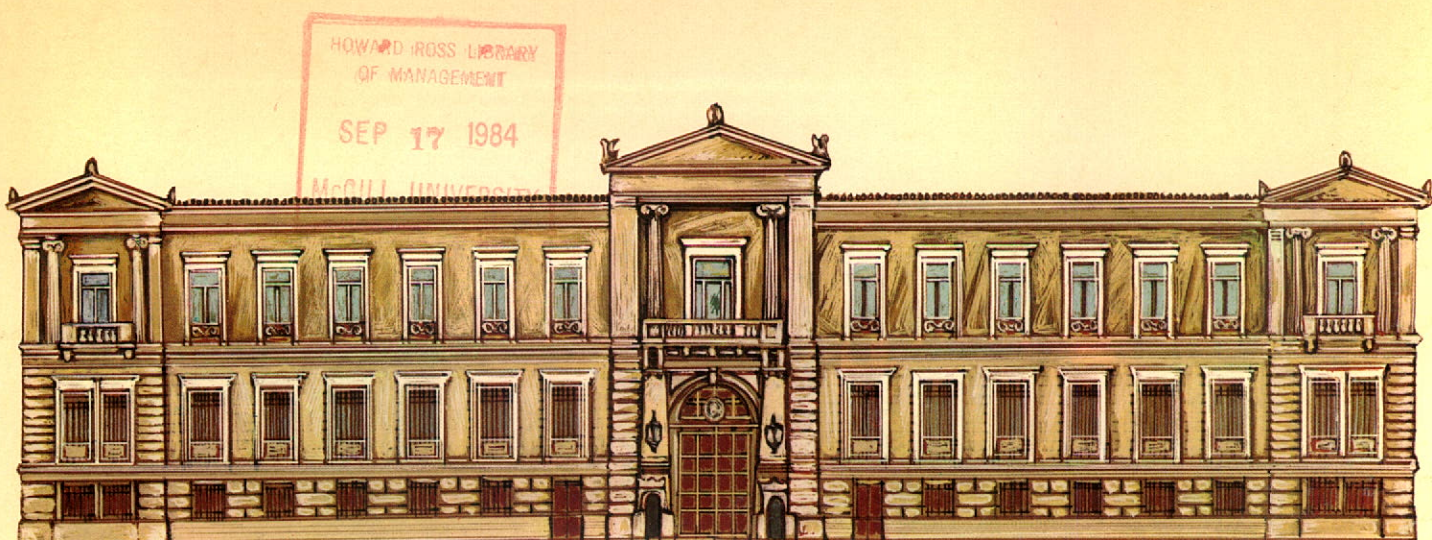


# **National Bank of Greece**

**annual report 1983**





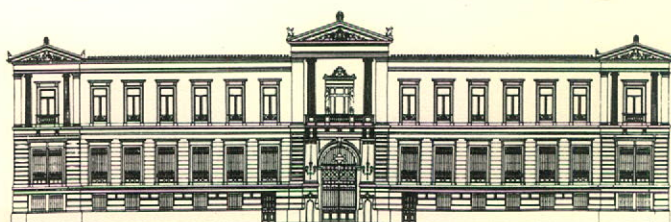




# NATIONAL BANK OF GREECE

## **report**

OF THE GOVERNOR  
Mr STYLIANOS P. PANAGOPOULOS  
ON BEHALF OF THE BOARD OF DIRECTORS  
AT THE GENERAL MEETING OF SHAREHOLDERS  
ON 27 JUNE 1984



ATHENS 1984







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31.12.1983

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Ladies and Gentlemen,

Gross earnings of the Bank in 1983, after deducting debit interest and pertaining taxes, totalled Drs. 38,383.6 million, as against Drs. 31,491.6 million in 1982, which means an increase of Drs. 6,892 million or 21.9% in earnings. Expenditure for the year under review amounted to Drs. 34,452.5 million, compared with Drs. 27,831.0 million in 1982. There was therefore a rise of Drs. 6,621.6 million or 23.8%, including the increase in depreciation and provisions by Drs. 645.3 million. Staff salaries, together with remunerations paid to third parties and contributions to staff insurance funds, were 28.8% higher than in the previous year, in which they had risen by 30.1%. The increase was mainly due to the granting of the automatic wage and salary indexation increase to personnel and the full application of the uniform salary scale within 1983. Staff expenses in 1983 were also burdened by the salaries paid to a considerable number of new employees, who had successfully passed a public examination held by the Bank in May 1982, but were taken on only in the last months of that year and at the beginning of 1983. Also a large number of employees left the Bank in the last months of 1983 and their salaries were consequently charged to the Bank's personnel accounts for nearly the whole year, whereas in 1982 many employees had left the Bank at the beginning of the year.

General expenses were 24.8% higher than in 1982. The increase is accounted for by the overall rise in prices and the endeavour of the National Bank to preserve, expand and modernize its branch network. Also in 1983, expenses of the Bank had to bear the burden of contributions to various reserve and rebate funds for the promotion of exports and under Law 128/75. These contributions remained at a very high level, representing 18.6% of total expenditure in 1983, as against 19.5% in 1982. Finally, the retention of Drs. 4,354.0 million as provision for likely losses from bad and doubtful debts took up the total tax-exempt amount under the provisions of the pertinent law, namely, 1% of the annual average amount of actual lending.

Net profits for 1983, after deduction of expenditure and the transfer of an amount of Drs. 205.1 million of capital gains to Special Reserve a/c under E.L. 148/67, reached Drs. 3,725.9 million, which is an increase of 44.3% over the previous year (Drs. 2,582.6 million). It is proposed that total net profits for 1983, including undistributed profits of Drs. 15.9 million brought forward from the preceding year, be allocated in accordance with the Bank's Articles of Association as follows: Drs. 1,178.2 m to be distributed as first dividend to the shareholders, and Drs. 2,094.5 m as additional dividend. This means a total of Drs. 3,272.7 million or 87.8% of net profits for 1983. Finally, it is proposed that Drs. 450.0 million be carried to our reserve accounts and provision for income tax, Drs. 4.0 million to the fee account of the members of the Board of Directors and the remainder, i.e. Drs. 15.2 million, be carried forward.



Total dividend to be distributed amounts to 750 drachmas per share and is 50% above last year's dividend of 500 drachmas. The increase should be considered most satisfactory, taking into account that the Bank's profits continue to remain at a low level for reasons that are mostly beyond its control. At the same time, the Bank's needs, which must be met out of its own surpluses, have grown considerably, because of today's economic conditions.

It is true that the market price for National Bank shares has followed a bearish trend in 1983; this, indeed, holds true also for all share prices on the Stock Exchange. The reasons for this trend are surely not unconnected with the structural weaknesses of the capital market which deteriorated to a very large degree owing to the present difficulties facing the Greek economy. At this point we are obliged to reiterate the statement made at last year's General Meeting of Shareholders and to underline the fact that the National Bank share is grossly undervalued. We trust, however, that this simple truth will become evident, as soon as the stage of recovering, through which the Greek economy is going now, comes to an end.

The vacancy on the Board of Directors caused by the appointment of the director Mr. George Lambropoulos as third Deputy Governor was filled by Mr. George Tsouyopoulos, who was elected on 24th June 1983. His election was confirmed by the General Meeting of Shareholders on the same day. On 16th August 1983 the director Mr. George Tsokopoulos resigned from the Bank to assume the duties of secretary of the Hellenic Banks' Association. Similarly, Mrs. Ioanna Zervaki, member of the Board, resigned on 11th November 1983. To replace these last two directors the Board elected Messrs. Ignatios Pliakos and Nicholas Piskopos respectively, to represent the Bank's employees on the Board.

Ladies and Gentlemen,

The stabilization of the Greek economy continued also in 1983, finding its expression in the improvement of basic economic aggregates, though, of course, there was no complete reversal of the unfavourable economic conditions that prevailed in the past few years.

The outstanding feature of the National Bank's policy in the year under review was the gradual adjustment of its lending expansion to the limits of its non-borrowed funds, with the result that the Bank was progressively able to free itself from costly dependence on borrowed funds from the central bank and accordingly to improve its profitability.

Under these conditions the Bank's activity was mainly directed towards meeting the real borrowing requirements of sound enterprises and supporting, on a limited scale, the large over-indebted firms in order to ensure the continuation of their operation until their financial restructuring is completed with the cooperation of certain other State institutions.



The gradual improvement of the Bank's economic environment coincides with the completion of its own organizational and operational changes, upon which the Bank embarked in the past two years. These changes have already started to enhance the competitiveness and the profitability of this institution, which however remains under the impact of certain unfavourable factors connected with the monetary and credit policy in force.

Prospects for 1984 are better than in the previous year, since the economy of the country is in an advanced stage of recovering, while world economic conditions are improving constantly. At the same time, conditions are now ripe for solving what has perhaps been the most fundamental economic problem in the past two years, namely, to restore the soundness of the financial structure and to ensure the smooth functioning of many large industrial enterprises. These aims, which seem to be near at hand, will contribute decisively to the increase of production, productivity and exports. The solution of the problems of the over-indebted enterprises, with the active support of the National Bank and the other agents of economic policy, will strengthen our Bank both directly and indirectly. This will come about directly, in the short run, through the reactivation of over-indebted enterprises, and indirectly, in the long run, from the rehabilitation of these enterprises.

At last, in the current year, the favourable results from the reorganization of our Bank will make themselves felt. Also a decisive contribution to this effect was made by the Bank's staff. On this occasion we should like once more to underline the high quality, the zeal and dedication of the employees and to stress the fact that these qualities are a guarantee for the Bank's future and a source of optimism for us all.





**PART A**

**INTERNATIONAL AND GREEK  
ECONOMIC DEVELOPMENTS**





# I. International economic developments

Economic conditions in the western industrial countries improved during 1983. Inflationary pressures continued to abate, thanks also to a further fall in oil prices at the beginning of the year. At the same time, economic activity picked up momentum, particularly in the second half of the year, mainly because of an upsurge in private consumption. Private productive investment, however, remained rather sluggish. Recovery was led by the US where the Government's expansionary fiscal policy resulted in a marked increase of the American GNP sufficient to bring down the unemployment rate.

The improvement in American economic conditions definitely had a stimulative effect on the other western economies; an effect, however, which was weakened by a number of other factors, such as the persistence of high US interest rates and a stronger dollar. These factors counteracted the efforts made by the other countries to use the reduction in interest rates as a means of pulling out of economic stagnation. On their part, the third world countries drastically cut their imports in an effort to alleviate the problem of financing their balance of payments deficit. This, in turn, had an adverse effect on western and, particularly, European exports to such countries.

The impact of these external factors on the EC countries, in conjunction with the internal structural weaknesses of their economies and the intensity of Japanese competition, resulted in a slowdown in the pace of economic growth and in rising unemployment. A further result of these adverse conditions was the sharpening of intra-community differences over such issues as the Community budget and the Common Agricultural Policy, as evidenced at the summit meetings in Athens and Brussels.

## Economic policy

The predominant objective of economic policy in all the industrialized countries was recovery, but there were considerable differences of approach in achieving this end. In the US, the policy of tax cuts became the chief stimulative factor that generated a strong economic activity; on the other hand, however, this policy worked towards a still larger budget deficit. Also monetary controls continued to be applied in order to forestall a new wave of price rises and, as a result, interest rates remained high.

The other industrialized countries continued to pursue a policy designed to reduce or, at least, to stabilize public deficit by containing public expenditure and/or by increasing taxation. The effectiveness of these efforts, however, was partly offset by the fact that slack economic activity tended to increase such deficits. In the monetary field, the overriding consideration was to trigger economic recovery by lowering the interest rates. This objective of the central banks was seriously hampered by the fluctuations in American rates and the dollar parity. Nevertheless,



## International economic developments

those countries which were fortunate enough to have a surplus on their current account were also able to apply a more flexible monetary policy to achieve their ends. Finally, in a number of cases subsidization of interest rates —mainly for productive investments— was used as a means to insulate local monetary developments from those in the international field.

### Demand Production Employment

Recovery in the OECD-countries during 1983 found its expression in rising industrial production (1983: +3.25%, 1982: -4.4%) and the size of real gross national product (1983: +2.25%, 1982: -0.3%). The main contributory factor in this development was the expansion of private consumption. This, in its turn, was reinforced by a rise in real incomes and the decrease in the average propensity to save. A positive contribution to this effect was also made by the housing sector and stockbuilding. Private investment, however, generally continued to be slack, except in the US where developments were more promising.

The improvement in economic conditions in the OECD area did not follow a uniform pattern. Under the impact of the expansionary fiscal policy in the US, American economy witnessed a growth of the national product by 3.5%, as against a decrease of 1.9% in the previous year. In Japan, exports decisively helped to maintain past rates of economic growth at a high level (+3%), whereas the growth rate of total national product in the EEC countries did not exceed 1%.

As a result of the above developments the rate of unemployment fell slightly in the US from 9.7% in 1982 to 9.5% in 1983, while in Japan it remained consistently low (2.8%). In the European Community, however, the number of unemployed increased and reached 10% of the labour force. It would appear that the group of the small OECD-countries was much worse off. The unemployment rate in these countries nearly reached the 12%-mark.

### Wages Prices

The deceleration of the inflation rate in the OECD-countries continued also in 1983. The average consumer price index rose at the rate of 5.3% p.a. against 7.8% in the preceding year. The lowest inflation rates were recorded in Japan (1.9%), W. Germany (3.0%) and the USA (3.2%). The average rate of increase in EC consumer prices fell from 9.8% in 1982 to 7.3% in 1983, with considerable differences, however, between individual member-countries.

Containment of inflation was facilitated by a new decrease in the official oil price at the beginning of 1983 and the appreciable slowdown in the rise of unit labour cost. On the other hand, the rebounding trend in some non-oil commodity prices, particularly for foodstuffs and, to a lesser extent, for raw materials, seems to herald the end of a period (1981-82) during which slack markets for these products had essentially contributed towards reducing world-wide inflationary pressures.

## International economic developments

The volume of international trade expanded by about 1% in 1983 (1982: -2%), chiefly because of large American imports and the revival of intra-OECD trade. By contrast, the volume of the OECD-countries' foreign trade seems to have declined under the impact of a number of factors, such as smaller oil imports (especially during the first half of the year) and the shrinking of exports to the developing countries (oil- and non-oilproducing ones) in their continuing efforts to limit their balance of payments deficit.

The fall in oil prices, combined with the rise in prices for the other essential goods and raw materials, resulted in a deterioration of the terms of trade of oil-producing countries, while these terms improved in the oil-importing developing countries, with — as a result — the improvement of their balance of payments position. In the OECD-countries, as a whole, the terms of trade improved by an estimated 4.5% (1982: 2.25%).

The net result of all these developments was that the industrialized countries' balance of payments deficit on current account noted a decrease. The same holds true for the non-oilproducing countries of the Third World. On the other hand, the gap in the balance of payments of oil-producing countries widened considerably, and in the case of OPEC members, in particular, increased twofold. The COM-ECON countries seem to have been able to maintain a small surplus in their foreign payments as in the previous year. In the group of the developed western countries the outstanding evolution was the rapid increase of the American payments deficit (which rose almost fourfold), due to buoyant economic activity and also the loss, to some extent of the competitive edge of the American products as a consequence of the rising dollar. The winner in this development was Japan, whose export surplus soared from \$6.9 billion in 1982 to \$22.5 billion in 1983.

The persistent upward trend of the dollar, despite the pressure exerted by the enormous widening of the gap in the American current account, marked developments on the international foreign exchange markets during the past year. On the average, the US dollar rose by 5.2% in relation to the German mark and by 10% against the E.C.U. On the other hand, it fell by no more than 4.6% in respect to the Japanese yen, which continued to be undervalued in spite of the large surplus in the Japanese balance of payments on current account. On the whole, the index of the dollar effective exchange rate rose by 5.7% in 1983 over the previous year.

The dollar derived its strength mainly from the high interest rates in the USA, expectations being that they would remain at these levels, and from improved prospects for the American economy compared with those for other countries. The feeling of greater security must also have been an important incentive for capital owners in countries with political instability to invest their funds in the US.

A new realignment of central rates of currencies in the European Monetary System took place in March 1983. The main features of this readjustment were the

### International transactions

### Foreign exchange markets



## International economic developments

devaluation of the French franc by 2.5% and the revaluation of the German mark by 5.5%. Italy and Ireland followed the example of France, while the Belgian franc and the Dutch florin were revalued. The devaluation of the French franc, coming only nine months after its previous one, was accompanied by strict austerity measures, which resulted in an appreciable decrease of the country's current account deficit and in the considerable replenishing of its foreign exchange reserves.

### International capital market and banking activities

The demand for capital funds on the international markets dropped again in 1983. A total of \$150 billion was raised (against \$163 billion in 1982), of which \$74 billion was for new bank credit and \$76 billion represented new bond issues. The industrialized countries again accounted for two-thirds of the total, while the percentage taken up by the developing countries, having recourse to the international capital market, fell from 29% in 1982 to 24% in 1983.

The decrease in bank credit was especially sharp, namely, \$11 billion. This amount is still larger if one takes into account that a substantial part of new loans was exclusively the result of the rescheduling of overdue loans to over-indebted third world countries, in conjunction with IMF-sponsored programmes. The problems of these countries evidently discouraged the international banks from continuing their lending activities on the same large scale as previously, although some of the developing countries were able to reduce their balance of payments deficit.

There were, however, also some other factors which contributed to the shrinkage of bank loans. With the exception of American companies which made again extensive use of the Euromarket facilities during 1983, the overall demand from other industrialized countries was 29% smaller when compared with the previous year. This may basically be attributed to the improvement in the balance of payments position of these countries resulting in a diminution of their financial requirements. At the same time, however, there was an increased demand for floating rate notes — a practice which, on the basis of some indications, is beginning to gain considerable ground at the expense of Euroloans.

Under conditions of keen banking competition and with a smaller number of creditworthy customers available, there was a tendency for bank spreads to fall — a tendency which became more evident in the last months of 1983. These developments, combined with the need to improve the composition, the marketability and the yield of the banks' portfolios, seem to be connected with the emergence of a secondary market for syndicated loans, similar to the one which already exists for international bond issues.

The application of advanced technology in the fields of informatique, microelectronics, biotechnology, laser, etc., is certainly affecting the Greek economy today, and will shape it in the future. The National Bank of Greece is closely watching new technological developments and tends to the needs of its customers, not only by financing the purchases of modern equipment, but also by adopting advanced systems of banking electronics and information technology.









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## International economic developments

It is expected that the national product of OECD countries as a whole will continue to grow in 1984. The USA seem again to be leading the way, a fact that will allow that country to reduce further its rate of unemployment. Some acceleration of the growth rate is also being hoped for in the other industrialized countries, though unemployment in several of these is likely to continue its upward trend. As far as inflation is concerned, it is not expected that its rate will decrease any further but rather that it may stabilize at last year's levels.

A decisive condition for the duration of recovery and its non-inflationary character is the strengthening of the role of investment as a basic promoting factor of economic expansion. Such investment is especially imperative for the EC countries, where the share of investment as proportion of total national product has been steadily declining over the 10-year period 1974-1983 with negative repercussions on the competitiveness of European economy in general. At the same time, it is a matter of top priority to restructure fixed investment with an emphasis on high technology industries, so as to be able to meet the American and Japanese challenge in dynamic fields, such as microelectronics and biotechnology.

The effectiveness of economic policy measures, that are aimed at ensuring recovery under conditions of monetary stability, is directly connected with conditions on the foreign exchange markets. In the past three years, the rising trend of the dollar rate has had undesirable inflationary side-effects on the economies of other western countries, largely making ineffective their endeavours to lower the interest rates and to encourage investment. In any case, as the underlying causes of the upward movements of the dollar do not seem to subside, a possible adjustment of the dollar parity at a more realistic level necessarily depends on the timing and the extent to which the deficit of the American trade balance will exert a pressure on that parity. The currencies which would profit most from such an event would be the German mark and the Japanese yen, i.e. the currencies of countries with an appreciable surplus on their trade balance.

For those countries which to a large extent depend on foreign trade, such as the members of the European Economic Community, an additional adverse factor for their recovery is the foreign exchange shortage in the third world countries. It is therefore necessary not only to ensure the uninterrupted flow of loan funds to these countries, but also to establish conditions which will allow them to increase their export earnings. The enhanced economic activity in the developed countries and the rebound of raw material prices, noted in 1983, will certainly boost an effort to that effect. The lowering of interest rates on the international capital markets would also tend to alleviate the debt burden of the third world countries. However, American economic developments and, in particular, the prospects of a high US budget deficit do not seem to leave room for much optimism in this respect.

### The prospects

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## II. Economic developments in Greece

Last year was again a difficult period for the Greek economy. Pressing problems such as economic stagnation, a high inflation rate, unemployment and the balance of payments deficit had urgently to be met. At the same time, it was necessary to promote the long-term economic objectives, with priority being given to pulling investment out of the trough in which it had remained during the past few years. The main goal of economic policy was to continue to support economic stabilization, which started in 1982, and to lay the foundations for a substantial and self-sustained growth in the forthcoming years. This goal was attained to a point, as adverse trends in basic economic factors were arrested in 1983. Such development will, in the near future, facilitate the process of implementing developmental objectives. The problems of the Greek economy, however, are largely bound up with international economic developments. World economic conditions, indeed, showed signs of an improvement in 1983, but in the EEC countries which are the main trading partners of Greece, such improvement was generally weak. The foreign exchange policy that was pursued in this country began to bear fruit in the second half of 1983. As a result, there was a relative improvement in the contribution made by the external sector to the growth of the Greek economy.

