

**NATIONAL  
BANK  
OF  
GREECE**



*annual report*

**1976**

HOWARD ROSS LIBRARY  
OF MANAGEMENT

1977

MORRIS UNIVERSITY









# NATIONAL BANK OF GREECE

---

**REPORT**  
OF THE GOVERNOR PROF. ANGELOS TH. ANGELOPOULOS  
ON BEHALF OF THE BOARD OF DIRECTORS AT THE  
GENERAL MEETING OF SHAREHOLDERS  
ON 2 JUNE 1977

---

ATHENS 1977





## **BOARD OF DIRECTORS**

**ANGELOS TH. ANGELOPOULOS,** GOVERNOR - CHAIRMAN  
**PANAYOTIS P. TZANNETAKIS,** DEPUTY GOVERNOR  
**KYRIACOS S. POULAKOS,** DEPUTY GOVERNOR

## **DIRECTORS**

His Eminence the Archbishop of Athens

and All Greece	SERAFIM
DIMITRIOS	KOPANITSAS
JASON	ALEXAKIS
JOHN	ARGYRAKOS
SPYROS	CALOGEROPOULOS - STRATIS
STAVROS	CATRAKIS
GEORGIOS	ECONOMOPOULOS
ANASTASIOS	KALABOKIS
NIKOLAS	KATSOULIS
CONSTANTINE	LADAS
PANAYOTIS	LAMBROPOULOS
SPYROS	LOVERDOS
DIMITRI	MARINOPOULOS
ALEXANDROS	SARATSOGLOUS
ANDREW	VANDOROS
KYRIACOULIS	ZACHOS





# CONTENTS

<b>I. International Economic Developments</b> .....	11
The recovery. Inflation and unemployment. Developments in 1977. International payments. Monetary developments. The international capital market and the banking sector.	
<b>II. Developments in the Greek Economy</b> .....	18
National expenditure. Production and employment. Prices and the balance of payments.	
<b>III. Developments in the Greek financial sector</b> .....	28
Public preferences in savings. Credit policy. Public finance. Currency in circulation. Bank deposit. Bank lending. The commercial banks. The capital market.	
<b>IV. The Bank's credit policy and business activity</b> .....	38
Deposits. Loans and advances. Lending to industry. Lending to the workshop sector. Lending to the trade sector. Lending to the shipping industry. Credit backing for engineering companies. Management of investment portfolio and real estate. The Bank's foreign network.	
<b>V. The National Bank sets the pace in modernization</b> .....	50
Computerization; on-line teleprocessing. Further progress with automation. New services available to the public. Staff training. Scientific methods of merit rating. Enlarging our network. Regional organization. Assisting regional development.	
<b>VI. Many-sided activities of subsidiary and associated companies</b> .....	57
Financial sector. Insurance. Tourism. Other companies. Equity participations.	
<b>VII. Recent development and prospects</b> .....	63
Steady improvement of Greek economic conditions. The possibilities of steady and spontaneous development. Broad scope for economic cooperation with foreign countries. Government policy as a cornerstone in the development drive. The need for long-term planning. Private initiative and productive investment. The contribution of the capital market.	
<b>Annex</b> .....	73
Analysis of Balance Sheet and Results for 1976. Balance Sheet as at 31st December 1976.	



Gentlemen,

The Bank's gross earnings, after deduction of debit interest and taxes, amounted to Drs. 6,817.9 million at the end of 1976 thus showing an increase of Drs. 1,821.2 million or 36.4%, as compared with a 24.7% rise in the preceding year. Expenses for the year totalled Drs. 4,861.5 million, an increase of Drs. 1,267.7 million or 35.5% over the previous year, but the real increase, as it will be explained immediately below, was only 31.1%. Staff wages and salaries, fees to third parties and social security contributions accounted for Drs. 1,106.9 million of the total increase, overheads for 113.1 million and taxes for 47.7 million. The rise in payroll expenses was due (a) to pay raises following the revision of the salary scale, (b) to the normal procedure of promotion and seniority and (c) to the engagement of new employees. It should be noted however that part of this increase is merely the result of a change in book-keeping methods and not real. In fact, as it is mentioned in the Certified Public Accountants' report on the balance-sheet for 1975, it was decided last year to register the half-month's balance-sheet premium in the year during which it was paid out and not in the year concerned. The changeover from the old to the new accounting procedure had as a result that the rise in payroll for 1976 was shown to be by Drs. 106.9 million larger than it actually was. In reality it did not exceed the Drs. 1,000 million-mark or 33.3% and for the total of expenses this means that the real increase over the previous year was 31.1%.

The year's profit, before deduction of depreciation and provisions, amounted to Drs. 1,956.4 million as against Drs. 1,402.9 million for 1975, representing an increase of 39.4%.

After the deduction of depreciation and provisions and the transfer to Special Reserve of Drs. 38.1 million from capital gains on sale of securities, the Bank's net profits, including balance brought forward, total Drs. 1,088.2 million (1975: 856.4 million). From this amount we propose to pay, in accordance with the Articles of Association, Drs. 101.4 million as first dividend and 272.7 million as additional dividend, so that total dividend payments will reach 874.1 million representing 375 drachmas per share as against 276 for the preceding year. Moreover, we propose that 5.9 million be retained for extra dividend so as to round off the increase in share capital, 190 million be appropriated for reserves and provision for income tax, 2.7 million for Directors' fees and the balance to be carried forward.

Gentlemen,

As you know, under Law No 542 of 1977 all corporations (sociétés anonymes) were held to revalue their real estate and to capitalize the resulting surplus value.



In the case of corporations with more than 1.5 million shares capitalization of 75% of the surplus value will take the form of an increase in the nominal value of the shares, while the remaining 25% will be covered by the issue of new shares.

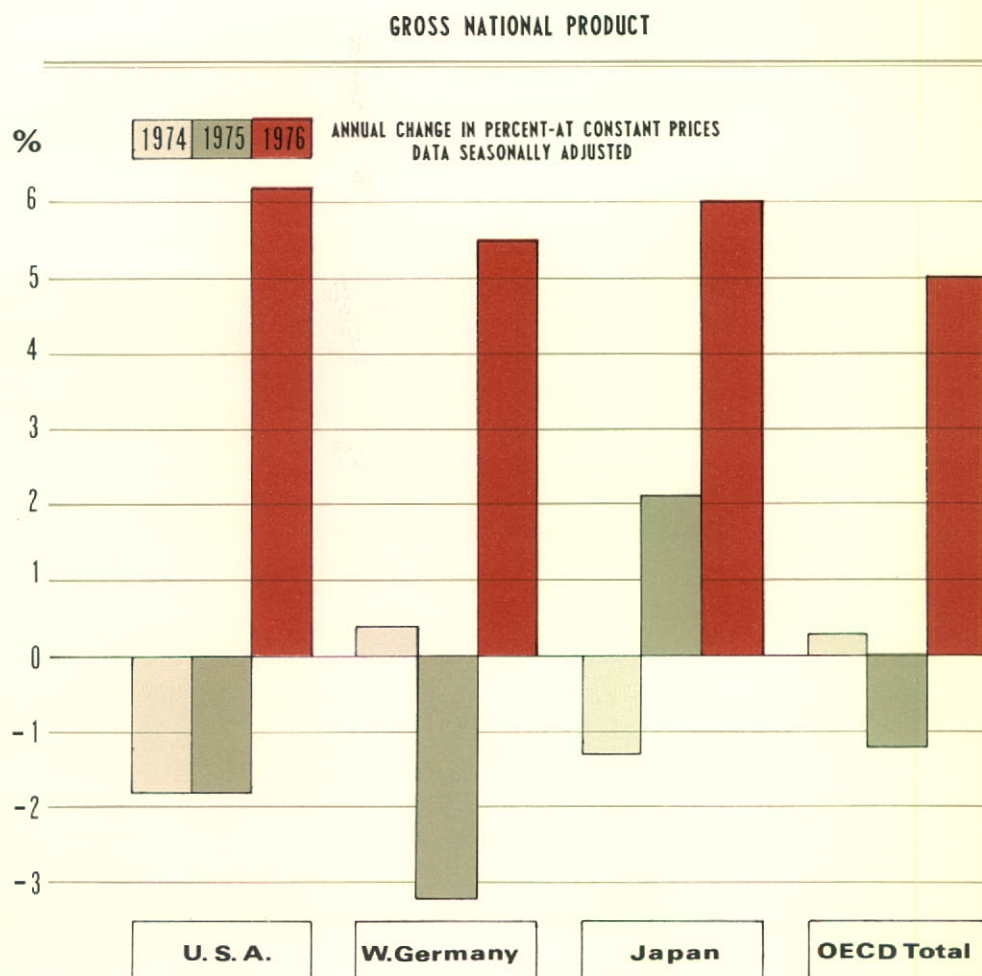
The surplus value from this revaluation, as shown in the books, amounted to Drs. 1,667.0 million. To this must be added Drs. 1,112.5 million on Special Reserve which had resulted from a previous readjustment made in accordance with Emergency Law 148 of 1967. The total amount for capitalization thus equals Drs. 2,779.6 million. Of this amount we propose:

- (a) Drs. 2,039.6 million to be capitalized by an increase of the share's nominal value from Drs. 725 to Drs. 1,600. The amount of 2,039.6 million represents slightly less than 75% of the total for rounding-off purposes;
- (b) the remaining amount of Drs. 740.0 million, which corresponds to roughly 25% of total surplus value, and a further 5.9 million as supplementary dividend from the year's profit, i.e. Drs. 745.9 million in all, to be appropriated for the issue of 466,190 new shares of a nominal value of Drs. 1,600 each and distributed free of charge to shareholders at the rate of one new share for every five old ones.

# I. International Economic Developments

**The recovery** There can be no denying that 1976 was a better year for the world economy than 1975. The aggregate Gross National Product of the countries belonging to the Organization for Economic Cooperation and Development (OECD) showed an increase of 5% last year, as compared with a decline of 1.2% in 1975 and a standstill in 1974.

The growth of total production is chiefly attributable to the economic performance of four of the leading industrialized nations: the United States, Japan, West Germany and France. In these four countries, which between them account for approximately 70% of the Gross National Product of the OECD, the growth rates ranged between 5% and 6.2%. Somewhat lower rates were attained in the other three big industrial countries (Great Britain, Italy and Canada) and in many of the smaller ones. The average rate of growth in the nine EEC countries last year



## International Economic Developments

was 4.25%. The two factors that did most to stimulate GNP growth were the replenishment of depleted stocks and the expansion of consumer demand, thanks to which industrial production showed an increase of 8.5% as compared with a 7.8% decline in 1975. This brought it back to its pre-recession level.

The effects of these two trends were by no means uniform throughout the year, and consequently considerable differences are to be noted between the first six months and the last six months. The process of replenishing stocks, which had started in the second half of 1975, continued strongly during the early months of 1976, but the rate of increase fell off noticeably in the second half of the year. Similarly, consumption, which in general had been stimulated by fiscal measures, started to show signs of weakening as early as the second quarter of 1976. Thus the growth rates of GNP and industrial production dropped from the equivalent of 6% and 11.6% p.a. respectively in the first six months to the equivalent of 3.2% and 4.5% p.a. respectively in the second half of the year.

### **Inflation and unemployment**

The two principal factors underlying the slowdown of growth trends in the second half of last year were the action taken to combat inflation and the high level of unemployment. Although the average annual increase in consumer prices in the OECD countries was only 8.5% in 1976, as against 11.2% in 1975, there were some countries where the inflation rate was very much higher than that, notably Italy with 17% and Britain with 15%. Below-average rates were registered in West Germany (4.7%), the United States (5%) and Canada (7.5%). In the autumn, however, price inflation started to gather increasing momentum, chiefly in Europe, partly as a result of the shortage of agricultural produce due to the serious drought that hit Western Europe in the summer of 1976.

Despite the growth of economic activity, the total number of unemployed workers in the OECD countries remained at the extremely high level of approximately 14 million, while the unemployment figure in the EEC stood at 5.3 million at the year end. Those worse hit by the scarcity of employment opportunities are the large numbers of workers from less developed countries who are temporarily settled in Western Europe. Although their services are much in demand during periods of economic growth, as soon as a recession sets in they are regarded as a burden on the economy and on society, and so they are the first to feel the pinch.

### **Developments in 1977**

This year, once again, the world economic situation will be influenced mainly by the course of events in the United States, Japan and West Germany. All three of these countries have succeeded in checking the pace of inflation and have so far maintained satisfactory rates of fixed asset formation, and so it seems safe to predict that their GNP growth rates will be in excess of the 3.7% forecast for the OECD countries as a whole.

In the United States, the new Administration has raised the target rate of GNP growth for this year from 4.5% to 6%. If this higher rate is maintained it will affect many of the economic aggregates, including the level of imports. Heavier

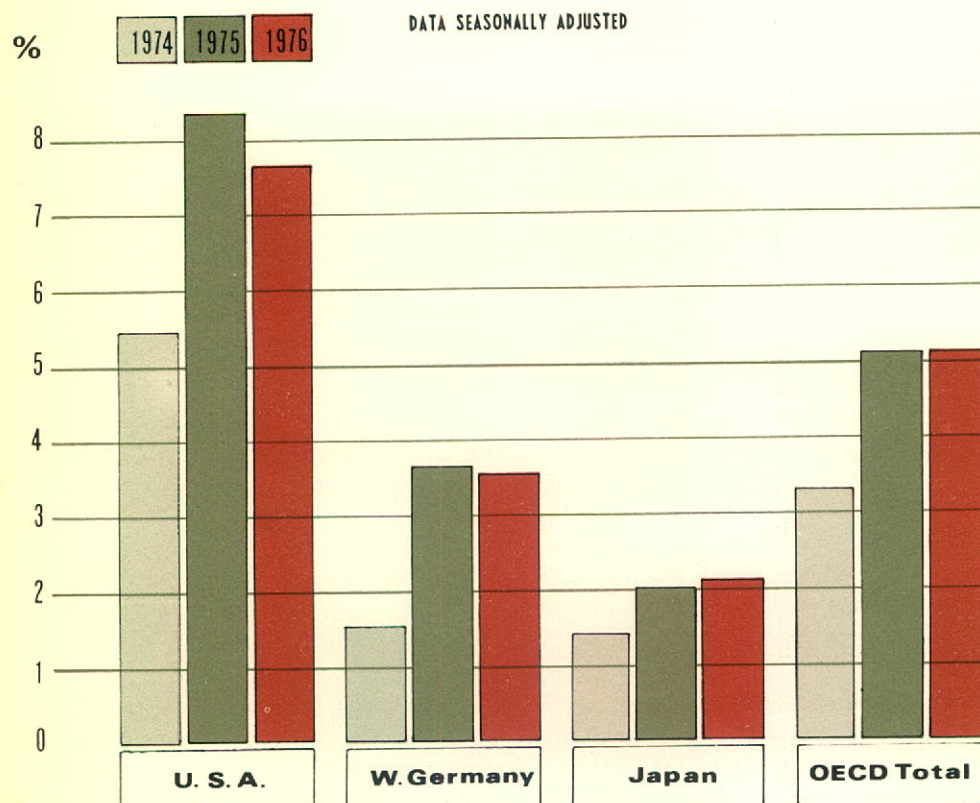


## International Economic Developments

imports by the United States — and by West Germany and Japan, both of which have so far maintained satisfactory rates of economic activity — will boost the export performance of many other countries and invigorate their economies.

In countries where prices are still rising fairly steeply, on the other hand, economic policy is still dominated by restrictive measures designed to curb inflation and ease the pace of recovery. This is the case in Europe, even though the pull of demand is relatively mild: in all the Western European countries except Germany, the rates of inflation are expected to be higher than in the United States and Japan, though obviously there are bound to be considerable variations from one country to another. At the same time it is feared that the unemployment problem may well become still more serious, since the production growth rate is expected to be lower than it was in 1976.

### UNEMPLOYMENT RATES



Source: OECD, Economic Outlook.  
December 1976

## International Economic Developments

One point that must be borne in mind is that international economic developments in 1977 will certainly be very strongly affected by fuel prices. The 5-10% rise in oil prices at the beginning of this year, coupled with the pressure being exerted by the OPEC countries for an even steeper increase, will aggravate the balance of payments problems confronting many countries which are heavily dependent on imported fuel.

All in all, the importance of the development of the Arab world as a factor in international economic affairs cannot be too strongly emphasized. In the four years or so that have elapsed since the great energy crisis, the OPEC countries have emerged as a fast-developing community of nations with enormous purchasing power for imported goods and services. In 1976 their imports from the OECD countries increased by 11.5% and a 14.5% rise is predicted for this year, whereas the volume of trade between the OECD countries themselves is expected to rise by only 6%.

**International payments** The OECD countries as a whole ended the year 1976 with a deficit of \$22,500 million on their current account transactions, as compared with a deficit of \$6,500m. the previous year. Of the major industrialized countries, West Germany and Japan were the only two with current account surpluses (\$4,000m. and \$3,700m. respectively). The most striking reversal of fortunes occurred in the United States, where a surplus of \$11,700m. in 1975 was converted into a deficit of \$1,200 m. last year.

These trends are closely connected with the level of economic activity. As soon as the recovery set in, the total current account deficit of the OECD countries started to grow larger, rising from \$5,500m. in the second half of 1975 to \$7,500m. and \$15,000m. in the next two six-month periods. However, the pace of economic activity showed signs of easing off in the course of 1976 and remained relatively slack in the early months of this year, with the result that the deficit is now tending to shrink and is not expected to exceed \$17,500 m. for the whole of 1977.

Against this general background, the degree of improvement in the current account balance of each individual country will depend on the efficacy of the measures taken to combat inflation. Lower domestic inflation rates should sharpen the competitive edge of a country's products on the world market and thus boost its exports, and this is regarded as the principal means of achieving a balanced expansion of external transactions. In any event, if the United States and Japan succeed in maintaining satisfactory rates of economic growth, as is expected, they will step up their imports and thus stimulate an expansion of world trade. It is predicted that the United States will have a current account deficit of \$3,000m. this year and that Japan's imports will rise faster than her exports, with the result that her current account transactions will be more or less evenly balanced instead of showing a large surplus as in 1976.



# International Economic Developments

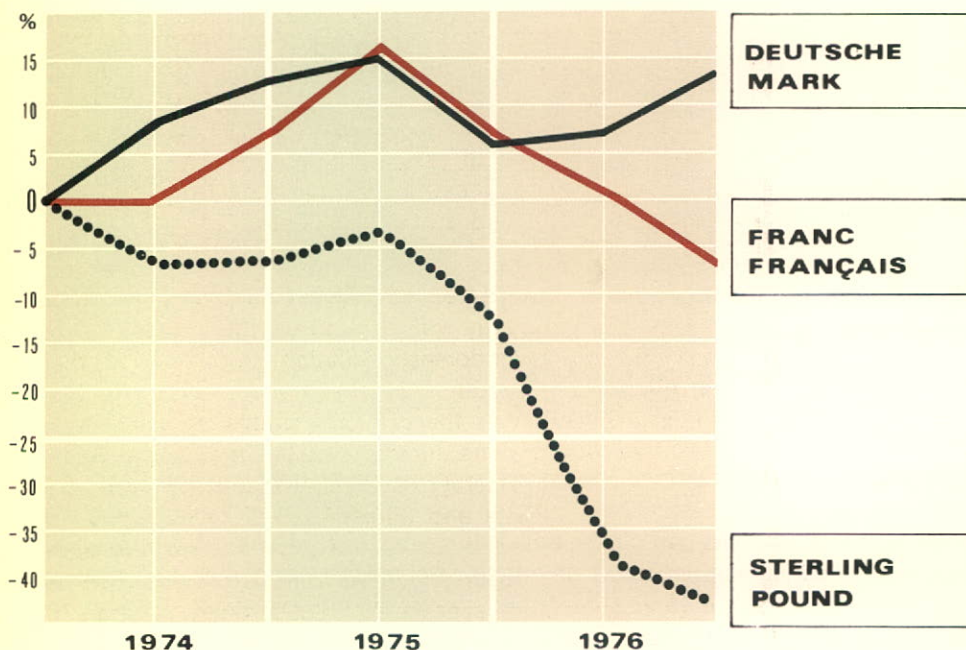
In 1976 the foreign exchange markets were influenced mainly by balance of payments results, but also to some extent by the tactics adopted by many of the oil-exporting countries as regards the choice of currencies in which to hold their accumulated funds. The favourable trends in the current account balances of some countries, such as West Germany, the United States, Japan and the Netherlands, helped to strengthen the exchange rates of their currencies. The French franc, on the other hand, was constantly under pressure, and sterling and the lira even more so.

Irrespective of the movement of current account balances, the exchange rates of the currencies most widely used in world trade were affected by the shifting preferences of the oil-exporting countries. In the four years since the outbreak of the energy crisis the OPEC countries have held a large proportion of their funds in just a few major currencies, and at every fluctuation of the exchange rates they play the market in an attempt to keep their money invested as profitably as possible. Consequently, every time a currency comes under pressure owing to the trends of economic performance and balance of payments figures,

## Monetary developments

### EXCHANGE RATES OF MAIN CURRENCIES IN TERMS OF THE U.S. DOLLAR

PERCENT CHANGES SINCE DEC. 1973



## International Economic Developments

there is a large-scale flight out of that currency in the world market, which only serves to weaken its position still further.

The persistently heavy deficits of the OECD countries, the steady accumulation of funds by the oil-exporters, the inexorable march of inflation and the mounting pressure of foreign loan obligations on countries that have no oil resources of their own (most of these being in the less developed world) are some of the factors that have done most to perpetuate the unsettled situation in the foreign exchange markets. These same factors have also reduced the chances of reaching agreement on a new set of rules to govern international monetary transactions: in particular, they have hampered every move towards the re-establishment of a system of fixed parities. In the circumstances, there can be no question of abolishing the present system of floating exchange rates: had it not been for that, "hot money" would have been moving from one country to another on an even larger scale.

### **The international capital market and the banking sector**

Last year the international capital market was influenced by the unfavourable balance of payments trends of certain countries, by the slow pace of world economic recovery and by the investment activity of the Arab countries. Many of the industrially advanced nations, such as Great Britain, France, Italy, Canada and Sweden, raised loans on the international capital market in order to cover part of their balance of payments deficits. Borrowing by the industrialized countries in 1976 showed a steeper increase in 1976 than in 1975.

The demand for loan capital from the developing countries, on the other hand, showed a slight decrease in comparison with the previous year, though lending remained at a high level. This was a result of the internal credit squeezes and quota restrictions imposed by these countries in an attempt to cut their huge current account deficits, which had been particularly large in 1974 and 1975 owing to the energy crisis. Thus their aggregate current account deficit was reduced from \$41,000m. in 1975 to \$33,000m. last year. It should be noted, however, that the less developed countries are finding it increasingly difficult to raise money on the international capital market because of the high level of their existing foreign loan commitments.

Against this background there was a large supply of funds on the international capital market. The principle reason for this was the further increase in the current account surplus of the OPEC countries, which rose to \$44,000m. in 1976 from \$36,000m. the previous year.

Trends in the banking sector, which are closely connected with the fiscal and monetary policies and economic performance of each individual country, do not seem to have been particularly satisfactory in 1976. In some countries bank profits were reduced as a result of inflationary pressure and the slow pace of economic recovery, while elsewhere their rates of increase were held at the previous year's level.



## **International Economic Developments**

---

The slowdown of economic growth during the second half of the year under review had the effect of diminishing the demand for bank credits. At the same time, the monetary policies pursued in a good many countries had adverse repercussions on total bank turnover, and the steps taken to cure balance of payments deficits also affected the volume of business and created a climate of uncertainty. To cite one case in point, the international bank network of some countries, including the United States, had a low rate of business expansion for the first time in several years, because of the high cost of money and the slackness of world trade. The situation was aggravated by the fact that bank operating costs continued to rise owing to the heavy accumulation of deposits and the increase in pay rates and overheads, while income frequently fell short of management forecasts.

Bank lending was not the only branch of business to be hit by the decelerating pace of economic growth, for the volume of intermediary business was similarly affected. Lastly, problems arose in some countries because the investment value of bank reserves is being steadily eroded by persistent inflation.

## II. Developments in the Greek Economy

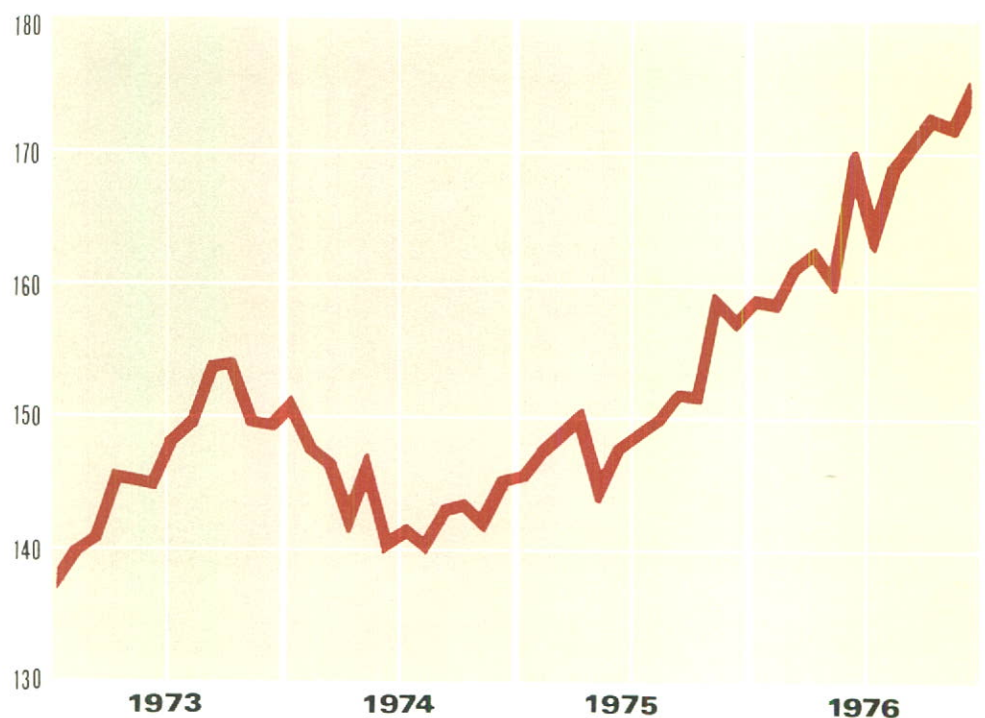
Economic growth was maintained in 1976 for the second year in succession following the recession of 1974, and the Gross National Product at constant market prices rose by 6%, as against 5.7% in 1975. This rate of increase was considerably higher than the average rate for all the European OECD countries (+3.7%), and appreciably higher than the average rate in the EEC (+4.2%).

