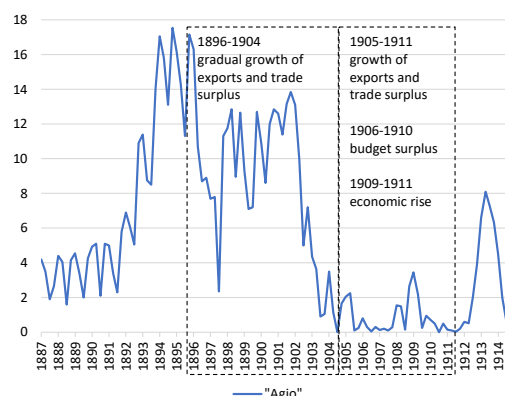
Chart 5 Balance sheet of the National Bank 1914 – 31 Jan. 1920 (in million dinars (assets +, liabilities –))



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

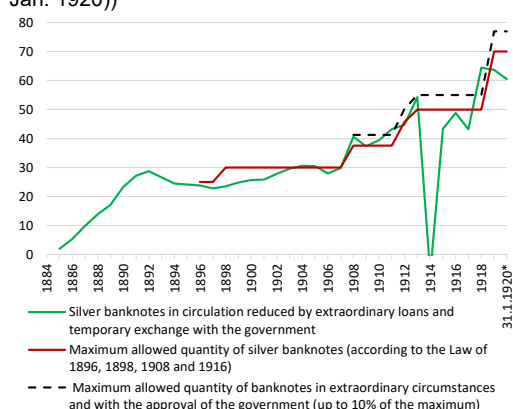
Given the unstable movements and the rise in agiotage in the early 1890s, there were opinions, especially on the government's part, that the rise in silver-backed banknotes and the National Bank's issuing policy were the cause of such movements. The National Bank repeatedly emphasised that the reasons for the rise in agiotage should primarily be sought in disorderly public finances, a high deficit, frequent government borrowing abroad and unfavourable economic movements, primarily due to the rising imports and a widening trade deficit (Chart 6).

Chart 6 Āgio – supplementary payment of silver for gold (in %, 1887–1914)



Source: National Bank 1884–1934.

Chart 7 Circulation of silver-backed banknotes and limitation in circulation (in million dinars, 1884 – 31 Jan. 1920))



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Despite the protest expressed by the National Bank with the arguments that direct limitation to the banknotes circulation was contrary to the principles of issuing banks and that it jeopardised continuous lending to corporates, the government insisted on amending the 1896 Law on the National Bank, which set the 25 million dinar-limit for silver-backed banknotes in circulation (Chart 7). Already in 1898, this limit was raised to 30 million dinars, given that the previous limit led to the suspension of corporate lending in the months of the economic peak. In order to enable government borrowing from the National Bank, loans of 10 and 2 million dinars were exempted from the banknotes supply set by the 1898 and 1900 Laws, but with the obligation to ensure the coverage for the banknotes issued under these loans.

Given the growing government needs for financing with the National Bank and in order not to jeopardise corporate lending, the Law on the National Bank of 1908 separated the banknote supply into regular and extraordinary. The extraordinary supply was not subject to limitations on circulation of silver-backed banknotes and included government borrowing due to extraordinary needs and a “temporary exchange” of gold for silver-backed banknotes with the National Bank. The same Law increased the highest possible amount of silver-backed banknotes in circulation to fivefold the Bank’s capital (37.5 million dinars), with the possibility to increase this amount by 10% (41.25 million dinars) in extraordinary circumstances, subject to the government’s approval. Until the cessation of operation of the National Bank of the Kingdom of Serbia on 31 January 1920, these amounts were raised thanks to the increase in Bank’s capital, so that the highest permissible amount of silver-backed banknotes in circulation in 1912 amounted to 45.7 million dinars (50.3 million dinars with a 10% increase), in 1913 to 50 million dinars (55 million dinars with a 10% increase), in 1919 to 70 million dinars (77 million dinars with a 10% increase). The calculation of total silver-backed banknotes in circulation, after exempting the extraordinary loans to the government, shows that throughout the period observed the National Bank adhered to the set limitations to the silver-backed banknotes supply (Chart 7).

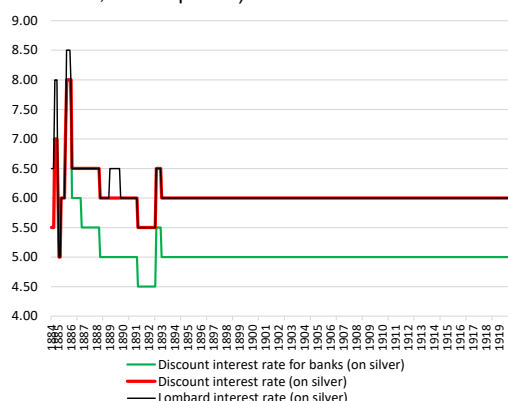
3.4 Loans and interest rates

The National Bank’s credit policy was restrictive and accommodative. On the one hand, the National Bank was forced several times to stop lending to banks and corporates or to introduce restrictions so as not to exceed the mandated limit for circulation of silver-backed banknotes, which generally happened when the government increased its borrowing with the National Bank. In such circumstances the National Bank often found ways, in cooperation with the government, to continue to lend to banks and corporates. On the other hand, the National Bank was forced to suspend lending in extraordinary circumstances in order to prevent the outflow of gold and protect the gold standard, or to prevent a deposit flight by extraordinary loans, as was the case in 1908 due to Austria-Hungary’s annexation of Bosnia and Herzegovina. It acted in a similar way on the eve of the First Balkan War in 1912, except that the government was forced at that time to impose, as a final measure for the protection of financial stability, the moratorium on the payment of savings and settling of debtors’ liabilities, which was in place until March 1920.

Interest rates on National Bank’s loans were in the function of regulating interest rates in the money market, encouraging lending and preventing the outflow of gold. The discount

interest rate was the basic, general interest rate applied to both bills of exchange and coupons, remaining unchanged for a long time (1893–1920) because that way the National Bank aimed to impact the decrease in banks' interest rates. Relative to the general interest rate, the discount rate for banks was set several percentage points lower. The interest rate on Lombard loans was applied to the pledge in government securities and it was equalised with the general discount rate (Charts 8 and 9).

Chart 8 Interest rates on silver 1884–1919 (monthly data in %, end-of-period)



Source: Annual Reports of the National Bank 1884–1940.

Chart 9 Interest rates on gold 1884–1919 (monthly data in %, end-of-period)



Source: Annual Reports of the National Bank 1884–1940.

In order to more efficiently influence the reduction in bank interest rates, the National Bank even resorted to direct forms of restrictions by prescribing in 1891 that banks which applied loan interest rates above 8%, 9% and 10%⁵, could not use loans with the National Bank. A similar restriction was applied in 1908, but the expected results were not achieved because many banks kept high interest rates and increased external financing as they were unable to take loans from the National Bank. In its lending, the National Bank paid special attention to banks and corporates engaged in export operations by enabling their privileged position, as they paid for the loans the privileged interest rate, lower by 0.5% and 1% from the general discount rate (since January 1886). In the periods of crisis in 1908 and 1912, the National Bank raised interest rates and then suspended the loans in gold-backed banknotes in order to discourage the outflow of gold given the tendency to swap loans for coined gold (Chart 9).

In early days of its operation, the National Bank faced difficulties in lending. This particularly related to the corporate sector, which at that time was not used to strict lending terms and customary rules such as the National Bank's requirements for bills of exchange, the set loan terms etc. An additional problem, as already described, related to the use of circulating banknotes to which corporates and households had problems to adjust. However, already as of 1890 one could observe a gradual rise in lending, while the improved economic circumstances from 1903 onwards triggered a significant increase in lending to banks and corporates, which was even more pronounced during strong economic growth in 1910–1911 (Chart 10).

⁵ The percentage of 8% related to banks operating for three years, 9% to banks operating for two years, and 10% to banks operating for one year.

The Balkan Wars ushered in the period in which the government largely relied on the National Bank to finance war expenditures. Especially after World War I, until the cessation of operation of the National Bank of the Kingdom of Serbia, government borrowing with the National Bank more than doubled, which is explained by large financing needs for the country's renewal, which triggered a sharp rise in circulating banknotes. Thanks to foreign loans which the government took, the National Bank's reserves were sufficient to ensure a high coverage, despite the growth in circulating banknotes (Chart 11).

Chart 10 Loans to banks, corporates and the government (in million dinars, 1884–1913)

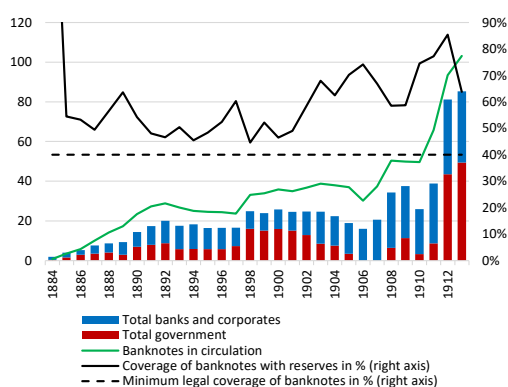
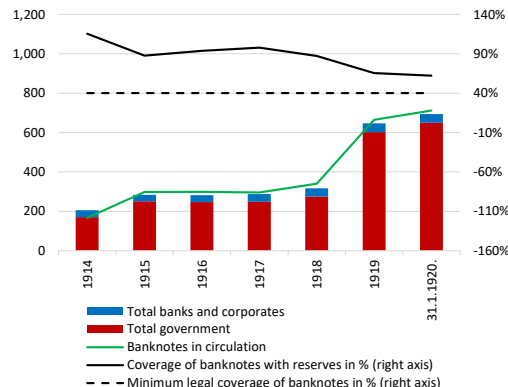


Chart 11 Loans to banks, corporates and the government (in million dinars, 1914 – 31 Jan. 1920)

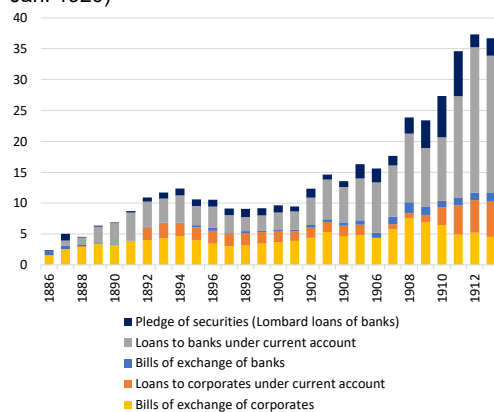


Banks and corporates mostly used bills of exchange as a lending instrument. Loans under current account based on the deposited bills of exchange that were introduced in 1886 were convenient for banks and corporates because they simplified the use of loans based on the bills of exchange portfolio. The use of Lombard loans collateralised by government securities was limited mostly due to the lack of securities and only banks used them⁶ (Chart 12). Based on banks' guarantees, the National Bank approved loans to municipalities, districts, companies and organisations, and from 1888 until 1913 these loans accounted on average for 20% of loans under current account⁷. As for the “currency” structure of bank and corporate loans, it was predominantly in silver-backed banknotes (around 90% on average), whereas only from 1907 until 1909 there was a rise in lending in gold-backed banknotes, primarily as a result of the exports growth.

⁶ Based on additional calculations carried out for the purpose of the analysis, it is estimated that Lombard loans were only used by banks. Also, only the general interest rate on Lombard loans in gold and silver and interest rates on Lombard loans for banks in gold and silver were equalised, which implies that Lombard loans were only used by banks.

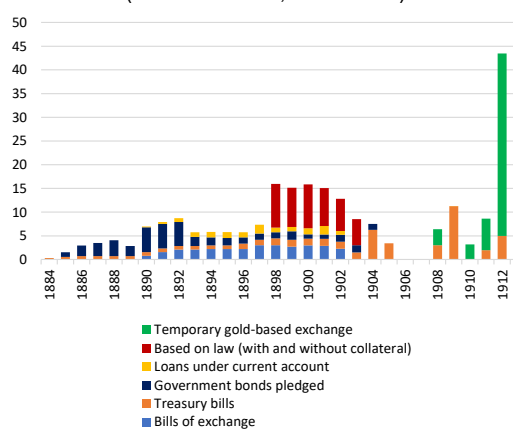
⁷ These loans were subsumed under the sector of banks since they were approved based on bank guarantees.

Chart 12 **Composition of bank and corporate loans by instrument** (in million dinars, 1884 – 31 Jan. 1920)



Source: Annual Reports of the National Bank 1884–1940.

Chart 13 **Composition of government loans by instrument** (in million dinars, 1884–1913)



Source: Annual Reports of the National Bank 1884–1940.

At the start of the National Bank's operation, out of instruments at its disposal, the government mostly used the pledge in government bonds and bills of exchange. The Laws of 1898 and 1900 permitted the government to take extraordinary loans with the National Bank in the amount of 10 and 2 million dinars, with the maturity of ten and eight years. The Laws were adopted without the National Bank's consent and the National Bank protested over the issuance of a large quantity of silver-backed banknotes, pointing out to potential negative effects on the agiotage. In the years that followed, the government did not resort to similar legal solutions to ensure financing with the National Bank, given that the Law of 1908 enabled the government to exchange gold with the National Bank at any time (in the later period also foreign exchange claims in gold) for the equal quantity of silver-backed banknotes and, vice versa, to swap its silver-backed banknotes for gold without any exchange rate losses (parity 1:1). This was a "temporary exchange" which the government intensively used since 1908, so that from then on, the overall lending to the government was mostly in silver-backed banknotes (Chart 13).

The effects of the "temporary exchange" on the National Bank's balance were twofold – on the one hand on the growth of claims on the government based on the given silver-backed banknotes and the growth of liabilities to the government in gold (government current account), and on the other hand, the rise in reserves based on the gold received from the government and the rise in issued silver-backed banknotes. Although the National Bank never treated the "temporary exchange" as a loan, this transaction gave rise to monetisation and interest-free financing of government needs backed by the collateral, i.e. gold and later foreign exchange⁸. However, it needs to be pointed out that the National Bank did not look "favourably" at the possibility that, backed by the gold standard, the government could obtain silver-backed banknotes practically without limitations, because it deemed that excessive banknote issuance could generate inflationary pressures and adversely impact economic

⁸ "The temporary exchange cannot be called a loan because in such exchange the National Bank gives banknotes to the government backed by gold, silver and foreign currencies, calculating dinar for dinar in gold", Annual Report of the National Bank for 1926, page XIII.

movements. Therefore, the National Bank proposed several times, though without success, to limit the amount of the “temporary exchange”, stating the above arguments, which fell on deaf ears of the government.

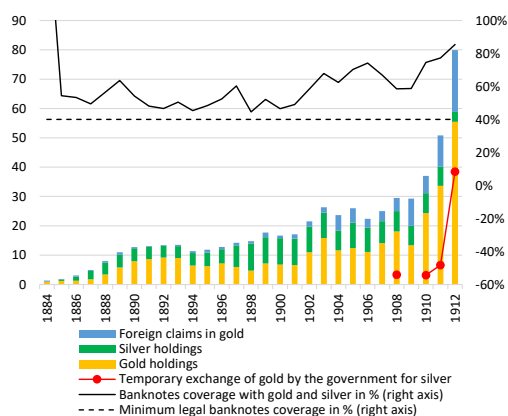
3.5 Reserves

In terms of changes in the National Bank’s reserves, one can single out the period until 1911, the period of war years (1912–1918) and the years in the aftermath of World War I.

Until 1911, the movements in the National Bank’s reserves were largely under the impact of foreign trade development, and the reserves growth was the most pronounced in the period of stabilisation of public finances, and economic recovery and growth (1903–1911). In order to repay internal loans, in 1902 the government borrowed 60 million francs abroad and in 1910 another 30 million francs, which significantly impacted the inflow of gold to the country. The improved economic circumstances, increased exports and trade surplus influenced the higher purchase of gold by the National Bank, especially in 1910 and 1911 (Chart 14).

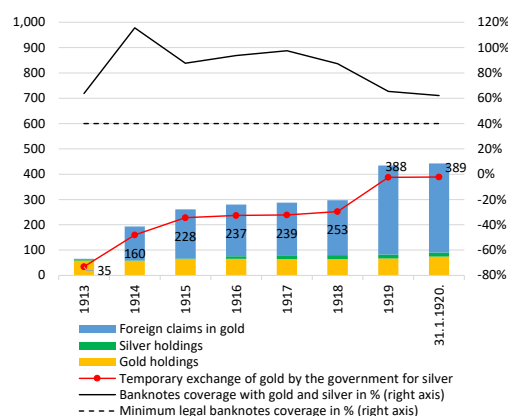
In 1912 and 1913, using the “temporary exchange”, the government deposited with the National Bank gold, which made up one half of the total reserves of the National Bank, obtaining in exchange silver-backed banknotes which it used to cover expenditures. One part of deposited funds originated from government borrowing abroad in the amount of 250 million francs (effectively 211.9 million francs) to finance the costs of the Balkan Wars. Since the beginning of World War I, the share of “temporary exchange” with the government in total National Bank’s reserves was over 80%. The deposited funds originated from the loans which the government obtained from the Allies in the first two years of the war to finance war expenditures (estimated at around 400 million dinars). In view of the large expenditures which the government incurred immediately after World War I for the country’s renewal, the government deposited with the National Bank close to 390 million dinars. In all the years, thanks to high reserves and the “temporary exchange” with the government, the National Bank succeeded to maintain the high percentage of banknote coverage (Chart 15). Charts 16 and 17 show in more detail the effect of the “temporary exchange” with the government on the National Bank’s reserves and banknote issuance.

Chart 14 National Bank’s reserves in million dinars and banknote coverage (in %, 1884–1912)



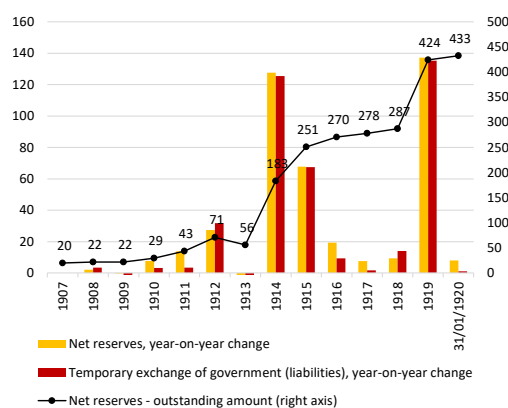
Source: Annual Reports of the National Bank 1884–1940.

Chart 15 National Bank’s reserves in million dinars and banknote coverage (in %, 1913 – 31 Jan. 1920)



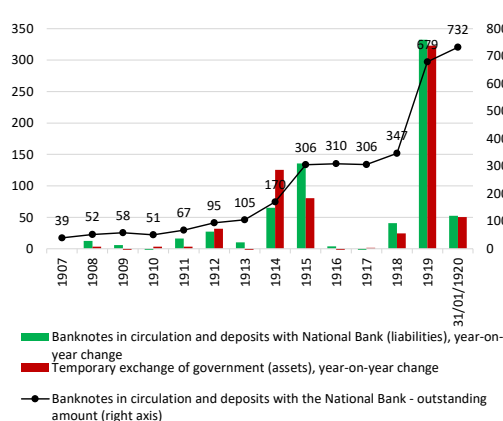
Source: Annual Reports of the National Bank 1884–1940.

Chart 16 Effect of the temporary exchange with the government on changes in net reserves (in million dinars, 1908 – 31 Jan.1920)



Source: Annual Reports of the National Bank 1884–1940.