Real gross domestic product at factor cost, showed a marginal increase of 0.3% over 1982, in which year it had remained stagnant, while recording a drop of 0.2% in 1981.

On the demand side, economic activity was promoted by the public sector through an increase in its investment — chiefly, in construction works — and consumption. To a lesser extent activity was also invigorated by the external sector of the economy. By contrast, private expenditure had a negative effect because the small increase in consumption did not compensate for the shrinkage of private investment.

The rise in gross domestic product in 1983 was due to the non-agricultural sector, whose product, following the decline in 1982, rose by an amount which exceeded the drop in agricultural product. This result was largely brought about by the services sector and, to a smaller extent, by the secondary one. In fact, the industrial product noted a small increase after a declining course followed in the preceding three years. This was mainly due to a rebound of the construction activity, but also to the continuing rising trend in the output of public utilities (electricity, gas and water supply). At the same time, the declining trend of manufacturing halted and output remained at roughly the same level as in 1982.

Labour market conditions continued to be unfavourable. While employment, in general, seems to have been maintained at approximately the 1982 level, total current activity has not been able to absorb new-comers to the labour market emanating from the physical increase of the population. As a consequence, unem-



## Economic developments in Greece

ployment rose to 7.8% of the total labour force. On the other hand, the Government's wage and salary policy which was aimed at decelerating the rate of increase in unit labour cost for the purpose of curbing inflationary pressures, resulted in a fall of the real income of wage and salary earners. It should be noted that the corresponding earnings of farmers were also negatively affected, mainly because of the reduced real product of the primary sector.

For the second consecutive year, the financial deficit of the public sector, as a percentage of gross domestic product, showed a decrease due to the fiscal policy which was applied in 1983. More specifically, the total public sector deficit, which includes the deficits in the Government budget, in the special administrative accounts of Government supplies and agricultural products, as well as the deficits of public enterprises and organizations, fell in 1983 to 12.1% of GDP, as against 13.4% in 1982 and 15.1% in 1981.

The rise in the money supply was contained, for the purpose of supporting the stabilization of the economy within the framework of monetary and credit policies already pursued since the beginning of 1982. Moreover, total credit expansion in the private sector, but also in the public one, met the corresponding demand for loan funds and was relatively limited. At the same time, progress was made in the effort towards rationalizing and improving the credit system.

The inflation rate was maintained at the previous year's level, despite the expansionary effect on prices from the Government's exchange rate policy, which was in keeping with overall economic policy, as well as from the adjustment of domestic fuel prices and of those for some services supplied by public utility companies.

Finally, the current account deficit reached about the same amount as in the previous year, namely, \$1.9 billion. In fact, the fall in the surplus on invisibles was counterbalanced by a reduction of the trade deficit due to the decline in foreign exchange expenditure on imports.

### Demand

Increased consumption demand by the public sector and, in particular, the substantial rise in public investment played a decisive role in the small increase of gross domestic product. By contrast, the contribution of private consumption was limited and that of private capital formation negative. Also positive was the impact of the external sector on the economy, as mentioned already before, following a relative improvement in international economic conditions and the application of an effective exchange rate policy at home. This consisted in a 15.5% devaluation of the drachma against the US dollar in January 1983, whereas in August of the same year the drachma was unpegged from the US dollar.

Private consumption of goods and services was slack and only marginally higher than in the previous year (1983: +0.6%, 1982: +2.1%). Slow

## Economic developments in Greece

growth of consumption was not unconnected with the fall in real incomes of wage and salary earners and farmers, as well as with the decline of incomes and some categories of transfers from abroad.

An indication of the slackness of demand for material goods is provided by the fact that the volume index of retail sales continued to decline, though at an appreciably slower pace than in the previous year (1983: -1.2%, 1982: -3.9%). The same index also shows that there was a greater demand for essentials (i.e. an increase in purchases of foodstuffs, whereas such of clothing and footwear showed a decline) and also for — mostly imported — household appliances, especially at the beginning of the year, right after the devaluation of the drachma. On the other hand, the demand for housing equipment, connected — with a certain time lag — with the purchase of dwellings, seems to have decreased.

Private capital formation, at constant prices, continued to fall for the fourth consecutive year (1983: -6.2%, 1982: -4.5%, 1981: -10.3%, 1980: -7.8%). There was a drop in all categories of investment, except in housing which showed a slight increase. More specifically, private fixed capital formation in manufacturing, according to provisional estimates, declined by 2.5% in 1983, but this percentage was much less than in 1982 (-8.8%). Specially significant was the fall in investment in transport equipment (-18.6%), following the exceptionally high increase in purchases of trucks and passenger vehicles in 1982 (+39.5%).

By the end of 1983, building activity began to show signs of a recovery which offset the decline noted in the preceding months, so that for the whole year gross fixed capital formation in housing increased by 3.7% (1982: -5.8%). Of course, on the basis of building permits issued by the competent Government agencies, the volume of buildings to be constructed was much larger than in the previous year (15.2%). It is, however, likely that there was a speedup in the issuing of permits which was triggered by the interested parties in anticipation that dues on such permits would be raised, as previously announced; these were in fact raised in 1983. Moreover, there is always a time lag between the issue of a permit and its materialization. The improvement of conditions in the real estate market, on the other hand, is also demonstrated by the 31.1% rise in the number of apartments that changed hands during 1983.

Public consumption, at constant prices, rose at a slightly higher rate than in 1982 (1983: +2.4%, 1982: +1.9%), mainly because of the expansion of employment in the public sector. Far more important was the increase in public capital formation, at constant prices (1983: +10.9%, 1982: +6.9%), thanks to the implementation of projects financed not only from the Government's investment budget, but also by some public enterprises and organizations (Public Power Corporation, Greek Telecommunications Organization, Athens-Piraeus Water and Sewage Corporation, a.o.).



## Economic developments in Greece

### Production

Real gross domestic product at factor cost showed a marginal increase of 0.3%, following stagnation in 1982 and a 0.2% fall in 1981. This small rise is attributable to the non-agricultural sector of the economy and, especially, to services and industry. The product of the industrial sector, indeed, grew again after an accelerating decline in the three preceding years. In contrast with 1982, the agricultural product in 1983 witnessed a slump, due to adverse weather conditions. As a result, the share of agriculture in total gross domestic product fell from 14.7% in 1982 to 13.8% in 1983, whilst that of services rose from 54.8% to 55.5%, and of industry from 30.5% to 30.7% respectively.

In spite of the increase in gross domestic product, real gross national income at factor cost continued to fall for the third year running, because the net income from abroad again showed a decrease.

In the agricultural sector the adverse weather conditions that prevailed in spring 1983 and the small olive oil crop had a negative effect on the sector's product (value added), which fell by 6%, whereas in 1982 it had increased by 3.2%. The decrease mainly came from crop production, whose gross value at constant prices dropped by 8.9%. Wheat production was 32% below that of 1982, barley 33% and olive oil 29%. Part of this decrease was offset by increases in the production of cotton (34%), maize (12%) and other crops (potatoes, fruits and vinicultural products). It should be noted that during the year progress was made, with good results, in the restructuring of cultivations, mainly of cereals, on the basis of the requirements of the market.

The output of livestock products (milk, beef and pork, in particular), at constant prices, was also slightly less (1.2%) than in the preceding year, under the impact of keen competition from imported goods.

It is noteworthy that in 1983 the institutional framework of the agricultural sector continued to be brought into line with that of EEC. Persistent efforts were also made to take advantage of the special resources allocated by the Community Funds (as, for instance, FEOGA) for the qualitative improvement of production and the establishment of better conditions of processing and of trading agricultural produce.

Industrial product, at constant prices, rose by 1.0% after an accelerating decrease in the preceding three years (1982: -3.9%, 1981: -2.5%, 1980: -2.4%). The reversal of this trend was largely due to the recovery in construction (1983: +4.5%, 1982: -8.0%). Public utilities also increased their product at a faster pace (1983: +4.8%, 1982: +3.3%). At the same time, the downward trend of manufacturing in the preceding 3-year period was virtually brought to an end (1983: -0.4%, 1982: -4.2%, 1981: -1.2%), while the product of mining and quarrying fell by 2.5% (1982: -0.4%).

## Economic developments in Greece

Manufacturing output virtually remained at the preceding year's level (according to the National Statistical Service of Greece-NSSG index it fell in 1983 by a mere 0.5%, as against a 5.1% drop in 1982) due to the increase in the production of basic metallurgy, thus compensating for the decrease in the output of all other capital goods, as well as of consumer goods and durables. Manufacturing felt the impact of slack domestic demand and the sharp competition from imported goods, while foreign demand for Greek goods had a positive effect, given the expansion of pertinent exports. Anyway, the development of manufacturing in the past few years is not unconnected with the protracted slackness of investment impeding the implementation of the necessary adjustments that would enable manufactured products to meet the demands of the market and the challenge of competition.

In the category of consumer goods (including durables), the impact of domestic demand is also demonstrated by the almost parallel development in their production during the past two years and in the volume of retail sales. In fact, the rates of decline in both years for these categories were as follows: consumer goods, 1983: -1.7%, 1982: -2.4%; durables, 1983: -2.4%, 1982: -8.3%; retail sales, 1983: -1.2%, 1982: -3.9%. As far as capital goods are concerned, recovery in their production (1983: +2.7%, 1982: -9.8%) hinges on an upsurge of international demand for certain metals and also on the reactivation of LARCO (a large metallurgical company with a ferronickel plant at Larymna).

The decline in mining and quarrying was brought about by a fall in the exports of some ores and minerals (bauxite and magnesite), and reduced domestic demand for quarry products and building materials. On the other hand, the spectacular rise in the production of ferronickel was not able to offset the slump in the remaining sector.

Income of the services sector, at constant prices, rose again at about the same rate as in the previous two years (1983: +1.6%, 1982: +1.4%, 1981: +1.5%). The increase was mostly due to income from social services, transport and communications, and dwellings. The income from activities directly bound up with transactions showed a relatively small rise or even a decrease (trade-banking-insurance: +0.8% and miscellaneous services: -1.4%).

In 1983, conditions on the labour market again did not show signs of improvement. As a result there was a rise in unemployment for reasons chiefly connected with the increase in labour supply, given that the level of total employment remained stable in both years, 1982 and 1983. The development of employment, however, was not uniform during the past year. On the basis of the respective index, compiled by NSSG, employment in "major" industry and handicraft (i.e. undertakings employing 10 people and over) fell by 1.2% if compared with 1982, in which year it had remained stable. In the construction sector, according to data

### Employment and income



## Economic developments in Greece

supplied by the Social Insurance Institute (IKA), the number of employed persons remained almost unchanged, whilst, on the basis of days worked, employment showed a decline. Also reduced was the number of those employed in public enterprises, whereas there was a rise in the number of civil servants and bank employees.

According to a sample survey by NSSG for the period April-June 1983, the number of unemployed rose significantly and reached 7.8% of the total labour force (1982: 5.8%). Unemployment is more keenly felt in the urban centers and, as is also the case abroad, is hitting young people particularly hard.

Moreover, data collected by the Organization for the Employment of Labour Force (OAED) show that the monthly average number of unemployed rose from 50,600 in 1982 to 61,100 in 1983. It must be noted, however, that large categories of people, who do not fulfill the requirements that entitle them to unemployment benefits, are not registered as unemployed. The main category is that of young people looking for their first job.

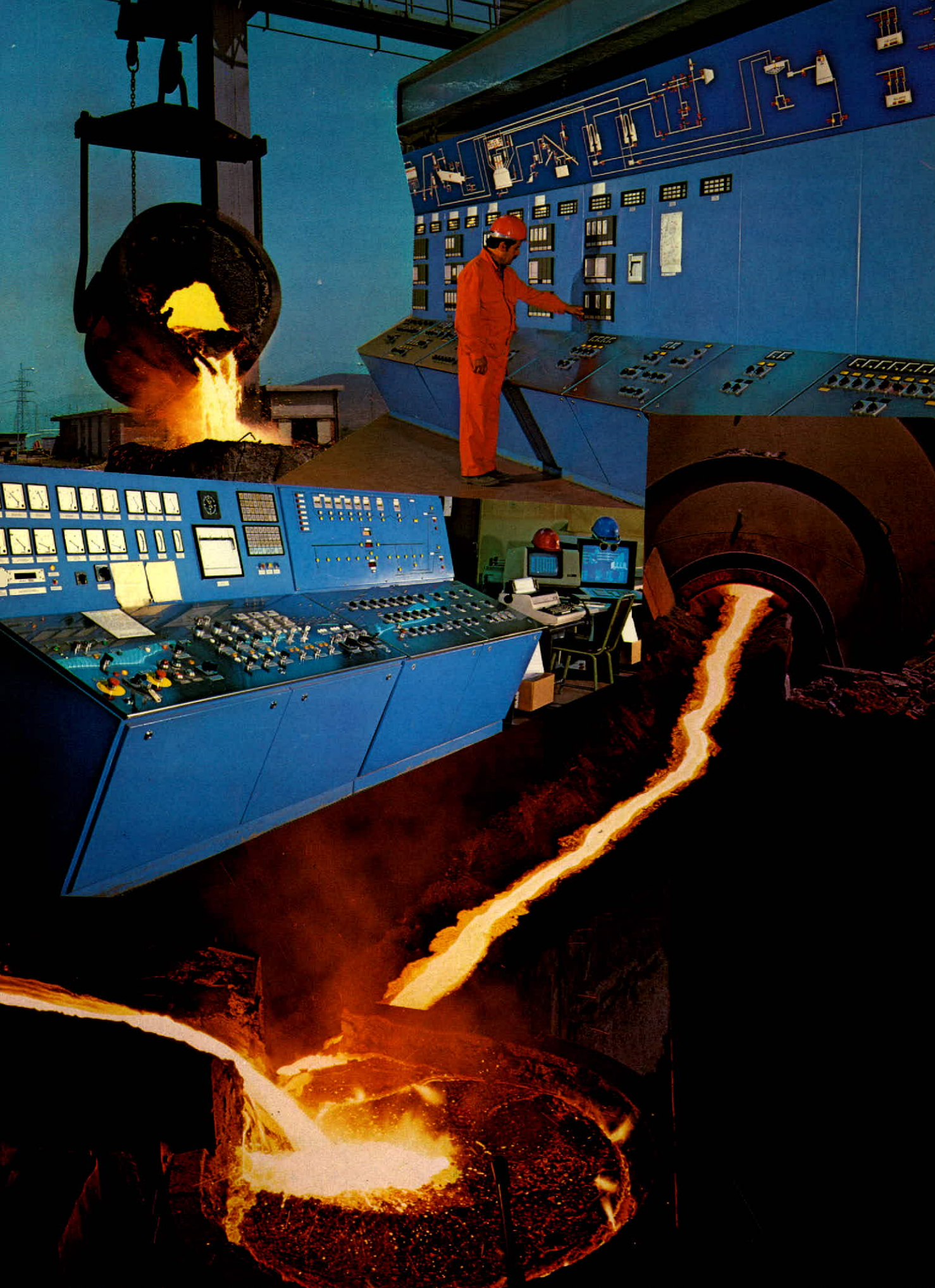
Despite rising unemployment in Greece, the problem is not as acute as in the USA and the EEC, with unemployment rates of 9.5% and 10.4% respectively. In Ireland, the Netherlands and Belgium, in particular, these percentages are nearly twice the Greek rate.

In 1983, the rate of increase in nominal pay of salaried people slowed down as a result of the Government's incomes policy which was aimed at containing labour unit cost in order to check inflationary pressures and to strengthen the competitiveness of the Greek economy. For the whole year 1983 it is estimated that average nominal salaries in the urban sector of the economy showed a rise of 17.2% (1982: +26.1%). On the basis of NSSG figures compiled on "major" industry and handicraft, workers' weekly pay increased by 19.2% (as against a rise of 30.3% in 1982) and monthly remunerations by 14.3% (1982: +22.5%). On the other hand, monthly nominal pay of people employed in retail trade increased by 22.1% (as against 37.4% in 1982). On the average, real pay fell by 2.7%, as against a rise of 4.2% in 1982, because the inflation rate (20.5%) was higher than the average increase in nominal pay. If one takes into account the increased fiscal drag, the rate of decrease in the average real income of workers and employees finally amounts to 3.9% (as against an increase of 2.8% in 1982). Real income of farmers, too, seems to have fallen because of a drop in crop production.

The wage and salary policy followed in the past year led, indeed, to a declining rate of increase in labour unit cost. With regard to manufacturing, in particular, limited increases in workers' pay, combined with a small productivity gain, resulted in an 18.4% rise in labour unit cost, as against a corresponding rise of 37.6% in 1982.

The use of computers in planning, monitoring and controlling production — particularly in its complex stages, even in heavy industry — helps to draw up the respective programmes speedily and accurately, thereby ensuring high quality standards, a steady performance and an increase in productivity.











## Economic developments in Greece

Inflationary pressures persisted at much the same level as in the previous year. Thus, the consumer price index rose on the average by 20.5% in 1983, as against 21% in 1982. This development can be considered as rather satisfactory in view of the rise in fuel prices and the readjustments of certain public utility rates. These readjustments were, in fact, made at the beginning of the year, in order to reduce the deficits of the public corporations concerned. The effort made to contain inflation was thwarted, however, by the devaluation of the drachma at the beginning of January 1983 and the unpegging of the drachma from the dollar in August of the same year, at a time when the dollar rate had begun to rise on the international foreign exchange markets. This meant that the drachma cost of finished products, but also of imported raw materials and semi-finished goods, went up and consequently affected also the domestic cost of production. By contrast, a deflating effect on inflationary pressures resulted (a) from the Government's incomes policy which, as we mentioned earlier, led to an appreciable deceleration in the upward trend of labour unit cost, and (b) from a more effective control of the market to avoid unwarranted price increases.

It is worthwhile noticing that smaller price rises than in 1982 were observed in the following special indices: foodstuffs 1983: +18.1%, 1982: +21.1%; housing 1983: +14.2%, 1982: +18.4%; clothing and footwear 1983: +25.3%, 1982: +27.8%; beverages and tobacco 1983: +19.5%, 1982: +23.1%. These categories of goods and services represent nearly two-thirds of the average family expenditure and therefore affect mainly people in the lower income brackets. As for the other special indices (durables and household supplies, health and personal care, education-recreation and transport-communications) the rates of increase were higher than in the previous year.

The repercussion of changes in foreign currency parities on wholesale prices was more direct and obvious, especially in the case of imported goods. The annual average rise in the wholesale price index reached 19.8%, as against 16% in 1982, while the special index for imported goods rose by 21.2%, in comparison with 15.4% in the previous year.

International economic developments, slack activity at home, fluctuations of foreign exchange parities, and the devaluation of the drachma, in particular, are reflected in the items of the Greek balance of payments.

The current account deficit remained virtually the same in both years, 1983 and 1982, i.e. \$1,876 million and \$1,885 million respectively. This was the result of a drop in the trade deficit (\$541 million or 9.1% in relation to 1982) which offset the \$532 million (13.2%) decrease in the surplus on invisibles. The improved performance of Greek foreign trade was due to a reduction of expenditure on imports by 5.7% as compared with the previous year (imports in 1983: \$9,491 million, 1982:

### Prices

### Balance of payments

Absolute accuracy in planning and producing high technology goods (e.g. in microelectronics) is ensured by a combination of computer and automation systems.



## Economic developments in Greece

\$10,068m), whilst receipts from exports remained practically unchanged (1983: \$4,105 million, 1982: \$4,141m).

More specifically, the deficit on the fuel balance declined by \$207 million and amounted to \$1,923m, owing to a fall in expenditure on imports by 4.7% and an increase in receipts from exports of fuel by 11.8%. On the other hand, the trade deficit in the remaining categories of goods was \$334 million less than in 1982 (1983: \$3,463m, 1982: \$3,797m). More specifically, foreign exchange expenditure on imports (fuel not included) dropped by 6.1% to \$6,844 million. This was due to a fall in dollar prices, whilst the volume of imports expanded by 4.0%, in accordance with customs data. The detailed figures of foreign exchange statistics prove that there was a decrease in dollar expenditure on all the main categories of goods, except raw materials, which registered a negligible increase. Specially significant was the foreign exchange saving in imports of foodstuffs (-10.1%) and mainly of essentials. The corresponding fall in expenditure on capital goods was 7.8%; however, it is worth noting that there was a substantial increase in the value of imported agricultural machinery, which shows that an effort is being made to expand the use of mechanical equipment in Greek agriculture. Total imports of manufactured consumer goods declined by 6.5% in comparison with the previous year. However, imports of intermediate goods for further processing included in this category recorded an increase.

The volume of export commodities, other than fuel, expanded considerably (by 19.4% according to NSSG data), whilst foreign exchange receipts from such exports declined by 3.2% and fell to \$3,381 million, owing to the decrease in prices for Greek export goods in terms of foreign exchange. This was the outcome (a) of the drachma devaluation, and (b) of changes in parities on the international foreign exchange markets, largely brought about by the revaluation of the dollar against the currencies of those countries which take up an appreciable share of Greek exports. Among the main categories of export goods, foodstuffs and beverages as well as raw materials and semi-finished goods, witnessed an increase in dollar earnings in 1983 over 1982. Specifically, exports of foodstuffs and beverages expanded by 3.4% mostly thanks to larger exports of olive oil and cereals, while exports of raw materials and semi-finished goods rose by 24.6% due to cotton and kernel-oil. By contrast, foreign exchange receipts from exports of tobacco, ores and minerals, and industrial and handicraft products showed a decline, despite larger exports of alumina, iron sheets, chemicals and pharmaceuticals.