Domestic demand provided the main stimulus for the expansion of economic activity, in which the outstanding features were the growth of manufacturing output and the continued improvement in the level of fixed asset formation. In both these fields, namely industrial production and investment, the trends in Greece were better than in the OECD countries as a whole. It must be said, however, that much of the increase in fixed asset formation was attributable to building construction.

The Government's fiscal and credit policies were successful in giving the economy the boost it needed, while simultaneously avoiding the pitfall of causing any

### INDEX OF INDUSTRIAL PRODUCTION

1970 = 100  
DATA SEASONALLY ADJUSTED





serious disruption of either internal or external economic equilibrium. The rate of increase in the consumer price index (11.7% between December 1975 and December 1976) was within the target limits set at the beginning of the year and close to the average rate for the EEC countries.

Conditions in the labour market improved as a result of the economic recovery, in contrast to the majority of the OECD countries, where the general tendency was for unemployment rates to rise still higher.

The balance of payments figures were likewise satisfactory. The current account deficit was held at the same level as in 1975 and there was a considerable improvement in the composition of the capital movement into the country, a greater percentage of which was accounted for by the spontaneous inflow of investment capital from abroad.

The headway made by the Greek economy last year was especially remarkable in view of the continued uncertainty hanging over the international scene and the steady build-up of the country's defence system. If we are to be successful in our attempt to deal with the situation and at the same time to raise the nation's standard of living, we must intensify our efforts for the acceleration of economic development.

According to provisional estimates, gross national expenditure at constant market prices showed an increase of 4.9%, as compared with an increase of 6.0% in 1975 and a decrease of 6.3% in 1974. Of the total increment in 1976, 74.1% was accounted for by private consumption, 21.6% by private investment, 9.2% by public consumption and 2.7% by public investment. Expenditure on stocks declined by 7.6%.

Private expenditure on goods and services showed an increase of 5.5%, as against 7.1% in 1975 and 0.6% in 1974. For a meaningful assessment of these figures, one should study them in conjunction with the trend of disposable private income, which is the main determining factor. The ratio of private consumption to disposable private income (i.e. the mean propensity to consume) has shown a downward trend in the long-term, going from 91.3% in the six years 1958-63 to 87.5% in 1964-69, 81.2% in 1970-73 and 86.7% in 1974-76. (These are the average percentages for each of the periods in question and are calculated on the basis of the income and consumption totals at current prices; the percentage for 1974-76 is based on provisional figures and estimates.) It can be seen that the ratio of consumption to disposable income has moved upwards in the last three-year period. That it should have risen in 1974 was perhaps to be expected: it reflects the decline of incomes and the time-lag that naturally occurs before consumers adapt their spending habits to lower income levels. However, those considerations do not apply to the years 1975 and 1976.

A matter of rather more real significance is the change that has taken place in the pattern of consumer expenditure, which takes the form of a marked swing towards goods and services that go with a higher standard of living. In the long

## National expenditure

### Private consumption

## Developments in the Greek Economy

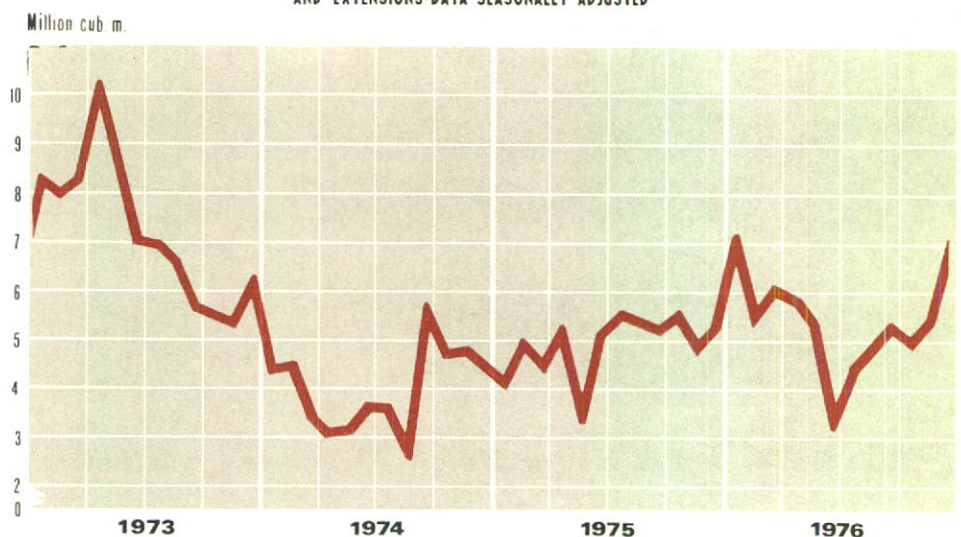
term this shift of emphasis is also quite normal and natural, up to a point, in that it simply reflects the overall rise of Greek living standards. As in all developing countries, the percentage share of foodstuffs in total expenditure has been declining steadily, while the percentage of total food expenditure going on meat, dairy products and vegetables has been rising steadily at the same time. However, there are clear indications that in Greece the swing has been abnormally pronounced. In 1976, for example, a year in which expenditure on nondurable goods (chiefly foodstuffs) rose by 3.0% in real terms, expenditure on services by 6.3% and expenditure on semi-durables by 7.9%, the expenditure on consumer durables went up by no less than 25.8%. This last category includes furniture, leisure goods and motor cars.

The shift towards luxury goods, most of which are imported, puts heavy pressure on the balance of payments and is difficult to justify in the country's present circumstances. What is more, everything seems to indicate that the main reason for this trend is not so much the general rise of income levels as the large-scale tax evasion in certain occupations.

**Private investment** Gross fixed asset formation in the private sector showed an increase of 8.1% at constant prices, as compared with a steep decline (—27.6%) in 1974 and a slight increase (+2.5%) in 1975.

### PRIVATE BUILDING ACTIVITY

BASED ON CONSTRUCTION PERMITS FOR NEW BUILDINGS  
AND EXTENSIONS-DATA SEASONALLY ADJUSTED



Source: National Statistical  
Service of Greece



## Developments in the Greek Economy

A substantial part of this increment is attributable to investment in buildings, which rose for the second year running after the building slump of 1974. Increases were also recorded in the level of investment in agriculture (+12.0%), transport (+27.8%) and mining and quarrying (+15.1%).

According to national accounts data, gross fixed asset formation in manufacturing industry showed a slight decline (-3.7%) on an annual basis. This trend is not peculiar to Greece, of course. Industrial investment throughout the world is being affected by the prevailing uncertainty regarding economic trends and the future movement of production costs. In Greece there are added deterrents. Attention has been drawn to them repeatedly, and if something were done to eliminate them the climate could be made much more conducive to investment. It must be said, however, that the situation does appear to have been changing for the better since the last few months of 1976, and thus industrial investment is expected to show a considerable increase in 1977. The policies adopted by credit institutions have an important part to play in this respect.

Public consumption at constant prices rose at a slower rate (3.3%) than in the two preceding years, as a result of the efforts made to reduce certain recurring items of expenditure in which there is some elasticity. There was also an increase of 2.6% in public investment, following two consecutive years of decline (-5% in 1975 and -20.6% in 1974). The public investment programme was mainly concerned with the completion of projects in progress, and capital budget expenditure totalled Drs. 40,500 million at current prices. Most of the finance for the State's investment programme came from the banks, which also made a very substantial contribution to the investment financing of public corporations.

### Public consumption and investment

Foreign demand for goods and services was another factor that helped to stimulate economic activity. Exports of goods and services and expenditure by foreign nationals in Greece accounted for 16.8% of the Gross National Product at current market prices in 1976, as compared with 15.8% in 1975 and 15.0% in 1974. Tourist arrivals totalled almost 4.3 million, an increase of 34.2% over the previous year, and this naturally had a beneficial effect on the level of employment in tourist services and on invisible earnings.

### Foreign demand

The total supply of available goods and services expanded in 1976, thanks to the growth of domestic production, while total net transfers from abroad (capital and current accounts) decreased by 17.4% at constant prices. Gross National Product at factor cost and at constant prices showed an increase of 5.4%, as compared with a 4.5% rise in 1975 and a fall of 1.8% in 1974. The Gross National Product at constant market prices rose at a faster rate (6%) owing to the steeper increase in indirect taxation.

### Production and employment

Of the total increase in the Gross Domestic Product, 52.5% was accounted for by the services sector and 52.2% by industry. Manufacturing industry alone made a contribution of 38.2%, as against 24% the previous year. Agricultural



## Developments in the Greek Economy

production was slightly lower than in 1975 and thus made a negative contribution (—4.7%) to the increase in GDP.

**Agricultural production** The real income derived from the agricultural sector fell by 1.5% last year, after rising by 4.6% in 1975 and 5.0% in 1974. Similarly, according to provisional estimates published by the Ministry of Agriculture, the gross value of agricultural production decreased by 1.4% at constant prices. Last year's decline was due to reduced production of both livestock products (meat in particular) and plant crops. There were reductions in the output of olive oil, cotton, currants and raisins, and tomatoes grown for industrial processing, but better crops of cereals, tobacco, fruit (notably oranges and peaches) and sugar-beet.

At current prices agricultural income showed an increase of 16%, because the selling prices of agricultural produce rose faster than the purchase prices of the supplies used.

**Industrial production** Income derived from the industrial sector, which includes manufacturing, mining and quarrying, electricity, gas and water supplies, and construction and works, showed an increase of 8.8% last year, as compared with a rise of 5.4% in 1975 and a decline of 11% in 1974. Income derived from manufacturing industry rose by 9.8%.

The volume index of industrial production rose by 10.6%, which was the same as the percentage increase in the index of manufacturing output. In 1975 the corresponding figures were 4.4% and 4.5%. Thus it can be seen that Greek industry maintained the recovery that had started after the recession of November 1973-July 1974. By the end of 1975 the ground lost during the recession had been made up, and by December 1976 the seasonally adjusted industrial production index had risen 13.0% higher than its prerecession peak. Moreover, the growth rate accelerated sharply in the last four months of the year: the mean monthly rate of increase in the industrial production index (seasonally adjusted) during the period September-December 1976 was 2.1%, as against 0.3% in the first eight months of the year.

The most striking improvement was the reversal of the trend in the industries producing consumer durables, where output rose by 13.1% last year. This sector of manufacturing industry had been harder hit by the recession than any other. The output of consumer goods rose by 12% and of capital goods by 6.9%.

Of the various individual manufacturing industries, those with the steepest production growth rates were clothing and footwear (21.4%), metal manufactured products (20.7%), electrical machinery and appliances (18.7%), textiles (15.4%) and non-metallic minerals (15.1%). The differences are very largely accounted for by the trends of domestic demand, which reflect both the increase in consumer expenditure and the revival in the construction industry. In some industries, such as textiles and clothing and footwear, foreign demand was also a major factor behind the high rates of production growth.

## Developments in the Greek Economy

Electric power production showed an increase of 11.6% over the previous year, and mining and quarrying output an increase of 8.0%.

The income of the construction and works industry rose at the satisfactory rate of 5.5%, thanks mainly to private building construction. The cubic volume of buildings for which licences were issued in 1976 increased by 8.8% over the previous year. It is interesting to note that the whole of this increase took place in the first half of the year: in the period July-December the figure remained unchanged at the previous year's level.

Considerable headway was made in the services sector, where income increased by 5.5% (1975: 4%). The principal stimulants here were the growth of tourism and the expansion of trade, both of which had spin-off effects on other industries such as transport and communications.

### The services sector

To judge by the statistics presently available, the main features of the labour market situation in 1976 were improved employment opportunities and higher rates of pay. These statistics refer chiefly to the non-agricultural sectors of the economy, and particularly to the cities and major towns.

### The labour market

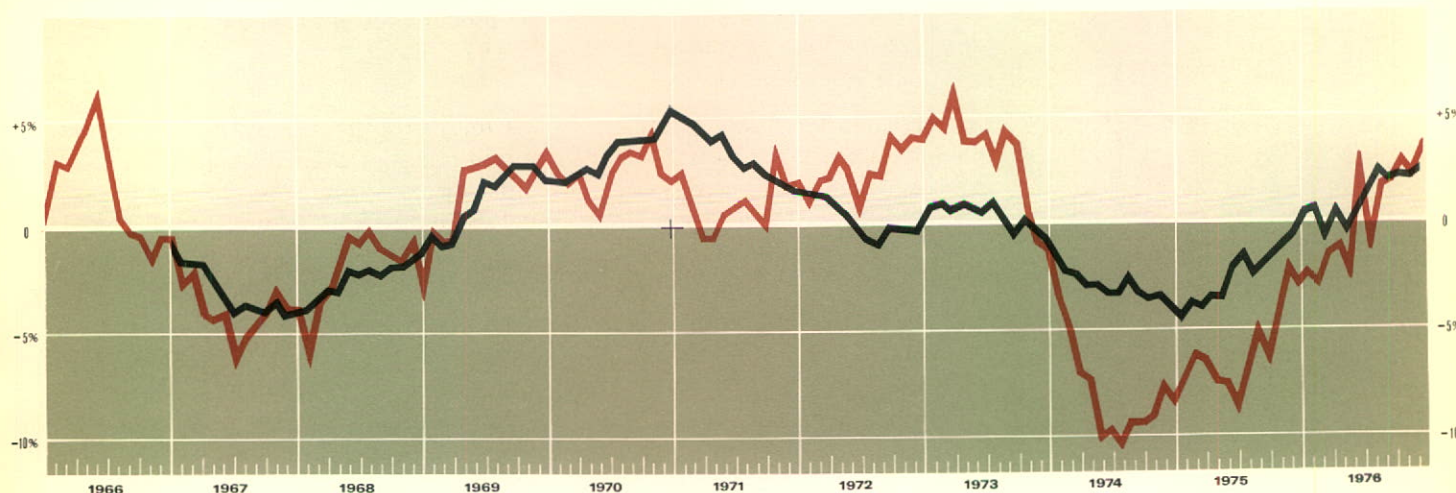
---

#### MANUFACTURING PRODUCTION AND EMPLOYMENT

---

##### LONG-TERM TREND DEVIATIONS

— MANUFACTURING PRODUCTION  
— EMPLOYMENT IN MANUFACTURING INDUSTRY





## Developments in the Greek Economy

In the first ten months of last year the labour exchanges found jobs for 516,500 workers, as against 479,000 in the same period of 1975, and the number of dismissals dropped from 125,200 to 114,900. Moreover, according to the figures published by the Manpower Employment Organization, the number of unemployed persons throughout the year was smaller than in 1975 but it must be pointed out that the figures for the months April-December 1976 are not comparable with the corresponding figures for 1975. The number of persons officially registered as unemployed is at best only a reasonably accurate pointer to the trend of unemployment, since a good many of those who are looking for work do not bother to register with the labour exchanges. This is particularly true of those who are seeking employment for the first time, most of whom are young people.

The number of employment opportunities in industry increased last year according to the National Statistical Service index, the average for the year being 6.1% higher than in 1975. Job prospects were better in the construction and works sector, too, owing to the revival of the building industry and the expansion of the public works programme, and possibly also in the services sector, which was favourably affected by the increase in tourist traffic.

In 1976, for the second year running, the number of returning migrants exceeded the number of persons emigrating from Greece, but this does not seem to have caused any problems on the labour market.

Pay rates improved considerably last year, since it is estimated that the average minimum wage and salary rates rose by more than 20%. At the same time differentials were readjusted, further progress was made in the process of gradually equalizing pay rates for women and men, and other reforms favouring the workers were introduced into the regulations governing pay rates. The average hourly earnings of manual workers in industry (including the workshop sector) rose by 30% in comparison with 1975, and the average monthly earnings of white-collar workers by 23%. Since the percentage rise of the consumer price index was considerably less than either of these figures, it follows that there was a considerable increase in real earnings.

### Prices and the balance of payments

#### Prices

The upward price trend continued in 1976, but there were clear indications that inflationary pressure was beginning to ease off. The weakening of the inflationary spiral is visible in the consumer price index, which rose by 11.7% last year as against 15.7% in 1975, whereas the wholesale price index rose by 15.2% (1975: 101%). To put last year's trends in their proper perspective, one should point out that the percentage rise of the consumer price index in Greece was closely in line with the average for the European OECD countries (11.2%) and that the fall in the inflation rate was achieved in combination with a healthy increase in real national income.

The rate of increase in the consumer price index started slackening off slightly at the beginning of 1976 and slowed down even more noticeably in the last few months, in marked contrast to the trend in 1975, when inflationary pressure



## Developments in the Greek Economy

had become heavier towards the end of the year. Because of this the difference between the annual averages for 1975 and 1976 (13.3%, as compared with 13.4% between 1974 and 1975) was greater than that between the December monthly figures. The slackening of the upward trend in the general index of consumer prices was largely attributable to the movement of the subindices for services and foodstuffs, in both of which the increases were appreciably smaller than in 1975. This compensated for the steeper increases last year in the prices of clothing and footwear, direct consumption goods and consumer durables.

Wholesale prices rose at an accelerated pace in the first four months and the last four months of the year. Between May and August the rate of increase slowed down considerably, and some prices actually fell during this period. The net change between December 1975 and December 1976 was 15.2%, as mentioned above, but the annual average in 1976 was only 14.0% higher than in 1975. Last year's steeper increase in wholesale prices was mainly due to the higher market prices of Greek primary produce and manufactured goods produced for the export market, and to higher import prices. The percentage price rises in the other categories of goods covered by the general index were much the same as in 1975.

The implied index, which is computed by comparing the national income at constant and current prices, rose by 13.2% last year as against 11.6% in 1975. In general it is fair to say that last year's price rises were due to inflationary elements on the supply side, and mostly to increased production costs (wages and salaries, prices of raw materials and auxiliary supplies, etc.), whereas in 1975 the main source of inflationary pressure had been import prices.

The 1976 balance of payments figures were chiefly affected by the level of economic activity at home and abroad and by the Government's economic policy. On the whole the results were satisfactory. The current account deficit was held at the same level as the previous year, despite the high rate of economic growth in Greece, and was covered by net capital inflow with no more than a negligible change in the level of the country's currency reserves. At the same time there was a healthy improvement in the composition of the capital inflow, with independent private capital accounting for a larger proportion of the total and central government borrowing for a smaller proportion.

### Balance of payments

The total value of imports (payments and suppliers' credits) amounted to \$5,556 m., a 9.4% increase over the previous year's figure of \$5,080m. Export earnings totalled \$2,228m. as against \$2,029m. in 1975, an increase of 9.8%. The net result was that the trade deficit rose from \$3,050m. in 1975 to \$3,328m. in 1976 (up by 9.1%).

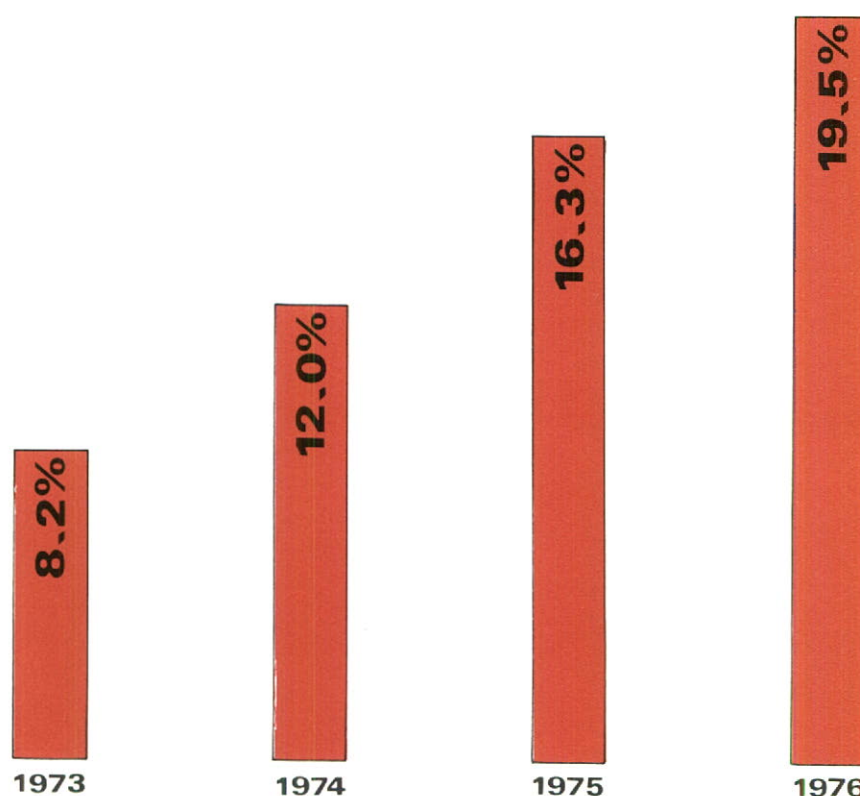
The increase in the import bill was a modest one, considering the high growth rates of economic activity and incomes in Greece and the rising trend of world prices. Only a small increase was recorded in the total value of imported capital goods and raw materials. Imports of capital goods (especially machinery) were

## Developments in the Greek Economy

affected by the slack pace of industrial investment. Food imports also rose by no more than a relatively small margin, even though the foreign exchange expenditure on meat was more than double the previous year's figure, but there were steep increases in imports of fuel and lubricants (21.6%) and manufactured consumer goods (15.6%), especially those classified as non-essential (24.5%).

Most of the increase in export earnings was due to increased sales of manufactured products (up by 18.1%), with textiles, footwear and leather goods, machinery and transport equipment all making substantial contributions. Thanks to their rapid expansion last year, which was due in part to the strengthening of trade relations with the Arab countries, industrial exports accounted for 52% of all Greek exports in 1976 as against 48% in 1975. There was a considerable increase (13.3%) in exports of raw materials, entirely attributable to cotton and skins and hides, and a smaller increase (5.4%) in export earnings from foodstuffs and beverages.

### SHARE OF ARAB COUNTRIES\* IN GREEK EXPORTS



\*Iran included

Source: National Statistical  
Service of Greece



## Developments in the Greek Economy

As regards the geographical distribution of Greek exports, the first point to note is that almost 50% of the total went to the European Economic Community, according to the data published by the National Statistical Service. The most remarkable phenomenon of recent years has been the success of the export drive to the Arab countries of the Middle East and North Africa. The value of exports to these countries rose by 50% last year and this increase accounted for 32% of total export growth, with the result that the Arab countries' percentage share of total Greek exports rose to about 20% in 1976 from 16.3% in 1975 and 8.2% in 1973. The Arab bloc is now Greece's second-biggest customer after the EEC. The rapid pace of expansion in this direction gives the measure of the potential that exists for deeper penetration of the Arab markets by Greek products.

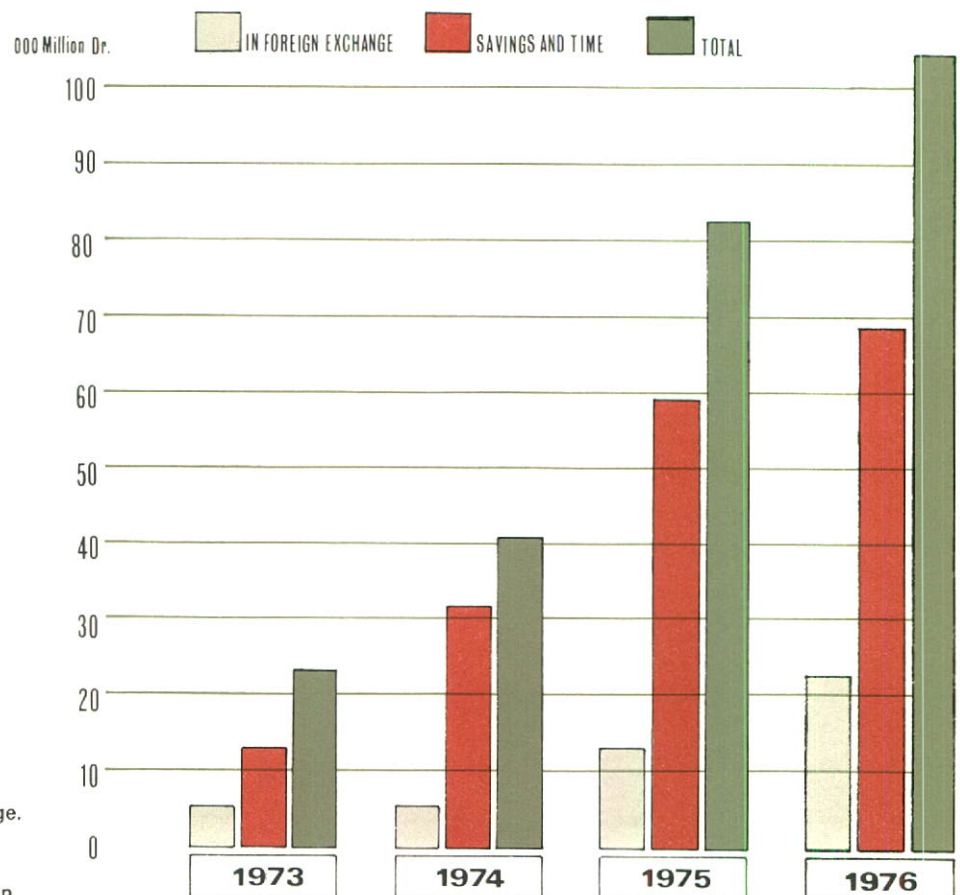
The greater part (67%) of the trade deficit was covered by the net surplus on invisibles, which rose by 14% to \$2,237m., thanks to a substantial increase in invisible earnings combined with only a small rise in invisible payments. About two-thirds of the total increase in invisible receipts was accounted for by tourist earnings, which rose by 28%.

