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NATIONAL BANK — OF GREECE



REPORT
FOR THE YEAR
1973

ATHENS, 1974

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OF GREECE**



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THE BANK'S INTERNATIONAL OPERATIONS

As a result of its consistent policy of expansion in foreign operations, the National Bank is now represented by 31 units established in 20 cities and towns in 9 countries. This impressive presence, which consolidates the Bank's position as a multi-national banking institution, is also made possible by the application of modern operational methods throughout the network. The main purpose of the foreign units is to serve the large Greek communities permanently settled abroad and the temporary emigrant workers, as well as shipping which is the major industry of the Greek economy with an international outlook; they also seek to promote close links between rapidly developing productive sectors at home and international capital and commodity markets.

In planning the expansion of its foreign operations the Bank takes particular care to ensure that its branches and affiliates are housed in attractive premises which meet modern functional needs. A programme for the purchase, construction and renovation of suitable buildings has already been put in hand. The Bank is constructing new premises of its own to house the Frankfurt branch and the Administration of the South African Bank of Athens in Johannesburg; it also owns the buildings where the London Head Office, the Rotterdam branch, the Astoria branch of the Atlantic Bank, and one of the Montreal branches of the Hellenic Canadian Trust are located.

The most important additions to the premises owned by the Bank, however, are the two multi-storey buildings in the United States which it acquired in 1973. One is the 16-storey building in one of the most central parts of New York which is the headquarters of the Atlantic Bank. This will form the base for the future expansion of banking services and will also provide accommodation for other Greek commercial and business interests. The other is the twelve-storey building which houses the new branch in Chicago.

At the same time that the Bank is expanding its international presence, it is also making systematic efforts to further improve organisation in its foreign network. The linking of the Frankfurt and Rotterdam branches with the Electronic Data Processing Centre in Athens is an example of progress in this sector.

Activity of the foreign network

The trend of operations abroad is obviously affected by the prevailing economic conditions and the policies, especially those in the credit sector, followed in the countries in which the Bank is established. The growth of these activities, however, is also dependent on other factors, notably the number of the branches operating in the areas concerned, improvements in organisation, the modernisation of units, and the choice of premises which will allow business to be conducted quickly and easily. The main factor, however, in the progress of foreign operations, taken as a whole, continues to be the Bank's own policy and activity in this field.

The trend of deposits and advances of its foreign branches and affiliates and the transfers of capital to Greece made through them are an indication of the success of the Bank's foreign activities.

The growth of deposits was striking. At the end of 1973 total deposits with branches abroad were almost double the 1972 figure and amounted to the equivalent of Dr. 10.1 thousand million. Deposits with affiliates stood at the equivalent of Dr. 7.6 thousand million. This is 43.4% higher than in 1972.

Total advances by the network amounted to the equivalent of Dr. 6.0 thousand million as compared with Dr. 3.4 thousand million in 1972, an increase of 75.7%. Advances by affiliates rose from Dr. 2.4 thousand million in 1972 to Dr. 3.7 thousand million.

The work of the foreign units in attracting and transferring savings to Greece is also significant, and makes an important contribution to the country's foreign exchange holdings. This is shown by the fact that during the year under review the Bank's share in the increase in the balance of foreign exchange deposits with all commercial banks was 72.0%. The balance of foreign currency deposits with the Bank at the end of 1973 was the equivalent of \$293m as compared with \$200m in 1972. It

should be borne in mind that the net inflow of foreign exchange through deposit accounts is much greater than the increase in the balance for the year, owing to the fact that a large proportion of this money is withdrawn in drachmae, thus finally augmenting the foreign exchange reserves of the country.

Branches abroad

In Great Britain, deposits with the London branches rose by approximately 170% from £48.6m in 1972 to £130.2m in 1973. There was also a big expansion in lending, and loans almost doubled from £34.9m in 1972 to £67.0m in the year under review. A large part of these credits went to Greek shipping firms.

In West Germany, thanks to the better organisation of the network of the local agents, there was an expansion in activities. Deposits with the Frankfurt branch (excluding deposits by banks) rose to DM25.8m in 1973 as compared with DM11.9m in the preceding year. The change in the composition of deposits was interesting. Time deposits accounted for some 40% of total deposits, as compared with 30% in the previous year. Advances more than doubled, rising to DM17.5m from DM8.6m in 1972.

The Frankfurt branch will shortly be moving into a new building owned by the Bank, which will make it easier for it to deal with the steadily growing volume of business.

In Frankfurt a special Investment Promotion Office was set up in 1973 to supply information to German businessmen about productive investments in Greece.

Finally, in January this year the Bank set up an Agency in Düsseldorf, designed to provide better service to the thousands of Greeks working in West Germany, especially in this highly industrialised area.

In Holland, the Rotterdam branch also made considerable headway as regards deposits and advances. Deposits at the end of the year amounted to Fl3.2m as compared with Fl1.1m in 1972, and advances totalled Fl1m as against Fl40,000 in 1972. The main object of the Rotterdam branch is to serve Greek workers in Holland and Belgium, as well as the Greek crews of ships arriving in this great European port.

Advances by the network in Cyprus increased to £C16.2m as compared with £C11.4m in 1972. The rise of 42% is remarkable, considering the credit restrictions imposed in October last. To maintain the growth of deposits it was thought appropriate to raise the interest rate on time deposits, the main form of savings deposits in Cyprus. This rate is fixed by agreement between the bank and the depositor, and has almost reached the level of the maximum permitted interest rate on advances, which is presently 9%. Despite these adverse conditions in the working of the banking system, the monetary authorities are maintaining the present high liquidity ratio for general economic reasons.

The Bank was represented in Australia for the first time when it opened a Representative Office in Sydney in June 1973. The Bank's presence in this big country, with its great development potential, will lend effective support to the diverse activities of the Greek community and will justify the hopes of increased cooperation between business circles in both countries.

Affiliates

In the United States the Atlantic Bank of New York reported increased activity in all sectors. Deposits rose to \$221m as compared with \$158m in 1972. The growth of time deposits, which rose by 58% to a total of \$82m in 1973, was particularly important.

Advances rose by 50% over 1972. Increased funds were made available to all sectors, namely, shipping, industry and trade, and the supply of consumer credit was adequate to meet the requirements of the Bank's customers.

As well as expanding its operations, Atlantic's Administration is making constant efforts to keep down operating costs. With this end in view it is applying modern technological methods and putting into practice a programme of staff training. Use of the new computer equipment which has now been installed is also bringing about a gradual improvement in banking operations. At the same time as its business is expanding, Atlantic Bank has also acquired the option to purchase the building which houses its Head Office. This will make possible further improvements in its services to customers.

To meet the growing demands of the Greek community in Chicago the National Bank has promoted its office there to branch status, and this is now housed in the 12-storey building purchased in November 1973.

The affiliate in Canada, Hellenic Canadian Trust, whose offices are in Montreal, opened its first branch office in October 1973. The Trust was set up in order to further chiefly the interests of the Greek community, to attract deposits, and to carry out certain other kinds of banking business, as well as to administer properties on behalf of third parties. By the end of 1973 it had accumulated deposits of the order of \$4.5m and made advances totalling \$2.5 million.

The South African affiliate, the South African Bank of Athens, increased its total deposits by 73% to R19.9 million. Despite the difficulties arising from the maintenance of a compulsory high liquidity ratio, its advances rose by 54% from R8.0m at the end of 1972 to R12.3m on 31 December 1973. Its intermediary services also expanded substantially.

During the past year the Cape Town branch moved into new offices in a modern building, and within this year the Administration and Head Office will be rehoused in the Bank's own central premises in Johannesburg.

THE BANK'S DOMESTIC CREDIT POLICY AND ACTIVITY

The Bank's credit operations during the year under review were conducted against a background of uneven development in the supply of and demand for credit. The needs of the economy for loans and advances were substantially greater as a result of the rise in economic activity and the increase in production costs and prices. Credit supply did not increase at the same rate, partly because of the slackening in the growth of deposits, but mainly because of the quantitative restrictions imposed on the credit expansion of the commercial banks. Here again the National Bank endeavoured to carry out its credit function with the sense of responsibility appropriate to the circumstances and to its place in the national economy.

As regards the credit resources available, domestic deposits of all kinds rose by Dr. 10.8 thousand million to a total of Dr. 87.9 thousand million at the end of the year. The largest increase of Dr. 6.8 thousand million was in private drachma deposits, of which Dr. 5.6 thousand million were savings deposits. Of the various savings deposits, time deposits recorded the fastest growth, rising by 11.5% during the year.