It is interesting to note the geographical distribution of exports on the basis of NSSG data (shipping of commodities). In 1983, the volume of exports to EEC increased at a higher rate than those shipped to other important buyers of Greek products, except the US which took up smaller quantities. This implies that the share of EEC in Greek exports has increased considerably.

## Economic developments in Greece

Invisible receipts continued their downward trend (1983: -9.3%, 1982: -5.9%) and fell to \$5,529 million, owing to a setback in nearly all categories of invisible earnings. The sole exception to this development were net EEC transfers, whose contribution towards balancing Greece's foreign payments has been substantial in the past two years (1983: \$834 million, 1982: \$550m).

The drop in foreign exchange receipts from transportation (-21.0%) was due to the shipping crisis which led to a sharp decrease of freight rates, a restrained rise in remunerations of crews, and a reduction of shipping companies' operating expenses in Greece. At the same time, the rise in the dollar rate resulted in a fall in shipping earnings, in dollar terms. Foreign exchange receipts from tourism also declined by 23%, partly because of a smaller number of foreign tourist arrivals (about 5% less than in 1982), as some countries (mainly Yugoslavia and France) enforced restrictive measures in 1983 to discourage their nationals from travelling abroad. A negative impact on tourist earnings came also from the changes in the drachma parity, while it is not unlikely that certain leakages of foreign exchange occurred in connection with tourism. Moreover, emigrants' and workers' remittances from abroad also showed a downward movement (-10.4%) due to the deterioration of conditions on the labour market in most countries of W. Europe where Greek emigrants are living. Another reason for the decline have been the changes in foreign exchange parities.

Invisible expenditure was also slightly down by 1.8%, chiefly because payments for Government expenses abroad and transports were reduced, whereas interest, dividend and profit payments were higher in comparison with the previous year.

There was a substantial increase (26.7%) in the net inflow of capital from abroad (1983: \$2,292 million, 1982: \$1,809m) which was due to the autonomous inflow of private capital, as well as to compensatory borrowing by the public sector. The autonomous inflow of capital amounted to \$907 million (34.2% over 1982). It is noteworthy that foreign currency deposits with credit institutions in Greece rose twice as much as in the previous year (1983: +\$263 million, 1982: +\$123m). Nearly half of the increase is accounted for by new deposits in foreign currencies made by permanent residents in Greece. The import of funds by Greek expatriates for purchases of real estate also rose by 6% over 1982. Finally, there was a small increase (3%) in business capital brought into this country, whereas in the preceding two years this item had declined.

Compensatory public sector borrowing abroad also rose, but at a slower rate than in 1982, while amortization payments on public and private debt reached a total of \$699 million (as against \$710 million in 1982).



## Economic developments in Greece

### Economic prospects

From the preceding survey of economic development in Greece one may conclude that in 1983 this country was able to achieve the stabilization of its economy to a satisfactory degree. Moreover, existing indications and data on developments in the first months of 1984 corroborate the view that the Greek economy is on the way to a gradual recovery.

Economic activity is apparently promoted by nearly all the factors determining domestic final demand, as well as the foreign transactions of the country.

As far as private consumption is concerned, the volume of retail sales expanded in the first quarter of 1984 after a deceleration of its downward trend in 1983. It is expected that consumer demand will now begin to pick up gradually, as real incomes of farmers and wage and salary earners rise over last year's levels. Public consumption will also be higher.

Total gross capital formation is expected to increase chiefly on the part of the public sector whose investment projects provide for an increase in expenditure at a rate that will be considerably higher than that of inflation. Concerning private investment, estimates are that the recovery in the building sector, which started in the last months of 1983, will continue throughout 1984. These expectations are based on the great expansion of the volume of houses for which building permits were issued in 1983. In view of the usual time lag, such permits are likely to be realized to a large extent within 1984. There are also encouraging signs that private productive investment may recover, as an appreciable proportion of projects of a total value of 63.4 billion drachmas, which were authorized in 1983 under the provisions of development law 1262/82, will be implemented within 1984; it is, indeed, well-known that normally a period of several months is required for their completion.

The favourable impact of the exchange rate policy pursued and the gradual recovery of foreign demand have already made themselves felt in the development of exports during the first months of 1984. On the other hand, enhanced economic activity in Greece may give rise to an increased demand for imported goods. On the whole, however, it is anticipated that foreign transactions will become a promoting factor in 1984 and exert a favourable effect on the Greek balance of payments.

The developments thus envisaged are expected to lead to an increase in the product of all three basic sectors of the economy, mainly, however, of agriculture. On the other hand, following its stabilization in the past year, industrial production showed a rise in the first two months of 1984 which, according to estimates from competent sources seems to be continuing. For the whole year, existing indications justify the forecast that real gross domestic product will grow at a faster rate than in the past few years.

## **Economic developments in Greece**

Finally, concerning the endeavour to curb inflation, it is noted that in the first four months of 1984 there was a considerable deceleration in the upward trend of the consumer price index. The target of economic policy is to achieve an average inflation rate that will not exceed 18%.





### III. Monetary and credit developments

The outstanding feature of monetary and credit developments in 1983 was the slowdown of credit expansion to the private sector. This was the result of (a) the slack demand for credits, (b) the measures taken by the monetary authorities to improve the structure of interest rates, and (c) the rationalization of the banks' own credit policy. Similarly, public sector financing did not grow as much as in 1982.

On the other hand, the rate of increase in deposits with the banking system showed a decline in 1983. Despite this fact, however, and despite the imposition of additional qualitative reserve requirements on deposits with the commercial banks, the drop in credit demand allowed the banks substantially to improve their liquidity in the past year.

It should be noted that the profitability of the commercial banks, and of the credit institutions in general, remains at an extremely low level, so much so, that the banks are not able alone to meet the inevitable adverse effects on their earnings as a result of the protracted economic crisis and the unsound financial structure of a number of large enterprises.

#### Credit policy

Monetary and credit policies were fully in line with the overall economic policy and aimed at improving the credit mechanism so as to support sound business activities and to ensure the adequate financing of working capital and fixed investment capital requirements. Under the monetary programme for 1983, the competent authorities sought to control the monetary aggregates so as to achieve the above objectives. However, the development in the course of the year made it necessary to revise and readjust the initial forecasts, but this did not affect the original targets.

At the same time, additional measures were taken in 1983. In effect, these were of a qualitative nature, despite the quantitative restrictions that they imposed. The objective of these measures was to improve the methods of financing some activities and to channel more funds into other fields. Thus, as of May 1983, in an attempt to improve the financing system and to speed up the inflow of foreign exchange from exports, the authorities radically reformed the respective procedure and introduced new requirements and terms for granting export credits. Instead of supporting exports by low-interest credits, the new system provides for the refunding to exporters of a part of the interest cost as soon as they import and convert their foreign exchange receipts into drachmas.

Moreover, in July 1983, the retention rate under C.C. Decision 197/78 for the support of handicraft was raised from 8% to 9% on the total balance of deposits with the banks. The unused part of this retention remains in a blocked account with the central bank at a very low rate of interest. Quite recently, namely, in April 1984, the retention rate in question was again raised by one percentage point to 10% by decision of the Governor of the Bank of Greece. At the same time, additional measures were introduced for the financial support of small and medium-size enterprises.



## Monetary and credit developments

At the beginning of 1984, interest rates on private deposits were raised by 0.5-1.5 percentage points with the ultimate objective of reinforcing the propensity to save, which had shown signs of a weakening in 1983. The raising of interest rates on savings deposits, in particular, is also an essential act of economic and social justice for the small saver. It was furthermore decided to cover the cost resulting from higher interest rates on deposits by increasing the interest rate on Treasury bills by 2.75 percentage points. In this way, the interest rate on Treasury bills was readjusted for the first time to levels corresponding to the present-day cost of funds for the commercial banks, without increasing the financing cost to the private sector.

The banks responded to the objectives of the credit policy followed in 1983 by intensifying their efforts to reform, readjust and decentralize their lending operations.

## Public finance

The marginal recovery of the Greek economy in 1983 resulted in a deceleration of the expansionary trend of revenue and an acceleration of the growth of expenditure in the Government budget, as compared with 1982.

According to provisional fiscal data, total expenditure in the State budget (ordinary and investment budget) rose by 28.5% as against 22.4% in 1982 and reached Drs. 1,078 billion. On the other hand, total revenue increased by 24.1%, as against 38.5% in 1982 and amounted to Drs. 738 billion. Thus, the deficit of the State budget is estimated at Drs. 340 billion (1982: 244 billion).

In order to present a more comprehensive picture of fiscal management, the State budget, since 1983, includes the results (deficit or surplus) of the Consumer Goods Account and Special Administrative Accounts. For the calculation of the above percentage changes in revenue and expenditure of the ordinary budget the items of the above mentioned accounts were also taken into consideration. The Special Agricultural Products Guarantee Account reached a total of Drs. 70 billion (1982: 45 billion) on both the revenue and the expenditure sides.

The total deficit in the operating and investment account of public enterprises and organizations, without taking into consideration amortization payments, amounted to Drs. 77.9 billion (1982: 78.8 billion). Also the overall financial deficit of the public sector on a cash basis reached Drs. 363.4 billion in 1983, as against 338.0 billion in 1982, showing an increase of no more than 7.5%. The amount of 363.4 billion is estimated to represent 12.1% of gross domestic product, as against 13.4% in 1982.

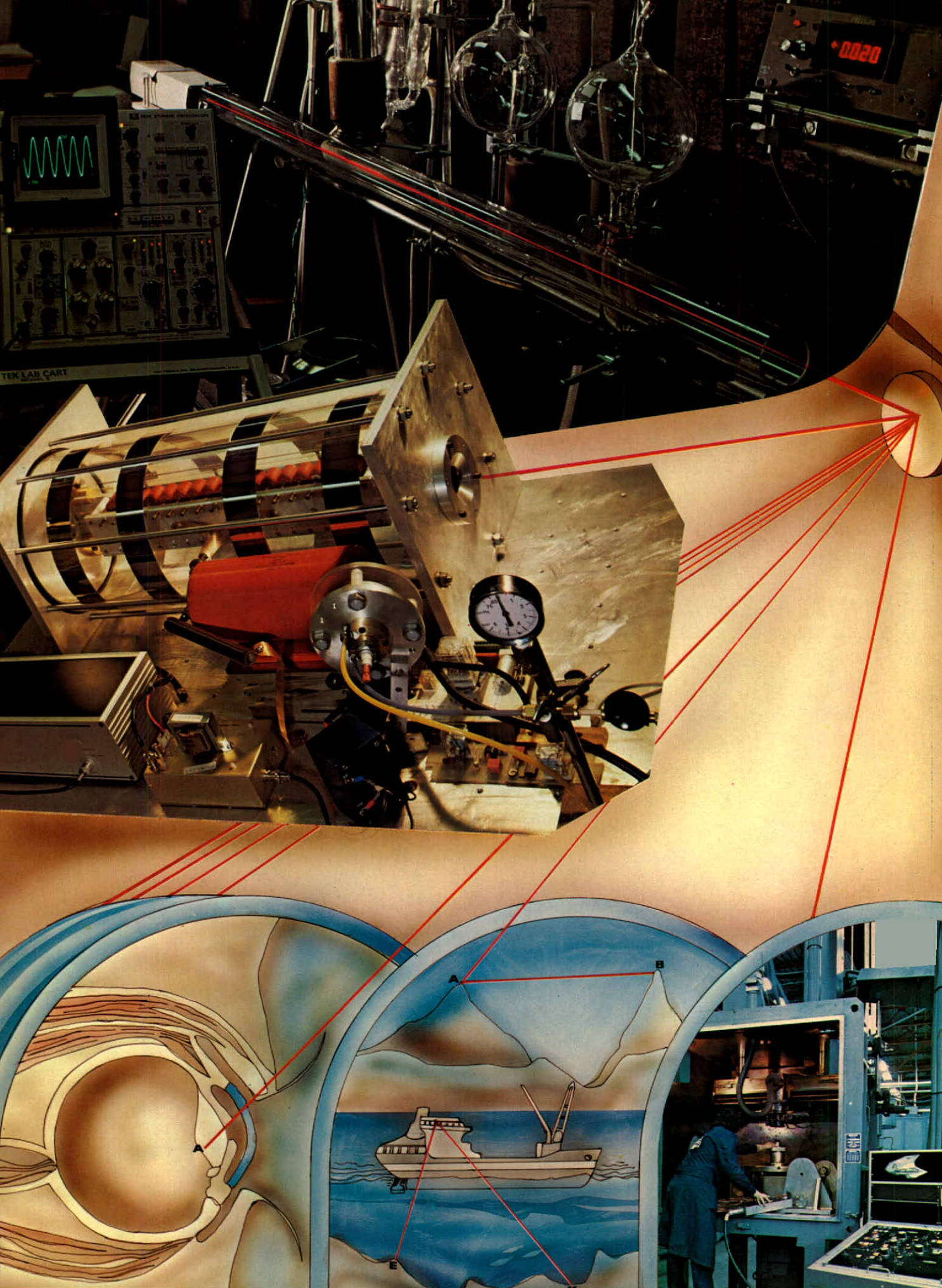
The first Greek computer — designed and largely produced by Greek hands in Greek workshops — is now available for professional use and successfully competes, as regards technical specifications and prices, against comparable products of international firms.





MADE  
in  
GREECE







## Monetary and credit developments

The rate of currency circulation expansion fell slightly (from 15.2% in 1982 to 14.3% in 1983). On the basis of annual average figures the increase was 11.5%, while gross national product at current market prices rose by 18.5%. This implies that there was a further acceleration of the income velocity of circulation, just as in the previous years (1983: 10.44; 1982: 9.84; 1981: 9.60). The increase in the income velocity of circulation proves that money demand, in relation to money income, has decreased further.

The only factor which contributed to the expansion of currency circulation was the financing of the public sector's borrowing requirements, whereas the private and the external sectors, as in the preceding years, had a negative effect. Concerning the external sector, in particular, the negative effect was connected with the change in the drachma parity. More specifically, it should be pointed out that, whereas the deficit in the balance of payments expressed in dollars remained on the same level as in 1982, the change in the drachma parity caused a greater drachma drag — compared with that in 1982 — through the deficit of the external sector.

Private drachma deposits with the commercial banks and the special credit institutions rose within 1983 by Drs. 331.4 billion or 22.1%, as against a Drs. 349.5 billion or 30.4% increase in 1982. By contrast, deposits of public enterprises and organizations remained almost stagnant (a rise of Drs. 1.4 billion, which compares with 34.4 billion in the previous year). Thus, total drachma deposits expanded by Drs. 332.9 billion or 20.8%, whereas in 1982 they had witnessed an increase of Drs. 383.9 billion or 31.6%. Furthermore, deposits with the Bank of Greece, which mainly derive from funds of public entities under E.L. 1611/50, advance deposit requirements, etc., rose by Drs. 40.8 billion.

Private savings and time deposits rose at a considerably slower pace than in 1982 (1983: +22.5%; 1982: +31.6%). Time deposits again grew faster than savings deposits, which demonstrates the preference of savers for investments with a high return. Specifically, savings deposits rose by Drs. 198.7 billion or 20.5% (1982: 29.6%), while time deposits expanded by 113.1 billion or 27.3% (1982: 36.6%). Deceleration in the growth rate of time deposits was more pronounced at the commercial banks (1983: 25.3%; 1982: 35.1%) than at the special credit institutions (1983: 36.9%; 1982: 44.3%). But also between the commercial banks themselves there were significant differences. Thus, at all the commercial banks, except the National Bank, the rate of increase in time deposits fell even below one half of that which had obtained in the previous year (1983: 19.2%; 1982: 43.2%). At this point it should be mentioned that the high cost of time deposits makes this type of deposit less attractive for the banks; some of these even tend to avoid deposits of this kind and savers are induced to turn towards other credit institutions.

The development of private deposits in 1983 should perhaps be attributed to the

### Currency circulation

### Deposits

Science fiction has become reality through the use of laser beams, whose applications are rapidly expanding in industry (special weldings, a.o.), medicine (diagnostics, delicate eye-surgery, etc.), chemistry, biochemistry, archaeometry, oceanography, etc., and in other fields.



## Monetary and credit developments

stagnation of real disposable income, which necessarily reduced the savings margins. Moreover, it would seem that the devaluation of the drachma in January 1983 temporarily enhanced the propensity of a certain section of the saving public to consume — a trend which manifested itself by massive purchases of durables, mainly imported.

The rate of increase in deposits may also have been brought about by the recovery, in 1983, shown by the real estate market. There are, indeed, indications that the expansion of transactions in properties, and especially in dwellings, was effected to a large extent out of the investors' own money and to a lesser extent out of loan funds from the banking system. Finally, it would seem that the containment of credit expansion in the private sector, in conjunction with more stringent credit controls, and the increase in interest rates on certain loan categories resulted in limiting the proportion of credits finding their way into deposit accounts.

The balance on deposit accounts in foreign currencies rose by the equivalent of Drs. 162.9 billion or 46.9%. The corresponding increase in 1982 was 81.5 billion or 30.7%. It should be noted that this increase has been largely brought about by the appreciation of the currencies in which these deposits are being held. Also a part of the increase is connected with the facility that was offered to Greek residents from June until October 1983 to open deposit accounts in freely convertible foreign exchange without declaring the origin of the funds deposited.

The breakdown of deposits shows that the rate of increase in deposits of Greek seamen and workers, which also account for the largest part of foreign currency deposits, was higher than in the previous year (1983: 51.3%; 1982: 41.1%). Much larger was also the flow of deposits into the housing savings department, the balance on the accounts of which rose by 34.0%, whereas in 1982 the rate of increase had been 4.6% only. The balance on convertible accounts also increased by 10.4%, as against a drop of 7.4% in 1982.

Concerning the distribution of the increase in deposits in drachmas and foreign currencies, by type of credit institution, it is to be noted that the commercial banks collected 70.9% of the total or Drs. 351.3 billion and the special credit institutions 29.1% or 144.4 billion.

### Bank financing

Financing of the private sector expanded by Drs. 223.5 billion or 17.5%, as against 249.8 billion or 24.0% in 1982. It is noteworthy that the rate of expansion in 1983 was lower than in 1982 for all specific categories of private lendings, except agriculture. The increase in the financing of the public sector was also less than in the preceding year, both in absolute figures (Drs. 69.7 billion, as against 105.8 billion respectively) and in terms of percentages (21.1%, as against 44.5%). Overall financing of the economy thus rose by Drs. 293.2 billion or 18.2% and totalled Drs. 1,902.0 billion by the end of the year. The corresponding increase in 1982 was Drs. 355.3 billion or 27.8%.

## Monetary and credit developments

The bulk of credit expansion in the private sector, i.e. Drs. 106.2 billion was taken up by manufacturing. Specifically, the balance of loans to industry rose by Drs. 80.5 billion or 14.5% (1982: 18.4%) and to handicraft by 25.7 billion or 23.3% (1982: 51.9%). Financing of the agricultural sector increased by Drs. 55.4 billion or 29.2% (1982: 29.1%), of trade by Drs. 7.5 billion or 6.5% (1982: 20.5%) and of all other activities (tourism, shipping, etc.) by Drs. 54.4 billion or 17.7% (1982: 24.6%).

Finally, as far as the distribution of overall credit expansion by type of institution is concerned, it is to be noted that the special credit institutions again witnessed the fastest increase in their lendings with the result that their share in the total expansion rose by six percentage points, i.e. from 61.6% in 1982 to 67.8% in 1983. More specifically, the breakdown of total credit expansion (Drs. 293.2 billion) was as follows: the commercial banks accounted for Drs. 99.8 billion of the expansion (i.e. +12.9%, as against 22.3% in 1982), the special credit institutions for Drs. 198.7 billion (+24.3%, as against 35.4% in 1982), whilst lendings by the Bank of Greece fell by Drs. 5.2 billion.

The commercial banks again played an important role in the developments of the financial sector in 1983, and particularly in those connected with the collection and distribution of funds, mainly from and to the private sector.

Concerning the collecting of credit resources the banks were highly active and attracted the bulk of the increase in drachma and foreign currency deposits. Specifically, private drachma deposits with the commercial banks expanded by Drs. 227.2 billion or 21.7%, as against 236.9 billion or 29.2% in 1982. The distribution of freely available credit funds by the commercial banks was largely determined by the credit demand of the private sector, the credit regulations in force and the decisions of the monetary authorities taken within the framework of the overall economic and credit policies. More specifically, lendings of the commercial banks to the private sector rose by Drs. 95.7 billion or 12.8%, as against Drs. 139.2 billion or 22.9% in the previous year. Furthermore, obligatory and voluntary investment by the banks in Treasury bills and deposits with the central bank expanded in 1983 by Drs. 167.9 billion in all.

The financing policy of the commercial banks was aimed at supporting to a satisfactory degree production as well as investment, in response to the respective credit demand and in a measure that was determined mainly by the real needs, the special conditions and the importance of each activity for the realization of the economic policy's objectives.