The net inflow of private capital amounted to \$1,133m., which was more than enough to cover the deficit on current account. Foreign currency deposits soared from \$274m. in 1975 to \$485m. last year and increases were registered in the inflow of capital for business and non-business purposes, while the net increase in foreign suppliers' credits was reduced from \$230m. in 1975 to a mere \$4m. in 1976. This last development was due to the reluctance of exporters to take risks on the foreign exchange market. Thanks to the heavy inflow of independent private capital, the central Government and the Bank of Greece were able to make large cuts in their borrowing from abroad.

### III. Developments in the Greek financial sector

The outstanding feature of the year in the financial sector was a steep increase in bank deposits for the second year running, which gave the banks sufficient resources not only to satisfy the private sector's demand for business capital but also to cover a substantial part of the Budget deficit. However, the rate of inflow of deposits into the banks varied considerably in the course of the year, chiefly on account of the public's reactions to the ebb and flow of Greek-Turkish relations, which caused periodic fluctuations in the amount of currency in circulation. The principal objective of the Government's credit policy, once again, was to stimulate the economic recovery. Fiscal policy was also expansionary, but the Budget deficits have now become the most important single factor behind any increase in the currency in circulation.

ANNUAL INCREASE IN DEPOSITS\*



\*with commercial banks  
and special credit institutions  
in drachmae and foreign exchange.

Source: Bank of Greece,  
Monthly Statistical Bulletin



The rapid growth of bank deposits in general and private deposits in particular, which started in the second half of 1974 and accelerated in 1975, continued in 1976. It is true that the rate of increase slowed down appreciably between 1975 and 1976 (dropping from 31.8% to 26.3% in the case of total private deposits and from 33.2% to 28.6% in the case of savings and time deposits), but it was still high for all that.

In 1973 and 1974 the sudden onset of inflation and the abnormal political situation had encouraged the public to keep their savings in cash or to invest them in real estate and consumer durables. Thereafter, however, with the restoration of democratic institutions, the re-establishment of public confidence, the gradual easing of inflationary pressure and the improved prospects of price stability, this trend was reversed and savers once again started queuing up to deposit their money with banks and other credit institutions. Since then the saving habits and preferences of the general public have followed their normal pattern with only occasional interruptions caused by untoward developments, mainly in Greek-Turkish relations, which have never had more than a marginal effect, and never for long.

It goes without saying that the steady growth of deposits demonstrates the strength of public confidence in the drachma and in the banks, but it also reflects the slack conditions prevailing in the property market and on the Stock Exchange since the inordinately steep price rises of 1972-73, which dampened expectations of capital gains. At the same time the sharp increase in property prices has made that market temporarily unattractive to a great many people, mainly in the lower and middle income brackets, who are now having to wait much longer before they can accumulate sufficient funds to invest in real estate.

Another trend which seems to indicate that the rate of return on capital is now a major consideration in the public mind is the fact that time deposits, which bear the highest rates of interest, are increasing more rapidly than the other categories. By giving its preference to longer-term deposits for the sake of higher earnings, the public is at the same time demonstrating its confidence in the future of the economy, inasmuch as less importance is now attached to the need for holding cash.

## **Public preferences in savings**

Last year, once again, the main objective of the Government's credit policy was to further the process of economic recovery while containing inflation and easing the pressure on the balance of payments at the same time.

Credit expansion was regulated by keeping a constant check on commercial bank liquidity and by means of verbal agreements on the order of priorities for new bank lending. The system of informal but close cooperation between the monetary authorities and the banks, established for this purpose in 1975, again functioned efficiently last year. This arrangement makes it possible for credit expansion to be readily adapted to the short-term needs dictated by the economic situation and the pace of production.

## **Credit policy**



## Developments in the Greek financial sector

Towards the end of the year the monetary authorities readjusted the scale of interest rates. The rates payable on all categories of drachma deposits were reduced by half a percentage point and the interest on Treasury bills by one and a half percentage points, while lending rates were raised by half a point except on loans for productive investment and for workers' and low-cost housing schemes. At the same time increases were announced in the Bank of Greece rediscount rate and the rates of interest payable by commercial banks on their current account overdrafts with the Bank of Greece.

### Public finance

Most of the public sector's borrowing requirement was covered last year by loans from the banks, and a large proportion of the funds used for this purpose came from the increase in drachma deposits. Thus, even though the net issue of new banknotes was larger than in 1975, there was no serious disruption of monetary equilibrium.

According to provisional statistics, total Budget expenditure in 1976 (i.e. both current spending and investment) is estimated at Drs. 211,600 million, leaving a deficit of Drs. 36,900 million. However, if one includes the balances on the consumer goods and farm produce central purchasing accounts, the total deficit on fiscal administration, on a cash basis, amounted to approximately Drs. 48,000 million.

The current Budget yielded a surplus of Drs. 2,500m., but the capital Budget was financed by borrowing. Most of the money was raised on the home market by issue of Treasury bills, and thus there was little need for borrowing from abroad. Public procurements of consumer goods and the central purchasing of farm produce were financed out of Bank of Greece funds.

### Currency in circulation

Currency in circulation showed an increase of Drs. 20,200m. (22.0%) in the twelve months to December 1976, as against Drs. 11,400m. (14.3%) in 1975. Fluctuations were observed in the course of the year as a result of increased tension in Greek-Turkish relations and the diminished inflow of bank deposits in July and August. Once this crisis had passed, public confidence revived steadily in the months that followed and the circulation figures showed less skewing apart from the usual seasonal upsurge in December.

Some interesting points emerge from a study of the seasonally adjusted figures. First, the increase in the amount of currency in circulation was exactly equal (11 percentage points) in both half-yearly periods. Secondly, of the 11-point increase in the second half of the year, 9 points were added in July and August. Working on the basis of annual averages, we find that currency in circulation showed an increase of 14.6% in 1976 (as against 22.2% in 1975). This is less than the rate of growth of the national product at current prices (20.0%), which means that there was a slight increase in the income velocity of banknotes in circulation.

## Developments in the Greek financial sector

### Bank deposit

Total domestic deposits with commercial banks and special credit institutions rose by Drs. 104,500m., or 31.4%, as compared with a rise of Drs. 82,600m., or 33.0%, in 1975. Deposits with the Bank of Greece (excluding those lodged by banks and other credit institutions), which consist mainly of funds belonging to public entities and deposited under Emergency Law 1611/1950, import guarantee deposits, etc., rose by Drs. 4,100m. In the following paragraphs we shall be referring only to deposits with commercial banks and special credit institutions.

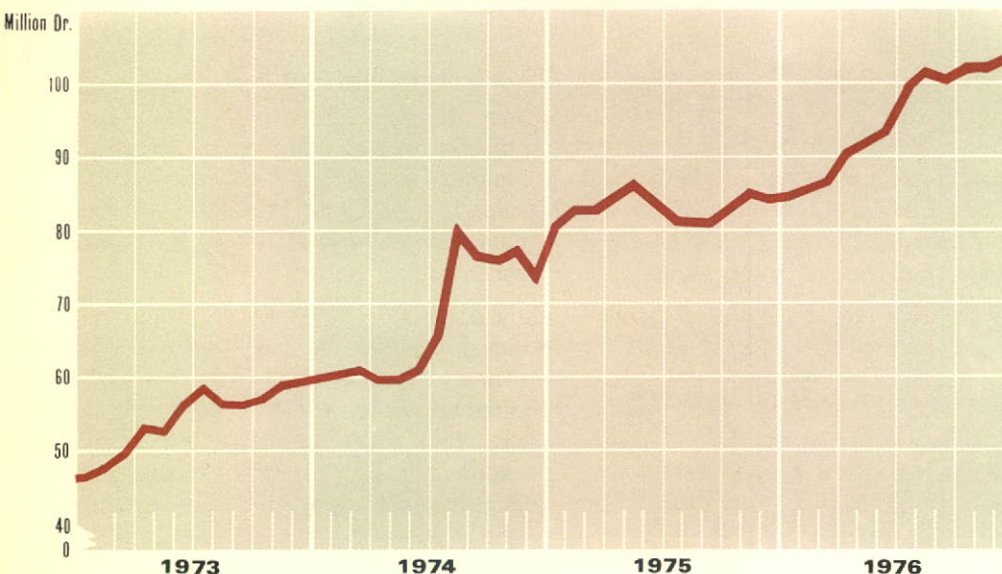
The great bulk of last year's increase — Drs. 95,300m., or 91.2% of the total — was accounted for by private deposits. Private sight deposits rose by Drs. 4,200m., private savings deposits by Drs. 68,600m., private foreign currency deposits by the equivalent of Drs. 23,000m. and all other categories together by Drs. 8,700m.

The rate of increase in private sight deposits was 17.6%, which was less than the previous year's figure of 21.1%. However, if one calculates on the basis of monthly averages, the rate of increase works out at 21.2%. This is higher than the growth rate of the Gross National Product at current prices (20%), which implies a slight reduction in the income velocity of sight deposits.

Savings deposits once again accounted for most of the total net increase, but their rate of growth dropped to 28.6% from 33.2% in 1975. Not too much significance should be attached to this deceleration, since a part of the increase in

### CURRENCY IN CIRCULATION

DATA SEASONALLY ADJUSTED



Source: Bank of Greece,  
Monthly Statistical Bulletin



## Developments in the Greek financial sector

1975 was due to the redeposit of money which had been withdrawn in 1973-74. Of the various different categories of savings deposits, high-interest time deposits rose at the fastest rate (34.4%) and thus enlarged their share of total deposits.

The highest growth rate of all was in foreign currency deposits, which rose to the equivalent of Drs. 63,000m. by the end of 1976 from Drs. 40,000m. a year earlier — an increase of 57.5% — and thus accounted for 14.4% of all bank deposits as compared with 12.0% in 1975. Remittances from Greek seamen and workers abroad accounted for the bulk of the increase, and there was also a fairly steep rise in the balance on deposits with the housing savings bank. The prolonged shipping crisis and the slow rate of international economic recovery do not appear to have affected the inflow of deposits into the Greek banking system out of the savings of expatriate Greeks, who are showing their continued confidence in the Greek economy. Among the other factors behind the steep growth of foreign currency deposits were the intensified activity of Greek banks abroad and the high level of interest rates in Greece in comparison with other countries.

Finally, a breakdown of the increase in domestic deposits by type of credit agency shows that the greater part (Drs. 77,000m. or 73.7% of the total) went to the commercial banks and the remaining sum of Drs. 27,500m. (26.3%) to the special credit institutions.

### Bank lending

The level of bank lending in 1976 was influenced by the Government's credit policy and by the strength of demand for business finance. Among the factors that tended to boost the demand for bank credits were the expansion of trade (due mainly to the progressive recovery of the production rate), the reduced level of foreign suppliers' credits for imports of capital equipment and raw materials, the special tax levy on companies in the private sector under Law 257/1976, the general rise in prices and the conditions that prevailed last year in the stock market.

The total outstanding balance of bank loans and advances rose by Drs. 86,200m. (24.4%) in the course of 1976, as against an increase of Drs. 67,500m. (23.6%) in 1975. Of this net increase, Drs. 75,200m. went to the private sector and Drs. 11,000m. to the public sector. The rate of increase in bank credits to the private sector (excluding loans granted to cover payment of the special tax levy) was 22.2% last year as against 24.5% in 1975.

The distribution of new lending between the various sectors of economic activity was influenced, naturally enough, by the conditions prevailing in each and by the credit regulations in force. Outstanding loans and advances to the manufacturing and mining sector increased by Drs. 32,000m. or 23.7% (1975: 29.5%), to agriculture by Drs. 13,500m. or 23.8% (1975: 27.3%), to the trade sector by Drs. 10,700m. or 34.3% (1975: 27.2%), to housing and tourism by Drs. 9,400m. or 15.8% (1975: 12.5%) and to public enterprises and state agencies by Drs. 8,500m. or 19.7% (1975: 17.7%). Most of the net increase of Drs. 12,100m.

## Developments in the Greek financial sector

in lending to the other sectors was accounted for by loans to enable companies to pay the special tax levy and credits advanced to the farm produce central purchasing agencies.

A breakdown of the overall figures by type of credit agency reveals that the rate of increase in lending by the commercial banks dropped from 33.5% in 1975 to 31.4% in 1976 (28.1% if loans for payment of the special tax levy are excluded). Net new lending by the Bank of Greece was also down from 18.2% to 10.8%, but lending by the special credit institutions showed an increase of 19.0% last year as against 16.2% in 1975.

In the matter of accumulating funds, the commercial banks attracted the great bulk of the new money deposited last year. Their total private drachma deposits increased by Drs. 50,900m., their deposits from public enterprises and state agencies by Drs. 6,400m. and their foreign currency deposits by the equivalent of Drs. 19,700 million.

This last category of deposits has developed into one of the main sources of foreign exchange to cover the balance of payments deficit, with very significant advantages for the country. Most of the money in these accounts is withdrawn in drachmas and so, in practice, they do not create an obligation for debt servicing in foreign exchange. For the same reason the net inflow of foreign currency

### The commercial banks

TABLE 1

<i>End of Period</i>	<i>Current accounts of commercial banks with Bank of Greece (million Drs)</i>	<i>Rediscounting of commercial banks portfolio by the Bank of Greece (million Drs)</i>
January	3.188	281
February	110	127
March	64	25
April	1.211	840
May	-2.142	259
June	-2.796	326
July	378	4.018
August	136	3.031
September	2.725	908
October	-285	1.580
November	-567	1.532
December	142	2.770

*Source: Bank of Greece. Monthly Statistical Bulletin*



## Developments in the Greek financial sector

through these accounts in the course of the year is greater than the net increase in their total balance, with the result that the nation's currency reserves are constantly being reinforced. So great are their advantages for the economy that they carry high rates of interest which play an important part in attracting depositors.

An equally important part is played by the foreign branches of Greek commercial banks, as already mentioned. In this the banks are guided by considerations of the national interest: they themselves do not find this branch of business particularly profitable, because of the high interest rates and acquisition expenses. The rate of net inflow of deposits into the banks fluctuated widely in the course of the year. In the case of drachma deposits, relatively small increases were registered in February, March, April, July, August and October. The inflow of foreign currency deposits from Greek seamen and workers abroad likewise varied from month to month: about two-thirds of the total annual increase was accounted for in the first three months of the year and in December.

Similarly, the trend of bank lending was by no means uniform throughout the year. It is a well-known fact that the demand for bank credits is always very heavy in the second quarter, for seasonal reasons, but in 1976 it remained strong in the third quarter as well, chiefly because of the call for funds to pay the special tax levy, and the unusually heavy demand for credit happened to coincide with a period when deposits were coming in slowly. This combination of circumstances

TABLE 2

COMMERCIAL BANKS				
ORIGIN OF FUNDS		APPROPRIATION OF FUNDS		
(Increase within 1976 in '000 million drachmas)				
<i>Private sector</i>		<i>Private sector</i>		
Drachma deposits	50.9	Loans and advances in drachmas (not incl. extra contribution loans)	38.3	
<i>Public sector</i>		<i>Public Sector and Monetary Authorities</i>		
Drachma deposits by public corporations and enterprises	6.4	Treasury bills and Gov't bonds	19.1	
		Blocked funds	8.2	
<i>Foreign sector</i>		Loans and advances to public enterprises etc.		
Deposits in foreign exchange	19.7	Loans to cover extra contribution	5.3	37.3
		<i>Private Sector</i>		
Loans in foreign exchange	2.4	Credits granted in foreign exchange	2.4	
<i>Principal source: Bank of Greece. Monthly Statistical Bulletin</i>				



## Developments in the Greek financial sector

coupled with the controls on commercial bank liquidity put constant pressure on the banks' available funds, as Table 1 shows. From April onwards they had no option but to raise money by borrowing at high interest, either through rediscounting or by opening overdrafts on their current accounts. So, in spite of the steep growth of deposits, the banks would not have been able to keep pace with the expansion of demand for credits without the support of the Bank of Greece, which lent them substantial sums of money in order to prevent any disruption of the processes of production, investment and the marketing of farm produce. The system of close but informal cooperation between the commercial banks and the monetary authorities, established in 1975, remained in operation throughout last year. This system is designed to facilitate the evaluation of credit trends and requirements and to enable the authorities to provide the banks with guidelines and directives concerning their credit policy.

The sectoral distribution of new commercial bank lending (shown in simplified form in Table 2) was influenced by the general tenor of the regulations governing bank lending, by the direction of the Government's credit policy in 1976 and by the strength of demand for credit. Drachma loans and advances to the private sector (not including loans for the payment of the special tax levy, which are entered under the heading of loans to the public sector) rose by Drs. 38,300m., which was Drs. 12,600m. less than the net increase in private drachma deposits with the commercial banks. Almost as much (Drs. 37,300m.) went on new lending to the public sector in the broadest sense of the term, which includes credits to public enterprises and funds blocked by the monetary authorities. It is therefore fair to say that the funds channelled into the public sector, thus broadly defined, accounted not only for the whole of the net increase in public sector deposits and the surplus balance of new private deposits, but also for the whole of the increase in foreign currency deposits. The proceeds of a foreign currency loan raised from banks abroad went to the private sector.

Net new lending by the commercial banks to the private sector (again excluding loans for the payment of the special tax levy) was almost equal in amount to the previous year's figure (1975: Drs. 36,500m., 1976: Drs. 38,300m.), though in percentage terms it was of course much lower (1975: 30.9%, 1976: 26.3%). To put the matter in its proper perspective, it should be pointed out that a large part of last year's credit expansion was actually accounted for by the substitution of drachma loans for foreign currency loans. The net increase in foreign suppliers' credits to Greek importers, which had amounted to \$124m. in 1974 and \$229m. in 1975, was no more than \$10m. in 1976. This reduction probably reflects the reluctance of importers to take risks on the foreign exchange market. Had it not been for that, it is estimated that the net increase in foreign credits to the private sector in 1976 would have been higher than it was by the equivalent of approximately Drs. 9,000m., and this has to be taken into account in assessing the significance of last year's inland credit expansion.

Stock market trends in 1976 showed no significant change from the previous year. It is true that the volume of trading was considerably larger than in 1975,

### The capital market

## Developments in the Greek financial sector

but share and bond prices remained relatively low. The Treasury and public enterprises again refrained from raising money on the capital market. The total value of new issues by companies in the private sector showed a steep increase, but this was almost entirely due to the doubling of the share capital of one bank.

The total value of securities traded during the year amounted to Drs. 7,300m., as against Drs. 5,800m. in 1975. The increase was wholly due to a 32.7% expansion of turnover in shares, for the value of bonds traded was lower than in 1975.

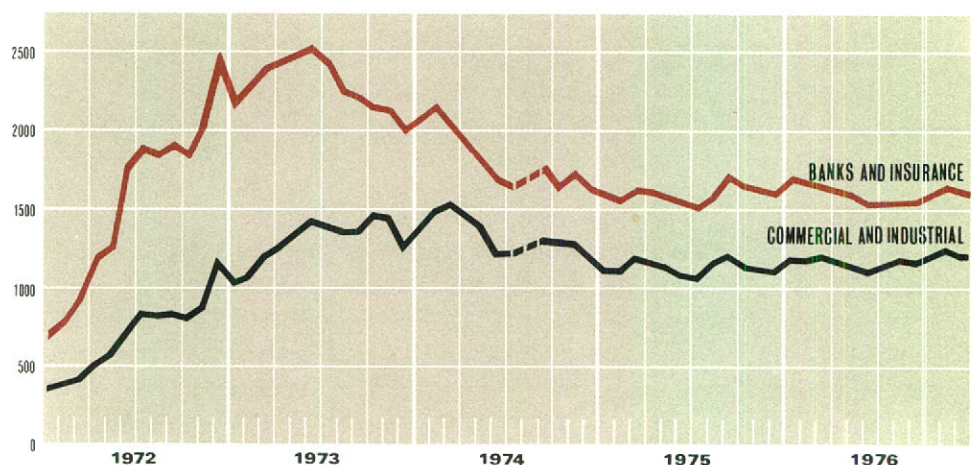
From time to time investors were influenced by psychological considerations, in connection with Greek-Turkish relations and the announcement of various new tax measures, which affected stock market conditions and share prices. In general, share prices remained at or near the low levels at which they had stood at the end of 1975, and the annual average for 1976, according to the Athens Stock Exchange general index, was only 2% higher than for 1975. The index of commercial and industrial share prices rose 3.7%, while the bank and insurance index showed virtually no net change.

The performance of bond prices was mixed. Pre-war Government bonds and public and private corporate bonds moved upwards, but the prices of post-war Government issues remained stationary.

The amount of new capital raised on the stock market last year was very much more than in 1975. New share and bond issues totalled Drs. 6,600m., as against Drs. 1,500m. in 1975, but four-fifths of this sum was attributable to the doubling of the share capital of the Commercial Bank of Greece. New issues by other companies in the private sector were on a limited scale. In the last few months

### SHARE PRICE INDEX

1964 = 100





## Developments in the Greek financial sector

of 1976 and the early months of 1977 a lull settled on the stock market while investors weighed up the impact of Law 542/1977, which introduces a number of new regulations concerning the taxation of dividends, the revaluation of companies' fixed assets and the capitalization of the surplus value. Once the first effects of the law had been seen in practice the initial public reaction was favourable, and the whole package of measures is expected to have a beneficial influence on future stock market conditions. From now on balance sheets will state the value of assets as realistically as possible and investors will have a clearer picture of a company's financial position. With the elimination of much of the previous uncertainty, the market will be less sensitive to the various rumours that have tended to make price movements erratic and unpredictable.

Nevertheless, further action is still needed to deal with other important matters relating to the stock market. Among other things, the procedure for obtaining a Stock Exchange listing for new shares and fixing their issue price needs to be revised; reforms are called for in the method of conducting dealings between brokers and investors; and an effective market control mechanism must be brought into operation. Another innovation that might have good results would be to have the quotation of every listed security fixed daily, so that all bargains struck on any one day would be at the same price. It is true that these reforms would probably drive away a certain number of investors who play the stock market for speculative reasons, but this would be no real loss, for the problem at issue has nothing to do with the total number of dealings but with the identity and motives of those who invest.

Institutional investors, such as banks, insurance and pension funds and other large corporations and state agencies, could play an important stabilizing role if they were more active in stock market trading. If these financially powerful institutions were allowed to buy and sell securities freely, within the framework of a publicly-stated long-term Government policy, it would not only give the stock market a considerable boost but also make it easier to set up an effective mechanism for intervention, which would be extremely useful for keeping prices relatively stable and protecting the capital market against undesirable influences.

Another deficiency that needs to be remedied is the lack of information for investors concerning the course of a company's business and the interim results for periods of less than a year. A regular flow of information would establish closer links between the shareholder and his company. The present situation, in which the small shareholder feels a complete outsider, is not likely to help the stock market to establish itself on firm, lasting foundations.

In the final analysis, of course, the crux of the matter is that the capital market must be more widely used by large, dynamic companies which know that there is always a market for their shares. Additional tax concessions, designed to induce small companies to merge and form larger and more competitive concerns, could be useful in encouraging more extensive use of the stock market as a medium for raising capital.



## IV. The Bank's credit policy and business activity

The primary concern of our Bank, as befits the nation's foremost credit institution, is to ensure that the planning and application of its credit policy conforms to the rules and guidelines laid down by the Government's official economic and credit policy, and during the year under review the Bank's business philosophy and operating results were again influenced by these considerations. Our principal objective was to give financial support where it could do most to boost production and exports, but at the same time we made every effort to stimulate all kinds of productive investment, with the object of ensuring efficient utilization of the country's resources, supporting regional development and generally strengthening the competitive position of the national economy in order to smooth the process of adaptation to the EEC and to extend the range of Greece's international relations. The pursuit of these several aims — a complex, growth-oriented and ambitious combination — demonstrates the responsibility of the Bank's attitude towards its role in the Greek economy and relies on the existence of a streamlined, highly-developed system of organization and methods.

Before granting any business credits we make it our rule always to assess the real needs of the company, its growth potential, the professional ability of its management and its overall significance for social and economic development. Last year we again adhered closely to this principle, which we do our best to apply without going to extremes — since that might put to risk the small savings entrusted to the Bank, which are the main source of our credit funds — and without undue delay in approving loan applications. Strict observance of this rule enables the Bank to grant loans promptly whenever they are needed and ensures that the best interests of its shareholders are adequately protected. At the same time it helps to maintain equilibrium between the Bank's cash reserves and the borrowing requirements of sound business concerns.

Conditions in Greece have been changing rapidly. The nature, scope and volume of business and the organization and methods adopted by companies in the present day have altered almost beyond recognition in the last 10 or 15 years. Even in some service industries the size and organizational structure of some concerns is beginning to resemble the size and structure of large manufacturing companies. Among other things, these transformations mean that larger amounts of capital are needed, and hence the demand for bank loans is heavier. Just at present, with the Greek economy staging a recovery and simultaneously trying to improve its competitive position, it is more important than ever that the banks should give the necessary financial support to healthy enterprises since the alternative sources of finance are not well enough developed.

