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REPORT

FOR THE YEAR 1961



NATIONAL BANK OF GREECE

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R E P O R T
FOR THE YEAR
1961

NATIONAL BANK OF GREECE

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REPORT

by

MR. DIMITRI E. HELMIS

GOVERNOR OF THE NATIONAL BANK OF GREECE

PRESENTED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE YEAR 1961

GENTLEMEN,

The exceptionally favourable developments in the Greek economy during the past year permitted our Bank to greatly expand its operations in all credit sectors. In fact, the activity of the National Bank reflects the continuous progress being made thanks to the increasing productive effort of the nation and its advance towards a better morrow within the broader economic area of Europe now in the course of formation.

A rich agricultural production, intensive manufacturing activity, lively trade exchanges at home and abroad, growth of the Greek merchant fleet by the addition of many new ships, a considerable increase in tourist traffic, continuation of the large-scale Government infra-structure works and intensive investing in the private industrial sector, in conjunction with political, monetary and fiscal stability—all these compose the picture of Greek economy during 1961.

But possibly the most important point is that our country is on the road towards a close link-up with the developed countries of Western Europe following the agreement signed in Athens last summer. This association opens up great possibilities for the Greek economy but, at the same time, creates big problems which all of us—Government, private business and credit institutions—are called upon to face with determination. The National Bank, faithful to its long-standing traditions has already been most active, as we shall mention further

in our Report, in establishing new services to meet the occasion and strengthening its ties with banking organizations and business concerns abroad with the purpose of encouraging their cooperation with Greek industrial enterprises.

I

INTERNATIONAL ECONOMIC DEVELOPMENTS

ECONOMIC ACTIVITY AND INCOMES

THE year 1961 was, in general, a year of further increase in international productive activity, in employment and in incomes. Economic progress continued in nearly all the countries of the Western World and in the majority of areas cooperating with them. Manifestations of this increase were an overall rise of the standard of living and a net increase in productive potential.

In addition, currency and exchange conditions were, on the whole, normal. From the beginning of last year the anxieties which were caused by the temporary weakening of the position of the dollar during the Autumn of 1960 were dissipated and international transactions were relieved of the fears of a possible readjustment of its price in relation to gold.

However, the rate of increase of international economic activity during 1961 was relatively restrained. This was partly due to the prolonged slackness in economic activity in the United States which had started in 1960. During the first months of the past year, as a matter of fact, the recession was in its most acute phase. From the middle of 1961, however, and particularly during the last three-month period of the year, American production began steadily to improve. The beneficial repercussions of this improvement were soon apparent in the level of employment and incomes and in the position of the balance of payments. This gave rise to optimism as regards the further development of American economy which, of course, decisively influences the whole of the Western World.

The countries of the European Economic Community, on the other hand, made considerable economic progress. The stepping up of the gradual liberation of trade among the members of the Common Market seems to have substantially influenced their economic potential. In fact, inter-community trade was further strengthened, and the

encouragement of the free movement of labour helped to partially offset the pressures for an increase in wages at a faster rate than was warranted by improved productivity.

Claims for higher pay were also put forward in the United Kingdom. The slackness, however, in the rate of increase of productivity, in conjunction with temporary exchange difficulties, led the British Government to apply a policy of restraint on incomes.

Of the countries with a primary production probably those of Latin America were confronted by the most serious problems. The terms of trade, which for the past six years had been steadily turning against them, were once again an important factor in the unfavourable development of their balance of trade and in the delay of their economic progress. Certain of the large countries of Latin America had to face more permanent exchange difficulties which, periodically, led to a crisis in their balance of payments.

POLICY ON INTEREST RATES

THE interest rate policy applied during the first months of 1961 came under the influence of the broader consequences of the delicate situation of the dollar with regard to international liquidity and overall economic activity. Characteristic in this instance were the efforts of the monetary authorities in the United States to achieve a swift recovery of the country from the recession. Towards this end it was considered necessary to ease credit restrictions. An increase, however, in the money supply might have culminated in the formation of low interest rates and would have encouraged the flow of "hot money" to the European money markets which offered higher short-term rates. Thus, the difficulties encountered in the balance of payments of the United States would have become worse and, possibly, international anxiety would have increased. To avoid such unfavourable consequences the Federal Reserve Banks abandoned their long established policy of influencing the short-term rates only and started to intervene also in the capital market.

In this manner short-term rates were maintained at approximately

the same level whilst long-term rates were forced down. On the other hand, in Great Britain the bank rate was increased on account of the unfavourable situation in her foreign payments which developed from July onwards. This move resulted in the attraction of "hot money". The re-establishment of some equilibrium in the exchange position permitted the authorities to lower the bank rate by $\frac{1}{2}\%$ in October last. A further cut of $\frac{1}{2}\%$ was made a month later as the balance of payments continued to improve.