The stagnation of deposits in the first half year of 1983 and until May, in particular, in conjunction with a relatively small rate of deceleration in credit expansion, as compared with the second half year, obliged the commercial banks to continue borrowing extensively from the central bank in the form of overdrafts on their

### The commercial banks



## Monetary and credit developments

current accounts with that institution. In the second half of 1983, however, as the rate of increase in deposits started to edge upwards and credit demand became more slack, the commercial banks' liquidity was enhanced and allowed them to balance their accounts with the central bank. Towards the end of 1983, in particular, the commercial banks were able to build up reserves.

As was mentioned earlier in this Report, during 1983 a change was made in the procedure and in the terms of advances and loans to the export trade. This change concerned the method of supporting exports: instead of subsidizing in advance the interest rate on credits designed to finance the production of export goods, part of the interest paid by the exporter is now refunded to him at the time that he brings into the country the foreign exchange earned from exports. This method has reduced considerably the demand for export credits. The change was made after the interest rate on advance financing of exports had been raised substantially. As a result the incentive which existed under the old system of advance financing of exports was abolished in order to prevent the leakage of funds granted for exports into other activities. Part of the decline in the demand for credits in 1983 is therefore clearly due to the new measure.

Finally, all the above developments — positive, as well as negative — did not widen appreciably — compared with 1982 — the margin (*écart*) between credit and debit interest, with the result that the banks' profits still remain at a very low level. The constant raising of the retention rate under C.C. Decision 197/78 for the financing of handicraft — at a time when the demand for handicraft loans is declining, so that substantial amounts earmarked for this purpose remain unused —, in conjunction with the persistently fast rise of high-interest time deposits, are the basic negative factors of the commercial banks' profitability.

### Capital market

Conditions on the Stock Exchange continued to be slack throughout 1983 because of the small public interest in stocks. The result of this was a fall in prices and a decrease in the volume of transactions. Dealings in shares and bonds totalled Drs. 2.4 billion, as against 4.0 billion in 1982 and 3.9 billion in 1981. On the basis of the general share price index compiled by the Athens Stock Exchange, the annual average level of share prices in the year under review fell again (1983: -9.6%; 1982: -4.5%; 1981: -8.1%); in fact, there was a decrease in prices for bank shares (-6.9%) as well as for such of industrial and commercial companies (-13%).

On the other hand, nearly all new funds raised on the capital market in 1983 were issues of bank debentures (Drs. 57.9 billion, as against 30.7 billion in 1982), as only a limited amount of new share issues was offered and — as in the preceding year — no long-term bond loans were offered for public subscription.

The fundamental reasons for these developments must be sought in the weak demand for new investment, as well as in the operational problems of a number of large enterprises, which are characterized by excessively high indebtedness to the

## **Monetary and credit developments**

banking system. At the same time, the slight fall in the inflation rate, together with the maintenance of high interest rates on certain liquid assets, the increase in the interest rate on savings deposits, as well as the revaluation of foreign currencies in relation to the drachma — all these constitute adverse factors for the reactivation of the Stock Exchange.





**PART B**

**THE NATIONAL BANK OF GREECE  
IN THE FRAMEWORK OF  
ECONOMIC DEVELOPMENTS**





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

### **A. The Policy**

The Bank's credit policy and activity in 1983 were once more affected by the protracted slackness and structural weaknesses of the Greek economy, the acute problems which had piled up in some large industrial enterprises from the past and, of course, by the Government's monetary and credit policy.

Under these conditions the Bank endeavoured to pursue over the whole range of its business operations the most appropriate credit policy. Specifically, the Bank sought to satisfy the real credit requirements of viable and dynamic productive units; to cope, to the extent possible, with the problems of liquidity and capital structure of large enterprises; to contribute to the rehabilitation of the credit system and, in general, to serve the developmental objectives of economic policy. All this was done, of course, with the basic criterion of safeguarding the interests of the Bank's depositors and shareholders. At the same time, the Bank focused its attention, as it had done also in 1982, on the direct and long-term improvement of the decentralization and the smooth functioning of its lending mechanism while enhancing its profitability.

The application of this policy met with serious difficulties, but its results can be considered as positive. A persistent slack demand for investment capital, combined with changes in the terms of export credit, and the relative weakening of the demand for new loans by handicraft worked towards containing total demand for loan funds by the private sector. The result of this was a slowdown in the annual rate of the Bank's credit expansion in 1983, which was more pronounced in the second half of the year.

On the other hand, the growth rate of deposits, which slowed down appreciably in the first months of 1983, picked up momentum in the second half-year, without, however, reaching the levels achieved in the immediately preceding year. This is attributed mainly to the containment of incomes of certain groups of savers and the containment of lendings. There are also indications that a limiting effect on deposits resulted from some recovery in the real estate market, which was supported mostly by private capital. It would seem, moreover, that the uneven rates of development of deposits in the course of the year were partly influenced by massive purchases of consumer goods at the beginning of 1983 under the impact of the drachma devaluation in January.

These events affected the Bank's liquidity accordingly. As was mentioned in last year's Report, the Administration's effort to contain credit expansion during 1982 within the limits of the Bank's non-borrowed funds did not prevent its having recourse to the central bank for high-interest borrowing. It is well known that the National Bank's policy in that year had been influenced by the inelastic demand for



## The Bank's credit policy and activity

short-term credits by large enterprises, classified as "problematic", and by its efforts actively to support the financing of credit requirements of handicraft, whose financing at that time was lagging considerably.

Thus, at the beginning of 1983, the Bank's current account with the Bank of Greece continued to be in the red. In the first months of the year, the appreciable deceleration of the upward trend of deposits went hand in hand with a relatively smaller slowdown in the expansion rate of lendings, thereby maintaining the Bank's indebtedness. Later on, however, the acceleration of the rising trend in deposits and the slowdown in credit expansion allowed the Bank gradually to reduce the deficit in its current account with the central bank and even to build up a surplus in the last months of the year. A contributory factor to this result was also the continuation of a policy which tended to restrain the credit support of some over-indebted firms to the degree necessary to maintain the activity of these enterprises and to ensure the continuation of their operation until a final solution to the problem of restructuring their capital base could be found. The increase of balances was also restrictively affected by the Bank's endeavour to ensure the regular servicing of loans by its clients.

The combination of the above developments and changes have had certain positive effects on the Bank's operational results, even though its profitability continues to be adversely affected by the low return on a substantial part of its funds which remain in blocked accounts with the central bank for the financing of handicraft and of fixed capital investments in industry. The Bank's net profit for 1983 again remained at a low level, which does not allow it to accumulate an adequate surplus in order to make an effective contribution to the rehabilitation of over-indebted enterprises. The need to improve the profitability of the commercial banks is recognized by all parties, but until now no appropriate measures have been taken to this effect. It goes without saying that measures, such as the recent raising of the retention rate for handicraft loans from 9% to 10%, do not help to improve the situation, since large amounts deposited with the Bank of Greece under this heading remain unused because of slack demand for new credits from handicraft undertakings.

For 1984 it is not expected that the Bank's earnings will rise appreciably, despite a slight improvement in operating conditions. An additional factor, limiting its profitability under present economic conditions, are also the low or even non-existent returns on the Bank's portfolio of securities and other assets, which traditionally were making a substantial contribution to its annual earnings.

It was deemed necessary to revise the terms of business and especially the commission rates which obtain in the case of various mediating services by adjusting the receipts from these to their actual cost. The revision basically concerns the minimum rates charged by the Bank, which, as was ascertained, had essentially

## The Bank's credit policy and activity

remained unchanged for some 25 years and were no longer in step with the high increases in the cost of such services under the impact of inflation. For this reason, the Administration, following the example of the other banks, decided recently to raise mainly the minimum commission rates by an amount which would correspond to today's cost of services.

The Bank met credit requirements to a satisfactory degree, but these, as was mentioned previously, remained on the whole restrained in 1983. Nevertheless, it should be underlined that, compared with 1982, medium and long-term loans to manufacturing were expanded substantially. It is worthwhile to note that in 1983 approvals of new loans for investment works in progress and the completion of investment projects of large enterprises totalled Drs. 14.4 billion, i.e. about 50% more than in 1982. At the same time, the balance of long-term loans to industry for fixed capital investments rose by Drs. 16,608 million or 25.9%, as against an increase of Drs. 8,977 million or 16.2% in 1982. As far as short-term credits are concerned, the Bank met justified working capital requirements of its customers. At the same time, the restructuring of interest rates on export credits helped to establish a more reasonable proportion between these credits and other lendings and, in general, to eliminate a source of leakage of credits into other activities. It has also been mentioned that a more systematic follow-up of the flow of credit funds, to ensure their timely recycling, contributed towards a slower expansion of total financing.

It must be emphasized that the Administration is giving special priority to the financing of sound business initiatives. This policy reflects the Bank's desire to take an active part in the new phase of economic development which is being sought through the promotion of high-technology productive investments in the framework of the overall endeavour to restructure and upgrade local industry and handicraft.

However, there still remains the problem of a large number of over-indebted enterprises, which are facing acute cash flow difficulties. In the case of relatively small enterprises, which satisfy the criterion of viability, the Bank tried in 1983, within its limitations, to help them in rescheduling their loan commitments. Better conditions for such action have now been created within the new institutional framework in accordance with the provisions of Regulation 341/9.3.84 of the Bank of Greece which allows the long-term rescheduling of overdue debts in the case of viable enterprises under certain terms.

The examination of the economic data of the large over-indebted firms led to the conclusion that, in most cases, their rehabilitation can be obtained only by converting a substantial part of their old debts into equity. Over an indefinite period, however, there does not seem to be any prospect of a return on their equity which would cover the cost of funds tied up in such action. Consequently, in order to ap-



## The Bank's credit policy and activity

ply this solution — which appears to be the most appropriate one for tackling the problems of the over-indebted enterprises — the necessary pre-condition is to find the funds required for covering the cost involved in the conversion of these firms' old debts into equity.

The over-indebtedness of a substantial part of the manufacturing sector and of many big business firms, in particular, has assumed a large dimension in some branches of industry and threatens to become a national issue. To meet this problem through an extensive conversion of overdue debts into shares, it is necessary that other agents of the public sector, outside the banking system, also cooperate and actively participate in the respective action. This cooperation can now materialize following the establishment of the Organization for Economic Rehabilitation of Enterprises (OERE).

The National Bank is determined and obliged to contribute as much as possible to the rehabilitation of the financial structure of the over-indebted enterprises. In this spirit it has continued to finance them also in 1983, with the main purpose of preventing a temporary suspension of their operations until a final settlement of their problems is achieved. At the same time, the Bank has submitted to the Ministry of National Economy, at various times within 1983, definite plans for the rehabilitation of the large over-indebted companies, stating also the Bank's possibilities to participate in their implementation. However, as there was a considerable delay in the official response to the Bank's proposals, the margins for the financial support of some enterprises, which already in 1982 had been very narrow, were completely exhausted even under the most lenient banking criteria. Under these conditions the only remaining solution for the Bank was to ask that the enterprises in question be brought under the provisions of Law 1386/83 in order to avoid the interruption of their operation, as these enterprises, owing to their size, were affecting to a considerable degree the economic activity of the country as a whole.

The relatively recent formation of a consortium, consisting of commercial and development banks, and enlisting the cooperation of OERE, is a solid contribution to keeping in operation viable enterprises until such time as the final reform of their financial structure can begin to materialize. The objective of this group is to supply short-term finance for current production needs to a selected number of large enterprises, which have already been brought under the provisions of Law 1386/83, until the completion of their rehabilitation.

By converting the old debts into equity with the purpose of rehabilitating the financial structure of large enterprises, the responsibility for the management of these firms is automatically shifted to the public sector and the National Bank, in particular. And this, at a time when all know how difficult it is to find competent managers in this country. It is likely that the same managerial problems in connection with these firms will persist also as long as their administration is taken over by OERE, as well as after final decisions on their rehabilitation have been taken.



## The Bank's credit policy and activity

The Bank believes that, together with the new executives who will be appointed initially or will be selected later by those who will eventually own the majority of the share capital, it would be advisable to retain in the management of these firms some of the members of the old administration, provided they are really capable and, of course, not responsible for actions that have proved harmful to the enterprise in the past.

The Bank's credit policy with regard to manufacturing implied also the channelling of substantial new funds to handicraft for the second consecutive year. It should be stressed that the demand for loan funds in this sector witnessed some deceleration following its large-scale borrowing in 1982. It is likely that the overall economic developments and the stagnation of the real product of the handicraft sector in 1983 have also had a deterring effect on credit demand. At any rate, the National Bank continued to give priority to all reasonable credit requirements of small undertakings. Indicative of this policy is that, although the rate of increase in the allocation of handicraft loans in 1983 was below that in 1982, it was nevertheless nearly three times higher than that for all the Bank's lendings to the private sector. The available figures show that practically all financing requests submitted by handicraft undertakings were satisfied. Thus, at 30 branch offices of the Bank (in the centre and the provinces) which handle the bulk of handicraft loans, the percentage of total applications that were not approved was no more than 1.7%. More specifically, only 1% of the applications, for whose approval the branch offices are competent, was rejected, while of those applications that had to be referred for approval to the responsible sub-committees for handicraft credits the rate of rejection was 5.8%. All of the loans that were approved fell under the provisions of C.C. 197/78 which, as is known, stipulate extremely favourable terms for the beneficiaries of handicraft loans. The sample also demonstrates that the average amount of new loans approved in 1983 was 1,550,000 drachmas and that, consequently, the Bank principally supported small and medium-size enterprises.

The new credit measures, which were recently introduced, will set the stage for an upsurge in the demand for handicraft loans by speeding up the respective procedures, improving the terms for obtaining loans and reviving the demand for handicraft products.

Among the actions undertaken by the Bank in order to meet the various needs of handicraft is also the conclusion of global loan agreements in foreign currencies with the European Investment Bank. The National Bank is allocating loans out of this capital to handicraft under the same favourable terms as those applicable in the case of domestic loans. The foreign exchange risks have been assumed by the Greek Government. Under the first such contract, loans have already been granted to 19 small and medium-size handicraft and industrial firms to implement their investment projects to the tune of one billion drachmas. Cooperation with the European Investment Bank continues through negotiations for a new loan of the same type (i.e. global loan).



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

The Bank's credit policy and lending activity are always affected by its long-term objectives, namely, the constant improvement of its own business structure and of its profitability by suitably adapting itself to the changing requirements of transactions and to the growth process of the economy. The regional expansion of the Bank's activities is believed to promote more effectively its broader objectives. Important strides were made recently in this direction by the establishment of two regional administrative units, in Northern Greece and the Peloponnese-Ionian Islands respectively, which handle approximately one-third of the Bank's total business volume. It should be taken into account that, due to the particular structure of the Greek economy, over 50% of economic activity and of credits are concentrated in the Greater Athens area. Consequently, the decentralization of one-third of the Bank's business geographically exhausts nearly all the possibilities of any further development of decentralization.

As far as the concentration of credit funds is concerned, the Bank's Administration aims at exploiting, to the full extent, the possibilities offered, both at home and abroad, for increasing deposits with the Bank through the extension and further improvement of the services' quality in its branch network. This effort is supported by the constant application of new technologically advanced methods in the procedures of deposits and withdrawals which ensure speed and accuracy in the relative transactions.

The Bank is also promoting systematically at all levels of credit responsibility the use of lending criteria, according to which the main weight is laid on the viability and the dynamism of the enterprise, and on the profile and the objectives of the entrepreneur. The respective policy of the Bank includes the constant training of its officers, who are guided in the performance of their duties by studies drawn up by teams of specialized staff, and dealing with the feasibility and profitability of new projects and the viability of the enterprises. The systematic application of these dynamic criteria is of vital importance both to the Bank and to its clientele, as it contributes to normalizing their relations, prevents the freezing of capital in unproductive activities, and — within the limits of the Bank's responsibilities — excludes the emergence of structural problems in the enterprises' financial affairs. At the same time, these criteria help the country's business community to cooperate more effectively with the Bank and to take advantage of the greater possibilities that are offered to it today by advanced technology for productive purposes (informatics, biotechnology, and other branches of high technology).

The above task is facilitated by, and becomes more effective through, the advantages offered in this field by the administrative decentralization of the Bank. For, in this particular case, decentralization allows the responsible officers to evaluate more quickly and more objectively the requirements of the enterprises concerned,

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

by using to a larger extent direct market information without the interference of the central departments.

In the field of international activities the Bank also coordinated in 1983 its efforts in such a way as to avail itself, to the extent possible, of the opportunities for developing its business and expanding its international presence. The important changes constantly taking place in the international banking market under the impact of the world crisis and the international monetary readjustments oblige the National Bank — essentially the only Greek credit institution with a large foreign network — to proceed with caution but also with determination. The present state of international banking lends itself to new activities which — if correctly and wisely selected — can contribute positively to the improvement of the Bank's effectiveness, as well as to the promotion of the Greek economy.

The National Bank has already gained valuable experience from the global and back-to-back loans that it obtained from the European Investment Bank for its inland clientele. Moreover, through its foreign branch network and its affiliated banks abroad, the Bank has developed an intensive activity in the international capital market assuming responsibilities as a simple participant in, or as leading underwriter of, syndicated loans. By participating in such ventures, the Bank has expanded its credit activity in a profitable way in other sectors, and this with funds originating abroad. At the same time, the Bank's total credit risks are being more widely spread, and with greater security, as the credit beneficiaries selected by the Bank are always particularly creditworthy.

It is our firm belief that the coordination of the Bank's objectives and actions in its branch network at home and abroad serve, on the whole, its own interests as well as those of the Greek economy. In Greece, the Bank provides its customers with high-standard services for their international transactions, thanks to the adoption of new procedures and facilities through applications of advanced technology which ensure speed and security (SWIFT, a.o.). At the same time, these applications offer the Bank new opportunities for profitable business (transactions on the international foreign exchange market, etc.).

An equally keen interest is taken by the Bank in promoting its cooperation with the business community and the public at large in the various countries where it has established branch offices or subsidiaries. Of course, the Bank's interest is also bent on a constant development of the services traditionally offered to Greek expatriates and to the shipping community.

More specifically, in the shipping industry which has been hard hit by the continuing shipping crisis, the Bank endeavoured in 1983 to help the companies concerned in surmounting their serious liquidity problems. After a careful examination of the relevant requests, the lending terms were changed and the outstanding debts