The most impressive rate of growth, however, was in foreign exchange deposits, which rose by 47.1%. In 1973 the balance of these deposits, expressed in drachmae, increased by Dr. 2.8 thousand million to a total equivalent to Dr. 8.8 thousand million, which is more than seven times the level of these deposits three years ago.

Credit expansion was adjusted to the quantitative restrictions imposed and as a result the total balance of advances during the year rose by Dr. 6,042m, as compared with an increase of Dr. 7,245m in the previous year.

The fastest rate of expansion was seen in medium and long-term credits, which rose by 14.3%. Their share in the total balance of advances is rising steadily, and now amounts to some 24.2%. New loans for fixed asset formation, including share capital taken up by the Bank, amounted to Dr. 3,269m in 1973.

Short-term advances followed a more conservative rate of growth. With the exception of credits for exports of manufactured products, which receive preferential treatment and thus rise more rapidly, the total balance of the Bank's other short-term loans rose by 7% as compared with 10.1% in 1972 and 10.2% in 1971.

Financing of industry

The increase in the Bank's advances to industry did not exceed Dr. 3,131m or 10.3%, as compared with Dr. 4,213m or 16.1% in 1972.

More than half the increase, namely Dr. 1,855m, is due to short-term loans for exports of industrial products which have a high rate of circulation. The respective outstanding balance on 31 December 1973 was Dr. 6.4 thousand million, an increase of 41.2% during the year as compared with 38.3% in 1972. Credits in this category accounted for 30% of the total balance of industrial loans for working capital, as compared with 23% in 1972 and 19% in 1971.

Of the remaining categories of short-term industrial advances, loans for working capital fell for the first time in several years (by—0.6%), whilst discounts rose by 9.6%. As a consequence the average expansion in the total of these advances finally reached no more than 1.6%.

Loans for fixed industrial assets rose at higher than the average rate (14.5%), and their share in the total financing of the sector increased from 21.8% in 1972 to 22.6% in 1973. New long-term loans for fixed asset formation, and funds provided by the Bank as participation in increases in share capital of industrial firms totalled Dr. 2,685m, which represents 81% of the corresponding credits and capital participation of all commercial banks. During the year the Bank approved the financing of 223 investment projects amounting in all to Dr. 5.2 thousand million, as compared with 218 projects in the amount of Dr. 2.5 thousand million in 1972. Nearly half the 1973 investment projects concerned expansion plans or the setting up of new enterprises with export potential.

It is of course well known that the National Bank extensively finances firms which produce export commodities, particularly those with a high value added percentage, and covers most of the credit needs of these firms. Examples are textiles, canning, chemical products, non-metallic minerals,

basic metallurgical products, electrical machinery, and others. These branches registered a high level of productive activity in 1973, both in response to domestic demand and in order to increase their exports.

The Bank's interest in promoting industrialisation also extends to the provision of credit to the workshop sector to assist it in improving its organisation and technological structure and widening the range of its activities. In 1973 the Bank financed a further 3,054 workshop enterprises, and the balance of credits to the sector rose by 14.7% over the 1972 figure to a total of Dr. 3.7 thousand million. Moreover, during the year the Bank approved the financing of 479 investment projects for workshop units and granted new medium and long-term loans for fixed assets and working capital amounting to Dr. 454m as compared with Dr. 265m in 1972.

Financing of other activities

The financing of trade rose by Dr. 1.6 thousand million in 1973. Of this, Dr. 737m covered advances to the tobacco trade. The substantial increase in the outstanding balance of these credits is connected with the slowing down in the repayment of loans due to delays in exports of tobacco.

The balance of advances to the export trade increased by 7.4% as compared with 34.2% in the previous year, and amounted to Dr. 1.4 thousand million. It should be noted here that the scale of financing of export trade by the Bank was much higher than that indicated by the balance outstanding on 31 December 1973. This is shown by the total debits of the accounts for the main agricultural products, which rose to Dr. 4.5 thousand million within the year as compared with Dr. 3.0 thousand million in 1972.

Advances to the home trade rose at a very conservative rate, with an increase of 2.8% in their balance in 1973. There was however a striking increase in the balance of loans to import trade, amounting to Dr. 588m or 86.6%. This is attributable to the higher level of food imports required to meet shortages in the domestic market.

The Bank engaged in a wide range of activities on behalf of the Greek merchant fleet during the past year. Through its branches in Greece and the main international shipping centres, especially its offices specialising in shipping operations, and through its affiliates in other countries, the Bank

assisted shipowners by providing credit for working capital, shipbuilding, and ship conversion, repair and purchase of vessels. It also issued letters of guarantee and made loans to Greek ship-repair yards to enable them to carry out investment plans.

On 31 December 1973 the total balance of credits and guarantees to the shipping sector, in drachmae and foreign currency, amounted to the equivalent of Dr. 6.1 thousand million, as compared with Dr. 5.3 thousand million at the end of 1972. The credit facilities provided by the Bank enabled 66 new and secondhand vessels, of a total value of \$227m, to be added to the Greek merchant fleet in 1973.

The effort undertaken by the Bank to mobilise capital on a larger scale from the international capital market in the form of syndicated loans is a typical instance of its desire to assist the merchant fleet to the fullest possible extent. The international standing of the National Bank has enabled it to secure the collaboration of big foreign credit institutions in the joint financing of Greek shipowning firms. During the year under review two loans of this type were made of a total value of \$61 million. The Bank's share in this was \$13.5 million.

The Bank's contribution to the development of the capital market

The conditions which prevailed in the credit market in 1973 made it even more essential to raise capital from outside the banking system.

During the past year the Bank continued its policy of facilitating recourse by business firms to the capital market. In cooperation with the National Investment Bank for Industrial Development and the Hellenic Industrial Development Bank, the Bank undertook to underwrite two bond loans issued for public subscription by Aluminium de Grèce S.A., one of which was convertible into shares. This issue found a ready response among the public and was fully subscribed.

The Bank also took part in the formation of the «DELOS» Mutual Fund set up by «DIETHNIKI» Mutual Fund Management Company S.A. The Bank made a substantial contribution to this Fund by strengthening its portfolio with shares of sound and active companies. It also acts as trustee of the assets of the Mutual Fund, and disposes of shares of the Fund through its network of branches in Greece. The Fund has per-

formed very satisfactorily to date. On 31 December 1973 there were 599,000 of its units in circulation. The net value per unit was Dr. 587.31, an increase of 17.5% in nine months from the start of the scheme.

The Bank also contributed towards increasing the supply of securities through its decision, taken jointly with the foreign shareholders, to offer to the public the whole of the preference shares in the National Investment Bank for Industrial Development. These shares were ultimately sold over the counters of the Bank, and were later introduced on the Stock Exchange.

MODERNISATION OF OPERATING METHODS AND PREMISES

The steady growth of the Bank's business in Greece and abroad is closely linked with the modernisation of operating methods and the parallel efforts made to renovate its installations. Considerable progress was made in both fields in 1973.

Modern banking premises

The modernisation of the banking premises and installations in general is one of the most characteristic and evident signs of the change in the Bank's traditional image. The programme covers the construction of new buildings as well as extensive renovation of existing premises, either owned or rented, in which the branch units are operating. The policy of constructing modern office buildings is dictated not by any aesthetic considerations but by the increasing needs of business.

In 1973 three new buildings were completed on land owned by the Bank to house the branches at Navarinou Street (Piraeus), in Nea Moudania and Nemea; another two buildings will be completed by next month, designed to accommodate the offices at 288, Patission Street (Athens) and in Lavrion. Furthermore, the premises of 4 branches were renovated in the past year.

Four new buildings are now under construction for the branches in Kallithea (Athens), Patras (Gounari Street), Lamia and Nigrita, and renovation of the units in Castella (Piraeus), Rethymnon and Almyros is continuing. The construction of nine office buildings and the rearrangement of another 46 branch premises will be put in hand this year.

To continue its building programme the Bank purchased 11 sites in the Athens area and the provinces during the year under review. These are intended to provide new premises or for the rehousing or expansion of units of the domestic network.

Special mention should be made in this context of the decision to rebuild the part of the block contained by G. Stavrou Street, Eolou Street and Sophocleous Street, which now houses the Central Administration and

Head Office. The new complex of buildings will be comparable to the best recent examples of premises of big banks in other parts of the world.