Furthermore, to strengthen the position of both the pound sterling and the dollar, West Germany twice decreased her discount rate whilst that of the other countries of Western Europe remained unchanged.

In conclusion, it can be said that 1961 was a year of improvement in international liquidity and gave rise to an increase in economic activity under a policy of decreasing interest rates.

TRENDS TOWARDS UNIFICATION OF WESTERN EUROPE

DURING 1961 the countries of the Western World further intensified their efforts towards realising closer economic collaboration. The successful application of the Rome Treaty decisively contributed towards this end. The achievement of all the aims outlined for the first stage of the transition period, which terminated on 31st December 1961, was completed with a delay of only a few days and, in particular, the lifting of tariff barriers was advanced at a rate faster than originally anticipated. The solution of the problems which arose, especially as regards a common agricultural policy, made the position of the European Economic Community very strong and exerted powerful attraction on a number of other European countries. Thus, the submittal on the part of Great Britain of an application for participation in the E.E.C. was followed by soundings on the part of other countries. Denmark and Ireland aim at full participation, whilst Switzerland, Austria, Sweden, Turkey and Spain have manifested an interest in associating themselves with the Community.

At the same time the United States has encouraged movements

towards a closer collaboration of the Western World and has approved of the activities of the Six. This is borne out by the agreement recently concluded which aims at reducing tariffs between the United States and the European Economic Community.

AID TO COUNTRIES UNDER DEVELOPMENT

WHILE the Western World moves energetically in the direction of closer economic cooperation, groups of non-aligned Asiatic, African and Latin-American countries are making intensive efforts to advance their economic development.

The dependence of the Western World upon countries of primary production, mainly for the supply of raw materials but also for the placing of its industrial products, has made the industrially advanced countries to show an understanding of the problem of economies under development. It was in this spirit that the International Congress of Manufacturing sponsored by the NATIONAL INDUSTRIAL CONFERENCE BOARD and the STANFORD RESEARCH INSTITUTE was held in San Francisco last September. During this conference, the sessions of which we personally attended, the need was stressed for a coordination of efforts on the part of the Western World to grant aid to countries under development. In this way, it was argued, the means available would be more effectively mobilised to achieve a common goal. A proposal was also put forward to lay the burden of this aid on all the advanced countries of the West and to provide assistance in such a way as to ensure the countries receiving it would participate themselves by supplying local capital to the greatest possible extent.

It was also acknowledged that Government initiative in the countries under development aiming at building up the economic infrastructure in fact serves the interests of private capital and in no way competes with it. The prospects for private initiative, it was noted, are improving as the objectives of the economic programmes are being realised. It was also stressed that the contention that a weak or inert government—whether of an old or a new, a prosperous or a poor country—better serves the interests of private capital, is a thing of the past.

II

THE ASSOCIATION OF GREECE WITH THE EUROPEAN ECONOMIC COMMUNITY

AIMS AND EXPECTATIONS OF THE ASSOCIATION

GREEK economy has taken full advantage of the trends towards a unification of Western Europe by establishing, in good time, links with the Common Market. The long negotiations between the representatives of Greece and those of the European Economic Community culminated in the signing of the Association Agreement on 9th July, 1961. This Agreement is expected shortly to be ratified by the parliaments of all the member-states of E.E.C. so that it may possibly be put into effect within the current year.

Greece is the first country with which the Community has concluded an agreement, establishing a link on the basis of Article 238 of the Rome Treaty. We believe that the importance of this fact has not been sufficiently stressed. By her association with E.E.C. Greece has proved that she is closely watching international developments through her responsible Government authorities and is making the best possible use of all the opportunities offered to her. The association is, without question, a milestone in the history of Greek economy and it is rightly expected to contribute decisively towards an acceleration in its rate of development.

Our country, of course, has always maintained very close economic ties with Western Europe, particularly with those countries which established the European Economic Community five years ago.

However, there were increasing indications, which could not be ignored, that unfavourable conditions for the further promotion of trade between Greece and the countries of Little Europe were gradually developing. One indication was the standstill, if not decrease, in Greek exports to these countries; another was Greece's inability to increase the range of her exportable products to any significant extent. In any event, exports continue to include only a relatively few

traditional agricultural export items, while Greek industry has made no progress in placing more of its output on the markets of the advanced countries. With very few exceptions, Greek industrial goods are sold only in Greece where, as a rule, they are competitive thanks to high tariff protection.

In a period during which international trade is tending to develop at a continuous and accelerating pace through the redistribution of activities on the basis of the comparative cost advantage and specialization, there was obviously an urgent need to radically revise the policy for the development of Greek production. Otherwise, the ability of domestic products to compete with foreign goods not only abroad, but even in the home market, would be bound to worsen instead of becoming better. Consequently, there was a danger that if local production did not get in line with conditions that are taking shape abroad Greek economy would necessarily become isolated from the economies of those countries of Western Europe which are already highly developed and making fast progress. It is precisely the adaptation to these conditions which is being aimed at by the Government, whose efforts all sections of our economy are being called upon to strongly and actively support.