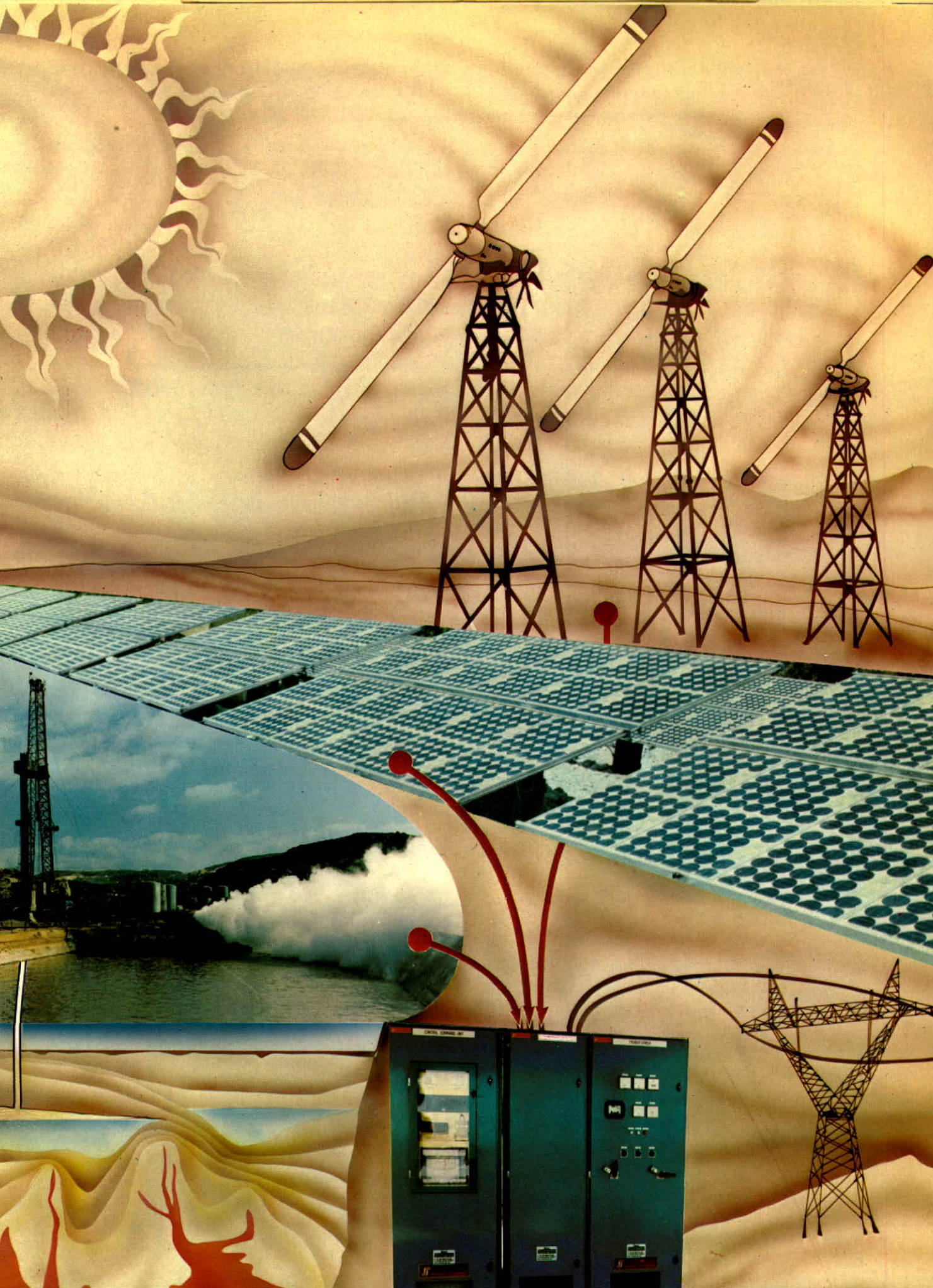


## **The Bank's credit policy and activity**

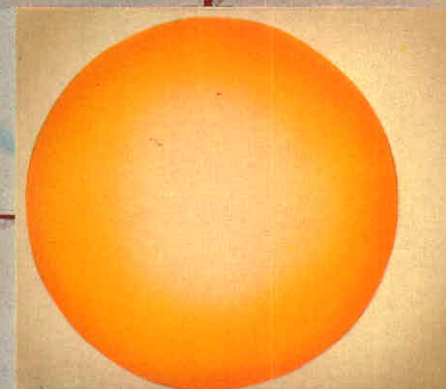
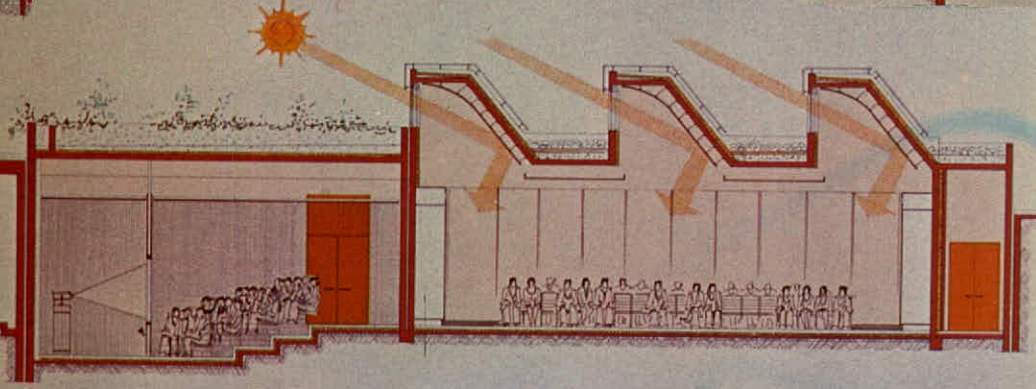
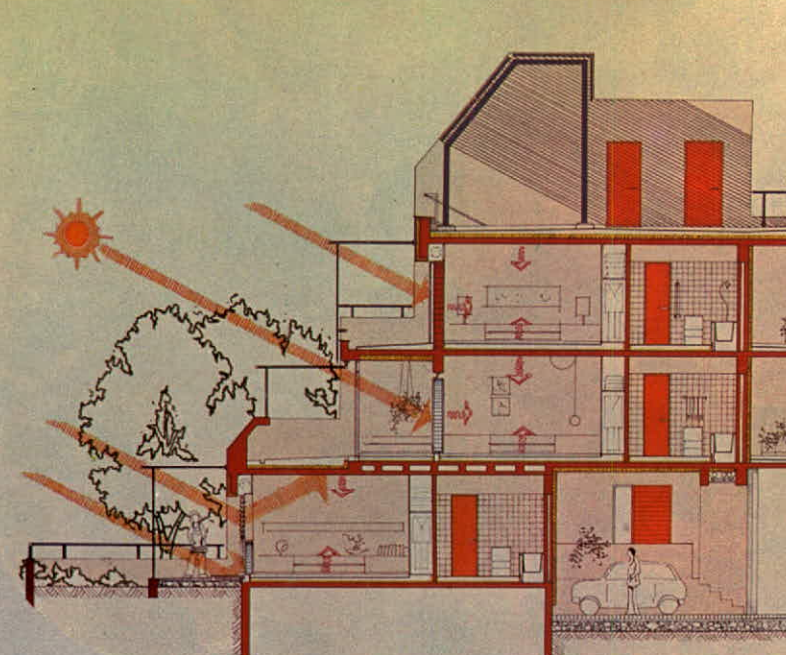
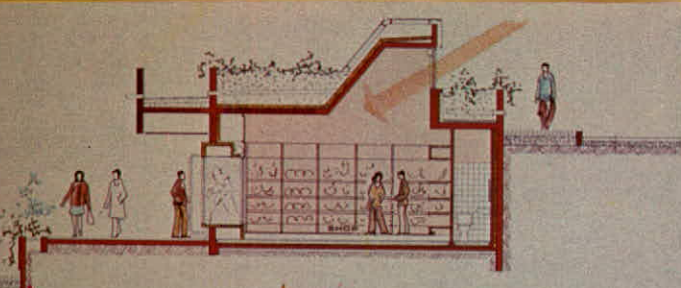
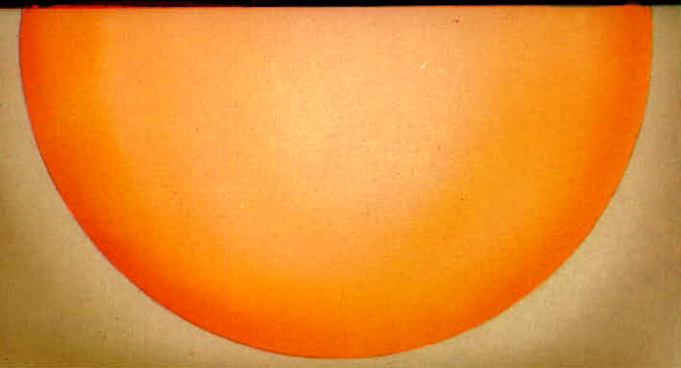
of various companies were rescheduled. The Bank's efforts are aimed at improving its infrastructure, so as to be able to meet the new requirements of the sector, which emerge with the expected recovery of the shipping market.

Cheap energy for industrial and other use can now be produced also in Greece, thanks to modern technology, which allows the exploitation of abundant natural resources in the form of solar, aeolic, geothermic and other energy.











## The Bank's credit policy and activity

### B. Credit activity

The total balance on inland deposits, in drachmas and foreign currencies, reached Drs. 980.7 billion by the end of the year, which is an increase of Drs. 202.9 billion or 26.1% over 1982 (188.6 billion or 32.0% over 1981). The bulk of this increase concerns private drachma deposits and, specifically, savings and time deposits (Drs. 129.0 billion). The rise in these two categories of deposits in the first four months of 1983 was relatively slow. According to seasonally adjusted figures the rate of increase, on an annual basis, was no more than 17.5%, whereas in the 8-month period May-December 1983 the rate accelerated to 27.4%, with the result that it attained 24.1% for the whole year (1982: 29.1%). Among the individual categories of private deposits, time deposits recorded the highest growth rate (29.8% or Drs. 59.0 billion). It should be mentioned, in particular, that special high-interest deposits grew in 1983 at the rate of 42.9% (as against 33.3% in 1982). Savings deposits rose by Drs. 70.0 billion or 20.8%.

The deceleration of the rise in total private deposits during 1983 can be attributed mainly to the containment of lendings, the restraint of real disposable income of some categories of savers (as mentioned in detail in the preceding chapter), while it cannot be excluded that the devaluation of the drachma at the beginning of the year also had some influence on deposits. On the other hand, the difference in the return on time deposits and that on savings accounts affected, also in 1983, the preferences of depositors.

Private sight accounts rose by Drs. 3.4 billion or 12.2% (1982: 3.0 billion or 12.1%). It should be noted that of the 3.4 billion increase, 900 million were deposited in current accounts, the balance on which reached Drs. 6.0 billion in December 1983.

Deposits in foreign currencies increased at a very high rate in 1983. Their total balance reached the equivalent of Drs. 233.2 billion by the end of 1983, which means a rise of 79.6 billion or 51.8% over 1982 (the corresponding increase in that year was 38.1 billion or 33.0%). The major part of this increase was due to changes in foreign currency parities. Actual increase rates in these deposits by main foreign currencies were as follows: US dollars: 20.1%, pounds sterling: 20.7%, German marks: 11.7% (1982: 16.6%, 16.3% and 10.9% respectively).

Deposits of seamen and workers, which make up the bulk of deposits in foreign currencies, in terms of US dollars rose by 9.7% (1982: 11.9%) and reached the equivalent of \$2,231 million (1982: \$2,034 million). On the other hand, following the new regulation concerning deposits in foreign currency by permanent residents in Greece, the equivalent of \$52 million was deposited on the respective special accounts.

### Deposits

The Greek sun — an inexhaustible source of energy — will provide light, heat and other benefits for "solar" villages, forerunners of "solar" towns, thanks to the technologically advanced systems used in the storage and distribution of solar energy.



## The Bank's credit policy and activity

### Loans and advances

Total increase in the Bank's inland loans and advances in 1983 was less than in the previous year. All categories of lendings to the private and public sectors of the economy together with obligatory and voluntary investments in securities. Treasury bills and deposits with the Bank of Greece, including the unused balances on funds earmarked for the financing of handicraft and long-term loans, rose by Drs. 144.7 billion in all (1982: 167.3 billion). The development of such investments was affected by the restrained demand for lendings to the private sector, the slowdown in the rate of increase in deposits, which entailed smaller new obligatory investments in Treasury bills and in deposits with the Bank of Greece, as well as by the voluntary deposit with this latter bank of the surplus in non-borrowed funds towards the end of the year.

The balance on lendings to the private sector, in drachmas and foreign currencies, rose by Drs. 48.7 billion or 11.4%, as against Drs. 78.5 billion or 22.4% in 1982. It should be noted that credit expansion in the first six months of the year, according to seasonally adjusted figures, was at the rate of 13.4% on an annual basis, while it fell still more in the second half of the year (9.3%). The bulk of the increase in lendings, namely, 45.2 billion or 92.8% of the total, was taken up, as always, by manufacturing, while the fastest rate of increase was again witnessed by handicraft loans. As mentioned previously, the development of lendings to the private sector was appreciably affected in the second half-year by the abolition, as from May 1983, of low interest rates for the financing and advance-financing of exports, whereby the leakage of credits into other activities was considerably restricted.

The financing of public enterprises and organizations (credits and investments in bond loans) rose by Drs. 4.0 billion or 13.7% in 1983, against a Drs. 6.9 billion or 31.0% increase in 1982. Furthermore, funds channelled to the public sector in the form of obligatory and voluntary investments in Treasury bills and deposits with the Bank of Greece, expanded by Drs. 90.7 billion in all, or 31.0% totalling Drs. 382.6 billion on 31 December 1983.

### Financing of industry

The total balance on lendings to industry, in drachmas and foreign currencies, rose by Drs. 29.7 billion or 10.7% (1982: 18.4%) and amounted to the equivalent of Drs. 308.6 billion by the end of the year. The slowdown in the increase, in comparison with 1982, was mainly accounted for by short-term credits which rose by Drs. 13.1 billion or 6.1% (1982: 19.1%), and can basically be attributed to the change in the terms of advance-financing of exports, to the small increase in industrial production, as well as to some converting of short-term credits into long-term loans pursuant to C.C. Decision 323/81. Specifically, the measures that were taken by the monetary authorities at the end of 1982 and in May 1983, concerning export credits, resulted in their faster repayment, so that the balances on these credits did not show any significant change. Moreover, the settlement of short-term credits, which in reality had been used for the acquisition of fixed assets

## The Bank's credit policy and activity

through their conversion into long-term loans had a bearing on the balances of the respective accounts. Lastly, the amount of outstanding short-term loans was also affected by the insistence of the Bank to collect the overdue debts of its customers.

Long-term loans for fixed assets expanded by Drs. 16.6 billion or 25.9%, as against 9.0 billion and 16.2% in 1982. Part of the increase is due, as in the previous year, to the rise in foreign currency loans caused by the change in the drachma parity in relation to the foreign currencies in which these loans had been contracted. Compared with 1982, loan approvals for fixed industrial installations were much higher (66.0%), as well as actual grants of long-term loans (60.6%). Total financing by the Bank of fixed capital investment in industry amounted to Drs. 80.8 billion at the end of 1983, that is, nearly two-thirds of the respective total for all Greek commercial banks.

In the year under review, the Bank continued to follow its policy of cautiously supporting handicraft undertakings and meeting their reasonable financing requirements. The balance on the respective accounts reached Drs. 68.8 billion by the end of 1983, which is an increase of 15.5 billion or 29.0%, as against 22.1 billion and 70.8% in 1982. It should be noted here that in 1982 the inadequate financing of the handicraft sector in the preceding years was covered to a large degree, with the result that the rate of increase in the respective loans substantially exceeded the growth rate of handicraft activity.

A particular effort was made to allocate credits out of the special funds under C.C. Dec. 197/78, which are granted to handicraft firms on favourable terms and are mainly financing investment projects and working capital requirements. Such loans represented Drs. 13.4 billion or 86.5% of the total increase in handicraft financing. It has already been mentioned that, in a sample of 30 branch offices of the Bank in the centre and the provinces, which develop an intensive activity in the field of handicraft financing, practically all the applications submitted to the Bank for loans out of the special funds under C.C. Dec. 197/78 were satisfied in 1983.

Total balances on lendings to trade amounted to Drs. 49.8 billion at the end of 1983, which means a decrease of 1.2 billion or 2.5%, against an increase of Drs. 6.5 billion or 14.8% in 1982. This development was mainly brought about by a speedier repayment of the respective loans and the containment of new credits, so as to satisfy only the real financing requirements of the sector.

The balance on the loan account of domestic trade rose by Drs. 1.6 billion or 4.7%. actual lendings, however, increased by 17.3% over 1982, and repayments of loans by 25.3%. In addition to the fact that these credits are short-term, their faster repayment was also the result of the Bank's efforts to rationalize the financing of trade.

### Financing of handicraft

### Financing of trade



## The Bank's credit policy and activity

The balance on the loan account of export trade fell by 756 million drachmas or 11.1%. The change in the terms of financing and advance-financing of exports surely affected this loan category. It is also worthwhile to note that a considerable proportion of exports of agricultural products has been assumed by cooperative societies which obtain the funds required by them from other credit institutions (Agricultural Bank).

Also reduced was the balance of credits to tobacco trade. The reduction of Drs. 2.0 billion or 21.1% was due to smaller tobacco exports in 1983, but also to the tobacco merchants' facility of repaying immediately a substantial part of their debts out of the subsidies given them by EEC Funds. Finally, lendings to import trade dropped by Drs. 77 million or 4.5%.

### International activities

Adverse international economic conditions continued to affect also in 1983 the Bank's business activity abroad. By the end of the year, private and bank deposits with our foreign branch network totalled the equivalent of \$780 million and investments \$427 million. At our subsidiary banks abroad the respective figures were \$697 million for deposits and \$737 million for investments. (The conversion of the various currencies into US dollars was made on the basis of parities obtaining at the end of the year.)

Parallel with these business operations went the Bank's persistent efforts to improve the quality of services offered by its foreign branch network, not only by using advanced technological methods in business dealings, but also by supplying up-to-date services. These services are adjusted to the business requirements of the countries in which the units are operating, to these countries' institutional framework, the specific features of their markets and, of course, to the size of the National Bank's branch offices and subsidiary banks.

## **V. Advanced methods of bank organization**

### **Constant renovation and modernization**

The National Bank's Administration attaches fundamental importance to the creation of an up-to-date banking infrastructure. It is generally agreed that an indispensable condition for the survival and the advancement of any economic entity is the adoption of steadily evolving methods of administration, organization and technology.

With this in mind, the Bank is implementing an appropriate programme, which includes a more rational structure of its administrative services, their decentralization on a regional basis, the expansion and manning of its branch network, and the use of up-to-date technology.

Its constant endeavours to improve the operational setup allow the Bank to adjust itself more easily to the conditions which arise in the course of, and the direction taken by, the Greek economy and to establish its position among the most advanced banking institutions. In this way, the National Bank can become a more effective force in promoting the economic and social progress in this country.

Special priority is given to decentralizing management by the establishment of Regional Administrative Units. This innovation has been an important step in the Bank's drive to promote regional development and, at the same time, is in line with the Government's policy to strengthen regional infrastructure and to achieve a balanced social and economic development of the centre and the provinces.

Moreover, weight has been given to promoting the new developmental credit policy through a proper evaluation of customer credit demands. Essential to this is also the specialized training of bank officers who will be able to apply successfully the policy referred to above.

These basic priorities (decentralization, developmental credit policy, specialized training of officers) are not themselves unconnected, but closely inter-linked and interdependent.

#### **A modern and decentralized administrative mechanism**

To improve the functioning of the Bank's administrative mechanism the Administration has taken a series of effective measures which are aimed at radically restructuring this institution's central departments. These reforms guarantee that in each case the most appropriate organizational scheme will be applied and ensure that the departments will be responsive to the demands of today's economic life.

In this context the Personnel Department's reorganization was completed, the General Accounting Division was modernized so as to meet more adequately the book-keeping, cost accounting and financial operations of the Bank in general, and a special committee was set up to examine all questions related to lending.



## **Advanced methods of bank organization Constant renovation and modernization**

Considerable progress has also been made in the decentralization of the Bank's departments by the establishment of regional administrative units. These units are vested with broader powers over the entire range of banking operations, administrative responsibilities and labour relations. These enhanced powers enable the units to examine and settle most issues on the spot without having to refer to the central departments, though the solutions given always have to be in accordance with the general directives set down by the Administration. The task of the new regional administrative units is to meet local needs in an expeditious and more effective manner and to contribute more actively to the economic development of the country's various geographical divisions. This will be achieved by an immediate and speedy examination of nearly all loan applications.

The first such unit which has been in operation since May 1983 is the Regional Administrative Unit of Northern Greece with headquarters in Thessaloniki. This unit supervises the Central Office in Thessaloniki and 99 branch offices in the regional division of that city, and those of Central and Western Macedonia, East Macedonia and Thrace, which handle approx. 20% of the Bank's total business volume.

During its seven and a half months of operation in 1983 the Regional Administrative Unit of Northern Greece dealt with 645 loan applications for a total amount of about 6.5 billion drachmas. The processing time for each of these applications was considerably shortened from the approx. two months that was usually required prior to the establishment of the Unit, to only some 10 days or so. At the same time, nearly all the requirements of small industries in N. Greece were dealt with on the spot.

Moreover, during the same period the Unit drew up 35 studies on investment projects totalling 2.5 billion drachmas, of which about one half falls under the provisions of Law 1282/82 re economic development, as well as 26 studies analysing the financial position of enterprises. Finally, the Unit investigated a number of operational and various other problems connected with the branch offices and the Bank's staff in Northern Greece and provided direct and adequate solutions to them.

Another Regional Administrative Unit was established and went into operation for the Peloponnese and the Ionian Islands in April 1984. Its headquarters are located in Patras and within its area of competence fall 84 branch offices in the geographical divisions of the Peloponnese, Epirus, Aitolokarnania and all the Ionian Islands with their respective regional divisions.

On a total of 446 branch offices, 184 branches have been decentralized, i.e. approximately one third of the Bank's entire operations, through these two Regional Administrative Units. These offices, together with the branch offices in the Greater Athens area and Attica, handle nearly all of the Bank's business.

## **Advanced methods of bank organization Constant renovation and modernization**

A year ago we started a series of training seminars at an advanced level to raise the educational standard of the Bank's officers who are dealing with the credit business and to update their knowledge. These seminars are part and parcel of the credit policy which is put into effect through decentralized financing procedures. The purpose of such seminars is to give all the Bank's officers the opportunity to familiarize themselves in a comprehensive and systematic manner with the financial needs of customers by using a new approach mainly based on qualitative evaluation criteria, i.e. productivity, viability, prospects of the enterprise, entrepreneurial profile, and so on.

### **Staff professional training**

Within one year eight 2-month special seminars were organized and attended by 150 officers, while for 1984 we are planning to hold seven more such seminars. Thus, by the end of this year 300 officers, i.e. as many as were announced at the initiation of the programme, will be ready to implement the new and updated credit policy of the Bank. At the same time, 28 seminars of shorter duration were organized in 1983 and attended by 650 senior officers from the entire branch network of the Bank. In these seminars students were briefed on the economic and credit policies and were given directives for a fresh approach to the lending process. A second cycle of seminars for these senior officers will be organized in 1984, which, in addition to credit, will also deal with financial matters. It should be noted that in these seminars all the managers of our branch offices and senior executives dealing with the credit business are kept abreast of the Bank's policy and given the opportunity to raise relevant questions.

Moreover, a task force of officers, whose work is nearing completion will shortly submit proposals on the reorganization of the lending services, the improvement of the decision-making process with regard to lending activity and other reforms to streamline credit operations.

Generally speaking, for the purpose of meeting in a more effective way the constantly evolving needs of the Bank's departments, a steady effort is being made to raise the general professional and educational level of our staff. The chief objective of this effort is to make employees participate in the educational programmes of the Bank throughout their career. More specifically, upon entering the Bank's service the new employees attend special seminars which are aimed at informing them on the various banking operations and familiarizing them with the methods employed for carrying them out. In the subsequent stages of their career the employees are offered high level educational programmes to provide them with the theoretical background and practical training that will help them to perform their duties in a better way.



## Advanced methods of bank organization Constant renovation and modernization

At the same time, a substantial number of employees are encouraged to study at domestic institutions of advanced and higher learning, to learn foreign languages and to attend special seminars held by other organizations in the particular field of their work. Finally, some employees are sent abroad by the Bank to bring them up-to-date solely on banking matters or to pursue post-graduate studies in specialized fields.