Chart 17 Effect of temporary exchange with the government on changes in liquidity (in million dinars, 1908 – 31 Jan.1920)



Source: Annual Reports of the National Bank 1884–1940.

4 Balance sheet of the National Bank 1920–1930

4.1 Tasks and remit of the National Bank

A difficult period of rebuilding the country began after World War I. Economic circumstances in the new state were very strained. The infrastructure was devastated, industry was almost non-existent, trade was impeded, and agriculture was in the worst condition due to the destruction of the country. There were no credit relations with western Europe, banking was barely alive and in order to maintain financial stability, a general moratorium on withdrawing savings deposits was introduced. The early 1920s were characterised by inflationary pressures, disorderly government finances, and a rather unfavourable trade balance due to the rising imports, wherefore the dinar lost its value and was susceptible to large oscillations.

The gold standard ceased to exist in Serbia given that, as in the case of other countries, it was abolished prior to the outbreak of World War I. The National Bank's obligation to pay out each of its banknotes for coined gold upon request was abolished, and the value of the dinar, like that of other currencies, was no longer expressed in gold but rather in the values of other currencies. The new Law on the National Bank of the Kingdom of Serbs, Croats and Slovenes from 1920 defined the highest possible quantity of banknotes in circulation, which was three times larger than the backing (reserves of gold, silver and foreign receivables), i.e. the minimum coverage stood at 33.33%. Within the backing, foreign receivables also included convertible currencies, that is, currencies tradable for gold.

The currency issue was among crucial ones, given that besides dinar banknotes, the majority of banknotes in circulation were Austro-Hungarian kronen that were used as a legal tender in those parts of the country that used to be under Austro-Hungarian rule. As for other currencies circulating in parallel, they included the Montenegrin perper, the Bulgarian lev and

the German mark. The monetary unification in the new state was completed in 1921 with the withdrawal and replacement of foreign banknotes for dinar ones.

The new Law on the National Bank of the Kingdom of Serbs, Croats and Slovenes from 1920 revoked the previous possibility of approving current account loans to banks and corporates, while in line with the new Law, the government could no longer borrow from the National Bank on account of bills of exchange, pledged government bonds and current account loans. The government was still able to use treasury bills and a temporary exchange based on gold and foreign currency, while the Law specifically defined government borrowing from the National Bank for the purpose of withdrawing the so-called Austro-Hungarian banknotes in the territories that used to be under Austro-Hungarian rule, and after World War I became part of the Kingdom of Serbs, Croats and Slovenes.

Besides the National Bank's lending function, the Law for the first time underlined its currency function in terms of preserving the value of the dinar and performing treasury services for the government. In the wake of World War I, many countries abandoned the gold standard as it was unsustainable due to the monetisation of government debts for the purpose of financing war expenses and renewing the demolished infrastructure. Many countries saw inflation go up, as well as disturbances in intercurrency relations. Therefore, the need for a more active role of the National Bank in terms of preserving and strengthening the national currency grew stronger, which is why this task was clearly stated in the new Law.

4.2 Balance sheet changes and liquidity creation

Relative to the period before and immediately after the Great War, the National Bank's balance increased multiple times. The monetary unification in the new state was a vital issue, and the process was crucial for movements of main accounts in the balance sheet. In this period, in order to replace the Austro-Hungarian kronen for dinar-krone banknotes, the government borrowed with the National Bank. Based on the 1920 Law on the National Bank, the government made a commitment to repay this debt based on its share in the National Bank's profit and other revenues, while as a guarantee for the received loan the government pledged profit from its domain, which was disclosed within the balance sheet separately under "government domains".⁹

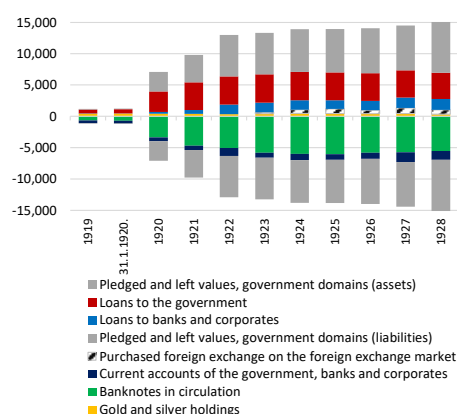
The monetary unification reflected on a high increase of banknotes and loans to the government in the National Bank's balance sheet for the years 1920 and 1921. Other loans which the government then took from the National Bank to finance its own needs also led to an increase in government borrowing. In the same period, there was a rise in loan demand by banks and corporates; however, similarly as with the government, in the following years the stock of loans used stagnated (Chart 18).

⁹ For the analysis and a simpler presentation of balance sheet data, domains are disclosed together with pledged and left values as they pertain to the values which the National Bank took in for safekeeping or which serve as a performance bond, such as bills of exchange and securities, and equally affected the increase in assets and liabilities.

Interestingly, in 1923–1930 the balance sheet showed account balance based on the foreign currency purchased by the National Bank. These were transactions of foreign currency purchase and sale, which the National Bank began to implement in 1923 in order to stabilise the dinar. The years after World War I were characterised by inflation growth and depreciation of the dinar, which was attributable to a poor situation in the economy and disorderly public finances, wherefore the currency issue became one of the crucial issues in the work of the National Bank.

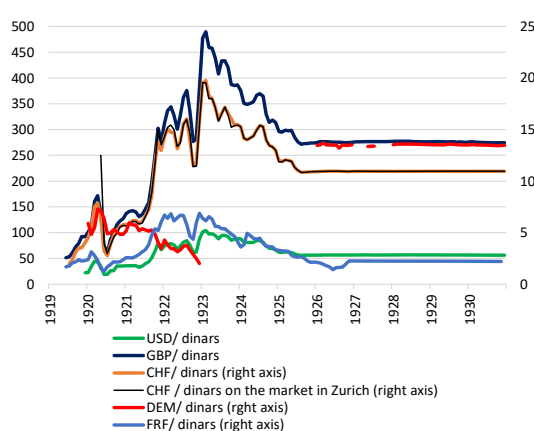
Once public finances stabilised, the economy recovered, export began to grow and trade balance started to improve, the foreign currency supply increased inter alia because of the introduced foreign currency restrictions that required exporters to offer one-third of foreign currency on account of exports for sale to the government, i.e. the National Bank. Since 1925, the National Bank became even more active in the purchase and sale of foreign currency, which lasted until 1931. This was a period of the “factual stabilisation of the dinar”, given that in that period the dinar was fully stabilised. The National Bank spoke about the importance of dinar stability on multiple occasions, such as in its 1925 annual report where it stressed: “Under no circumstances should the dinar be allowed to surge or plummet suddenly under the impact of speculations or momentary occasions, rather the dinar must be influenced in order to avoid sudden surges and plummeting”¹⁰ (Chart 19).

Chart 18 National Bank's balance sheet 1920–1930
(in million dinars, (assets +, liabilities-))



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 19 Dinar exchange rate 1920–1930



Source: Belgrade stock exchange, author's calculation.

The analysis of liquidity movements reveals the different impact of some items on changes in the National Bank's balance sheet. Throughout the entire ten-year period, the key influence was that of the government on the increase of banknotes and deposits, followed by lending to banks and corporates, and the purchase and sale of foreign currency by the National Bank. The National Bank's reserves declined in the observed period and were a factor leading to the reduction of liquidity (Chart 20). However, the analysis by year actually shows that the impact of the government, and to a lesser extent of banks and corporates, was the highest in the period between 1920 and 1922, when the monetary unification was completed and lending to the

¹⁰ Annual Report of the National Bank of the Kingdom of Serbs, Croats and Slovenes for 1925, page XV.

government, banks and corporates was rising. After 1923, the influence of the National Bank's foreign currency purchase and sale was the most pronounced as around 70% of created liquidity is attributed to these transactions. Such developments can be ascribed to the fact that due to the achieved limit, the government did not take new loans, while in some years lending to banks and corporates was suspended or subject to restrictions (Chart 21).

Chart 20 Liquidity creation (banknotes, bank and corporate deposits) 1920–1930 (in million dinars)

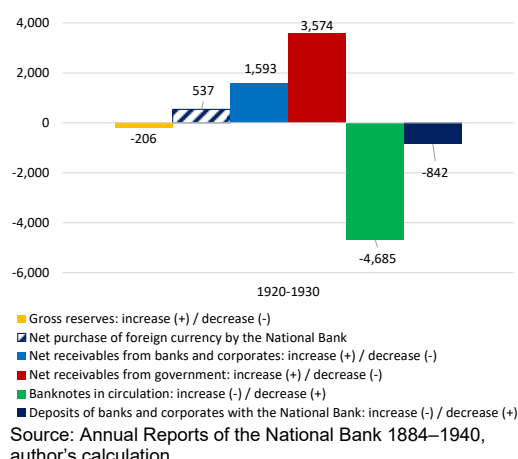
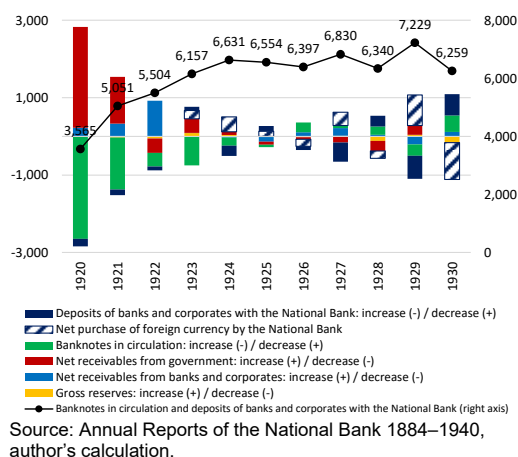


Chart 21 Liquidity creation (banknotes, bank and corporate deposits) 1920–1930 (in million dinars)



4.3 Monetary unification and banknotes in circulation

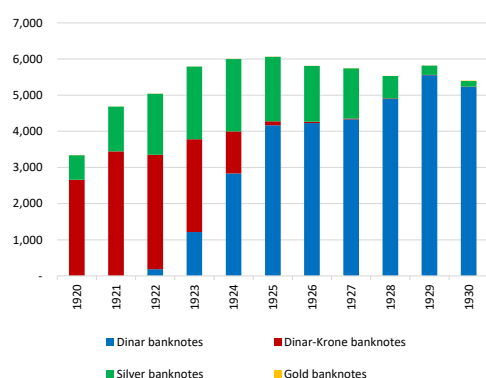
The withdrawal of the Austro-Hungarian kronen and its replacement with the so-called dinar-krone banknotes, which the government specifically issued, was carried out via the National Bank and completed in 1920, while the final monetary unification was completed at end-1921.

The dinar-krone banknotes did not have a backing in a commodity, therefore the government borrowed 1,277.4 million dinars from the National Bank, approximately equivalent to the amount of converted kronen at the ratio of 4 kronen for 1 dinar. For the amount that the government paid back under the loan, the National Bank replaced the dinar-krone banknotes with its dinar banknotes (the so-called permanent dinar banknotes), which appeared in circulation in 1922. The government repaid this loan until 1930, whereafter the remaining part of the loan of 897.8 million dinars was converted into a new loan, together with other government loans with the National Bank. The dinar-krone banknotes remained in circulation until 1934, and the gold and silver banknotes of the National Bank of the Kingdom of Serbia until 1934 and 1938.

The replacement of the Montenegrin perper, the Bulgarian lev and the German mark did not pose such an issue as the replacement of the Austro-Hungarian krone, given that the government replaced these banknotes directly with the issuing countries, while the perper was replaced at the cost of the government budget at the parity of 1 perper for 1 dinar, and for amounts higher than 5,000 dinars at the parity of 1 perper for 2 dinars.

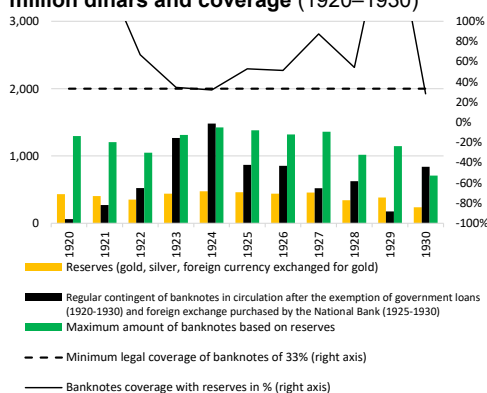
Relative to the period before and immediately after World War I, with the dinar-krone banknotes being released into circulation, there was a multifold increase in circulating banknotes. However, from 1921 until 1923, silver banknotes of the National Bank of the Kingdom of Serbia posted growth, while gold banknotes were kept in circulation in the minimal amount that was reduced gradually in the coming years. Before 1922, the National Bank was unable to issue permanent dinar banknotes because their issuance was related to the repayment of government loans on account of the issuance of dinar-krone banknotes. Second, lending to the government, banks and corporates was not possible based on dinar-krone banknotes, therefore silver banknotes played an important role until 1924, whereafter larger amounts of permanent dinar banknotes were issued (Chart 22).

Chart 22 **Composition of circulating banknotes** (in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 23 **Reserves, regular banknote supply in million dinars and coverage (1920–1930)**



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

As for banknote coverage, in practice this only pertained to the regular banknote supply, given the small stock of reserves inherited from the National Bank of the Kingdom of Serbia, which were insufficient to cover the entire supply of banknotes. The entire banknote supply was largely made of banknotes issued under loans which the government used with the National Bank, including the loan for the replacement of the Austro-Hungarian krone, i.e. all of these loans were part of the emergency banknote supply. This way, a concession was made to the government because of its large financial needs in the wake of World War I; however, on the other hand, government borrowing was limited to the amount of 3 million dinars (not counting the temporary exchange and the loan for the replacement of the Austro-Hungarian krone) (Chart 23).

Since 1925, after the legal interpretation, banknotes issued by the National Bank based on foreign currency purchase in the money market were excluded from the regular supply. The decision ensued after the National Bank issued a larger quantity of banknotes in 1923 and 1924 on account of foreign currency purchase, which increased the regular banknote supply to the highest possible level and led to a fall of the coverage to the legal threshold. In light of this, it

was not possible to issue new banknotes on account of lending to banks and corporates.¹¹ Therefore, in order for the National Bank to continue with foreign currency purchase transactions in the money market with the goal of stabilising the dinar, and at the same time not limit itself in banknote issuance, the above exception was introduced, and this effect is observed after 1925, when the regular banknote supply was reduced (Chart 23).

One of the reasons the coverage was kept, though its implementation was meaningless due to the many exceptions, was the fact that the government and the National Bank most likely expected the full coverage to be reintroduced in subsequent years, i.e. they expected a return to the gold standard, which is why the Law on the National Bank stated that the replacement of banknotes for coined gold was temporarily suspended until economic and financial circumstances in the country and the stock of gold reserves with the National Bank were improved.¹²

4.4 Loans and interest rates

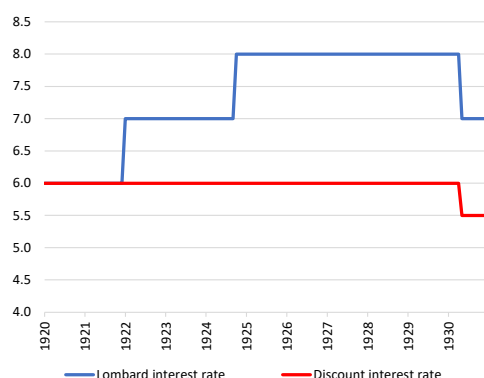
After World War I, the National Bank had a difficult task in terms of implementing a lending policy which in some years had to be liberal or restrictive, and essentially served as support to the currency policy. As the country was undergoing reconstruction, the government, banks and corporate demand for money was high, and interest rates in the money market several times higher than the National Bank's rates.

The National Bank's main interest rates were based on the general discount rate on silver and the general interest rate on Lombard loans that were in force during the National Bank of the Kingdom of Serbia, until 31 January 1920 (Chart 24). Interest rates on gold were abolished, as were preferential interest rates for banks. The National Bank did not change its interest rate often, which was the practice earlier as well, given that in this way it primarily aimed to influence the reduction of market interest rates that were several percentage points higher than the National Bank's rates. In this sense, there were several futile initiatives to suppress high interest rates that were mainly based on restricting access to loans of the National Bank in case of the unfulfillment of certain conditions, such as the minimum amount of the defined capital for banks according to their geographic area, the obligation to merge smaller banks, a call to banks to reach an agreement on trimming interest rates, etc.

¹¹ The higher difference between the maximum possible quantity of banknotes calculated based on the reserves and the regular banknote supply meant a larger potential of the National Bank for banknote issuance and lending to banks and corporates.

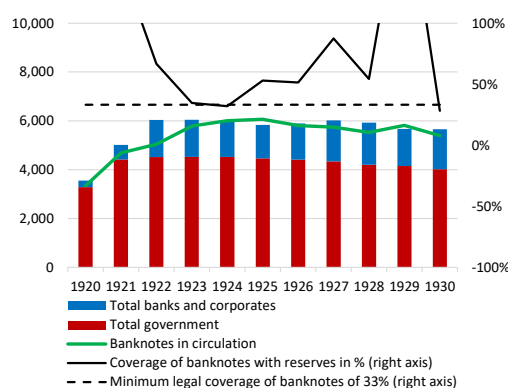
¹² Article XII of Interim Orders of the Law on the National Bank of the Kingdom of Serbs, Croats and Slovenes, 1920.

Chart 24 **National Bank's interest rates** (monthly data in %, end-of-period, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 25 **Total loans in million dinars and coverage of banknotes and sight liabilities** (in %, 1920–1930)



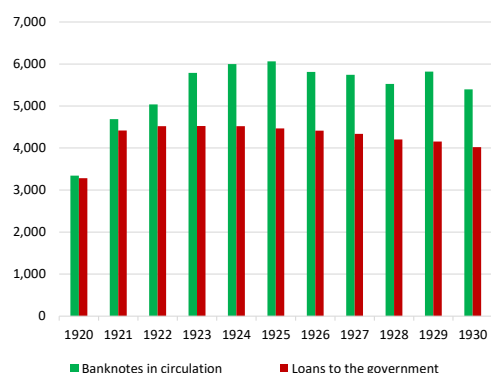
Source: Annual Reports of the National Bank 1884–1940, author's calculation.

In 1920 and 1921, there was a sudden rise in bank and corporate lending, which drove the National Bank already in 1922 to introduce certain lending restrictions, and in 1923 and 1924 to temporarily suspend lending to prevent speculative transactions and a fall in reserves, and to strengthen the value of the dinar. Thanks to the stabilisation of the dinar and increased reserves, the National Bank continued with bank and corporate lending from 1925, only to suspend lending again in 1928 due to the currency instability (Chart 25).

The government had substantial financing needs, not only because of the replacement of the Austro-Hungarian krone and other foreign banknotes, but also for financing large expenses, which is why it relied heavily on the National Bank. The bulk of government borrowing from the National Bank was incurred in 1920 and 1921, when the monetary unification was carried out, and by then it had already reached the legal limits with the National Bank, which stood at 3 billion dinars. The share of the government in total loans with the National Bank was on average around 75% and had a limiting effect on bank and corporate lending, given that of all the money in circulation, the National Bank on average had only 25% at disposal, which constituted the regular banknote supply (Chart 26). This is why the so-called free banknote supply was calculated, representing the additional quantity of banknotes relative to the regular supply which the National Bank was able to release into circulation via loans, without jeopardising the legally defined banknote coverage (33.33%).¹³ In the period 1923–1924, the free banknote supply was entirely exhausted, mostly on account of the National Bank's foreign currency purchase. Dinars issued on this account were within the regular banknote supply, which directly enabled the possibility of additional lending to banks and corporates (Chart 27).