We believe that the Government correctly aimed at an association and not at full membership in E.E.C. Moreover, the Greek delegation can claim to have been highly successful in securing a differentiation between the periods of time within which obligations undertaken and advantages granted are to come into force. The time limits laid down by the Agreement will surely permit the necessary organic changes to be effected in the composition of Greek production. Thus, during the period of transition and up to the completion of the association, the problems arising therefrom will find their solutions. Moreover, the fact that the provisions of the agreement with regard to the obligations undertaken by Greece will be applied by stages will make the business world in this country try to find the most suitable ways and means initially to survive and, later, to thrive in what may possibly be called the most progressive community of our times.

THE ROME TREATY AND THE LONG-TERM GOVERNMENT PROGRAMME

THE Rome Treaty, upon the clauses of which the Association Agreement stands, aims at the economic and social progress of the member-states and the raising of conditions of living and employment of their peoples. This is sought through the clauses concerning the removal of obstacles in the movement of goods, persons and capital, as well as through bringing into line the national policies of the member-states by creating a supra-national policy which will cover the economic, social and even the political problems of the Six.

The first 5-year economic development programme of this country, now in progress, is also directed towards this end. In the pursuit of the common objective, however, Greece finds herself in a considerably different position from the countries of the Common Market. These, with the exception of the southern part of Italy, have already succeeded in giving their economies the basic structure which permits them to be characterised as developed. Consequently, the only problem they have is to promote the development of certain sections of their economies which lag behind and to place some of their individual industries on a sound basis. As a result the importance of their problems appears to be small. In any case, the means to eventually face such problems, whenever they are considered to exceed the possibilities of each member-state, were created by the foundation of the European Investment Bank, the Common Financial Fund and the European Social Fund. The E.E.C. countries are therefore comparatively free to pursue the aims of the Rome Treaty, as most of these countries have already attained full employment and their standard of living is among the highest in the world.

In Greece, however, such achievements have yet to be realised. In order to establish the same conditions as are already in existence in the Common Market countries, it was sought to secure special treatment for Greece. The provisions of the Athens Agreement constitute a recognition on the part of the Six that Greece is entitled to all possible support in her efforts to emerge from her present stage of economic

development and, later, to join the ranks of the industrially advanced countries.

The Long-Term Government Programme, although put into effect before the Association Agreement was signed, had been drawn up with a view to curing the particular weaknesses of Greek economy in its relations with the Common Market. The basic aim of the Programme is to accelerate the improvement of productivity and to foster any sign of more intensive private initiative in the productive field. The bringing down of costs to West-European levels and the emergence of new and dynamic enterprises, particularly in industry, are perhaps the main conditions which will make it possible for Greek economy to progress and permit it to take advantage of the benefits derived from a full customs union with the Common Market countries. It was in this spirit that the first specific measures began to be adopted for the creation of favourable conditions for the development of production and export industry in particular. By gradually completing these measures on the basis of acquired experience and in accordance with the needs which arise from time to time it is expected that a sound policy of incentives and facilities for private business initiative will emerge so that the private sector will eventually be oriented towards the directions outlined by the Development Programme. It is, therefore, up to private business to take advantage of the opportunities offered to it and to set up competitive enterprises not catering only for the eight million Greeks but for the 170 million people of the Common Market countries.

Improvement of productivity is not an aim in itself, but it is the only way by which Greek products can in the long run gain a foothold on foreign markets and particularly on the large and exacting market of the Community. It is, therefore, by raising productivity that the presently under-employed labour potential will be absorbed and the Greek economy attain considerably higher levels of production, resulting in an increase in national income.

III

DEVELOPMENTS IN GREEK ECONOMY

OVERALL ACTIVITY

RARELY have the economic affairs of Greece developed in so satisfactory a manner as during the past year. It would probably not be an exaggeration to state that 1961 was the best post-war year for Greek economy. This statement is founded upon the fact that the national income rose sharply and that the increase in fixed capital investment was the largest achieved within any single year, while the value of the national currency remained unchanged. There was, thus, a further improvement in the standard of living of the Greek people. Moreover the productive potential of the country continued to expand under conditions of monetary and exchange stability.