As already stated, the original building, one of the most beautiful examples of the neo-classical style in Athens, will be preserved, because of its importance and its symbolic and monumental value. In embodying it in the new layout, its aesthetic and organic independence will be fully safeguarded by interposing between it and the new buildings an extensive open area, laid out in classical garden style.

The procedure for the completion of this vast scheme, which will be carried out in stages, is now being systematically promoted under the supervision of a special coordinating committee. The old buildings have now been demolished and a preliminary architectural study for the whole group of buildings has been completed, covering the layout, form and general structure. The final foundation data have been determined and work is proceeding on the preparation of the final study.

This year's building programme also provides for construction to be started of a multi-storey building for purely banking purposes, on the site owned by the Bank at the corner of Eleftheriou Venizelou and Vassilissis Sofias Avenues. The foundation stone for this building has just been laid. The new premises will house a branch of the Bank on the ground floor, and various banking departments on the upper storeys. The final study and detailed plans as well as special studies are now in preparation.

The construction and technical equipment of the new premises will be to the highest standards; particular attention will be paid to the aesthetic appearance of the building to be put up in the heart of Athens, and every care will be taken to harmonise it with its surroundings. In order to meet present and future needs, the interior is being designed to provide a completely flexible layout. This system will also be used in the new Head Office block on Eolou Street by means of movable but strong and fully soundproofed partitions.

To enable building activity to be stepped up, the Bank has completely reorganised its Technical Services to meet the greatly increased demands of the present day in the sectors of evaluation, planning, preparation of studies, work execution and maintenance, etc.

Growing use of electronic equipment

Side by side with the renovation of the premises, there is increasing use of the latest type of data processing equipment, which is playing a decisive part in modernisation and further development. The rapid progress made in this sector assures a prominent position to the Bank even by international standards.

Towards the end of 1973 the Bank put into operation two powerful electronic computer systems which replaced earlier models installed only three years ago. The main features of the new computers are their high speed in working out calculations and recording and transmitting data, and their very large memory capacity. This is extended on magnetic files permitting immediate access to the information recorded on them. In addition to the central installation the equipment also comprises 29 regional units with a very advanced internal mechanism which allows them to carry out simultaneously a series of different operations.

The sophisticated electronic equipment which the Bank has recently acquired sets the pace for the internal working of the Bank and enables it to handle the steadily growing volume of business under the best possible conditions. It also gives the Bank the opportunity of launching out into new fields of activity.

The Data Processing Centre now serves the whole of the domestic branch network of 287 units in practically the entire range of daily business transacted between branches and customers, and among the branches themselves. Some units of the foreign network also make use of the computer facilities. Data processing, which ensures speed and absolute accuracy, is instrumental in improving productivity, with favourable effects on cost, and extends the range of services offered by the Bank to its customers.

Computer services are also available to the companies controlled by the Bank. The basic operations of its affiliated organisations National Management and Organisation S.A. and «DIETHNIKI» Mutual Fund Management Company S.A. are now computerised.

An example of the growing use of data processing services by the Bank is the fact that the number of customer accounts processed in December 1973 amounted to 2,150,000, an increase of 9.2% over the figure of

1,970,000 for the corresponding month in 1972. Furthermore, during the past year the number of vouchers processed daily reached an average of 181,000, and more than 250,000 cheques were issued every month in payment of pensions for account of public legal entities.

Staff Training Programme

Despite the wide use of electronic computers and other modern machinery, the increase in productivity as well as the improvement of the banking services offered to customers still depend basically on the level of knowledge and vocational training of the staff.

Continuous efforts are therefore being made to raise professional and educational standards. The training programmes include a number of seminars on banking matters, training in specific methods and procedures, further training of key staff for appointment to units abroad, and assistance to members of the staff for study at higher educational establishments or foreign language institutes.

The training programme last year included 84 seminars of a total duration of 1,600 hours, which were attended by 1,080 employees. Training courses lasting for a total of 670 hours, and attended by 290 employees, were also organised for training specialised staff to be employed in the Data Processing Centre.

Special tutorial classes at the Staff Training School were also arranged for newly-engaged staff or for those taking part in competitive promotion examinations. These classes were of a total duration of 1,140 hours, and were attended by 770 employees.

In addition to the Bank's own training programme, 200 executives took part in seminars organised by outside bodies, and another 44 attended postgraduate courses at the Graduate School of Economics and Business Sciences. The Bank assisted 250 members of the staff to learn foreign languages and sent 14 abroad for special training in various subjects.

New administrative structure

In the sector of administrative reorganisation the efforts aimed at simplifying the operations of the central services were continued last year by the merging of homogeneous services and the separation of heterogeneous ones. New regulations were also put into effect defining the respon

sibilities and organisational structure of 11 Departments and Sub-Departments of the Administration.

Considerable progress was also made in the direction of administrative decentralisation. In November last the regulations relating to the responsibilities of regional managers were put into effect, and the setting up of the special decentralisation mechanism was thus technically completed. Side by side with this process, substantial procedural improvements are gradually being made in the operating methods of these administrative units, which recorded considerable activity in 1973.

The new administrative structure makes for more effective administration and improved service. The delegation of a wide range of powers to the regional administrative units means that decisions can be taken and implemented without delay, and makes it possible to solve quickly and more successfully the problems that arise each time. In the sector of advances, particularly, the system ensures that each application is evaluated more accurately and that the credit procedure is appreciably shortened.

Modernisation of banking business

The progress made in the organisational and technological fields, combined with rising professional standards of the staff, have created the proper infrastructure for further improvements in the Bank's operating mechanism. The most important of these improvements are the adoption of more advanced systems, the introduction of modern methods in carrying out classical banking operations, and the provision of new services.

The most striking development in the past year was the introduction of the On-Line Real Time Processing System which provides a direct link between the counters at branch units and the central computer. Whilst the transaction is actually taking place, the details are passed through special terminals to the central computer, which in a few seconds checks them, makes the necessary calculations, brings the client's account up to date, and immediately afterwards gives the counter the information required to complete the transaction. The basic advantages of this system, which heralds a new epoch in banking methods, are that it replaces the card system by electronic equipment, simplifies the procedure, reduces the time required to the minimum and increases safety. The National Bank

is the first credit institution in Greece to adopt the direct link system, and has been using the new method since November last on savings deposits at Head Office, thus serving more than 120,000 deposit accounts. The system will gradually be extended to other operations and to other units in the network, the basic criteria being the volume of business and the degree of functional improvement which is expected to result from its use in each case.

The direct link system will also be used to speed up the transmission of information on the progress of operations from the network to the central services. Teletransmission of these data will assist the Administration in taking decisions, exercising control and formulating the Bank's general policy.

Another element in operational modernisation is the introduction of new and improved methods of conducting classical banking business. These methods are free from undue bureaucratic formalities and are rapid and comprehensive; they simplify the procedures and substantially improve the conditions in which operations are carried out.

The new operating methods were extended to 19 branches in 1973, and to a further 7 in the early part of this year. In 82 of the most important branches, where some 40% of the Bank's business is done, customers are now served in a simple, rapid and effective way in almost the whole range of normal transactions.

Lastly, it should be noted that the Bank is following the policy of the world's largest credit institutions by offering an increasing variety of services to a wider public. Consumers, pensioners, seamen and other categories of customers who in the past never came near the bank counter are now being given excellent service, made possible by the streamlining of the Bank's mechanism.

Consumer credit, credit card, payment of salaries to employees of large corporations and public departments, and payments of pensions to persons insured with funds which cooperate with the Bank, are typical instances of the policy of providing new services. It should be pointed out that these new services involve a large number of transactions, usually of small amount and with a very low return. Because of these special features it would be uneconomic to handle them by conventional methods, even under the most favourable conditions.

GENERAL REMARKS ON THE YEAR'S OPERATIONS AND FINANCIAL RESULTS

There was a substantial increase in the Bank's operations during the year under review. This is reflected in the Balance Sheet total of Dr. 149,106m including contra accounts, an increase of Dr. 22,723m over the previous year's total of Dr. 126,383m.