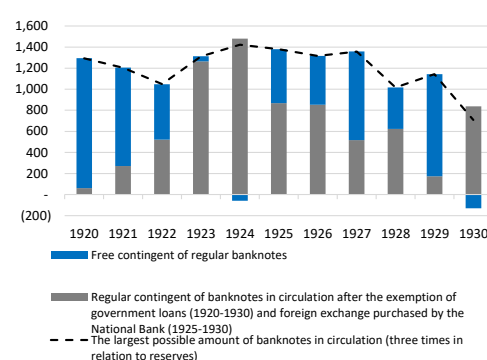
¹³ The free banknote supply is a difference between the highest possible quantity of banknotes in circulation (three times the reserves) and the regular banknote supply which is obtained after excluding all government loans and banknote issues of the National Bank on account of FX purchase in the money market (as of 1925).

Chart 26 Banknotes in circulation and government loans (in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

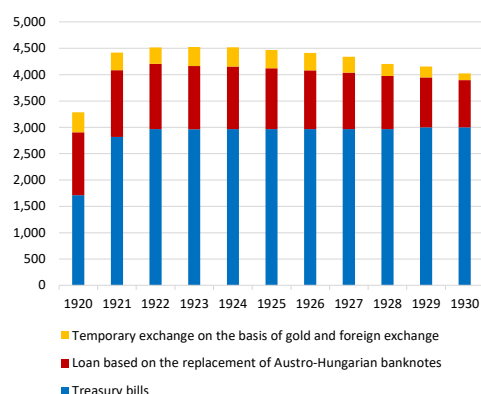
Chart 27 Regular and free banknote supply (in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

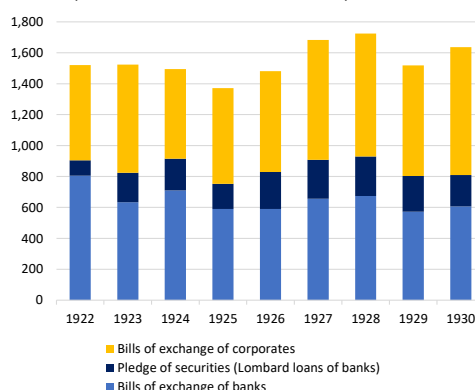
Besides loans for the replacement of Austro-Hungarian banknotes, the government used a temporary exchange with the National Bank, which the Law on the National Bank limited to 600 million dinars, though it did not use the entire amount, most likely due to the lack of reserves. Therefore, the government maximally exploited the possibility of regular and extraordinary borrowing on account of treasury bills, which was legally limited to 3 billion dinars. The government took these loans mostly in 1920 and 1921, and in the following years its liabilities under these loans remained almost unchanged (Chart 28).

Chart 28 Composition of used government loans by instrument (in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 29 Composition of used bank and corporate loans (in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

In total used loans of banks and corporates, the share of corporates was very high, averaging around 45%, while the remainder pertained to banks. The National Bank always paid special attention to corporates given that it was established with the task of helping develop the economy with “cheap capital”. In this sense, the National Bank had special credit lines for exporters, seasonal loans, goods loans, etc. Banks and corporates relied the most on bills of exchange as a lending instrument with the National Bank, and to a very small amount on pledged government securities. As previously indicated, it is estimated that the pledge was used only by banks, and the small recourse to this instrument lies in the fact that Statutes of

the National Bank limited the use of this type of loan on the amount that could not be twice larger than the National Bank's capital¹⁴ (Chart 29).

4.5 Reserves

Throughout this period, the National Bank's reserves were low, limiting the issuance of new banknotes and lending to banks and corporates. After 1923 the budget was gradually balanced, the trade balance improved and export went up, while inflation subsided and foreign capital came in. This led to a rise in foreign currency inflows and the stabilisation of the dinar in subsequent years. Despite this, however, the National Bank's reserves diminished gradually under the impact of the following:

1) In the National Bank's balance sheet, reserves were disclosed at below their market value as the pre-war gold dinar parity¹⁵, much lower than the market value of the dinar, was applied in the calculation. Other new foreign currencies were calculated at one dinar if their value was higher than one dinar, and at market value if their value was below. This calculation, introduced because of the need to make a balanced disclosure of "temporary exchange", was not realistic and did not take into account changes in the value of the dinar. This measure, however, also had an anti-inflationary character because it disabled the issuance of new banknotes as, due to monetary unification, there was already a large quantity of banknotes in circulation, pushing inflation up. Had the National Bank applied the market exchange rate, total reserves would on average have been two and a half times higher, while the regular banknote supply would have been three times higher on average¹⁶;

2) The foreign currencies disclosed separately in the National Bank's balance sheet in respect of net purchases were not a part of reserves, since they were probably not convertible, i.e. exchangeable for gold, whereas the convertible foreign currencies purchased by the National Bank were immediately included in reserves;

3) The government had to liquidate illiquid receivables in respect of former allies which had previously, through "temporary exchange", been included in the National Bank's reserves in the form of loans, thereby strengthening banknote coverage. From 1920 until 1930, these receivables were gradually "liquidated" from reserves in the amount of 22 million francs per annum, or a total of 220 million francs, which was the amount of the government loan from the French government deposited in the National Bank's reserves through "temporary exchange". The National Bank gradually compensated for these funds by buying foreign currency in the market.

Just like before and during World War I, the "temporary exchange" of the government had an important impact on and share in the composition of the National Bank's reserves, though they were very low throughout the 1920–1930 period. The share of "temporary exchange" of

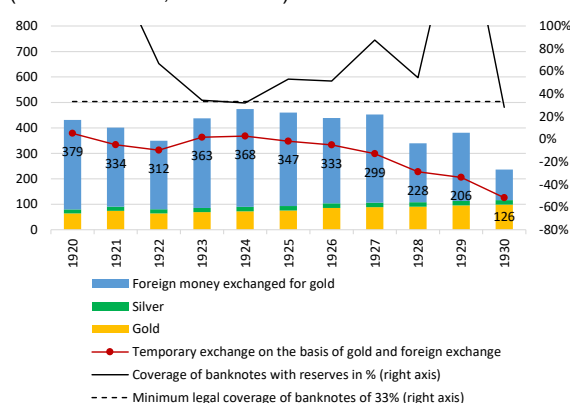
¹⁴ Article 25 of the Statute of the National Bank of the Kingdom of Serbs, Croats and Slovenes, 1922.

¹⁵ 1 Swiss franc for 1 dinar, 1 US dollar for 5 dinars, 1 British pound for 25 dinars.

¹⁶ The calculation is made based on data from the Annual Report of the National Bank of the Kingdom of Yugoslavia for 1930, p. XXXIII.

the government in total reserves topped 70% on average. Under the 1920 Law on the National Bank, in order to strengthen the reserves, the government was required to maintain gold and foreign receivables in the “temporary exchange” account at 300 million dinars with the National Bank. By contrast to earlier periods, “temporary exchange” did not have as significant an impact on liquidity creation as loans taken by the government with the National Bank, particularly in 1920 and 1921, in respect of exchange of Austro-Hungarian banknotes (Chart 30).

Chart 30 **Composition of the National Bank's reserves**
(in million dinars, 1920–1930)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

5 Balance sheet of the National Bank 1931–1940

5.1 Tasks and remit of the National Bank

The new Law on the National Bank of the Kingdom of Yugoslavia from 1931 defined as new tasks of the Bank the purchase and sale of foreign currencies, securities with three-month maturity, and issuance of treasury bills with up to three-month maturity “to regulate the total amount of sight liabilities”. Of other new tasks of the National Bank, the following should be mentioned: the discount and rediscount of agricultural bills of exchange with the maturity of up to nine months, putting coins in circulation, holding share in the capital of the Bank for International Settlements, receiving stakes from foreign issuing banks and the Bank for International Settlements, etc.

The previous possibility of the government to use the temporary exchange with the National Bank based on gold and foreign currencies was abolished. On the other hand, the possibility to use interest-free temporary advances with the National Bank was introduced “to facilitate orderly payment of government expenses in the periods when expenses exceed income”¹⁷.

¹⁷ Article 11 of the Law on the National Bank of the Kingdom of Yugoslavia, 1931.

After the period of “factual stabilisation” of the dinar initiated in August 1925, the preconditions were created for the legal stabilisation of the dinar. At end-June 1931, with the adoption of the Law on Money, the gold-exchange standard was officially adopted, much later than in other countries (mid- and late twenties). The Law pegged the value of the dinar to gold (one dinar equalled 26.5 milligrams of fine gold) or to the Swiss franc (1 dinar = 0.0912778 Swiss francs¹⁸). In the period following World War I, the French franc became an unstable currency, and the value of the dinar was tied to the Swiss franc, which was a stable, “gold currency” – easily convertible to gold. The same Law stipulated the obligation of the National Bank to maintain cover for cash in circulation and other sight liabilities by gold and foreign currencies exchangeable for gold (“gold currencies”) in the amount of at least 35%, and since 1935 the percentage was lowered to 25%.

Pursuant to the Law on Money, the National Bank had the obligation to exchange at request banknotes for gold¹⁹ or foreign currencies in unlimited amounts. However, immediately after the entry into force of the Law on 28 June 1931, this possibility was abolished due to the economic crisis in Yugoslavia and was never restored as in the early and mid-thirties gold-backed currencies were devalued and the gold standard was abandoned because of the global economic crisis and unstable international trends²⁰. As of October 1931, the government was forced to reintroduce foreign exchange limits and for this reason it is believed that this is when the gold-exchange standard and full convertibility of the dinar were abandoned. This lasted for only 100 days.

The global economic crisis reflected on the stagnation and economic crisis that lasted in Yugoslavia from 1931 to 1934. At the beginning of the crisis, exports were significantly reduced, leading to the lower inflow of foreign exchange. That year saw the introduction of the Hoover Moratorium on the repayment of reparations and war debts of Germany, which for Yugoslavia meant a lower annual inflow of foreign currency of around 450 million dinars. Moreover, adverse economic conditions in the world led to a significant reduction in remittances, which averaged around 500 million dinars per year (period 1929–1933). In mid-1931, certain German and Austrian commercial banks went bankrupt and interest rates were raised in those countries, which resulted in the withdrawal of capital from Yugoslavia. At a very awkward moment, there was a revaluation of foreign loans concluded by the Kingdom of Serbia in France in the period 1895–1913²¹, which led to an increase in annuities and a significant burden on the budget. This is why payments under foreign loans were temporarily suspended in 1932. An additional problem with FX inflows was hindered foreign trade, as

¹⁸ For the purpose of this paper the value of foreign currencies is presented against the dinar – one Swiss franc was worth 10.9556 dinars.

¹⁹ This is the exchangeability for gold bars instead of gold coins and this is what differentiated the gold-exchange standard from the gold standard.

²⁰ The UK abandoned the gold standard in 1931 after the devaluation of the British pound and the USA in 1933 after the devaluation of the dollar, while the gold-exchange standard was abandoned in many countries after the devaluation of their national currencies in 1936, e.g. France, Switzerland, Italy, Belgium, etc.

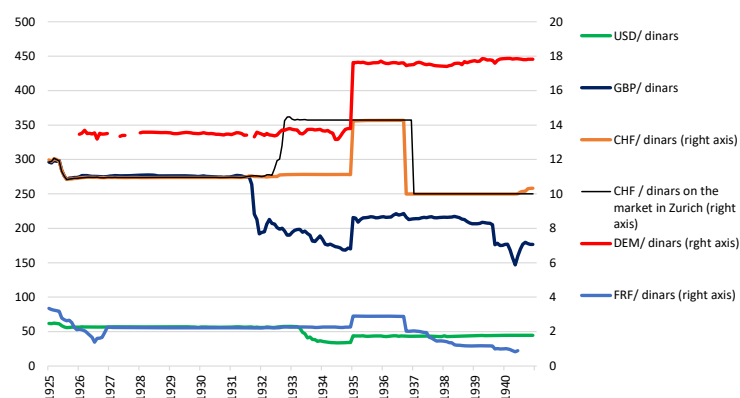
²¹ This refers to the loans that were used for the construction of railway infrastructure, armament and equipment of the army, coverage of the costs of the Balkan Wars, etc. The loans were initially taken in French francs in gold only to be repaid after World War I in French francs whose value was reduced by around 80% relative to the pre-war gold franc.

states demanded that payments be made through clearing, thus forcing Yugoslavia to conclude clearing agreements with its key trade partners in 1932.

Given the significantly lower foreign exchange inflows and in order to stabilise the dinar and preserve the reserves, as of October 1931, the government was forced, at the initiative of the National Bank, to reintroduce the obligation to purchase foreign exchange from exports in the amount of 50% and 80% at end-1931, including other foreign exchange restrictions²². Moreover, other countries with which Yugoslavia had good trade relations introduced similar measures to prevent the outflow of foreign exchange. In later years, as the economic situation improved, this percentage gradually decreased (60% in 1934, 50% in 1935, 33% in 1936, 25% in 1938, 0% in 1939).

Due to the economic stagnation, in mid-1932, the National Bank was forced to make certain adjustments to the value of the dinar. In accordance with the agreement with the Ministry of Finance, the National Bank began to apply “prima” to its foreign exchange transactions as a supplement to the exchange rate, which initially amounted to 5%, 20%, 28.5% as of 1933. Based on the Decree, as of 1935, it was officially applied to the value of listed foreign exchange on domestic stock exchanges²³. With “prima”, the value of the dinar traded abroad was equalised with that in the country²⁴. Therefore, it can be concluded that the dinar underwent unofficial devaluations since 1932 and an official one in 1935. It is important to note that other countries applied “prima” in the period of global currency crises and gradual abandonment of the gold standard. However, despite the scale of the economic crisis and problems in international relations, the value of the dinar in the period 1925–1940 was relatively stable compared to other currencies, and even compared to the currencies of countries which applied the gold–FX standard (Chart 31).

Chart 31 Dinar exchange rate 1925-1940



Source: Annual Reports of the National Bank 1884–1940, Belgrade Stock Exchange, author's calculation.

²² Activities with foreign exchange were limited to a certain number of banks and exchange offices, and the purchase of foreign currency for the purpose of payments abroad; for each loan abroad and for each loan in dinars, non-residents needed the approval of the Ministry of Finance.

²³ “Prima” was in use from 1935 to 1938. Without “prima”, the dinars were called “stabilisation” dinars from 1939 to 1940.

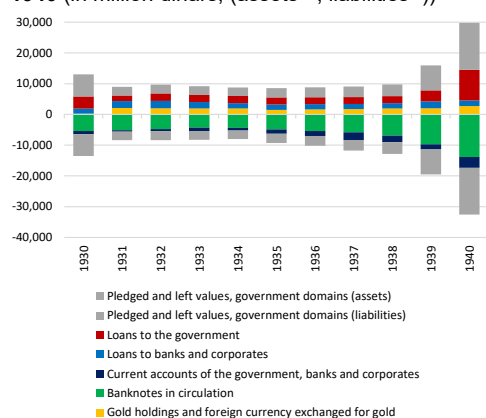
²⁴ The dinar was traded on the Zurich Stock Exchange for the Swiss franc.

5.2 Balance sheet changes and liquidity creation

After the new Law on the National Bank came into force in 1931, reserves in the balance sheet increased, reflecting the revaluation and reduced government borrowing with the National Bank. The reduction in government debt to the Bank resulted in a large decrease in the account of pledged and left values and government domains as those were values that the National Bank took from the government as guarantees based on granted loans.

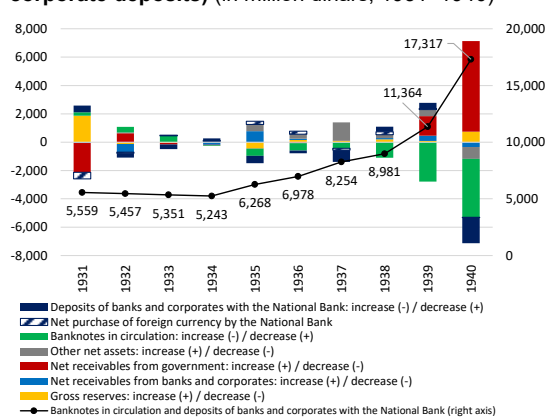
In the years that followed, i.e. until 1935, there were no major changes in the Bank's most important accounts, as a consequence of the economic stagnation lasting from 1931 until 1934 (Chart 32). This is also confirmed by the fact that total liquidity contracted from 5.5 to 5.2 billion dinars in the period observed (Chart 33). Economic recovery ensued from 1935, reflecting on the gradual rise in individual balance accounts, while the years 1939 and 1940 saw a sharp rise in the Bank's balance sheet and created liquidity, as a result of government borrowing with the National Bank aimed at financing the costs of preparations for World War II.

Chart 32 Balance sheet of the National Bank 1931–1940 (in million dinars, (assets +, liabilities -))



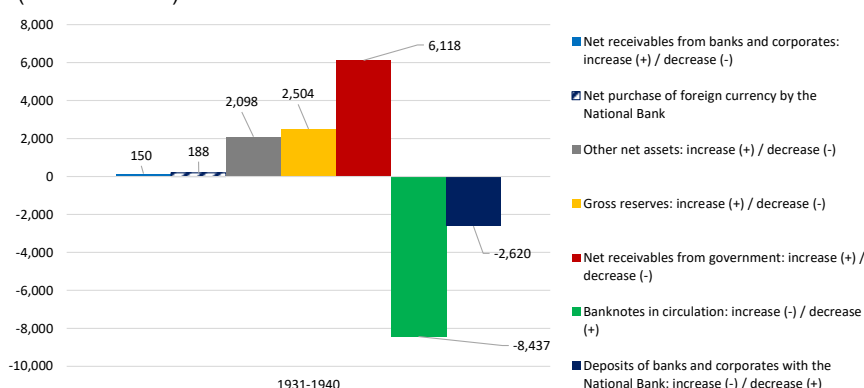
Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 33 Creation of liquidity (banknotes, bank and corporate deposits) (in million dinars, 1931–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 34 Creation of liquidity (banknotes, bank and corporate deposits) 1931 – 1940 (in million dinars)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Broken down by year, the government exerted the strongest impact on liquidity creation in 1931, 1939 and 1940, while in 1932–1938 liquidity was created primarily with net purchases

of foreign currencies (which were not part of the standard) and other net assets²⁵. In the entire period concerned, liquidity creation was under the strongest impact of government borrowing with the National Bank amid preparations for World War II in 1939 and 1940, and a rise in the Bank's reserves due to the revaluation in 1931 (Chart 34).

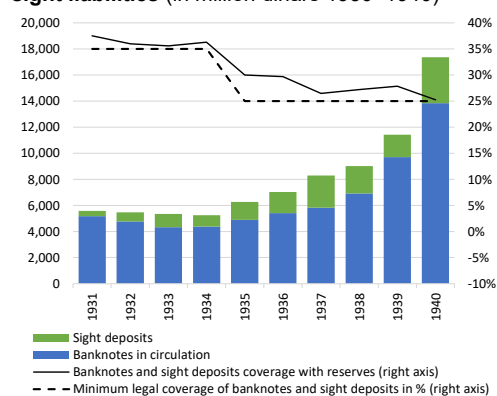
5.3 Banknotes in circulation

The new Law on the National Bank of 1931 no longer recognised a division into a regular and extraordinary banknote supply and there were no exemptions of government loans from the banknote supply as was the case in the Laws of 1908 and 1920. It was no longer possible that one part of banknotes be without coverage and that the government could borrow from the National Bank without limitations, as it had been doing earlier through the “temporary exchange”. With these solutions, the legislator ensured that the gold-exchange standard be applied in “full capacity”.