As we mentioned just now, one of the factors which the Bank takes into account in assessing loan applications is the socio-economic significance of the company or investment project concerned. The importance we attach to this criterion, which is concerned with overall development and certainly falls outside the scope of traditional banking practice in the private sector, is not entirely due to the strong concern for the national interest which characterizes our credit policy: it is also based partly on a realistic, forward-looking appraisal of the close inter-

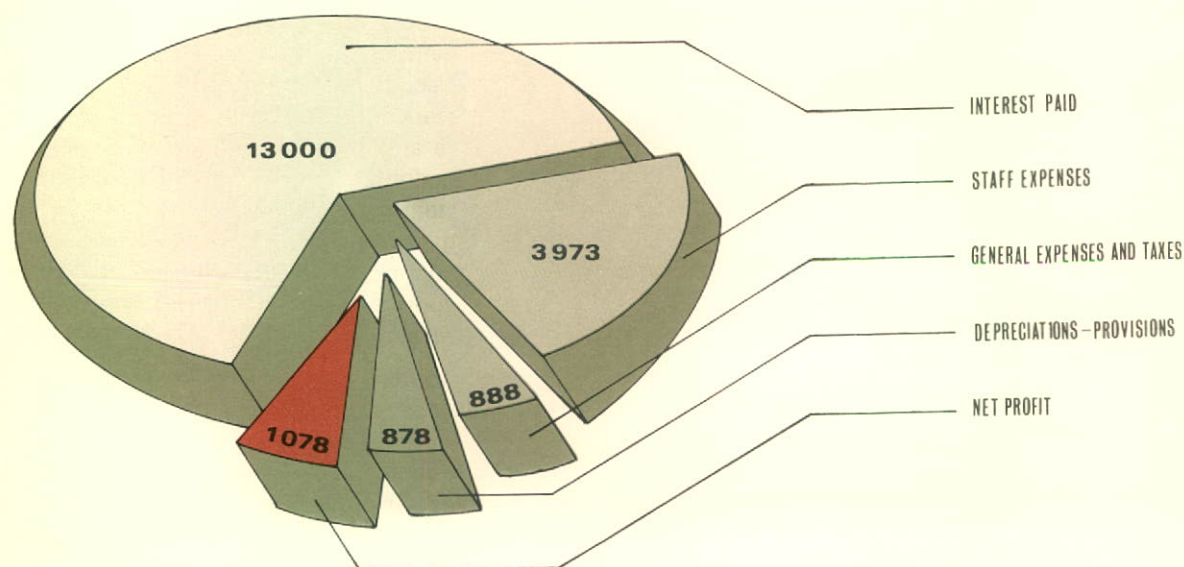
dependence that exists between overall economic and social progress and the progress of the Bank itself.

In keeping with what we regard as the right approach to banking practice and our duty to the economy, as outlined above, and in the context of last year's easing of credit controls, the Bank did all it could to provide its clients with the most efficient service possible, while simultaneously providing ample funds for the financing of the public sector. Moreover, thanks to the public's conspicuous preference for depositing their savings with banks and the dynamic policy we pursued to attract new depositors, we succeeded in obtaining more new credit funds than in 1975, which gave us ample scope for our lending business.

Besides accumulating credit funds within Greece, the Bank took vigorous steps to raise capital abroad in order to support worthwhile investment projects launched by private enterprise. Making the most of its high international standing and its good relations with correspondent banks in other countries, it raised a loan of DM 300m. from a consortium of leading European banks, in its own name, and concluded a number of umbrella agreements under which Greek companies can draw credits for themselves. This gives the borrowers more favourable interest and repayment terms than they could obtain if they negotiated loans on their own behalf, especially now that the international economic and monetary crisis is causing frequent readjustments to rates of exchange and loan interest

#### ALLOCATION OF GROSS REVENUE

(19,817 MILLION DRACHMAE)





## The Bank's credit policy and business activity

rates. Through the medium of its foreign network, the Bank has also stepped up its drive to attract savings from Greeks abroad in order to help the country to build up its currency reserves and capital resources, which are so necessary for the financing of economic development.

Being well aware of the difficulties faced by private enterprise in raising the finance for large-scale productive investment projects, we have mobilized the forces at our disposal to minimize these difficulties. Here we should mention the activities of the Hellenic Industrial and Mining Investment Company (HIMIC), which is now pressing ahead with plans to establish plants for the exploitation of the country's mineral resources. Besides having a financial stake in this company, the National Bank has seconded some of its experienced executives to work for it.

For many years now the Bank has been doing its best to support regional development. More recently we have intensified our efforts in this direction by launching a drive to stimulate economic activity in the frontier areas. In pursuit of this end we have made the necessary modifications to our organizational structure, we have had consultations with the authorities to decide on the best ways of reaching the desired objectives, and all in all we have done everything in our power, within our own province, to bring the goals nearer to attainment. Now, in the light of on-the-spot studies of the local investment opportunities carried out by its own teams of experts, the National Bank has given its approval to a wide-ranging loan scheme to finance the establishment of productive enterprises in the frontier regions. This is particularly significant because the terms and conditions of loans to firms in these areas are extremely favourable, so much so that there can be no possible justification for the involvement of non-nationalized credit institutions in this type of business unless one views the matter in terms of the long-term advantages to the national economy.

This long-term view of the needs and development targets of the Greek economy is a paramount consideration in the eyes of the Bank, not only in the conduct of its lending business but in its policy planning for the expansion of its foreign business and its network of offices abroad. The forthcoming entry of Greece into the EEC, the steady increase in the volume of its foreign trade and the recent realignment of its external economic policy all have to be borne in mind, and their influence is already apparent in the Bank's business philosophy and activities. A typical case in point is the credit backing being given to Greek engineering and contracting companies engaged on important contracts in the Arab countries, where the Bank is also opening new offices.

**Deposits** Inland drachma and foreign currency deposits with the Bank rose very steeply again last year — at a slightly faster rate, in fact, than in 1975. By the end of December the total stood at Drs. 187,600m. as against Drs. 139,000m. a year earlier: this represents an increase of Drs. 48,600m. (35.0%), as compared with a rise of Drs. 35,500m. (34.3%) in 1975.



## The Bank's credit policy and business activity

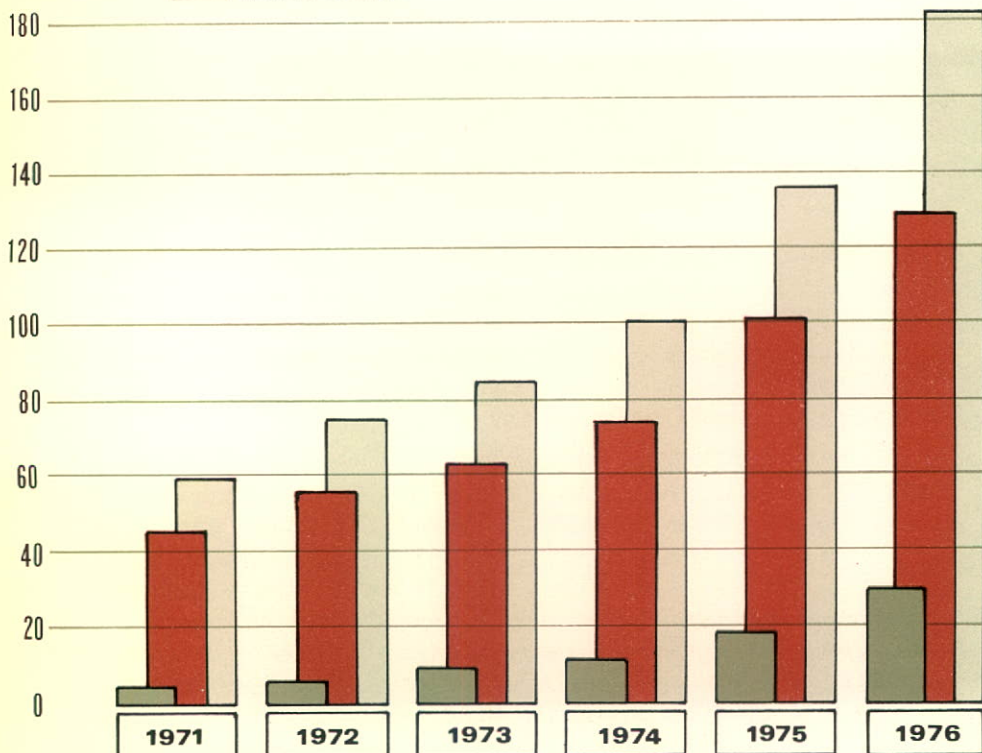
As always, the bulk of the increase was derived from private savings deposits in drachmas, which totalled Drs. 129,500m. at the year end as against Drs. 101,300m. at the end of 1975. Out of this total, time deposits accounted for Drs. 39,000m., or a quarter of all drachma deposits with the Bank. A much more modest growth rate of 18.6% (1975: 21.0%) was recorded in sight deposits, which are affected by companies' cash flow situations.

At this point it is worth dwelling for a moment on personal current accounts, despite their small overall significance, because of their steep rate of growth. Personal current accounts, which are used for the payment of salary cheques to employees of the Bank and other large institutions, provide the general public with facilities for settling personal transactions by cheque. By the end of De-

### INLAND DEPOSITS WITH THE NATIONAL BANK OF GREECE

OUTSTANDING BALANCES AT THE END OF PERIOD

000 Million Dr.  
TOTAL  
SAVINGS AND TIME  
IN FOREIGN EXCHANGE



## The Bank's credit policy and business activity

cember 1976 their total balance stood at Drs. 1,000m., a 63% increase over the previous year-end total of Drs. 615m., and the number of such accounts had risen to 42,700. So striking an increase reflects the importance attached by the Bank to the promotion of this type of business, in conformity with the general guidelines laid down by the monetary authorities.

The most impressive gain of all, this time of real importance in itself, was in inland foreign currency deposits. At the end of December 1976 their total stood at the equivalent of Drs. 30,200m., as against Drs. 18,200m. a year earlier, which means that they had risen by Drs. 12,000m. (1975: 7,000m.) or 66.4%. As a result of their extremely rapid growth, these high-interest deposits accounted for 16.1% of all deposits with the Bank in 1976, as compared with 13.1% in 1975. The progress of foreign currency deposits, most of which are lodged by Greek seamen and emigrant workers, does not merely reflect the general course of economic affairs in Greece and abroad, the differences in interest rates between one country and another and the movement of exchange rates. It is also attributable in large measure to the effectiveness of the Bank's efforts to improve its client service at home and abroad and to the great confidence reposed in the National Bank by depositors in Greece and elsewhere. The proof of this is not far to seek: in 1976 the Bank accounted for more than half of the total net increase in foreign currency deposits with all Greek and foreign commercial banks and the special credit institutions.

### Loans and advances

The total balance of inland drachma loans and advances outstanding at the end of 1976 stood at Drs. 131,000m. as against Drs. 96,000m. at the previous year end, an increase of Drs. 35,000m. or 36.6%.

The different conditions prevailing last year in different sectors of economic activity, the nature of the credit controls in force and the direction of the Bank's policy meant that the rate of credit expansion was not the same in all sectors. As always, the biggest increase was in our lending to the private sector, which rose by Drs. 31,000m. (or Drs. 27,500m. excluding loans for payment of the special tax levy under Law 257/1976). Most of this went to industry, though the rates of expansion of credits to the workshop sector, trade and other activities all accelerated noticeably, in contrast to 1975.

A substantial increase was also registered in our lending to public enterprises (i.e. the Public Power Corporation and the Hellenic Telecommunications Organization), which in the past had obtained most of their finance from the special credit institutions. The outstanding balance of our loans to these organizations rose by Drs. 4,000m. in 1976, as compared with a rise of Drs. 1,200m. in 1975. The funds channelled to the public sector through purchases of Treasury bills and Government bonds and obligatory deposits with the Bank of Greece likewise showed a steep increase, since the sum total under these headings at the end of 1976 was Drs. 10,600m. higher than at the previous year end. If one adds to this our lending to public enterprises and our loans to companies for payment



## The Bank's credit policy and business activity

of the special tax levy (Drs. 3,500m.), the total increase in our financing of the public sector last year amounted to Drs. 18,100m.

In addition to its drachma loans, the Bank advanced long-term loans in foreign currency, using funds raised from foreign credit institutions as mentioned above. Although the Bank had raised capital on the international banking market for lending to Greek companies in the past, it did so on a much larger scale in 1976, with the approval of the monetary authorities. The total amount of money raised abroad to cover the needs of Greek companies last year, most of it for the financing of long-term investment projects, came to \$11,200m. plus DM360m. These funds were lent out little by little until the whole amount had been drawn, with the result that our total foreign currency lending rose from the equivalent of Drs. 14m. at the end of 1975 to the equivalent of Drs. 3,396m. at the end of last year.

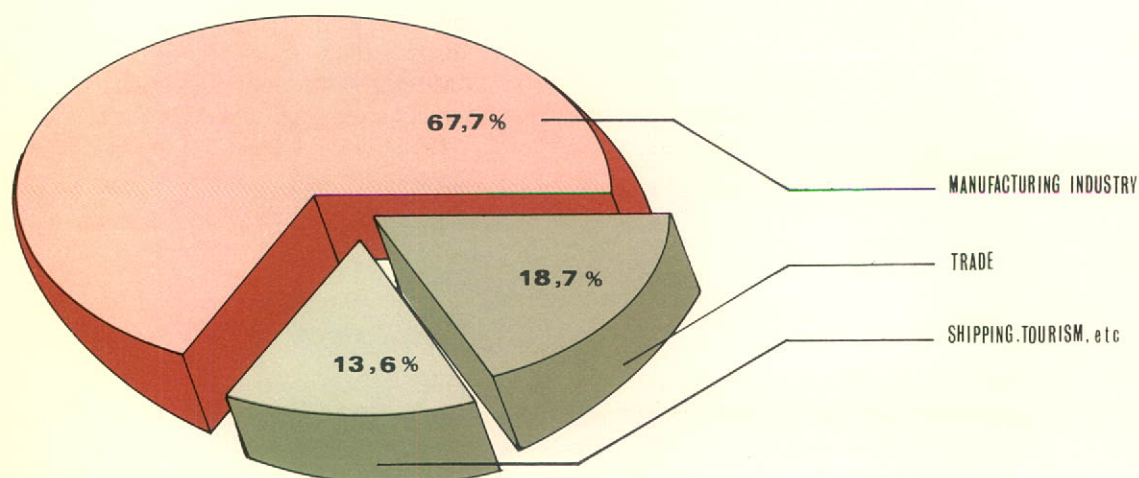
In 1976, which was a year of expanding industrial production, the Bank's lending to industry rose steeply, but by a somewhat lower percentage than in 1975. The total outstanding balance of credits to industry at the year end stood at Drs. 75,300m., which represents an increase of 30.8% as against 37.1% in 1975.

Short-term credits secured by commercial paper rose at a faster than average rate, but the rate of increase in other categories of industrial loans was more modest, since it was influenced by the conditions prevailing in industry last year. This applies particularly to credits granted for working capital.

### Lending to industry

#### DISTIPBUTION OF LOANS TO PRIVATE SECTOR GRANTED BY THE NATIONAL BANK OF GREECE

OUTSTANDING BALANCES AT THE END OF 1976





## The Bank's credit policy and business activity

Long-term loans for the financing of manufacturers' investment projects showed a net increase of 27.5%. Part of this increase may be attributed to the tendency among manufacturers to apply for bank loans in drachmas instead of foreign suppliers' credits for machinery imports, in order to avoid the risk of losses on exchange. All in all, however, there was a heavy demand on the Bank for loans to finance fixed installations throughout the year, and thus the total value of loans of this type approved in 1976 was more than double the previous year's figure at Drs. 8,500m., while the amount disbursed for fixed installations erected during the year rose to Drs. 6,200m. from Drs. 3,100m. in 1975. Moreover, industry received the great bulk of the money which the Bank raised from foreign credit institutions to finance productive investment in Greece.

The National Bank's great contribution to the process of industrial development cannot be properly evaluated in terms of credit expansion alone. In view of the changed conditions now prevailing in Greek industry and the new prospects opened up by the development of the country's international economic relations and foreign trade, the Bank has branched out in new directions. One of its first moves was to participate in the formation of the Hellenic Industrial and Mining Investment Company (HIMIC), which was established in 1975 with the specific object of locating and exploiting the country's natural resources.

Another aspect of the Bank's diversified activities to promote industrialization is shown by the encouragement and vigorous support it has given to mergers between manufacturing companies with similar interests, in order to create economies of scale and thus to make Greek industry more competitive. The recent merger between two of the leading Greek manufacturers of household electrical appliances, with the National Bank subscribing one-third of the share capital of the new company, was an important step in this direction. Efforts are now being made to encourage mergers in two other key industries.

Lest there be any misunderstanding, we should make it quite clear that the Bank's direct involvement in industry is in no sense an attempt to take over from private enterprise or to alter the business principles on which privately-owned companies are run. On the contrary, by undertaking entrepreneurial risks and responsibilities in the manufacturing sector we are giving manufacturers active encouragement and helping them to create industrial concerns of a large enough size, and with a suitable capital structure, to compete with the standards set by the industrially advanced nations. In this way we are helping to utilize the country's capital resources more efficiently and to preserve the Greek character of the companies concerned. What is more, the character of the Bank itself, and its proven interest in furthering the national development of all companies in every field of activity, provide a measure of security against the risk of takeover by monopolies — and, above all, against the risk of takeover by monopolies controlled by foreign interests.

### Lending to the workshop sector

The total of our outstanding credits to the workshop sector rose steeply for the second year in succession. The balance outstanding at the end of December 1976 amounted to Drs. 6,600m. as against Drs. 4,900m. a year earlier, which represents an increase of 36.3% (1975: 24.6%).



## **The Bank's credit policy and business activity**

A particularly impressive rise was recorded in the case of low-interest medium and long-term loans to workshop enterprises under Currency Committee Decision 1421/1966, where the rate of growth was 57.8% (1975: 32.8%). In the course of last year we approved loans for the financing of 1,032 projects, and disbursements for medium and long-term credits were 90.3% higher than in 1975. The extent of the Bank's contribution to the development of this sector may also be judged by the fact that last year another 35 of the workshop enterprises on our books were reclassified as industrial establishments.

The substantial growth of our lending to workshops is partly attributable to the further credit concessions granted last year by the Government and the monetary authorities in order to support the development of this sector, but the decisive factor was our own policy. The National Bank is playing an active part in the drive for workshop development, and in 1976 it took new initiatives to support small manufacturing establishments of this kind in the provinces, with special emphasis on the frontier regions. Having reorganized its administrative machinery in order to step up its contribution to the process of regional development (as described at greater length in another chapter of this Report), the Bank is now able to tackle the credit problems of workshop enterprises on the spot. In this way the procedures involved in business financing are speeded up and small manufacturers are encouraged to take new initiatives, while at the same time they are given an opportunity to resolve organizational and other problems with the assistance of experts from the Bank.

The revival of trade after two slack years and the conditions prevailing in each particular branch of activity were the principal factors behind last year's heavier demand for credit in the trade sector. Quite possibly, too, traders' assessments of probable price changes at home and abroad and of probable exchange rate fluctuations may have strengthened the trend. Further indications of the trade sector's increased capital requirements are to be seen in the large volume of discount business done for manufacturers, from whom traders draw substantial credits, and in the Government's decision to grant facilities for certain private transactions to be carried out "on credit". The process of modernizing and improving the structure and size of business concerns was yet another factor underlying the heavier demand for loans.

The National Bank, which has consistently advanced more than half of all commercial credits, once again provided most of the financial backing for the trade sector and made every effort to ensure that its loans were used for the purposes for which they were intended. Outstanding credits to this sector totalled Drs. 22,600m. at the year end, a 42.2% increase over the corresponding figure for 1975. Most of the increase went on credits for domestic trade, which rose by Drs. 4,600m. in the course of the year. This steep rise was due in part to the boom in sales of durables. Net new lending for import trade amounted to Drs. 692m., bringing the total up to Drs. 1,500m., thanks to the increases in imports of meat (which more than doubled last year in comparison with 1975) and of other goods for which loan finance may be granted. Lending for export trade and the tobacco trade rose by Drs. 684m. and Drs. 691m. respectively.

### **Lending to the trade sector**



## The Bank's credit policy and business activity

### Lending to the shipping industry

The Bank likewise expanded its business in the field of shipping credits during the year under review. The financial backing given to the merchant marine and the shipbuilding industry takes the forms of loans and guarantees, much of the business being transacted in foreign currencies. At the end of December 1976 the outstanding balance of shipping credits advanced by our offices in Greece and London stood at the equivalent of Drs. 8,500m., a 12.7% increase over the previous year's figure. As usual, most of this business was placed through our London office so as not to put a burden on the Greek money market and the country's currency reserves.

The loans in question were advanced to shipping companies to provide them with working capital and to finance ship purchases, building and repair orders placed with Greek shipyards as well as building orders and purchases of second-hand vessels abroad. By means of these loans and large-scale backing with letters of guarantee, the National Bank was instrumental in financing the acquisition last year of 42 new and second-hand vessels for the Greek merchant fleet, valued in all at approximately \$204 million.

The Bank has always made a special point of providing the necessary credit backing for the investment programmes and day-to-day business of the shipbuilding industry, paying particular attention to small and medium-sized yards. Accordingly we have granted loans both for fixed installations and for the performance of shipbuilding and repair contracts for Greek and foreign shipping companies. Greek shipyards had a good year in 1976, despite intensified competition from abroad. The outlook for their future is promising, too, because they have added opportunities of winning new contracts now that the Suez Canal is back to normal working and the oil-producing countries are showing an interest in building up fleets of their own. Thanks to its geographical position, its friendly relations with the Arab states and African countries, its up-to-date technical infrastructure and the high standards of work maintained by its shipbuilding and repair yards, Greece has many important comparative advantages which should help to keep order books full even in periods like the present, when the shipping industry, and hence shipbuilding too, are going through a serious worldwide recession. Indeed, some of the Arab countries have already placed orders with Greek shipyards for new ships and floating equipment of various kinds.

### Credit backing for engineering companies

The financial backing given by the National Bank to engineering and contracting companies engaged on contracts in the Middle East, the Persian Gulf and Africa showed an appreciable increase during the year under review. Our active interest in these companies, which has been conspicuous ever since they first started sounding out the possibilities of working outside Greece, has given them invaluable assistance in consolidating their position and expanding their turnover. For example, by issuing guarantees in foreign currencies and providing credit funds, the Bank has enabled about 20 engineering and contracting companies to submit tenders for contracts worth approximately \$2,000m. in various Arab



## **The Bank's credit policy and business activity**

countries, and many of these contracts have been won. The Bank's total loans and advances to the companies in question amounted to Drs. 669m. at the end of 1976, as compared with Drs. 315m. a year earlier. In addition, we have issued guarantees covering very large sums in foreign exchange.

Being well aware of the far-reaching contribution made by Greek engineering and contracting companies to the development of economic relations with the Arab world, the Bank has not rested content with giving them credit backing but has systematized its drive to support their efforts and devised new methods of doing so. A special team of experts has been formed to tackle problems that may arise in the field; many meetings have been held between senior executives of the Bank and official delegates from the countries in which Greek contractors are working; and representative offices have been opened in some of these countries.

In 1976 the Bank again pursued a vigorous, broad-spectrum policy in the management of its investments. The size of its portfolio enabled it to exert a stabilizing influence and to make a real contribution to the smooth running of the Stock Exchange and the expansion of turnover.

Substantial sums were invested in the initial capital of newly-formed companies and in new issues offered by existing concerns. By the end of the year the total value of our new investments in shares and bonds was 77.3% more than in 1975.

Systematic efforts were made to ensure that Bank-owned real estate was utilized as fully and as profitably as possible. With this end in view, modern buildings were erected on sites belonging to the Bank and we have drawn up an extensive building programme for the future. Several of the new buildings have been put to use as branch premises, with the effect of reducing our accommodation costs and improving the service offered to our large clientele. The rest have been rented out and are now bringing in a considerable revenue. Older buildings have been repaired and modernized in pursuit of the same aims, and we are devising various schemes to increase the utility and profitability of other properties.

As you all know, the objectives pursued by the Bank through its foreign network are to a large extent identical with the broad interests of the national economy. At the same time we are intensifying our drive to make constant improvements in the range of services offered to the Bank's clients in Greece and abroad, and to adapt those services efficiently to changing conditions in the banking world.

In accordance with these principles the National Bank does not rely solely on its long-standing association with numerous correspondent banks abroad: to supplement these links, it has established branches, representative offices and subsidiaries in various parts of the world which are of major importance from the Greek point of view. The result is that shipowners, seamen, short-term emigrant workers, resident Greek communities in Europe, the United States, Canada

### **Management of investment portfolio and real estate**

### **The Bank's foreign network**

## The Bank's credit policy and business activity

and Australia and all Greek workers and businessmen abroad are now served directly by the local offices of this Bank or its subsidiaries, which are to be found in all five continents, within reach of their homes or places of business. This network of offices provides a smooth and efficient link between Greece and the rest of the world in commercial, economic and financial affairs.

We should like to draw special attention to the valuable work done by our foreign network in channelling foreign currency deposits to Greece out of the savings of Greek seamen, emigrant workers and expatriates. The total value of the foreign currency deposits handled by the Bank in 1976 amounted to the equivalent of approximately \$329m., an increase of 73.1% over 1975.

The expansion of Greece's economic relations with countries in the Middle East, the Persian Gulf and Africa has been firmly supported by the Bank, which has taken steps to consolidate its presence in these areas. Thus, by the time Greece joins the EEC, the National Bank will already be firmly established abroad and steadily enlarging its foreign network.

Although business was affected by the economic situation, credit regulations and monetary conditions prevailing last year in each of the host countries, our foreign network nevertheless made good headway in 1976. Our accounting records show that the annual average of deposits with all our foreign branches amounted to the equivalent of Drs. 12,000m., an increase of 16.6% over 1975, and the annual average of their loans and advances to the equivalent of Drs. 8,800m., an increase of 22.5%. Part of the increase was attributable to fluctuations in exchange rates.

One particularly noteworthy point was the rapid expansion of turnover at our Chicago branch, which was in its second year of operation: its average deposits rose by 74% and its average outstanding loans and advances by 54%. In Cyprus, despite the island's economic difficulties, our branches succeeded in raising their combined totals of both deposits and advances. The performance of our subsidiaries the Atlantic Bank of New York, the South African Bank of Athens and the Hellenic Canadian Trust is dealt with elsewhere in this Report.

In the context of its drive for the constant expansion of its foreign network, the Bank has pressed ahead with its plans to open new branches in regions of vital interest and has made every effort to re-establish normal working conditions in places which have become problem areas for reasons outside the economic sphere.

This last remark refers basically to our network in Cyprus. In the course of last year we decided to reopen our Ledra Street branch in Nicosia (in premises of our own near the "green line"), to convert the detached office in Limassol to a full branch and to move our Famagusta branch to Larnaca. We also plan to establish two new branches, which we hope will be opened shortly.

In the United States we plan to open a new branch in Boston, where there is a large Greek community, and new representative offices in New York and San



## **The Bank's credit policy and business activity**

---

Francisco. It is hoped that all these new offices will go into operation before the end of this year.

