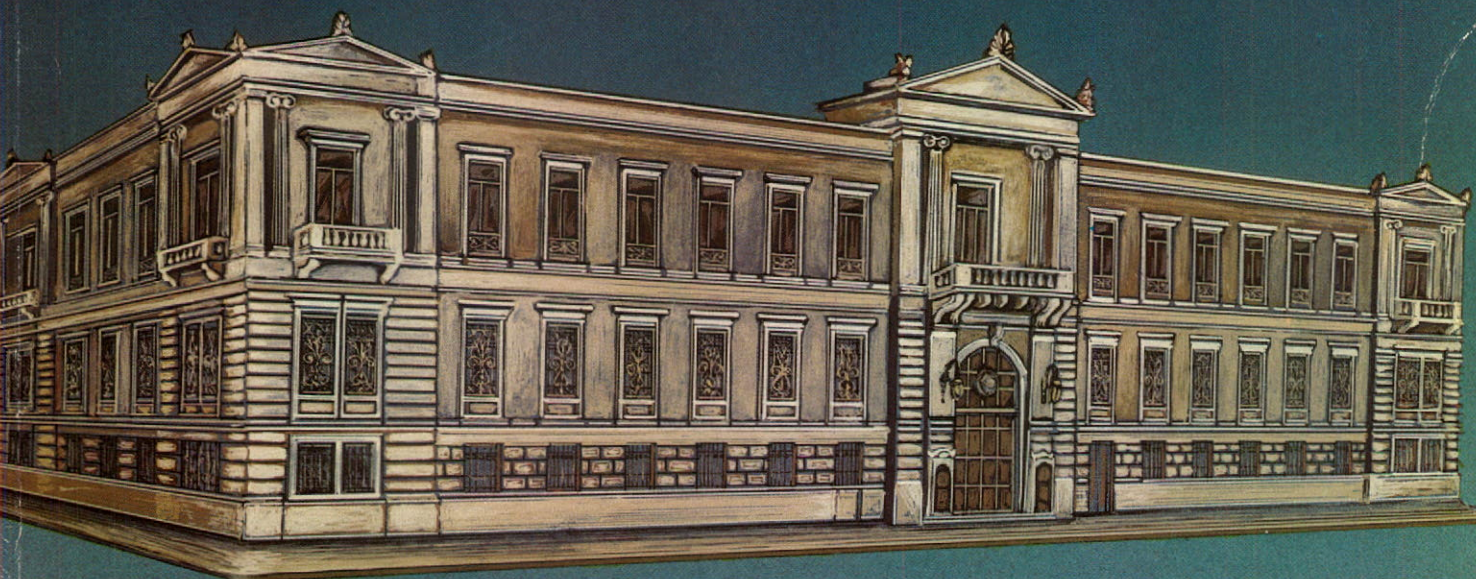


NATIONAL BANK of GREECE

annual report
1982



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 24 JUNE 1983



ATHENS 1983

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31.12.1982

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Ladies and Gentlemen,

The Bank's gross earnings in 1982 after deduction of debit interest and relevant taxes, totalled Drs. 31,491.6 million compared with Drs. 25,105.3m in 1981. There was therefore an increase of Drs. 6,386.3 million or 25.4% over the previous year. On the other hand, total expenditure amounted to Drs. 27,831 million in 1982 against Drs. 22,007.4m in 1981, that is an increase of Drs. 5,823.6m or 26.5% (including also the increase in depreciation and provisions by Drs. 1,079.1m). More specifically, payroll expenses, including fees paid to third parties and contributions to the staff's insurance funds, rose by 30.1% against 1981 and represents 54.0% of total expenses in 1982. This development is due to the overall rise of staff remunerations, as a result of the implementation of the new payroll system which had been one of the claims supported by all bank employees, and on account of automatic wage indexation extended to all employees by decision of the Government.

General expenses rose by 10.4%, despite the rise in prices, the Bank's modernization drive and the expansion of its activity (1981: 37.1%). It must be pointed out that in 1982 there was once more a large increase (1982: 19.5%, 1981: 20.7%, 1980: 19.0%) in the expenditure of the Bank due to its contributions to the subsidization funds (for exports and under Law 128/75). Finally, the amount of Drs. 3,808.6 million retained on the provision account for bad and doubtful debts is the highest permitted by the respective law (i.e. 1% of the annual average amount of lendings).

After deduction of depreciation and provisions, totalling Drs. 4,573.7 million, and a difference of Drs. 763.4m due mainly to the sale of a building to the State below its book value and after the transfer of a sum of Drs. 314.6 million to the special reserve account under E.L. 148/67, net profits for the year 1982 amounted to Drs. 2,582.6 million, that is a decrease of 15.1% compared with the corresponding profits for 1981, which had reached Drs. 3,042.6 million. The total amount disposable for distribution, including the balance of Drs. 8.9 million brought forward from last year, i.e. Drs. 2,591.5 million we propose to allocate as follows in accordance with the Bank's Articles of Association: Drs. 1,178.2 million as first dividend to Shareholders and Drs. 1,003.6 million as second dividend, that is a total of Drs. 2,181.8m representing 84.5% of net profits for the year. Finally, it is also proposed to allocate Drs. 390 million for increasing the Bank's reserves and provision for income tax, Drs. 3.8 million as fees to members of the Board of Directors and the balance of Drs. 15.9 million to be carried forward.

The amount of the dividend distributed for 1982 totals Drs. 2,181.8 million compared with Drs. 2,685.3m for 1981. The dividend for 1982 would, in fact, have been larger by at least Drs. 700 million and would have exceeded that of 1981, if it had not been for a book loss of Drs. 800 million realized as a result of the sale to

the State of a building located in Athens, at 15 V. Sofias Avenue at a price below its value as listed in the Bank's books on the date that the above sale was finalized.

More specifically, on 4 August 1981 the Bank sold by contract the building in question to the Government for 435 million drachmas. The transaction and the transfer of the registration of the property were to be completed after the legislative ratification of the contract, until which date the property would continue to belong to the Bank. It should be noted that the value of the building on the Bank's books, on the day the contract was signed, amounted to 351.5 million drachmas.

The aforementioned contract was ratified on 4 June 1982, but two months earlier, on 5 April 1982, Law 1249/82 had been published, compelling business firms to readjust the book value of real estate which was owned by them up to 5 April 1982. In consequence, the Bank was obliged to readjust the book value of the building on the basis of the conventional rates of Law 1249/82, with the result that its book value rose to 1,242.9 million drachmas. Thus, when the original contract was ratified by law and the purchase of the property completed, there arose a book loss of 807.9 million drachmas, which had to be recorded in the results of the year 1982.

It must be stressed that had the contract been ratified before the enactment of Law 1249/82, the profits of 1982 would, of course, have been 800 million drachmas more, but the Bank's share capital would have been less by the same amount since the plus value of the building, as determined on the basis of the rates fixed by Law 1249/82, would not have increased the share capital correspondingly. Therefore, what matters to the Bank and its shareholders is not the ratification date of the sales contract, but whether the price for the sale agreed on 4 August 1981 was reasonable. On the basis of the available data, it would seem that the price was indeed reasonable.

It follows from the above that if the book entries concerning the property's sale to the Government had not occurred in the meantime, the Bank's net profits would have amounted to 3,391 million drachmas, and therefore would have been 11.4% higher than in 1981. In such a case, the dividend to be distributed would have been commensurate.

The 1982 dividend per share is 500 drachmas as against 800 drachmas for 1981. If one takes into account, however, that in 1982 some 1,000,000 more shares are receiving a dividend, because of the bonus issue imposed by law, then the 1982 dividend, which should be compared with the 800 drachmas dividend of 1981, amounts to 650 drachmas per share.

The prices of bank and industrial shares on the Athens Stock Exchange recorded a further decline in 1982, which appears even larger because of their increased number, following the bonus issue due to the readjustment of the value of their

fixed assets by the respective enterprises under Law 1249/82. It is only natural that the two main features of the present economic situation, sluggish investments and high interest rates, should have a negative impact on the Stock Exchange, which, in any case, is characterized by serious structural deficiencies.

All the same, we are obliged to observe that share prices, and particularly the price of the National Bank's share, are today at unjustifiably low levels. More specifically, it would seem that the current share price of our Bank, apart from the value of its most extensive banking potential, does not even reflect its vast assets both in real estate and in production equipment, even at today's low prices.

It should be taken into account that any recovery of the economy — which is not at all unlikely on present indications — will increase the value of assets, both productive and non-productive, to more normal levels, with commensurate repercussions on the Bank's share price. The Bank's Administration therefore believes that the current share price of the National Bank is quite substantially below its real value.

On 7 July 1982 the Governor of the Bank, Mr. George-Alexander Mangakis resigned from his post and left the Bank following his nomination as Minister of Justice. In his stead, Mr. Stylianos Panagopoulos became Governor of the Bank. The appointment of the new Governor was confirmed by the Extra-ordinary General Meeting of Shareholders held on 30 July 1982. On 1 September 1982 the Deputy Governor Mr. George Mirkos also resigned and was immediately replaced by Mr. Constantine Sietos, whose election was confirmed by the General Meeting of Shareholders on 24 September 1982. Furthermore, the Board of Directors elected Mr. George Lambropoulos as third Deputy Governor of the Bank. Finally, other changes were due to the resignation of the Director Mr. Demetrios Oropoulos and his replacement by Mr. Panayotis Lambropoulos, as well as the resignation of the Director Mr. Fivos Ioannidis. Otherwise, the same Board of Directors who were elected by the Extra-ordinary General Meeting of Shareholders on 22 April 1982 in accordance with Law 1232/82 are still in office.

Ladies and Gentlemen,

1982 was not an easy year for the National Bank, as will be set out in detail later on. Despite the considerable progress that was achieved in certain sectors of the Greek economy, such as the slowdown of inflation and the reduction of the deficit of the balance on current account, no solution has been found yet for basic economic problems of a structural nature, which continued to become more acute because of the international economic crisis.

Within this economic environment the Bank, because of its special role in the Greek economy, had to pursue its policy with socio-economic rather than banking criteria. Besides, any other policy would have had immediately additional adverse

repercussions on economic activity and employment, which were sagging for general reasons, and, in the last analysis, would have even undermined the long-term interests of the Bank itself.

The adverse impact of the economic situation on the Bank's available funds, combined with the inexorable need not to restrict suddenly but gradually new credit to many firms, kept its borrowings from the Bank of Greece at a high level and limited its profitability in 1982. Nonetheless, one should point out that profitability would have been even more limited if the Bank had not taken a number of suitable credit and organizational measures. These measures, whilst already beginning to yield a return, will have reached their full effectiveness by the middle of next year, making an increasing contribution, on a notable scale, to the Bank's profitability.

The prospects for 1983 appear to be considerably better for the Bank both for general and for specific reasons. The general reasons are linked to the anticipated improvement of the economic situation in our country during the current year, which will also be facilitated by the recovery which seems to be emerging on the international horizon. As for the specific reasons, they are mainly linked to the adjustment of the Bank's credit expansion within the limits of its available funds and to the large-scale modernization and reorganization which is now under way.

For these reasons, we are optimistic that during the current year the Bank's profitability will improve considerably, a fact which, together with the anticipated recovery of our economy, will also have a beneficial impact on the price of our share which, as was mentioned earlier, is at an unjustifiably low level.

Our optimism, however, is also reinforced by the fact that we enjoy the full solidarity and cooperation of our employees in our efforts to increase the Bank's productivity and profitability. The dedication, the zeal and the application of our staff as well as its high professional qualifications guarantee that the objectives set for 1983 by the Bank's Administration will be attained.

PART A

**INTERNATIONAL AND GREEK
ECONOMIC DEVELOPMENTS**

I. International economic developments

Hopes for recovery of the world economy in 1982 failed to materialize. In fact, production fell, unemployment rose dramatically, while the trend toward greater protectionism gained momentum. Nevertheless, inflationary pressures were lessened appreciably, a fact which made it possible for Western countries the opportunity to ease the restrictive stance of their economic policy and to take measures that would pave the way out of the recession. For many countries, nonetheless, the speed of achieving such objectives continued to be moderated once again by the fluctuations in their exchange rates against the dollar, which remained strong virtually throughout the course of the year.

The trend of falling prices in the international oil, foodstuff and raw material markets continued over the past year. These developments, in conjunction with the persisting recession and high interest rates, aggravated the financial impasse of many developing countries, which were unable to service their foreign debt obligations, thereby threatening the stability of the international banking system. The problems of the developing countries seem also to have had an adverse effect on the exports of the industrial nations, which were thus deprived of a significant stimulus for their economic activity.

Economic policy

The overriding concern of fiscal policy over this period continued to be the reduction of budget deficits. These efforts were manifested in the area of expenditures as well as revenues. In the case of expenditures, governments adopted measures designed to hold down public sector pay and social security outlays, while in the case of revenues, efforts were made to increase them, especially through indirect taxation. At the same time, however, there were countries which also adopted measures designed to promote investment activity and to combat unemployment. These measures included the increase in public investments, subsidies and tax exemptions for productive investments and the stimulation of the housing construction industry.

In the USA, the combination of price containment with a slackening in economic activity, led to the adoption of a more flexible stance in controlling monetary aggregates. These developments and the improved outlook regarding the size of the fiscal deficit facilitated a significant reduction in interest rates during the second half of the year. This move was followed by other Western countries to the extent that it accorded with the priorities of their respective economic policies and the state of their external equilibrium. In general, interest rates went down in Canada and Europe where the main consideration was recovery, while in Japan the problems created for the yen by the outflow of capital, prevented such a downward move.

Demand Production Employment

Overall, the direction of the economy in the OECD countries was a downward one; total industrial output declined considerably (1981: 0.7%, 1982:-4%). Economic activity, however, did not develop uniformly in all OECD member states. Thus, the real gross national product in the USA declined by 1.75%, in Canada by 5%, whilst in Japan it grew by 2.5%. In the EEC, economic activity remained virtually stag-

International economic developments

nant (+0.1%) with many countries experiencing a negative rate of growth. A case in point was W. Germany with a growth rate of -1.25%. The performance of the group of smaller OECD countries was also weak (0.5%) with significant differences, however, among individual countries.

On the demand side, in general, the impetus seems to have come primarily from private consumption and secondarily from public spending. On the other hand, the substantial check to exports resulting, to a considerable degree, from the economic impasse of many developing countries and the reduced new bank lending to them, deprived industrialized countries of what had been an important source of demand growth in the past. At the same time, the contribution to demand from the investment and especially the construction sector, continued to be inadequate because of the cautious attitude of the public and of the business community. Apparently the lowering of interest rates had no other effect than to enable enterprises to put their capital structure on a sounder basis.

The slackness in economic activity, combined with the increase of the labour force, had an alarming effect on unemployment. In OECD countries the unemployment rate amounted to 8.2% (against 6.7% in 1981), or to over 30 million unemployed. In the EEC, the unemployment rate climbed to 9.1% with Belgium and Britain heading the list.

Wages Prices

The deceleration of the inflation rate in the OECD countries continued in 1982. The average consumer price index of all OECD countries rose by 7.8% against 10.5% in 1981. Of the industrialized countries, the lowest rates were achieved by Japan (2.7%), the USA (6.1%) and W. Germany (5.3%), while Italy recorded the highest rates (16.6%).

This progress was due, to a large degree, to the decline in prices in the international oil and raw material markets, which, in turn, was certainly linked to the impact of the persisting recession and the high real interest rates on world imports of these goods and on the related stockpiling policy of consumer countries. Ample food supplies were another factor that contributed to price restraint.

Curbing inflation was also helped by conditions on the labour market. Large-scale unemployment depressed the rate of increase of nominal wages and of unit labour cost.

International transactions

The contraction in the volume of world trade, the steep drop in OPEC's surplus and the significant improvement in the terms of trade of the industrial countries with the rest of the world, comprise the basic developments in the area of international transactions.

More specifically, the volume of world trade is estimated to have fallen by nearly 2% as the slackness of demand in the industrialized countries depressed their imports still farther. On the other hand, the softening of the oil prices and of other

International economic developments

primary products contributed to the considerable improvement in the terms of trade of OECD countries (1982: 7.5%; 1981: -3.8%) but brought about a shrinkage of their third-world trading partners' foreign exchange revenues. Thus, many developing countries were faced by the acute problem of servicing their external debt obligations and of securing fresh loans. Having no other alternative to improving their external equilibrium, these countries were forced to adopt restrictive measures in order to curb imports at the cost, of course, of cutting back development programs and slowing down their economic growth.

All these developments have had a negative effect on OPEC's current account surplus, while the deficit of the developing countries seems to have decreased. The deficit of OECD countries showed tendencies of widening, especially during the second half of the year. As regards the individual performance of the industrialized countries, Japan, Canada and Great Britain registered a surplus while the US current account deteriorated sharply and swung from surplus (1981: \$4.5 billion) to deficit (1982: \$-8.0 billion). France also showed a large deficit, in contrast to the significant improvement in the German current account.

Despite the substantial lowering of US interest rates in relation to those of other Western countries, the dollar remained strong against all other currencies, including its traditional competitors, i.e. the German mark and the Japanese yen. On the other hand, the decreased competitiveness of French products led to the continuous weakening of the franc, which was ultimately devalued in June within the European Monetary System.

Several factors — not just economic ones — contributed to the resilience of the American currency. In particular, the turbulent climate and apprehension about political instability in various regions of the world and concern for the stability of the international banking system, strengthened and enhanced the image of the dollar as a refuge currency. This development was reinforced by the advantages which the vast American capital market offers to investors as far as immunity against external shocks and the absence of foreign exchange controls are concerned. The continued high yield on long-term US securities as well as the deceleration in inflation, coupled with the favourable outlook of the American economy, added further support to the dollar.