In addition to permanent dinar banknotes, circulating banknotes included gold- and silver-backed banknotes until 1933 and 1937. They were withdrawn from circulation in 1934 and 1938. Until 1933, dinar-krone banknotes were part of the banknote supply and were withdrawn in 1934. Those were small amounts of banknotes of older issues, which declined over time with the gradual withdrawal of individual denominations (Chart 35).

To ensure the statutory threshold of the coverage of banknotes and sight liabilities, in 1935 the National Bank increased the value of reserves according to market values, i.e. by 28.5%, which was in line with the decision to adjust the dinar's value in the domestic and foreign markets. On the same grounds, in 1939 and 1940 the Bank's reserves expanded by additional 31.5%. The total effect of the reserve revaluation in these years was 60%, whereby the statutory coverage threshold was ensured (Chart 35).

Chart 35 Coverage of circulating banknotes and sight liabilities (in million dinars 1930–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

²⁵ The National Bank's Annual Reports do not state detailed explanations of the content of “Sundry assets” and “Sundry liabilities” accounts, which disclose large amounts as of 1935.

5.4 Loans and interest rates

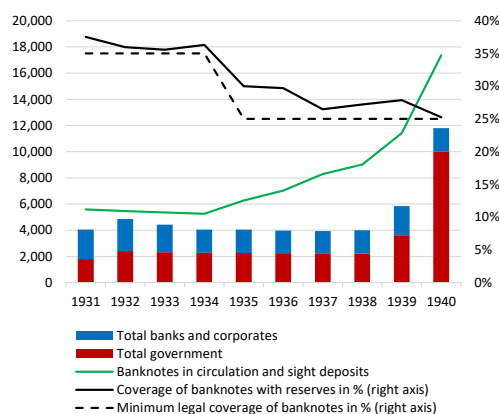
As in the previous periods, the National Bank's lending policy was restrictive or liberal as needed. In addition to the currency policy, it was the Bank's main instrument.

In the 1931–1933 crisis period, the National Bank pursued a restrictive lending policy to prevent a foreign currency outflow, preserve reserves and protect the value of the dinar, which resulted in the drop of loans granted to banks and corporates (Chart 36). Since 1934, the National Bank was gradually easing its lending policy, also approving extraordinary loans, which were seasonal and primarily intended for agricultural needs. Furthermore, the National Bank reduced the percentage of the coverage of banknotes in circulation and sight liabilities from 35% to 25%, increasing the potential for more loans without jeopardising the coverage of banknotes. On the other hand, the money market was gradually recovering and becoming more liquid and developed. Hence, no significant growth in National Bank loans to banks and corporates took place. Banks had sufficient lending potential at their disposal and did not need additional liquidity and this led to the rise in the liquidity surplus that banks and corporates deposited with the National Bank in current accounts that the National Bank paid no interest on (Chart 32.). As early as 1938, the National Bank had to pursue a lending policy which required certain adjustments to alleviate periodical crises that emerged due to the withdrawal of bank deposits when international relations became strained.

A novelty in the National Bank's lending policy was granting loans to banks and corporates based on the gold pledge and warranties. At the beginning, the interest rates on these loans were the same as the interest rate on Lombard loans, only to become equal to the discount interest rate. Also, the Law on the National Bank from 1931 limited the total amount of used loans based on pledge and warranties to 20% of the total granted loans. The National Bank enabled the discount and rediscount of agricultural bills of exchange with the maturity of up to nine months to support the development of agriculture. This was an unusual lending maturity as the maximum lending maturity was limited to three months under all laws on the National Bank.

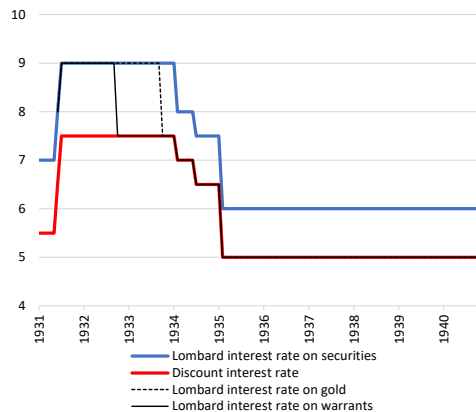
The National Bank used interest rates as a supplementary instrument to the currency and lending policies and these rates were raised in mid-1931 to prevent the outflow of foreign currency and strengthen the stability of the dinar. Since the National Bank always had difficulties in affecting more efficiently a reduction in bank interest rates with its interest rate policy as bank rates were higher several percentage points on average compared to National Bank rates, the Decree was adopted at end-1933 which set the maximum interest rate on bank loans at 5% relative to National Bank's discount rate and the maximum interest rate on bank deposits 1% lower than the discount rate. The Decree created conditions for the National Bank to start a cycle of interest rate lowering in 1934 and provide a further incentive for economic recovery with its lending policy at lower interest rates (Chart 37).

Chart 36 Total loans in million dinars and coverage of banknotes and sight liabilities (in %, 1931–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

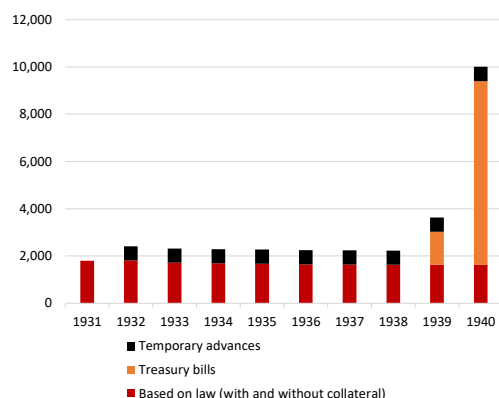
Chart 37 National Bank interest rates 1931–1940 (monthly data in %, end-of-period)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

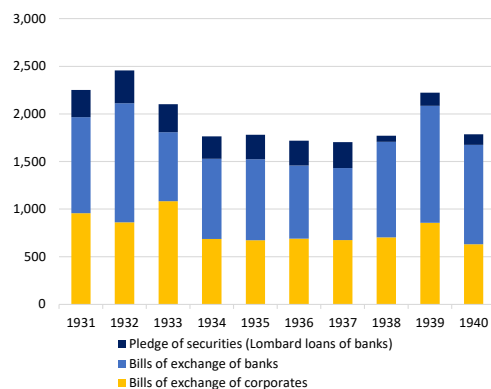
Pursuant to the Law on the Agreement between the Government and the National Bank from 1931, the government debt to the National Bank decreased by 2.4 billion dinars on account of the repayment of government debt worth 1.4 billion dinars, revaluation of gold worth 925 million dinars and the government share in bank profit worth 28 million dinars. The remaining portion of the government debt to the National Bank amounted to 1.8 billion dinars and was transferred to a special account with the National Bank. The Law on the National Bank set the maximum government debt at 600 million dinars – temporary advance payments. The new Law abolished the government's "temporary exchange", which made it impossible for the government to take virtually unlimited loan amounts based on gold exchange. In the 1931–1937 period, government debt to the National Bank was almost unchanged, only to rocket in 1938 and 1939 in view of the need for financing the costs of war preparations (Chart 38). As for bank and corporate lending, bills of exchange were still used as the main instrument since, as previously, the use of pledge was limited and could not exceed 20% of total National Bank's loans. On average, loans to banks accounted for 60% and corporates for 40% of total loans (Chart 39).

Chart 38 Composition of government loan use by instrument (in million dinars, 1931–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

Chart 39 Composition of bank and corporate loan use by instrument (in million dinars, 1931–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

5.5 Reserves

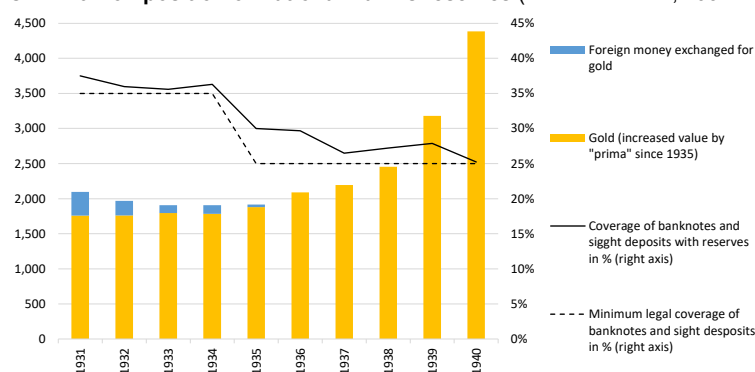
After the entry into force of the Law on Money and the Law on the National Bank at end-June 1931, the National Bank's reserves increased by 2.3 billion dinars. Gold reserves went up by 1.1 billion dinars on account of gold revaluation as value adjustment was made under the parity established by the Law on Money from 1931. As mentioned above, in the period when the National Bank operated under the Law from 1920, reserves were calculated using the pre-war exchange rate. Accordingly, when the new Law on the National Bank entered into force and the market parity was applied, reserves increased on account of revaluation. They also went up by 443 million dinars when gold was purchased by the National Bank and on account of foreign currency by 747 million dinars. Interestingly, the government repaid a portion of its debt to the National Bank using a foreign loan (the stabilisation loan from 1931) in the amount of 1,400 million dinars. The National Bank used this amount to buy gold worth 443 million dinars, while the rest was used to increase the foreign currency stock of reserves. From 1930 until end-1931 total National Bank's reserves went up by 2.1 billion dinars.

The Law on Money introduced an important novelty. Namely, silver and foreign currency which were not tradable for gold had to be excluded from National Bank's reserves, i.e. reserves could contain only those foreign currencies whose quantity of gold was stipulated by law and which were "exchangeable for gold free for export"²⁶. For this reason, after the devaluation of the British pound in 1931 and of the US dollar in 1933, and the abandonment of the gold-exchange standard, these foreign currencies could not be in the reserves and neither could the currencies of the countries which abandoned the gold-exchange standard in 1936 (France, Switzerland, Italy, Belgium, etc.). As most countries abandoned the gold-exchange standard by 1936, from that moment on the National Bank's reserves were composed of gold only. Besides, the Law on Money stipulated for the first time the composition of reserves as the minimum coverage of banknotes in circulation and sight liabilities of 35% had to contain at least 25% of gold and not less than 10% of foreign currency exchangeable for gold. Since 1935, the percentage of coverage was lowered to 25%, while gold had to account for at least 20% and foreign currencies exchangeable for gold for not less than 5% of reserves.

The 1935–1938 period recorded growth in reserves by 28.5%, while the 1939–1940 period saw the rise of as much as 60% because of "prima" which was used to adjust the value of the dinar. These adjustments were necessary because without them the value of gold reserves would be insufficient to provide the minimum statutory coverage of banknotes. However, it should also be pointed out that the increase in gold reserves took place also owing to the 1934 Decree, which prescribed the obligation for all companies manufacturing precious metals to offer their total output to the National Bank (Chart 40).

²⁶ Article 5 of the Law on Money of the Kingdom of Yugoslavia, 1931.

Chart 40 **Composition of National Bank's reserves** (in million dinars, 1931–1940)



Source: Annual Reports of the National Bank 1884–1940, author's calculation.

6 Other balance sheet items

The National Bank was established as a joint-stock company whose shares were purchased by domestic and foreign legal and natural persons. The laws on the National Bank prescribed the amount of capital, nominal value and number of shares. Before the Law on the National Bank of 1920, the prescribed capital was in gold; afterwards, it was in dinars. When the National Bank of the Kingdom of Serbs, Croats and Slovenes was established, it took over the assets and capital of the National Bank of the Kingdom of Serbia. Therefore, from 1920 until 1930, a portion of capital worth 10 million dinars continued to be disclosed in gold, while the remainder of the capital, subscribed after the National Bank of the Kingdom of Serbs, Croats and Slovenes was established, was disclosed in dinars. From 1931 and following the revaluation of reserves, the entire capital of the National Bank of the Kingdom of Yugoslavia was disclosed in dinars. Shareholders did not subscribe the full number of shares envisaged by the Law, which is why, in the original balance sheets of the National Bank of the Kingdom of Serbia, principal in gold was disclosed in liabilities within the “Principal” account in line with the Law, while the unsubscribed part of shares and share capital was disclosed on the assets side, within the “Shares and shareholders” account. Subscribed capital equalled the difference between these two accounts.

The National Bank always recorded a positive financial result, except in the first year of its operation when it sustained a minor loss. The most important revenues of the bank included those from the issuance of banknotes and interest on loans to banks, corporates and the government, but it also earned revenue from exchange rate changes, commission transactions for the account of foreign banks, safe-keeping of valuables in its vaults, commissions relating to the issuance of cheques, etc. The National Bank's expenses included expenses related to banknote manufacturing, depreciation, wages, current expenditures, contributions to funds set up by banks, but also losses on account of the write-off of receivables, agiotage, etc.

In the 1884–1919 period, shareholders earned a yield (interest coupon) of 6% of the subscribed capital paid out from the profit, and dividend (dividend coupon) paid out from the net profit of the National Bank. The interest coupon represented a constant yield earned by shareholders, while the dividend amount depended on the profit earned by the Bank. After the interest coupon was paid out, the remaining profit was allocated to the reserve fund. The

maximum amount to be allocated was 15%, until 20% of capital was reached, while up to 10% was distributed as bonus to employees. Of the remaining profit, 20% belonged to the government (30% from 1908) and 80% to shareholders (70% from 1908) and this amount was the net profit of the National Bank disclosed in the balance sheet. In line with the shareholders' decision, a part of the net profit was used to pay out dividend to shareholders, another part was credited to funds, and the rest was carried over to the next year. The National Bank fully settled its obligations to shareholders, even during World War I, when shareholders were only paid the interest coupon (Table 9 of the Annex).

The new Law on the National Bank of 1920 abolished the shareholders' right to the interest coupon and raised the government's share in the profit to 50%. Out of the remaining profit, 5% was allocated to the reserve fund and 6% was earmarked for employee bonuses. The remainder was subsequently divided between the state and shareholders (60% and 40%, respectively). The part of profit earmarked for shareholders represented the net profit of the National Bank. Based on the shareholders' decision, dividend was paid out from net profit, while the remainder was credited to the fund for supplementing shareholders' dividend and other funds. It is important to note that the reserve fund was limited to a maximum 20% of subscribed capital, which is why no further assets were allocated to the fund in the period from 1920 until 1930 (Table 9 of the Annex).

The 1931 Law on the National Bank set out a complex form of profit distribution. Firstly, at least 5% of profit was deducted for the reserve fund. The part of the profit relating to shareholders in the amount of 6% of capital was deducted next. Of the remainder, 30% belonged to the state. The remaining profit was distributed between shareholders and the government, in such a way that total shareholders' dividend could not exceed 10% of subscribed capital. If sufficient profit remained even after this distribution, it was divided further between shareholders and the government according to the specified ratio which enabled shareholders to obtain a total dividend of up to 20% of subscribed capital (Table 9 of the Annex), depending on the amount of profit.

Subject to the Law on the National Bank, the National Bank was required to allocate a part of its assets to the *reserve fund account*, whose purpose was to cover potential losses on capital and supplement, as needed, the part of the profit paid out to shareholders. The calculation of reserve fund assets was defined by the Law on the National Bank. The liabilities of the National Bank's balance sheet disclosed the amount of the reserve fund, while assets disclosed the market value of the reserve fund since the National Bank invested these assets in government securities, shares of companies and banks, etc. The National Bank invariably allocated assets to the reserve fund, except in 1906 and 1907, when the reserve fund reached the legally prescribed limit of 1 million dinars. Also, assets were not allocated to the reserve fund during World War I and in the period from 1923 until 1930 when the fund reached the prescribed limit of 20% of subscribed capital. The 1931 Law on the National Bank set the fund's limit at 300 million dinars and this was never exceeded. Reserve fund assets were used only once to supplement the payment of shareholders' dividend, in 1910 (Table 10 in the Annex).

The National Bank also set up other funds considered to be in shareholders' ownership because they were formed out of shareholders' profit and based on the decisions of the

Shareholders' Assembly. It was only as of 1931 that the depreciation fund was the subject of division between shareholders and the government in the event of liquidation of the National Bank. One of the first funds established was the real estate depreciation fund. The gold purchasing fund was set up in 1893, using profits earned from buying and selling gold and serving as a tool for National Bank's interventions in the gold market in order to suppress the agiotage. Agriculture development fund was instituted in 1901 to promote and improve the production of domestic agricultural products in order to enhance competitiveness in foreign markets. As support to the building of public warehouses, the entrepot building fund was set up, in view of the major importance this had for Serbia's economic development in the late 19th century. The dividend supplementation fund was set up in 1909 to supplement the reserve fund. Its purpose was to ensure the payment of interest and dividend coupons to shareholders, using, if needed, the assets of the fund. This was used in its entirety in the 1914–1919 period. The pension fund was established by the National Bank to ensure social protection of the Bank's employees. After the Law on the National Bank was adopted in 1931, the capital and reserve funds were supplemented from the assets of the real estate depreciation, dividend supplementation and gold purchasing funds. The assets of these funds were invested in the same instruments as the assets of the reserve fund.

In the period from 1920 until 1940, assets included an account relating to *coined nickel coins*, which from 1931 also included *coined silver*. In line with the provisions of the 1931 Law on Money, silver and all foreign currencies no longer exchangeable for or based on gold were eliminated from reserves. Since, in addition to banknotes, only nickel coins were in circulation and their quantity was not large, pursuant to the 1931 Law on Silver Money silver coins were minted, mostly silver-based, worth a total of 1 billion dinars (fineness of 50% and 75%). This amount replaced dinar banknotes and therefore had no impact on change in money in circulation. The National Bank put coins in circulation in 1933.

The *purchased foreign currency account* within assets relates to foreign currency purchase and sale transactions performed by the National Bank as part of dinar exchange rate stabilisation from 1923 until 1930. The National Bank purchased foreign currency from the government and engaged in free trade, while selling foreign currency on the stock exchange. Based on change in the balance on this account and its impact on liquidity creation, it can be concluded that these were net foreign currency purchases, i.e. that the National Bank did not only buy, but also sold foreign currency recorded in the same account. This foreign currency was not a part of the National Bank's reserves, which is why this account was carried separately in the balance sheet since, in accordance with the provisions of the 1920 Law on the National Bank, the National Bank's reserves consisted of gold, silver and foreign receivables, though the Law did not specify the currencies to which these receivables refer.

Foreign money not exchangeable for gold is an account within assets which is similar to the previously described account. It refers to the 1931–1940 period and includes foreign currencies which, in line with the provisions of the Law on Money, which entered into force on 28 June 1931, were eliminated from the gold standard as they were no longer "exchangeable for freely exportable gold" (German mark, British pound, Spanish peseta, Swedish crown, Danish crown, Norwegian crown, Austrian shilling and later also the US dollar, French franc, Swiss franc, Italian lira, etc.).

From 1931 until 1940, shares in respect of the National Bank's share in the capital of the Bank for International Settlements in Basel, set up in 1930, were recorded in the *securities purchase* account. This account also recorded government securities which the National Bank began buying in 1934. These transactions are set out in the 1930 Law on the National Bank and were a novelty relative to previous laws.