In the Middle East and the Persian Gulf, where there are good prospects for cooperation between Greece and the oil-producing countries (Arab and non-Arab), the National Bank has plans for the establishment of additional representative offices. One was opened earlier this year in Teheran and another is due to open before long in Bahrein. We are also pressing ahead with plans to consolidate our presence in Egypt (by opening a branch in Cairo) and in other Middle Eastern countries.

Gentlemen,

At this point I should like to emphasize that the Bank would not have been able to make headway with its many-sided activities in Greece and abroad, still less to attain its planned objectives, had it not been for the tireless efforts of the staff, who have displayed a high standard of professional ability and a spirit of constructive cooperation with the Management.

## V. The National Bank sets the pace in modernization

The foregoing review gives a picture of the National Bank's many-sided contribution to the country's economic life and development. In turn, that very economic development, in its modern forms, adds new dimensions to the work of the credit institutions and underlines the need for constant reorganization and adaptation of their business methods and practices.

With the growth of incomes, with the headway being made in industry and other key sectors of the economy, and with the larger size and more rational organization of business concerns today, a higher standard of service is demanded of the banks. The range of banking services is becoming more and more complex as a result of the growing internationalism of big business, the expansion of world trade and the establishment of closer links between the capital markets of different countries. These trends, in combination with the incursion of big foreign banks into the credit markets of other countries, make a difference to the way in which banks operate and compete with each other. In the context of present-day conditions, the quality of the services offered by a bank depends largely on its size and on its success in keeping up with technological and economic progress.

Constant adaptation to changing conditions is particularly necessary in Greece because of the country's forthcoming entry into the EEC. If we are to effect this union with an advanced community of nations painlessly and without unpleasant repercussions, if we are to make the most of the opportunities it presents, we must intensify our drive for technological progress, higher productivity and increased competitiveness.

One need only make an objective assessment of the Greek banking system from the viewpoints of size, structure and organization to see that although there is certainly room for further adaptation to bring it into line with international standards, the system as a whole is capable of standing up to the heavier demands that will be made of it. Indeed, the Greek banks have given proof of their dynamic potential and their capacity for creative enterprise, since they have been among the main driving forces behind the economic headway that has been made up to now.

The Greek banking system, which is composed of only a few banks but includes some that are large even by international standards, is perhaps the most highly developed sector of the economy. The size and financial standing of the banking institutions, together with their long experience, their well-established and active foreign networks and their international connections, are factors of the utmost importance at the present time in the light of current trends and realignments on the Greek economic scene.

The most striking case in point is the National Bank, which is the central pillar of the Greek financial establishment. Through its countrywide network of 322 branches it makes a decisive contribution to economic and social progress at home. Through its branches and subsidiaries abroad and its worldwide network of representative offices it keeps the Greek economy in touch with international



commodity markets and financial centres and provides banking services for the owners and crews of ocean-going ships and for Greek communities abroad.

The National Bank is not only the biggest bank in Greece but one of the biggest in Europe. Its enormous prestige at home and abroad and its strong financial standing are enhanced still further by its property holdings and its valuable portfolio of shares and bonds. Its current market capitalization places it among the top five banks in the European Economic Community.

In the field of organization and methods, too, the National Bank consistently sets the pace. It is spearheading the drive for modernization and making considerable further headway, though its standards are already high in this respect. This is reflected in its operating costs, which are comparable with those of the leading credit institutions elsewhere in Europe. Nevertheless, not content with this, the Management attaches the utmost importance to constant modernization and to the work of improving the Bank's operating conditions and the quality of the services provided.

Acting on these principles, the Management has decided to computerize the Bank's business transactions as far as it is feasible and economic to do so. The most important computerized process is the on-line system of data teleprocessing, whereby account-books and client ledgers are replaced by an electronic display screen. This means that transactions are simplified, the time taken is reduced to a minimum, accounts are brought up to date promptly and accurately and maximum security is ensured. The successful introduction of this system into the Bank's day-to-day work is a key factor in its organizational development: thanks to this, the National Bank is steadily advancing into the ranks of the most up-to-date credit institutions, not only in the Common Market but in the whole world.

Our computerization programme is now at an advanced stage of implementation. Head Office, the Syntagma Square, Vathis Square, Kolonaki and Pagrati branches in Athens and the Ethnikis Antistaseos Avenue branch in Piraeus are all now using the data teleprocessing system, offering its benefits to 300,000 account-holders. At the same time we are pressing ahead with plans to extend the system to 51 more branches, which will mean that it will cover about 50% of the Bank's total deposit business. The system will eventually be applied to other transactions besides deposits, priority being given to the types of business that stand to benefit most from it. We should point out that the introduction of the on-line teleprocessing system is far from easy, since it involves the installation of highly specialized electronic equipment, the employment of specially trained staff and the redesign of banking halls. However, the programme has been given top priority and so the work of extending the system is proceeding apace.

Business automation presupposes wider use of electronic equipment. In this respect — and quite apart from the introduction of the teleprocessing system — the Bank occupies a pre-eminent position, even by international standards. The

### **Computerization: on-line teleprocessing**

### **Further progress with automation**

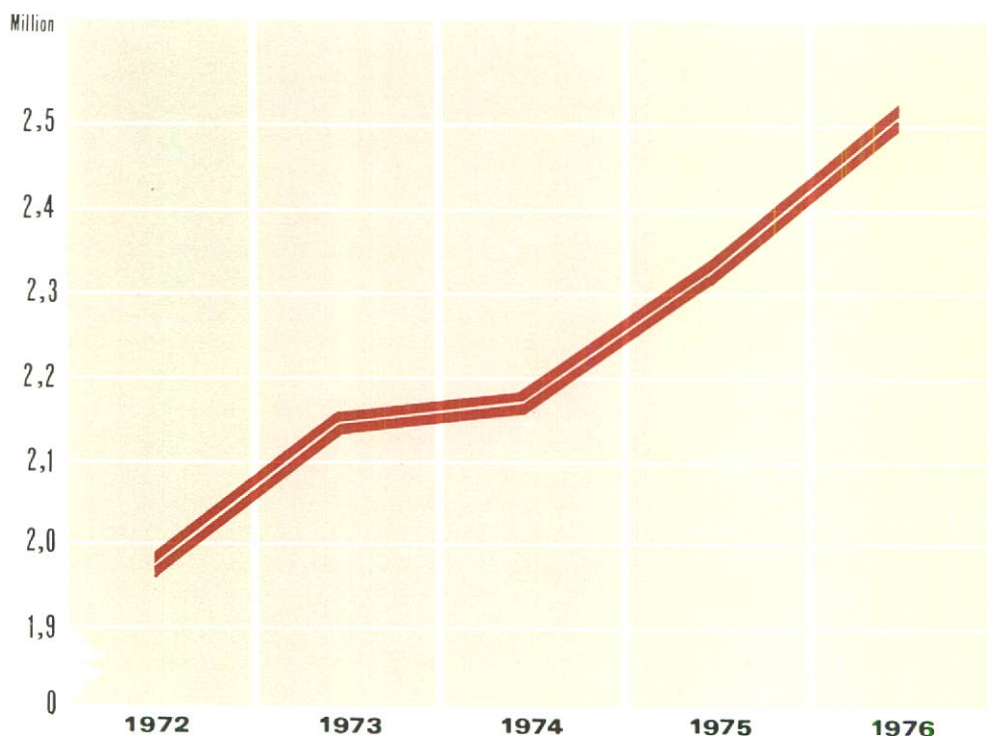
## The National Bank sets the pace in modernization

electronic machines now in use, which represent the last word in technological development, enable the Bank to take the steady expansion of turnover in its stride.

Substantial additions were made to our automated equipment during the year behind us. At the same time, as part of our drive for constant improvement, operating methods were made more efficient by the use of more up-to-date systems. One of the most important innovations, now in the preparatory stage, is the project of microfilming documents and vouchers relating to day-to-day transactions as well as the record sheets showing the data processed by the computers. There is no need to stress the saving of space and labour and the improved security that will be obtained by the use of microfilm.

To give some idea of the extent to which electronic equipment was used in our business in 1976, we might mention that over 2,500,000 separate accounts were handled electronically; the Computer Centre processed an average of more than 212,000 vouchers per day; and approximately 306,000 pension cheques per month, on the average, were made out automatically to pensioners of various social insurance funds.

NUMBER OF ACCOUNTS HANDLED BY THE DATA PROCESSING CENTRE





## The National Bank sets the pace in modernization

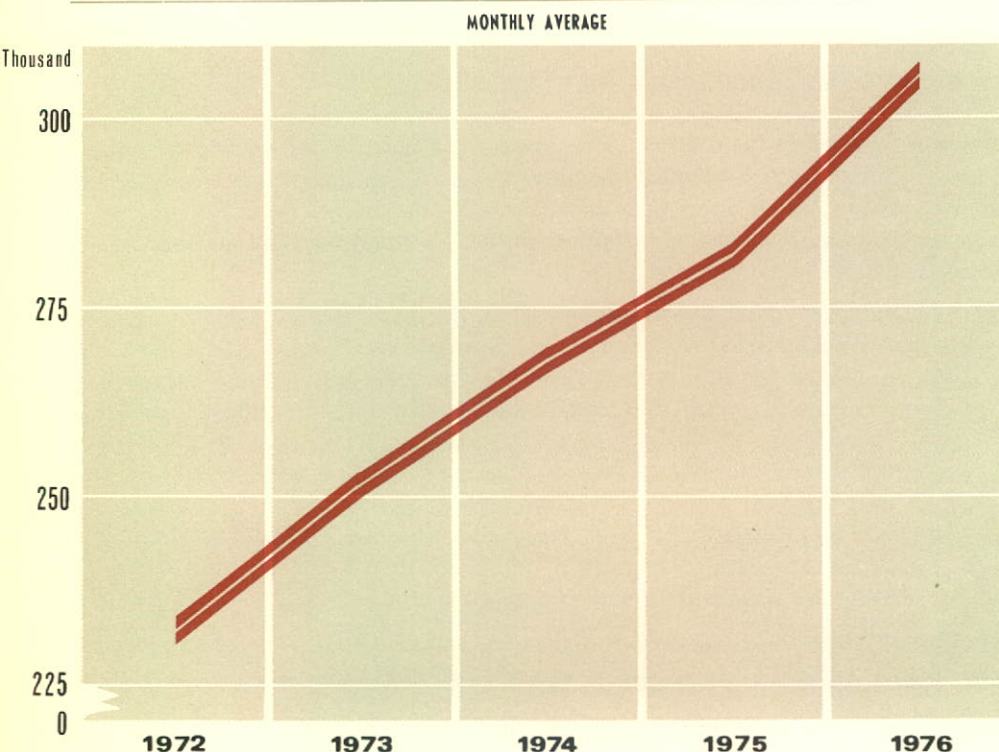
The Bank is taking advantage of the progress of automation to offer a wide range of services in line with the latest trends of demand. Here again it is pursuing the policy adopted by leading credit institutions abroad, which, while not neglecting their established clientele, are seeking to attract business from the kind of people who hitherto would never have dreamt of entering a bank. Householders, workers, pensioners and other ordinary people are the chief users of the National Bank's new and improved services. Here we should point out that many of the new services involve a large number of transactions, usually in small amounts, and a low rate of profitability. Consequently it would have been uneconomic to provide such services using traditional banking methods.

Some typical examples of the new services now available include pension cheques (numbering hundreds of thousands every month), consumer loans, credit cards, real estate management and debt collecting for third parties.

Another important new service is the payment of salaries to employees of large institutions, Government departments and this Bank. The salaries are credited to personal current accounts, which offer our non-business clients the combination of a satisfactory yield together with facilities for making payments by cheque.

### New services available to the public

NUMBER OF PENSION CHECKS ISSUED BY THE DATA PROCESSING CENTRE



## The National Bank sets the pace in modernization

These accounts have been active and the total credit balance on them has been growing steadily, attesting to the successful outcome of this initiative, which not only relieves the organizations in question of some of their cash worries but also represents a considerable step forward with business modernization.

In addition to these services, since last April the Bank has been accepting income tax payments over its counters in the Greater Athens area. This gives taxpayers a chance to discharge their tax obligations without delay or inconvenience.

**Staff training** The Management has always given its undivided attention to the work of raising the standards of its employees' vocational training and general education. However widely electronic and other machines are used in the transaction of business, the staff is still the key to the smooth running of the Bank and the efficient performance of its functions. Improved productivity and a higher standard of work are closely connected with the standard of general education and specialized professional expertise.

Being well aware of the truth of these propositions, we keep a constant watch on everything to do with the professional training of our employees and take the necessary steps to raise standards. We attach especial importance to continuous instruction and try to ensure that all employees undergo the various training programmes provided, which are continually being adapted to the latest educational and technological developments and are designed to fit in with the Bank's policy objectives and practical needs.

The scale and quality of the Bank's education and training programme are reflected in the length of the courses, the wide range of subjects taught and the large number of employees who take part. Courses are provided for virtually every level of the hierarchy, and they have now been opened for the first time to employees of affiliated companies.

In the past year 3,286 persons attended the various courses, which added up to a total of 4,235 teaching hours. In the Preliminary Training Cycle, 313 new employees took part in basic training courses designed to give them a theoretical and practical grounding and to familiarize them with their working environment. In the General Study Cycle, which is for those still in the early stages of their career, 1,499 employees took courses to acquire a broader knowledge of banking affairs, economics and administrative matters, all of which they will need in the course of their work. Lastly, in the Special Study Cycle, 1,474 junior and senior executives attended seminars covering more advanced subjects and the latest trends, events and problems in economics and banking.

Study grants were awarded to 81 employees to enable them to take part in seminars organized outside the Bank, and to a further 350 for foreign language courses, while 20 were sent abroad for postgraduate studies or specialized courses at an advanced level.



## **The National Bank sets the pace in modernization**

Besides taking the necessary steps to raise standards, we aim to make the best use of the human potential available. The Bank therefore employs scientific methods of merit rating and personnel selection that its employees are given the jobs best suited to their talents and special interests. Last year 2,383 employees were interviewed in aptitude and selection tests for specialized posts, which gives some idea of the scale of this operation.

### **Scientific methods of merit rating**

Owing to the great upsurge of demand for banking services, which goes hand in hand with economic progress, and in view of the need for action to fill the existing gaps and to link the various parts of the country together into a unified banking market, we have to keep up a continuous programme of gradual expansion of our network. The advantages of this expansion for the national economy are considerable, both in number and in importance, the principal ones being that it makes it easier for companies to run their business, it provides on-the-spot banking facilities for people living in even the most remote parts of the country and, in general, it stimulates economic activity in the areas served by our branches.

### **Enlarging our network**

Accordingly, our network has been enlarged by the addition of 13 new branches in 1976 and 6 more in the first few months of 1977, and we have obtained official approval for the establishment of 44 offices in Greater Athens and the provinces. In addition, two new mobile banks and one permanent foreign exchange bureau have gone into operation and we ran nine temporary exchange bureaux for the use of delegates at international conferences.

Considerable changes were made last year in the direction of administrative decentralization. In Attica, where the administrative facilities were in need of improvement, we formed a new Regional Division and regrouped the local branches.

### **Regional organization**

Improvements were also brought about in the operating procedures of the Regional Divisions. Among other things, Regional Managers were given wider powers for approving and initiating new ventures: this makes for greater flexibility in making decisions and putting them into effect and speeds up the process of evaluating clients' credit requirements.

In a bid to make a more positive contribution towards tackling the problems of regional development, particularly in the frontier areas, the Bank has set up a special machinery for the purpose. The many new initiatives taken in this field have not only improved the economic infrastructure in the provinces: they have demonstrated the willingness of the National Bank's response to the call for greater decentralization and for the establishment of decision-making centres at key points throughout the country.

### **Assisting regional development**

In the context of this drive the Bank's lending machinery for Northern Greece has been detached from central administration, for loans of up to a certain ceiling, and placed under the guidance and supervision of an independent Board in Thes-

## The National Bank sets the pace in modernization

saloniki. In this way the decision-making procedure for a great deal of business has become much shorter and swifter, since the activities of our Northern Greek network are controlled from Thessaloniki. This streamlining and the wider authorities given to the managers of individual branches have opened up new potential for the Bank in Northern Greece. When we have seen how it works in practice we shall make our final decision on extending this machinery to other parts of the country and expanding the lending powers of managers in the provinces so as to take much of the work load off central departments.

One of the most important moves in our decentralization drive has been the establishment of Regional Development departments. In 1975 the Bank set up roving Regional Development teams, concentrating initially on the frontier areas. Since then many more such teams have been set up, so that now they cover the whole of Northern Greece and all the Aegean Islands. They all come under a central controlling board in Athens, the Coordinating Unit for Regional Economic Development, which supervises, directs and coordinates their work.

This new organizational structure, which is based on Thessaloniki for the time being and has research teams and technical units at its disposal, has many beneficial effects: it renders useful service in the day-to-day business of our Northern Greek branches, it reduces procedural delays, it assists the Northern Greece Decentralization Board by supplying it with research material, and it provides consultative services and technical assistance, mainly in the field of selecting and appraising new investment projects, not only for other departments of the Bank but also for our clients.

Our programme of administrative reorganization was given added impetus by Law 289/1976 (which provides for aid and assistance for the frontier regions) and our main object in pressing ahead with it so rapidly has been to support Government policy in those areas. It has already produced very good results, because our newly-established departments in the area have been busy working out new programmes and arranging credits to finance them. Up to the time of writing (May 1977) investment programmes involving a total outlay of Drs. 1,245m. had been approved, while others, amounting to a much larger total, are now in the planning stage.



## VI. Many-sided activities of subsidiary and associated companies

The Bank's contribution to economic life is not confined to the business described in the preceding chapters. A wide range of activities in the services sector is carried out by subsidiaries and affiliates, which complement and broaden the support given by Greece's leading credit institution to the drive for economic and social progress.

Like nearly all the other big banks in the world, the National Bank now forms the nucleus of a sizeable group comprising a considerable number of well-organized companies in Greece and abroad. They include financial institutions, insurance companies, tourist enterprises, manufacturing companies and public utilities.

The process of building up this group of companies covers the entire history of the Bank, from its early years to the very recent past. Each new addition has been motivated by a desire to serve the public interest by enlarging the country's industrial infrastructure or by introducing new types of institution. As with members of a family, some of the companies founded by the Bank have gone off quite independently and in other cases the links with the parent organization have become fairly loose. Most of them, however, still retain close ties with the Bank — so close, in some cases, that to all intents and purposes they are little more than detached departments. Much of the Bank's work is in fact done through its associated companies. During the year under review they made good headway in their various fields of activity.

### Financial sector

Our affiliated financial institutions in Greece are the National Investment Bank for Industrial Development, the Trader's Credit Bank, the Mortgage Bank, the National Management and Organization Company and the DELOS Mutual Fund. Between them these organizations, which deal mainly with specialized financial transactions, supplement the work of the National Bank in this country.

Outside Greece our subsidiaries the Atlantic Bank of New York, the South African Bank of Athens Ltd. and the Hellenic Canadian Trust, in combination with the National Bank's network of branches and representative offices, render valuable services to the Greek economy and to Greek communities abroad.

### NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT (NIBID)

NIBID, a bank specializing in industrial financing, occupies a pre-eminent position among the financial institutions closely associated with the National Bank. It assists manufacturing, mining and tourist enterprises by providing them with medium and long-term loans and it subscribes to the equity capital of newly-established or expanding companies. At the same time it offers consultative services to Greek companies embarking on modernization programmes, it encourages the formation of joint ventures between Greek and foreign companies and it provides assistance for foreigners interested in productive investments in Greece. In this way it contributes effectively to the drive for the adaptation of Greek manufacturing companies to the changed circumstances foreshadowed by current developments in the Greek economy.

## Many-sided activities of subsidiary and associated companies

The shareholders of NIBID include the National Bank and several large European and American banks and financial institutions, a fact which enhances its credit-worthiness, especially abroad. Thanks to its high standing, a substantial amount of foreign capital is channelled into the Greek economy through NIBID every year. NIBID is supported by long-term loans from the National Bank. It issues bank bonds on the Greek market and is planning to make a similar issue abroad.

Last year the Bank made good headway in all departments of its business. At 31st December, 1976, its total outstanding loans and advances amounted to Drs. 8,010m. and its equity holdings, at cost of acquisition, to Drs. 1,495m.

### TRADERS' CREDIT BANK

The Traders' Credit Bank gives loans to cover the current needs of manufacturers and traders. At the end of December 1976 its outstanding loans and advances totalled Drs. 594m., as against Drs. 487m. a year earlier. Of this total Drs. 334m., or 56.2%, was accounted for by credits to the trade sector. Deposits with the Bank at the same date amounted to Drs. 917m., as compared with Drs. 681m. at the end of 1975.

The Bank now has two branch offices and two detached offices in Athens, and it is hoped that three new branches will be opened in 1977: one each in Thessaloniki, Patras and Volos.

The steady expansion of turnover made it necessary to increase the Bank's share capital last year, as a result of which the National Bank's shareholding rose to Drs. 154.7m. At the end of 1976 its total capital and reserves amounted to Drs. 270.5m., as compared with Drs. 111m. a year earlier and Drs. 9m. in 1964, when it was taken over by the National Bank.

### MORTGAGE BANK

The function of the Mortgage Bank is similar to that of a Building Society. It makes long-term amortization loans to private individuals to make up the full purchase price or construction costs of new housing or the costs of repairs or improvements to existing buildings.

Its total outstanding loans and advances at the end of 1976 amounted to Drs. 1,350m. A large proportion (75.4%) of its lending was to Greek seamen and workers abroad, who had imported funds in foreign exchange for the purchase of properties in Greece. In order to expand its financial resources the Bank increased its share capital by Drs. 20.1m. last year. The increase was subscribed in full by the National Bank.

### NATIONAL MANAGEMENT AND ORGANIZATION COMPANY, S.A.

The Company is used by the National Bank as its instrument in the field of consumer credit, handling funds belonging to the Bank. Through its consumer loans and its credit card scheme (the ETHNOKARTA), the Company supplements the facilities offered by the Bank to private households in Greece.

The number of clients served by the Company, either as recipients of consumer loans or as cardholders, stood at 160,000 at the end of 1976 as against 100,000 a year earlier. As sole licensee of the Carte Blanche scheme for Europe, the Medi-



## Many-sided activities of subsidiary and associated companies

terranean basin and the Middle East, the Company also handles the accounts of holders of credit cards other than the Ethnokarta.

The DELOS Mutual Fund, which was brought into being with the participation of the National Bank, completes the structure of the non-banking capital market in accordance with the practice prevailing in the developed countries. The mutual fund movement, which is fairly new to Greece, makes it possible for personal savings to be channelled into profitable investments on a relatively long-term basis, while for the business world it provides an additional source of long-term finance.

The National Bank is custodian of the assets of the DELOS Mutual Fund, which is managed by the DIETHNIKI Mutual Management Company, S.A. Last year DELOS returned a profit of Drs. 41m. and declared a dividend of Drs. 30 per unit.

Atlantic is the National Bank's main agent in North America. It has three offices in New York and carries on the whole range of banking business. With its up-to-date organization and methods it deals efficiently with the banking transactions of Greek Americans, attracting a substantial proportion of their savings and making loans to finance their business activities. It also helps to maintain active economic links between the thriving, dynamic Greek communities of America and the home country, and it facilitates the work of Greek shipping companies by means of loans and guarantees. In cooperation with the National Bank's own branches in America, it does a great deal to strengthen interbank relations between the United States and Greece and other countries.

In spite of the difficulties stemming from the modest pace of economic recovery in the United States, the Atlantic Bank's total deposits amounted to \$239.8m. at the end of 1976 and its total loans and advances to \$118.2m. Its total assets and liabilities stood at \$263.2m.

The Hellenic Canadian Trust is the newest link in the chain of National Bank subsidiaries abroad. It has three offices in Montreal.

In addition to its normal business of deposits and advances, it offers useful services to the Greek community in Canada and helps to promote cooperation between businessmen in Canada and Greece.

The Hellenic Canadian Trust made most remarkable headway in 1976. Its total deposits at the end of 1976 were more than double the previous year's figure and its total lending showed an increase of 68%.

SABA, which has now been in existence for 30 years, has six offices in the main business centres and seaports of South Africa. It offers the full range of normal banking services and deals mainly with Greek expatriates settled in the country.

In 1976 SABA had to overcome serious problems caused by the South African Government's rigorous counter-inflationary policy and by events of a non-economic nature. Even so, it succeeded in increasing its total deposits by about 11% and its total assets by 21.8%.

### DELOS MUTUAL FUND

### ATLANTIC BANK OF NEW YORK

### HELLENIC CANADIAN TRUST

### THE SOUTH AFRICAN BANK OF ATHENS LTD.

## Many-sided activities of subsidiary and associated companies

### Insurance

Insurance is another sector in which the National Bank has been actively interested since the very early days. A number of successful initiatives by the Bank helped the Greek insurance market to take root and prosper, thus reducing the country's dependence on foreign insurers and saving much of the foreign exchange that was paid out in premiums every year.

The outcome of these initiatives was the formation of three of the biggest insurance companies now operating in Greece. These three set the pace of progress in the Greek insurance market and are strong enough to take on all competitors in the Common Market.

The prospects for the future of insurance in Greece are particularly promising at the moment. In the present stage of economic development it is estimated that the local insurance market has every chance of expanding at an average rate of 10-15% per annum. Our aims here are not only to improve our organization and make the very most of the potential for turnover expansion but also, through our investment policy, to play an active supporting role in the financing of economic growth.

#### THE ETHNIKI GENERAL HELLENIC INSURANCE COMPANY, S.A.

The ETHNIKI is the biggest and oldest insurance company in Greece. It transacts all kinds of insurance business and it has an extensive network covering the whole of Greece, with branches or agencies in every town. At the same time it assists both the private and the public sector in their drive for development by investing its funds in company shares and Government bills and bonds.

The Company's premium income last year totalled Drs. 1,472m., a 24% increase over 1975. At 31st December 1976, its shareholders' funds amounted to Drs. 1,306m. and its underwriting reserves to Drs. 1,249m.

#### ASTIR INSURANCE COMPANY, S.A.

The ASTIR, another of the largest insurance companies in Greece, is active in all branches of business, including Life, Fire, Marine (Cargo), Hull and Aircraft, Motor, Accident and Credit Insurance. It writes new business in Greece and Cyprus and reinsurance risks from all parts of the world.