It should be mentioned that all these educational programmes were attended by a total of some 3,300 bank employees in 1983. In this manner we ensure a high professional standard for our personnel and the establishment of a group of specialized officers who will be able to meet the demands of modern banking technology.

### Rational employment of staff

Constant professional training has to go hand in hand with the rational utilization of the human potential. This goal is achieved by applying up-to-date scientific methods of merit-rating and selection on the basis of the abilities, knowledge and special inclinations of the employees. Thus, it becomes possible the better to place them in accordance with their qualifications within the framework of the Bank's requirements and possibilities.

The application of these methods not only helps the Bank to make a better use of its personnel but also has a decisive effect on the level of the staff's performance, because it establishes a system of objective and credible criteria for their professional advancement.

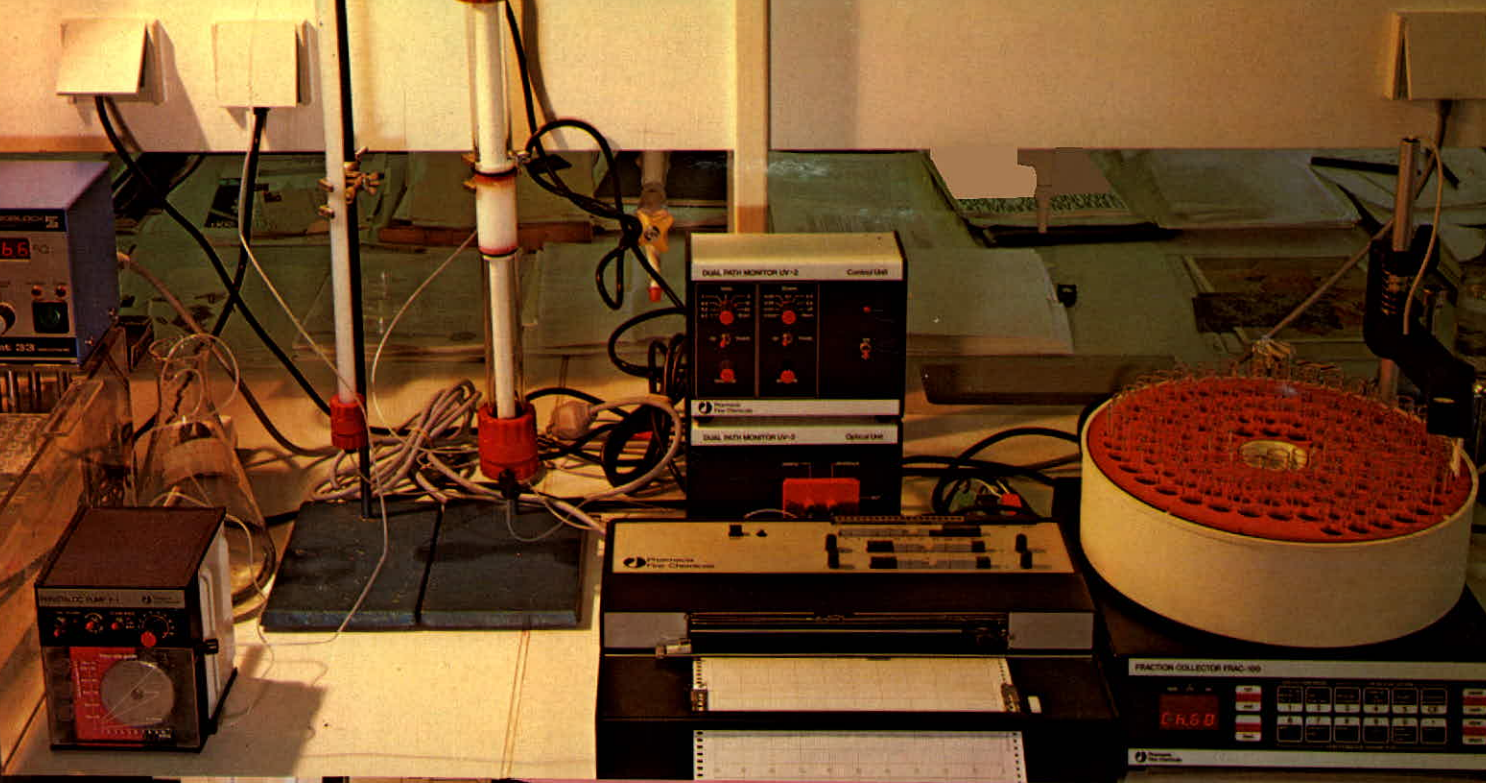
### Expansion of the network

To meet the growing demand for banking services the Administration has put into effect a comprehensive programme for the improvement and expansion of the Bank's inland network of branch offices. In preparing the respective study, which is in compliance with the directives laid down by the monetary authorities, all data concerning the socio-economic conditions and the prospects of the area in which the new unit is to be established, are taken into consideration so as to ensure the correct selection of the location and the status, i.e. branch office, sub-branch, etc., of each new unit.

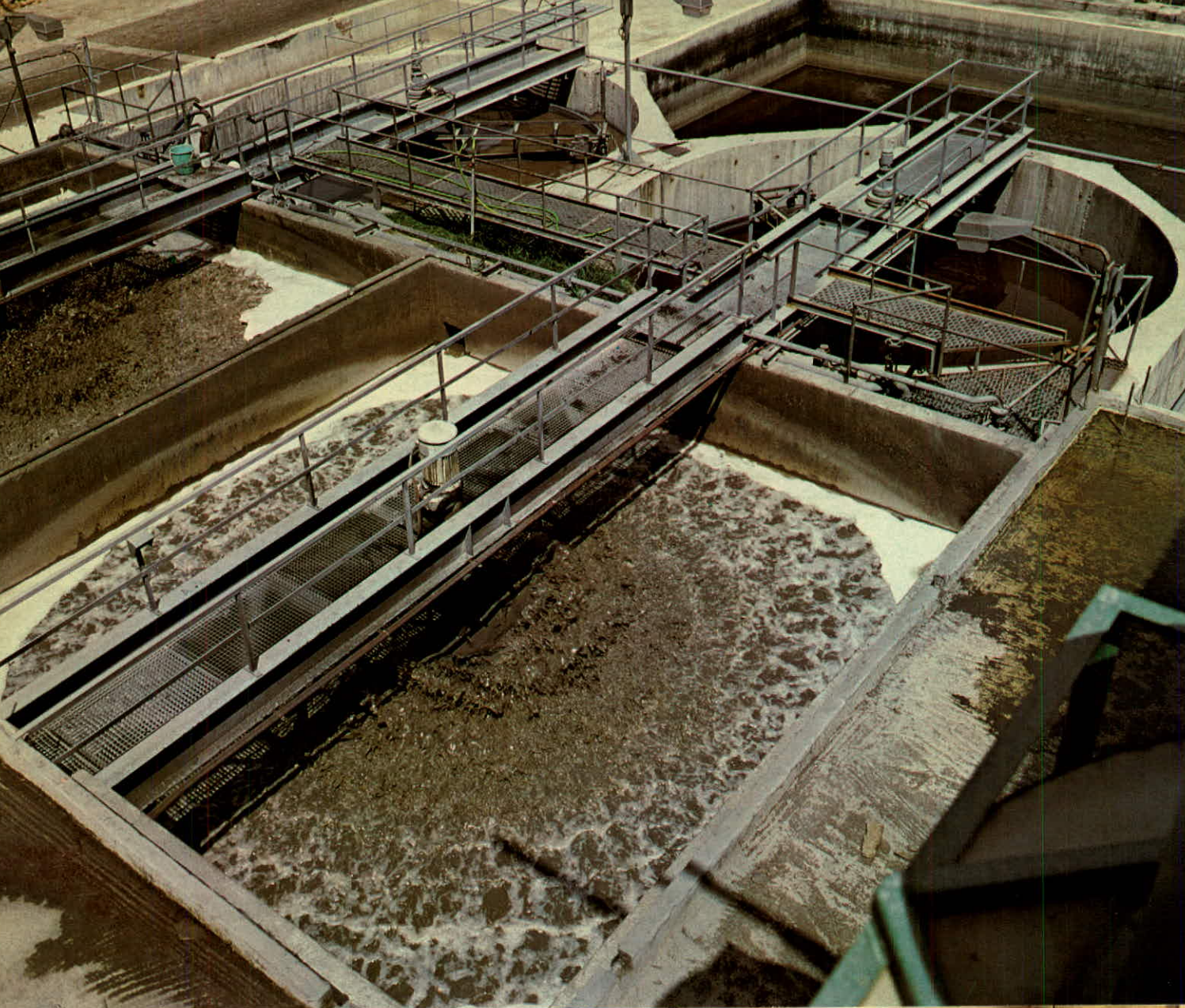
In implementing this policy the Bank inaugurated 20 new branch offices and sub-branches during 1983, mainly in the provincial areas. The number of inland offices now totals 446 units and there are prospects for a further expansion of the network. At the same time, a considerable number of units in the network were renovated and modernized in an effort to improve the employees' working conditions and to ensure a better service for the clientele.

Enzymes, possessing special properties designed in laboratories, are increasingly influencing our lives. Biotechnology promotes the use of enzymes in industry (for the production of drugs, of foods which retain all their natural qualities, etc.), and also in scientific research and diagnostics (clinical chemistry for measuring metabolites in blood, hormones, etc.).











## **Advanced methods of bank organization**

### **Constant renovation and modernization**

The severe shortage of personnel in the existing network, but also in the new units, led to the hiring of young employees following public competitive examinations held by the Bank, in the ranking order of success of the competing candidates. This hiring policy ensures the undisputability of the process and also facilitates the manning of the Bank's services with personnel able to fulfill their duties after a period of appropriate training.

Labour, as a factor of production, has always made a decisive contribution to the achievement of the Bank's objectives.

Recognizing this principle, the Administration has made it its immutable goal to establish and maintain proper relations with the personnel. This finds its expression in the Administration's constant commitment to improve the terms of employment and advancement of the Bank's employees — of course, as far as its financial possibilities will permit. Along these lines the Administration has taken a series of measures, which satisfy staff legitimate demands and prove, in a tangible way, its deep concern for the well-being of the employees.

On their part, the Bank's staff are carrying on a long tradition of diligence, a high moral standard and devotion to the Bank's assignment that actually started from the time of this institution's establishment. At this point, the Administration wishes to express its appreciation for the competence, zeal and assiduousness shown by the personnel during the period under review. We feel certain that the General Meeting of Shareholders will recognize the staff's great efforts and will join the Board of Directors in expressing their satisfaction for the contribution made by the Bank's employees to its operation and progress.

The use of electronic data processing systems in the productive mechanism of the Bank and the constant innovations and improvements in this field of technology require continuous adjustments to the latest developments. These, indeed, have a decisive bearing on the productivity of the Bank, as well as on the cost of operation and the qualitative improvement of its services.

Through the above mentioned adjustments the Bank is seeking constantly to upgrade and modernize the Bank's electronic equipment, to train specialized personnel and to take advantage of all the possibilities offered by EDP. The selection of electronic equipment and systems is made after a careful stocktaking of international developments, the accurate assessment of requirements, and on the basis of a carefully planned programme. The objective of such selection is to improve effectively the internal functioning of the Bank and its dealings with clients, which together play a decisive role in its reorganization and modernization drive.

New steps in this direction were made by reinforcing the productive capacity of the central processing unit (C.P.U.), introducing the facsimile system and by improving, through automation, the already existing Management Information System

#### **Manning the network**

#### **Management - staff relations**

#### **Development of the electronic infrastructure**

High technology installations for processing and treating industrial and other waste guarantee the quality of life but are also the prerequisites for a continuing economic growth without degrading the environment. Biological cleansing often allows us to reduce the cost of production through waste recycling in the production process.



## Advanced methods of bank organization

### Constant renovation and modernization

(M.I.S.) which helps to supply prompt and accurate information to the Bank's Administration.

Proof of the Bank's keen interest in raising the qualitative level of its electronic infrastructure is provided by the introduction of EDP Auditing. This system is designed to achieve a high degree of accuracy and security of the data, as well as to maintain and improve the functioning and the credibility of the whole EDP system. It will also help to develop new systems for the introduction of controls and procedures in order to ensure their smooth functioning.

The progress made in modernizing our electronic equipment allows us to expand the data processing system so as to ensure the accuracy of entries, to reduce considerably the time of data processing and to free staff from routine work.

Thanks to the vast possibilities offered by EDP, it has become possible to apply it to a broader range of operations which meet today's needs of a large number of customers. Indicatively, we may mention the granting of consumer credit and the handling of the pay-roll of various corporations.

#### Development of procedures

The development of electronic infrastructure, together with the application of modern methods of organizing the services offered by the Bank, establish the necessary pre-conditions for the improvement of operations. Characteristic examples of such improvement are the simplification of procedures, the elimination of red tape and, chiefly, the automation of transactions.

An important step in this direction has been the introduction of the on-line system by which the Bank's offices are directly linked with the C.P.U. for servicing drachma deposit accounts. In 1983, the system was applied in 43 additional units of the inland network, so that by the end of the year a total of 179 units, representing 41% of the entire network (as against 33% in 1982), were linked up with the system. Moreover, the number of transactions on deposits handled through the on-line system totalled 11,800,000 or 70% of total transactions on deposits, as against 58% in 1982.

It should be noted that the existing infrastructure for teleprocessing has made it possible to apply also the data entry system in the case of cheques dealt between the branch offices of our Bank. In a first stage the system was put into action in the on-line offices in Athens and Piraeus. The results were most promising and proved to be highly profitable so that the system is now being extended also to our on-line branch offices in the provinces. Presently, an average of 3,200 cheques in a total amount of 422 million drachmas are transacted daily between the branch offices in question.

The long-term aim of the Bank's Administration is to extend horizontally the on-line system, so as to cover, if possible, all the branch offices in the network, and

## Advanced methods of banks organization

### Constant renovation and modernization

also to develop it vertically, so as to include further transactions in the system, in addition to those on drachma deposits.

Rapid developments in the international arena of banking — in which the National Bank holds a unique place on behalf of this country — make it imperative for the Bank to enhance further its position abroad. In this way the Bank will be able to make a more effective contribution to the support of the external sector of the Greek economy.

Implementing this policy the Administration studies very carefully the extension of the Bank's international network of branch offices from a geographical point of view, in conjunction with the reorganization of its "shipping" network at home and abroad.

More specifically, all the necessary procedures are under way to establish shortly a branch office in New York. The main task of this office will be to engage in the shipping credit business. In the last stage is also the procedure for setting up a sub-branch in the metropolitan area of Boston (at Cambridge, Mass.).

A further step in confirming our presence in Canada was made with the opening of a new branch office of National Bank of Greece (Canada) in Toronto. This office started operations in May 1984. The foundation of another office in Vancouver is presently under examination.

In spite of the serious difficulties encountered by foreign banks to establish themselves in Australia, the National Bank's Administration has taken all the necessary steps to this effect and it is hoped that the Bank will ultimately obtain a licence to open a branch office in this vital to Greek expatriates area.

At the same time, a study is nearing completion on the establishment of a branch office in Brussels. Finally, the opening of two new branch offices in Cyprus has been approved. Today the Bank disposes of 44 offices abroad.

The international character of the National Bank permits it to extend its activities also into the relatively new field of offshore banking. It has already been decided to set up an offshore banking unit (O.B.U.), and alternative proposals regarding its location are being investigated.

Simultaneously with the extension of the Bank's international network, and for the purpose of supplementing it, an effort is being made to better organize our foreign branches, to supply them with modern technological equipment, and man them in a suitable manner. All this will help to reinforce the Bank's presence in the world at large.

#### International network





## VI. Subsidiaries and Affiliates

The National Bank forms the nucleus of a large group of enterprises and corporations which operate in the areas of credit, insurance, tourism and manufacturing. These affiliates were set up or entered the group through the Bank's participation in their equity capital during its long and creative history. Through their activities at home and abroad these undertakings are complementing the Bank's many-sided operations which contribute to the economic and social advancement of Greece.

The Bank is constantly monitoring and closely supervising the operations of its affiliates to ensure that they are run properly and efficiently. This is done by steadily improving the organization of the Bank's affiliates, increasing their productivity and broadening the range of services offered.

For the implementation of this policy the Bank allocated an amount of three billion drachmas during 1983 and in the first six months of 1984, to participate in the increase of equity capital of various companies.

Some of the enterprises controlled by the Bank — mainly in the manufacturing field — as well as a number of other companies in which the Bank is merely a shareholder, have for some time been facing financial difficulties. These difficulties have now become more acute mainly because of overborrowing and due to adverse economic conditions. Such companies belong to the category of overindebted enterprises and in order to restore their soundness it is necessary, as was stated in a previous chapter of this Report, that a substantial part of their debt burden be lightened.

The National Bank is prepared to assist those industries which are viable and of vital importance to the Greek economy. Such assistance will be given within the limits of the Bank's present possibilities or with the cooperation of other organizations in the public sector. For those companies, however, under its control which are not found to be viable, the Bank is studying also other solutions, whose chief purpose will be to mitigate, as far as possible, any likely negative effects arising from such action. This process has already started in the case of those firms whose chances of survival are evidently slight.

In addition, however, to lending its support to its subsidiaries and affiliates, the Bank is also seeking to participate actively in the establishment of new undertakings, which will operate in accordance with modern socio-economic criteria, especially in the dynamic fields of advanced technology.

A number of the Bank's subsidiaries at home and abroad engage in normal banking business or specialize in a particular area of credit operations. These subsidiaries closely cooperate with the National Bank's branch network and offer their services to the business community and other clients, as well as to Greek expatriates abroad.



## Subsidiaries and Affiliates

### NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT

During its 20 years of operation NIBID has fulfilled the purposes for which it was established and has become an important developmental institution for the financing of productive investment in this country.

In the year under review new investment projects totalling 3,560 million drachmas were approved. Such projects concerned basically the exploitation of local resources, the improvement of infrastructure and the increase of the productivity of a considerable number of enterprises which operate mostly outside the limits of the large urban centres. At the same time, NIBID has also intensified its efforts to put some enterprises on a sound financial basis again, that it had in the past financed and which were facing financing problems of some sort.

NIBID's total financing and participation in equity capital of enterprises rose by 4,000 million drachmas within 1983 (i.e. by 15%) and exceeded the 30-billion mark. Most of the funds used for the increase of lendings and participations was raised through new issues of bank debentures in Greece.

The fact that the bank was able to cover its capital requirements by having recourse to the saving public at large clearly shows the confidence that it enjoys and the universal recognition of its contribution to the progress of the country.

### TRADERS' CREDIT BANK

During 1983 Traders' Credit Bank continued to expand its operation in the Greek banking market by opening two branch offices and three sub-branches.

The balance on its deposits rose by 2,209 million drachmas within 1983 (32.1%) and exceeded 9 billion, while total lendings amounted to 4,239 million (an increase of 809 million or 23.6% over the previous year). What should be noted here, in particular, is that T.C.B.'s lendings to handicraft witnessed a spectacular increase of 80%, reaching a total of 930 million drachmas, whilst the bank's financing of investment projects rose by 37% and exceeded 950 million drachmas.

### NATIONAL HOUSING BANK OF GREECE

Activities of National Housing Bank (formerly Mortgage Bank), consisting in long-term sinking fund loans to private persons for the purchase or construction, the completion or repair of dwellings, expanded by 730 million drachmas or 12.9%, totalling 6,383 million at the end of 1983. New loans within the year under review amounted to over one billion drachmas, of which 410 million was granted to earthquake and flood victims, and 313 million to customers who had imported foreign exchange. Its net profit for 1983 amounted to 127 million drachmas or 42% more than in 1982. Furthermore, the bank continued in 1983 its efforts to become self-sufficient with respect to its capital requirements through the issue of debentures in the amount of 1,500 million drachmas. It is also planning to set up a housing savings department which will operate through the National Bank's branch network.

## Subsidiaries and Affiliates

On the other hand, National Housing Bank has started the furnishing of rented premises in a central part of Athens, which will serve as its Head Office and, at the same time, it is planning to move its accounting department and EDP services to another building.

In the year under review, Arab Hellenic Bank increased its total assets by 6,737 million drachmas, or 48%. This increase was rather larger than that in the dollar exchange rate and resulted from the rise in deposits with the bank in foreign currencies (5.7 billion drachmas or 47%) and in drachmas (0.5 billion, or 76%). Its loans and advances increased by the equivalent of 2.3 billion drachmas or 82.7%. Finally, the bank's net profit for the year amounted to 129 million drachmas, against 95 million for 1982.

### ARAB HELLENIC BANK

National Management and Organization is a company specializing in credit card operations as well as in consumer credit with finance from, and for the account of, the National Bank of Greece.

### NATIONAL MANAGEMENT AND ORGANIZATION Co.

During 1983, the ETHNOKARTA credit card business expanded by 42% and good progress was made in improving the calibre of its card-holders and the network of cooperating undertakings. The number of consumer loans granted by the company also rose by 15% and the amounts involved, by 26%. As far as the servicing of credit cards is concerned, it is noteworthy that in the year under review the company issued the EUROCARD which provides for the automatic debiting of the card-holder's personal bank account, and that in addition to MASTERCARD and ACCESS, the company now also services JBC, which belongs to one of the largest Japanese banking groups. Moreover, there was a considerable expansion (52%) in the servicing of foreign credit cards, thanks to which the equivalent of over one billion drachmas in foreign exchange flowed into the country.