Liabilities with a maturity in respect of sold treasury bills is an account maintained in the National Bank's balance sheet from 1931 until 1940. One of the novelties of the 1931 Law on the National Bank was the possibility to issue short-term securities of the National Bank in order to withdraw excess liquidity from the money market and regulate total sight liabilities with the National Bank. The National Bank issued treasury bills with the maturity of up to three months at an interest rate lower than the discount rate. Treasury bills were mostly intended for banks and represented a supplementary instrument, in addition to lending in respect of bills of exchange and pledge of securities.

Pledged and left values were disclosed in the National Bank's balance sheet since its incorporation. They have the same value in assets and liabilities, which is why they have a neutral effect on the National Bank's balance sheet. As mentioned in the text, this account records valuables kept by the National Bank, but the bulk refers to financial instruments such as bills of exchange and securities in respect of which the National Bank approved loans to banks, corporates and the government. This relates to amounts exceeding the amounts of loans approved on a discount basis. It should be noted that these amounts refer to the coverage not only of granted, but also of approved and undisbursed loans. *Domains of the government* were recorded on a separate account of the National Bank from 1920 until 1930, and included government guarantees in respect of loans for the exchange of Austro-Hungarian kronen. Similarly as the pledged and left values account, this account has the same value in assets and liabilities, producing a neutral effect on the National Bank's balance sheet.

7 Conclusion

Since its incorporation and until the start of World War II, the National Bank faced numerous challenges in carrying out its main tasks. Despite numerous difficulties and impediments, the National Bank was successful in pursuing its credit policy and encouraged economic activity growth by lending to banks and corporates. The credit policy was very complex as in some periods it needed to be in the function of economic recovery and progress, i.e. expansionary, while having to be restrictive when it was necessary to preserve reserves and ensure the stability of the national currency.

Lending to the government was particularly difficult, especially in periods when government loans were included in the regular supply of banknotes which was limited, so there was not enough scope left for lending to banks and companies. In almost all periods when the government increased its borrowing from the National Bank, this generated currency and inflationary pressures because such lending involved a substantial issuance of money. In the periods when the government borrowed less or fully repaid its debt to the National Bank, lending to corporates and banks went up, encouraging growth in economic activity and exports, and strengthening the currency.

The National Bank played an important role in government financing in the late 19th century, a period of construction and development of the Serbian state when the government had a great need for loans. The National Bank's role was particularly important during and after World War I. Not only did the Bank finance war expenses, but it also played a major role in the reconstruction of the destroyed country and in the unification of the currency by providing special loans to the government for these purposes. Government borrowing also had a major impact on reserves after the government started frequently resorting to the temporary exchange by depositing gold and foreign exchange with the National Bank and receiving an equivalent quantity of dinar banknotes in return. Thanks to the inflow of gold and foreign exchange from temporary exchange, the National Bank was able to ensure legal tender for circulating banknotes in some periods.

The National Bank's money issuance policy was also successful. This is confirmed by the fact that in the late 19th century it introduced paper money despite the lack of trust prevailing among corporates and households at the time. It was particularly difficult to unify the national currency after World War I, but the National Bank and the government achieved this in the difficult period of reconstruction of the country and restarting economic activity.

The National Bank's currency policy was successful as well. Despite difficulties stemming from increased circulation of banknotes on the back of elevated government borrowing with the National Bank, the Bank managed to maintain the stability of the currency in the early 20th century and to preserve gold reserves in times of crises. The National Bank carried out gold purchase and sale transactions in order to suppress the agiotage, using a restrictive credit policy to suspend or downsize lending in order to prevent the use of loans in exchange for gold. This was a complex task, as the National Bank's lending policy was vital for encouraging the economy and exports, particularly of agricultural products, and it was important that the currency policy did not have a limiting effect on corporate lending. The currency policy was particularly successful in the period of "factual stabilisation" of the dinar from 1925 until 1930, and after the legal stabilisation of the dinar from 1931. This policy was applied together with credit and foreign exchange policy measures which stabilised the dinar, boosted the inflow of foreign exchange and prevented speculative transactions. As a result of this policy, the dinar was relatively stable between 1925 and 1940 despite numerous challenges from the domestic and international environment.

The National Bank's interest rate policy was less successful. Though it did not change its main interest rate (discount interest rate) of 6% for as many as 37 years (January 1893 – May 1930), banks' interest rates were several percentage points higher than the National Bank's interest rates, which is why the latter resorted to measures which indirectly or directly limited the increase in banks' interest rates. The efficiency of the interest rate policy was affected in particular by the large quantity of banknotes issued in respect of government borrowing with the National Bank and the fact that it was often not included in the regular supply of banknotes. In particular, this refers to the period of the unification of the currency after World War I when around 75% of issued banknotes on average were in respect of government lending. The National Bank did not have the control of this, though it tried to legally restrict it several times, but without success.

The government greatly influenced the National Bank's balance sheet throughout the analysed period. Loans taken by the government from the National Bank triggered changes in reserves and circulating banknotes. In some periods, government loans had a limiting effect on lending to banks, produced an inflationary effect and a destabilising impact on movements in agiotage and the value of the dinar. The relation of the government and the National Bank should, however, be viewed in a broader context of major historical changes which took place since the founding of the National Bank until the outbreak of World War II. In these circumstances, the government repeatedly relied on the National Bank in order to achieve difficult tasks which were often of national importance.

Appendix

Table 1 Balance sheet of the National Bank of the Kingdom of Serbia (1884–1902) in dinars

ASSETS	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902
	983,203	1,211,538	1,248,865	1,819,208	3,410,379	5,803,729	7,921,580	8,697,182	9,191,407	9,026,316	6,441,876	6,242,958	7,169,571	5,990,894	4,693,771	7,176,880	6,809,574	6,628,988	10,988,602
Gold holdings																			
Receivables from foreign correspondents exchanged for	334,481	304,992	362,370	365,913	510,828	790,067	364,807	215,153	153,924	465,278	680,162	970,189	734,777	912,429	848,087	1,555,024	884,147	1,550,529	1,701,020
Silver holdings	-	389,421	1,449,217	2,781,950	4,034,690	4,430,311	4,453,315	4,193,929	4,114,975	4,005,828	4,280,880	4,673,196	4,906,157	7,340,011	9,230,049	8,984,555	8,966,998	8,967,250	8,798,675
Loans to banks and corporates	1,554,543	2,421,618	2,315,046	4,101,144	4,554,754	6,418,768	7,422,402	9,489,057	11,568,132	11,788,260	12,368,045	10,616,581	10,745,461	9,245,190	8,915,063	8,829,052	9,499,520	9,465,619	11,875,892
Loans to the government	304,216	1,548,826	2,918,944	3,512,944	4,064,000	2,873,850	6,953,328	7,916,378	8,699,034	5,738,803	5,828,713	5,803,833	5,750,057	7,331,820	15,943,577	15,152,278	15,857,419	15,085,261	12,835,603
General Reserve Fund	-	4,306	4,141	3,940	22,080	58,403	100,468	148,857	206,502	256,802	374,772	383,964	461,074	490,512	540,015	600,451	677,836	775,880	985,045
Other Reserve Funds	-	-	-	-	6,375	8,253	22,571	29,731	42,043	53,379	118,129	133,191	160,366	330,732	565,653	671,731	727,547	810,681	914,266
Bank buildings and equipment	34,538	24,261	109,419	121,476	260,065	416,743	572,159	587,282	385,671	600,000	598,870	617,070	612,192	601,919	595,410	596,019	581,219	581,219	581,219
Pledged and left values for safekeeping with the National Bank	121,250	174,750	323,618	1,296,419	2,229,640	3,891,101	4,793,514	7,430,793	8,547,181	8,287,824	9,083,325	10,474,612	20,351,537	12,432,697	12,039,847	12,106,716	10,853,342	12,110,795	15,078,821
Various assets	117,255	404,592	777,724	167,686	174,749	152,116	87,809	89,122	32,206	30,000	10,000	40,133	-	-	-	-	-	-	-
Total Assets	3,449,486	6,484,304	8,809,343	14,170,681	19,267,560	24,843,360	32,096,953	38,798,084	42,941,075	40,252,491	39,751,772	39,957,728	50,891,493	44,676,203	53,371,473	55,674,706	55,297,401	55,976,223	63,759,114
LIABILITIES	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902
	2,496,625	2,496,625	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	2,499,750	3,777,650	4,952,330	4,952,330	4,952,330	4,952,330	4,952,330	4,952,330
Paid up Capital																			
Banbnotes in circulation	781,800	3,500,040	5,738,712	10,037,412	14,076,590	17,332,912	23,470,728	27,263,735	28,859,559	26,445,506	25,036,996	24,561,454	24,438,002	23,620,157	33,099,397	33,957,254	35,820,132	34,993,930	36,742,350
Gold banknotes	781,800	1,568,700	437,463	182,165	141,265	101,865	82,215	122,152	160,365	195,463	547,915	471,865	658,925	794,328	363,878	839,628	848,878	1,116,633	2,123,283
Silver banknotes	1,931,340	3,301,247	9,855,247	13,935,323	17,231,047	23,388,513	27,147,220	28,699,194	26,350,040	24,489,081	24,139,589	23,769,027	22,825,629	32,735,519	33,117,626	34,971,354	33,877,297	34,619,062	
Current accounts of banks and corporates	34,042	205,860	0	61,413	29,494	653,459	1,267,075	819,885	2,081,401	1,661,162	1,714,721	872,752	691,326	1,809,565	1,233,608	2,336,944	1,169,762	1,265,839	4,064,708
Current accounts of the government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary exchange of gold by the government for silver	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current accounts of the government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Reserve Fund	4,334	4,334	5,122	20,834	58,722	93,146	153,154	216,106	291,739	354,215	409,633	461,663	510,717	562,003	612,650	671,675	732,008	791,714	852,757
Other Reserve Funds	-	-	-	-	6,508	12,713	22,120	37,508	50,230	181,421	504,411	625,893	651,620	780,337	897,166	1,056,319	1,168,107	1,260,849	1,482,866
Pledged and left values for safekeeping with the National Bank	121,250	174,750	323,618	1,296,419	2,229,640	3,891,101	4,793,515	7,430,793	8,547,181	8,287,824	9,083,325	10,474,612	20,351,537	12,432,697	12,039,847	12,106,716	10,853,342	12,110,795	15,078,821
Various liabilities	11,435	98,714	212,615	192,469	213,005	218,853	249,266	278,123	308,588	271,517	281,433	253,707	277,565	311,644	327,449	349,821	357,700	360,070	341,990
Net profit	-	3,981	29,526	62,384	153,851	141,427	241,346	252,185	302,625	251,096	221,504	207,896	203,075	207,469	209,025	245,647	244,021	240,696	243,632
Total Liabilities	3,449,486	6,484,304	8,809,343	14,170,681	19,267,560	24,843,360	32,096,953	38,798,084	42,941,075	40,252,491	39,751,772	39,957,728	50,891,493	44,676,203	53,371,473	55,674,706	55,297,401	55,976,223	63,759,114

Table 2 Balance sheet of the National Bank of the Kingdom of Serbia (1903 – 31 Jan. 1920) in dinars

ASSETS	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	31.1.1920*
Gold holdings	15877.762	11.646.957	12.421.106	11.102.302	14.105.842	18.071.590	13.382.545	24.396.447	33.664.462	55.437.552	59.053.066	57.289.921	64.256.712	65.788.687	63.940.851	64.069.618	66.947.167	74.229.190
Receivables from foreign correspondents exchanged for	1797.425	5.254.361	4.903.304	3.055.832	3.439.735	4.452.462	9.246.801	5.869.816	10.653.062	21.045.76	2.499.969	133.010.007	193.902.099	204.760.753	208.497.542	217.664.314	351.995.613	352.755.796
Silver holdings	8669.797	6.729.647	8.670.926	8.242.238	7.434.968	6.919.179	6.657.892	6.731.751	6.571.880	3.406.337	4.320.966	2.200.311	2.085.094	939.7239	15.541.485	15.559.985	15.535.839	15.535.357
Loans to banks and corporates	161.34.848	14.838.438	15.518.614	15.972.176	20.566.538	27.967.935	26.232.695	22.688.011	30.148.226	37.762.447	35.928.917	35.141.293	35.915.733	39.314.644	40.543.829	44.608.294	44.113.086	
Loans to the government	8528.908	7.517.256	3.430.677	-	-	6.398.797	11.307.626	3.220.000	8640.000	43.469.385	49.556.540	170.776.900	250.980.759	246.883.709	248.575.712	276.071.109	601.976.295	649.683.949
General Reserve Fund	995.165	1.102.914	1.966.761	1.261.174	1.207.305	-	102.468	194.999	284.304	352.686	484.410	634.334	634.334	634.334	704.997	704.997	574.876	579.250
Other Reserve Funds	957.240	1.067.235	1.155.191	1.231.181	1.202.062	1.108.969	1.285.578	1.302.857	1.507.739	1.688.416	1.793.624	1.680.352	1.680.352	1.680.352	1.851.446	2.136.000	1.778.784	1.629.246
Bank buildings and equipment	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219	581.219
Pledged and left values for safekeeping with the National Bank	17.894.716	24.300.268	22.035.423	18.387.998	30.172.035	39.584.169	41.376.076	34.143.244	40.999.141	79.600.555	74.127.709	88.277.085	85.922.787	91.880.986	89.437.184	93.378.070	88.093.249	84.294.280
Various assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	71.437.081	73.088.274	69.913.220	59.839.261	78.709.741	105.154.321	110.163.901	99.189.223	142.001.134	243.323.373	228.153.648	490.313.333	634.104.526	657.497.051	670.405.090	713.353.250	1.175.494.173	1.228.660.296
LIABILITIES	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	31.1.1920*
Paid-up Capital	4.952.330	4.952.330	5.000.000	5.000.000	5.000.000	7.500.000	7.500.000	7.500.000	7.500.000	9.142.735	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000	10.000.000
Banknotes in circulation	38.775.590	37.931.663	36.991.668	30.228.905	37.462.928	50.411.169	49.848.038	49.654.566	65.823.122	93.305.200	103.199.318	167.261.079	297.751.560	298.992.700	294.892.680	340.569.310	664.007.459	711.448.444
Gold banknotes	3.684.385	3.141.342	3.102.897	2.377.310	7.556.568	3.373.817	3.464.441	7.037.225	13.981.300	5.336.401	4.185.243	3.665.113	3.415.620	3.335.880	3.164.020	3.094.600	4.239.620	4.337.280
Silver banknotes	35.089.205	34.790.321	33.888.772	27.951.495	29.806.359	47.037.352	46.383.597	42.612.341	51.841.832	88.168.800	99.014.075	163.595.966	294.335.740	295.656.820	291.728.660	337.474.510	659.767.839	707.117.164
Current accounts of banks and corporates	6.731.130	2.697.703	2.486.953	2.735.738	2.046.226	1.622.668	8.271.974	1.407.307	1.587.882	1.379.027	1.761.611	2.932.690	7.933.473	10.545.802	11.140.137	6.533.708	15.413.767	20.600.356
Current accounts of the government	-	-	-	-	-	3.385.650	-	3.220.000	13.640.000	55.843.389	34.649.944	211.794.778	227.597.444	239.800.361	256.238.376	252.583.129	387.810.712	389.925.907
Temporary exchange of gold by the government for silver	-	-	-	-	-	3.385.650	-	3.220.000	6.640.000	38.468.463	34.649.944	160.187.251	227.597.444	236.883.709	238.575.712	252.583.129	387.810.712	388.925.907
Other current accounts of the government	-	-	-	-	-	-	-	-	7.000.000	17.374.926	-	57.607.526	-	3.016.652	17.662.663	-	-	-
General Reserve Fund	915.213	973.096	1.000.000	1.000.000	1.000.000	96.483	207.771	289.408	375.828	486.770	633.111	705.012	705.012	705.012	705.012	705.012	705.012	705.012
Other Reserve Funds	1.575.201	1.702.455	1.806.994	1.905.829	2.489.284	1.668.901	1.907.166	2.166.634	2.236.841	2.433.722	2.591.070	2.556.653	2.438.343	2.318.465	2.602.649	2.716.259	2.328.425	3.993.940
Pledged and left values for safekeeping with the National Bank	17.894.716	24.300.268	22.035.423	18.387.998	30.172.035	39.584.169	41.376.076	34.143.244	40.999.141	79.600.555	74.127.709	88.277.085	85.922.787	91.880.986	89.437.184	93.378.070	88.093.249	84.294.280
Various liabilities	341.592	326.606	332.700	333.299	389.744	538.371	596.988	521.838	556.492	547.256	676.456	444.272	642.208	1.240.467	1.838.807	2.431.637	1.287.466	1.132.095
Net profit	251.310	242.154	259.482	247.386	249.284	346.910	398.888	286.226	301.827	383.448	512.961	590.314	1.243.900	2.013.259	3.541.245	4.616.125	5.848.082	7.560.362
Total Liabilities	71.437.081	73.088.274	69.913.220	59.839.261	78.709.741	105.154.321	110.163.901	99.189.223	142.001.134	243.323.373	228.153.648	490.313.333	634.104.526	657.497.051	670.405.090	713.353.250	1.175.494.173	1.228.660.296

* After 1918, the National Bank of the Kingdom of Serbia operated until January 31, 1920 after which the newly established National Bank of the Kingdom of Serbs, Croats and Slovenes continued its work.