Trends in the main accounts were as follows:

A S S E T S

AVAILABILITIES

Total availabilities at the end of 1973 amounted to Dr. 34,656m as compared with Dr. 28,513m in 1972, namely, a rise of Dr. 6,143 million. Of the increase Dr. 5,038m was accounted for by Treasury bills in the Bank's portfolio, Dr. 675m by obligatory deposits with the Bank of Greece, and Dr. 2,041m by the Bank's availabilities abroad. Free availabilities in cash, cheques and sight deposits with the Bank of Greece, on the other hand, fell by Dr. 1,611 million.

LOANS AND ADVANCES

Loans and advances rose in 1973 by Dr. 8,644m or 15.6% as compared with Dr. 8,369m or 17.8% in 1972, and amounted to Dr. 63,936m on 31 December 1973 as compared with Dr. 55,292m on the same date of 1972. Domestic advances accounted for the greater part of the increase, namely, Dr. 6,065m, of which Dr. 3,758m went to industry and workshops, whilst credits to trade and artisans rose by Dr. 2,307 million. There was also a very marked expansion in lending by the Bank's foreign branches, which rose by the equivalent of Dr. 2,579m as compared with Dr. 1,331m in 1972 and Dr. 457m in 1971.

The increase in domestic and foreign lending between 1972 and 1973, based on annual average levels, amounted to 20.3% as compared with 18.3% between 1971 and 1972.

INVESTMENTS

Portfolio of securities - Participations

On 31 December 1973 the book value of the securities in the Bank's portfolio was Dr. 9,402.9m as compared with Dr. 8,401.5m on 31 December 1972. The increase during the past year therefore amounted to Dr. 701.4m or 8.4%. Of the increase Dr. 121.6m was accounted for by investment in National Loan bonds, Dr. 500m by the purchase of the whole of the bond loan issue of the National Investment Bank for Industrial Development (N.I.B.I.D.), Dr. 234m by participation in the capital increase of various companies, Dr. 276.4m by the acquisition of bank and company shares following capitalisation of their reserves or revaluation of assets, Dr. 25.0m by the purchase of shares in the «DELOS» Mutual Fund, and Dr. 138.2m by other minor changes. On the other hand, the book value of securities was reduced by Dr. 24.2m from compulsory sale of bank shares pursuant to L.D. 1315 /72, Dr. 85.0m from sale of preference shares of N.I.B.I.D., Dr. 48.7m from sale of stock of various companies, Dr. 214.0m from redemption of Cyprus Government interest bearing bills, whilst Dr. 221.9m represent bonds drawn for repayment. It should also be noted that capital gains of Dr. 358.1m were realised on these sales. This amount was transferred to the special tax-free reserves pursuant to E.L. 148 /67.

Real Estate

The balance of the real estate account rose in 1973 by Dr. 430.6 million. The breakdown of this sum is as follows:

Purchases of real estate for branch offices	Dr. 89.4m
Foreign branches	» 41.2m
Cost of construction of new branch premises	» 41.2m
Purchase of additional real estate	» 280.1m
Improvements and additions to branch offices and real estate, payment of taxes, and compensations	» 24.9m
Real estate acquired at auctions	» 12.1m
Profit on real estate sold	» 7.9m
Total	Dr. 496.8m

Less :

Sales of branch offices	Dr.	3.4m
Sales of real estate	»	13.0m
Cancellation of auction	»	10.4m
Depreciation	»	39.4m
		<hr/>
Total	Dr.	66.2m
		<hr/>
Net increase	Dr.	430.6m
		<hr/>

As the above analysis shows, the increase in the balance of this account is attributable chiefly to purchases of new real estate.

Fixtures and Fittings

The balance of the Establishment Expenses Account in 1973 was Dr. 21.8m higher than the figure shown at the end of 1972. Details are as follows :

Purchases of machinery and mechanical equipment	Dr.	21.0m
Purchases of furniture and fixtures	»	38.7m
Purchases of motor vehicles	»	6.3m
		<hr/>
Total	Dr.	66.0m
		<hr/>
Less :		
Depreciation	Dr.	44.0m
Furniture and fixtures for foreign branches	»	0.2m
		<hr/>
Total	Dr.	44.2m
		<hr/>
Net Increase	Dr.	21.8m
		<hr/>

LIABILITIES

CAPITAL

The Bank's total capital on 31 December 1973 amounted to Dr. 8,255.7 million as compared with Dr. 7,376.1m at the end of 1972, having risen by Dr. 879.6m as a result of an equivalent increase in the reserves. In particular, Ordinary Reserve was increased by Dr. 120m, Extraordinary Reserve by Dr. 125m and Special Reserves by Dr. 634.6m from capital gains in securities sold, and the acquisition of shares resulting from capitalisation of reserves or revaluation of assets of various companies.

DEPOSITS

Total deposits on 31 December 1973 were Dr. 97,981m as compared with Dr. 82,963m on 31 December 1972. This was an increase of Dr. 15,018m or 18.1% as compared with Dr. 17,270m or 26.3% in the previous year.

In particular, domestic deposits in drachmae and foreign exchange rose by Dr. 10,745m or 13.9% as compared with Dr. 15,338m or 24.8% in 1972. The share in the increase of private savings deposits in drachmae was Dr. 5,611m as compared with Dr. 11,314m in 1972. A very substantial growth was recorded in domestic foreign exchange deposits during the past year; these rose by the equivalent of Dr. 2,814m as compared with Dr. 2,483m in 1972 and Dr. 2,344m in 1971. These deposits thus accounted for 10% of total domestic deposits in 1973, as compared with 7.8% in 1972 and 5.7% in 1971. Special mention should be made of the growth of deposits with the Bank's foreign branches, which amounted to the equivalent of Dr. 4,274m last year as compared with Dr. 1,932m in 1972. The impressive rise in deposits abroad clearly illustrates the intensification of the Bank's activities in the international sphere.

The expansion in the volume of deposits was matched by an increase in the number of deposit accounts. On 31 December 1973 these numbered 2,013,000, an increase of 143,000 during the year.

Financial results

Gross earnings, after deduction of interest payable, turnover tax and stamp duty, amounted to Dr. 3,751.4m during the year under review as compared with Dr. 3,060.9m in 1972. An increase in earnings of Dr. 690.5m was thus registered in 1973, as compared with Dr. 397.3m in the previous year.

Expenditure in 1973 amounted to Dr. 2,014.3m as compared with Dr. 1,576.4m in the previous year, an increase of Dr. 437.9m as against 240.8m in 1972. The higher level of expenditure is due mainly to higher payroll resulting from salary increases and the appointment of additional staff to meet urgent requirements. A further important expansionary element in expenditure was the continued effort for the modernisation and further expansion of operations.

The following is a breakdown of expenditure, in million drachmae, for the past year and the year 1972:

	<u>1973</u>	<u>1972</u>
Payroll and fees to third parties	1,186.1	939.5
Contributions to staff insurance funds (not including the special contribution of Dr. 50m made in each year)	296.0	242.1
General expenses and contributions to Social Insurance Fund (I.K.A.)	486.5	369.2
Taxes	45.7	25.6
T o t a l	<u>2,014.3</u>	<u>1,576.4</u>

Profits for 1973, before depreciation, amount to Dr. 1,737.1m, and are Dr. 252.6m higher than in the previous year; this compares with an increase of Dr. 156.5m in 1972.

From this sum the following appropriations were made :

(a) Extraordinary contribution to Staff Pension Funds under Law 3662 /57	Dr.	50.0m
(b) Depreciation of real estate and fixtures	»	83.4m
(c) Provision for depreciation of assets	»	475.0m
(d) Special provision for outstanding debts	»	46.3m
(e) To special reserve (Em. Law 148 /1967)	»	358.1m
T o t a l	Dr.	<u>1,012.8m</u>

The provision of Dr. 475.0m, which is within the legal limit, is intended to cover possible devaluation of assets.

After deducting these appropriations, the balance of profit available for distribution amounts to Dr. 724.3m, plus the balance brought forward from 1972, making a total of Dr. 740.1m. The following distribution, is recommended in accordance with the Articles of Association :

To Ordinary Reserve	Dr. 120.0m	
To Extraordinary Reserve	» 125.0m	Dr. 245.0m
Provision for income tax		» 50.0m
6% dividend on 2,241,300. shares, at Dr. 43.50 per share	Dr. 97.5m	
Additional dividend of Dr. 148.50 per share	» 332.8m	» 430.3m
Directors' fees		» 6.7m
Balance carried forward		» 8.1m
	T o t a l	Dr. 740.1m

By decision of the Board the amount of Dr. 2,765,552, representing 41.7% of the Directors' fees, will be donated to social welfare institutions.