Consequently, large funds, especially Arab, were shifted to the USA from other world financial centers, in particular Germany and Japan, resulting in a stronger dollar and weaker mark and yen. Similar were the implications for the dollar of developments in other items of the American balance of payments, such as the surplus which appeared for the second consecutive year in the direct investment account and the surplus in the current account, at least during the first half of the year.

Foreign exchange markets

International economic developments

International capital market and banking activities

Developments on the international capital markets have been characterized by a decrease in new bank lending and by increased recourse to the bond market. The new capital which was absorbed in 1982 amounted to \$160 billion against \$186 billion in 1981. Of these, \$76 billion represented bond issues (1981: \$53 billion) and \$84 billion bank lending (1981: \$133 billion).

The industrial countries raised two-thirds of the capital, i.e. as much as in the preceding year but with the difference that in 1981 about 50% of their participation in the Euro-loan market concerned transactions of a non-recurring nature. Lending to non-OPEC developing countries decreased by 15%. This decline is linked to the alarming rise in the lending risk, owing to the inability of many of those countries to meet their debt obligations.

Indeed, after the Eastern European countries, in 1982 there came the turn of Latin American countries to run up large arrears on their debt obligations and upset the banking circles. It is worth noting, however, that co-ordinated efforts have been made to reach agreement among all interested parties on rescheduling loan repayments whilst urgent aid programs have been arranged with the co-operation of central banks and international organizations.

All the above developments seem to signal for many developing countries the end of a decade of easy and eventually excessive borrowing that rendered their external balance position quite precarious and especially sensitive to the fluctuations of international economic activity.

Thus, the prolonged recession upon which the West entered, following the second energy crisis, and the rise of interest rates delivered a heavy blow to the external balance and the credit standing of the third world countries. Their export earnings were eroded by the slower increase or drop in the volume of sales and the crumbling prices of their basic export products, such as oil and other commodities.

Characteristically, the annual rate of growth of the export earnings of non-OPEC developing nations fell to 5% in 1981 against an annual average of 23% for the period 1975-1980, while in 1982 it is estimated to be almost nil or even negative. OPEC export revenues have also been falling continuously during the past two years due to soft demand and declining prices.

The high interest rates, on the other hand, prevailing on the international capital market increased steeply the cost of borrowing and inflated debt-servicing payments in foreign exchange. Adverse were also the effects of shortening the average maturity period of debts of many developing countries that had been prompted by the preference of several of these countries for short-term loans, a policy dictated by their desire to reduce the cost of borrowing by taking advantage of the relative interest rate differentials.

Evidence of the difficult position in which developing countries found themselves on account of the recession and the high interest rates, is also provided by the per-

A great number of Greek minerals (bauxite, lignite, nickel ores, chromite, magnesite, asbestos, uranium, etc.) are used for industrial purposes. Bauxite constitutes the raw material for local production of alumina and is also exported in very large quantities, while lignite helps to produce 55% of the country's electric power supply.





International economic developments

centage of export receipts going for debt payments. For two-thirds of the main debtor countries, according to certain estimates, the percentage in question exceeded 50% in 1982 (for some countries, it even reached 100%).

Against this setting, the banks reacted by restraining lending, shortening maturity periods and by increasing spreads. The repercussions of this policy were felt mainly in the countries of Latin America. In the case of Asian countries, the situation does not seem to have deteriorated, thanks to the support they received from Japanese banks within the framework of the special economic ties which have developed between these countries and Japan.

This shift in bank lending policy is not totally unrelated to the growing difficulties which banks encountered in the inter-bank market (precisely on account of the worsening of their international portfolio quality) and the pressures on them for a sounder capital asset ratio. Another change has been the apparently growing trend to fix margins on the basis of the US prime rate rather than LIBOR.

The above developments are expected to have positive effects on the profitability of banking operations. In any case, on the basis of available evidence, bank results in 1982 were helped considerably by the sharp drop in interest rates during the second half of the year. On the other hand, provisions for bad debts (severely inflated as a result of the global economic crisis) had a highly negative effect on their profits.

There is a guarded consensus that the pick-up in economic activity in the West will commence sometime in the second half of 1983. The OECD projects for its member countries an average GDP growth rate of nearly 1.5%, with the USA and Japan leading the way by scoring growth rates of 2% and 3.5% respectively. For the EEC, however, the prospects do not seem to be equally favourable.

The following factors are already contributing positively to the fulfillment of the above expectations. First of all, there is a growing trend towards adopting a relatively more liberal stance than previously on economic policy. A move in this direction has, of course, been made necessary by the growing wave of unemployment but it is easier to adopt now thanks to the progress made in restraining price increases and inflationary expectations. Secondly, the recent fall in oil prices will contribute to the further deceleration of inflation and improve substantially the external balance of oil-importing countries.

These developments justify some guarded optimism as far as prospects for a larger reduction in interest rates — especially long-term ones — are concerned. To what extent, however, such a reduction will rekindle investment activity will also depend on an improved business outlook.

The EEC countries seem to be facing additional problems concerning their economic recovery. The high degree of their dependence on external trade has rendered their economies especially vulnerable to the disturbances in the foreign ex-

Prospects

In antiquity marble was used for building splendid temples and sculpturing magnificent statues. Today it is a dynamic export article.

International economic developments

change markets or to such shocks as that brought about by the third-world debt crisis and tensions in the international monetary system. Besides, European manufacturing seems to lag behind its big competitors in so far as adaptability to the structural changes in demand and the promotion of high-technology sectors are concerned. For these reasons, the business community is likely to take a gloomy view of demand prospects and may therefore not be very responsive to the various economic policy measures.

Nevertheless, recovery in the OECD countries is not expected to be so strong as to avert an increase in unemployment, which is expected to affect over 9.5% approximately of their labour force. In the smaller OECD countries the rate of unemployment is anticipated to be higher. The unemployment rate in the EEC will easily exceed 10%, while in the US it is expected to fluctuate around comparable high levels. Japan is very likely to be again the exception to the rule.

As regards the prospects for the current account of the OECD countries, the most important changes will take place in the US deficit, which is expected to grow dramatically mainly because a strong dollar has weakened US competitiveness. By contrast the weakening so far of W. Germany's and Japan's currencies against the dollar is expected to affect their exports favourably. Thus, there is a distinct likelihood of a substantial increase in Japan's surplus and of a balanced German current account. These developments will strengthen the position of the mark and the yen against the dollar in the international foreign exchange markets.

The current account deficit of third-world countries will again be monitored closely by the international banking community in 1983. On the side of revenues, the outlook for an improved export performance (with respect to volume and terms of trade) is closely linked to the market conditions of the industrialized countries. As for the oil-producing countries, the recent reduction in oil prices, soft demand and intensified sales competition on the world energy market do not justify any optimism. On the payments side, on the other hand, the decline in interest rates, the continued restrictions on imports in many developing countries and lower oil prices for oil importing countries will certainly limit their foreign currency drain.

Undoubtedly, outstanding debt obligations of third-world countries will again be a thorny issue for the international community in 1983. The effective resolution of this problem is linked, in principle, to the achievement of an equilibrium between supply and demand of loan funds at more realistic levels. For the developing countries, this entails mainly a decrease in imports and, on the whole, rationalisation of their external deficits, at the inevitable cost of slowing down the rate of their economic growth. But there is also an urgent need for banks to adjust their credit expansion to levels dictated by the changing liquidity and risk conditions of the international capital markets.

At present, the banking system has adopted a flexible policy aimed at providing the

International economic developments

debtor countries with the necessary time for the improvement of their external balance and the smooth repayment of their loans. However, in terms of helping in a more substantial form the developing countries, considerable responsibility lies with the industrialized countries, and the US in particular, as regards world recovery, revival of international trade and keeping interest rates down.

II. Economic developments in Greece

The impact of continuing adverse developments in the world economy and the unfavourable conditions which evolved at home over the past few years did not leave much room for spectacular growth in the Greek economy during 1982. Under the pressure of the current conjunctural conditions there was no other choice but to pursue a policy which set priorities that did not allow for the systematic promotion of development goals.

Despite this, the gross domestic product, at constant prices, showed a slight increase (+0.2%) thus reversing the downward trend of 1981 (-0.2%) following the slackness of 1980. At the same time the inflation rate receded and so did the balance of payments deficit.

Hence, 1982 may be designated as the year of stabilization, which was the necessary precondition for dealing with the structural weaknesses of the economy and allowing the development process to continue on a sound basis.

On the demand side, the positive factors which stimulated economic activity were private and public consumption as well as public sector investment activity. By contrast, a negative influence — though less pronounced than in 1981 — was exercised by private fixed capital formation and the external sector of the economy.

On the supply side, the growth of the gross domestic product was due to the increase of the product of both agriculture and the services sector, which counterbalanced the fall in the real product of the secondary sector, namely industry and construction.

Due to the slackness in the secondary sector, the economy was unable to fully absorb the increase in the supply of labour. This, in turn, led to further unemployment, the rate of which, however, remained at a lower level than the average rate for all other EEC countries and the USA. The nominal income of most salary earners, however, went up, within the framework of government policy, at a considerably higher rate than that of inflation. Thus real income improved, even after taxation, following three years of continued decline. Farmers' real income grew also, while in 1981 it had witnessed a decline.

The government's efforts to curb the financial deficit of the public sector began to bear fruit. Specifically, the total financial deficit of the public sector amounted to 339.4 billion drachmas or 13% of the gross national product, as against 301.8 billion or 14.4% of the gross national product in 1981. It should be noted that the total financial deficit includes public administration deficits (state budget, consumer goods accounts, special administration account and special agricultural products account) and the deficit of public enterprises and organizations.

The rate of total expansion of credit to the private sector declined in comparison with 1981 but remained at high level and exceeded the rate of inflation, a fact which helped meet, to a satisfactory degree, the real needs of enterprises for loan funds.

Economic developments in Greece

Demand

The inflationary pressures, which began to abate at the end of 1981, continued to decline with some fluctuations throughout the year under review. Thus, the annual increase of the consumer price index dropped from 24.5% to 21% in 1982.

On the other hand, the deficit on current account was reduced to 1.9 billion dollars (1981: 2.4 billion dollars) as a result of the decline of the trade deficit brought about by a drop in fuel imports, though the surplus of invisible transactions went down.

According to provisional estimates of the Ministry of National Economy, gross national expenditure, at constant market prices, rose by 2.6% owing to the increase in private consumption — though it remained at low levels — and to consumption and investment activity of the public sector. By contrast, private fixed capital formation continued on a downward course but at a slower rate.

Private consumption

The increase in consumption of goods and services by the private sector of the economy, at constant prices, continued to be restrained (1982: +1.7%, 1981: +1.2%). A positive influence was exerted by the rise in real income (after taxation) of salaried workers and of farmers, whereas domestic unemployment and the decline, in real terms, of the inflow of income and certain transfers from abroad (shipping remittances, emigrants' remittances) had an adverse effect.

Available evidence suggests that a large portion of the rise in private consumption was channelled into imported goods such as automobiles, other durables, textiles, etc. This fact reflects a sharper competitive edge of certain foreign products vis-à-vis Greek products or perhaps a change in consumers' preferences.

Private investments

On the basis of provisional data, private capital formation, at constant prices, continued to fall in 1982 (-2.6%) but at a slower rate than in 1981 (-11.6%). The decrease in investments was mainly due to capital formation in housing and other activities (tourism, etc.) while the decline in manufacturing, mining and quarrying, and agriculture was relatively smaller.

Housing investment, at constant prices, registered a fall of 9.1% (1981: -22.4%). The slump in housing activity over the past few years came about as a result of slack demand due to the higher cost of construction and the lower yield of housing investment. As an indicative example, we cite the number of flats sold in 1982 which fell behind that of 1981 by 15.6%.

Private fixed capital formation in manufacturing fell for the second year in a row (1982: -7.1%, 1981: -9.5%) according to provisional estimates of the Ministry of National Economy. The slackness of investment activity in manufacturing is closely linked to the climate of uncertainty which prevailed abroad, the persistence of in-

Economic developments in Greece

flationary pressures, the stagnation of domestic demand and the decline of exports. Also, the low return on capital employed in manufacturing and the high percentage of idle productive capacity had a deterrent effect.

Investments in mining and quarrying dropped by 37.6% following a 47% expansion in 1981. Investments in agriculture continued to fall for the third consecutive year (1982: -9.7%, 1981: -5.7%, 1980: -21.5%).

Public consumption and public investments

Within the framework of government policy, which was aimed at restraining the public sector's consumption expenditure and enlarging its investment activity, public consumption, at constant prices, climbed slightly (1982: +1%, 1981: +6.7%), while investments witnessed a substantial increase (+2.4%), whereas, in 1981 they had remained virtually stagnant (+0.6%). In 1982, growth in investment was chiefly due to investments by public enterprises and organizations (Public Power Corp., Olympic Airways, Greek Railways, Workers' Home Fund, etc.).

Gross domestic product, at constant factor cost prices, showed a slight rise (+0.2%) which offset the decline of the preceding year (1981: -0.2%). This development was achieved thanks to the increase in the product of the services and agricultural sectors which counterbalanced the fall in the product of the secondary sector. Thus the share of agriculture and services in the total gross domestic product rose to 14.7% (1981: 14.2%) and 54.8% (1981: 54%) respectively, while that of manufacturing and construction fell to 30.5% (1981: 31.8%).

Gross national income, however, at constant factor cost prices, was reduced by 0.4% (1981: -0.7%) due to the shrinkage (-27.5%) of net receipts from abroad (mainly shipping remittances).

Agricultural production

Despite the adverse weather conditions by which certain crops were hard hit, the product of the agricultural sector (value added) rose significantly (+3.5%) following a drop of 1.4% in 1981. The increase is almost entirely due to crop production while livestock production on the whole remained stagnant, which led to the country's increased dependence on imported livestock products.

Of the main agricultural products, in relation to 1981, the biggest increase was registered by olive oil (+40%), cereals (wheat, barley, maize) and dried raisin, unlike sugar-beets, cotton, sultanas, citrus fruits and fruits which registered a decline. Beef production was also down while poultry production rose.

Secondary production

The volume of the product of the secondary sector decreased appreciably for the

Production and employment

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third consecutive year (1982: -3.7%, 1981: -2.5%, 1980: -2.4%). This is attributed to a large extent to slowdown in manufacturing activity and also to the slump in construction which declined by 4.2% (1981: -1.2%) and 7.7% (1981: -8.5%) respectively. By contrast, the product of public utilities (electricity, gas and water) increased by 3.9% (1981: +3.1%), while that of mining and quarrying remained virtually stagnant (1982: +0.5%, 1981: -7.6%).

During 1982, developments in manufacturing were influenced mainly by restrained domestic demand and the decrease in exports, due to both the global recession and the low competitiveness of Greek industry, precipitated by the rise in the cost of production. At the same time, the stepped up penetration of the domestic market by foreign consumer goods displaced the respective Greek products, thus adversely affecting their domestic production. The impact of this was particularly felt by such branches of manufacturing as textiles, electrical machinery and appliances, and furniture.

Of the basic branches of manufacturing, a decrease was registered in textiles (-10.9%), basic metals (-19.4%), metal products (-9.7%) and foodstuffs (-1%). A low level of activity was also noticed in sectors such as machinery and appliances, electric machinery and appliances, transportation equipment, paper, leather, furniture, petroleum and coal, non-metallic minerals, and wood and cork, while rubber and plastics, tobacco and chemical industries experienced a growth.

Of the individual branches of mining, those related to lignite (used in generation of energy) chrome and manganese ores (after a drop in 1981) expanded production appreciably. A considerable reduction occurred with regard to all other ores except for quarrying and building materials where the decline was less marked.

Services

The product of the services sector, at constant prices, grew in 1982 nearly as much as in 1981 (+1.6%). It should be noted that stagnation or a slight increase occurred in industries directly connected with production, transportation and sale of material goods, i.e. transportation - communications, banking - trade and other services. By contrast, the rise of income from public administration, health-education and housing increased at a slower rate than in 1981.

Employment

Owing to the relative slackness of activity in the secondary sector of the economy, the employment opportunities in general were not enough to absorb the increase of labour supply due to new people (especially women) entering into the labour market, in addition to those repatriating for permanent settlement. More specifically, employment in manufacturing and handicraft remained virtually the same as in the preceding year, during which it had risen by 1.1%, while it declined in the construction sector (1982: -10%, 1981: -4.6%) according to Social Insurance Institute (IKA) data.

Greece, with the largest merchant fleet in the world, disposes of a strong basis for her ship-building and repair industry. On dry docks — the largest in the Eastern Mediterranean — are being built and repaired ships of up to 500,000 dwt.





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According to the Organisation for the Employment of Labour Force (OAED) the average number of people unemployed in 1982 on an annual basis was 19.1% higher than in 1981. These figures, however, because of inherent errors in the process of compilation only serve as an indication of trends in unemployment.

More reliable data are those which resulted from a sample survey of the National Statistical Service of Greece (NSSG), according to which the rate of unemployment reached 7.1% of the labour force in the urban centers (5.5% in 1981) and 5.7% in respect of the country's total labour force (nearly 4% in 1981).

Despite this rise the percentage of unemployed in Greece remained relatively low in comparison with the corresponding rates of EEC (9.1%) and the USA (9.5%).

Income

The real income of those working in the urban sector of the economy improved considerably on an average, following three years of continuous decline. Equally significant was the rise in farmers' real income, after a decrease in 1981.