Table 3 Balance sheet of the National Bank of the Kingdom of Serbs, Croats and Slovenes (1920–1928) and the National Bank of the Kingdom of Yugoslavia (1929–1930) in dinars

ASSETS	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Gold holdings	64,174,367	74,188,555	64,012,508	68,837,549	72,358,506	75,941,500	86,113,383	88,771,923	91,014,725	95,469,647	98,575,852
Foreign gold exchange	351,647,725	310,431,369	268,741,536	351,228,089	384,535,450	366,704,040	335,148,510	346,392,788	230,524,276	267,930,903	119,955,336
Foreign money exchanged for gold at sight	2,088,789	2,431,963	1,154,289	3,160,679	4,630,706	1,070,537	831,493	747,871	269,124	1,311,189	1,100,091
Receivables from foreign correspondents	349,338,936	307,999,404	267,587,247	348,067,410	379,904,744	365,633,504	334,317,015	345,644,918	230,255,152	266,619,714	118,835,245
Silver holdings	15,540,387	16,733,113	16,546,412	17,276,385	17,457,516	17,486,281	17,513,273	17,570,624	17,535,849	17,578,942	17,581,636
Foreign money that is not exchangeable for gold	-	-	-	-	-	-	-	-	-	-	-
Metal coins (nickel, silver)	14,864,253	6,889,247	2,935,479	1,477,240	739,819	27,554,805	35,523,425	32,650,261	44,380,225	53,537,104	57,338,967
Loans to banks and corporates	266,899,256	597,943,157	1,520,768,017	1,523,681,937	1,494,993,904	1,371,191,498	1,481,059,947	1,683,129,846	1,724,333,821	1,517,649,255	1,637,156,255
Loans to the government	3,283,291,500	4,418,213,650	4,517,550,448	4,524,360,804	4,520,685,753	4,466,584,882	4,413,576,716	4,337,834,725	4,201,609,555	4,153,084,783	4,020,905,904
Investments in securities	-	-	-	-	-	-	-	-	-	-	-
General Reserve Fund	721,202	1,829,983	1,558,500	4,175,960	5,031,097	7,227,012	9,303,425	10,710,454	10,956,921	12,010,336	12,964,162
Other Reserve Funds	1,198,085	3,582,455	5,925,632	11,611,560	13,018,389	15,599,363	22,558,090	49,941,005	66,769,435	82,760,654	106,889,535
Bank buildings and equipment	3,042,833	6,349,853	14,548,534	31,662,047	50,568,219	77,685,354	82,054,583	95,786,811	115,638,826	128,282,665	133,986,024
Pledged and left values for safekeeping	968,746,066	2,242,283,251	4,460,255,407	4,499,504,953	4,676,689,277	4,760,608,047	5,051,810,208	4,980,977,348	6,054,255,630	5,248,910,424	4,951,515,535
Domains of the government pledged based on a loan for the purchase of the Austro-Hungarian kronen	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163
Purchased foreign exchange of the National Bank on the foreign exchange market	-	-	-	211,400,287	595,451,198	728,673,571	545,405,555	888,361,767	702,952,164	1,491,208,850	537,382,856
Various assets	-	-	-	-	-	-	-	-	-	-	-
Total Assets	7,108,502,837	9,816,821,795	13,011,219,635	13,383,593,974	13,969,906,292	14,053,633,514	14,218,444,276	14,670,504,714	15,398,348,590	15,206,800,724	13,832,629,225
LIABILITIES	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Paid up Capital	10,301,700	13,084,000	18,211,000	22,148,000	25,465,800	28,229,100	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Banknotes in circulation	3,344,127,710	4,688,443,680	5,039,883,135	5,790,240,920	6,001,503,765	6,062,683,930	5,811,843,250	5,743,389,455	5,528,170,015	5,817,965,845	5,396,532,715
Gold banknotes	4,094,120	4,343,460	4,183,660	2,570,720	1,984,580	1,626,120	1,371,700	1,235,100	994,540	854,400	742,520
Silver banknotes	678,792,190	1,238,062,680	1,680,807,840	2,003,772,780	2,002,176,545	1,781,736,970	1,546,137,580	1,389,642,945	619,883,315	257,460,735	165,847,465
Dinar-kronen banknotes	2,661,241,400	3,446,037,540	3,169,008,185	2,569,658,780	1,165,397,600	115,117,700	38,823,800	20,227,600	12,975,100	9,248,900	7,466,500
Dinar banknotes	-	-	185,883,450	1,214,238,640	2,831,945,040	4,164,203,140	4,225,510,170	4,322,283,810	4,894,317,060	5,550,401,810	5,222,476,230
Current accounts of banks and corporates	220,638,062	362,406,913	463,621,727	366,973,398	629,578,996	491,051,234	585,398,792	1,086,581,465	811,548,778	1,410,891,016	862,854,285
Current accounts of the government	415,701,498	343,243,474	816,225,357	455,378,230	367,962,812	388,138,382	388,191,205	466,167,020	595,604,632	305,540,994	185,648,893
exchange of gold and foreign claims of the government for dinars	378,965,084	334,273,407	312,119,334	362,880,551	367,962,812	347,306,532	333,037,575	298,814,817	227,824,926	205,899,693	126,263,239
Other current accounts of the government	36,736,414	8,970,068	504,106,023	92,497,678	-	40,831,850	55,153,630	167,352,203	367,779,706	99,641,301	59,385,654
Liabilities on maturity based on sold National Bank bills and other time deposits	-	-	-	-	-	-	-	-	-	-	-
General Reserve Fund	815,207	1,837,280	4,930,055	5,310,795	5,832,822	7,282,025	9,323,726	10,738,886	11,237,442	12,010,575	12,964,099
Other Reserve Funds	3,653,484	18,862,314	43,998,928	73,141,161	97,164,571	120,817,870	136,230,504	148,331,574	162,962,327	179,536,193	194,124,785
Pledged and left values for safekeeping	968,746,066	2,242,283,251	4,460,255,407	4,499,504,953	4,676,689,277	4,760,608,047	5,051,810,208	4,980,977,348	6,054,255,630	5,248,910,424	4,951,515,535
Domains of the government pledged based on a loan for the purchase of the Austro-Hungarian kronen	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163	2,138,377,163
Various liabilities	6,141,947	2,406,701	5,164,486	5,961,169	5,345,958	32,699,679	41,267,858	37,692,344	36,432,075	35,344,510	34,830,697
Net profit	-	5,877,019	20,552,377	26,558,186	21,985,128	23,746,084	26,001,571	28,249,461	29,760,528	28,224,005	25,781,053
Total Liabilities	7,108,502,837	9,816,821,795	13,011,219,635	13,383,593,974	13,969,906,292	14,053,633,514	14,218,444,276	14,670,504,714	15,398,348,590	15,206,800,724	13,832,629,225

Table 4 Balance sheet of the National Bank of the Kingdom of Yugoslavia (1931–1940) in dinars

ASSETS	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
1 Gold holdings	1,758,403,109	1,760,826,408	1,794,991,527	1,784,606,106	1,431,535,688	1,626,078,290	1,709,065,398	1,909,614,761	1,988,441,877	2,740,013,530
3 Foreign gold exchange	338,411,164	207,308,078	111,225,835	120,886,465	32,775,064	-	-	-	-	-
Foreign money exchanged for gold in vault	6,355,684	805,747	8,446	36,245	29,076	-	-	-	-	-
Receivables from foreign correspondents	332,055,481	206,502,332	111,217,389	120,850,220	32,745,988	-	-	-	-	-
2 Silver holdings	-	-	-	-	-	-	-	-	-	-
4 Foreign money that is not exchangeable for gold	86,458,013	1,993,809	54,505,231	104,411,231	331,644,947	552,273,048	439,925,410	643,512,406	731,036,095	725,691,546
5 Metal coins (nickel, silver)	72,739,286	139,915,283	239,957,071	206,108,738	329,881,230	334,950,695	359,519,231	330,007,704	317,504,948	205,188,227
6 Loans to banks and corporates	2,252,869,101	2,456,837,280	2,101,992,727	1,763,957,379	1,781,306,355	1,717,381,104	1,704,626,110	1,771,307,468	2,223,340,672	1,786,769,831
7 Loans to the government	1,799,243,202	2,408,620,510	2,315,566,637	2,286,635,246	2,270,607,777	2,247,843,912	2,238,353,669	2,227,765,102	3,625,440,743	10,001,695,005
8 Investments in securities	27,420,000	15,451,200	11,766,000	16,929,210	49,367,315	116,850,784	201,291,914	258,851,886	408,359,404	369,089,621
9 General Reserve Fund	77,889,849	58,099,081	54,975,045	106,383,457	118,976,265	137,636,554	166,812,261	223,502,927	233,067,504	266,791,813
10 Other Reserve Funds	24,891,397	29,614,967	35,143,659	44,200,154	53,144,730	76,087,284	29,561,371	33,689,912	37,826,899	42,185,659
11 Bank buildings and equipment	145,064,020	154,152,732	153,733,667	153,585,439	153,952,472	155,114,510	160,067,942	185,126,692	175,028,619	166,091,217
12 Pledged and left values for safekeeping	2,795,085,065	2,866,558,134	2,866,721,465	2,794,406,743	3,050,581,698	3,199,232,797	3,443,715,799	3,846,712,059	8,080,342,719	15,261,702,734
Domains of the government pledged based on a loan for the purchase of the Austro-Hungarian kronen	-	-	-	-	-	-	-	-	-	-
13 Purchased foreign exchange of the National Bank on the foreign exchange market	-	-	-	-	-	-	-	-	-	-
14 Various assets	-	-	91,719,461	244,286,169	423,139,664	771,486,447	2,030,619,052	2,147,450,080	2,583,329,558	1,817,813,083
Total Assets	9,378,474,206	10,099,377,482	9,832,298,324	9,626,396,336	10,026,913,204	10,934,935,422	12,483,558,157	13,577,540,997	20,403,719,038	33,383,032,265
LIABILITIES	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
1 Paid up Capital	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000.00	180,000,000	180,000,000	180,000,000	180,000,000
2 Banknotes in circulation	5,172,270,970	4,772,717,850	4,327,169,340	4,383,998,085	4,889,987,610	5,408,528,900	5,834,072,800	6,920,702,300	9,697,875,100	13,833,892,200
Gold banknotes	599,500	536,860	378,880	-	-	-	-	-	-	-
Silver banknotes	124,662,380	101,723,100	74,007,810	36,596,115	22,759,500	15,285,300	12,363,100	-	-	-
Dinar-krona banknotes	6,569,500	5,897,900	5,761,900	-	-	-	-	-	-	-
Dinar banknotes	5,040,439,590	4,664,559,990	4,247,020,750	4,347,401,970	4,867,228,110	5,393,243,600	5,821,709,700	6,920,702,300	9,697,875,100	13,833,892,200
3 Current accounts of banks and corporates	387,210,573	684,345,279	1,023,704,263	858,928,282	1,378,286,038	1,569,787,688.01	2,419,575,860	2,060,123,398	1,665,652,759	3,482,803,922
4 Current accounts of the government	29,293,394	13,514,646	7,309,658	6,903,776	7,381,971	59,449,009.61	38,994,465	33,136,664	52,529,787	48,491,461
exchange of gold and foreign claims of the government for dinars	-	-	-	-	-	-	-	-	-	-
Other current accounts of the government	-	-	-	-	-	-	-	-	-	-
Liabilities on maturity based on sold National Bank bills and other time deposits	681,128,257	1,459,433,737	1,106,323,014	952,880,000	193,400,000	50,000,000.00	50,000,000	30,000,000	100,000,000	-
5 General Reserve Fund	82,782,195	73,839,593	84,345,917	112,397,131	133,263,345	153,512,146.57	199,370,222.28	236,722,670	247,739,710	271,102,597
7 Other Reserve Funds	26,639,681	30,373,822	37,291,585	52,680,468	68,848,166	77,813,676.55	33,940,240.79	37,484,092	39,664,682	44,395,069
8 Pledged and left values for safekeeping	2,795,085,065	2,866,558,134	2,866,721,465	2,794,406,743	3,050,581,698	3,199,232,796.53	3,443,715,799	3,846,712,059	8,080,342,719	15,261,702,734
Domains of the government pledged based on a loan for the purchase of the Austro-Hungarian kronen	-	-	-	-	-	-	-	-	-	-
9 Various liabilities	-	-	180,438,661	262,586,917	103,345,219	212,356,996.55	259,614,698	207,720,154	314,468,885	234,813,791
10 Net profit	24,064,071	18,594,423	18,994,422	21,614,935	21,819,157	24,254,207.84	24,274,071	24,939,661	25,445,397	25,830,492
Total Liabilities	9,378,474,206	10,099,377,482	9,832,298,324	9,626,396,336	10,026,913,204	10,934,935,422	12,483,558,157	13,577,540,997	20,403,719,038	33,383,032,265

Table 5 Loans to banks and corporates by instrument, gold and silver, in dinars (1884 – 31 Jan. 1920)

	Bills of exchange and coupons	Banks	Corporates	Pledge of securities (Lombard loans of banks)	Banks	Loans under current account	Banks	Corporates	Total	Gold	Silver	Banks	corporates
	1	2	3	4	5	6	7	8	9 (1+4+6)	10	11	12 (2+5+7)	13 (3+8)
1884	1,427,373	1,427,373	-	127,170	127,170	-	-	-	1,554,543	-	-	1,554,543	-
1885	1,342,003	1,342,003	-	1,079,615	1,079,615	-	-	-	2,421,618	-	-	2,421,618	-
1886	2,205,691	645,304	1,560,387	97,025	97,025	12,329	12,329	-	2,315,046	-	-	754,658	1,560,387
1887	3,132,896	556,520	2,576,376	148,293	148,293	819,955	819,955	-	4,101,144	270,543	3,830,601	1,524,768	2,576,376
1888	3,028,732	165,092	2,863,640	124,438	124,438	1,401,584	1,212,197	189,387	4,554,754	101,470	4,453,284	1,501,727	3,053,027
1889	3,504,463	141,147	3,363,317	224,208	224,208	2,690,115	2,541,728	148,387	6,418,786	777,148	5,641,638	2,907,083	3,511,704
1890	3,388,417	104,997	3,283,420	663,872	663,872	3,370,113	3,370,113	-	7,422,402	248,518	7,173,884	4,138,982	3,283,420
1891	3,961,698	90,995	3,870,703	1,007,951	1,007,951	4,520,008	4,520,008	-	9,489,657	417,170	9,072,487	5,618,954	3,870,703
1892	4,129,228	93,251	4,035,977	1,111,204	1,111,204	6,127,700	4,089,065	2,038,635	11,368,132	588,539	10,779,593	5,293,520	6,074,612
1893	4,375,851	60,326	4,315,525	1,073,860	1,073,860	6,338,549	3,829,665	2,508,884	11,788,260	1,573,165	10,215,096	4,963,851	6,824,410
1894	4,646,408	48,621	4,597,787	1,118,176	1,118,176	6,603,461	4,419,165	2,184,296	12,368,045	2,079,683	10,288,363	5,585,962	6,782,084
1895	4,380,295	370,798	4,009,598	1,065,417	1,065,417	5,170,768	3,127,578	2,043,190	10,616,581	980,417	9,636,164	4,563,793	6,052,788
1896	3,883,741	456,594	3,427,147	1,312,594	1,312,594	5,549,126	3,456,442	2,092,684	10,745,461	929,044	9,816,417	5,225,630	5,519,831
1897	3,125,145	91,679	3,033,465	1,183,188	1,183,188	4,936,857	2,822,978	2,113,879	9,245,190	576,964	8,668,226	4,097,845	5,147,344
1898	3,479,128	286,789	3,192,339	1,143,830	1,143,830	4,292,104	2,309,367	1,982,737	8,915,063	1,421,313	7,493,750	3,739,986	5,175,076
1899	3,722,610	294,105	3,428,505	807,842	807,842	4,291,600	2,424,479	1,867,121	8,822,052	1,029,760	7,792,293	3,526,426	5,295,626
1900	3,948,779	231,973	3,716,806	1,458,412	1,458,412	4,532,129	2,739,409	1,792,720	9,939,320	1,734,679	8,204,641	4,429,794	5,509,526
1901	4,116,586	235,114	3,881,472	805,908	805,908	4,543,125	2,998,507	1,544,617	9,465,619	1,337,951	8,127,668	4,039,529	5,426,089
1902	4,812,680	439,309	4,373,371	987,706	987,706	6,075,506	4,434,342	1,641,164	11,875,892	306,898	11,568,994	5,861,357	6,014,535
1903	5,769,036	465,453	5,303,583	2,316,516	2,316,516	8,049,296	6,403,343	1,645,953	16,134,848	115,853	16,018,995	9,185,311	6,949,537
1904	5,198,359	537,669	4,660,690	2,242,644	2,242,644	7,397,435	5,716,177	1,681,258	14,838,438	120,706	14,717,733	8,496,490	6,341,949
1905	5,521,560	681,542	4,840,018	1,531,755	1,531,755	8,465,298	6,794,088	1,671,210	15,518,614	244,781	15,273,833	9,007,386	6,511,228
1906	5,209,057	831,231	4,377,826	2,617,412	2,617,412	8,145,707	8,145,707	-	15,972,176	1,892,721	14,079,455	11,594,350	4,377,826
1907	6,958,242	1,201,945	5,756,298	4,457,330	4,457,330	9,150,986	8,317,277	833,709	20,566,558	5,051,691	15,514,867	13,976,551	6,590,007
1908	9,365,351	1,770,472	7,594,879	6,723,633	6,723,633	11,878,951	11,094,134	784,817	27,967,935	5,241,382	22,726,553	19,588,239	8,379,696
1909	8,171,706	1,292,372	6,879,334	7,284,250	7,284,250	10,767,739	9,558,969	1,208,770	26,223,695	4,635,698	21,587,997	18,135,591	8,088,104
1910	7,449,270	1,012,110	6,437,160	2,039,387	2,039,387	13,199,354	10,282,439	2,916,915	22,688,011	2,651,785	20,036,226	13,333,936	9,354,075
1911	6,132,569	1,236,634	4,895,935	2,826,918	2,826,918	21,189,440	16,489,014	4,700,425	30,148,926	3,345,728	26,803,198	20,552,566	9,596,360
1912	6,437,972	1,227,230	5,210,742	2,491,228	2,491,228	28,832,946	23,532,573	5,300,374	37,762,147	4,674,414	33,087,733	27,251,031	10,511,116
1913	5,908,896	1,385,016	4,523,880	2,033,911	2,033,911	27,986,109	22,263,152	5,722,957	35,928,917	5,231,127	30,697,790	25,682,079	10,246,838
1914	6,169,133	6,169,133	-	2,727,232	2,727,232	26,244,929	-	-	35,141,293	4,594,570	30,546,723	-	-
1915	9,013,487	9,013,487	-	3,393,372	3,393,372	20,529,431	-	-	32,936,291	4,693,832	28,242,459	-	-
1916	9,724,917	9,724,917	-	3,483,629	3,483,629	22,107,188	-	-	35,315,733	4,655,839	30,659,894	-	-
1917	12,024,967	12,024,967	-	3,518,328	3,518,328	23,771,350	-	-	39,314,644	4,966,296	34,348,348	-	-
1918	11,180,537	11,180,537	-	3,575,520	3,575,520	25,787,772	-	-	40,543,829	5,278,395	35,265,433	-	-
1919	11,552,872	11,552,872	-	4,381,729	4,381,729	28,673,693	-	-	44,608,294	4,888,162	39,720,132	-	-
31.1.1920*	11,541,872	11,541,872	-	4,401,863	4,401,863	28,169,351	-	-	44,113,086	4,912,350	39,200,737	-	-

Table 6 Loans to banks and corporates by instrument in dinars (1884 – 31 Jan. 1920)

	Bills of exchange	Banks	Corporates	Pledge of securities (Lombard loans of banks)	Banks	Loans under current account	Banks	Corporates	Total	Gold	Silver	Banks	corporates
	1	2	3	4	5	6	7	8	9 (1+4+6)	10	11	12 (2+5+7)	13 (3+8)
1920	232,027,420	-	-	24,197,150	24,197,150	10,674,687	-	-	266,899,256	-	-	-	-
1921	557,745,272	-	-	40,197,885	40,197,885	-	-	-	597,943,157	-	-	-	-
1922	1,421,215,166	804,908,590	616,306,577	99,552,850	99,552,850	-	-	-	1,520,768,017	-	-	904,461,440	616,306,577
1923	1,333,713,853	633,606,581	700,107,272	189,968,084	189,968,084	-	-	-	1,523,681,937	-	-	823,574,665	700,107,272
1924	1,289,282,931	709,345,627	579,937,303	205,710,973	205,710,973	-	-	-	1,494,993,904	-	-	915,056,601	579,937,303
1925	1,207,925,863	589,766,154	618,159,710	163,265,635	163,265,635	-	-	-	1,371,191,498	-	-	753,031,788	618,159,710
1926	1,241,934,687	590,216,485	651,718,203	239,125,259	239,125,259	-	-	-	1,481,059,947	-	-	829,341,744	651,718,203
1927	1,432,006,440	656,702,953	775,303,487	251,123,406	251,123,406	-	-	-	1,683,129,846	-	-	907,826,359	775,303,487
1928	1,470,503,154	674,701,447	795,801,707	253,830,668	253,830,668	-	-	-	1,724,333,821	-	-	928,532,115	795,801,707
1929	1,287,528,960	572,012,866	715,516,094	230,120,295	230,120,295	-	-	-	1,517,649,255	-	-	802,133,161	715,516,094
1930	1,433,683,791	606,135,425	827,548,366	203,472,464	203,472,464	-	-	-	1,637,156,255	-	-	809,607,889	827,548,366
1931	1,965,654,445	1,008,719,000	956,935,445	287,214,656	287,214,656	-	-	-	2,252,869,101	-	-	1,295,933,656	956,935,445
1932	2,111,974,154	1,250,643,912	861,330,242	344,863,126	344,863,126	-	-	-	2,456,837,280	-	-	1,595,507,038	861,330,242
1933	1,808,866,591	724,926,687	1,083,939,904	293,126,136	293,126,136	-	-	-	2,101,992,727	-	-	1,018,052,823	1,083,939,904
1934	1,528,815,913	842,116,000	686,699,913	235,141,466	235,141,466	-	-	-	1,763,957,379	-	-	1,077,257,466	686,699,913
1935	1,522,958,501	848,768,000	674,190,501	258,347,855	258,347,855	-	-	-	1,781,306,355	-	-	1,107,115,855	674,190,501
1936	1,458,604,209	769,349,363	689,254,846	258,776,895	258,776,895	-	-	-	1,717,381,104	-	-	1,028,126,258	689,254,846
1937	1,431,884,723	756,343,479	675,541,244	272,741,388	272,741,388	-	-	-	1,704,626,110	-	-	1,029,084,866	675,541,244
1938	1,707,694,643	1,004,342,643	703,352,000	63,612,825	63,612,825	-	-	-	1,771,307,468	-	-	1,067,955,468	703,352,000
1939	2,085,256,746	1,228,919,746	856,337,000	138,083,926	138,083,926	-	-	-	2,223,340,672	-	-	1,367,003,672	856,337,000
1940	1,674,100,896	1,042,712,896	631,388,000	112,668,935	112,668,935	-	-	-	1,786,769,831	-	-	1,155,381,831	631,388,000

* After 1918, the National Bank of the Kingdom of Serbia operated until January 31, 1920, after which the newly established National Bank of the Kingdom of Serbs, Croats and Slovenes continued its work.