Staff

The growth of the Bank's operations, and the need to fill vacancies caused by retirement of staff, made further staff recruitment essential during the past year. A total of 913 new employees were appointed in 1973, of whom 636 were clerical staff, 24 specialists, 101 messengers and 152 cleaners, workmen and other auxiliary personnel. Of the 241 members who left during the year 179 were clerical staff, 6 specialists, 23 messengers and 33 cleaners and other auxiliary personnel. As a result of these changes the total staff on 31 December 1973 numbered 8,663 persons, as compared with 7,991 at the end of 1972, an increase of 672 employees in all categories.

Despite the growing use of modern electronic equipment and the simplification of procedures, the Bank could not achieve its aims without the unremitting diligence and zeal of the staff.

In its turn the Bank has endeavoured to improve the financial position of its employees and solve some of their long-standing problems.

In the first place, it should be noted that two salary increases were awarded during the past year. The Bank also gave financial assistance to staff in lower grades by the payment from August 1973 of a special allowance ranging from Dr. 400 to Dr. 1,000 per month. Total expenditure on this allowance amounted to Dr. 17.3m in 1973. The salaries of staff seconded

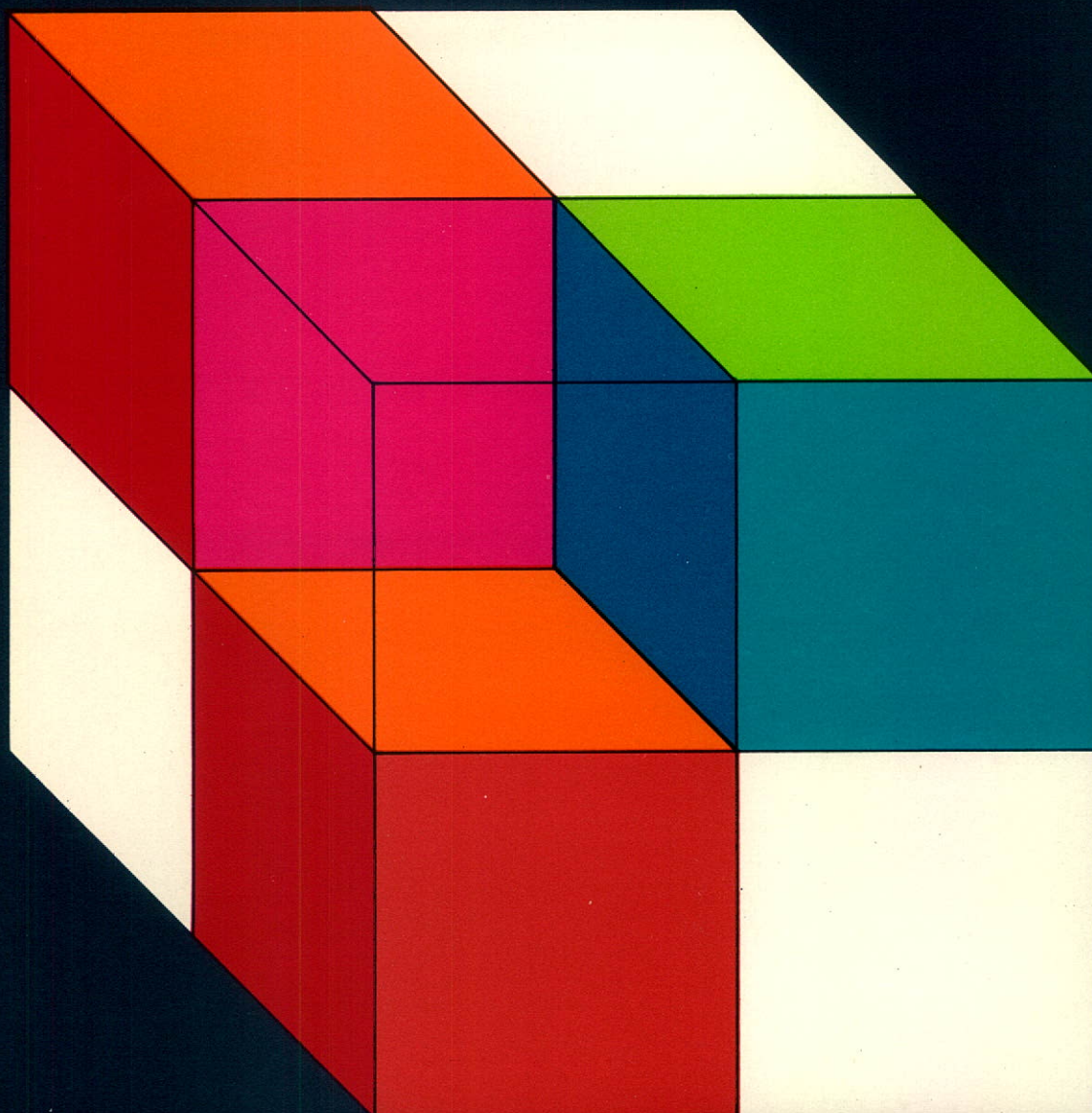
to branch offices or affiliated institutions abroad were also increased by approximately 25% from April 1973.

From September 1973, the payment of long-service bonuses, family allowances, children's allowances, and of the increase awarded under decision No. 40/1973 by the First Arbitration Tribunal to established members of the staff, was also extended to staff in the technical branch; at the same time their salary scale was also improved. Further, a special extraordinary bonus was paid to branch staff working in tourist areas, the allowances paid to computer operators were increased, overtime payments were stepped up for staff in the cashier's and technical departments, and payment of a 5% bonus to staff who have completed a 5-year service was introduced.

Apart from purely financial questions, steps were also taken to ensure that promotions were effected in good time and to put on a permanent basis 178 persons who were previously on contract.

Finally, a most important development in favour of the Bank's employees was the decision to assimilate their salaries to those of the personnel of the Central Bank.

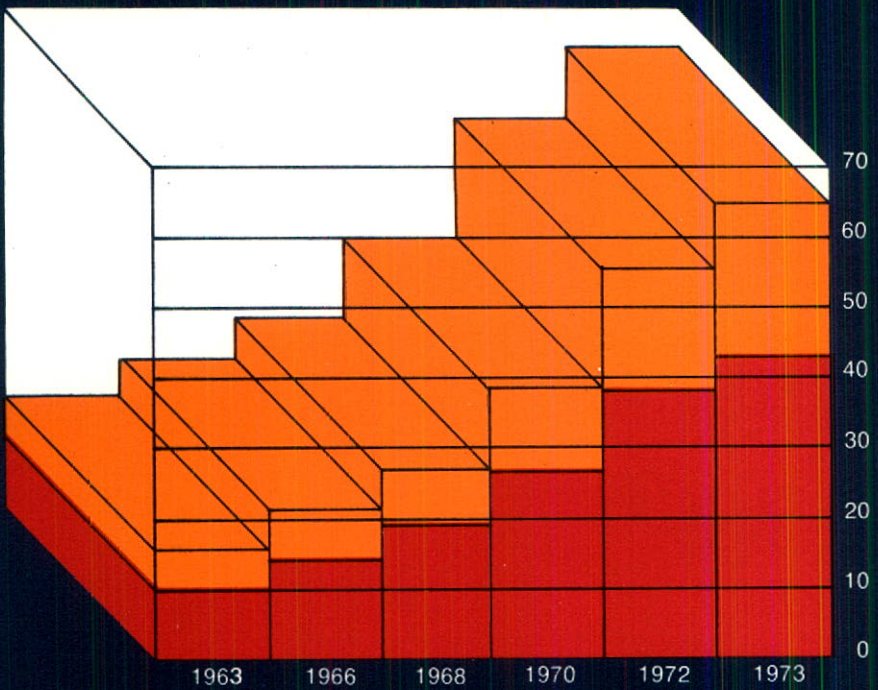
1963·1973
NATIONAL BANK
OF GREECE
BALANCE SHEET ITEMS



LOANS AND ADVANCES

('000 Million drachmae)