According to NSSG data, the weekly pay of workers in "large" manufacturing firms (employing over 10 people) increased by 30.3% (23.8% in 1981) and the monthly salaries of employees increased by 22.5% (25.4% in 1981). On the other hand, the monthly salaries of employees in retail trade grew by 37.4% (21.9% in 1981). Lastly, public service employees' pay rose on an average by nearly 31%. During 1982, all the above ratios exceeded the rate of inflation which reached 21%.

Generally, it is estimated that the increase of the average pay of workers and employees in the urban sector of the economy climbed by 27.3% (24% in 1981), which entails an increase in real terms to the tune of 5.2%. This percentage is reduced to 3.6% after deduction of direct taxes.

Farmers' nominal income also rose much more than the cost of living index, due to both the rise in the volume of production and the comparative improvement in the price of their products. This rise was substantial, also in real terms, following a decline in 1981.

The restraint on the rate of inflation, which began towards the end of 1981, was maintained, with some fluctuations of course, throughout 1982. Thus, the annual increase of the consumer price index for that year was 21%, i.e. three and a half percentage points less than in 1981 (24.5%). The increase of the consumer price index between Dec. 1981 and Dec. 1982 was also smaller (+19.1%) than that of the previous twelve-month period (+22.5%).

The contribution of the special indices for foodstuffs (1982: 35.3%, 1981: 44.1%) and housing (1982: 11.4%, 1981: 14.8%) to the rise of the general consumer price index was smaller than in 1981. It should be pointed out that these two

Prices

In the span of two decades Greek cement industry quadrupled its output, and exports of concrete have attained 13% of total Greek exports, with as main customers the countries of the Middle East and N. Africa.

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categories absorbed nearly half of the total average family expenditure and thus particularly affected people in the lower income brackets.

It is noteworthy that the slowing down of the inflation rate was achieved despite the substantial increase in unit labour cost, farmers' prices and indirect taxes. The control of the remaining cost elements, which influence prices and, to some extent, the restraint in terms of quantum or timing on increases in rates charged by public utilities, contributed effectively to the slowing down of the inflation rate. Finally, the impact of price increases of imported goods was also diminished.

Despite this progress, however, the inflation rate in Greece was one of the highest among the OECD countries.

Even greater was the slowdown in the rate of increase of wholesale prices. The annual increase of the wholesale price index was 16% against 25.9% in 1981. The individual indices point to a general slowdown in the price increase of goods, which was more pronounced, however, in the case of exported (1982: +8.1%, 1981: +25.1%) and imported (1982: +15.4%, 1981: +31%) as compared with manufactured products (1982: +16.8%, 1981: +24.2%) and in particular with primary products (1982: +20.6%, 1981: +25.1%).

The Balance of payments

The evolution of the aggregates of the Greek balance of payments was largely influenced by the international economic crisis and the domestic situation.

The deficit on current account fell by 536 million dollars or 22.1% and totalled 1,885 million dollars against 2,421 million dollars in 1981. This improvement was achieved thanks to the drop of the trade deficit by 770 million dollars or 11.5% (1982: 5,927 million dollars, 1981: 6,697 million dollars) which more than offset the drop in the surplus of invisible transactions which amounted to 234 million dollars or 5.5% (1982: 4,042 million dollars, 1981: 4,276 million dollars).

The favourable evolution of the trade deficit is exclusively due to the reduction of the deficit in the fuel balance by 772 million dollars, resulting mainly from the decrease of imports by 24.6% (1982: 2,778 million dollars, 1981: 3,685 million dollars), after the policy of oil stockpiling had been adjusted to the downward trend of oil prices in the international market. At the same time, fuel exports also fell by 17.3% (1982: 648 million dollars, 1981: 784 million dollars).

The trade deficit on all other commodities remained at the same level as in 1981 (1982: 3,797 million dollars, 1981: 3,795 million dollars). Specifically, foreign exchange expenditure on all other imported commodities (excluding fuel) witnessed a decrease of 6.3% and totalled 7,290 million dollars, under the influence of the downward spiral of prices stated in dollars. From detailed available figures, it appears that all the main categories of imports showed a decline with the exception of foodstuffs (+2.6%). Especially significant was the decline in foreign exchange expenditure on raw materials (-15%). As for imports of capital goods, their value

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was down by 7.8%, whereas manufactured consumer goods fell by 3.9%. It is worth mentioning that a small increase was noted in the value of non-essential goods, mainly textiles, private cars, etc.

Foreign exchange receipts from exports of all other commodities (excluding fuel) fell by 12.4% against 1981, to 3,493 million dollars. This development was largely due to a decrease in the volume of exports, brought about by reduced foreign demand, but mainly by the deterioration of the competitiveness of Greek products. Characteristically, the NSSG volume index (excluding liquid fuel), based on shipments of merchandise, fell by 4.7% in relation to 1981. Furthermore, there was an appreciable reduction of foreign exchange receipts on all individual categories of exported goods (manufacturing-handicraft, minerals-ores, raw materials - semi-finished goods), while those of tobacco declined slightly.

As far as the geographical distribution of Greek exports is concerned, it must be noted that there was a rise in the share of the EEC countries (1981: 43.3%, 1982: 46.3%) and the remaining countries of Western Europe (1981: 5.3%, 1982: 7.1%), according to NSSG data, while that of the Arab countries went down (1981: 27%, 1982: 24.2%).

Invisible receipts of foreign exchange were running 5.9% behind the 1981 level (1982: 6,098 million dollars, 1981: 6,482 million dollars), due to a decrease in the inflow of capital from all basic categories (tourism, shipping remittances, etc.), except for EEC net transfers.

Specifically, the decline in foreign exchange receipts from tourism by 18.8% is accounted for by the decrease in the per capita foreign exchange receipts, while the drop in tourist traffic was negligible. The international shipping crisis has obviously had a negative effect on shipping remittances. At the same time, emigrants' remittances, following a period of decline in migration and a surge of repatriation over the last few years, no longer constitute a dynamic source of foreign exchange. The evolution of emigrants' remittances was also influenced by the changes that occurred in the foreign exchange markets, the relatively high interest rates abroad, the recession and the wave of unemployment, which mainly hit the economies of European countries with large Greek communities.

Invisible payments were down by 6.8% in comparison with 1981 (1982: 2,056 million dollars, 1981: 2,206 million dollars) due to lower transportation payments and government expenditure.

The net inflow of foreign capital fell by 4.8% (1982: 1,809 million dollars, 1981: 1,901 million dollars) due to the drop in the net inflow of private capital. There was a sharp decline of the net inflow of business capital and of funds earmarked for the purchase of houses. The inflow of the latter kind of funds was affected by the conditions prevailing on the real estate market. There was also a contraction of the net inflow of deposits into the credit institutions. Foreign commercial credits continued

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to exert a negative impact on the net movement of capital since repayments exceeded new credits because of the decreasing imports, but also because of the importers' unwillingness to raise funds abroad in a period of increased foreign exchange risks. By contrast, borrowing abroad for financing the residual current account deficit by the public sector (mainly by the Central Bank and the public enterprises) increased considerably and totalled 1,708 million dollars, an amount which covered the largest part of the current account deficit. Finally, amortization payments made by the private and public sector reached 710 million dollars (+8.8%).

A trend towards economic stabilization, which started to become discernible in 1982 seems to have consolidated in 1983, thus improving the prospects for a more satisfactory performance over the next few years.

Naturally, inflation, the deficit on current account, the slackness of investment, and unemployment continue to be the major outstanding problems. Their solution requires long-term systematic efforts as they are basically problems of a structural nature. The relative aggregates, however, for 1983 tend to be improving over the previous year.

As regards inflation, there were strong tendencies during the first quarter of 1983 for a surge in prices, chiefly on account of the devaluation of the drachma and the required readjustments of the prices of goods and services provided by public utilities. Since March, there have been indications of a slower rate of increase in wholesale prices, a fact which will subsequently have a beneficial effect on the consumer price index. It is expected that income policy, together with a systematic control of all the elements which influence the cost—so as to avoid unreasonable price rises—will have a restraining effect on price advances. The government target is to get the rate of inflation below 20%.

The underlying conditions of the balance of payments point to a more sustained improvement, with a further drop in the current account deficit to follow. The devaluation of the drachma at the beginning of January, coupled with a moderation of the trend of rising cost of labour, are strengthening the competitiveness of Greek products. This development, combined with a recovery of the world economy, which is expected to become more pronounced during the second half of this year, is a positive factor in the drive for boosting exports. Similarly, steps are being taken for a greater penetration into foreign markets. Such measures include the creation of institutional agencies for boosting exports and the harnessing of the country's foreign relations to the promotion of trade and, generally, a strong government presence in the export drive.

The improving competitiveness of Greek products, on the other hand, tend to discourage imports. At the same time, certain quotas on imports were imposed, at the beginning of the year, to protect a number of products facing difficulties, due to the keen competition by products of other EEC countries. Also, the fall in oil prices is expected to contribute to a curb in foreign exchange expenditure for imports.

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The anticipated surge in foreign demand and the strengthening of domestic demand, mainly through state purchases, and the expected dampening of demand for imports, create favourable conditions for rekindling private initiative in the investment sector. Likewise the clarification of investment incentives spelled out in L. 1262/82 together with the recently enacted measures which boost investment incentives and reduce red tape, restore a favourable climate for investment activity. Specifically, in regard to small and medium-sized enterprises, new fields have been opened up thanks to the manifold backing of the Government which will help them increase their fixed capital. Larger investments are also being carried out by the state, as provided for in the Government's budget, while state controlled banks have drawn up investment plans which are being advanced to the stage of implementation.

The employment opportunities which are being created, however are inadequate to absorb the swelling number of the unemployed. For this reason, the Organisation for the Employment of Labour Force (OAED), in cooperation with local authorities, is implementing a comprehensive programme intended to absorb the unemployed.

The facts and anticipated developments set out in the foregoing survey give rise to the expectation of a more satisfactory evolution of the Greek economy in 1983, and especially during its second half, than the year before. Therefore, the rate of growth of gross domestic product is expected to be higher than in 1982 while at the same time it is estimated that all the other factors affecting mainly inflation and the balance of payments deficit will improve.

III. Monetary and credit developments

In 1982, monetary aggregates were influenced mainly by the preferences of the saving public and also the credit and fiscal policies applied. The principal aim of the credit policy was to curb the inflationary pressures and put the credit system on a sounder basis.

The main feature of developments in the credit sector, in comparison with 1981, was the significant slowdown of credit expansion which was more pronounced in the public sector. The fall in the rate of increase in lendings to the private sector was also notable. Justified borrowing requirements, however, of enterprises were met satisfactorily. This was achieved both through a more rational evaluation of loan applications and by ensuring that loan funds were used for the purposes for which they had been granted. Thus, the leakage of bank credits to undesirable and speculative activities, which feed inflation and deprive production of valuable funds, was very much curtailed.

The flow of savings to the banking system was maintained at high levels even though its rate lagged behind that of 1981. The evolution of deposits, however, was not uniform throughout the year due to the influence of certain unsettling factors, the most important of which was the bank employees' strike that caused a disruption in the flow of deposits for nearly two months. This, together with the increased qualitative reserve requirements imposed on commercial banks and a shift in demand for credits which are either subject to such requirements or do not receive interest-free rebates from the Central Bank, had an adverse effect on their disposable funds. Accordingly, the banks were faced with cash balance problems and, as a consequence, some of them were obliged to have recourse to high-interest borrowing from the Central Bank in order to cover justified borrowing requirements of their clients. These developments, coupled with the rising cost of attracting deposits, affected adversely the banks' results which, in conjunction with the sharp increase in operating costs, led to a marked deterioration of their profitability.

Credit policy

In 1982, credit and monetary policies were basically aimed at curbing inflation and supporting sound business activities by keeping credit expansion at reasonable levels and by improving the allocation and effective use of funds. The implementation of these objectives was undertaken by adjusting the monetary aggregates in the annual monetary and credit programme accordingly and adopting additional measures in the course of the year.

The expansion of credit to levels at which genuine borrowing requirements of productive activities could be met was sought after through the annual lending programmes of specialized credit institutions and the application of liquidity controls on commercial banks. At the beginning of 1982 additional qualitative reserve requirements were imposed on commercial banks. These were computed on the basis of the then existing total balance of the deposits. More specifically, the banks

Monetary and credit developments

were obliged to allocate 1% of their total drachma deposits to short-term financing of overloaned firms, whilst the percentage retained for the support of handicraft in accordance with Currency Committee Decision 197/78 rose from 7% to 8%. These measures, though of a qualitative character and designed to channel more funds to the financing of certain activities, inevitably also served, at least for the first few months, as quantitative restrictions. This was especially true in the case of banks which had unused balances on compulsory deposits with the Bank of Greece earmarked for handicraft loans.

At the same time, significant improvements were made in the terms of financing small and medium-sized enterprises out of the special funds under Currency Committee Decision 197/78 in order to facilitate their faster absorption. Specifically, both the limits for handicraft loans not requiring prior approval of the relevant sub-committee and the maximum lending ceiling for each handicraft firm were raised, while the percentage of handicraft loans covered by government guarantees was similarly increased.

In addition, other measures were put into effect with the purpose of raising the standards of investment programmes and improving lending conditions. In this context must be seen Development Law 1262/82 which, among other things, lays down the criteria for the evaluation of investments not only from a private business point of view but also under their socio-economic aspect so as to achieve the maximum public benefit.

At the same time, the banks proceeded to revise their lending criteria in order to support business activity and the overall aims of economic policy. Thus, when evaluating loans, special weight was placed on those criteria which determine the dynamism and the prospects of enterprises, such as their productivity and viability as well as the qualifications of their owners, while traditional guarantees (liens, etc.) no longer constitute an indispensable precondition for lending.

In order to fulfill the aims of the new credit policy, the banking institutions obviously need to develop the proper infrastructure. The banks and NBG in particular, as mentioned elsewhere in this report, have already intensified their activity to bring about the required adjustments in their lending mechanism.

Public finance

The state budget in 1982 registered an increase in revenue and a decline in expenditure in comparison with 1981.

According to provisional data, total expenditure of the state budget (ordinary and investment) increased by 27.6% as against 41.3% in 1981 and totalled 785.7 billion drachmas. On the other hand, total revenue rose by 38.4% (1981: 19.6%) and amounted to 594.6 billion drachmas. Thus, the deficit of the state budget is estimated at 191.1 billion.

The deficit on the agricultural products account and on state supplies on a fiscal,





Monetary and credit developments

basis was held to nearly 54 billion drachmas in 1982 against 60 billion drachmas in 1981. Of this amount 31.5 billion concerned subsidies on agricultural products and supplies and 22.5 billion concerned administration expenses and losses due to state intervention.

Finally, the total operating and investment deficit of public utilities and corporations without taking into account amortization payments, totalled 89.9 billion drachmas. It is estimated that the overall financial deficit of the public sector on a cash basis reached 339.4 billion drachmas at the end of 1982, representing 13% of gross national product and a decrease in comparison with 1981 (14.4%).

Currency circulation expanded by 39.8 billion drachmas or 15.3% in 1982 against 24.3% in the previous year. On the basis of annual average figures the increase was 20.6% whereas gross national product at current market prices rose by 25%, which indicates a new acceleration of the income velocity of circulation (1980: 9.55, 1981: 9.64, 1982: 9.99).

The increase in the income velocity of currency circulation underlines the fact that, despite the slowdown of the rate of inflation during 1982, inflationary expectations continued to subsist. On the supply side, the only factor which contributed to the expansion of currency circulation were the financial requirements of the public sector, whereas the private and external sectors had a restrictive effect as in the previous years.

The total rise of drachma deposits with the commercial banks and the specialized credit institutions amounted to 377.3 billion drachmas or 31.1% as against 326.2 billion drachmas or 36.7% in 1981. On the other hand, deposits with the Bank of Greece not coming from credit institutions but mainly from funds of public entities under E.L. 1611/50, advance deposit requirements on imports, a.o., expanded by 16 billion drachmas.

The largest part of the increase in deposits with commercial banks and specialized credit institutions, i.e. 349.5 billion drachmas or 92.6%, came from the private sector. The rate of increase in private deposits (30.4%), though appreciably lower than in 1981 (38.1%), continued to be high for the second consecutive year.

The increase in deposits reflects the strong preference of the public for this form of saving but it is also linked to the slackness in other types of private investments. More specifically, as regards the housing sector, high prices continued to keep a large percentage of savers — especially those in the low and middle income brackets — away from the real estate market. The development of deposits was also affected by the slump of the capital market. Thus, investors were mainly induced to turn to the banks with which they deposited considerable funds. It must be noted, therefore, that the factors which had a positive influence on deposits in

Currency circulation

Deposits

Traditionally good taste in the manufacture of Greek jewellery has helped it to conquer foreign markets. Exports of jewellery constitute today an important source of foreign exchange earnings.

Monetary and credit developments

1982 were the same as those in 1981. On the other hand, however, there were also factors during 1982 which exerted a restraining effect on their development. Credits, for instance, expanded to a point which was more consistent with the borrowing requirements of the banks' clients. This seems to have restricted the diversion of loan funds to deposit accounts — a diversion intended to take advantage of the difference between debit and credit interest rates and to obtain tax-free income from deposits.

Time and savings deposits, which represent the bulk of private drachma deposits, increased by a total of 332.1 billion drachmas or 31.6% (1981: 39.4%, 1980: 27.5%). Time deposits, in particular, rose at a faster rate than all other categories, namely, by 36.6% (1981: 42.7%) compared with a 29.6% increase for savings deposits (1981: 38.1%). The preference of savers for time deposits was, of course, attributable to their high return. At the same time it reflects their confidence in the economy and the banking system. Furthermore, blocked deposits increased by 2.8 billion and private sight deposits by 14.6 billion. The latter rose at the rate of 19.8%, i.e. less than in the immediately preceding year (29.2%). This must be attributed mainly to the slowdown of the rate of credit expansion.