At the same time, National Management and Organization proceeded to the implementation of a number of structural and operational adjustments. Through the purchase of an electronic computer it also ensured the independence of the data processing of its operations and a satisfactory improvement of its productivity.

Despite adverse conditions prevailing in the Greek capital market, "Delos" Mutual Fund showed a remarkable resilience which is to be exclusively attributed to the fact that much care was given to the selection of the securities in its portfolio. Thus, whereas the general share price index on the Athens Stock Exchange fell in 1983 by more than 30%, the corresponding drop in the Fund's unit price was no more than 8%.

### "DELOS" MUTUAL FUND

Its activities in the year under review earned it a net profit of 223 million drachmas, as compared with 183 million in 1982. The dividend distributed to unit-holders was 56 drachmas per unit.



## Subsidiaries and Affiliates

### NATIONAL PORTFOLIO INVESTMENT Co.

In 1983, on its third year of operation, National Portfolio Investment recorded a small increase in its total business profits (273.4 million drachmas, as against 263 million in 1982).

However, the substantial fall in share prices on the Stock Exchange during 1983 resulted also in a decline of 18.4% in the value of the company's portfolio between 31.12.82 and 31.12.83. In compliance with the laws in force, the company had to charge this loss to its accounts and was therefore obliged to set off against its net profits (273.4 million) the difference which resulted from the valuation of its portfolio at the year end. Thus, its accounts ultimately showed a negative result of Drs. 575.3 million for 1983, as against a positive one in 1982.

### ATLANTIC BANK OF NEW YORK

Atlantic Bank is the link of the National Bank of Greece with the American banking market and engages in the whole range of banking business. Its activity has a beneficial effect on the expansion of Greek economic relations with the American business community, while offering valuable services to Greek expatriates in the US, as well as to Greek merchant shipping.

Last year, Atlantic Bank realized a net profit of \$3 million and strengthened its position in the highly competitive New York market. By the end of 1983 the balance on its deposits stood at \$472.9 million, its loans and advances at \$236.5 million, while the total of its investments reached \$187.8 million.

### NATIONAL BANK OF GREECE (CANADA)

The National Bank of Greece (Canada) is operating for the second successive year, offering under its new form important banking services through its three offices to Greek expatriates in that country as well as to Canadian businessmen engaging in business with their Greek counterparts in Greece.

At the end of 1983 the bank's deposits amounted to Can\$62 million, whilst the balance on its loan accounts exceeded Can\$42 million.

In order to expand its business activities the bank inaugurated another branch office in Toronto in May 1984 and is planning to set up a further office on the Pacific.

### SOUTH AFRICAN BANK OF ATHENS

South African Bank of Athens has been active in South Africa for some decades. Its seven branch offices are established in the main financial centres of that country. The bank provides banking services to Greeks living in S. Africa as well as to local businessmen who have dealings with Greece.

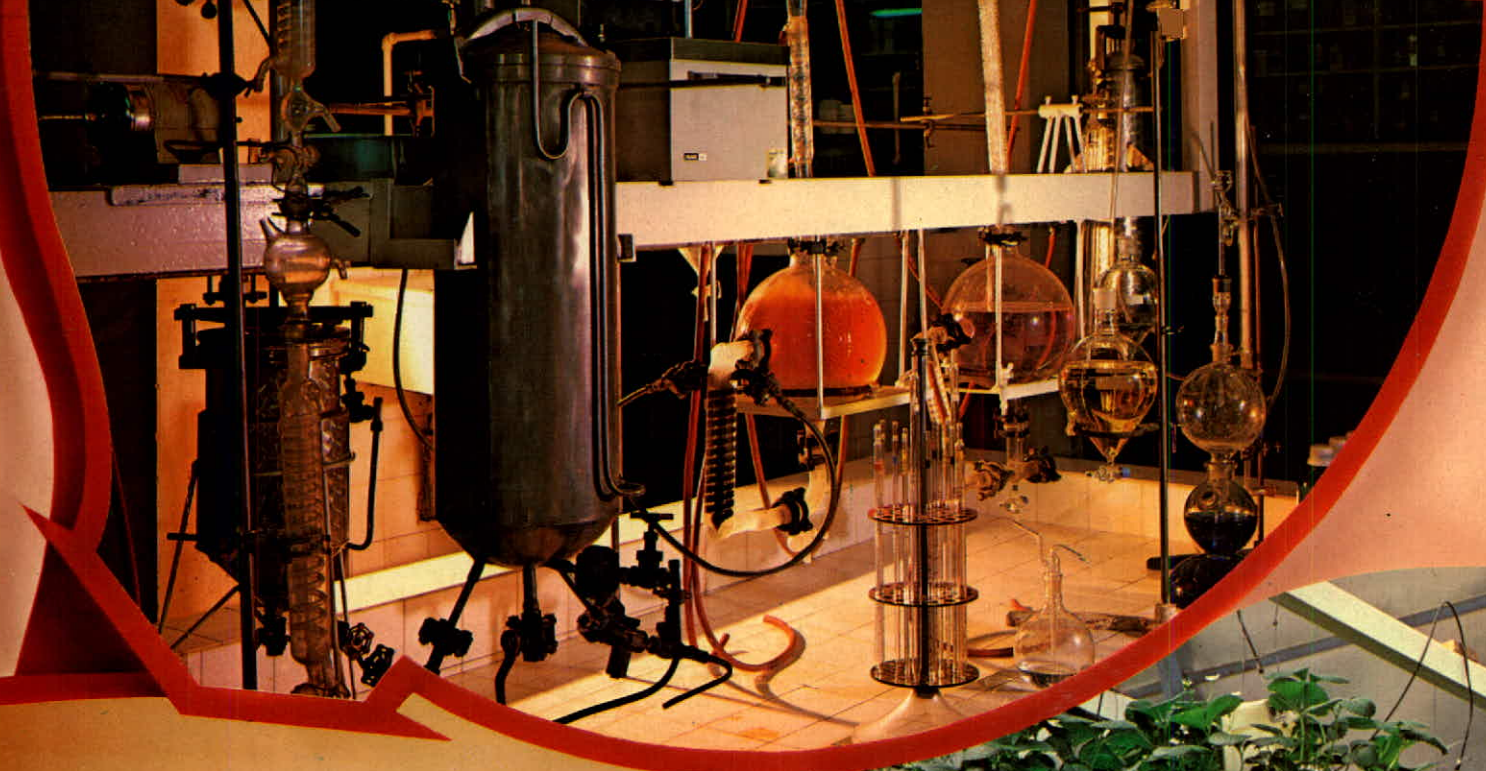
The balance on its deposits stood at R50 million at the end of 1983, and its loans and advances exceeded R40 million.

The application of advanced systems of biotechnology opens up new possibilities for the production of animal products on an industrial scale. In fish-breeding, for instance, the production of fry with special characteristics, a scientifically controlled feeding, etc., can speed up the time of growing to the desired size, thereby increasing productivity and reducing the cost of breeding.











## Subsidiaries and Affiliates

Banque Nationale de Grèce (France) is a relatively young bank operating in its fourth year. Its clientele mainly consists of private and legal persons established in France having business ties with Greece.

On 31.12.83 its total assets amounted to FF 1,924 million, total deposits stood at FF 1,750 million and loans and advances at FF 1,759 million.

**BANQUE NATIONALE  
DE GRECE (FRANCE)**

In the insurance market, the National Bank of Greece is represented by three subsidiaries, two of which belong to the largest insurance companies in Greece. These companies have acquired an excellent reputation, thanks to their up-to-date organization, dynamism and high standard of services.

**Insurance sector**

In the year under review, the two companies in question developed a satisfactory level of activity, when compared with the overall growth of the insurance sector. The insurance market, indeed, did not remain unaffected by the repercussions of the unfavourable economic conditions in the past few years. This, clearly, is ample proof of the efficiency of organization and of the financial resilience of the insurance companies which belong to the National Bank group. Moreover, it demonstrates their capacity to adjust to the new conditions emerging in the Greek market, which — in contrast with the other EC countries — presents substantial margins for the development and extension of the insurance business.

"ETHNIKI" is the biggest insurance company in the Greek market. The fact that it is represented all over the country and that it disposes of an experienced and specialized personnel allows it to play a leading role in the Greek economy and to extend also its activities abroad.

**"ETHNIKI" GENERAL HELLENIC  
INSURANCE Co. S.A.**

During 1983, net premium receipts totalled 6.3 billion drachmas, i.e. 25.8% more than in 1982, while insurance claim settlements paid to customers amounted to 3.2 billion. Its net balance rose from 3.2 billion drachmas to 3.5 billion between 31.12.82 and 31.12.83, and its technical reserves reached 4.1 billion drachmas.

In the year under review, "ETHNIKI" proceeded to apply a new decentralized system of operations and services to its customers. The decentralization of operations coupled with the supplementation of the company's advanced EDP system helped to improve appreciably the quality of its services as well as of the staff's working conditions. The company also made new reinsurance arrangements in the field of group insurance. These arrangements are expected to improve results in the various insurance branches and drastically to reduce the foreign exchange that is being exported for reinsurance premiums. In this way, and also by trying to cut down its operations in non-profitable fields, the company has achieved a remarkable increase in its business.

Applications of modern biotechnology also add new potential to agriculture. Traditional and other crops are disappearing from the fields and are being organized on an industrial basis, insulated from the natural environment and pests. In strawberry cultivation, for instance, specially balanced feeding and "vertical" cultivation help to achieve maximum exploitation of the available space and higher yields.



## Subsidiaries and Affiliates

### "ASTIR" INSURANCE COMPANY

"ASTIR" Insurance Co. is one the most active insurance companies in Greece, covering risks of all kinds, both in this country and in Cyprus. In France, the company is represented by the large insurance concern SAFOM, and in Greece it represents two international concerns with headquarters in Brussels.

In 1983, "ASTIR" collected a total of 2.5 billion drachmas in premiums, as against 2.1 billion in 1982. This increase in premium receipts is thought to be rather satisfactory, considering that no effort is being made to expand business in non-profitable fields of insurance and especially in the shipping branch. It is further noted that payments to customers for losses sustained in 1983 amounted to 1,029 million drachmas, as against 1,112 million in 1982. Investments made for a more profitable yield of the company's reserves reached the amount of 260 million drachmas.

At the same time, the company laid the foundations for a better procedure in the evaluation of the risks undertaken by it and, for the first time, applied a modern decentralized organization flow chart, which is expected to improve its efficiency and to increase the effectiveness of its services.

### HELLENIC SHIP AND AIRCRAFT INSURANCE Co.

This company exclusively engages in the insurance and reinsurance of means of transportation by sea and air.

The continuing shipping crisis in the past few years has had a negative effect on the company's activity. Its business, which is almost entirely transacted in foreign exchange, was gradually shrinking over these years, so that the company was increasingly facing cash flow problems. The result was that last year the company was no longer able to meet its commitments. It has presently ceased to accept new business and efforts are being made to find satisfactory solutions to its problems.

### Tourist sector

The National Bank largely contributes to the development of the Greek tourist industry. Its concern for the sector is mainly channelled through operations of the "ASTIR" Hotel group.

### "ASTIR" HOTEL COMPANY S.A.

The "ASTIR" Hotel group offers first class services through its modern and well-organized hotels which are established in several places throughout the country.

In 1983, "ASTIR" Hotel Co. recorded earnings of 2.2 billion drachmas, which compare with 1.8 billion in 1982. More specifically, the breakdown of receipts by members of the group is as follows: "ASTIR" Hotel Co. S.A.: 1,451 million; Grand Hotel Summer Palace S.A., Rhodes: 444 million; PHEAX S.A., Corfu: 264 million. Again in 1983, the hotel "ASTIR" Palace of Athens went into operation and, since May 1984, a new hotel started to operate at Mikro Kavouri (Vouliagmeni) near Athens.

## Subsidiaries and Affiliates

In addition to the above subsidiaries, the National Bank also owns other companies which provide services to trade, industry and the business community in general.

General Warehouses offers its services in the field of commodity trading, ensuring credit facilities to its customers by the issue of marketable titles. It maintains warehouses throughout the country and its storage facilities include sheltered warehouses with a capacity of 440,000 m<sup>3</sup>, while open-air storage space totals 69,000 sq.m.

During 1983, the company took decisive action to improve its services. At the location Koulouri near Larissa the company's metal silos operated during last year's wheat-harvesting period for better storage of wheat and by-products. Moreover, investment plans for establishing the "International Storage and Distribution Centre of Attica" were furthered by the purchase of approx. 50 hectares of land in the Magoula area in Attica. The capital needs for this project and the manner in which the funds required for its implementation will be raised are presently being studied. The Centre is designed to supply all the necessary services for the trading of commodities and is expected to help save foreign exchange, to provide new employment opportunities and reduce the cost of storage. At the same time, it will contribute to the development of Greek transit trade.

Following a period of reorganization, ETHNODATA is now to engage actively in the field of informatique and electronic data processing with the purpose of offering its services to private and public enterprises.

The National Bank also participates in equity capital of many enterprises, chiefly in the industrial sector, and is represented on the boards of directors of some of these by experienced members of its staff or by trustworthy persons. In this way, the Bank always keeps in touch with business developments.

Parallel to its role of coordinating the operations of its subsidiaries, HIMIC has also promoted and completed new studies for the exploitation of the country's mineral resources and has initiated the procedures for the establishment of a new company in cooperation with the Ministry of National Economy.

The new company, under the title of "Greek Metallurgical and Mining Company of Lavrion" S.A., has reactivated the only lead processing industry in Greece, which until 1982 had been operating under French administration. After renting the installations and completing improvement works as well as the extension and modernization of the plant, this company has started to produce lead and its alloys of considerable value. These products are to be exported or used in replacement of similar imported goods in the home market.

### Companies of general interest

GENERAL WAREHOUSES  
OF GREECE S.A.

ETHNODATA

### Participations in equity

HELLENIC INDUSTRIAL  
AND MINING  
INVESTMENT COMPANY  
(HIMIC)



## Subsidiaries and Affiliates

GREEK FERRO-ALLOY COMPANY has increased its share capital by 600 million drachmas to implement fully its objectives. At the same time, it increased the output of raw-of-mine and processed chromite from the mining installations at Skoumtsa. In April 1983, the company started production at its new plant in Almyros. Within the first 8 months of operation this plant was already working at nearly full capacity. Despite keen competition on the international market, the company has been able to sell all its output of ferro-chrome.

MESSOLONGHI SALTWORKS S.A. continued to exploit the existing saltpans, which yielded the highest, since 1979, output of washed salt (77,000 m<sup>3</sup>). New investment for its extension, falling under Law 1262/82 re economic development, will enable the company to double its output through the use of modern technology.

### "NEORION" SYROS SHIPYARDS

"NEORION" Syros Shipyards is a major ship-building and repairing company, maintaining close relations with the Greek and international shipping community.

In 1983, on account of the continuing shipping crisis there was very little opportunity to enlarge the company's operations. Nevertheless, it was able to obtain orders for the repair of 88 ships with a total tonnage of 2.1 million dwt and maintained all its personnel in employment, while even large foreign firms stopped working altogether or drastically cut down their activities. The company, however, did not escape without financial losses in its results.

### Cultural activities

By engaging in manifold cultural and social activities the National Bank is a supporter of efforts that are being made to cultivate and promote the arts and sciences. Moreover, it contributes to the presentation and preservation of the Greek national heritage.

In this spirit, the Bank organizes every year a number of happenings and showings and takes part in various exhibitions. These are distinguished for their high standard and the broad range of cultural events, while also informing about the Bank's activities in general. Special care is taken to organize an ever-increasing number of events in provincial areas for the purpose of promoting the decentralization of Greek intellectual and cultural life.

During the year under review, the National Bank sponsored a series of interesting events: it took part in, or organized local exhibitions and public lectures; it produced and presented multivision spectacles; it supported charitable institutions, and educational and art associations; it also assisted public libraries all over the country by the purchase and donation of books.

The Bank's Historical Archives continued to operate, by maintaining, preserving and putting to good use the valuable historical material collected by it. The results

## Subsidiaries and Affiliates

of research work made in the Archives are published by the Bank's Educational Foundation and greatly contribute towards making recent economic history of this country better known.

The Educational Foundation of the National Bank is the main agent of its cultural activities. The Foundation's publishing activity is its outstanding task and the books *edited* by it are steadily more widely read. In fact, a considerable number of these have already been introduced as text-books at Greek universities and teachers' colleges on account of their high standard.

Within 1983 eleven books were published, of which seven books were new original works or translations. The Foundation also presented to the Greek public the hitherto unpublished manuscript of General J. Makriyannis (a hero in the 1821 War of Independence) under the title "Visions and Miracles". It also published a new book in the series "Studies in Economic History" which are edited by the Bank's Historical Archives.

Finally, the Foundation donated books to various libraries in Greece and also to institutes of Neo-Greek studies abroad; it organized two exhibitions of lithoprints in Chios and on Cyprus; and enriched the collection of its Art Gallery in Thessaloniki by donations and purchases of works of art. This Gallery is, in fact, gradually becoming an important cultural institution for the whole area of Northern Greece.

NATIONAL BANK  
EDUCATIONAL FOUNDATION





## **PART C**

## **APPENDIX**





## Analysis of Balance Sheet and Results for 1983

The Bank's business operations marked a substantial expansion in the year under review. On 31 December 1983 the balance sheet total, including contra accounts, stood at the sum of Drs. 1,542,617.8 million against Drs. 1,207,446.8m at the previous year end. By the end of 1983 the balance sheet accounts totalled Drs. 1,297,622.3m, showing an increase of Drs. 279,222.1m or 27.4% over 1982. At the same time contra accounts rose by Drs. 55,949.0m or 29.6% up on the previous year. Changes in the major balance sheet accounts are set forth below.

### Available funds

There was an increase of Drs. 175,556.1 million or 44.1% in the items under the general heading "Available Funds" during 1983. By the end of the year they totalled Drs. 573,223.6m. Of the above increase, 69.4% was due to the rise in obligatory deposits with the Bank of Greece and Treasury bill holdings. The remainder of the increase derived from inland and foreign availabilities.

More specifically, the changes referred to above arose as follows:

Obligatory deposits with the Bank of Greece and Treasury bills	Drs. 121,816.9m
Inland availabilities	» 18,823.7m
Foreign availabilities	» 34,915.5m
Total increase	<u>Drs. 175,556.1m</u>

### Loans and advances

Outstanding loans and advances totalled	
on 31 December 1982	Drs. 477,650.3m
on 31 December 1983	» 542,818.7m

There was therefore an increase of Drs. 65,168.4 million or 13.6% within 1983, as against Drs. 83,462.4m or 21.2% in 1982. Loans and advances granted by our inland branches, in particular, rose by Drs. 51,974m or 11.6%. Of the increase in domestic financing, Drs. 49,553m concerns drachma loans, and 2,421m, the drachma equivalent of loans in foreign currencies. Total lendings of our foreign branches grew by the equivalent of Drs. 13,194 million or 47.1%. The largest part of this increase, however, was accounted for by changes in foreign currency parities.

### Investments

#### Portfolio of Securities

The book value of securities in the Bank's portfolio totalled Drs. 36,612.4 million on 31 December 1983, which compares with Drs. 35,320.9m on the corresponding date of 1982. Consequently, there was an increase of Drs. 1,291.5m or 3.7% during 1983, against a Drs. 10,380.4m or 41.6% increase in 1982.



## Analysis of Balance Sheet and Results for 1983

The expansion in our portfolio during the year under review resulted from the following changes:

*Plus:*

New participations in equity of companies (cash):

"AIGAION" S.A.	Drs.	200.0m	
Hell. Tour. and Hotel Enterprises S.A.	»	150.0m	
VIDOMET S.A.	»	100.0m	
Other companies	»	18.1m	Drs. 468.1m

Reduction of our commitments in form of instalments due for participation in equity increases of various companies	»	1,136.2m
Purchases of shares of various companies	»	17.7m
Bonus shares acquired under Law 1249/82	»	673.2m
Increase in the nominal value of various shares pursuant to Law 1249/82	»	373.3m
Increase in the value of securities in the portfolios of the Bank's foreign branches	»	49.3m
	Drs.	2,717.8m

*Minus:*

Sales of various shares	Drs.	129.2m
Sales of "Delos" Mutual Fund units	»	252.8m
Sales of National Loan bonds and such of Legal Entities	»	188.5m
Redemption of bonds of OTE (Greek Telecommunications Organization), Public Power Corporation and National Development Loans	»	305.4m
Amount transferred from foreign branch portfolios to foreign availabilities	»	535.3m
Difference in prices of securities in foreign currencies	»	15.1m
	Drs.	1,426.3m
Net increase	Drs.	1,291.5m

### Real Estate

The balance on the Bank's Real Estate account, after deduction of depreciation, rose to Drs. 21,483.4 million by the end of 1983, compared with Drs. 20,803.7m at the previous year end, showing an increase of Drs. 679.7m. More specifically, the changes noted during the year were as follows:

## Analysis of Balance Sheet and Results for 1983

### Plus:

Expenditure on the purchase of new branch premises and construction	Drs. 394.3m
Properties acquired at auctions	» 189.5m
Expenditure on the improvement and completion of branch premises, as well as payment of transfer tax on properties	» 169.6m
Branches abroad	» 483.9m
Book entries of debit transfers	» 67.6m
	<u>Drs. 1,304.9m</u>

### Minus:

Sales of properties	Drs. 106.6m
Depreciation	» 473.5m
Book entries of credit transfers	» 45.1m
	<u>Drs. 625.2m</u>
Net increase	<u>Drs. 679.7m</u>

### Fixtures, Office Furniture and Equipment

The balance on the account "Fixtures, Office Furniture and Other Equipment" rose by Drs. 342.3 million in 1983. The increase was due to the purchase of Drs. 693.8m worth of machines, mechanical equipment and fixtures, less Drs. 351.5m for depreciation.