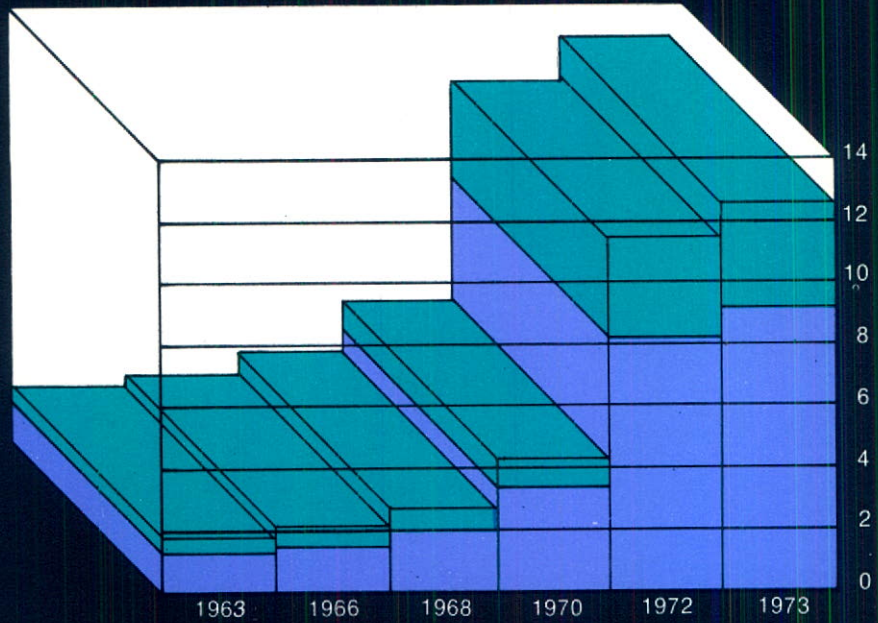
- Total
- To Commerce and Tradesmen
- To Industry and Workshops



INVESTMENTS

('000 Million drachmae)

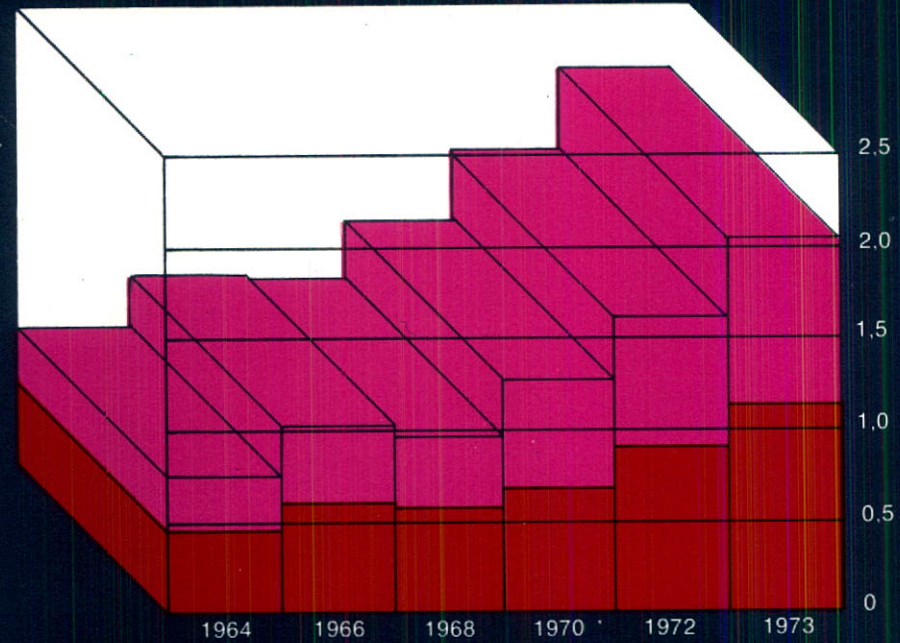
- Total
- Real Estate and Premises
- Portfolio of Securities



GENERAL EXPENSES

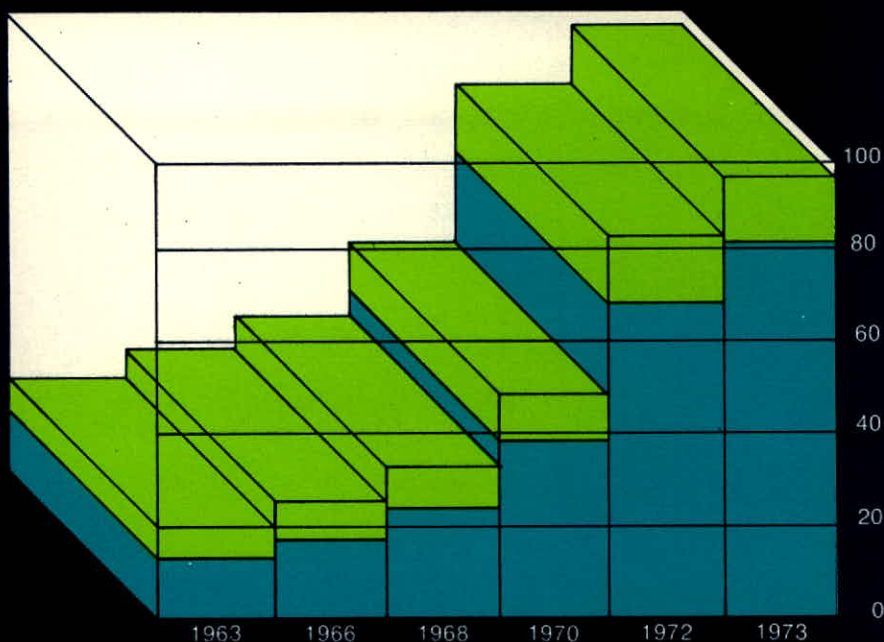
('000 Million drachmae)

- Total
- Other expenses
- Staff Payroll



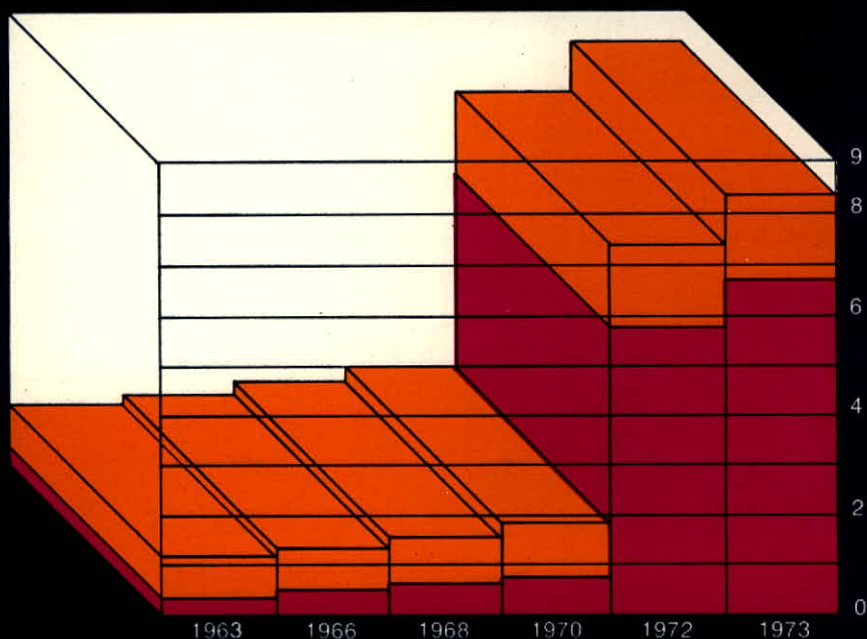
DEPOSITS

('000 Million drachmae)



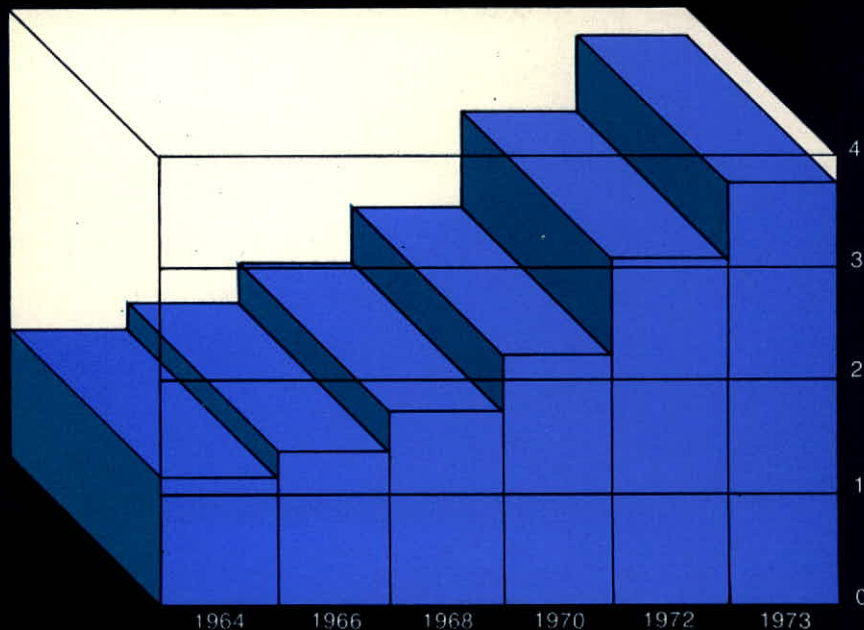
CAPITAL

('000 Million drachmae)