Premium income in 1976 amounted to Drs. 678m., an increase of 27.8% over the previous year. At the end of 1976 shareholders' funds stood at Drs. 758m. and underwriting reserves at Drs. 897m.

#### HELLENIC SHIP AND AIRCRAFT INSURANCE COMPANY

The formation of the Hellenic Ship and Aircraft Insurance Company represented a notable contribution by the National Bank to the establishment of a Greek marine insurance market, which is a vital part of the infrastructure of the shipping industry.

The Company has written "lines", though admittedly small ones, on insurance or reinsurance policies covering a large number of ships, most of them Greek-owned. It also engages in other types of insurance business.

Naturally enough, the Company's business was affected last year by general



## Many-sided activities of subsidiary and associated companies

trends in the world freight market. Turnover amounted to Drs. 279m., and at the year end shareholders' funds amounted to \$5m. and underwriting reserves to \$3.8m.

The National Bank has played a major role, and a highly constructive one, in the growth of the Greek tourist industry. In the very earliest years of tourist development, as you all know, the Bank carried out projects that set high standards for entrepreneurs in this field and marked turning-points in the evolution of the country's tourist infrastructure. Our interest in this sector is not confined to the provision of loans: it is put into practice through the policies and programmes of our affiliated hotel and tourist companies.

The ASTIR Hotel Company, which merged not long ago with Kamena Vourla Radioactive Springs, S.A., has recently taken over Grand Hotel Summer Palace, S.A. and Phaiax, S.A., which operate large, high-class hotels on Rhodes and Corfu, two of the most popular tourist areas in Greece. All our affiliated hotel companies have thus been brought under the same management and ASTIR has become the central instrument for the Bank's policy and activities in the tourist sector.

Through the Company's development programme, which is now in the process of implementation, we aim to build up a chain of efficiently run hotels which will make a real contribution to the country's tourist development. The programme includes plans for extensions to the existing facilities at Vouliagmeni and Kamena Vourla and for the construction of a large new complex at Vouliagmeni (for which a contract has been signed with the State), a hotel on Crete and a luxury hotel to be built on a superbly-placed Bank-owned site in Athens.

Last year ASTIR increased its share capital. In order to assist the Company with the heavy costs of its investment programme, the National Bank subscribed Drs. 398.6m. to this new share issue. It also subscribed Drs. 115m. to a new issue by Grand Hotel Summer Palace, S.A.

The ASTIR Hotel Company's 1976 turnover amounted to Drs. 291m., a 45.5% increase over the previous year. At this point we should mention that the Astir Palace Hotel made a profit for the first time in many years. The turnover of Grand Hotel Summer Palace, S.A. amounted to Drs. 103m., which is more than double the previous year's figure.

The Bank's activities in other service industries of general public interest are carried out through the companies listed below.

With the establishment of General Warehouses of Greece, the National Bank filled a conspicuous gap in a field which renders valuable services to commerce and industry. The Company now owns storage facilities with a total capacity of 360,000 m<sup>3</sup>, some of it leased to the Customs and Excise Department to supplement its bonded warehouse space. Further facilities with a capacity of

### Tourism

**ASTIR HOTEL COMPANY  
S.A.**

### Other companies

**GENERAL WAREHOUSES  
OF GREECE, S.A.**

## Many-sided activities of subsidiary and associated companies

141,000 m<sup>3</sup> are now under construction and there are plans for the construction of still more, which will add another 40,000 m<sup>3</sup>.

The total quantity of merchandise handled by the Company in 1976 amounted to 7.4m. metric tons.

As a founder member of the International Federation of Privileged Warehouse Associations, the Company is well placed to keep in close touch with current developments in the storage and distribution business in the world at large and the EEC in particular.

### ATHENS-PIRAEUS WATERWORKS COMPANY S.A.

In 1974 the National Bank bought up the shareholding of the American-owned Ulen Management Company and thus acquired the entire share capital of the Athens-Piraeus Waterworks Company. Thus a public utility of great economic and social importance came under all-Greek control.

The Company is now in the process of implementing a five-year plan providing for the extension of the water supply system to all parts of Attica as well as improvements to the existing installations. These projects, when they are completed, will put an end to the urgent water problems confronting a densely-populated area which contains one-third of the total population of Greece.

### Equity participations

In addition to the affiliates listed above, there are numerous other companies, most of them industrial, in which the National Bank has a major but not a controlling shareholding. By means of these holdings and its representation on the Boards of Directors, the Bank keeps directly and actively in touch with the realities of business life. At the same time, the experience and knowhow of the Bank's staff are a considerable asset to the companies in question.

Of the many companies in which the National Bank has a major equity interest, special mention should be made of HIMIC.

### HELLENIC INDUSTRIAL AND MINING INVESTMENT COMPANY (HIMIC)

HIMIC has been formed recently for the purpose of making an active contribution to Greek industrial development. The object of this specialized organization, which is not a financing institution, is to carry out feasibility studies and to establish large plants to exploit the country's natural resources, particularly minerals. The Company's share capital amounts to Drs. 3,000m., of which the National Bank holds Drs. 1,125m. or 37.5%.



## VII. Recent development and prospects

### **Steady improvement of Greek economic conditions**

The outlook for Greek economy in 1977 is bright, although recovery of the world economy is expected to continue at a rather moderate rate, while the measures taken to contain international inflation and to improve the balance of payments situation of most countries are likely to produce small results only. In the very first months of this year it became quite clear that industrial production is continuing its upward march at a satisfactory pace. According to provisional estimates, Gross National Product at constant prices will increase by about 6% over 1976. There should also be an improvement in investments concerning both their volume and pattern under the impact of the concerted efforts of Government and other responsible agencies, whose objective is to encourage and support private initiative tending to increase the country's productive potential. Further impulses are expected from the progress of the negotiations for the admission of Greece as a full member of E.E.C., the new agreements of economic cooperation with the Balkan and other East European countries, the gradual stabilization of Greek exports on the markets of Arab countries, and in general from world economic recovery and the containment of inflation, however slow progress in this respect may be. These last factors will have beneficial influence also on the Greek balance of payments which presented a hopeful picture in the first months of 1977. The rise in payments for imports brought about by increased economic activity was covered to a larger extent than in 1976 by receipts from exports and net invisibles, with the result that there was a smaller deficit in transactions on current account. It is hoped that this satisfactory development will continue throughout the year. The new Government measures which are aimed at improving the structure of imports should also help to achieve this goal.

At the same time the responsible Government agencies are intent on ensuring that inflation will be contained more effectively. It is hoped that this effort will be successful and that the rise of prices within the year will be about the same as in the E.E.C. countries as a whole.

### **The possibilities of steady and spontaneous development**

In addition to the containment of prices and the stepping up of recovery it will be necessary to press ahead with preparations for Greece's entry into the Common Market. The negotiations already under way present a first-rate opportunity to make a fresh evaluation of the situation at home and abroad, of the prospects that are opening up and their most profitable realization. This should lead the country to a steady and spontaneous process of development through which its economic and social well-being can attain a high level. For Greece, to survive both in its economy and as a nation, this is a basic prerequisite.

Provided a right policy of economic and social development is pursued, outlooks for the economic future of Greece seem to be particularly promising.

In spite of the international crisis Greece has indeed covered a considerable distance on the road to economic development. Furthermore, the country possesses untapped sources of natural wealth, still more important as new strategic raw materials are being discovered. Greece is in a strategically important geo-



## Recent developments and prospects

graphical area, between the developed European countries and the new economic powers of the Arab world and Africa — a position which is further strengthened by Greece's friendly relations with these latter countries and the stage of her development. There are also good and expanding economic relations with most of her Balkan neighbours. These dynamic factors — in themselves representing comparative advantages — may become more or less effective according to the policy that will be followed.

### Broad scope for economic cooperation with foreign countries

In the international field attention should be turned to the possibilities of further developing Greek economic relations with the oil-producing countries of the Middle East and in Africa. Transactions with these areas are already expanding at a fast rate and, in particular, Greek exports to them tripled in no more than three years representing today about 20% of the total as against 8% in 1973. Moreover, as it was mentioned in another chapter of this Report, Greek engineering firms are participating in tenders for, or have already undertaken construction of, large infrastructure works. The estimated cost of such works contracted since 1974 and up to the end of April 1977 is of the order of three thousand million dollars. The oil-producing countries present and will continue to present in the forthcoming years an increasing capacity to absorb imports of goods and services on the basis of ambitious development programmes. They are therefore potentially important commercial partners.

In order that this country may avail itself of the existing opportunities the Greek Government is making strenuous efforts. On its part the National Bank assists Greek enterprises in their endeavour to penetrate into the markets concerned, both by supplying the necessary funds and by establishing local contacts through frequent visits of its executives in areas of vital interest to Greece, mainly with the object of setting up branch offices or representative offices on the spot.

Of considerable interest are also this country's financial and commercial relations with the Balkan countries and the Eastern Bloc in general. This is more so now as the clearing system with these countries is being gradually abandoned. The exchange of visits of the respective heads of State at the initiative of the Greek Premier, Mr. C. Karamanlis, and the constructive discussions with official representatives from all East European countries have helped to show the mutual interest in the matter and the existing large margins for further development of economic relations outside the sphere of traditional commercial exchanges and specifically in the field of engineering.

There are also large opportunities for the sale of Greek products on the market of the People's Republic of China although commercial relations between the two countries are still on a very small scale. To improve the situation it is necessary that the Greek side makes systematic efforts to overcome difficulties of a mainly commercial character.

Our first concern, however, should be our entry into the Common Market. There can be no doubt that if this is prepared on time, Greece will derive financial and



## Recent developments and prospects

political advantages from it. Special attention should be given to the changes taking place within the European Economic Community on account of their importance to Greece. This refers, in particular, to the participation in the Common Market of countries with substantially different levels of development, to the large expansion of the Community's cooperation with African countries producing raw materials, to the gradual establishment of a Mediterranean policy and the advancement of some harmonization procedures in addition to the customs union. If to these factors is added the eventual adherence of Spain and Portugal to the Community, it becomes quite clear that competing conditions for Greece have changed a great deal since her association with E.E.C. in 1962. All the more so, as during the seven-year period of dictatorship in Greece her cooperation with the E.E.C. countries had been limited to the commercial sector, and the dismantling of tariff barriers, while the advantages which this country could have derived from its adherence in other respects remained inactive. The unsteady policy pursued during that period, instead of establishing the appropriate conditions for a speedy structural and organizational adjustment of the economy to Community standards, introduced institutions and measures which brought about a confusion in the system of development incentives. In many cases such incentives turned into the opposite, namely, into anti-incentives or factors of disturbance in economic and monetary policies, as among other things they favoured the rise or survival of firms whose competitive ability was limited.

Fundamental prerequisites for the successful outcome of any new development drive are (a) the full exploitation of the opportunities offered by the entry into the Common Market, and (b) the elimination of the weaknesses referred to above. Such a drive can only be made on a collective basis, and the banks as vital members of the economy and links of this country with the world at large can and surely should take an important part in this effort.

The responsibility for assuring the successful outcome of the development drive basically lies with the Government which determines the scope of the activity of all economic agents and the general orientations of economic and social policies. In particular, it is necessary (a) to simplify and modernize the decision-taking and implementing procedures of public administration; (b) to overhaul the system of State intervention and control in a way that will safeguard the public interest; (c) to avoid detailed regulations which hamper the realization of measures and increase red tape, and (d) to review the system of development incentives on the basis of new principles. These ideas are also in line with the opinions expressed by the Governor of the Bank of Greece, Prof. Xenophon Zolotas, in his recent Report on Greek economy. Should they be put into effect, the necessary groundwork will have been made for a wholesale modernization of the economy and the creation of a favourable climate for productive investment. A basic prerequisite in order to lift Greek economy to the levels attained by the developed European countries is, in our opinion, the timely adjustment of institutions and mechanisms to those existing in the E.E.C. countries. Of great im-

### **Government policy as a cornerstone in the development drive**



## Recent developments and prospects

portance it is also to overhaul and simplify the entire tax system so as to bring about a fair and rational distribution of the burden of economic progress among the different income groups, to eliminate large-scale tax evasion and to improve the structure and amount of public revenue. This last objective is all the more important, as the State has not only to meet considerable demands for development but is also obliged to spend large amounts on national defence.

The overhaul of the tax system, in particular, should help to alleviate the burden on households by an appropriate scaling of allowances for family expenses, and offer special incentives in order to counteract the dangerously reduced rate of demographic growth. The new fiscal system might also introduce tax rates that would be in line with those prevailing in the Common Market. It is equally desirable to assure the objectivity of the manner in which taxes are imposed on certain categories of income — wherever this is possible — because high tax rates frequently lead to tax evasion. Also necessary is the abolition of outdated taxes which impede transactions and are a hindrance to the country's economic development. These should be replaced by the value-added tax which is in use in all the countries of the Community. Finally, it is necessary to establish a steady tax system in order to do away with the uncertainty and unfavourable consequences for economic activity which stem from frequent changes in the system. It should, nevertheless, not be forgotten that the overhaul of the tax system, however necessary and urgent it might be, can only be performed by stages. The Government is already dealing with the whole subject.

### The need for long-term planning

In a large measure the success of Government policy depends on the timely and precise definition of the overall long-term development objectives on the basis of dynamic criteria. These objectives should become widely known. Long-term economic planning must of course primarily aim at the structure and orientation of production, the creation of as many as possible opportunities of employment and the balanced development of all the regions in the country.

Regional development — economic, social, and political — and especially the development of frontier regions is a need of national dimensions. It is connected with the effective administrative decentralization of public services and of large corporations' and concerns. Development is also closely bound up with the carrying out of infrastructure works and the introduction of incentives to encourage business activity in the primary, secondary and services sectors according to the possibilities and comparative advantages of each region.

The regional development effort should also be directed to a solution of the problems arising from domestic and foreign migration. The first positive steps in the right direction have already been made by the State as well as by other agencies and, in particular, by the National Bank. These efforts however should be stepped up and put on a systematic basis to a larger extent, while serious consideration must be given at the same time to the orientations of the various economic sectors.



## Recent developments and prospects

In the primary sector until quite recently the policy pursued was aimed at the support of traditional crops and their sale on the equally traditional markets of Western and Eastern Europe. The fundamental changes in conditions of competition and terms of trading in these areas, which frequently forced this country to proceed to difficult — and not always successful — manoeuvres and adjustments, necessitate a radical restructuring of production. The immediate objective of this would be the exploitation of increasing possibilities for local processing of many Greek products. Restructuring of primary production also means that the burden on the budget from subsidies to non-competitive goods would be effectively reduced. Such subsidies, in fact, while they do not solve the problems of the primary sector (including those concerning agricultural income), may slow down the rate of progress in productivity, bring about a distribution of capital funds which could impede development and upset economic and monetary equilibrium.

The most important thing however is to determine the structure of the industrial sector and of manufacturing, in particular, so as to assure the self-sustained competitiveness and the uninterrupted progress of the sector. It is self-evident and accepted by all that industrialization should mainly aim at developing exports, without underrating of course the significance of import substitution.

We must therefore try to develop the comparative advantages of this country in connection with international trends in labour division and the opportunities offered by Greece's entry into the Common Market as well as the expansion of trade relations with the Balkan countries, the Arab world and Africa. Such a policy would also limit the possible disadvantages from an excessive concentration of exports to any geographic area.

Provided the main readjustments referred to above are made, a climate of confidence will be established which is conducive to the implementation of the necessary large productive investments, these being essentially the work of private initiative.

Greek businessmen should avail themselves of the advantages offered to them and always bear in mind that by serving the interests of Greek economy as a whole they are promoting also their own interests, which in the last analysis depend on the former.

The establishment of sound and competitive undertakings of optimum size is an indispensable condition for the dynamic presence of Greek entrepreneurs both on the home and the international markets. Consequently, in some cases and specifically whenever it is possible to set up vertically organized concerns it will be desirable to obtain a merger or the cooperation of small firms. By a rational organization, application of new technological processes and methods of production, and generally by cutting costs, it is possible to increase the competitiveness of enterprises and to ensure the production of goods of high and steady quality. Under the new conditions tending to emerge in the local

### Private initiative and productive investments

## Recent developments and prospects

and the international markets this is absolutely necessary in order to achieve the easy disposal of goods produced.

The policy of mergers is also systematically encouraged by the National Bank which appreciates its importance in speeding up industrialization along the right lines. Indicative of the Bank's interest in this matter is its participation in the share capital of a concern which was recently formed by the merger of two of the most important firms in the electrical appliances industry.

For a better exploitation of local resources it is necessary to set up big concerns, but this should not lead to a monopolistic situation. On the other hand, such units will be in need of very large funds, while returns will be slower to come in than in the case of small size investments. The result of this is that private business is reluctant or unable to raise the required capital funds. The State, however, and the credit agencies are willing to support by every possible means sound initiatives in this field. The fact that the National Bank took the lead in establishing together with other credit institutions a special agency for locating and processing of the country's mineral wealth is a case in point.

Furthermore, it would be desirable to establish cooperation between Greek and foreign investors and businessmen. Greece, in fact, is a most suitable place for the setting up of foreign firms and mostly for those which are interested in expanding their sales in the Middle East area and in Africa. Such firms should be encouraged as much as possible, provided however that competition will be on equal terms for foreign and local business undertakings as is the case in the Common Market.

### The contribution of the capital market

The reactivation of the stock market could also contribute significantly to the investment drive. This could be done by the big and powerful companies for whose shares there is a steady demand by their offering new shares to the public and thus tapping this important source of funds. The measures taken recently are helping to gradually create conditions that can induce the enterprises to have recourse to the stock market. The weaknesses shown by the Stock Exchange with respect to its organization and operation can and must be overcome. Steps in this direction would be the reform of the procedure by which new shares are registered on the Exchange, the streamlining of the method of dealing in securities, the establishment of an effective control system, and the offer of larger possibilities to strong financial corporations for investing part of their liquid assets in titles. Also important is the frequent and detailed supply of information to prospective investors and the public at large, whose access to the Stock Exchange should be made easier. This would attract a larger number of investors from a more representative group of savers. Particular attention should be given to attracting Greeks living abroad by offering special tax incentives. The broadening of the group of investors would not only help to bring new capital into the market but would also tend to stabilize prices of securities.



## Recent developments and prospects

Gentlemen,

We are presently going through a dynamic and decisive period in the economic life of our nation. The success of our endeavours will depend on cooperation, coordination, consistency and speed in our decisions and actions. Within the framework of its duties the National Bank is, as always, making every possible effort for the overall progress and prosperity of the Greek people.





---

# **ANNEX**

---

## **REPORT OF THE BOARD OF DIRECTORS AT THE GENERAL MEETING**





## Analysis of Balance Sheet and Results for 1976

The Bank's business expanded considerably in 1976. Total assets and liabilities including contra accounts, amounted to Drs. 297,956 million at 31st December last as against Drs. 226,034m. at the previous year end. There was thus an increase of Drs. 71,922m. as compared with a rise of Drs. 52,811m. in 1975. From the total increase the sum of Drs. 59,341m. was accounted for by the main accounts and Drs. 12,831m. by contra accounts.

The changes in the main Balance Sheet items are set out below.

**Available funds** Total available funds at the end of 1976 amounted to Drs. 60,763m., a rise of Drs. 15,195m. over 1975 which was mainly due to the increase in blocked funds. The increase is itemized as follows:

Cash, cheques and sight deposits with the Bank of Greece	Drs.	2,692m.
Available funds abroad	»	1,703 »
Obligatory deposits with the Bank of Greece	»	4,687 »
Greek Treasury bills	»	6,113 »
Net increase as above	Drs.	15,195m.

**Loans and Advances** The total balance of outstanding loans and advances at 31.12.75 stood at Drs. 104,923m.  
and by 31.12.76 rose to » 143,505m.

Total inland and foreign loans and advances increased in 1976 by Drs. 38,582m. or 36.8%, as against an increase of Drs. 26,536m. or 33.9% in 1975.

Domestic lending in particular, rose by Drs. 38,912m. whereas loans by our branches abroad show a decline of Drs. 330m. On the basis of annual averages, however, inland loans and advances increased by Drs. 29,566m. or 35.6% and loans abroad by Drs. 1,620m. or 22.5%. Of the total increase in domestic lending Drs. 27,500 million went to the private sector, Drs. 4,000 million to public enterprises, Drs. 3,400 million to loans in foreign exchange, and Drs. 3,500 million to loans for payment of the special tax levy under L. 257/76.

**Investments** **Portfolio of securities**

The book value of the Bank's portfolio of securities amounted to Drs. 13,614.2m. at 31st December 1976, as against Drs. 11,673.5m. a year earlier. There was thus an increase of Drs. 1,940.7m. or 16.6% last year as compared with a rise of Drs. 1,094.5m. or 10.3% in 1975.

## Analysis of Balance Sheet and Results for 1976

The increase in 1976 was derived from:

Participation in the share capital of HIMIC	Drs. 1,125 m.
Participation in share capital increases of other companies	» 882.3 »
Purchases of shares	» 179.1 »
Rise in value of portfolios held by branches abroad	» 142.1 »
Purchases of Economic Development and Public Power Corporation bonds	» 4.6 »
Acquisition of shares free of charge	» 3.0 »
	Drs. 2,336.1m.

Less:

Bonds of NIBID and other companies redeemed at maturity	Drs. 198.5m.
Economic Development, PPC, Hellenic Telecommunications Organization and Consolidation Loan bonds drawn for repayment	» 174.5 »
Sales of shares	» 16.3 »
Difference in price of inland bonds in foreign exchange	» 6.1 »
	Drs. 395.4m.
Net increase as above	Drs. 1,940.7m.

It should be noted that in addition to the above mentioned amount derived from the sale of securities, capital gains of Drs. 35.1m. were realized. This sum has been transferred to the special tax-free reserve formed under Emergency Law 148/67 together with shares worth Drs. 3m. which were acquired free of charge.

### Real Estate

The balance of the Bank's real estate account after deduction of the relevant depreciation, showed an increase of Drs. 1,900.7m. A large part of the increase came from the revaluation of real estate in compliance with the recent Law 542/77. The breakdown of the increase is as follows:

Revaluation of domestic branch premises and real estate according to L. 542/77 less depreciation	Drs. 1,667.0m.
Properties purchased for branch offices, construction costs and expenditures on improvements to various premises at home	» 76.9m.
Properties purchased for branch offices, construction costs and expenditures on improvements of branches abroad	» 63.9 »
Properties acquired by auction	» 99.5 »
Purchases of new properties and expenditure on their improvement	» 58.4 »
Profit on sales of properties	» 7.0 »
	Drs. 1,972.7m.



## Analysis of Balance Sheet and Results for 1976

Less:

Value of properties sold	Drs. 12.3m.
Depreciation	» 59.7 »
	Drs. 72.0m.
Net increase as above	Drs. 1,900.7m.

### Fixtures, office furniture and other equipment

The balance of the account "Fixtures, office furniture and other equipment" showed an increase of Drs. 34.1m. in 1976. The account was debited with Drs. 95.8m. spent on purchases of machinery and mechanical equipment, furniture, fitting and motor vehicles, and credited with depreciation amounting to Drs. 61.7m.

The Bank's total capital and reserves at 31st December 1976 amounted to Drs. 10,586.1m., an increase of 1,851.0m. over the previous year's figure. **Capital and Reserves**

Last year's change was due to:

The transfer of the revaluation of real estate under L. 542/77 for the increase of share capital	Drs. 1,667.0m.
The disposal of part of the profits as an extra dividend for rounding off the share capital increase	» 5.9 »
The transfer of part of the profits to the Ordinary and Extra-ordinary Reserves	» 140.0 »
The increase of the Special Reserve under E.L. 148/1967. This transfer represents capital gains on securities sold, the acquisition of shares free of charge and revaluation of bonds drawn for repayment in 1976	» 38.1 »
Total increase in capital and reserves	Drs. 1,851.0m.

As it is known, the incorporated enterprises were obliged by Law 542/77 to revalue their real estate and to capitalize the surplus value. For the companies that have more than 1.5 million shares capitalization of the 75% of the surplus value is accomplished through an increase in the book value of the shares and for the remaining 25% through issuance of new shares.

The surplus value that resulted from the revaluation under L. 542/77 amounts to Drs. 1,667.0m. To this is added the sum of Drs. 1,112.5m. which constituted special reserve from the previous revaluation under E.L. 148/67. Thus the sum for capitalization amounts to Drs. 2,779.6m. From this sum, we propose:

- (a) Drs. 2,039.6m. to be capitalized by increasing the present nominal share value from Drs. 725 to Drs. 1,600. The sum of Drs. 2,039 million is somewhat less than the 75% of the surplus value. This was done in order to round off the new nominal value per share at an integral number.
- (b) The balance, of Drs. 740.0m. representing approximately 25% of the surplus value together with Drs. 5.9m. as additional dividend from the profits of 1976, or a total of Drs. 745.9m. we propose to be used for the issue of 466,190

## Analysis of Balance Sheet and Results for 1976

new shares at the new nominal value of Drs. 1,600 each. These shares are to be distributed to the shareholders free of charge, at the ratio of one new share to five old ones.

With these changes the Bank's share capital will increase by Drs. 2,785.5m. and will amount to Drs. 4,475.4m. This capital will be divided into 2,797,142 shares of a nominal value of Drs. 1,600 per share.

### Deposits

Total deposits with the Bank, in Greece and abroad, amounted to Drs. 200,719m. at the end of 1976 as compared with Drs. 150,774m. at the previous year end. There was thus an increase of Drs. 49,945m. last year, as against Drs. 37,719m. in 1975.

Of the total amount of this increase, Drs. 48,641m. was accounted for by the growth of inland drachma and foreign currency deposits. Deposits with our branches abroad showed an increase amounting to the equivalent of Drs. 1,304m.

More than three fourths (Drs. 28,184m.) of the increase in our inland deposits was in private savings deposits in drachmas. The fastest growth rate (65.5%) was recorded in inland foreign currency deposits the equivalent of which in drachmas rose by Drs. 11,850m. to Drs. 29,950m.

The growth of deposits was accompanied by a rise of 205,000 in the number of accountholders with the Bank. At the end of December 1976 their total number stood at 2,567,000.