The balance on deposits in foreign currencies rose during 1982 by the equivalent of 81.2 billion drachmas or 30.5%. The corresponding increase for 1981 was the equivalent of 75.6 billion drachmas or 39.7%. The deceleration of the rate of increase can be largely attributed to the shipping crisis and the economic recession prevailing in the countries where Greek immigrants are working. It should be noted however, that the real increase of the banks' disposable funds due to such deposits is less than that entered in the books because a large part of the increase results from the revaluation of the currencies in which foreign exchange accounts are being kept.

Finally, as far as the distribution of the total increase in deposits in drachmas and foreign currencies by type of credit institution is concerned, it is to be noted that the commercial banks attracted 331 billion or 72.2% of the total, and specialized credit institutions accounted for the remainder of 127.5 billion or 27.8%.

Bank financing

Bank financing during 1982 was influenced by the credit policy applied and the demand for credits by enterprises. On the basis of outstanding balances at the end of the year, total bank financing increased by 355.7 billion drachmas during 1982 or 27.8% as against 307.7 billion drachmas or 31.3% in 1981. Lendings to the private sector increased during 1982 by 249.8 billion drachmas or 24% (1981: 27.1%), while credits to the public sector increased by 106 billion drachmas or 44.6% (1981: 54.2%). Of the credit expansion in the private sector, the largest part was channelled to manufacturing (industry and handicraft), the balance of which increased by 123.7 billion or 22.9% as against 32% for the immediately preceding year. Specifically, handicraft loans noted a rise of 51.9%. Financing of agriculture expanded by 49.8 billion drachmas or 30.8% (1981: 22.4%), housing

Monetary and credit developments

by 39.1 billion drachmas or 32.3% (1981: 23.9%), trade by 20.5% against 21.6% in 1981, and all other sectors (tourism, shipping, etc.) by 14.5% in comparison with 20.9% in 1981.

Finally, the distribution of credit expansion by type of credit institution is as follows: out of 355.7 billion drachmas, specialized credit institutions covered 218.7 billion drachmas (an increase of 35.4% against 34.4% in 1981), commercial banks 141.4 billion drachmas (an increase of 22.3% against 28.7% in 1981), while Bank of Greece financing decreased by 4.4 billion drachmas. Thus, the specialized credit institutions increased their participation in the total credit expansion by more than 9 percentage points, i.e. from 52.4% in 1981 to 61.5% in 1982. Comparable also was their increased participation in the credit expansion to the private sector (1982: 44.7%, 1981: 36.5%).

Operating under the credit rules in force and taking into account the market demand for credits, the commercial banks were faced by difficult conditions in 1982. Despite this, they played a decisive role in the development of the monetary and credit sector.

As regards the attraction of capital, the commercial banks followed an aggressive policy, which enabled them to obtain the largest share of the increase in deposits.

On the other hand, commercial bank credits increased by 141.4 billion drachmas. This amount is estimated to have covered 49% of the increase of their total investments while the corresponding figure for 1981 was 54%. The remaining 51% was channelled mainly to the public sector in the form of obligatory holdings of Treasury bills and deposits with the Bank of Greece.

The distribution of the increase in commercial bank investments, as was mentioned previously, was affected by additional qualitative reserve requirements and the shift in demand for various categories of loans and advances. Indeed, a significant portion of the compulsory deposits with the Bank of Greece earmarked for medium and long-term loans remained blocked with that bank, because of slack demand for such loans. Thus, the lending potential of the commercial banks was limited. The potential was, however, also curtailed by the considerable shrinkage of credit funds rebated by the Bank of Greece for export credits, due to the slow rate of increase of the latter. In this connection, it should be pointed out that commercial banks, in their endeavour to cover the essential capital needs of the private sector, were compelled to have recourse to extensive high-interest borrowing from the Bank of Greece, with the result that some of them had to pay large interest charges. This fact, as well as the rapid increase in high-cost time deposits, caused a further squeeze of the margin between credit and debit interests, affecting the results of the commercial banks accordingly.

It is a well known fact that the largest Greek commercial banks, and the National Bank of Greece in particular, continue to finance overloaned enterprises presumed

Commercial banks

Monetary and credit developments

viable during this period of transition in which the solution to their problems is being worked out. It should be noted that substantial amounts of money have, for a long time, been frozen in overloaned enterprises. The immobilization of such funds disrupts the smooth functioning of the banks and hampers the implementation of overall desirable activities, with adverse repercussions on the banks themselves and the economy as a whole. This state of affairs, aside from limiting liquidity, also directly affects the performance of credit institutions. It is therefore imperative that special attention be given to the measures which will be taken to solve this problem, so as to address effectively the problems of liquidity and profitability which the overloaned enterprises have created for the banks.

The banks themselves are in the process of coping, to the extent possible, with the problem of profitability by their own efforts to modernize banking operations, so as to cut down their costs and boost their productivity. The readjustment of interest rates on reserve requirements, which absorb a significant and increasingly larger portion of their available funds with a return which does not cover the cost of deposits, would prove a positive and direct contribution to their profitability. A step in this direction was the increase of interest rates on Treasury bills by one percentage point as of 1st January 1982.

Capital market

The main features of developments on the Stock Exchange during 1982 reflect the lack of interest in securities on the part of investors and the drop in share prices. The total value of Stock Exchange transactions on shares and bonds reached 4 billion drachmas (1981: 3.9 billion, 1980: 4.9 billion). Meanwhile, the annual average index of share prices fell during the year under review by 6.2% (1981: -8.1%, 1980: -13.7%). More specifically, bank share prices fell slightly (1982: -4.7%, 1981: -9%), while in the case of commercial and industrial firms the rate of decline was the same as in the previous year (1982: -7.9%, 1981: -7.2%).

PART B

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

IV. The National Bank's credit policy and activity

A. The policy

The Bank's policy was again affected by the impact of the adverse economic conditions that had also prevailed in previous years, the most predominant of these being the low level of investment, slack economic activity and the inflationary pressures.

These conditions, which have increased implications for Greek economy, as has often been pointed out, because of its inflexibility due to structural weaknesses, seriously affected the Bank's available funds, its credit policy and its operational results in 1982. More specifically, low demand for investment funds and the declining rate of increase of export credits — which had a negative effect on the Bank's available funds — combined with the high and completely inelastic demand for additional short-term credits from a large number of firms, including the overloaned ones, put their imprint on the development of the National Bank's items.

The slowdown in the rate of increase of loans for investments and the decline of the rate of increase of export credits limited appreciably the volume of new available funds of the Bank in 1982. In fact, 12.8 billion drachmas out of the 15% of the Bank's deposits earmarked for medium and long-term loans remained unused and blocked at the Bank of Greece at an interest rate of 11%. Moreover, owing to the smaller increase of export credits in 1982 rebates received in the same year from the Bank of Greece within the framework of the current reserve-rebate system designed to promote low-interest credit to desirable activities, amounted merely to 0.6 billion drachmas, as compared with 7.2 billion in 1981. At the same time, the imposition of additional qualitative reserve requirements at the beginning of 1982 had a negative impact on the available funds of the Bank, at least during the first few months after their imposition.

Lastly, the slowdown in the annual rate of increase of deposits in 1982 (which, however, continued to be high) and fluctuations in their rate of inflow because of the long duration of the bank employees' strike, were additional factors which reduced the Bank's available funds as compared with 1981.

The Bank's credit expansion in 1982 was mainly affected by two fundamental factors: First, the high demand for new short-term credit on the part of overloaned firms as well as by certain big companies which, without being overloaned yet, may be moving in that direction unless certain precautions are taken. Secondly, the great effort that was made to promote effectively loans to handicraft resulting in their impressive increase. In any case, it should be pointed out that these loans do not have an adverse effect on the Bank's liquidity since there remains, despite its continuous reduction, an unused balance from the compulsory 8% deposit with the Bank of Greece.

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Despite the Administration's efforts to contain the credit expansion within the limits of the Bank's available funds, the fluctuations of the latter and the tendency for a continuous decrease of their rate of growth, in combination with strong and inelastic demand for credit, frustrated these efforts. Thus, starting in April 1982, the National Bank had to resort to high-interest borrowing from the Central Bank, which increased substantially during the bank employees' strike and began to diminish gradually from September onwards. This development, was also influenced by the policy of the Bank, for which, because of its size and special role in the Greek economy, it was impossible to stop suddenly to satisfy the urgent borrowing requirements of many firms without creating acute economic and social problems.

By gradually confining credit for certain firms to levels that were absolutely necessary to ensure their continued operation and by suspending the financing of others, which have no chance of survival, the Bank was able to gradually narrow the deficit in its current account with the Central Bank, though it did not succeed in eliminating it entirely.

Under these circumstances, it is obvious that the credit developments of 1982 were not favourable for the Bank's profitability. The additional immobilization of an important part of its net inflow of deposits with the Bank of Greece at a low interest rate, as well as the substitution of a part of these by high-interest borrowing in order to meet urgent credit requirements of the private sector, brought about significant changes in the structure of the Bank's assets and liabilities. The result of this was that the yield of the former went down and the cost of the latter went up.

It is obvious that these trends cannot remain unchecked. The Bank is obliged to take and is taking all the necessary steps so as not to sustain a loss through credit expansion. On the other hand, however, the authorities should take into account the conjunctural change in the demand for credit and foremost the slackened demand for long-term loans, which coincides with the intensified demand for short-term credit, over and above the reasonable requirements which arise under normal economic conditions. Perhaps these developments should lead to a re-examination of the appropriateness of certain credit rules and, more particularly, to an appreciation of the question whether these rules continue to serve their original purpose under present conditions.

As was mentioned earlier, with regard to the overloaned firms the Bank continued the moderate financing of those presumed to be viable. At the same time, senior officers of the Bank are working hard to spot the deeper causes and assess the actual size of the needs of the overloaned firms, and to help as much as possible in the efforts that are being made to arrive at a final solution of the problem. The Bank is in close touch with the responsible authorities of the Ministry of National Economy in a joint effort to cope both with particular cases and the overall problem. Furthermore, it has provided final solutions, either alone or in co-operation with other banks, to the problems of certain overloaned firms which,

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because of their relatively small size, could be dealt with within the framework of the banking system.

However, the Bank's basic objective in 1982 was the adoption of all feasible measures designed to prevent, as far as possible, the worsening of the financial position of certain large firms and thus to avert their becoming overloaned, too.

It is the Bank's view that a considerable share of the responsibility for the situation which has arisen with regard to the overloaned firms, lies also with the banks themselves. The financing of over-investments in industrial branches which had visibly been facing considerable structural difficulties for some time — at least on a European level —, the granting of short-term credits to cover a large part of investment funds, the delay in the completion of investments and the wasteful spending of funds during the construction phase, led to the over-indebtedness of a large number of firms. Moreover, the banks covered in an unchecked way the short-term borrowing requirements of enterprises, without prior examination of their stocking policy and without checking on their buying and selling prices from and to other countries, nor controlling, however perfunctorily, the firms' credit policy towards their customers. All this contributed to the further accumulation of debts at these enterprises.

It is obvious that avoiding the above mistakes is also the best policy to prevent the emergence of new overloaned firms. The Bank has already adopted this policy. At the same time, it has tried to improve the financial structure of certain large and viable industrial units for the purpose of forestalling, as far as possible, a significant increase in their financing costs. It must be noted, however, that the Bank's room for manoeuvring in this area is limited, which means that its ability to avert the worsening of the financial structure of certain firms, so as to prevent them from becoming overloaned, is equally limited.

There remains, however, the problem of the existing overloaned firms and of the measures required to save those which are viable in every other respect. The close cooperation between the Bank and the Ministry of National Economy in tackling the issue has already been mentioned. What should be added here is that it is not possible to deal with the problem of lessening the implications of excessive borrowing by a large number of firms — the result of the mistaken policy of their management, of the banks and of past governments — within the framework of the banking system alone. For that reason, when shaping the problem's final solution, a basic objective will also be to settle in a definitive way the serious liquidity and profitability questions which the overloaned firms have created to the banks.

Needless to say that the Bank continues in the normal fashion the financing of sound firms, though taking at the same time all the necessary measures to ensure the normal development of their capital structure. In this context, the Bank requires that the firms fulfil their current obligations to the Bank on time and, furthermore, service the loan and credit instalments at maturity. This policy serves the

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real interests of the Bank as well as of the firms and at the same time inhibits any inclination to make improper use of credits either inside or outside the firms.

As was mentioned earlier, special importance was attached by the Bank's management and staff to the promotion of loans to handicraft. It is possible to outline the size of this effort and the care that was taken to satisfy every reasonable capital requirement of handicraft by quoting certain statistical data. Thus, in 1982 the Bank granted new loans to handicraft amounting to 40.3 billion drachmas as against 20.8 billion in 1981, i.e. such loans were doubled last year. The number of loans granted in 1982 is put at 25,600 and therefore the average amount of new loans to handicraft is calculated at 1,600,000 drachmas. This fact is a clear illustration of the small and medium size of the units that were served by the National Bank. This observation is further strengthened by the structure of the balance of the Bank's lendings to handicraft at the end of 1982. Thus, out of 49,730 clients who had made use of such credits, until the end of the year, 47,530 (i.e. 95.6%) were owing the Bank up to 5 million drachmas each. A similar picture emerges with regard to loans under Currency Committee Decision 197/78 where 33,040 out of 34,730 clients (i.e. 95.1%) belong to the same category, i.e. to those who have a loan balance of up to 5 million drachmas. At the other end of the scale, there are only 9 clients with a loan balance above 50 million drachmas. From these data it clearly results that the Bank's loans to handicraft doubled in 1982. At the same time, its policy in regard to handicraft financing served almost exclusively the interests of small and medium size firms.

From a sample of 30 branch offices, in the metropolitan area and in the provinces, which are estimated to have covered 22% of new loans in 1982 to handicraft, from the funds under C.C.D. 197/78, the following conclusions can be drawn. First, in the case of applications coming under the exclusive jurisdiction of the branches, the rejection rate amounted to 1.1% only. Secondly, of the applications that, for reasons of jurisdiction, had been referred to the sub-committees of credits for handicraft, 2.3% were rejected. In effect, therefore, practically all applications submitted to the Bank for loans under C.C.D. 197/78 in 1982 were met. It should be noted that this policy, in the last analysis, has been also in the Bank's own interest, if one takes into account that it contributed to the considerable reduction of the unused balance of funds of C.C.D. 197/78, the yield on which may not exceed 6%.

Lastly, the Bank's concern for the largest possible financial support to handicraft has also found its expression in a global loan from the European Investment Bank, totalling the equivalent of 1,250 million drachmas. One fifth of this amount has already been taken up under very favourable terms by the recipients of the loans, whilst all the necessary steps are being taken so that another fifth of the amount may be disbursed soon.

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The Bank's policy for coping with the current economic situation and its effects both on the national economy and on itself has been supplemented by a number of measures designed to improve, mainly on a long-term basis, its operational efficiency and its effectiveness. More specifically, with regard to the attraction of new funds, efforts have been made to further improve the organization and the functioning of the services being offered to depositors at home and abroad. The sophisticated administrative decentralization which was inaugurated recently, the expansion of the Bank's network at home and abroad, and the examination of the possibilities for introducing into Greece new forms of deposits are all steps in this direction. Great importance was also attached to the raising of funds on international capital markets to finance productive investments of Greek firms domiciled in Greece. More specifically, in 1982 three loan contracts were signed between our Bank and the European Investment Bank. Two of these contracts relate to the financing of the investments of two large Greek manufacturing units. The third, as was mentioned above, is in the form of a long-term global loan within the framework of which funds are being used for investments of small and medium-sized enterprises, which are located mainly outside the metropolitan area and present the following characteristics: they belong to branches of industry with a strong growth potential, they create new job opportunities and they take care to protect the environment. These loans are granted to our Greek clients after the EIB has satisfied itself that they fulfil its preconditions which, to a large extent, coincide with ours. The National Bank is responsible for the proper repayment of the loans. As far as the recipients of the loans are concerned, they obtain investment funds in foreign currency without having to bear the foreign exchange risks, which are assumed by the State, whilst having the benefit of the same favourable interest and repayment terms that apply to long-term investment loans which the Bank grants from its drachma funds.

The cornerstone of the Bank's long-term considerations in its credit policy is the adoption of modern lending criteria and the speeding-up of procedures for the granting of loans. Since the beginning of 1982, the Bank has stressed the importance that it attaches to the up-dating of lending criteria by shifting the weight from the firms' profitability and the collaterals that they offer to their viability and growth potential, as well as to the personality and objectives of their owners.

It is, indeed, the National Bank's conviction that the extensive use of these criteria, apart from creating new relations between creditor and debtor, lead to a sounder portfolio, a wider spread of credit risks, the smoothing of the recycling of credit funds, etc., with obvious positive effects on the Bank's profits. From the point of view of the national economy, the effects are also positive, so much so that the application of the new criteria is regarded as one of the preconditions for improving its structure and securing its steady growth. As will be explained in greater detail in

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the next chapter, the Bank has started preparatory work to ensure the necessary infrastructure for the effective application of the new criteria. At the same time, however, and this is the most important point, it has gone ahead with laying the foundations of a new mechanism which leads to this application, despite the difficulties caused by certain traditional procedures, a deeply ingrained attitude of mind and the lack of sufficient experience.