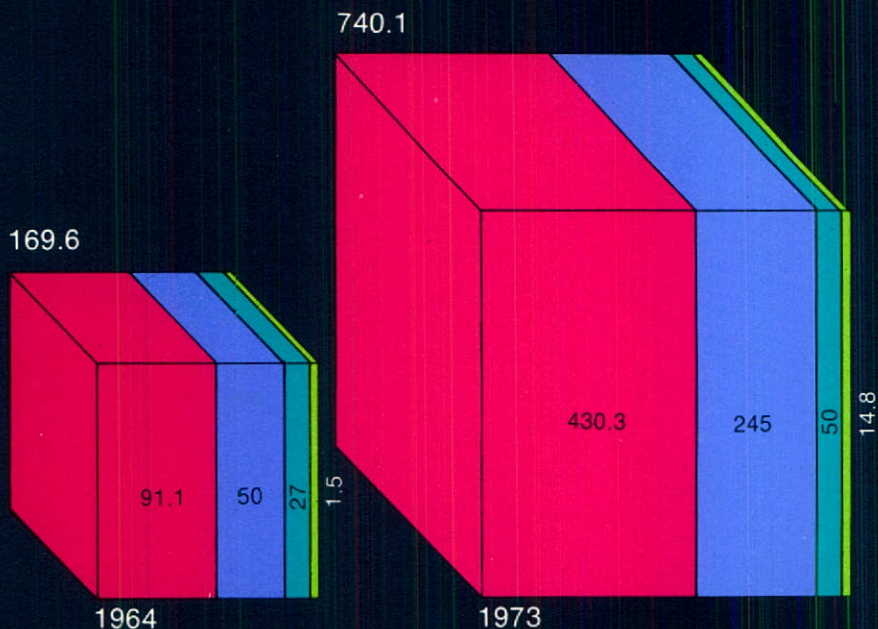
GROSS EARNINGS

('000 Million drachmae)



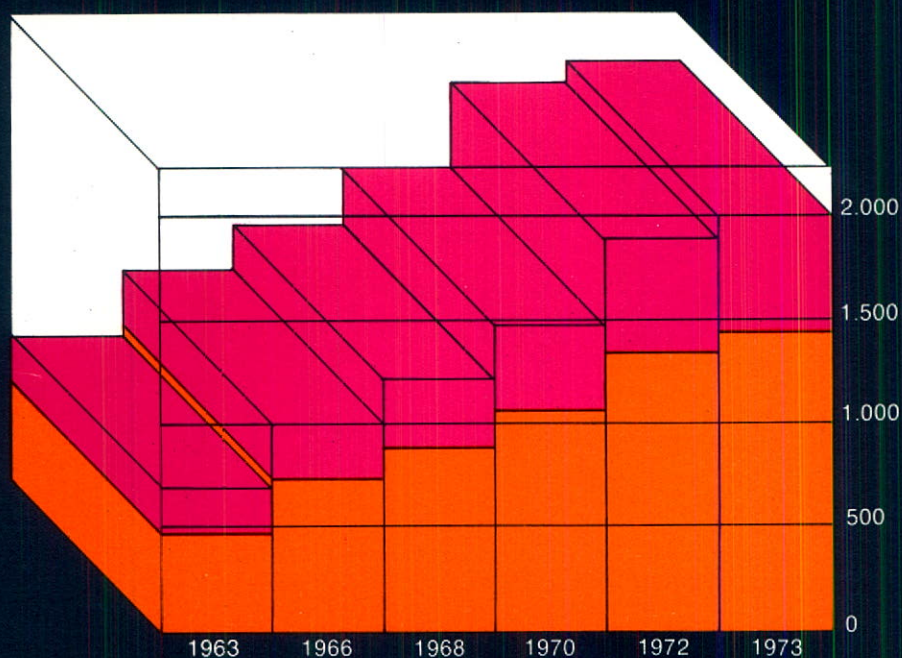
PROFITS FOR DISTRIBUTION

(Million drachmae)

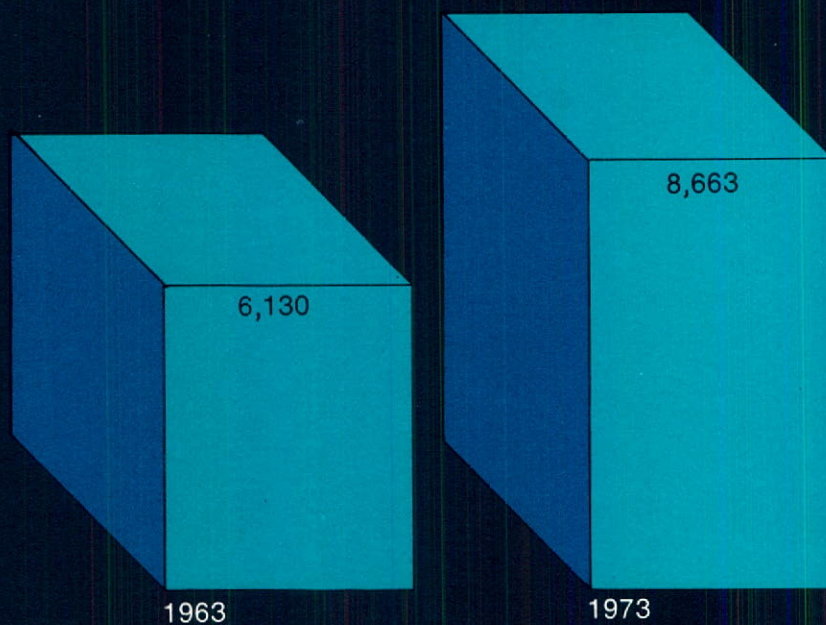


NUMBER OF DEPOSITORS

(Thousands)



PERSONNEL



NATIONAL BANK OF GREECE S.A.

132ND BALANCE SHEET, AS AT 31ST DECEMBER 1973

IN DRACHMAE

AUDITORS REPORT
ON THE BANK'S GENERAL BALANCE SHEET AS AT
31st DECEMBER 1973

TO THE SHAREHOLDERS OF NATIONAL BANK OF GREECE S.A..

We have audited the above Balance Sheet of the National Bank of Greece as at 31st December 1973 and the results of its operations for the year then ended. The audit was made in accordance with the provisions of Article 37 of codified Law No. 2190 re Sociétés anonymes and such auditing procedures as we deemed proper in conformity with the Standards of Auditing followed by the Institute of Certified Public Accountants of Greece. The books of account and the financial statements provided for by the laws presently in force, made available to us for the purpose of this audit, have been kept. We obtained all the required information and explanations, including detailed statements of all branch operations. Depreciation of fixed assets was made in accordance with the new rates established by Presidential Decree No. 88/1973, the Bank fully complying with such regulations. It is to be noted that had the depreciation been made on the basis of the rates in force and applied in the preceding year, the amount would have been less by about Dr. 14,000,000. No other change in the inventory evaluation method has been made as compared with last year. The above Balance Sheet and the accompanying analysis of the year's results and the distribution of profits are arrived at from the above books of account and financial statements, and on the basis of present regulations and accepted accounting principles, which are the same as last year, except for the above mentioned change in depreciation of fixed assets, they reflect your bank's financial position as at 31st December 1973, as well as the result for the year then ended.