The Bank's capital accounts totalled Drs. 40,603.9 million on 31 December 1983 which compares with a total of Drs. 39,163.1m at the previous year end. The increase of Drs. 1,440.8m or 3.7% resulted from:

— the increase of the Ordinary Reserve account	Drs. 190.0m
— the increase of the Special Reserve a/c under E.L. 148/67 (difference resulting from sale of securities above book value)	» 205.1m
— the increase of Special Reserve a/c under L.1249/82 (from bonus shares or plus value of shares)	» 1,046.4m
	<u>Drs. 1,441.5m</u>
less: Difference between profit balances carried forward in 1982 and 1983	<u>Drs. 0.7m</u>
Net increase	<u>Drs. 1,440.8m</u>

### Capital accounts



## Analysis of Balance Sheet and Results for 1983

### Deposits

All deposits with the Bank at home and abroad totalled the equivalent of Drs. 1,066,543.0 million at the end of 1983, as against Drs. 840,349.1m at the previous year end. Thus, the increase in deposits within 1983 amounted to Drs. 226,184.9m or 26.9% over 1982, whereas in that latter year the increase had been Drs. 211,965.1m or 33.7%. More specifically, inland deposits in drachmas and foreign currencies reached the amount of Drs. 988,606m by the end of 1983, thus showing an increase of Drs. 203,651m or 25.9% over the previous year. Deposits with our foreign branch offices, on the other hand, rose by the equivalent of Drs. 22,534m or 40.7% against 1982. The increase in our inland deposits resulted from the rise of drachma time deposits (by 30.1%), drachma savings deposits (by 20.8%), and deposits in foreign currencies (by 52.2%). This last increase, however, was essentially caused by changes in foreign currency parities.

### Results for 1983

Total gross earnings of the Bank in 1983, after deduction of debit interest, turnover tax and stamp duty thereon, amounted to Drs. 38,383.6 million, as against Drs. 31,491.6m in 1982, showing an increase of Drs. 6,892.0m or 21.9%.

Expenditure totalled Drs. 34,452.5m in 1983 and compared with Drs. 27,831.0m in 1982, that is an increase of Drs. 6,621.6m or 23.8% (1982: +26.5%). Expenses by main categories were as follows (in million drachmas):

	1982	1983
Remuneration of personnel, fees paid to third parties, contributions to staff insurance funds and the Social Insurance Institute (IKA)	15,015.8	19,338.8
General expenses	2,402.1	2,998.4
Taxes	422.8	477.4
Contribution in favour of export, industrial and handicraft enterprises under L.128/75	5,416.6	6,418.9
Depreciation of real estate and equipment	710.1	825.0
Provision for bad and doubtful debts	3,808.6	4,354.0
Special provision for tax liabilities under settlement	55.0	40.0
	<u>27,831.0</u>	<u>34,452.5</u>

Staff expenses, which also include the Bank's contributions to insurance funds, as well as fees to third parties, increased by Drs. 4,323.0 million or 28.8% over 1982. This is largely due to the automatic wage indexation increase granted to all employees, and to the fact that the uniform salary scale came fully into effect within 1983. Staff expenses were further inflated by the salaries paid out to a considerable number of newly hired employees, who had successfully passed a public competitive examination held in May 1982, but were taken on only in the last months of 1982 and the first months of 1983. Moreover, those employees who left the Bank, mainly in compliance with Law 1232/82 concerning Public Ad-

## Analysis of Balance Sheet and Results for 1983

ministration (i.e. severance upon completing 35 years of active service), in most cases retired during the last months of 1983, so that their remunerations were paid for nearly the whole year, whereas in 1982 such severances had taken place at the beginning of the year.

General expenses rose by Drs. 596.3 million or 24.8% owing to the overall increase in prices and the Bank's determined efforts to expand and modernize its network. During 1983 the Bank's expenses were again heavily burdened by its contributions to the various reserve and rebate funds (for exports and under Law 128/75). These represented 18.6% of total expenditure in 1983 against 19.5% in 1982. It should finally be noted that the provision of an amount of Drs. 4,354.0m for likely losses from bad and doubtful debts was equal to the maximum tax-exempt amount provided by the Law (1% of the average annual total of actual loans and advances granted).

After deduction of expenditure from gross earnings and the transfer of an amount of Drs. 205.1 million from capital gains to the Special Reserve a/c under E.L. 148/67, net profit for 1983 amounted to Drs. 3,725.9m against 2,582.6m in 1982. With the addition of the balance carried over from 1982, net profit for the year under review ultimately amounted to Drs. 3,741.9m which we propose to allocate in accordance with the Bank's Articles of Association as follows:

To ordinary reserve	Drs.	190.0m
Provision for income tax	»	260.0m
First dividend (6%) on 4,363,543 shares		
of Drs. 270 per share	Drs.	1,178.2m
Additional dividend of Drs. 480 per share	»	2,094.5m
	»	3,272.7m
Fees to members of the Board		
of Directors	»	4.0m
	Drs.	3,726.7m
Balance carried forward	»	15.2m
	Drs.	<u>3,741.9m</u>

It should finally be noted that according to the Bank's Articles of Association total fees paid to members of the Board of Directors might have amounted to as much as Drs. 23.7 million.

The Balance Sheet and the Profit and Loss account for 1983 have been prepared in accordance with the following standard accounting principles.

### Consolidation of the accounts of offices abroad with the Bank's general Balance Sheet

The consolidation was made after converting the items of the balance sheets

### Accounting principles



## **Analysis of Balance Sheet and Results for 1983**

drawn up by the Bank's foreign branches into drachmas on the basis of the official mid-point rate (fixing rate) on the closing date of the general Balance Sheet.

### **Valuation of fixed assets and their depreciation**

Buildings and sites in Greece acquired up to 31 December 1980 and depreciation of such buildings (until 31/12/80) have been valued on the basis of the readjustment value in accordance with L. 1249/82.

Buildings and sites acquired in the subsequent years (1981-1983) have been valued at the cost of their acquisition ("historic cost"). Other tangible assets (furniture, vehicles, etc.) have been valued at their purchase price, except for furniture and fixtures of the Bank's foreign branch offices, which are shown in the Balance Sheet at their undepreciated value.

Depreciation of tangible assets at the Administration and inland offices has been calculated in accordance with the provisions of Pres. Decree 88/1973. In conformity with established practice, monthly depreciation instalments are not charged on the value of furniture, fixtures and motor vehicles purchased during the year under review.

Depreciation of fixed assets of branch offices abroad has been calculated on the basis of the regulations in force in the countries of their location.

### **Valuation of securities**

All shares and bonds are shown at the price of acquisition or at the value placed on them at the inventory valuation of the previous accounting period. The resulting aggregate value was less than their total average current value in the last 15 days preceding their evaluation on 31 December 1983.

More specifically, the value of shares and bonds not negotiated on the Athens Stock Exchange totalled Drs. 19,237,203,000.

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

The Bank's claims and liabilities in foreign currencies have been valued in drachmas at the official mid-point rate (fixing rate) on the closing date of the Balance Sheet. Exchange differences have been transferred to the Profit and Loss Account.

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

Advances and deposits falling due for repayment more than 12 months after the Balance Sheet date have been classified as long-term items. All others are considered short-term.

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

The provision set aside in 1983 to cover likely losses from bad and doubtful debts (in accordance with E.L. 396/1968 as amended) amounts to Drs. 4,354m, which represents the highest percentage permitted by the Law, namely, 1% of the annual average amount of loans and advances granted in 1983. The provision for 1982

## Analysis of Balance Sheet and Results for 1983

was Drs. 3,809m, that is also 1% of the respective average total. In accordance with standard practice, write-offs of bad and doubtful debts are deducted from provisions by book entries, whereas the debit balance of receivables to be written off are deducted in an extra-accounting way. According to the Bank's estimates, the amount of Drs. 17,251,190,737 that has accumulated so far on the provision account is amply adequate to cover likely losses from bad and doubtful debts.

Moreover, in accordance with standard practice, the following principles have been applied:

### **A. In the case of the main items of earnings**

- (a) Interest on regularly serviced loans and advances, except sinking fund loans, is calculated on a quarterly basis, i.e. on 15th March, 15th June, 15th September and 15th December of each year.
- (b) Interest on regularly serviced sinking fund loans is calculated on the maturity date of the instalment.
- (c) Interest and commission on bills discounted are calculated on the date of discounting.
- (d) Interest on doubtful loans is calculated only if these are repaid, such computation being made on the date of their collection.
- (e) Commission on letters of guarantee is calculated on a quarterly basis, starting from the date of their issue.

### **B. In the case of the main items of expenditure**

In principle, the results of each financial year include expenditure incurred during the year.

More specifically, it is to be noted that:

- (a) Interest on time deposits which are served by the on-line system is calculated on 30th June and 31st December of each year, whereas in the case of time deposits not served by the on-line system, interest is calculated on 15th June and 15th December of each year.
- (b) Safekeeping expenses, insurance premiums and other expenses incurred for maintaining industrial plants, ships, machinery, and merchandise acquired by the Bank at public auctions are charged, according to established practice, in the case of industrial plants to the Profit and Loss Account, whereas in the case of ships, machinery and merchandise such expenses increase the respective value of acquisition.



# RESOLUTIONS

## ADOPTED BY THE ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 27 JUNE 1984

CHAIRMAN: Mr STYLIANOS PANAGOPOULOS  
Governor

The General Meeting of Shareholders:

1. Approved the Report of the Board of Directors and the Balance Sheet as at 31 December 1983.
2. Released the Board of Directors and the Auditors from all responsibility for the year 1983.
3. Approved the fees of the members of the Board of Directors and of the Administration.
4. Confirmed the election of Messrs. Ignatios Pliakos, Nicholas Piskopos and Nicholas Papantoniou as directors.
5. Re-elected as directors for a term of three years Messrs. Haralambos Zarifopoulos, Panayotis B. Lambropoulos, Elias Papadopoulos, Ignatios Pliakos and George Tsouyopoulos.
6. Elected the Chartered Accountants Messrs. Demetrios Varvatsoulis and Emmanuel Sakellis as ordinary auditors for the year 1984, and the Chartered Accountants Messrs. George Skoularikos and John Trakos as alternate auditors.

**NATIONAL BANK  
OF GREECE S.A.**

**142<sup>ND</sup>**  
**BALANCE SHEET**  
AS AT 31<sup>ST</sup> DECEMBER 1983  
IN DRACHMAS





# **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. at 31st December, 1983, and the Profit and Loss Account for the year then ended. Our examination was made in accordance with the requirements of Article 37 of the Companies Act of Greece (L. 2190), and also in conformity with the standards of auditing accepted by the Institute of Certified Public Accountants of Greece and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We obtained all the information and explanations, including statements of all Branch operations, which we needed for the purpose of our audit. We have found that the books of account, as required by existing laws, have been kept by your Bank and that the above financial statements are in agreement therewith. No change in the inventory evaluation method has been made as compared with that of the previous year. In our opinion, the above Balance Sheet, Profit and Loss Account and Appropriation Account present fairly the financial position of the Bank at 31st December, 1983, and the results of its operations for the year ended on that date in conformity with legal requirements and accepted accounting principles applied on a basis consistent with that of the preceding year. The basic accounting policies adopted by the Bank are set out in the Report of the Board of Directors to the General Meeting of the Shareholders.

Athens, 14th April 1984

CERTIFIED PUBLIC ACCOUNTANTS OF GREECE

DEMETRIOS P. VARVATSOULIS

EMMANUEL J. SAKELLIS



# 1982 ASSETS

# 1983

## AVAILABLE FUNDS

26,150,375,631	Cash, Cheques and Sight Accounts with the Bank of Greece .....
42,310,311,794	With Banks abroad and Foreign Exchange .....
125,014,754,607	Deposits with Bank of Greece pursuant to Currency Committee Regulations .....
204,192,050,000	Treasury Bills .....

573,223,564,837	
44,974,057,911	
77,225,807,095	
151,500,649,831	
299,523,050,000	

## LOANS AND ADVANCES

### I. To Commerce

87,070,555,908	Bills discounted and advances against commercial paper and other guarantees .....	102,552,825,496
12,696,545,426	Loans and Accounts:	
356,722,379	On merchandise and bills of lading .....	10,368,625,528
	On securities .....	382,868,373

113,304,319,397

### II. To Industry

299,113,323,489	Bills discounted and advances against commercial paper and other guarantees .....	338,211,862,946
24,797,824,274	Loans on merchandise and bills of lading .....	22,003,938,450

360,215,801,396

### III. To Handicraft

53,615,338,000		69,298,539,000
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## SUNDRY DEBIT ACCOUNTS

725,811,838	Deferred charges .....	2,397,871,460
13,311,344,872	Claims from sundry banking transactions .....	13,079,921,007
2,278,480,089	Claims against Staff Insurance Funds .....	2,139,120,687
4,199,403,744	Foreign Exchange Accounts .....	4,511,933,370
44,126,014,168	Claims due to difference in foreign exchange rates on deposits .....	69,845,746,928
6,718,628,972	Sundry Debtors .....	8,401,404,993
925,401,185	Bank of Greece: Duties and Advance Import Deposits .....	571,015,406

100,947,013,851

## INVESTMENTS

12,733,609,948	Portfolio of Securities		
24,017,223,663	Bonds .....	11,703,105,184	
-1,429,963,625	Shares .....	25,203,170,140	
	Less: Instalments due .....	-293,833,765	36,612,441,559
16,562,701,060	Bank Premises and Real Estate		
11,814,935,024	Land .....	16,745,629,417	
-7,573,983,148	Buildings .....	12,864,383,079	
2,525,908,812	Less: Depreciation .....	-8,126,561,974	21,483,450,522
42,595,095	Fixtures, Office Furniture and other Equipment .....	3,185,851,433	
-1,059,813,887	Vehicles and other Transport Equipment .....	76,510,276	
358,245,346	Less: Depreciation .....	-1,411,313,887	1,851,047,822

## INVESTMENT SUSPENSE ACCOUNTS

12,805,894,760	BRANCHES (entries in transit) .....	159,875,957
		20,526,255,819

1,018,400,239,424

## TOTAL ASSETS

1,297,622,310,160

## CONTRA ACCOUNTS

70,844,004,873	Guarantors .....	75,807,868,344	
118,202,543,299	Other Contra Accounts .....	169,187,648,168	244,995,516,512
1,207,446,787,596			1,542,617,826,672

312,961,991,966	*of which: Short-term .....	357,128,097,824
164,688,317,510	Long-term (over one year) .....	185,690,561,969
477,650,309,476		542,818,659,793

# 1982 LIABILITIES

1983

## CAPITAL ACCOUNTS

19,635,943,500	Share Capital (4,363,543 shares at Dr. 4,500 each) .....		40,603,903,694
8,429,219,746	Share premium account .....	7,763,291,776	19,635,943,500
-665,927,970	less: Difference from readjustment pursuant to Law 1249/82 .....	—	7,763,291,776
	Reserves:		
1,796,602,214	Ordinary .....	1,986,602,214	
1,231,647,381	Extraordinary .....	1,231,647,381	3,218,249,595
	Special Reserves:		
2,239,805,599	From sales of securities under E.L. 148/67 .....	2,444,943,716	
1,330,140,258	From bonus shares under E.L. 148/67 .....	1,330,140,258	
813,493,871	From bonus shares or plus value of shares under L. 542/77 .....	813,493,871	
4,336,247,758	From bonus shares or plus value of shares under L. 1249/82 .....	5,382,661,004	9,971,238,849
15,939,820	Balance carried forward .....		15,179,974

## PROVISION FOR CONTINGENT LOSSES FROM DOUBTFUL DEBTS

11,149,031,927	Inland (E.L. 396/68) .....	13,963,063,915	17,251,190,737
1,455,251,586	Foreign .....	3,288,126,822	

## SUNDRY PROVISIONS

207,604,926	Inland .....	373,365,736	421,150,844
53,764,377	Foreign .....	47,785,108	

## DEPOSITS

84,452,928,881	Sight Deposits .....	75,561,598,050	1,066,534,001,537
355,577,400,805	Savings Accounts .....	433,744,796,483	
	Time Deposits:		
224,554,820,411	Short-term .....	312,570,946,877	
175,763,966,646	Long-term (over one year) .....	244,656,660,127	557,227,607,004

## SUNDRY CREDIT ACCOUNTS

	Banks abroad: Loan account in foreign exchange (of which		145,081,442,026
22,284,161,630	Dr. 5,804,623,429 due for instalments in 1984) .....	28,130,767,697	
44,427,583,186	Bank of Greece-Financing Account .....	61,778,144,567	
7,301,916,119	Deferred Income .....	11,037,275,897	
9,891,747,629	Obligations from sundry banking transactions .....	16,845,563,102	
2,966,573,554	Foreign Exchange Accounts .....	3,902,427,164	
959,860,788	Principals of Duties and Advance Import Deposits .....	604,386,699	
2,369,637,409	Withholdings in favour of Third Parties .....	2,379,483,403	
15,157,197,974	Sundry Creditors .....	20,403,393,497	

## CHEQUES AND ORDERS PAYABLE

18,481,907,899			24,457,964,072
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## DIVIDENDS PAYABLE

2,181,771,500			3,272,657,250
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1,018,400,239,424	<b>TOTAL LIABILITIES</b>		1,297,622,310,160
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## CONTRA ACCOUNTS

70,844,004,873	Guarantees .....	75,807,868,344	
118,202,543,299	Other Contra Accounts .....	169,187,648,168	244,995,516,512
1,207,446,787,596			1,542,617,826,672



# PROFIT AND

## 1982 DEBIT

## 1983

<b>STAFF PAYROLL AND CONTRIBUTIONS</b>			
10,250,108,004	Staff Salaries and Wages .....		13,112,733,722
261,911,562	Fees paid to Third Parties .....		290,049,397
	Contribution to Staff Insurance Funds:		
3,044,895,741	Ordinary .....	3,678,543,730	
903,400,000	Extraordinary, pursuant to Laws 3662/57, 810/78, etc. ....	1,390,192,979	
		5,068,736,709	
555,476,966	Contribution to Social Insurance Institute (IKA) .....	867,260,790	5,935,997,499
			19,338,780,618
<b>GENERAL EXPENSES AND TAXES</b>			
2,402,136,652	General expenses .....		2,998,388,671
422,796,042	Taxes .....		477,429,318
5,416,592,423	Contribution in favour of export industries and handicraft pursuant to Law 128/1975 .....		6,418,922,900
			9,894,740,889
<b>DEPRECIATION AND PROVISIONS</b>			
465,090,000	Depreciation on buildings .....	473,500,000	
245,000,000	Depreciation on furniture, fixtures, motor vehicles and other equipment .....	351,500,000	825,000,000
3,808,580,000	Provision for contingent losses from doubtful debts (E.L. 396/1968) .....	4,353,960,000	
55,000,000	Special provision for liabilities under settlement .....	40,000,000	4,393,960,000
			5,218,960,000
763,408,668	Loss from sale of property to the Government below its readjusted book value pursuant to Law 1249/1982 .....		
<b>BUSINESS PROFIT</b>			
314,621,235	Profit on sale of securities carried to tax-free Special Reserve pursuant to E.L. 148/67 .....		205,138,118
2,582,605,869	<b>NET PROFIT</b> .....		3,725,939,904
31,491,623,162			3,931,078,022
			38,383,559,529

## APPROPRIATION

Net Profit for the Year .....	
Plus: Balance brought forward .....	
To Ordinary Reserve .....	
Provision for Income Tax .....	
Initial dividend (6%) on 4,363,543 shares at .....	Dr. 270
Additional dividend on 4,363,543 shares at .....	Dr. 480
	Dr. 750
Directors' Fees .....	
Balance carried forward .....	

STYLIANOS P. PANAGOPOULOS  
Governor

# LOSS ACCOUNT

## 1982 CREDIT

23,356,525,094	Gross operating profit (Commission, Interest, and Sundry Earnings)
2,428,925,106	Income from Securities and Real Estate .....
	Profit on Sale of Securities, carried to tax-free Special
314,621,235	Reserve pursuant to E.L. 148/67 .....
391,551,727	Sundry non-recurring income .....

## 1983

35,140,495,630
3,037,925,781
205,138,118
—

31,491,623,162

38,383,559,529

# ACCOUNT

## 1983

3,725,939,904
15,939,820
<u>3,741,879,724</u>

1,178,156,610
<u>2,094,500,640</u>

190,000,000
260,000,000
3,272,657,250

4,042,500
15,179,974
<u>3,741,879,724</u>

## 1982

2,582,605,869
8,894,201
<u>2,591,500,070</u>

1,178,156,610
<u>1,003,614,890</u>

140,000,000
250,000,000
2,181,771,500

3,788,750
15,939,820
<u>2,591,500,070</u>

Athens, 13th April 1984

NICHOLAS SP. PAPANTONIOU  
Specially Authorized Director

ANTONIS K. MASTRANTONIS  
Chief Accountant