After a gradual build-up, which is expected to be completed by mid-1984, all the Bank's officers, at all levels of responsibility and at all units of the network, will be applying the new mechanism. The special seminars, which have already started to train our loan officers in the use of the new criteria, are one of the most essential preconditions for the proper operation of the new mechanism.

Another important element of the same mechanism which will contribute more generally to the improved quality of banking services in terms of speed, accuracy, completeness, etc., will be the reform and extension of the Bank's administrative decentralization which started with the setting up of the Regional Administrative Unit of Northern Greece. A decentralized administration — a subject which will also be presented in greater detail in the next chapter — with the extensive and substantive jurisdiction accorded to its officers, shortens impressively the time needed to complete various procedures which, though not involving the client personally, are of great importance in providing him with a perfect service. More specifically, in the credit sector the officers concerned are given the chance to assess more objectively and more speedily the requirements of the firms, utilizing information and experience gained from the regional market direct without interference from headquarters.

The combined effect of decentralization and the use of the new lending criteria will be to shorten by about 70% the time needed for approving and granting a loan.

During the year under review, the Bank also pursued an aggressive policy abroad, despite the difficulties in foreign markets because of the adverse conjunctural economic developments. The principal objectives of this policy, naturally, were the expansion of operations and the greatest possible exploitation of new opportunities for extending the Bank's presence on the international banking market. The predominant feature, however, of the policy in 1982 was that, in the course of pursuing the two aforementioned major objectives, an effort was made to "internationalize" the Bank in a more substantial way. This internationalization is intended to go beyond the mere promotion of services usually rendered to its business and other clients at home and in those countries where its units are operating (e.g. handling of transactions, providing services to Greek emigrants and seamen, attracting deposits from abroad) and is to be expressed by novel, modern forms of participation in international banking.

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An important part of this new endeavour is the Bank's drive to extend its range of customers beyond the expatriate Greeks who have traditionally formed the basic nucleus of its clientele abroad and are expected to continue to do so. Judging by the fact that today about half the transactions of our affiliated banks in the USA and Canada involve non-Greek customers, it seems that satisfactory progress has been made in the desired direction.

The exploitation of opportunities on the international foreign exchange markets for the utilization of foreign currency funds has already become a new and profitable field of activity for the National Bank, with many possibilities of substantial progress, subject — of course — to international developments. As far as the Bank's participation in the international capital market is concerned, it has already been mentioned that the Bank succeeded in contracting three loans with the European Investment Bank.

On the other hand, through its network abroad, the National Bank participated in an international syndicated loan to the Aspropyrgos State Refineries, totalling 105 million pounds sterling. Special mention deserves the fact that the National Bank, as one of the lead managers of a group of large European and Japanese banking institutions, assumed the responsibility for providing a syndicated loan, totalling 250 million dollars, to the Public Power Corporation. The Bank also acted as leading underwriter for the issue of a 50 million ECUs bond loan by Euratom which was placed successfully on the Euromarket.

These two new forms of activity by the National Bank, which international money market circles regard as particularly profitable, were undertaken for the first time by a Greek commercial bank and underline both its prestige abroad and the considerable growth potential of its international operations.

With the same prospect in mind is being examined the possibility to set up abroad an offshore unit and a special shipping branch in New York. Moreover, it has been decided to expand the network by seven new units in other important financial centres abroad, details of which will be given in the next chapter.

The improvement of services offered to shipping, in general, and Greek seamen, in particular, occupies a central position in the policy pursued by the Bank in its international activities. The objective of this effort is that the foreign network of the Bank and in particular its shipping units, in co-operation with their counterparts in Greece, shall provide effective help and support to Greek shipping — the international sector par excellence of the Greek economy — both by meeting its borrowing requirements and by providing all forms of banking services and facilities.

The National Bank's credit policy and activity

Deposits

B. Credit Activity

Deposits with the Bank of Greece, in drachmas and foreign currencies, witnessed a high rate of increase in 1982. The balance of deposit accounts in drachma equivalents reached 777.9 billion drachmas at the end of the year, this amount being 188.6 billion or 32.0% higher than that in 1981 (increase of 1981: 160.9 billion or 37.6%).

The largest part of this increase came from private deposits in drachmas. More specifically, savings deposits increased by 75.3 billion drachmas or 28.7% (1981: 74.5 billion or 39.7%), whereas the increase of time deposits was 45.3 billion or 29.7% (1981: 42.1 billion, or 38.2%). However, if one takes into account that owing to changes in the relative procedure, the balance of time deposits on 31 December 1982 does not include, the interest charges which were calculated on 15.12.82 but relate to 1983 (amounting to about 10 billion drachmas), whereas the corresponding interest charges are included in the balance on 31.12.81, then the real increase of time deposits in 1982 amounts to 55.3 billion drachmas or 36.3%. On the basis of this remark time and savings deposits with the Bank increased in 1982 by 130.6 billion drachmas, or 31.5% (1981: 116.6 billion, or 39.1%) and overall private deposits by 134.1 billion or 30.3% (1981: 123.6 billion or 38.7%).

Private sight deposits increased by 3.0 billion drachmas or 12.1% (1981: 5.7 billion, or 30.0%). The large increase in 1982 was mainly due to their rise during the last month of the year. As in 1981, current accounts moved at a faster rate (+29.2%) with the result that their balance went up from 3.9 billion drachmas at the end of 1981 to 5.1 billion at the end of 1982.

Deposits in foreign currency also increased at a high rate. At the end of 1982 their total balance amounted to the equivalent of 153.6 billion drachmas, which exceeded the previous year's balance by 38.1 billion or 33.0% (increase in 1981: 30.3 billion drachmas or 35.5%). An important part of the increase (60% for 1982 and 50% for 1981) was due to changes in foreign exchange rates. Deposits by seamen and workers, which form the bulk of foreign currency deposits, increased by 36.7% (1981: 32.9%) and amounted at the end of 1982 to 134.1 billion drachmas.

Financing

The overall increase of the Bank's lendings at home was lower in 1982 than in the year before (27.8% as against 32.0% in 1981). All forms of financing in the private and public sectors of the economy, together with investments in securities, Treasury bills and obligatory deposits with the Bank of Greece, which include the unused balance on such deposits earmarked for loans to handicraft and long-term industrial loans, increased by 168.3 billion drachmas (1981: 146.5 billion drachmas). Of this increase, 86.9 billion represents lendings to the private sector

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and 81.4 billion loans and advances to the public sector, which thus took up 48.4% of the Bank's total increase of financing (1981: 42.3%).

The expansion of financing in the private sector consisted almost exclusively of loans and advances. Their balance, in drachmas and foreign currencies, increased by 78.5 billion or 22.4% as against 83.7 billion or 31.4% in 1981. The bulk of this increase (65.4 billion or 83.3% of the total increase) was taken up, as always, by manufacturing. Worth mentioning is the fast increase of loans to handicraft (+70.8%) as compared with lendings to industrial and mining firms which noted a much smaller increase (short-term: +19.1%, long-term: +16.2%).

The financing of public enterprises and entities (lendings and investments in bond loans) increased in 1982 by 8.2 billion drachmas or 35.0%, as against 4.8 billion or 25.8% in 1981. A large increase occurred also in the funds that are channelled to the public sector in the form of Treasury bills, bond loans and obligatory deposits with the Bank of Greece, which include the unused balance of such funds earmarked for long-term industrial loans and loans to handicraft. The total balance of these accounts increased by 73.2 billion or 33.9% (1981: 57.1 billion or 36.0%); at the end of December 1982 it had reached 288.9 billion drachmas, as against 215.7 billion in December 1981.

Lendings to industry increased at a lower rate than in 1981. The total balance of the respective accounts, in drachmas and foreign currencies, increased by 18.4% (1981: 31.8%); by the end of December 1982, it had reached the equivalent of 278.8 billion drachmas. The largest part of this sum (261.8 billion as against 218.7 billion in 1981) represents drachma lendings.

The decline in production and the limited industrial exports determined in 1982 the demand for short-term credits, which generally fluctuated around lower levels than in 1981. Short-term lendings for the preparation of exports rose by 10.7 billion drachmas or 17.2%, as against an increase of 14.9 billion or 31.6% in 1981. At the same time, other short-term lendings to industry marked an increase of 23.7 billion or 20% as against 32.6 billion or 38.1% in the preceding year. Thus, there was an important slowdown in the rate of increase of overall short-term lendings to industry (1982: 19.1%, 1981: 35.8%).

The slack investment activity in the industrial sector in 1982 is also reflected in the decline of demand for long-term funds from the banking system. Thus, long-term loans, in drachmas and foreign currencies, for capital equipment of industry increased by 9.0 billion drachmas or 16.2% as against 9.3 billion or 20.3% in 1981, with the result that an increasing part of the National Bank's obligatory deposits with the Bank of Greece (15% of NBG's own deposits) that are earmarked for long-term industrial credits, remained blocked at the Central Bank.

Financing of Industry

The National Bank's credit policy and activity

Financing of Handicraft

For the second year running, there was an important increase (70.8% as against 63.8% in 1981) in the overall balance of loans to handicraft, which reached 53.3 billion drachmas at the end of December 1982.

More than three-quarters of this sum represent loans out of the special funds supplied under Currency Committee Decision 197/78, which increased by 17.7 billion drachmas over the preceding year, as against 10.3 billion in 1981. More specifically, these loans had gone up from 23.0 billion drachmas at the end of 1981 to 40.7 billion at the end of 1982.

As was mentioned earlier in more detail, the Bank strongly promoted loans to handicraft. Within this context, it should be noted that handicraft received as loans not only the increased sums (over 1981) which resulted from the large rise in deposits and the higher obligatory deposits with the Bank of Greece (7% instead of the previous 7% of all deposits), but also a large part of the accumulated unused balance of the latter from earlier years.

Financing of Trade

The rate of increase of total credits to trade was lower than in the preceding year. Their balance went up from 44.3 billion drachmas at the end of 1981 to 50.8 billion in December 1982, i.e. an increase of 6.5 billion drachmas or 14.8% as against 7.4 billion or 20.2% in 1981.

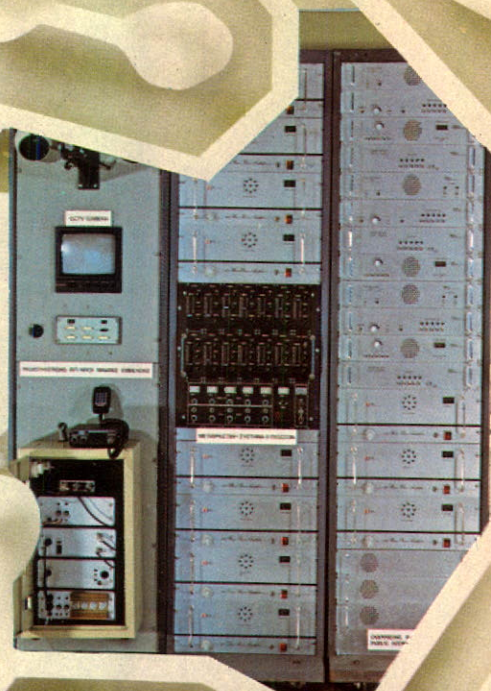
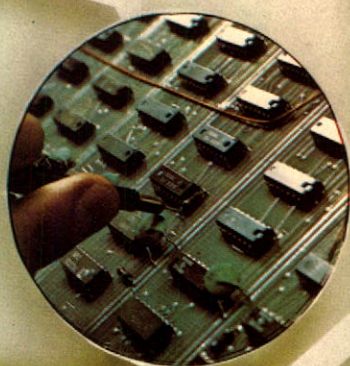
There are important differences in the development of credits to individual branches of commerce. Thus, whereas credits to the inland trade increased by 7.2 billion drachmas or 27.8%, lendings to the tobacco trade, where both demand for credits and their repayment are affected by the starting date of the export season, which differs from year to year, fell by 1.7 billion drachmas or 15.3%, because of increased repayments in 1982 as compared with 1981. The financing of the export trade, which is linked to the exports of agricultural products, increased by 1.0 billion drachmas or 17.7%. Lastly, lendings to the import trade remained virtually stagnant (+1.8%).

International Activities

The continued international economic crisis and the restrictive credit policy followed in most countries inevitably affected the operations of the Bank's international network of branches and of its affiliated banks abroad. At the end of 1982, deposits by individual clients and banks with our branches abroad amounted to the equivalent of \$766 million and financings to the equivalent of \$712 million. With regard to our affiliated banks, deposits amounted to the equivalent of \$639 million and financings to the equivalent of \$765 million. (The various currencies have been converted into US dollars on the basis of year-end parities.)

Thanks to their high quality and competitive prices Greek cables are fast and steadily penetrating into foreign markets.





V. Modernization and adjustment of the Bank to the new conditions

The multi-faceted activities of the National Bank of Greece at home and abroad require the continuing modernization of its productive mechanism. Modernization assumes even greater significance now that Greece finds itself at a crucial turning point in its economic history. It is for this reason that the Bank has embarked on a broad scale modernization programme of its credit mechanism and, at the same time, its operational reorganization.

The progress which is being made in this respect affords the Bank the opportunity to adapt itself to the conditions that are arising from the development and the orientation of the Greek economy and to successfully carry out its mission.

Being fully aware of the increased responsibilities of the National Bank, the leading Greek credit institution, the present Administration attributes prime importance to the steady improvement of its organizational and operational framework and the modernization of its mechanisms. The programme under way for the radical revision of the administrative and organizational system has as its overall objectives the rationalization of the posting of personnel and assignment of responsibilities, the extension of the domestic and foreign network manned with properly trained personnel and supplied with modern technological equipment, and the simplification of transactions.

First priority is given to the extension of administrative decentralization. This objective is being promoted at a rapid pace through greater dispersal of the decision-making centres, the increase of the powers of regional officers and, mainly, through the creation of large administrative units in various parts of the country, endowing them with the broadest powers. These regional administrative units will not only be of decisive importance to the Bank by enabling it to respond to the increased demands of our times, but will also determine the extent to which its decentralization programme has been successful. This programme will ensure greater flexibility, more effective management and the regional development of business. Behind all these efforts, however, is the Bank's wish to contribute in a more substantial way towards the Government's drive to strengthen regional infrastructure, to further mobilize enterprising and productive forces and achieve a balanced economic and social development of the centre and the provinces.

The second objective, which weighs heavily on the successful implementation of the new credit policy of the Bank and especially of the criteria for evaluating the borrowing requirements of clients, is the proper training of those of its officers who are handling loans and advances. To this end, a series of high-level seminars are being held and are attended by officers from the entire network. Upon completion of the course these officers will become the agents for the modernization of financing operations.

Modernization and adjustment of the Bank to the new conditions

Modern administrative mechanism

The direction towards which the Bank is mainly turning in its effort to improve its administrative mechanism is the broad and in-depth restructuring of the organizational set-up of its Central Departments. The purpose of this is to secure the most suitable organizational form, as the case may be, so as to be able to fully monitor and effectively promote its business operations.

The measures taken into this effect simplify the procedures hitherto applied by the Central Departments, facilitate the application of modern administrative methods and, in general, improve the Bank's administrative mechanism. This results in the better utilization of its factors of production. Special efforts are being made to reshuffle services properly, to broaden the sectors of specialized activity and to avoid overlapping of responsibilities. This will be effected by means of new regulations to specify precisely the responsibilities and the operational framework of each administrative unit.

The focal point of administrative modernization, however, lies in the wider decentralization of the Bank's activities. A decisive step in this direction has been the recent decision of the Bank's Administration to set up Regional Administrative Units.

These new Administrative Units will be vested with broad powers affecting the entire range of operations, administrative duties, and labour relations, enabling them to examine and settle most of the issues arising at the local level without the intervention of the Central Departments. They will also attain operational independence, within a framework defined by the Bank's overall policy.

During the first phase of the new effort towards decentralization, the Regional Administrative Unit of Northern Greece was set up in Thessaloniki and started operations. Its main object is the administrative supervision of, and the assumption of responsibilities for the operations of the Bank's network in Northern Greece in all fields of banking activity. Under its jurisdiction are the Regional division and the Central Office of Thessaloniki as well as about 90 branches which are under the supervision of the Regional divisions of Thessaloniki, Central and Western Macedonia, East Macedonia and Thrace, and are handling approximately 20% of the Bank's total business.

The setting up of the above Unit in this vital area is bound to have favourable repercussions on the promotion of business based on developmental criteria, and on the services rendered to our clientele. The most outstanding advantages to be gained are: speed in decision-making and implementation of decisions; improved evaluation of loan applications and considerable saving of time in transacting many banking operations, especially of credit procedures; also, a more effective tackling of any problem that may arise. It is estimated that the new Unit will decide, on its own and without interference of Central Departments, on 80-85% of all applications for loans in Northern Greece, while all other banking business operations will come within the domain of its exclusive responsibility. Moreover, thanks to specially trained officers, it will be able to provide legal and technical

Modernization and adjustment of the Bank to the new conditions

support, when necessary, and will handle matters concerning staff, marketing, public relations, premises, etc.

The Administration has shown its utmost concern for the continuing upgrading of the professional and educational level of its personnel. A boost in productivity, improvement of the quality of work and, in general, the performance of banking operations in an increasingly demanding environment are closely related to the education and professional competence of employees.

On the basis of the above, the development of a programme for professional and advanced training of personnel is considered a fundamental goal of the Bank. The fact that the Bank's Administration follows up and promotes systematically all educational matters of the personnel is an expression of its intention to improve and raise the educational standards of its employees. In this way it will become possible to meet more effectively the needs of the Bank for a well-trained staff, needs which have been made more pressing by the growth of the volume and the complexity of transactions as well as by the expansion of the Bank's network and the intensification of its international activities.