Table 7 Loans to the government by instrument, gold and silver, in dinars (1884 – 31 Jan. 1920)

	Bills of exchange	Treasury bills	Treasury bills that are part of the regular contingent of banknotes	Treasury bills that are not part of the regular contingent of banknotes	Treasury bills for the needs of national defence	Pledge of government securities	Loans under current account	Temporary exchange on the basis of gold	Other loans	Government loan	Loan for the purchase of Austro-Hungarian crown banknotes	Consolidated receivables from previous loans	Temporary advances	Total	Gold	Silver
	1	2	2a	2b	2c	3	4	5	6	6a	6b	6c	6d	7 (1 do 6)	8	9
1884	-	304,216	304,216	-	-	0	-	-	-	-	-	-	-	304,216	-	-
1885	-	548,826	548,826	-	-	1,000,000	-	-	-	-	-	-	-	1,548,826	-	-
1886	-	736,044	736,044	-	-	2,182,900	-	-	-	-	-	-	-	2,918,944	-	-
1887	-	749,044	749,044	-	-	2,763,900	-	-	-	-	-	-	-	3,512,944	3,067,444	445,500
1888	-	750,100	750,100	-	-	3,313,900	-	-	-	-	-	-	-	4,064,000	3,216,500	847,500
1889	-	750,100	750,100	-	-	2,123,750	-	-	-	-	-	-	-	2,873,850	1,424,250	1,449,600
1890	820,000	750,000	750,000	-	-	5,239,941	148,387	-	-	-	-	-	-	6,958,328	4,459,241	2,499,087
1891	1,570,000	750,000	750,000	-	-	5,179,331	417,047	-	-	-	-	-	-	7,916,378	4,720,791	3,195,587
1892	2,100,000	750,000	750,000	-	-	5,054,036	794,998	-	-	-	-	-	-	8,699,034	4,976,654	3,722,380
1893	2,100,000	750,000	750,000	-	-	1,925,200	963,603	-	-	-	-	-	-	5,738,803	2,062,838	3,675,964
1894	2,220,000	750,000	750,000	-	-	1,735,200	1,123,513	-	-	-	-	-	-	5,828,713	2,054,661	3,774,053
1895	2,220,000	750,000	750,000	-	-	1,564,000	1,269,833	-	-	-	-	-	-	5,803,833	1,973,093	3,830,740
1896	2,220,000	1,133,500	1,133,500	-	-	1,348,200	1,048,257	-	-	-	-	-	-	5,750,057	1,826,857	3,923,200
1897	3,030,000	1,133,500	1,133,500	-	-	1,309,560	1,858,760	-	-	-	-	-	-	7,331,820	2,337,775	4,994,045
1898	3,020,000	1,443,500	1,443,500	-	-	1,288,828	974,669	-	9,216,580	9,216,580	-	-	-	15,943,577	1,451,162	14,492,414
1899	2,720,000	1,433,500	1,433,500	-	-	1,794,612	889,446	-	8,314,720	8,314,720	-	-	-	15,152,278	1,052,877	14,099,401
1900	2,990,000	1,433,500	1,433,500	-	-	917,322	1,231,412	-	9,285,184	9,285,184	-	-	-	15,857,419	1,422,615	14,434,804
1901	2,910,000	1,483,500	1,483,500	-	-	912,692	1,757,977	-	8,021,093	8,021,093	-	-	-	15,085,261	1,403,443	13,681,819
1902	2,300,000	1,483,500	1,483,500	-	-	1,447,104	782,209	-	6,822,790	6,822,790	-	-	-	12,835,603	441,321	12,394,283
1903	-	1,500,000	1,500,000	-	-	1,520,489	-	-	5,508,419	5,508,419	-	-	-	8,528,908	917,347	7,611,562
1904	-	6,262,959	2,080,000	4,182,959	-	1,254,277	-	-	-	-	-	-	-	7,517,236	667,348	6,849,888
1905	-	3,430,677	-	3,430,677	-	-	-	-	-	-	-	-	-	3,430,677	-	3,430,677
1906	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1907	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1908	-	3,020,861	-	3,020,861	-	-	-	3,377,936	-	-	-	-	-	6,398,797	-	6,398,797
1909	-	11,266,138	2,250,000	9,016,138	-	-	41,488	-	-	-	-	-	-	11,307,626	-	11,307,626
1910	-	-	-	-	-	-	-	3,220,000	-	-	-	-	-	3,220,000	-	3,220,000
1911	-	2,000,000	-	2,000,000	-	-	-	6,640,000	-	-	-	-	-	8,640,000	-	8,640,000
1912	-	5,000,921	-	5,000,921	-	-	-	38,468,463	-	-	-	-	-	43,469,385	-	43,469,385
1913	-	13,060,056	3,015,233	10,044,722	-	1,646,580	0	34,649,914	-	-	-	-	-	49,356,549	-	49,356,549
1914	-	10,089,649	-	10,089,649	-	-	-	160,187,251	-	-	-	-	-	170,276,900	-	170,276,900
1915	-	10,134,397	-	10,134,397	-	-	-	240,846,362	-	-	-	-	-	250,980,759	-	250,980,759
1916	-	10,000,000	-	10,000,000	-	-	-	236,883,709	-	-	-	-	-	246,883,709	-	246,883,709
1917	-	10,000,000	-	10,000,000	-	-	-	238,575,712	-	-	-	-	-	248,575,712	-	248,575,712
1918	-	13,017,625	3,004,500	10,013,125	-	-	-	263,053,484	-	-	-	-	-	276,071,109	-	276,071,109
1919	-	13,249,275	3,063,686	10,185,589	-	-	2,810,180	585,916,840	-	-	-	-	-	601,976,295	-	601,976,295
31.1.1920*	-	13,269,506	3,068,962	10,200,545	-	-	-	636,414,043	-	-	-	-	-	649,683,949	-	649,683,949

Table 8 Loans to the government by instrument, in dinars (1920–1940)

	Bills of exchange	Treasury bills	Treasury bills that are part of the regular contingent of banknotes	Treasury bills that are not part of the regular contingent of banknotes	Treasury bills for the needs of national defence	Pledge of government securities	Loans under current account	Temporary exchange on the basis of gold and foreign exchange	Other loans	Government loan	Loan for the purchase of Austro-Hungarian crown banknotes	Consolidated receivables from previous loans	Temporary advances	Total	Gold	Silver
	1	2	2a	2b	2c	3	4	5	6	6a	6b	6c	6d	7 (1 do 6)	8	9
1920	-	1,709,784,009	-	1,709,784,009	-	-	-	378,965,084	1,194,542,407	-	1,194,542,407	-	-	3,283,291,500	-	-
1921	-	2,816,851,379	-	2,816,851,379	-	-	-	334,273,407	1,267,088,864	-	1,267,088,864	-	-	4,418,213,650	-	-
1922	-	2,967,237,224	-	2,967,237,224	-	-	-	312,119,334	1,238,193,890	-	1,238,193,890	-	-	4,517,550,448	-	-
1923	-	2,961,698,574	-	2,961,698,574	-	-	-	362,880,551	1,199,781,679	-	1,199,781,679	-	-	4,524,360,804	-	-
1924	-	2,966,355,034	-	2,966,355,034	-	-	-	367,962,812	1,186,367,907	-	1,186,367,907	-	-	4,520,685,753	-	-
1925	-	2,966,355,034	-	2,966,355,034	-	-	-	347,306,532	1,152,923,315	-	1,152,923,315	-	-	4,466,584,882	-	-
1926	-	2,966,355,034	-	2,966,355,034	-	-	-	333,037,575	1,114,184,107	-	1,114,184,107	-	-	4,413,576,716	-	-
1927	-	2,966,355,034	-	2,966,355,034	-	-	-	298,814,817	1,072,664,874	-	1,072,664,874	-	-	4,337,834,725	-	-
1928	-	2,966,355,034	-	2,966,355,034	-	-	-	227,824,926	1,007,429,595	-	1,007,429,595	-	-	4,201,609,555	-	-
1929	-	2,998,855,034	-	2,998,855,034	-	-	-	205,899,693	948,330,056	-	948,330,056	-	-	4,153,084,783	-	-
1930	-	2,996,842,942	-	2,996,842,942	-	-	-	126,263,239	897,799,723	-	897,799,723	-	-	4,020,905,904	-	-
1931	-	-	-	-	-	-	-	-	1,799,243,202	-	-	1,799,243,202	-	1,799,243,202	-	-
1932	-	-	-	-	-	-	-	-	2,408,620,510	-	-	1,808,620,510	600,000,000	2,408,620,510	-	-
1933	-	-	-	-	-	-	-	-	2,315,566,637	-	-	1,715,566,637	600,000,000	2,315,566,637	-	-
1934	-	-	-	-	-	-	-	-	2,286,635,246	-	-	1,686,635,246	600,000,000	2,286,635,246	-	-
1935	-	-	-	-	-	-	-	-	2,270,607,777	-	-	1,670,607,777	600,000,000	2,270,607,777	-	-
1936	-	-	-	-	-	-	-	-	2,247,843,912	-	-	1,647,843,912	600,000,000	2,247,843,912	-	-
1937	-	-	-	-	-	-	-	-	2,238,353,669	-	-	1,638,353,669	600,000,000	2,238,353,669	-	-
1938	-	-	-	-	-	-	-	-	2,227,765,102	-	-	1,627,765,102	600,000,000	2,227,765,102	-	-
1939	-	1,392,150,000	-	-	1,392,150,000	-	-	-	2,233,290,743	-	-	1,633,290,743	600,000,000	3,625,440,743	-	-
1940	-	7,780,450,000	-	-	7,780,450,000	-	-	-	2,221,245,005	-	-	1,621,245,005	600,000,000	10,001,695,005	-	-

* After 1918, the National Bank of the Kingdom of Serbia operated until January 31, 1920, after which the newly established National Bank of the Kingdom of Serbs, Croats and Slovenes continued its work.

1884–31.1.1920: instruments under 2b, 5, 6a did not enter the regular contingent of banknotes but a minimum coverage in gold and silver of 40% had to be provided.

1920–1930: instruments under 2b, 5, 6b did not enter the regular contingent of banknotes (all loans that the government could then legally use with the National Bank).

Table 9 Capital, profit and net profit of the National Bank in dinars (1884–1940)

	Paid up Capital	Number of paid shares	Interest coupon per share	Dividend per share	Profit (total income - total expenses)	Interest coupon paid to shareholders	Reserve fund	Employee rewards	Profit for the Government	Shareholder dividend supplement fund	Net profit (shown in the balance sheet)	Dividend paid to shareholders	Shareholder dividend supplement fund	Other reserve funds	The rest of the profit for transfer to the next year
1884	2,496,625	19,973	3.75	0.00	-1,515	-	-	-	-	-	-	-	-	-	-
1885	2,496,625	19,973	7.50	0.00	78,981	75,000	-	-	-	-	3,981	-	-	-	3,981
1886	2,499,750	19,998	7.50	0.00	254,526	225,000	-	-	-	-	29,526	-	-	-	29,526
1887	2,499,750	19,998	7.50	3.00	328,974	225,000	15,596	10,397	15,596	-	62,384	60,000	-	-	2,384
1888	2,499,750	19,998	7.50	7.50	402,444	150,000	37,867	25,244	37,867	-	153,851	150,000	-	-	3,851
1889	2,499,750	19,998	7.50	7.00	379,293	150,000	34,394	22,929	34,394	-	141,427	140,000	-	-	1,427
1890	2,499,750	19,998	7.50	12.00	549,863	150,000	59,980	39,986	59,980	-	241,345	240,000	-	-	1,345
1891	2,499,750	19,998	7.50	12.50	568,067	150,000	62,710	41,807	62,710	-	252,185	250,000	-	-	2,185
1892	2,499,750	19,998	7.50	15.00	650,732	150,000	75,110	50,073	75,110	-	302,625	300,000	-	-	2,625
1893	2,499,750	19,998	7.50	12.50	564,119	150,000	62,118	41,412	62,118	-	251,096	250,000	-	-	1,096
1894	2,499,750	19,998	7.50	11.00	517,346	150,000	55,102	36,735	55,102	-	221,504	220,000	-	-	1,504
1895	2,499,750	19,998	7.50	10.00	493,987	150,000	51,598	34,399	51,598	-	207,896	200,000	-	-	7,896
1896	3,777,650	20,000	9.45	10.00	514,299	189,000	48,795	32,530	48,795	-	203,075	200,000	-	-	3,075
1897	4,952,330	20,000	13.20	10.00	604,657	264,000	51,099	34,066	51,099	-	207,469	200,000	-	-	7,469
1898	4,952,330	20,000	15.00	10.00	635,926	300,000	50,389	33,593	50,389	-	209,025	200,000	-	-	9,025
1899	4,952,330	20,000	15.00	12.00	691,036	300,000	58,655	39,104	58,655	-	243,647	240,000	-	-	3,647
1900	4,952,330	20,000	15.00	12.00	700,623	300,000	60,093	40,062	60,093	-	244,021	240,000	-	-	4,021
1901	4,952,330	20,000	15.00	12.00	694,459	300,000	59,169	39,446	59,169	-	240,696	240,000	-	-	696
1902	4,952,330	20,000	15.00	12.00	704,893	300,000	60,734	40,489	60,734	-	243,632	240,000	-	-	3,632
1903	4,952,330	20,000	15.00	12.00	712,797	300,000	61,919	41,280	61,919	-	251,310	240,000	-	-	11,310
1904	4,952,330	20,000	15.00	12.00	684,740	300,000	57,711	38,474	57,711	-	242,154	240,000	-	-	2,154
1905	5,000,000	20,000	15.00	12.00	687,080	300,000	26,712	38,708	64,332	-	259,482	240,000	-	-	19,482
1906	5,000,000	20,000	15.00	12.00	672,089	300,000	-	37,209	66,976	40,000	247,386	240,000	-	-	7,386
1907	5,000,000	20,000	15.00	12.00	788,746	300,000	-	48,875	87,974	110,000	249,284	240,000	-	-	9,284
1908	7,500,000	20,000	18.75	12.00	1,018,098	375,000	96,465	64,310	144,697	-	346,910	240,000	100,000	-	6,910
1909	7,500,000	20,000	22.50	15.00	1,190,911	450,000	111,137	74,091	166,705	-	395,888	300,000	70,000	25,000	888
1910	7,500,000	20,000	22.50	15.00	993,501	450,000	81,525	54,350	122,288	-	286,226	300,000	-	-	-
1911	7,500,000	20,000	22.50	15.00	1,024,909	450,000	86,236	57,491	129,355	-	301,827	300,000	1,827	-	-
1912	9,142,735	20,000	24.45	15.00	1,219,758	489,000	109,614	73,076	164,421	-	383,648	300,000	83,648	-	-
1913	10,000,000	20,000	30.00	20.00	1,577,068	600,000	146,560	97,707	219,840	-	512,961	400,000	46,961	66,000	-
1914	10,000,000	20,000	30.00	0.00	1,190,514	600,000	-	-	-	-	590,514	-	-	-	590,514
1915	10,000,000	20,000	30.00	0.00	1,253,386	600,000	-	-	-	-	1,243,900	-	-	-	1,243,900
1916	10,000,000	20,000	30.00	0.00	1,369,359	600,000	-	-	-	-	2,013,259	-	-	-	2,013,259
1917	10,000,000	20,000	30.00	0.00	2,127,986	600,000	-	-	-	-	3,541,245	-	-	-	3,541,245
1918	10,000,000	20,000	30.00	14.00	1,674,880	600,000	-	-	-	-	4,616,125	-	-	-	4,616,125
1919	10,000,000	20,000	30.00	74.40	1,831,958	600,000	-	-	-	-	5,848,082	-	-	-	5,848,082
31.1.1920.*	10,000,000	20,000	-	-	1,712,280	-	-	-	-	-	7,560,362	-	-	-	7,560,362
1920	10,301,700	20,000	-	158.40	3,556,849	-	88,921	88,921	211,007	-	3,168,000	3,168,000	-	-	-
1921	13,084,400	21,178	-	277.50	16,508,480	-	825,424	990,509	8,815,529	-	5,877,019	5,877,019	-	-	-
1922	18,211,000	32,264	-	400	57,729,965	-	2,886,498	3,463,798	30,827,802	-	20,552,377	12,905,453	7,646,924	-	-
1923	22,148,000	41,437	-	500	70,633,472	-	-	4,238,008	39,837,278	-	26,558,186	20,718,749	5,839,437	-	-
1924	25,465,800	48,781	-	400	58,471,085	-	-	3,508,265	32,977,692	-	21,985,128	19,512,413	2,472,715	-	-
1925	28,229,100	54,445	-	400	63,154,480	-	-	3,789,269	35,619,127	-	23,746,084	21,778,149	1,967,935	-	-
1926	30,000,000	58,949	-	400	69,153,113	-	-	4,149,187	39,002,356	-	26,001,571	23,579,734	2,421,837	-	-
1927	30,000,000	60,000	-	400	75,131,545	-	-	4,507,893	42,374,192	-	28,249,461	24,000,000	4,249,461	-	-
1928	30,000,000	60,000	-	400	79,150,342	-	-	4,749,020	44,640,793	-	29,760,528	24,000,000	5,760,528	-	-
1929	30,000,000	60,000	-	400	75,063,844	-	-	4,503,831	42,336,008	-	28,224,005	24,000,000	3,224,005	1,000,000	-
1930	30,000,000	60,000	-	400	68,566,631	-	-	4,113,998	38,671,580	-	25,781,053	24,000,000	781,053	1,000,000	-
1931	180,000,000	60,000	-	400	45,205,031	-	2,260,252	-	25,799,443	-	24,064,071	24,000,000	64,071	-	-
1932	180,000,000	60,000	-	300	23,983,226	-	1,199,161	-	4,189,642	-	18,594,423	18,000,000	400,000	194,423	-
1933	180,000,000	60,000	-	300	26,238,865	-	2,311,943	-	4,932,499	-	18,994,423	18,000,000	700,000	294,423	-
1934	180,000,000	60,000	-	350	33,067,475	-	1,653,374	-	9,799,166	-	21,614,935	21,000,000	614,935	-	-
1935	180,000,000	60,000	-	350	33,681,675	-	1,684,084	-	10,178,434	-	21,819,157	21,000,000	819,157	-	-
1936	180,000,000	60,000	-	400	41,005,136	-	2,050,257	-	14,700,672	-	24,254,208	24,000,000	254,208	-	-
1937	180,000,000	60,000	-	400	56,511,632	-	17,500,000	-	14,737,561	-	24,274,071	24,000,000	274,071	-	-
1938	180,000,000	60,000	-	400	52,913,317	-	12,000,000	-	15,973,656	-	24,939,661	24,000,000	939,661	-	-
1939	180,000,000	60,000	-	400	52,708,842	-	10,000,000	-	17,263,446	-	25,445,397	24,000,000	1,445,397	-	-
1940	180,000,000	60,000	-	400	46,693,951	-	2,334,698	-	18,528,761	-	25,830,492	24,000,000	1,830,492	-	-

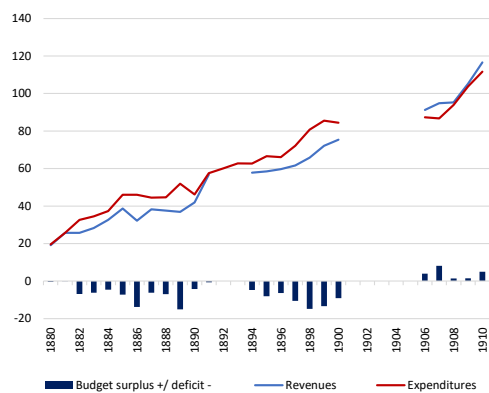
* After 1918, the National Bank of the Kingdom of Serbia operated until January 31, 1920, after which the newly established National Bank of the Kingdom of Serbs, Croats and Slovenes continued its work.