Athens, 20th April 1974

G. CH. POULIASSIS TH. D. BOGHEAS
Certified Public Accountants

1972

ASSETS

1973

AVAILABILITIES			34,656,208,295
6,731,452,627	Cash, Cheques and Sight Accounts with the Bank of Greece	5,120,240,212	
3,294,177,118	With Banks abroad, Gold and Foreign Exchange	5,334,943,173	
3,304,089,756	Deposits with Bank of Greece pursuant to Currency Committee decisions	3,979,124,910	
15,183,700,000	Treasury Bills	20,221,900,000	
LOANS AND ADVANCES			63,936,092,452 ^a
I. To Commerce			
792,322,190	Bills discounted	787,257,899	
Loans and Accounts:			
14,461,460,131	On commercial paper and other guarantees	18,391,885,314	
1,490,541,571	On merchandise and bills of lading	2,599,694,293	
177,595,264	On securities	28,835,371	21,807,672,877
II. To Industry			
828,055,250	Bills discounted	1,018,896,880	
Loans and Accounts:			
35,179,721,496	On commercial paper and other guarantees	38,709,476,119	
2,361,904,614	On merchandise and bills of lading	2,400,046,576	42,128,419,575
SUNDRY DEBIT ACCOUNTS			4,718,140,253
49,811,982	Expenditure in suspense for the forthcoming year	72,954,397	
1,174,657,752	Offices Accounts	1,257,574,213	
128,753,139	Foreign Exchange Accounts	29,139,915	
367,933,785	Bank of Greece—Duties and Cash Deposits	358,944,127	
2,267,833,764	Other Accounts	2,999,527,601	
INVESTMENTS			12,575,514,980
Portfolio of Securities:			
5,731,845,870	Bonds	5,936,652,429	
2,669,681,903	Shares	3,166,244,878	9,102,897,307
Bank Premises and Real Estate:			
2,332,189,347	Sites	2,610,398,668	
608,247,861	Premises and Real Estate	800,141,932	
		3,410,540,600	
99,649,814	Less Depreciation	139,162,440	3,271,378,160 ^b
Fixtures, Office Furniture and other Equipment			
245,274,963		305,959,800	
65,851,220	Less Depreciation	104,720,287	201,239,513
REAL ESTATE, SHIPS, ETC. ACQUIRED AT AUCTIONS			76,112,327
51,882,558			
BRANCHES (Entries not yet completed) ...			490,232,664
99,267,631,907			116,452,300,971
RECONSTRUCTION LOANS (Hellenic Industrial Development Bank)		28,277,224	
32,485,489			
14,741,503,892	GUARANTORS	17,525,121,112	
12,340,959,020	OTHER CONTRA ACCOUNTS	15,100,731,486	32,654,129,822
126,382,580,308			149,106,430,793

1973

1972

a. of which: Short-term	45,866,334,683	42,452,989,417
Long-term (over one year) ..	18,069,757,769	12,838,611,099
	63,936,092,452	55,291,600,516

b. Of the sum of Dr. 945,495,470 representing total value of the Bank's Premises and Real Estate after deduction of depreciation an amount of Dr. 711,270,637 has been readjusted to Dr. 2,255,728,000 pursuant to Law 148/1967. The resulting difference of Dr. 1,544,457,362 has been brought to the credit of the following capital accounts:

1. To Share Capital Account	Dr. 366,922,500
2. To Special Reserves Account from readjustment of assets	» 1,177,534,862
	Dr. 1,544,457,362

1972

LIABILITIES

1973

	CAPITAL		8,255,676,899
1,624,942,500	Share Capital (2,241,300 shares at Dr. 725 each)	1,624,942,500	
486,602,214	Ordinary Reserves	606,602,214	
611,647,381	Extra-Ordinary Reserves	736,647,381	1,343,249,595
	Special Reserves from issue of shares above par	2,374,193,000	
2,374,193,000	Special Reserves (pursuant to E.L. 148/67) .	2,913,291,804	5,287,484,804
2,278,715,501			
	PROVISION FOR DEPRECIATION OF ASSETS		2,436,996,631
1,960,066,890	In Greece (R.D. of 10.1.59 and E.L. 396/68)	2,261,244,620	
42,000,000	In Greece against guarantees	42,000,000	
110,634,235	Abroad	133,752,011	
	SUNDRY PROVISIONS		1,105,316,985
945,059,580	In Greece	1,054,281,344	
45,385,789	Abroad	51,035,641	
	DEPOSITS		97,980,894,197
13,739,183,822	Sight Deposits	15,921,910,220	
43,351,875,158	Savings Accounts	48,394,216,884	
	Time Deposits		
14,984,930,985	Short-term	20,519,058,366	
10,886,770,657	Long-term (over one year)	13,145,708,727	33,664,767,093
	SUNDRY CREDIT ACCOUNTS		4,570,049,726
361,655,080	Earnings to be applied to forthcoming years	698,473,037	
1,788,559	Bank of Greece - Financing Account	202,891,899	
2,153,511,557	Offices Accounts	2,484,168,244	
167,992,207	Foreign Exchange Accounts	72,619,147	
386,177,804	Principals of Import Margin Deposits	357,968,631	
646,294,853	Other Accounts	753,928,768	
1,258,880,368	CHEQUES AND PAY ORDERS		1,655,335,467
	DIVIDENDS PAYABLE		439,926,483
392,227,500	For the year ended	430,329,600	
17,494,458	For previous years	9,596,883	
423,851,523	BRANCHES (Entries not yet completed) ..		—
	PROFIT AND LOSS ACCOUNT		8,104,583
15,750,286	Balance carried forward		116,452,300,971
99,267,631,907			
	HELLENIC INDUSTRIAL DEVELOPMENT BANK (Long-term Reconstruction Loans)	28,277,224	
32,485,489	GUARANTEES	17,525,121,112	
14,741,503,892	OTHER CONTRA ACCOUNTS	15,100,731,486	32,654,129,822
12,340,959,020			
			149,106,430,793
26,382,580,308			

PROFIT AND

1972

DEBIT

1973

GENERAL EXPENSES

909,139,244	Payroll	1,151,884,054	
30,355,291	Fees to Third Parties	34,217,094	
	Contribution to Staff Insurance Funds:		
242,134,727	Ordinary	296,018,478	
50,000,000	Extra-ordinary, pursuant to Law 3662/57 ..	50,000,000	346,018,478
35,768,636	Contribution to Social Insurance Fund (IKA)		39,097,628
333,368,539	Office Expenses	447,399,078	2,018,616,332
25,635,692	Taxes		45,704,908

DEPRECIATION-PROVISIONS

21,200,000	Bank Premises and Real Estate	39,400,000	
	Fixtures, Office Furniture, and other Equip-		
33,000,000	ment	44,000,000	83,400,000
469,000,000	Provision for Depreciation of Assets		475,000,000
41,687,158	Special Provision for Contingent Liabilities ..		46,307,297
	Balance from sale of Securities brought for-		
208,939,205	ward to untaxed Special Reserve accord-		
660,697,885	ing to E.L. 148/67		358,094,247
3,060,926,377	NET PROFITS		724,320,373
			3,751,443,157

DISTRIBUTION

Net Profits for the Year	
Plus Balance carried forward	
To Ordinary Reserves	
To Extra-Ordinary Reserves	
Provision for Income Tax	
First gross dividend 6% on 2,241,300 shares at Dr. 43.50	
per share less stamp duty	
Additional dividend on 2,241,300 shares at Dr. 148.50	
per share less stamp duty	
Total Dividend: Dr. 192 per share	
To members of the Board of Directors:	
Payable	
Donations to various Foundations	
Balance carried forward	

CHRISTOS G. ACHIS
Governor

Athens,
NICHOLAS
Specially

LOSS ACCOUNT

1972	CREDIT	1973
2,402,558,702	Commission, Interest and Sundry Earnings .	2,798,581,828
449,428,470	Income from Securities and Real Estate ...	594,767,082
208,939,205	Balance from Sale of Securities, etc.	358,094,247

3,060,926,377

3,751,443,157

OF PROFITS

1973		1972	
724,320,373		660,697,885	
15,750,286	<u>740,070,659</u>	13,343,928	<u>674,041,813</u>
120,000,000		90,000,000	
125,000,000	245,000,000	120,000,000	210,000,000
	50,000,000		50,000,000
97,496,550		97,496,550	
332,833,050	430,329,600	294,730,950	392,227,500
3,870,924		3,638,416	
2,765,552	6,636,476	2,425,611	6,064,027
	8,104,583		15,750,286
	<u>740,070,659</u>		<u>674,041,813</u>

19th April 1974
J. DRITSAS
Authorised Director

CONSTANTINE D. SOPHIANOPOULOS
Chief Accountant