Vocational education is governed by the principle of continuing training and applies to everyone irrespective of length of time in service, position or responsibilities. Thus, when an employee is hired, he undergoes preparatory training to familiarize himself with job requirements, while later on in his career he will take up highly specialized educational courses which provide him with a theoretical background and practical knowledge that he needs to carry out his duties successfully. It should be noted that these programmes are drawn up after a careful assessment of the needs, trends and developments in the area of banking techniques and a precise determination of the Bank's objectives.

In its effort to create the proper infrastructure in manpower that will be capable of effectively implementing the new lending criteria and in general motivated by a new banking attitude, the Bank has held since the beginning of last April three-month seminars which provide advanced training for officers who handle loans and advances. It is estimated that a year from now almost 250 such officers will have attended the above series of seminars and will have acquired the knowledge needed for successfully carrying out the new credit policy of the Bank which is fully in line with the Government's objectives, namely, to provide financial support to sound entrepreneurial forces and to channel credits to productive activities.

Aside from the courses organized and offered within the Bank, a large number of employees are given financial support to pursue special studies at various educational institutions in Greece, to learn foreign languages, and to participate in seminars offered by various organizations for the purpose of acquiring knowledge applicable to the object of their work. It should also be pointed out that staff are being sent abroad to further their studies not only on strictly banking topics but also on other specialized subjects, as well as for post-graduate studies.

Staff professional training

Modernization and adjustment of the Bank to the new conditions

Rational utilization of Personnel

Besides upgrading the professional standing of its personnel, the Bank is also aiming at properly utilizing its staff which constitutes a key factor in the improvement of productivity. The scientific methods of evaluation and selection used by the Bank for this purpose have helped place people in positions pertinent to their qualifications and special interests. The application of these methods, apart from ensuring the effective utilization of employees also affects favourably their prospects for professional advancement.

New period in management-staff relations

The fulfillment of the Bank's important task would be impossible without the dedication and toil of its personnel which constitutes as always the principal factor of production. Indeed, despite the increased utilization of up-to-date equipment, the role of the human element is still of prime importance as regards the smooth functioning of the Bank, its progress and the achievement of its objectives.

Being fully aware of the above, the Administration is seeking to create conditions for its staff conducive to the better performance of their duties. The Bank's keen interest in the welfare of its staff is reflected by the series of steps and measures, which have been taken so far and are aimed at improving working conditions and enhancing advancement opportunities as well as the status of the employees of the Bank.

In this context we would mention the implementation of the unified payroll system and the completion of the grading of employees in accordance with same. This system, aside from other benefits, ensures uniform and regular pay increases up to the rank of assistant manager for all staff members.

In this connection should be mentioned also the attainment of permanency for temporary employees working under contract, the increase in bank positions and the recognition of the length of service under temporary status — especially vital to the professional development — the new merit rating system which ensures greater objectivity, and the recognition of previous service in the public sector and other organizations. These measures create the prerequisites for leaving employees undisturbed to perform their duties within a modernizing and growing bank.

At this point we would like to underline the diligence, devotion and deep sense of responsibility on the part of the employees of the National Bank of Greece who represent the vital element in the long tradition of this country's foremost credit institution. These very same qualities they have shown also last year. The Administration has a first-hand knowledge of the competence, zeal and willingness of the staff to work and feels urged to thank them for the assistance they have offered it in the whole period under review. For this reason, we are certain that the General Meeting of Shareholders, recognizing the staff's prime role towards the Bank's progress, will express their full satisfaction with their work.

Modernization and adjustment of the Bank to the new conditions

In order to make a more effective contribution towards meeting the growing demand for banking services and also to attract and utilize savings for the benefit of the developing economy, the Bank is implementing a programme for the expansion of its network in Greece. A further objective of this programme is to enable our customers to conduct their business on the spot, and improve the services provided to small and medium-sized enterprises, tradesmen and the public at large.

The expansion of the network is being carried out by stages within a framework defined by the monetary authorities and after a careful analysis of all the socio-economic conditions of the area where the units are to be established and after taking into account information supplied by the overall government programmes which concern the prospects and the projected development of particular regions.

This process ultimately leads to the selection of the most suitable form and structure of the new units. The result of this is that these units are more flexible, operate under more favourable conditions and are better adapted to present but also future needs of the region in which they are established. Thus, besides branch offices which handle all lines of banking business, are being set up new sub-branches, seasonal offices, mobile banks and travelling teams. Particular emphasis is given to the expansion of the regional network, something which offers yet another manifestation of the Bank's desire to strengthen local markets and to make a more effective contribution to decentralization and regional development.

In the course of 1982, twenty-five new branches and sub-branches were opened mainly in the provinces, so that the domestic network, by the end of 1982, numbered 412 units, to which two more were added during the first five months of 1983. At the same time, four travelling teams and one correspondent started to offer their services to inhabitants of the most remote areas, while in special cases many temporary exchange bureaux were opened to provide services to delegates attending international conventions and to tourists in general.

The development of the Bank's electronic infrastructure is a distinctive feature of the modernization of its operational mechanism. At a time when computers cover a considerable portion of the productive process on a global scale, the Bank, a pioneer as always, places great emphasis on electronic data processing (EDP) which is increasingly becoming an essential factor towards further progress and the realization of its objectives both present and future.

In this context the Bank is making a continuous effort to reinforce and modernize its electronic equipment, to embody the latest systems in the existing operational mechanism and overhaul the old one still in use. The selection of EDP equipment and systems is carried out after a thorough examination of international developments in the field of *informatique*, the exact specification of the Bank's needs and

Expansion of the network

Electronic infrastructure

Modernization and adjustment of the Bank to the new conditions

a careful planning so as to be in line with current thinking and obtain the desired results.

At the same time, the Bank is seeking to fully utilize electronic equipment, expand electronic data processing to cover all fields of the Bank's activities and to decentralize its EDP system. Progress in EDP enables the Bank to extend its activities easily in old and new lines of business and to improve conditions for carrying out business transactions.

Electronic data processing has a positive bearing on productivity, on the cost of operation and the qualitative improvement of services. On the other hand, by ensuring the exactness of the entries and considerably reducing the time of data processing and of handling transactions, it releases the human factor from a heavy volume of work load. In this way, co-operation between the Bank's officers and the most demanding customer on an interpersonal level is made easier. Thanks to its great possibilities, EDP enables the Bank to undertake a greater variety of business which usually transcend the narrow scope of traditional bank services. These services satisfy present-day banking and social needs of a great number of customers, something which would have been uneconomical by conventional means.

Improvement of procedures

The continuous alignment of the Bank with developments in the technical and organizational field, together with the upgrading of the performance of its staff, create the prerequisites for continuing improvement of procedures. The simplification, the cutting down of red tape, the safety and, in particular, the automation of transactions are the most characteristic examples of improvements which lead to better service to the customer.

Furthermore, the application of the teleprocessing system is the most important manifestation of automation. This system, especially in its most perfected form, ensures substantial benefits to the Bank and its customers and is being extended gradually. In the context of a long-term plan, the entire network will be linked with the teleprocessing system, which will be adapted so as to handle other transactions in addition to deposits.

The teleprocessing system, in the year under review, has been put into operation in twenty-four units of our network. In 1983, this trend is continuing at a very rapid pace and during the first five months 18 more units were linked up with it. Today one hundred and fifty-five of some of the more important units of the Bank are successfully using the teleprocessing system for servicing 2,012,000 deposit accounts with nearly eleven million transactions annually.

Security measures

The new forms of crime, recently reported in our country, call for considerable spending on the reinforcement of security measures in order to enable the Bank to effectively protect the lives and property of its customers and staff and to ensure the safe transport of money.

Thus, in the year just ended, the Bank reinforced its security forces with additional

Modernization and adjustment of the Bank to the new conditions

staff and saw to it that they received proper training. In addition, it improved and extended the alarm system which operates around the clock in the units, completed the installation of a closed T.V. circuit which operates on a 24-hour basis in all central units, and supplied security staff of large branches with adequate means for the more effective performance of their duties.

On the other hand, in order to protect the transfer of money, the Bank has purchased and is already deploying a large number of armoured cars equipped with a long-range telecommunication system.

Finally, new fire-fighting equipment has been installed and the staff has been instructed on its use in case of emergency, so as to minimize the risk of fire.

The Administration's keen interest to extend the Bank's presence abroad and to intensify the activities of its foreign network, as well as the aims of its policy which is being implemented in this field, has been mentioned in detail in the previous chapter.

As part of the implementation of this policy, Atlantic Bank of New York opened two branches in New York in 1982, while in Canada a new subsidiary bank under the name of National Bank of Greece (Canada) has already started operations. The new bank resulted from the merger of Hellenic Canadian Trust and NBG Enterprises Ltd and is operating three offices in Montreal. The National Bank's representative office in that city was closed.

At the same time, the establishment of an agency of the Bank in Stuttgart, of a banking unit in Brussels, two units in Australia and another two in Boston, a shipping unit in New York and the conversion of our Toronto office to a full-fledged branch are under consideration.

Today, the National Bank of Greece is represented abroad — mainly in major financial and shipping centers and in cities with large Greek communities — by forty-five units owned by itself or by its affiliates, with a total staff of 1,105 people.

The increased international presence of the Bank is accompanied by a corresponding effort to improve the foreign network, equip it with up-to-date machinery, to man it with properly trained and numerically adequate staff and modernize its operational methods so as to ensure the steady development of its activities. Furthermore, every effort is being made to achieve maximum utilization of the network's potential, of the credit-worthiness and international reputation of the Bank and of its close relations with the largest credit institutions of the world to the benefit of the Greek economy.

International network

By a series of new products Greek chemical industry has expanded its exports, while chemical fertilizers and pesticides have helped to increase and improve agricultural production.





VI. Subsidiaries and Affiliates

The contribution of the National Bank to the economic and social progress of the country is supplemented by the activities of affiliated companies. These companies were set up by the Bank in the course of its long and creative history and are working together with the Bank at home and abroad for the promotion of its many-sided operations in vital sectors of the economy.

Thus, the National Bank, as is the case with other large foreign banks, forms the nucleus of a group comprising a great number of well-organized enterprises including credit institutions, insurance, hotel and manufacturing enterprises.

The Bank's policy is basically aimed at adjusting the activities of the affiliated companies to those of the Bank within the framework of its long-term economic objectives as they evolve today under the new policy orientations. In this connection the Bank's aims are to improve organization, boost productivity, increase specialization, further broaden the range of services and effectively utilize the potential of the affiliated companies having as a basic objective the further economic development and progress of the country.

In implementing this policy, the Bank is fully in line with the new government policy which implies planned and co-ordinated action in strategic sectors of the economy. Thus, it actively participates in the establishment of new productive units and in the restructuring of old ones which are clearly of social importance and contribute to the qualitative and quantitative improvement of the productive infrastructure. The Bank's efforts to restructure LARCO and PYR-CAL must be seen in that light. The significance of exercising a social control over these companies which occupy a dominant role in key industrial sectors, exploiting the mineral resources and strengthening the defence of the country, is quite evident.

The credit sector

In the credit sector, affiliated companies carry out basic banking business or provide services both at home and abroad which meet the special needs of the business community and the public at large.

NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT

During the year under review NIBID's business operations were affected generally by the slackness of investment interest which began to surge up in June 1982 when L. 1262/82 took effect. Most of the approved programmes concern investments aimed at modernization, increase in productivity and enhancement of competitiveness, which can be immediately implemented and be successful.

Total financing, in the form of long-term loans and equity participation, rose by 18.5% and amounted to Drs. 26.3 billion as against Drs. 22.2 billion in 1981. Ninety-five percent of the increase in credit was channelled into manufacturing companies which use mainly local raw materials and are export oriented.

Total approvals for new, long-term loans reached Drs. 2.5 billion, three quarters of which concerned projects in areas outside Attica.

NIBID's total capital for financing its operations increased by Drs. 5.6 billion. Of

Greek rubber and plastics industry, which includes a number of up-to-date manufacturing plants, is able to produce internationally pioneering goods.

Subsidiaries and Affiliates

TRADERS' CREDIT BANK

this increase, Drs. 3.2 billion, or 56%, was raised on the domestic market through the issue of bank debentures which are becoming a very important source of funds from the saving public direct, and Drs. 2.4 billion or 44% was raised from foreign sources, mainly from the European Investment Bank. Lastly, NIBID increased its own capital, pursuant to L. 1249/82 by Drs. 1.1 billion derived from the capitalization of the plus value of its real estate and the value of bonus shares from affiliates.

Traders' Credit Bank is continuously expanding its business and improving its competitive position in the Greek banking market. In 1982 deposits rose by 38% reaching Drs. 6,881 million by the end of the year. Its loans and advances increased by 36% and at the end of the year amounted to Drs. 3,415 million.

More specifically, it should be pointed out that the outstanding balance on its loans to handicraft, from the special fund set up under Currency Committee Decision 197/78, more than doubled in the year under review while those on investments rose by 80%. Lastly, with the establishment of one branch and two sub-branches in 1982 and the computerization of its operations, prospects for 1983 are indeed looking up.

NATIONAL HOUSING BANK OF GREECE

National Housing Bank of Greece (formerly Mortgage Bank) was also active in 1982, making available long-term loans to private persons, on an amortization basis, for the purchase, construction, completion and repair of houses. At the end of the year under review the balance on its loans and advances totalled Drs. 5,653 million, an increase of Drs. 1,300 million or 30% over the previous year end. A significant part of this increase, namely, Drs. 834 million was given to earthquake and flood victims, while Drs. 212 million was loaned to Greek seamen and workers. Profits, before taxes and provisions, amounted to Drs. 90 million as against Drs. 51.5 million in 1981, i.e. they showed an increase of 74%. The effort of this bank to strengthen its financing base was successful in 1982. The second series of bank debentures which it issued, worth Drs. 500 million, was fully taken up. On the other hand, arrangements are being made for setting up a housing savings department and establishing a new branch at a central location in Athens during 1983.

ARAB HELLENIC BANK

Arab Hellenic Bank in its third year of operation (1982) registered an upsurge in business turnover. The individual items on its balance sheet and the results were most satisfactory. Specifically, deposits in foreign currency — which virtually constitute the only source of its funds (84% of its liabilities) — increased by the equivalent of Drs. 4 billion or 50% and its lendings in drachmas and foreign currencies by the equivalent of Drs. 1.1 billion or 49%.

Nearly half of the increase is accounted for by changes in the exchange rates. It should be noted that export and import credits, in particular, registered a spectacular growth (nearly quadrupled) and represented approx. 40% of total loans and advances.

Subsidiaries and Affiliates

National Management and Organization is a company specializing in consumer credit with finance from, and for account of the National Bank. In the course of 1982 it granted loans amounting to Drs. 4.3 billion. Also, it issued 6,000 new credit cards (Ethnocarta), the total number of which has already exceeded 60,000. Similarly there was an expansion of 28% in the business of foreign credit card service and the corresponding inflow of foreign exchange which amounted to more than the equivalent of Drs. 700 million.

**NATIONAL MANAGEMENT
AND ORGANIZATION Co.**

During the year under review the company improved its organizational and operational structure, introduced new internal regulations and as from the current year new accounting methods have been applied. Furthermore, it has raised to a great extent the credit lines of Ethnocarta holders and revised upwards the limits of transactions for cardholders dealing with cooperating establishments.

"Delos" Mutual Fund operated under the adverse conditions of the international and Greek capital market. Despite this, the Fund was able to realize substantial gains by taking advantage of every possible opportunity for the improvement of the structure of its investments. At the same time, by playing a stabilizing role it contributed significantly to the support of share prices on the Athens Stock Exchange. Thus, quotations for its units were constantly above the corresponding general price index of the Stock Exchange. This development confirms the soundness of its portfolio.

"DELOS" MUTUAL FUND

On 31 December 1982 the "Delos" unit price exceeded by 7.5% the corresponding one at the previous year end and the company realized net profits of Drs. 183 million, compared with Drs. 168 million in 1981. The dividend distributed for 1982 reached 60 Drs. per unit and unit-holders were given the opportunity to capitalize their profits free of charge.

Under the same market conditions National Portfolio Investment Co. was very active in its second year of operation. Net profits amounted to Drs. 253 million as against Drs. 246 million for the immediately preceding period of operation which, it should be mentioned, included 17 months. The increase of the company's capital at the end of 1982 enabled it to broaden its investment base with the acquisition of sound securities with steady yield.

**NATIONAL PORTFOLIO
INVESTMENT Co.**

Atlantic Bank of New York, — the chief representative of the National Bank on the American banking market — engages in all forms of banking business. In this way it contributes to the promotion of Greek economic ties with the American business community and renders valuable services to Greek expatriates and the shipping industry.

**ATLANTIC BANK
OF NEW YORK**

At the end of the year under review the balance on its deposits amounted to \$446.2 million, while lendings totalled \$282.2m and all other forms of invest-

Subsidiaries and Affiliates

NATIONAL BANK OF GREECE (CANADA)

ments \$150.4 million. On the other hand, the establishment of two new branches in Flushing and on Broadway, New York, are expected to have favourable repercussions on the further development of its business operations.

National Bank of Greece (Canada) resulted from the merger of Hellenic Canadian Trust and NBG Enterprises Ltd and engages in all banking business. In the 7-month period of its operation in 1982 it provided, through its three offices, services to Greek expatriates and Canadian businessmen engaging in business in Greece. By the end of the year the balance on its deposit accounts amounted to Can\$48.4 million, while loans and advances reached Can\$29.3 million.

THE SOUTH AFRICAN BANK OF ATHENS

The South African Bank of Athens has been operating for many years in South Africa thus serving the Greek community in that country, as well as foreigners who deal with the business community of Greece, through its six branches which are located in the major financial centres of South Africa in addition to one more which opened in the first days of 1983 in Germiston. At the end of 1982 the balance on its deposits stood at R37.2 million and on loans and advances at R36.8 million.