Table 10 Reserve and other funds of the National Bank in million dinars (1884–1940)

ASSETS	Reserve fund	Other reserve funds	Shareholders' dividend fund	Fund for bank's building amortization and equipment	Fund for building transhipment post	Fund for agriculture development	Fund for gold buying	Pension fund	LIABILITIES	Reserve fund	Other reserve funds	Shareholders' dividend fund	Fund for bank's building amortization and equipment	Fund for building transhipment post	Fund for agriculture development	Fund for gold buying	Pension fund	Fund for covering non-performing loans	
1884	-	-	-	-	-	-	-	-	1884	4,334	-	-	-	-	-	-	-	-	
1885	4,306	-	-	-	-	-	-	-	1885	4,334	-	-	-	-	-	-	-	-	
1886	4,141	-	-	-	-	-	-	-	1886	5,122	-	-	-	-	-	-	-	-	
1887	3,940	-	-	-	-	-	-	-	1887	20,834	-	-	-	-	-	-	-	-	
1888	22,080	6,375	-	-	-	-	-	6,375	1888	58,722	6,508	-	-	-	-	-	6,508	-	
1889	58,403	8,253	-	-	-	-	-	8,253	1889	93,146	12,713	-	-	-	-	-	12,713	-	
1890	100,468	22,571	-	-	-	-	-	22,571	1890	153,154	22,120	-	-	-	-	-	22,120	-	
1891	148,857	29,731	-	5,123	-	-	-	24,608	1891	216,106	37,508	-	8,152	-	-	-	29,356	-	
1892	206,502	42,043	-	10,056	-	-	-	31,986	1892	291,739	50,230	-	13,409	-	-	-	36,821	-	
1893	256,802	53,379	-	13,021	-	-	-	40,359	1893	354,215	181,421	-	43,824	-	-	-	84,627	52,971	
1894	374,772	118,129	-	47,419	-	-	-	70,709	1894	409,633	504,411	-	61,595	-	-	-	364,527	78,289	
1895	385,964	133,191	-	60,300	-	-	-	72,891	1895	461,663	625,893	-	70,156	-	-	-	474,710	81,027	
1896	461,074	160,366	-	75,717	-	-	-	84,650	1896	510,717	651,620	-	85,998	-	-	-	474,710	90,912	
1897	490,512	330,732	-	88,109	-	-	150,030	92,593	1897	562,003	780,337	-	99,518	-	-	-	582,634	98,185	
1898	540,015	565,653	-	102,238	-	-	365,060	98,355	1898	612,650	897,166	-	124,646	-	-	-	657,636	114,884	
1899	610,451	671,731	-	129,518	-	-	420,060	122,154	1899	671,675	1,056,319	-	183,370	-	-	-	735,249	137,700	
1900	677,836	727,547	-	189,200	-	-	392,070	146,277	1900	732,008	1,168,107	-	257,729	-	-	-	756,962	153,416	
1901	775,880	810,681	-	275,363	-	-	361,740	173,578	1901	791,714	1,260,849	-	298,089	-	-	-	776,961	185,799	
1902	985,045	914,236	-	351,987	-	23,388	313,860	225,002	1902	852,757	1,482,586	-	381,769	-	53,127	796,792	240,898	-	
1903	995,165	957,240	-	374,382	-	52,263	275,700	254,894	1903	915,213	1,575,201	-	396,919	-	100,887	796,792	280,603	-	
1904	1,102,914	1,067,235	-	409,905	-	107,653	242,580	307,097	1904	973,096	1,702,455	-	448,052	-	126,395	796,792	331,216	-	
1905	1,196,761	1,155,191	-	462,736	-	129,613	205,320	357,522	1905	1,000,000	1,806,994	-	496,702	-	147,887	796,792	365,613	-	
1906	1,261,174	1,231,181	-	514,857	-	152,744	163,650	399,930	1906	1,000,005	1,995,829	-	551,406	-	152,882	796,792	404,749	-	
1907	1,207,305	1,202,062	-	523,116	-	146,681	120,000	412,264	1907	1,000,221	2,489,284	-	570,876	540,000	-	166,819	796,792	444,796	-
1908	-	1,108,969	-	554,870	-	140,683	-	413,416	1908	96,483	1,668,901	-	577,054	540,000	-	141,099	-	410,749	-
1909	102,468	1,285,578	-	644,118	-	152,334	-	489,126	1909	207,771	1,967,166	100,000	685,748	540,000	-	152,750	-	488,668	-
1910	194,999	1,362,857	-	658,074	-	199,154	-	505,629	1910	289,400	2,166,634	170,000	740,912	540,000	-	198,391	-	517,330	-
1911	284,304	1,507,239	-	766,992	-	202,830	-	537,417	1911	375,828	2,236,841	156,226	791,662	540,000	-	201,433	-	547,521	-
1912	352,686	1,658,416	151,094	763,037	-	202,398	-	541,887	1912	486,770	2,433,722	145,269	762,816	540,000	-	193,987	-	541,651	250,000
1913	484,410	1,793,624	228,213	769,078	-	212,840	-	583,493	1913	633,711	2,591,970	234,377	789,242	540,000	-	187,897	-	590,453	250,000
1914	634,334	1,680,582	251,731	705,341	-	182,486	-	541,024	1914	705,012	2,356,853	377,467	725,752	540,000	-	167,573	-	546,060	-
1915	634,334	1,680,582	251,731	705,341	-	182,486	-	541,024	1915	705,012	2,438,343	392,047	765,594	540,000	-	167,573	-	573,128	-
1916	634,334	1,680,582	251,731	705,341	-	182,486	-	541,024	1916	705,012	2,518,465	406,627	805,436	540,000	-	167,573	-	598,828	-
1917	704,997	1,851,446	351,064	705,341	-	182,486	-	612,555	1917	705,012	2,602,649	424,273	844,271	540,000	-	167,573	-	626,532	-
1918	704,997	2,136,000	439,704	868,703	-	182,486	-	645,107	1918	705,012	2,716,259	453,703	894,596	540,000	-	167,573	-	660,387	-
1919	574,876	1,778,784	380,673	727,129	-	140,529	-	530,454	1919	705,012	2,328,425	422,231	638,757	540,000	-	133,907	-	593,529	-
31.1.1920*	520,250	1,629,246	344,500	661,206	-	137,790	-	485,750	31.1.1920*	705,012	3,993,840	386,059	2,379,243	540,000	-	131,168	-	557,370	-
1920	721,202	1,198,085	-	554,800	-	111,647	-	531,639	1920	815,207	3,653,484	-	2,381,277	556,295	-	108,983	-	606,929	-
1921	1,829,983	3,582,455	-	840,383	560,000	226,885	-	1,955,188	1921	1,837,280	18,862,314	-	3,510,843	706,547	-	187,567	13,159,494	1,297,864	-
1922	1,558,500	5,925,632	-	795,320	403,200	271,400	-	4,455,712	1922	4,930,055	43,998,928	-	5,150,322	865,799	-	247,683	34,009,614	3,725,510	-
1923	4,175,960	11,611,560	-	2,855,300	392,000	238,780	-	8,125,480	1923	5,310,795	73,141,161	7,643,674	7,227,029	1,106,397	-	394,621	49,135,662	7,633,777	-
1924	5,031,097	13,018,389	-	2,750,714	1,085,008	375,236	-	8,807,432	1924	5,832,822	97,164,571	13,485,596	9,591,635	1,335,965	-	441,741	63,468,558	8,841,076	-
1925	7,227,012	15,599,363	-	1,735,733	1,827,150	510,179	-	11,526,302	1925	7,282,025	120,817,870	15,958,311	15,521,799	1,835,637	-	513,967	75,406,014	11,582,142	-
1926	9,303,425	22,558,090	3,910,918	2,287,060	2,227,505	650,870	-	13,481,738	1926	9,323,726	136,230,504	19,317,932	16,057,833	2,262,408	-	652,895	83,055,870	14,883,566	-
1927	10,710,454	49,941,005	23,866,455	2,323,513	2,663,288	728,549	-	20,359,201	1927	10,738,886	148,331,574	23,712,046	17,872,431	2,664,164	-	723,379	83,055,870	20,303,683	-
1928	10,956,921	66,769,435	29,483,501	8,847,821	2,749,001	781,116	-	24,907,997	1928	11,237,442	162,962,327	29,869,522	21,354,755	2,851,945	-	781,711	83,055,870	25,048,523	-
1929	12,010,336	82,760,654	32,436,646	17,185,550	3,022,944	776,209	-	29,339,305	1929	12,010,575	179,536,193	37,684,825	25,642,462	3,023,642	-	777,663	83,055,870	29,351,731	-
1930	12,964,162	106,889,535	44,474,213	26,757,633	3,337,465	769,032	-	31,551,192	1930	12,964,099	194,124,785	44,620,761	30,743,954	3,384,462	-	772,049	83,055,870	31,547,688	-
1931	77,889,849	24,891,397	-	-	2,403,948	546,364	-	21,941,085	1931	82,782,195	26,639,681	-	1,185,461	2,539,474	-	548,316	-	22,366,431	-
1932	58,099,081	29,614,967	-	5,300,000	2,112,450	537,415	-	21,665,102	1932	73,839,593	30,373,822	64,071	5,757,484	2,288,882	-	549,618	-	21,713,767	-
1933	54,975,045	35,143,659	-	9,200,000	2,011,000	538,294	-	23,394,365	1933	84,345,917	37,291,585	464,071	10,381,239	2,389,009	-	559,036	-	23,498,230	-
1934	106,383,457	44,200,154	1,281,522	8,960,000	1,182,480	615,829	-	32,160,324	1934	112,397,131	52,680,468	1,345,561	16,010,872	2,466,019	-	645,840	-	32,212,177	-
1935	118,976,265	53,144,730	1,345,669	9,040,000	774,250	679,456	-	41,305,355	1935	133,263,345	68,848,166	2,151,699	22,035,999	2,540,779	-	710,434	-	41,409,255	-
1936	137,636,554	76,087,284	3,183,350	21,830,000	2,540,000	718,612	-	47,815,322	1936	153,512,147	77,813,677	3,301,739	23,198,493	2,604,561	-	755,917	-	47,952,967	-
1937	166,812,261	29,561,371	3,499,524	22,710,000	2,540,000	811,847	-	-	1937	199,370,222	33,940,241	4,098,941	26,274,087	2,711,735	-	855,479	-	-	-
1938	223,502,927	33,689,912	4,903,961	27,869,484	10,000	906,467	-	-	1938	236,722,670	37,484,092	4,928,795	28,874,970	2,783,503	-	896,824	-	-	-
1939	233,067,504	37,826,899	5,830,499	28,294,120	2,840,000	862,280	-	-	1939	247,739,710	39,664,682	5,914,381	30,004,717	2,871,341	-	874,244	-	-	-
1940	266,791,813																		

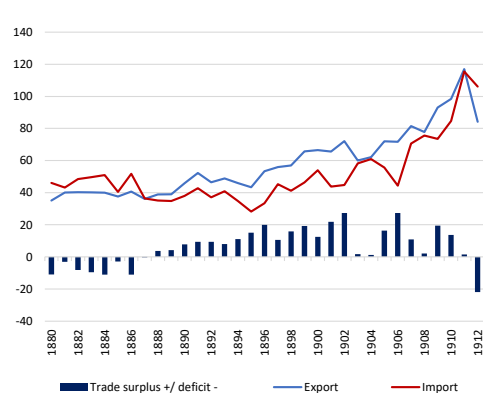
* After 1918, the National Bank of the Kingdom of Serbia operated until January 31, 1920, after which the newly established National Bank of the Kingdom of Serbs, Croats and Slovenes continued its work.

Chart 1 Budget of the Kingdom of Serbia 1880–1910 (in million dinars)



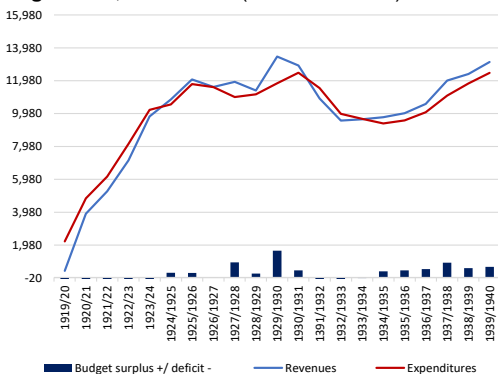
Source: Old government debts.

Chart 2 Foreign trade of the Kingdom of Serbia 1880–1912 (in million dinars)



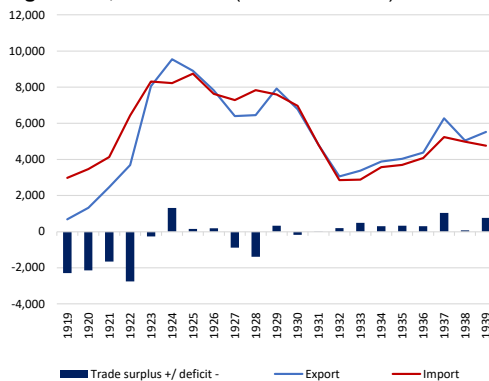
Source: Old government debts.

Chart 3 Budget of the Kingdom of SCS and Yugoslavia, 1919–1940 (in million dinars)



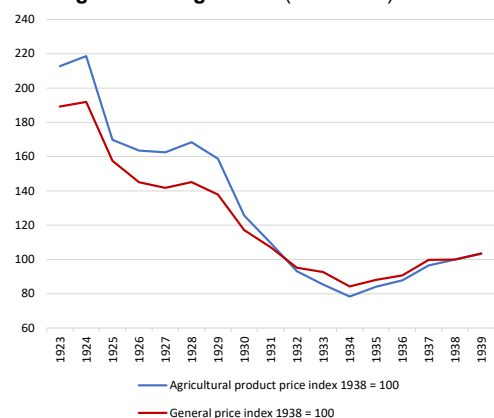
Source: Old government debts.

Chart 4 Foreign trade of the Kingdom of SCS and Yugoslavia, 1919–1939 (in million dinars)



Source: Old government debts.

Chart 5 Price indices in the Kingdom of SCS and the Kingdom of Yugoslavia (1938=100)



Source: Old government debts.

References

- Annual Reports of the National Bank of the Kingdom of Serbia 1884–1919.
- Annual Reports of the National Bank of the Kingdom of Serbs, Croats and Slovenes 1920–1928.
- Annual Reports of the National Bank of the Kingdom of Serbs, Croats and Slovenes 1920–1928.
- Annual Reports of the National Bank of the Kingdom of Yugoslavia 1929–1940.
- Annual Reports of the Belgrade Currency Exchange 1919–1940.
- National Bank 1884 – 1934, Institute for Manufacturing Banknotes and Coins – Topčider, Belgrade, 1935.
- Privileged National Bank of the Kingdom of Serbia 1884–1909, Belgrade, 1909.
- Law on the National Bank of the Kingdom of Serbs, Croats and Slovenes, Belgrade, 1921.
- Statutes of the National Bank of the Kingdom of Serbs, Croats and Slovenes, Belgrade, 1922.
- Law on the Money of the Kingdom of Yugoslavia, Belgrade, 1931.
- Law on the National Bank of the Kingdom of Yugoslavia, Belgrade, 1931.
- Amendments and Supplements to the Law on the National Bank of the Kingdom of Yugoslavia, Belgrade, 1940.
- Statistical Annual Reports of the Kingdom of Serbia.
- B. Hinić, Lj. Đurđević, M. Šojić, “Serbia/Yugoslavia: from 1884 to 1940”, 2014, South-Eastern European Monetary and Economics Statistics from the Nineteenth Century to World War II, National Bank of Serbia, Belgrade.
- B. Hinić, Lj. Đurđević, M. Šojić, “Monetary Conditions in the Kingdom of Serbia (1884–1914)”, 2009, National Bank of Serbia, Belgrade.
- V. Dugalić, A. Mitrović, D. Gnjatović, G. Hofman, I. Kovačević, 2004, “National Bank 1884–2004”, Jugoslovenski pregled (*Yugoslav Review*), Beograd.
- Dragana Gnjatović, “Old government debts: A contribution to economic and political history of Serbia and Yugoslavia 1862–1941”, 1991, Economics Institute, Jugoslovenski pregled, Belgrade.
- Dragana Gnjatović, “Principality of Serbia on the road to European monetary standards”, 2005, Serbian Banking Association, Belgrade.
- Željko Stojanović, “Banknotes of the National Bank 1884–2004”, 2004, Jugoslovenski pregled, Belgrade.
- Arthur I. Bloomfield, 1959, “Monetary policy under the international gold standard: 1880–1914”, Federal Reserve Bank of New York, New York.
- Lawrence H. Officer, “Gold Standard”, <https://eh.net/>.
- Virent Crettol and Patrick Halbeisen, “Monetary policy background to the gold transactions of the Swiss national bank in the Second World War”, Swiss National Bank, www.snb.ch.
- Banking and Monetary Statistics 1914 -1941, Federal Reserve Bank of St. Louis, <https://fraser.stlouisfed.org/>.
- Latin Monetary Union, Wikipedia.
- Gold standard, Wikipedia.