### Profit and Loss Account

The total gross earnings of the Bank in the year under review, after deduction of debit interest and turnover tax plus related stamp duty, amounted to Drs. 6,817.9m. as against Drs. 4,996.7m. in 1975. This is an increase of Drs. 1,821.2m. (36.4%), as compared with a rise of Drs. 991.2m. (24.7%) in 1975.

Expenditure in 1976 totalled Drs. 4,861.5m. as against Drs. 3,593.8m. in 1975. There was thus an increase of Drs. 1,267.7m. (35.3%) as compared with Drs. 969.3m. (36.9%) the previous year. The real increase in 1976, however, as will be shown later, is 31.1%.

The following is a breakdown of expenditure for the last two years, in million drachmas:

	1976	1975
Staff wages and salaries and fees paid to third parties	3,028.5	2,209.3
Contributions to staff insurance funds and the Social Insurance Institute (IKA), excluding the supplementary contribution of Drs. 50m. in each year	944.2	656.5
General expenses	737.9	624.8
Taxes	150.9	103.2
	4,861.5	3,593.8

It is evident from the above breakdown that out of the total increase in expenditure Drs. 1,106.9m. is accounted for by staff wages and salaries, fees paid



## Analysis of Balance Sheet and Results for 1976

to third parties, and corresponding contributions to staff insurance funds, Drs. 113.1m. by general expenses, and Drs. 47.7m. by taxes. The main factors behind the rise in payroll expenses were pay raises awarded to the staff in line with the general increase in salaries and wage rates, promotions, and the enlargement of the Bank's staff. It should be noted, however, that the rise in payroll expenses by 1,106.9m. or 38.6% is partly fictitious and due to the change in the accounting procedures. Indeed, as it was mentioned in the Auditor's report for 1975, a decision was taken that the special bonus paid to the staff (for the Balance Sheet fortnight) be debited to the year in which it is disbursed and not to the year to which it refers. The change from the old to the new accounting procedure shows the increase in payroll by Drs. 106.9m. greater than the actual figure. The real rise in payroll amounts to Drs. 1,000m. or 33.3%. This difference obviously influences the net balance of expenditures which increased by 31.1%.

Profits for the year, before depreciation and provisions, amounted to Drs. 1,956.4m. in comparison with Drs. 1,402.9m. in 1975, a rise of 39.4%.

We propose to make the following appropriations out of profits:

Depreciation on real estate and equipment	Drs. 121.4m.
Provision for bad and doubtful debts	» 600.0 »
Special provision for outstanding liabilities	» 69.0 »
Special Contribution to Staff Pension Fund	
under Law 3662/57	» 50.0 »
	Drs. 840.4m.

The provision of Drs. 600m. for bad and doubtful debts is less than the limit of 1% on the average balance of loans and advances that the law allows, because we feel that the cumulative total of the bad debt provision is sufficient to cover the losses likely to arise from this cause.

After deducting the above appropriations, and after transferring to the Special Reserve the profit of Drs. 38.1m. on sale of securities, we are left with a balance of Drs. 1,077.9m., which is brought up to Drs. 1,088.2m. by the addition of the undistributed profit brought forward from 1975. We propose, to distribute this sum as follows:

To Ordinary Reserve	Drs. 40.0m.	
To Extraordinary Reserve	» 100.0m.	Drs. 140.0m.
Provision for corporate income tax		» 50.0 »
First dividend (6%) of Drs. 43.50 per share on 2,330,952 shares	Drs. 101.4m.	
Second dividend of Drs. 331.50 per share	» 772.7m.	» 874.1 »
Additional dividend for rounding off the share capital increase		» 5.9 »
Directors' fees		» 2.7 »
Balance carried forward		» 15.5 »
		Drs. 1,088.2m.

# Analysis of Balance Sheet and Results for 1976

## Basic Accounting Principles

The basic accounting principles followed in the preparation of the Balance Sheet and Profit and Loss Account for the year ended 31st December 1976 are as follows:

### Valuation of fixed assets and depreciation

The cost of acquisition (historic cost) of the buildings in Greece which the bank had purchased up to 31st December, 1974 together with their depreciation (up to 31st December, 1974) were revalued under the terms of L. 542/1977. The total surplus accrued from the said revaluation is shown as a debit in the Balance Sheet under the account "Surplus accrued from revaluation L. 542/1977 and E.L. 148/1967 for capitalization."

The inland buildings purchased in 1975 and 1976 are stated at cost of acquisition (historic cost).

Properties which were in the Bank's ownership and being used as branch premises at 31.12.71 as well as some other properties with old constructions and which are to be used by the Bank are stated at the value placed upon them at the revaluation carried out in 1972 under the terms of E.L. 148/1967. Because of this revaluation, the Law 542/1977 did not apply to them.

The cost of acquisition (historic cost) of all other properties in inland was revalued under the terms of L. 542/1977. The surplus that resulted from this revaluation is included in the Balance Sheet under liabilities and is to be capitalized in 1977.

The cost of acquisition of properties (land and buildings) abroad was not revalued.

Other fixed assets (furniture, vehicles, etc.), are stated at historic cost with the exception of the furniture, fixtures and fittings of our branches abroad which are entered in the Balance sheet at their undepreciated value (Drs. 23,404,470).

Depreciation of the fixed assets belonging to Administration and branches in Greece is calculated in accordance with the provisions of Presidential Decree 88/73. It should be made clear that in accordance with L. 542/77 depreciation on buildings is calculated on the cost of acquisition and not on the value resulting from the revaluation.

In conformity with established practice, monthly depreciation instalments are not charged on the value of furniture, fixtures, fittings and motor vehicles acquired during the accounting period under review nor on the costs of additions to branch premises.

Depreciation on the fixed assets of branches abroad is calculated in accordance with the regulations in force in the countries concerned.

### Valuation of investments

All shares and bonds are stated at the price of acquisition or at the values placed upon them at the inventory valuation of the previous accounting period. Their total book value was less than their average total market value during the fifteen



## **Analysis of Balance Sheet and Results for 1976**

days immediately preceding the inventory valuation on 31.12.1976. The value of unquoted shares and bonds in the Bank's portfolio amounts to Drs. 5,364,120,063.

### **Valuation of claims and liabilities in foreign currencies**

Claims and liabilities of the Bank in foreign currencies are expressed in drachmas at the official mid-point rate of exchange ruling on the Balance Sheet date. Differences on exchange are carried to the profit and loss account.

### **Criteria for classifying claims and liabilities as long-term**

Advances and deposits falling due for repayment more than twelve months after the Balance Sheet date are classified as long-term. All others are classified as short-term.

### **Provision for bad and doubtful debts**

The provision set aside in 1976 to cover possible losses arising from bad and doubtful debts (in accordance with Article 2 (2) of E.L. 396/1968 as amended) amounts to Drs. 600m., which is equivalent to 0.53% of the annual average of actual outstanding loans and advances. This compares with Drs. 327m. in 1975, which was equivalent to 0.39% of the annual average of actual outstanding loans and advances in that year.

The administration considers that the accumulated bad debt provision which now totals Drs. 3,431,130,769 is more than sufficient to cover the losses likely to arise from this cause.





NATIONAL BANK  
OF GREECE S.A.

135<sup>TH</sup>  
BALANCE SHEET,  
AS AT 31<sup>ST</sup> DECEMBER 1976  
IN DRACHMAE





**AUDITORS' REPORT**  
TO THE SHAREHOLDERS  
OF THE NATIONAL BANK OF GREECE S.A.

We have audited the above Balance Sheet of the National Bank of Greece S.A. as at 31st December 1976 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. No change in the inventory valuation method has been made as compared with last year, except for the revaluation of land and buildings effected under Law 542/1977 as referred to in the annotation of the Balance Sheet. 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 apart from the change referred to above, they reflect your bank's financial position as at 31st December 1976, as well as the results for the year then ended.

Athens, 30th April 1977

CERTIFIED PUBLIC ACCOUNTANTS

TH. D. BOGHEAS

TH. G. GRIGORAKOS



1975

## ASSETS

1976

## AVAILABLE FUNDS

5,188,932,052	Cash, Cheques and Sight Accounts with the Bank of Greece
4,402,779,708	With Banks abroad, Gold and Foreign Exchange .....
4,139,652,397	Deposits with Bank of Greece pursuant to Currency Com-
31,836,400,000	mittee regulations .....
	Treasury Bills .....

7,881,271,901
6,105,884,412
8,826,200,000
<u>37,949,150,000</u>

60,762,506,313

## LOANS AND ADVANCES

## I. To Commerce

999,774,360	Bills discounted .....	1,217,959,406
	Loans and Accounts:	
29,074,198,384	On commercial paper and other guarantees .....	39,100,368,695
4,354,305,198	On merchandise and bills of lading .....	5,350,772,046
364,506,575	On securities .....	<u>435,389,613</u>

46,104,489,760

## II. To Industry

1,167,850,149	Bills discounted .....	1,617,735,345
	Loans and Accounts:	
62,368,740,679	On commercial paper and other guarantees .....	88,931,513,296
6,593,346,572	On merchandise and bills of lading .....	<u>6,851,585,779</u>

97,400,834,420

## SUNDRY DEBIT ACCOUNTS

344,910,743	Expenses for the forthcoming year .....	343,747,940
6,585,895,639	Claims from sundry banking transactions .....	4,461,039,483
2,167,685,849	Claims against Social Insurance Funds .....	2,470,279,271
448,162,627	Foreign Exchange Accounts .....	497,638,083
3,744,900,204	Sundry debtors .....	6,045,556,249
1,526,991,712	Bank of Greece: Duties and Advance Import Deposits .....	<u>1,018,853,802</u>

14,837,114,828

## INVESTMENTS

	Portfolio of Securities	
6,689,964,715	Bonds .....	6,435,062,697
4,983,578,869	Shares .....	<u>7,179,180,727</u>
	Bank Premises and Real Estate	
2,877,862,743	Land .....	4,168,673,554
1,244,665,923	Buildings .....	<u>3,461,120,554</u>
		7,629,794,108
232,000,847	Less Depreciation .....	<u>1,838,573,214</u>
429,338,572	Fixtures, Office furniture and other Equipment .....	518,123,321
22,768,488	Vehicles and other Transport Equipment .....	<u>26,625,853</u>
		544,749,174
198,694,954	Less Depreciation .....	<u>257,201,123</u>

5,791,220,894

287,548,051

19,693,012,369

## INVESTMENT SUSPENSE ACCOUNTS

83,344,821	BRANCHES (entries in transit) .....
218,611,300	
<u>181,428,472,478</u>	

162,529,383  
1,809,070,647  
240,769,557,720

## TOTAL ASSETS

## CONTRA ACCOUNTS

23,049,479,423	Guarantors .....	26,804,165,692
21,556,517,935	Other Contra Accounts .....	<u>30,382,717,776</u>
<u>44,605,997,358</u>		<u>57,186,883,468</u>

* of which: Short-term .....	103,865,074,402
Long-term (over one year) .....	<u>39,640,249,778</u>
	<u>143,505,324,180</u>



# 1975 LIABILITIES

1976

## CAPITAL

Share Capital (2,330,952 shares at Dr. 725 each) . . . . .  
Plus value from revaluation pursuant to L. 542/77 and E.L.  
148/67 for capitalization . . . . .  
Additional dividend to round off increase in Share Capital  
Reserves:

Ordinary . . . . . 846,602,214  
Extraordinary . . . . . 986,647,381  
Special Reserves:  
Share premium account . . . . . 2,374,193,000  
Under E.L. 148/67 . . . . . 1,903,277,974

## PROVISION FOR DEPRECIATION OF ASSETS

Inland (R.D. of 10.1.59 and E.L. 396/68) . . . . .  
Foreign . . . . .

## SUNDRY PROVISIONS

Inland . . . . .  
Foreign . . . . .

## DEPOSITS

Sight Deposits . . . . .  
Savings Accounts . . . . .  
Time Deposits:  
Short-term . . . . .  
Long-term (over one year) . . . . .

## SUNDRY CREDIT ACCOUNTS

Banks abroad: Loan account in foreign Exchange (of which  
Dr. 51,547,727 for installments in 1977) . . . . .  
Receipts against income in future years . . . . .  
Bank of Greece—Financing Account . . . . .  
Obligations from sundry banking transactions . . . . .  
Foreign Exchange Accounts . . . . .  
Principals of Duties and Advance Import Deposits . . . . .  
Withholdings in favour of Third Parties . . . . .  
Sundry Creditors . . . . .

## CHEQUES AND ORDERS PAYABLE

## DIVIDENDS PAYABLE

For this year . . . . .  
For previous years . . . . .

## PROFIT AND LOSS ACCOUNT

Balance carried forward . . . . .

## TOTAL LIABILITIES

## CONTRA ACCOUNTS

Guarantees . . . . .  
Other Contra Accounts . . . . .

10,586,147,769

1,689,940,200

2,779,566,434

5,920,566

1,833,249,595

4,277,470,974

3,223,510,569

207,620,200

1,383,129,380

90,764,380

27,547,422,164

97,410,162,044

42,498,134,635

33,263,416,243

75,761,550,878

3,666,400,000

1,409,948,449

7,981,214,749

3,142,483,400

244,392,756

1,052,777,708

609,853,464

1,576,807,820

1,473,893,760

200,719,135,086

19,683,878,346

3,984,184,612

875,686,639

874,107,000

1,579,639

15,500,739

240,769,557,720

26,804,165,692

30,382,717,776

57,186,883,468

**Notes:** (a) The value of the Banks premises and real estate, located in Greece, was readjusted pursuant to Law 542/1977. The resulting excess value of such assets, together with the balance of previous revaluation in 1972 (under Law 148/1967), is shown under Liabilities in the account «Plus value from revaluation pursuant to L. 542/77 and E.L. 148/67 for capitalization.»  
(b) The basic accounting principles followed by the Bank are set out in the appropriate section of the Annual Report.



# PROFIT AND

## 1975 DEBIT

<b>GENERAL EXPENSES</b>	
2,145,125,676	Staff Salaries and wages .....
64,255,500	Fees paid to Third Parties .....
	Contribution to Staff Insurance Funds:
560,067,053	Ordinary .....
50,000,000	Extraordinary, pursuant to Law 3662/57 .....
96,430,709	Contribution to Social Insurance Institute (IKA) .....
624,814,855	Office Expenses .....
103,195,405	<b>TAXES</b>
<b>DEPRECIATION AND PROVISIONS</b>	
51,000,000	Bank Premises and Real Estate .....
57,000,000	Fixtures, Office Furniture, and other Equipment .....
327,000,000	Provision for Depreciation of Assets .....
66,500,000	Special Provision for Contingent Liabilities .....
3,087,155	Profit on sale of Securities carried to tax-free Special Reserve pursuant to E.L. 148/67 .....
848,280,693	<b>NET PROFIT</b>
<u>4,996,757,046</u>	

## 1976

		4,760,650,353
2,935,594,162		
92,928,789		
814,132,519		
50,000,000	864,132,519	
	130,058,183	
	<u>737,936,700</u>	
		150,890,339
		790,400,000
59,700,000		
61,700,000	121,400,000	
	600,000,000	
	<u>69,000,000</u>	
		38,090,808
		1,077,907,326
		<u>6,817,938,823</u>

# APPROPRIATION

Net Profit for the Year .....	
Plus: Balance brought forward .....	
To Ordinary Reserve .....	
To Extraordinary Reserve .....	
Provision for Income Tax .....	
Initial dividend (6%) gross on 2,330,952 shares at ....	Dr. 43.50
Additional dividend on 2,330,952 shares at .....	Dr. 331.50
Total dividend per share .....	Dr. <u>375</u>
Additional dividend to round off increase in share capital .....	
Directors' Fees .....	
Balance carried forward .....	

ANGELOS TH. ANGELOPOULOS  
Governor



# LOSS ACCOUNT

## 1975 CREDIT

## 1976

	Gross operating profit (Commission, Interest, and Sundry Earnings) .....	
4,211,511,589		5,968,415,955
782,158,302	Income from Securities and Real Estate .....	811,432,063
3,087,155	Profit on Sale of Securities, etc. ....	38,090,805

4,996,757,046

6,817,938,823

# ACCOUNT

## 1976

## 1975

077,907,326		848,280,693	
10,356,979	1,088,264,305	8,155,038	856,435,731
40,000,000		100,000,000	
100,000,000	140,000,000	50,000,000	150,000,000
	50,000,000		50,000,000
101,396,412		101,396 412	
772,710,588	874,107,000	541,946,340	643,342,752
	5,920,566		—
	2,736,000		2,736,000
	15,500,739		10,356,979
	1,088,264,305		856,435,731

Athens, 29th April 1977

ALEXANDROS A. SARATSOGLOUS  
Specially Authorised Director

THEOFANIS A. STERGIU  
Chief Accountant





**RESOLUTIONS**  
**ADOPTED AT THE ANNUAL GENERAL MEETING**  
**HELD ON 2ND JUNE, 1977**

CHAIRMAN: PROF. ANGELOS TH. ANGELOPOULOS

The General Meeting of Shareholders:

1. Approved the Report of the Board of Directors and the Balance Sheet as at 31st December, 1976.
2. Released the Board of Directors and the Auditors from all responsibility for the year 1976.
3. Approved the fees of the members of the Board of Directors and of the Administration.
4. Approved the readjustment of the value of the Bank's real estate and the increase in the share capital by capitalization 1) of the surplus value of the Bank's real estate, namely Drachmae 1,667,029,272, as required by Law No 542/1977 and 2) of the non-capitalized balance of the surplus value of the Bank's real estate, namely Drachmae 1,112,537,162, under Emergency Law No 148/1967; that is by capitalization of a total amount of Drachmae 2,779,566,434 plus Drachmae 5,920,566, as stated below.

Under Law No 542/1977 seventy five per cent of said amount, rounded to Drachmae 2,039,583,000 so that the new nominal value of each share may become an integral number, has been appropriated for the increase in the nominal value of each share, that is from Drachmae 725 to Drachmae 1,600. The remaining amount of Drachmae 739,983,434, increased by an amount of Drachmae 5,920,566, drawn from the 1976 profits, namely Drachmae 745,904,000 in total, has been distributed to 466,100 new shares of a nominal value of Drachmae 1,600 each; such shares shall be distributed to the shareholders free of charge, in proportion of one new share for every five (5) old shares.

Thus the share capital of the Bank amounts to Drachmae 4,475,427,200 divided into 2,797,142 shares, of a nominal value of Dr. 1,600 each.

The Board of Directors has been authorized to fix the time when the shareholders shall be entitled to the shares distributed free of charge and to specify the requirements for the issue of the new shares, the time and the mode of distribution thereof to the shareholders; also every other detail necessary for the implementation of said decision.

5. Approved the amendment of Articles 3 and 4 of the Bank's Articles of Association regarding the share capital.
6. Re-elected Messrs Spyros Kalogeropoulos-Stratis, Nicolaos Katsoulis, Dem. Marinopoulos and George Economopoulos as members of the Board of Directors for three years and elected Mr Ioannis Platonis as member of the Board of Directors for the same period of three years.
7. Re-elected Messrs Theodoros Bogheas and Theodoros Grigorakos as ordinary Auditors for the year 1977 and Messrs Nicolaos Zografos and Stylianos Hiskakis as substitute auditors.

# Amendments of articles of Association

## Article 3 *As at present:*

As from the 27th February, 1953, date of publication of the Royal Decree of 26th February, 1953, referred to in Article 1 hereof, and by virtue of same, all the corporate property, assets and liabilities (except the obligations mentioned directly below), held by both the "National Bank of Greece, S.A." and the "Bank of Athens, S.A.", on 27th February, 1953 was transferred to the "National Bank of Greece and Athens, S.A." which, under its new name of "National Bank of Greece, S.A.", as above, entered, ipso jure and without any other formality, as the universal successor of the said Banks, into all their rights and obligations, except their obligations arising from direct debt, guarantee, or for any other reason, on the basis of bonds, securities in general, or contracts, or for any other reason, relating to loans in gold or foreign currency, contracted in the form of bonds, or not, issued to bearer by Sociétés Anonymes, Legal Entities of Public Law, Municipalities and Communities, etc. (Decree Law 3504/1956).

The share capital of the Bank, which was fixed by virtue of the Royal Decree of 26th February, 1953 at 223, 190,100,000 old drachmae, fully paid, divided into 30,366 shares, each of a nominal value of 7,350,000 old drachmae, was later increased, pursuant to a decision reached by the Bank's Board of Directors on the 10th September, 1953, to 297,586,800,000 old drachmae, or 297,586,800 new drachmae (Law 2824/1954), divided into 40,488 shares, each of a nominal value of 7,350 new drachmae. By resolution adopted at the General

## *As suggested to be amended:*

As from the 27th February, 1953, date of publication of the Royal Decree of 26th February, 1953, referred to in Article 1 hereof, and by virtue of same, all the corporate property, assets and liabilities (except the obligations mentioned directly below), held by both the "National Bank of Greece, S.A." and the "Bank of Athens, S.A.", on 27th February, 1953 was transferred to the "National Bank of Greece and Athens, S.A." which, under its new name of "National Bank of Greece, S.A.", as above, entered, ipso jure and without any other formality, as the universal successor of the said Banks, into all their rights and obligations, except their obligations arising from direct debt, guarantee, or for any other reason, on the basis of bonds, securities in general, or contracts, or for any other reason, relating to loans in gold or foreign currency, contracted in the form of bonds, or not, issued to bearer by Sociétés Anonymes, Legal Entities of Public Law, Municipalities and Communities, etc. (Decree Law 3504/1956).

The share capital of the Bank, which was fixed by virtue of the Royal Decree of 26th February, 1953 at 223, 190,100,000 old drachmae, fully paid, divided into 30,366 shares, each of a nominal value of 7,350,000 old drachmae, was later increased, pursuant to a decision reached by the Bank's Board of Directors on the 10th September, 1953, to 297,586,800,000 old drachmae, or 297,586,800 new drachmae (Law 2824/1954), divided into 40,488 shares, each of a nominal value of 7,350 new drachmae. By resolution adopted at the General



Meeting of Shareholders on the 2nd April, 1955, the above share capital was divided into 404,880 shares, each of a nominal value of 735 drachmae.

This capital, having been readjusted pursuant to the Royal Decree "regarding readjustment of Balance Sheets of Sociétés Anonymes", dated 14/27th November, 1956, increased to 721,353,476 drachmae. After 4,070,000 drachmae, representing reserves, were absorbed, however, the account "Difference due to readjustment" finally showed a debit balance of 139,716,416 drachmae, which when deducted from 721,353,476 drachmae, left a sum of 581,637,060 drachmae.

To round off the nominal value of each share a sum of 229,380 drachmae was transferred to reserves and thus, pursuant to the provision of Article 10 of the said Royal Decree of 14/27th November 1956, the Bank's share capital was fixed at 581,407,680 drachmae, divided into 404,880 shares, each of a nominal value of 1,436 drachmae.

By resolution adopted at the General Meeting of Shareholders on 14th April, 1962 and following a decision taken by the Board of Directors on 12th October, 1962 in execution of the above resolution, the share capital of the Bank was increased by Dr. 290,703,840 by the issue of 202,440 new shares each of a nominal value of Dr. 1,436. As a result the share capital of the Bank amounted to Dr. 872,111,520 divided into 607,320 shares of Dr. 1,436 nominal value each.

By resolution adopted at the General Meeting of Shareholders on 19th

Meeting of Shareholders on the 2nd April, 1955, the above share capital was divided into 404,880 shares, each of a nominal value of 735 drachmae.

This capital, having been readjusted pursuant to the Royal Decree "regarding readjustment of Balance Sheets of Sociétés Anonymes", dated 14/27th November, 1956, increased to 721,353,476 drachmae. After 4,070,000 drachmae, representing reserves, were absorbed, however, the account "Difference due to readjustment" finally showed a debit balance of 139,716,416 drachmae, which when deducted from 721,353,476 drachmae, left a sum of 581,637,060 drachmae.

To round off the nominal value of each share a sum of 229,380 drachmae was transferred to reserves and thus, pursuant to the provision of Article 10 of the said Royal Decree of 14/27th November 1956, the Bank's share capital was fixed at 581,407,680 drachmae, divided into 404,880 shares, each of a nominal value of 1,436 drachmae.

By resolution adopted at the General Meeting of Shareholders on 14th April, 1962 and following a decision taken by the Board of Directors on 12th October, 1962 in execution of the above resolution, the share capital of the Bank was increased by Dr. 290,703,840 by the issue of 202,440 new shares each of a nominal value of Dr. 1,436. As a result the share capital of the Bank amounted to Dr. 872,111,520 divided into 607,320 shares of Dr. 1,436 nominal value each.

By resolution adopted at the General Meeting of Shareholders on 19th

## Amendments of articles of Association

May, 1969, the share capital of the Bank was subsequently increased by an amount of Dr. 8,502,480 by withholding Dr. 14 per share from the 1968 dividend; thus the share capital of the Bank was increased to Dr. 880,614,000 and was divided into 1,214,640 shares of a nominal value of Dr. 725 each, by the exchange of one old share against two new shares.

By resolution adopted at the General Meeting of Shareholders on 28th May, 1970, the share capital of the Bank was increased by an amount of Dr. 220,153,500 through capitalization, in accordance with the provisions of Emergency Law 148/67, of the Dr. 219,934,660 Special Reserve Fund resulting from the issue of new shares above par, and of an amount of Dr. 218,840 out of the Extraordinary Reserve Fund.

The new shares issued as a result of such capitalization, i.e. 303,660 shares of a nominal value of Dr. 725 each, were distributed according to the law, to the shareholders of the Bank in the proportion of one new share to four old shares. Thus the share capital of the Bank amounts to Dr. 1,100,767,500 and is divided into 1,518,300 shares of a nominal value of Dr. 725 each.

By resolution adopted at the Extraordinary General Meeting of Shareholders on 7th September, 1972, the Bank's share capital was further increased by (a) Dr. 157,252,500 through the issue against cash of 216,900 new registered shares each of a nominal value of Dr. 725, and (b) Dr. 366,922,500 by capitalization, according to Emergency Law 148/

May, 1969, the share capital of the Bank was subsequently increased by an amount of Dr. 8,502,480 by withholding Dr. 14 per share from the 1968 dividend; thus the share capital of the Bank was increased to Dr. 880,614,000 and was divided into 1,214,640 shares of a nominal value of Dr. 725 each, by the exchange of one old share against two new shares.