BANQUE NATIONALE DE GRECE (FRANCE)

Banque Nationale de Grèce (France) has been operating in Paris for the third consecutive year, providing banking services mainly to Greek and French citizens who maintain business relations with Greece.

Deposits amounted to FF 1,529 million at the end of 1982 as against FF 1,333 million in 1981, while loans and advances reached FF 1,663 million, compared with FF 1,553m in the previous year.

Insurance sector

On the insurance market, the National Bank is represented by three companies, two of which rank among the largest in the insurance sector and are well known for their financial strength, sound infrastructure, dynamism, credit-worthiness and high quality of services offered to their large clientele. These companies, by pursuing an active portfolio policy, play a key role in the insurance market, while at the same time they develop a vigorous investment activity. Their operations were affected in 1982 by the impact of the overall economic recession both at home and abroad. On the other hand, the recent government measures affecting the insurance sector, create the necessary conditions for the improvement of their operations and their gradual harmonization with Community law.

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

The affiliated company "ETHNIKI" is the biggest Greek insurance company. It disposes of a large network of branches and agencies in all parts of the country and an experienced personnel. Its operations, thanks to the high degree of the company's competitiveness, are expanding both at home and abroad.

In the year that just ended, the company, aiming at maximizing its contribution to society, proceeded to further modernizing and improving its services. Efforts at

Subsidiaries and Affiliates

modernizing its operations, in spite of their long-term character, affected favourably the company's operations in 1982. Premium receipts exceeded Drs. 5 billion, i.e. 16.6% above those of 1981, and insurance claim settlements paid to customers amounted to Drs. 3 billion. Its share capital, under L. 1249/82 more than doubled owing to the capitalization of the plus value of its real estate and now stands at a total of 3.6 billion against 1.4 billion at the end of 1981. Finally, its technical reserves increased by 17.7% to more than Drs. 4 billion.

"ASTIR" is one of the largest insurance companies in Greece and covers all lines of insurance business in Greece and Cyprus. In the last few years it has extended its operations to Western Europe as well. Premium receipts in 1982 rose by 6% in relation to 1981 and reached Drs. 2,140 million. Indemnity payments to third parties amounted to Drs. 1,088 million as against Drs. 1,459 million in 1981. Its net position in 1982 — with the capitalization of the plus value of its real estate (L. 1249/82) — more than quadrupled and amounted to Drs. 2,106 million as compared with Drs. 510 million in 1981.

The company engages in the insurance and reinsurance of ships and aircraft at home and abroad, its clientele mainly consisting of Greek shipowners. The operations and results of the company were influenced by the adverse conditions which prevailed in the freight market during 1982. Its turnover rose to \$9.8 million as against \$9.4 million in 1981. The difference between losses and premium receipts precipitated a negative balance which amounted to \$1.6 million thus resulting in the reduction of its technical reserves by an amount equal to \$0.4 million.

The National Bank of Greece is making a large contribution to the development of Greek tourism which is especially significant for the Greek economy. This contribution, aside from the financial support that the Bank lends to tourist units, is manifested in the assistance it has given to the programmes of the hotel group "ASTIR".

"ASTIR" operates a number of modern and well-run hotels offering high-class service to tourists. In 1982, overnight stays at its hotels exceeded half a million and total receipts amounted to Drs. 1,809 million. Specifically, Drs. 1,208 million were derived from "ASTIR" SA, 378 million from the Grand Hotel Summer Palace SA in Rhodes, and 223 million drachmas from "PHEAX" Corfu. On the other hand, two new hotels are being built in central Athens and one in Vouliagmeni which are expected to be completed and become fully operational this summer.

General Warehouses of Greece and Ethnodata SA belong to this category.

In 1982, General Warehouses of Greece continued to provide industry and trade with valuable services. New warehouses were built in the industrial zone of Volos as part of its modernization programme, and metallic granaries with a 30,000

**"ASTIR"
INSURANCE COMPANY**

**HELLENIC SHIP AND
AIRCRAFT INSURANCE Co.**

Tourist sector

**"ASTIR" HOTEL
COMPANY S.A.**

**Companies of general
interest**

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

Subsidiaries and Affiliates

— ton capacity were installed in the area of Larissa on a plot owned by it.

Its modern storage facilities comprise sheltered warehouses with a storage capacity of 450,000 m³, open-air storage space on an area of 140,000m² and hundreds of private storage rooms operating as branches in every part of the country. The total volume of goods handled by the company in 1982 amounted to 11 million tons.

At the same time the company is promoting an investment programme aimed at creating a large capacity merchandise storage centre in the Attica area. This storage centre will provide important services in the field of delivery storage, customs clearance and distribution of goods, and will ultimately benefit Greek economy in more ways than one.

ETHNODATA S.A.

Ethnodata was founded with the objective of meeting the needs of private and public enterprises for more reliable and updated information and is in the process of being reorganized and reorienting its activities in order to carry out its business operations more effectively.

Participations in equity

The National Bank also participates in a large number of business enterprises, mainly industrial, and in some it is represented on the Board of Directors by its experienced officers. Thus, along with the services and the support it provides them, the Bank always keeps abreast of economic and business developments.

HELLENIC INDUSTRIAL AND MINING INVESTMENT COMPANY (HIMIC)

During 1982 HIMIC was mainly preoccupied with the supervision, smooth functioning of its subsidiaries and the implementation of their investment programmes.

The exploitation of Mesolonghi salt works by the subsidiary "Mesolonghi Salt-pans" continued through various improvements while it has decided to embark on an expansion programme to be carried out in two stages in order to meet the growing demands mainly of the local market.

Also, Greek Ferroalloy Co is promoting the development of the chromite mine in the Skoumtsa-Kozani area and has laid the foundations for an enrichment plant in the same area. On the other hand, however, the basic installations of an iron-chrome plant at Almyros-Magnesia, with a 40,000 tons processing capacity per year, have been completed and are currently in operation.

Lastly, it should be noted that after a thorough study, the Government has decided to cancel plans for the construction of a petro-chemical complex which under the circumstances was deemed uneconomical.

"NEORION" SYROS SHIPYARDS

Neorion is a major ship-yard for building and repairing ships, operating in Syros with modern installations, and its prospects are very promising. In 1982, despite the continuing shipping crisis, it repaired 97 ships with a total tonnage of 2.3 million dwt, and secured steady employment for a work force of nearly 1,300 peo-

Subsidiaries and Affiliates

ple. In the year under review, the company invested Drs. 239 million in order to overhaul the mechanical equipment on its installations, while for 1983 it is planning to proceed with a further expansion of its facilities.

The Bank's participation in the cultural life of the country has been quite substantial. Its manifold activities extend into areas of intellectual and social interest and contribute towards the promotion of the arts and sciences.

The events organized by the Bank in the framework of its cultural activities are well known for their high standard. Special efforts are being made to hold such events in the provinces so as to add colour to life in rural areas as well as momentum to the decentralization drive. It should be noted that these programmes are chosen with the aim of further broadening the cultural and intellectual horizons of the people and establishing closer social relations.

During the past year the National Bank organized or participated in exhibitions and lectures at home and abroad concerning its own achievements and those of the Greek business community as well as works and themes from our national heritage.

Especially significant is the activity connected with the renovation and restoration of buildings which stand out for their elegance and simplicity and characterize our architectural tradition. In this connection, repair works are under way in two such buildings designed by Ziller, i.e. the Fifth High School in Thessaloniki and the old central post office in Athens.

The Bank's activities in the cultural sector were supplemented by a series of multi-vision programmes which were shown in many parts of the country where they were favourably received. The 1983 wall-calendar featuring pictures of interiors in traditional Greek homes has been well received by art lovers.

The major agency of the Bank's cultural activities is its Educational Foundation. During 1982 the Foundation continued the publication of original writings or translations of outstanding literary works referring to historical, cultural, and economic topics. More specifically, 10 new publications were issued and four books which were out of print were reprinted. This year it is expected that 24 new books will be published, most of which are part of the series "General Education Library". Indicative of the high standard of these publications is the use of seven books as text-books by colleges and universities.

The Historical and Palaeological Archives of the Foundation charged with the preservation of the cultural treasures of Greece, continued its programme of microfilming rare manuscripts which are thus made accessible for research to specialized scholars. This year there are plans for filming the archives concerning the Macedonian War, a contribution of national significance.

In 1982 an exhibition was held featuring works from the Art Gallery of the

Cultural activities

NATIONAL BANK
EDUCATIONAL FOUNDATION

Subsidiaries and Affiliates

Educational Foundation, which is expected to reopen in the autumn enriched with new works of art. Finally, the Educational Foundation plans to extend its cultural activities to Cyprus by organizing art exhibitions and lectures by outstanding speakers in the major cities of Cyprus.

Traditional Greek agricultural products are processed by many industries. Fruit and vegetable preserves and a variety of other foodstuffs are exported in large quantities to European and Arab countries.





PART C

APPENDIX

In recent years Greek agricultural machines have contributed to reducing the dependence of the country on imports and have become an appreciable export item.

Analysis of Balance Sheet and Results for 1982

Available funds

The Bank's business operations expanded substantially in 1982. The balance sheet total, including contra accounts, reached the amount of Drs. 1,207,446.8 million on 31 December 1982 which compares with Drs. 942,262.3m in the previous year. Of the Drs. 265,184.5 million increase, 247,439.1m concerns the balance sheet accounts (+32.1%), while the remainder of 17,745.4m refers to contra accounts (+10.4%). The changes in the major accounts are set forth below.

The items under the heading "Available funds" totalled Drs. 397,667.5 million on 31 December 1982, showing an increase of Drs. 115,256.0m over 1981. Eighty-one percent (81,2%) of the above increase is accounted for by the increase in our obligatory deposits with the Bank of Greece and Treasury bill holdings. The remainder of the total increase was due to the increase in our availabilities at home and abroad.

The increases were as follows:

Obligatory deposits with the Bank of Greece and Treasury bills	Drs. 81,104.8m
Obligatory deposit of 15% for medium and long-term loans	» 12,469.7m
Inland availabilities	» 13,737.2m
Foreign availabilities	» 7,944.3m
Total increase	<u>Drs. 115,256.0m</u>

Loans and advances

Outstanding loans and advances on 31 December 1981 totalled	Drs. 394,187.9m
and on 31 December 1982 amounted to	» 477,650.3m

Thus, there was an increase of Drs. 83,462.4 million or 21.2% within last year, as against Drs. 92,201.0m or 30.5% in 1981. More specifically, credits granted by our domestic branches rose by 80,982m or 22.0% while those by our foreign branches rose by the equivalent of Drs. 2,480m or 9.7%. Of the increase in inland financing during 1982 an amount of Drs. 78,856m concerns drachma loans and 2,126m loans in foreign currencies.

Investments

Portfolio of Securities

The book value of the Bank's portfolio amounted to Drs. 35,320.9 million on 31 December 1982, as against Drs. 24,940.5m on the corresponding date of 1981. Thus, there was an increase of Drs. 10,380.4m or 41.6% compared with 5,378.1m or 27.5% in 1981.

Analysis of Balance Sheet and Results for 1982

This increase is the net effect of the portfolio changes set out below:

Plus:

Participation in equity of companies in cash	Drs.	2,936.4m
of which:		
National Portfolio Investment Company	Drs.	1,049.1m
Astir Hotel Company SA	»	700.0m
Larco SA	»	787.5m
Purchase of shares of various companies	»	147.6m
Bonus shares acquired under L.1249/82	»	1,876.4m
Increase in the nominal value of shares of various companies in accordance with L.1249/82	»	2,463.0m
Purchase of part of the PPC Bond Loan 1982 (from the 2.5% reserve requirement for loans to public utilities)	»	4,365.0m
Difference in the price of securities in foreign currencies	»	170.5m
	Drs.	<u>11,958.9m</u>

Minus:

Sale of shares	Drs.	180.0m
Sale and redemption of bonds of National Loans and Legal Entities	»	236.0m
Redemption of bonds of the Greek Telecommunications Organization, Public Power Corporation, National Development Loans	»	278.4m
Increase in commitments for instalments against equity participation in various companies	»	821.1m
Decrease in the portfolio of our branch offices abroad	»	63.0m
	Drs.	<u>1,578.5m</u>
Net increase	Drs.	<u><u>10,380.4m</u></u>

Real Estate

The balance on the Bank's real estate account, after deduction of depreciation, rose by Drs. 12,848.1 million during 1982.

Analysis of Balance Sheet and Results for 1982

The following changes took place:

Plus:

From readjustment of the value of real estate according to L.1249/82 (includes a sum of Drs. 807.9 million from the sale of a building at a price below its book value)

Drs. 13,581.3m

Expenditure for the purchase of new branch offices

» 415.0m

Properties acquired at auctions

» 305.2m

Expenditure for the completion and improvement of branch

offices and taxes

» 260.4m

Branches abroad

» 53.2m

Drs. 14,615.1m

Minus:

Sale of real estate

Drs. 538.5m

Difference mainly resulting from the sale to the State of a building at a price below its book value

» 763.4m

Depreciation

» 465.1m

Drs. 1,767.0m

Net increase

Drs. 12,848.1m

Fixtures, Office Furniture and Equipment

The balance on the "Fixtures, Office Furniture and Other Equipment" account showed an increase of Drs. 439.8 million during the year under review. This was the result of a Drs. 684.8m purchase of machines, mechanical equipment and fixtures less 245.0m for depreciation.

The Bank's capital accounts totalled Drs. 39,163.1 million on 31 December 1982 compared with 20,818.9m at the previous year end. The increment of Drs. 18,344.2m or 88.1% in 1982 resulted from:

an increase of the share capital from the issue of 1,006,972 new shares of

a nominal value of Drs. 4,500 each Drs. 4,531.4m

an increase of share capital resulting

from a rise in the nominal value of 3,356,571

old shares (from Drs. 1,600 to Drs. 4,500)

Capital accounts

Analysis of Balance Sheet and Results for 1982

per share). Drs. 14,212.2 million of the increase of the share capital is due to the increase in the book value of real estate according to L.1249/82	Drs. 9,734.1m	Drs. 14,265.5m
an increase in ordinary reserves		» 140.0m
an increase in special reserve a/c under Emergency Law 148/67 (difference resulting from the sale of securities above their book value)		» 314.6m
an increase in the special reserves under L. 1249/82 from bonus shares or plus value of shares		» 4,336.2m
profit balance carried forward		» 7.0m
		<u>Drs. 19,063.3m</u>
Reduction of the balance of "Share premium account" to complete the amount required for rounding the share capital increase		Drs. 53.2m
Debiting of the account "Readjustment difference under L.1249/82". Owing to misinterpretation of L. 1249/82, depreciation was computed at Drs. 665.9m less than allowed, resulting in a correspondingly larger share capital increase. By debiting the "Share premium account", subject to the General Meeting's approval, the aforementioned error will have been offset		» 665.9m
		<u>Drs. 719.1m</u>
Net increase		<u>Drs. 18,344.2m</u>

Deposits

The total of the Bank's deposits at home and abroad amounted to the drachma equivalent of Drs. 840,349.1m at the end of 1982, as against Drs. 628,384m at the end of 1981. There was thus an increase of Drs. 211,965.1m or 33.7% in 1982, as against Drs. 170,950.8m or 37.4% in 1981. More specifically, inland deposits in drachmas and foreign exchange rose in 1982 by Drs. 195,674m or 33.2% and deposits with our offices abroad by Drs. 16,291m or 41.7%. The rise in

Analysis of Balance Sheet and Results for 1982

inland deposits is accounted for by an increase of 34.7% in drachma time deposits, of 28.7% in savings deposits, of 34.2% in foreign exchange deposits, of 48.9% in sight deposits. Of course, the increase in foreign exchange deposits was also affected by changes in currency parities.

Total gross earnings of the Bank in 1982, after deduction of debit interest, turnover tax and stamp duty thereon amounted to Drs. 31,491.6m, as against Drs. 25,105.3m in the previous year, i.e. an increase of Drs. 6,386.3m or 25.4%. The rise in debit interest was slightly higher (31.4%) than that of credit interest (30.6%). Also the ratio of gross earnings to the annual average volume of assets was slightly lower in 1982 (3.1%) than in 1981 (3.2%).

Expenditure totalled Drs. 27,831.0 million as against 22,007.4m in 1981, showing an increase of Drs. 5,823.6m or 26.5% (1981: 27.4%).

More specifically, expenses by categories were as follows:

	1982	1981
	(in million drachmas)	
Staff payroll, fees paid to third parties, contributions to staff insurance funds and the Social Insurance Institute (IKA)	15,015.8	11,538.9
General expenses	2,402.1	2,175.2
Taxes	422.8	239.7
Contribution in favour of export, industrial and handicraft enterprises under Law 128/1975	5,416.6	4,559.0
Depreciation of real estate and equipment	710.1	402.6
Provision for bad and doubtful debts	3,808.6	3,082.0
Special provision for tax liabilities under settlement	55.0	10.0
	<u>27,831.0</u>	<u>22,007.4</u>

Staff expenses, including contributions to insurance funds and fees paid to third parties, increased by Drs. 3,476.9m or 30.1% in 1982, mainly because of overall pay raises resulting from the implementation of the labour agreement related to a unified salary scale, demanded by employees of all banks, and wage indexation awarded by the Government to all employees. Expenditure arising from hiring new employees was offset by savings due to voluntary or mandatory retirement. Retirement was and is mandatory for those employees who have completed 35 years of service pursuant to legislation concerning Public Administration. General expenses rose only by Drs. 226.9 million or 10.4% (1981: 588.1m or 37.1%) despite price rises and the Bank's continued effort to modernize its operation and expand its

Results for 1982

Analysis of Balance Sheet and Results for 1982

business. It should be pointed out that the Bank's contributions to the various reserve and rebate funds (for exports and under L. 128/75) again represented an onerous share of overall expenses (1982: 19.5%, 1981: 20.7%, 1980: 19.0%). Finally, the provision of Drs. 3,808.6m for bad and doubtful debts was equal to 1% of the annual average level of lendings, i.e. the maximum tax deductible amount allowed by law.

After deduction from gross earnings of expenditure and the loss of 763.4 million resulting mainly from the sale of a building to the State below its book value, as well as the transfer of Drs. 314.6m capital gains from the sale of shares above their book value to the special reserve account under E.L. 148/67, net profits reached Drs. 2,582.6m for 1982 as against 3,042.6m in 1981. With the addition of last year's undistributed profits, the total available for distribution amounts to Drs. 2,591.5m, which we propose to allocate in accordance with the Bank's Articles of Association as follows:

To ordinary reserve	Drs.	140.0m
Provision for income tax	»	250.0m
First dividend (6%) on 4,363,543 shares, at Drs. 270 per share	Drs.	1,178.2m
Additional dividend at Drs. 230 per share	»	1,003.6m
	»	2,181.8m
Fees to members of the Board of Directors	»	3.8m
	Drs.	2,575.6m
Balance carried forward	»	15.9m
	Drs.	<u>2,591.5m</u>

It is noted that total fees of the Board of Directors could reach, according to the law presently in force, the sum of Drs. 23.3 million.

Loss from sale of a building and repercussions on results

As was mentioned previously, the amount of dividend distributed for 1982 totalled Drs 2,181.8 million as against 2,685.3m in 1981. The total dividend amount would have been higher by at least Drs. 700 million had it not been for a book loss of Drs. 807.9m due to the sale to the State of a building at 15, Vassilissis Sofias Avenue below its book value. More specifically, the above building, having a book value of 351.5m, was sold by contract to the State for Drs. 435m on 4 August 1981. The Bank retained ownership of the building until 4 June 1982, at which time the contract was ratified by law, a pre-condition for the consummation of the deal. Two months earlier, however, Law 1249/5.4.82 had been promulgated, which obliged business firms to readjust the value of real estate still in their possession. Thus, the book value of the above building was readjusted and set at Drs. 1,242.9m and, since it had previously been sold for Drs. 435m, this meant a

Analysis of Balance Sheet and Results for 1982

book loss of Drs. 807.9m. It should be emphasized that had the contract been ratified by law before 5 April 1982 — when Law 1249 was promulgated — profits for the year 1982 would have been Drs. 807.9m higher, but the share capital of the Bank would have been proportionately smaller by an amount which represents the capitalized plus value of the said building in accordance with the law.

Therefore, what matters to the Bank and its shareholders is not the timing of the legislative ratification of the contract but whether the price agreed on 4 August 1981 was reasonable.

According to the above, the Bank's net profit would have amounted to Drs. 3.390,5m, increasing by 11.4% in comparison with the net profit for 1981, were it not for the book entries made in connection with the sale of the building to the State. The increase in the dividend would have been commensurate.

The dividend paid per share for 1982 was Drs. 500 as against Drs. 800 in 1981. But if one takes into account the fact that in 1982 dividend was paid on 1,006,972 more shares than in 1981 (following a bonus issue), then the dividend payable for 1982 compared with the corresponding dividend for 1981 (Drs. 800) really was not Drs. 500 but Drs. 650.

The following rules have been applied in drawing up the balance sheet and the profit and loss account for 1982.

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

Valuation of fixed assets and their depreciation

Buildings and sites in Greece acquired up to 31 December 1980 and depreciation thereon (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 (1981-82) 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 those of the Bank's foreign branch offices, which are shown in the balance sheet at their un-depreciated 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,

Accounting principles

Analysis of Balance Sheet and Results for 1982

- the expenditure on additions to office premises in operation.

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 1982.

More specifically, the value of shares and bonds not negotiated on the Athens Stock Exchange totalled Drs. 18,135,819,000.

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 1982 to cover likely losses from bad and doubtful debts (in accordance with art 2, par. 2 of E.L. 396/1968 as amended) amounts to Drs. 3,808.6m, which represents the highest percentage permitted by the Law, namely 1% of the annual average amount of loans and advances granted in 1982. The provision for 1981 was Drs. 3,082.0m, i.e. 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 the amortizable receivables are deducted in an extra-accounting way. According to the Bank's estimates, the amount of Drs. 12,604,283,513, which represents the balance of the provision account, more than covers 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

- interest on regularly serviced loans and advances, except for sinking fund loans, is calculated on a quarterly basis, i.e., on 15th March, 15th June, 15th September and 15th December of each year;
- interest on regularly serviced sinking fund loans is calculated on the maturity date of the instalment;

Analysis of Balance Sheet and Results for 1982

- interest and commission on discounted bills are calculated on the date on which they are discounted;
- interest on doubtful loans is calculated only if these are repaid; such computation is made on the date of their collection;
- 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:

- 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 being served by the on-line system, interest is calculated on 15th June and 15th December of each year.
- Safekeeping expenses, insurance premiums and other expenses incurred for maintaining industrial plants, ships, machinery, and merchandise acquired at auctions are charged, according to established practice, to the Profit and Loss Account if they concern industrial plant, whereas they increase the respective value of acquisition in the case of ships, machinery and merchandise.

RESOLUTIONS

ADOPTED BY THE ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 24 JUNE 1983

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 1982.
2. Released the Board of Directors and the Auditors from all responsibility for the year 1982.
3. Approved the fees of the members of the Board of Directors and of the Administration.
4. Approved the transfer of an amount of Drs. 665,927,970 from the Share Premium Reserve Account to Share Capital in order to cover the difference resulting from the misinterpretation of the provisions of Law 1249/82 regarding the readjustment of the value of the Bank's real estate.*
5. Approved the amendment of art. 3 of the Bank's Articles of Association regarding the transfer mentioned above.*
6. Confirmed the election of Mr. George Th. Lambropoulos as Director and Deputy Governor and of Mr. George Tsouyopoulos as Director.
7. Reelected as Directors for a term of three years His Eminence the Archbishop of Athens and All Greece Serafim, Messrs. Dimitrios Beis and George P. Livanos, and the ladies Anna Panagopoulou and Ioanna Zervaki.
8. Elected the Chartered Accountants Messrs. Demetrios Varvatsoulis and Emmanuel Sakellis as ordinary auditors for the year 1983, and the Chartered Accountants Messrs. George Skoularikos and John Trakos as alternate auditors.

*The Bank's Share Capital was increased by decision of the Extraordinary General Meeting of Shareholders held on 24.9.82 through capitalization of:

- (a) an amount of Drs. 14,212,217,545.56 from surplus value of real estate resulting from readjustment of its value pursuant to Law 1249/1982, and
 - (b) an amount of Drs. 53,212,354.44 from the Share Premium Reserve Account.
- The total increase of the Share Capital thus amounted to Drs. 14,265,429,900.

NATIONAL BANK
OF GREECE S.A.

141ST
BALANCE SHEET
AS AT 31ST DECEMBER 1982
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, 1982, 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. It is noted that: a) In the year under review, the book value at 31st December, 1980 of land and buildings, and depreciation on buildings was readjusted according to the relevant provisions of L. 1249/1982. The surplus arising therefrom of Drs. 14,212,217,546 and an amount of Drs. 53,212,354 from the share premium account increased the Bank's share capital. However, due to misinterpretation of the provisions of L. 1249/1982 as regards the method of computation of the readjustment of the depreciation on buildings, this depreciation readjustment was lower by Drs. 665,927,970, in consequence of which the final readjustment surplus which was capitalised was higher by an equal amount. At the closing of the Balance Sheet, an adjusting entry was made to the depreciation by debit to the account "Difference from readjustment pursuant to L. 1249/82" of which the debit balance of Drs. 665,927,970 is deducted in the above Balance Sheet from the "Share premium account". This difference is to be covered, by decision of the General Meeting, by the balance of this account. b) Depreciation on buildings was computed for the whole year on their readjusted value. Thus, the year's depreciation is higher by Drs. 186,180,000 than if it were computed on the pre-readjustment value of buildings, as in the previous year. c) The value of the portfolio shares of the Bank has increased by Drs. 4,336,247,758 owing to the acquisition of bonus shares and to the increase of the nominal value of old shares according to L. 1249/1982. This increase is shown in the Liabilities account "Special Reserve from bonus shares or plus value of shares under L. 1249/82". No change in the inventory evaluation method has been made as compared with that of the previous year, except as stated in the above cases. 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, 1982 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, except as above. The basic accounting policies adopted by the Company are set out in the Report of the Board of Directors to the General Meeting of the Shareholders.

Athens, 30th April 1983

THE CERTIFIED PUBLIC ACCOUNTANTS

DEMETRIOS P. VARVATSOULIS

EMMANUEL J. SAKELLIS

1981 ASSETS

1982

AVAILABLE FUNDS

12,413,186,806	Cash, Cheques and Sight Accounts with the Bank of Greece
34,365,968,001	With Banks abroad and Foreign Exchange
95,642,733,929	Deposits with Bank of Greece pursuant to Currency Committee Regulations
139,989,650,000	Treasury Bills

397,667,492,032	
26,150,375,631	
42,310,311,794	
125,014,754,607	
204,192,050,000	

LOANS AND ADVANCES

I. To Commerce

75,555,378,755	Bills discounted and advances against commercial paper and other guarantees	87,070,555,908
13,859,199,190	Loans and Accounts:	
377,555,945	On merchandise and bills of lading	12,696,545,426
	On securities	356,722,379

100,123,823,713

II. To Industry

248,509,070,766	Bills discounted and advances against commercial paper and other guarantees	299,113,323,489
24,471,336,079	Loans on merchandise and bills of lading	24,797,824,274

323,911,147,763

III. To Handicraft

53,615,338,000

SUNDRY DEBIT ACCOUNTS

847,262,196	Deferred charges	725,811,838
10,362,612,576	Claims from sundry banking transactions	13,311,344,872
2,297,722,915	Claims against Staff Insurance Funds	2,278,480,089
2,977,511,790	Foreign Exchange Accounts	4,199,403,744
23,032,553,655	Claims due to difference in foreign exchange rates on deposits	44,126,014,168
5,728,218,831	Sundry Debtors	6,718,628,972
915,954,822	Bank of Greece: Duties and Advance Import Deposits	925,401,185

72,285,084,868

INVESTMENTS

8,921,167,138	Portfolio of Securities	
16,628,169,016	Bonds	12,733,609,948
-608,799,625	Shares	24,017,223,663
	Less: Instalments due	-1,429,963,625
		35,320,869,986
5,275,783,339	Bank Premises and Real Estate	
5,488,011,264	Land	16,562,701,060
-2,808,199,084	Buildings	11,814,935,024
	Less: Depreciation	-7,573,983,148
1,839,976,484	Fixtures, Office Furniture and other Equipment	2,525,908,812
43,765,942	Vehicles and other Transport Equipment	42,595,095
-814,813,887	Less: Depreciation	-1,059,813,887
371,005,470		1,508,690,020

57,633,212,942

INVESTMENT SUSPENSE ACCOUNTS

13,863,831,772	BRANCHES (entries in transit)
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358,245,346
12,805,894,760

770,961,133,085

TOTAL ASSETS

1,018,400,239,424

CONTRA ACCOUNTS

67,809,672,046	Guarantors
103,491,483,410	Other Contra Accounts
942,262,288,541	

70,844,004,873
118,202,543,299
189,046,548,172
1,207,446,787,596

273,903,378,726
120,284,481,009
394,187,859,735

*of which: Short-term	312,961,991,966
Long-term (over one year)	164,688,317,510
	477,650,309,476

1981 LIABILITIES

1982

CAPITAL ACCOUNTS

5,370,513,600	Share Capital (4,363,543 shares at Dr. 4,500 each)	19,635,943,500	39,163,112,177
8,482,432,100	Share premium account	8,429,219,746	
	less: Difference from readjustment pursuant to Law 1249/82	<u>-665,927,970</u>	7,763,291,776
	Reserves:		
1,656,602,214	Ordinary	1,796,602,214	
1,231,647,381	Extraordinary	<u>1,231,647,381</u>	3,028,249,595
	Special Reserves:		
1,925,184,364	From sales of securities under E.L. 148/67	2,239,805,599	
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	
—	From bonus shares or plus value of shares under L. 1249/82	<u>4,336,247,758</u>	8,719,687,486
8,894,201	Balance carried forward		<u>15,939,820</u>

PROVISION FOR CONTINGENT LOSSES FROM DOUBTFUL DEBTS

10,755,017,502	Inland (E.L. 396/68)	11,149,031,927	12,604,283,513
948,293,408	Foreign	<u>1,455,251,586</u>	

SUNDRY PROVISIONS

207,731,803	Inland	207,604,926	261,369,303
10,928,261	Foreign	<u>53,764,377</u>	

DEPOSITS

57,742,447,929	Sight Deposits	84,452,928,881	840,349,116,743
277,667,201,671	Savings Accounts	355,577,400,805	
	Time Deposits:		
164,341,036,803	Short-term	224,554,820,411	
128,633,321,958	Long-term (over one year)	<u>175,763,966,646</u>	<u>400,318,787,057</u>

SUNDRY CREDIT ACCOUNTS

	Banks abroad: Loan account in foreign exchange (of which		105,358,678,289
	Dr. 6,052,997,413 due for instalments in 1983)	22,284,161,630	
20,337,619,930	Bank of Greece-Financing Account	44,427,583,186	
41,860,133,299	Deferred Income	7,301,916,119	
5,566,255,160	Obligations from sundry banking transactions	9,891,747,629	
9,069,601,635	Foreign Exchange Accounts	2,966,573,554	
3,256,334,026	Principals of Duties and Advance Import Deposits	959,860,788	
948,193,919	Withholdings in favour of Third Parties	2,369,637,409	
1,750,074,198	Sundry Creditors	<u>15,157,197,974</u>	
11,841,730,016			

CHEQUES AND ORDERS PAYABLE

12,521,046,778			18,481,907,899
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DIVIDENDS PAYABLE

2,685,256,800			2,181,771,500
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770,961,133,085	TOTAL LIABILITIES		<u>1,018,400,239,424</u>
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CONTRA ACCOUNTS

67,809,672,046	Guarantees	70,844,004,873	
103,491,483,410	Other Contra Accounts	<u>118,202,543,299</u>	189,046,548,172
<u>942,262,288,541</u>			<u>1,207,446,787,596</u>

PROFIT AND

1981 DEBIT

1982

STAFF PAYROLL AND CONTRIBUTIONS

7,750,609,457	Staff Salaries and Wages		10,250,108,004	
223,168,035	Fees paid to Third Parties		261,911,562	
	Contribution to Staff Insurance Funds:			
2,214,653,160	Ordinary	3,044,895,741		
910,201,019	Extraordinary, pursuant to Laws 3662/57, 810/78, etc.	903,400,000		
		<u>3,948,295,741</u>		
440,279,597	Contribution to Social Insurance Institute (IKA)	555,476,966	4,503,772,707	15,015,792,273

GENERAL EXPENSES AND TAXES

2,175,155,385	General expenses		2,402,136,652	
239,753,536	Taxes		422,796,042	
	Contribution in favour of export industries and handicraft pursuant to Law 128/1975		<u>5,416,592,423</u>	8,241,525,117

DEPRECIATION AND PROVISIONS

230,635,000	Depreciation on buildings	465,090,000		
172,000,000	Depreciation on furniture, fixtures, motor vehicles and other equipment	245,000,000	710,090,000	
3,082,000,000	Provision for contingent losses from doubtful debts (E.L. 396/1968)		3,808,580,000	
10,000,000	Special provision for liabilities under settlement		<u>55,000,000</u>	4,573,670,000
	Loss from sale of property to the Government below its readjusted book value pursuant to Law 1249/1982			763,408,668

BUSINESS PROFIT

55,252,085	Profit on sale of securities carried to tax-free Special Reserve pursuant to E.L. 148/67		314,621,235	
<u>3,042,556,548</u>	NET PROFIT		<u>2,582,605,869</u>	2,897,227,104
<u>25,105,279,238</u>				<u>31,491,623,162</u>

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. 230

Dr. 500

Directors' Fees

Balance carried forward

STYLIANOS P. PANAGOPOULOS
Governor

LOSS ACCOUNT

1981 CREDIT

23,674,170,453	Gross operating profit (Commission, Interest, and Sundry Earnings)
1,375,856,700	Income from Securities and Real Estate
55,252,085	Profit on Sale of Securities, carried to tax-free Special Reserve pursuant to E.L. 148/67
—	Sundry non-recurring income

1982

28,356,525,094
2,428,925,106
314,621,235
391,551,727

25,105,279,238

31,491,623,162

ACCOUNT

1982

2,582,605,869
8,894,201
2,591,500,070

1981

3,042,556,548
15,383,203
3,057,939,751

140,000,000	160,000,000
250,000,000	200,000,000
1,178,156,610	322,230,816
1,003,614,890	2,363,025,984
2,181,771,500	2,685,256,800
3,788,750	3,788,750
15,939,820	8,894,201
<u>2,591,500,070</u>	<u>3,057,939,751</u>

Athens, 29th April 1983

SPYROS C. CALOGEROPOULOS - STRATIS
Specially Authorized Director

ANTONIS K. MASTRANTONIS
Chief Accountant