By resolution adopted at the General Meeting of Shareholders on 28th May, 1970, the share capital of the Bank was increased by an amount of Dr. 220,153,500 through capitalization, in accordance with the provisions of Emergency Law 148/67, of the Dr. 219,934,660 Special Reserve Fund resulting from the issue of new shares above par, and of an amount of Dr. 218,840 out of the Extraordinary Reserve Fund.

The new shares issued as a result of such capitalization, i.e. 303,660 shares of a nominal value of Dr. 725 each, were distributed according to the law, to the shareholders of the Bank in the proportion of one new share to four old shares. Thus the share capital of the Bank amounts to Dr. 1,100,767,500 and is divided into 1,518,300 shares of a nominal value of Dr. 725 each.

By resolution adopted at the Extraordinary General Meeting of Shareholders on 7th September, 1972, the Bank's share capital was further increased by (a) Dr. 157,252,500 through the issue against cash of 216,900 new registered shares each of a nominal value of Dr. 725, and (b) Dr. 366,922,500 by capitalization, according to Emergency Law 148/



## Amendments of articles of Association

1967 as amended, of part of the increased value amounting in total to Dr. 1,544,457,362 of the Bank's fixed assets, through the issue of 506,100 new shares each of a nominal value of Dr. 725, distributed in the proportion of one new share to three old shares (Dr. 1,177,534,862, the balance of the increased value thereof having been brought to special reserves according to Legislative Decree 1229/1972).

Thus, the Bank's share capital amounted to Dr. 1,624,942,500 divided into 2,241,300 shares each of a nominal value of Dr. 725.

1967 as amended, of part of the increased value amounting in total to Dr. 1,544,457,362 of the Bank's fixed assets, through the issue of 506,100 new shares each of a nominal value of Dr. 725, distributed in the proportion of one new share to three old shares (Dr. 1,177,534,862, the balance of the increased value thereof having been brought to special reserves according to Legislative Decree 1229/1972).

Thus, the Bank's share capital amounted to Dr. 1,624,942,500 divided into 2,241,300 shares each of a nominal value of Dr. 725.

By resolution adopted at the General Meeting of Shareholders on 26th May, 1975, the share capital of the Bank was further increased by Dr. 64,997,700 by capitalization, in accordance with Emergency Law 148/1967, as amended, of part of the special reserves from the increased value of the fixed assets, through the issue of 89,652 new shares each of a nominal value of Dr. 725, distributed in the proportion of one new share to 25 old shares.

Thus the Bank's share capital amounts to Dr. 1,689,940,200 divided into 2,330,952 shares each of a nominal value of Dr. 725.

By resolution adopted at the General Meeting of Shareholders on 2nd June, 1977, the Bank's share capital was further increased by capitalization of the increased value of its real property, Dr. 1,667,029,272, as required by Law 542/1977, and of the non-capitalized balance of the increased value of its real property, Dr. 1,112,537,162, as provided for by

## Amendments of articles of Association

Emergency Law 148/1967, namely by a total of Dr. 2,779,566,434. Under Law 542/1977, seventy five percent of this amount, or Dr. 2,039,583,000 in round numbers, so that the new nominal value of each share may become a whole number, was applied to increasing the nominal value of each share from Dr. 725 to Dr. 1,600; the balance, Dr. 739,983,434, to which a further Dr. 5,920,566 drawn from 1976 profits was added, namely a total of Dr. 745,904,000, was divided into 466,190 new shares of a nominal value of Dr. 1,600 each and distributed to the shareholders in the proportion of one new share to five old shares.

Thus, the Bank's share capital amounts to Dr. 4,475,427,200 divided into 2,797,142 shares each of a nominal value of Dr. 1,600.



## Amendments of articles of Association

### *As at present:*

By virtue of the Royal Decree of 26th February, 1953, the shareholders of the "National Bank of Greece, S.A." and the "Bank of Athens, S.A." are, ipso jure, the shareholders of the Bank, and the ratio between the shares of these Banks and those of the new Bank which resulted from their amalgamation, following resolution adopted at the General Meeting of Shareholders on the 2nd April, 1955, to increase the number of shares by reducing proportionately their nominal value, was fixed as follows:

Ten (10) shares of the Bank are to be exchanged against one (1) share of the former National Bank of Greece, S.A., or against twelve shares and five-hundredths of a share (12.05) of the former Bank of Athens, S.A. By reducing the nominal value of each share from Dr. 1,450 to Dr. 725, by resolution adopted at the General Meeting of Shareholders on 19th May, 1969, the said ratio was fixed as follows:

Twenty (20) new shares of the Bank, nominal value Dr. 725 each, are to be exchanged against one (1) share of the former National Bank of Greece, S.A. or against twelve shares and five-hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 28th May, 1970 and the distribution to the shareholders as a result thereof of one share for every four shares of the same nominal value of Dr. 725, the above ratio is fixed as follows:

### *As suggested to be amended:* **Article 4**

By virtue of the Royal Decree of 26th February, 1953, the shareholders of the "National Bank of Greece, S.A." and the "Bank of Athens, S.A." are, ipso jure, the shareholders of the Bank, and the ratio between the shares of these Banks and those of the new Bank which resulted from their amalgamation, following resolution adopted at the General Meeting of Shareholders on the 2nd April, 1955, to increase the number of shares by reducing proportionately their nominal value, was fixed as follows:

Ten (10) shares of the Bank are to be exchanged against one (1) share of the former National Bank of Greece, S.A., or against twelve shares and five-hundredths of a share (12.05) of the former Bank of Athens, S.A. By reducing the nominal value of each share from Dr. 1,450 to Dr. 725, by resolution adopted at the General Meeting of Shareholders on 19th May, 1969, the said ratio was fixed as follows:

Twenty (20) new shares of the Bank, nominal value Dr. 725 each, are to be exchanged against one (1) share of the former National Bank of Greece, S.A. or against twelve shares and five-hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 28th May, 1970 and the distribution to the shareholders as a result thereof of one share for every four shares of the same nominal value of Dr. 725, the above ratio is fixed as follows:

## Amendments of articles of Association

Twentyfive (25) new shares of the Bank, of a nominal value of Dr. 725 each, are to be exchanged against one (1) share of the former National Bank of Greece, S.A. or against twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 7th September, 1972, according to Emergency Law 148/1967, as amended, by capitalization of part of the increased value of the Bank's fixed assets, and the distribution to the shareholders as a result thereof of one share for every three shares of the same nominal value of Dr. 725, the ratio referred to above is fixed as follows: 33  $\frac{1}{3}$  shares of the Bank of a nominal value of Dr. 725 each are to be exchanged for one former National Bank of Greece S.A. share, or twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 26th May, 1975, according to Emergency Law 148/1967, as amended, by capitalization of part of the special reserves from the increased value of the fixed assets, and the distribution to the shareholders as a result thereof of one share for every 25 shares of the same nominal value of Dr. 725, the ratio referred to above is fixed as follows: 34  $\frac{2}{3}$  shares of the Bank of a nominal value of Dr. 725 each are to be exchanged for one former National Bank of Greece share,

Twentyfive (25) new shares of the Bank, of a nominal value of Dr. 725 each, are to be exchanged against one (1) share of the former National Bank of Greece, S.A. or against twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 7th September, 1972, according to Emergency Law 148/1967, as amended, by capitalization of part of the increased value of the Bank's fixed assets, and the distribution to the shareholders as a result thereof of one share for every three shares of the same nominal value of Dr. 725, the ratio referred to above is fixed as follows: 33  $\frac{1}{3}$  shares of the Bank of a nominal value of Dr. 725 each are to be exchanged for one former National Bank of Greece S.A. share, or twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 26th May, 1975, according to Emergency Law 148/1967, as amended, by capitalization of part of the special reserves from the increased value of the fixed assets, and the distribution to the shareholders as a result thereof of one share for every 25 shares of the same nominal value of Dr. 725, the ratio referred to above is fixed as follows: 34  $\frac{2}{3}$  shares of the Bank of a nominal value of Dr. 725 each are to be exchanged for one former National Bank of Greece share,



## Amendments of articles of Association

or twelve and five hundredths (12.05)  
of a share of the former Bank of  
Athens, S.A.

or twelve and five hundredths (12.05)  
of a share of the former Bank of  
Athens, S.A.

The above ratio, following the increase in the Bank's share capital decided upon at the General Meeting of Shareholders on 26th May, 1975, according to Emergency Law 148/1967, as amended, by capitalization of part of the special reserves from the increased value of the fixed assets, and the distribution to the shareholders as a result thereof of one share for every 25 shares of the same nominal value of Dr. 725, is fixed as follows: 34  $\frac{2}{3}$  shares of the Bank of a nominal value of Dr. 725 each are to be exchanged for one former National Bank of Greece share, or twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.

Following the Bank's capital increase decided upon at the General Meeting of Shareholders on 2nd June, 1977 by capitalization of the increased value of its real property, as required by Law 542/1977, the increase as a result thereof in the nominal value of each share from Dr. 725 to Dr. 1,600, and the distribution to the shareholders of one share of a nominal value of Dr. 1,600 for five (5) old shares, the ratio referred to hereinabove is fixed as follows: 41  $\frac{3}{5}$  Bank shares of a nominal value of Dr. 1,600 each are to be exchanged for one (1) former National Bank of Greece S.A. share, or twelve and five hundredths (12.05) of a share of the former Bank of Athens, S.A.





# NATIONAL BANK OF GREECE

## INTERNATIONAL NETWORK

### BRANCHES ABROAD

<b>LONDON</b>	● 22, Bevis Marks, EC3A 7LY
	● 204/208 Tottenham Court Road, W1P 9LA
	● 6/28 Queensway, Bayswater, W2 3RX
<b>FRANKFURT</b>	● 6000 Frankfurt/Main 16, Gutleut Strasse 5, Postfach 16523
<b>DUSSELDORF</b>	● Kaiserstrasse 24, Düsseldorf 4
<b>ROTTERDAM</b>	● Westblaak 25, P.O. Box 2239
<b>CHICAGO</b>	● 168 North Michigan Avenue, Chicago 60601-Illinois
<b>CYPRUS</b>	● NICOSIA, LIMASSOL, FAMAGUSTA, LARNACA, MORPHOU, PAPHOS

### REPRESENTATIVE OFFICES

<b>PARIS</b>	● 94, rue du Faubourg Saint-Honoré, 75008 Paris
<b>MONTREAL</b>	● N.B.G. Enterprises Ltd. 1405 Peel Street (Suite 207) Montreal, QUE H3A 155
<b>TORONTO</b>	● N.B.G. Enterprises Ltd. 671 Danforth Avenue (Suite 205) Toronto 6, Ontario
<b>SYDNEY</b>	● 51, Pitt Street, Sydney 2000
<b>CAIRO</b>	● Gawad Hosni 13, Cairo
<b>MANAMA</b>	● Kanoo Commercial Building Centre, P.O. Box 5790, Manama
<b>TEHERAN</b>	● 152, Avenue Shah Reja, Teheran

### AFFILIATED BANKS

#### ATLANTIC BANK OF NEW YORK

<b>NEW YORK</b>	● 960 Avenue of the Americas, New York 10001
	● Downtown Branch, 123 William Street, New York 10038
	● Astoria Branch, 29-10 Ditmars Boulevard, Astoria, New York 11105
	● Astoria Mini-Branch, 33-12 30th Avenue, Astoria, New York 11105

#### HELLENIC CANADIAN TRUST

<b>MONTREAL</b>	● 852 Jean Talon St. West, Montreal, P.Q. H3N 1S4
	● 5101 Park Avenue and Laurier St., Montreal, P.Q. H2V 4G3
	● 1405 Peel Street (Suite 203) Montreal, QUE H3A 1S5

#### THE SOUTH AFRICAN BANK OF ATHENS LTD

<b>JOHANNESBURG</b>	● 116 Marshall Street, Johannesburg 2001, P.O. Box 7781
	● Hillbrow Branch, Corner Banket and Kotje St. P.O. Box 17268-Hillbrow
<b>CAPE TOWN</b>	● Cape Times Building, 146 Saint Georges St. P.O. Box 1757, Cape Town
<b>DURBAN</b>	● 20 Field St., P.O. Box 1859, Durban
<b>PRETORIA</b>	● 169B Esselen St. Sunnyside P.O. Box 27187, Pretoria





## Selected prices in Athens

- Overnight stay first class hotel (double room) Dr. 510-765.
- Lunch in a first class restaurant Dr. 180-220.
- Breakfast in first class hotel Dr. 60.
- Taxi rate: Initial rate at the fall of the flag Dr. 8.5 plus Dr. 7.3 per km.
- Rent of a car: Flat rate Dr. 350-400 daily, plus Dr. 4.50 per km., plus 18% on the total amount.
- Petrol prices for tourists:
  - Regular Dr. 9.50 per litre, Premium Dr. 11.50 per litre.
- Theatre ticket Dr. 100-180
- Cinema ticket Dr. 30-60

## NATIONAL BANK OF GREECE

Established 1841

Administration and Head Office: 86, Eolou Street, Athens, 121.

### BRANCHES ABROAD

- LONDON** • 22, Bevis Marks, EC3A 7LY.  
204-208, Tottenham Court Road, W1P 9LA.  
6/28, Queensway, Bayswater W2 3RX.
- FRANKFURT** • Gutleut Strasse 5, 6000 Frankfurt am Main 18.
- DÜSSELDORF** • Kaiserstrasse 24, Düsseldorf 4.
- ROTTERDAM** • Westblaak 25.
- CHICAGO** • 168, North Michigan Avenue, Chicago 60601 - Illinois.
- CYPRUS** • NICOSIA, LIMASSOL, FAMAGUSTA, LARNACA, MORPHOU, PAPHOS.

### REPRESENTATIVE OFFICES

- PARIS** • 94, rue du Faubourg Saint-Honoré, Paris 75008.
- MONTREAL** • N.B.G. Enterprises Ltd., 1405 Peel Street (Suite 207) Montreal, QUE H3A 1S5.
- TORONTO** • N.B.G. Enterprises Ltd., 671 Danforth Avenue (Suite 205) Toronto 6, Ontario.
- SYDNEY** • 51, Pitt Street, Sydney 2000.
- CAIRO** • Gawad Hosni 13, Cairo.
- BAHRAIN** • Kanoo Commercial Building Centre, P.O. Box 6790, Manama.
- TEHRAN** • 152, Avenue Shah Reja.

### AFFILIATED BANKS

- NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT (N.I.B.I.D.) 14, Amalias Ave., Athens, 118.
- TRADERS' CREDIT BANK 3, Santarozza Street, Athens, 131.
- MORTGAGE BANK 38, Stadiou Street, Athens, 132.
- ATLANTIC BANK OF NEW YORK  
Head quarters: 960, Avenue of the Americas, N.Y. 10001 and 2 more branches.
- HELLENIC CANADIAN TRUST  
Head quarters: 852, Jean Talon Street West, Montreal, B.Q. H3N 1S4 and 2 more branches.
- THE SOUTH AFRICAN BANK OF ATHENS  
Head quarters: 116, Marshall Street, Johannesburg 2001 and 4 branches in Johannesburg, Cape Town, Durban and Pretoria

# greece in figures "77



NATIONAL BANK OF GREECE

**Area:** 131,900 sq. km.

**Climate:** Air temperature in C° during last years.

	Maximum (average)	Minimum (average)	Average
Thessaloniki	31.7	1.3	15.7
Athens	32.4	6.9	18.8
Rhodes	32.6	7.5	19.1

**Sunshine duration (in hours per year)**

Thessaloniki:	2,380	Rhodes:	3,051
Athens:	2,707	Crete:	3,091

**Population:** 9.2 million.

**Main cities and their inhabitants, in '000 (1971 census):**

Athens-Piraeus area	2,540	Patras	121	Iraklion (Crete)	85
Thessaloniki	557	Volos	88	Larissa	72

**Economically active population:** 3.2 million.

*of which:*

Primary sector	35.4%
Industrial activities and construction	28.2%
Services	36.4%

1. Estimate

**Regime:** Presidential Parliamentary Republic

**Currency:** Drachma

**Exchange Rates: Fluctuating**

**Exchange rates for banknotes (buy) as in July 1977:**

1 US \$ = Dr. 36.60	1 £ = Dr. 62.50	1 SF = Dr. 14.80
1 DM = Dr. 15.60	1 FF. = Dr. 7.30	100 Lit. = Dr. 4.10

## Selected economic indicators

	1960	1975	1976
Income per capita, at constant 1970 prices, in US \$ (Gross National Income at factor cost)	525	1,273	1,331
Gross fixed investment in % of gross expenditure	17.7	18.8	19.9
Index of manufacturing production (1970 = 100)	44	150	166
Exports (in million US \$)	209	2,030	2,228
Exports of manufactured goods (in million US \$)	13	1,069	1,234
Greek-owned merchant fleet (tonnage in million GR <sup>3</sup> )	11	44	47
Electricity consumption, per capita (kwh per year)	227	1,500	1,625
Passenger cars, per 1,000 inhabitants	5	46	53
Telephones, per 1,000 inhabitants	24	222	238
Television sets, per 1,000 inhabitants	—	...	165
Telex units	425	8,510	9,387

## Gross Domestic Product

(at factor cost)

	1960	1975	1976
at constant 1970 prices, in million US \$	4,307	11,263	11,867

**Breakdown of GDP (%)**

Agriculture, Forestry, Fishing	23.1	16.6	15.6
Industry	25.9	31.8	32.8
Other	51.0	51.6	51.6

**Breakdown of private consumption (%)**

Food, beverages and tobacco	49.9	39.2	37.7
Clothing, footwear	9.0	12.9	13.1
Housing and household operation expenses	22.2	23.8	24.1
Personal care and health expenses	3.5	4.4	4.2
Transportation and communications	6.0	10.3	11.3
Education, recreation, entertainment, etc.	9.4	9.4	9.6

## Main agricultural products

(in '000 tons)

	1960	1975	1976
Wheat	1,666	2,140	2,450
Tobacco	64	117	139
Cotton	184	361	323
Sugar beets	—	2,640	2,860
Current and raisins	120	155	149
Olive oil	88	245	258
Table grapes	87	216	220
Wine	307	434	452
Citrus fruits (oranges, lemons, mandarins)	283	779	801
Other fresh fruits (apples, peaches, apricots)	204	874	850
Milk	920	1,674	1,693
Meat	158	449	509

## Main mineral products

(in '000 tons)

	1960	1975	1976
Lignite	2,551	17,907	22,241
Bauxite	884	2,850	2,750
Nickel ore	—	1,977	2,205
Magnetite	187	1,453	1,500
Dead burnt magnesite	26	360	342
Mixed sulphur ores	...	439	752
Iron pyrites concentrated	164	110	180
Barytes crude ore	102	175	91
Barytes concentrated	4	18	17
Chromide crude ore	46	74	67
Chromide concentrated	7	25	27

## Electricity production

(million kwh)

	1960	1975	1976
Total	2,198	14,624	16,321
From domestic sources	1,640	8,630	10,878



## Main manufactured products

(in '000 tons)

	1960	1975	1976
Textile yarns	35	110	137
Cement	1,637	7,940	8,714
Fertilizers	329	1,524	1,554
Ammonia	—	287	287
Iron (concrete reinforcing bars)	116	543	589
Iron-nickel	—	15	16
Alumina	—	463	450
Aluminium	—	136	133
Electric cookers (in '000 pieces)	15	100	124
Electric refrigerators (in '000 pieces)	24	190	201
Articles of glass	27	98	131

## Tourism

	1960	1975	1976
Arrivals of tourists (in '000)	399	3,173	4,257
Tourist receipts (in million US \$)	49	644	824
Hotel beds (in '000)	54	185	213

### International Airports:

ATHENS, THESSALONIKI, RHODES,  
IRAKLION (CRETE), CORFU,  
ALEXANDROUPOLIS, MYTILINI, KOS,  
ANDRAVIDA (PELOPONNESUS)

## Education and Public Health

	1960	1975	1976
University students (in '000)	27	93	95
High school students (in '000)	259	521	552
Technical and vocational school students (in '000)	54	130	133
Number of hospital beds (in '000)	48	59	59
Inhabitants per physician	799	491	474

## Prices and Wages

Wholesale price index (1974 = 100)	43	107	122
Consumer price index (1974 = 100)	52	113	128
Average daily wage in manufacturing: — index (1974 = 100)	27	120	147
— in drachmae	60	268	329

### Index of share prices

(Athens Stock Exchange, 1964 = 100)	72	1,303	1,330
-------------------------------------	----	-------	-------

## Balance of Payments

(in million US \$)

	1960	1975	1976
Imports (cif)	505	5,080	5,556
Exports (fob)	209	2,030	2,228
Invisible payments	66	764	787
Invisible receipts	273	2,726	3,024
Balance on current account	-89	-1,088	-1,091
Net capital inflow	56	1,144	1,093
Official Reserves	224	911	905

## Foreign Trade

(in million US \$)

	1960	1975	1976
<b>Main imports</b>			
Meat and live animals	85	84	200
Machinery	64	959	965
Transport equipment	15	475	482
Cars and spare parts	21	209	278
Iron and steel	45	257	295
Timber	15	69	80
Petroleum products	44	782	988
Chemical — Pharmaceuticals	48	354	389
Plastic materials	..	85	107
Textiles	19	84	114
Electrical appliances	6	60	61
<b>Main Exports</b>			
Textiles	3	241	370
Chemicals	8	189	162
Cement	1	132	131
Footwear and leather articles	..	37	55
Bauxite	..	23	21
Aluminium	—	59	60
Nickel	—	59	36
Other metals and metal products	1	168	177
Electrical appliances	—	12	15
Dead burned magnesite	..	61	51
Marble	..	8	12
Skins and hides	..	44	51
Furs	..	66	59
Tobacco	72	166	162
Cotton	19	31	40
Currant and raisins	27	81	77
Fresh fruits and vegetables	10	216	201
Olives and olive oil	11	55	46
Beverages	2	31	34

### Percentage distribution of Greek foreign trade by area (1976)

	Imports	Exports
European Economic Community (9 countries)	43.8	50.0
Arab Countries	19.5	19.5
U.S.A.	8.4	5.7
Eastern European Countries	7.9	11.3
Other Western European Countries	7.7	6.7
Rest of the World	12.7	6.8

## Money and Banking

	1960	1975	1976
Number of Credit Institutions	16	31	31
Comm. bank offices per million inhab.	35	77	81
Money supply (million drachmae)	15,526	128,867	160,062
— Currency circulation	10,505	91,648	111,827
Private deposits (million drachmae)	16,632	274,975	347,252
— Savings and time deposits	11,972	240,025	308,625
Loans and advances to private sector (million drachmae)	26,494	302,823	378,006

### Interest rates on bank deposits (1977)

Current deposit accounts	6.5%
Savings deposits	7.0%
Time deposits	8.5% - 9.5%
Foreign currency time deposits	5.5% - 7.0%
By Greek seamen and workers abroad	9.0% - 10.0%

### Interest rates on bank loans (1977)

To industry for working capital	12.0%
To industry for long-term loans	10.5%
To import and domestic trade	14.0%
To export trade	9.0%
Central Bank rediscount rate	11.0%

Lower interest rates apply to loans for development projects, industries realizing a minimum level of exports, etc.

## Taxation

### Personal Income Tax

#### Income scale (in drachmae)

Income scale (in drachmae)	Tax rates
20,000 - 80,000	3 - 9%
80,001 - 200,000	11 - 20%
200,001 - 300,000	23 - 26%
300,001 - 500,000	30 - 38%
500,001 - 1,000,000	42 - 50%
1,000,001 - 3,000,000	54 - 58%
Excess amounts	60%

### Tax rates levied on dividends

- a) By corporations quoted on the Stock Exchange: 33%
- b) By corporations not quoted on the Stock Exchange: 41%

### Tax rates levied on undistributed net profits (final charge)

- a) Of corporations quoted on the Stock Exchange: 38.24%
- b) Of corporations not quoted on the Stock Exchange: 43.40%

Greek and foreign corporations are entitled to special tax and tariff exemptions under certain conditions.

## Central Government Budget

(in million drachmae)

	1960	1975	1976
<b>Revenue</b>	<b>15,726</b>	<b>138,320</b>	<b>174,632</b>
Direct taxes	2,628	29,604	47,900
Indirect taxes	10,384	91,126	112,964
Non-tax revenue	2,714	17,590	13,768
<b>Expenditure</b>	<b>19,089</b>	<b>170,496</b>	<b>210,231</b>
of which: Investment expenses	4,144	32,511	40,829
<b>Borrowing</b>			
(domestic and external sources)	1,818	31,394	32,731

## European Comparisons

Per capita GDP at market prices (at 1970 prices and 1970 exchange rates) in Greece as percentage of per capita income in EEC (9 countries)

	1960	1975					
	Greece	Belgium	France	Germany	Italy	Netherlands	United Kingdom
Area (1,000 sq.km)	131.9	30.5	549.1	248.6	301.2	40.8	244.0
Population (in million)	9.2	9.8	52.7	61.8	55.8	13.7	56.0
GDP per capita at current prices, in US \$ (1975)	2,320	6,350	6,360	6,870	3,080	5,950	4,070
Gross fixed investment on GDP at current prices (1975), in %	21.0	22.0	23.4	21.1	21.2	21.3	19.9
Telephones number per 1,000 inhabitants (1974)	207	272	236	302	246	344	366
Television sets per 1,000 inhabitants (1973)	165 (1976)	244	237	298	208	258	309

### Indices for the year 1976 (1960 = 100)

	1960	1975	1976
GDP (at constant market prices)	276	197	216
Gross investment <sup>1</sup> (at constant prices)	323	200	280
Industrial production	399	194	207
Exports (volume index)	618	417	359
Consumer prices	248	220	248

1. 1963 = 100.

2. Indices for the year 1975.

Source: National Accounts of Greece, Eurostat (Quarterly Bulletin of Industrial Production, National Accounts), The OECD Observer, IMF (International Financial Statistics).