The course of Greek economy was not particularly influenced by the development of the international situation. The reasons for the really impressive progress made last year should rather be sought inside the country. The year 1961 was mainly a year of agriculture. Nearly all crops were favoured by weather conditions and many of them reached the highest levels ever. It also happened that the olive crop last year was exceptionally bountiful. The result was that gross agricultural income increased by 16% as compared with 1960. The implementation on the part of the Government of a consistent price policy protected growers from a possible fall in prices owing to large supply which might have resulted in a decrease in their income. The combination of good crops and satisfactory prices gave rise to lively demand on the part of the farming population which in its turn had a stimulating effect on the remaining sections of the economy. Income from industrial activities in general showed a noteworthy increase of 9% in comparison with 1960. Similarly an improvement of 8% was observed in services.

Overall gross national income, at constant prices, increased by 11% between 1960 and 1961. The annual average increase in the two-year period 1960-1961 amounted to 8%, thus exceeding the rate foreseen

by the long-term Development Programme. Such intensive and steady increase in productive activity is not often met with in other countries and is proof of the vitality of Greek economy. This fact permits every optimism for future progress, taking into consideration that only recently did a consistent policy for economic development come into being. It can safely be expected that the measures which have been taken to reorganize and improve productive activity, with the aim of adapting it to conditions prevailing in Western Europe, will help to step up economic progress.

FIXED CAPITAL INVESTMENT

THE disproportion between productive installations and labour potential has always been the basic cause of the backwardness of Greek economy. The importance of increasing the wealth of the country by means of infra-structure works and productive installations was fully recognized by the Government, which laid down, as a primary target, the channelling of a growing proportion of national resources to fixed capital investment. Figures for 1961 show that this effort has already been successful. As much as 21.3% of the national income was devoted to the financing of new projects, compared with 19.7% for 1960 and 17.3% for 1959, that is, prior to the application of the Programme. This percentage is one of the highest among the countries of the Western World, and is a guarantee that the organic problems of Greek economy will be solved in the not too far distant future. In point of fact, by the increase of fixed capital, chronic underemployment will be combatted and the scourge of over-crowding in business will disappear. This will help to eradicate the fundamental causes of the reduced productivity of Greek economy.

During 1961 fixed capital investments, excluding new ships, reached the record level of 20,100 million drachmae, compared with 16,700m. for 1960 and 14,600m. for 1959. Particularly spectacular during the past three-year period was the increase in Government investments, which rose from approximately 28% of the total in 1958 to over 39% in 1961. With the large amounts that are devoted to the im-

plementation of productive works of all kinds the Public Investment Programme actually tends to become one of the main factors in the creation of new national wealth. In addition, the investment activity of the Government contributes most decisively to the permanent creation of additional employment and, consequently, to a steady increase in incomes. Particular stress must be laid on the fact that although public investments have risen each year by 1,000m. drachmae there has not been the slightest disturbance to monetary stability. It has, indeed, been possible for the Government to find permanent sources of capital which will surely continue to increase as the economy of the country expands.

An equally good sign has been the increasing interest of private business in fixed capital investment. Private investments during 1961 amounted to 12,200 million drachmae, not including ships registered under the Greek flag. The corresponding figures for the years 1960 and 1959 were 10,800 and 9,900 million respectively.

The revival of business investments in 1960 and their upsurge in 1961 must be attributed to a number of factors. One such factor is, of course, the continuous rise of the national income, thanks to which the demand for goods increases and the margins for making fixed capital investment widen. Another favourable factor was the existence of political and monetary stability. Furthermore, the expectation that Greece would become associated with the Common Market and later the materialization of this link-up under favourable conditions, gradually dispersed the cautiousness of the business world which had been brought about by the uncertainty prevailing during the first years after the Rome Treaty was signed. Finally, of decisive importance was that the Government measures proved to the people that the policy of economic development was not an empty word. The fact that the economic infrastructure was carried out in a systematic way and at an ever-increasing pace, as well as that the problems of the business world were given serious consideration, created the conviction that the foundations for a successful outcome of business initiative were being laid.

The importance of establishing a long-term Government policy and applying it consistently with a view to promoting private activity is

borne out by developments in shipping. The measures that were introduced a considerable time ago, and that still continue to be made more advantageous, have produced excellent results and have helped the Greek merchant fleet to grow enormously. The tonnage of ships registered under the Greek flag at the close of 1961 had reached 6.4m. G.R.T., Greece ranking sixth among the sea-faring nations of the world. Shipping is the first sector of Greek economy to face international competition successfully. Its rapid rise has proved that Greek business acumen and Greek workmen are able to thrive outside the narrow confines of the country, provided the relative problems are tackled and the necessary backing is given. The post-war history of Greek merchant shipping gives rise to optimism as regards the future prospects for the development of the other productive sectors.

THE STABILITY OF THE DRACHMA

DURING 1961 prices showed a gradual decrease. Even before the summer there had been a steady monthly decline in the wholesale and consumer price-indices. The viewpoint was thus vindicated that the rise in prices which had been noted from the first winter months of 1960, and which continued in the spring of the following year, was temporary and attributable to special causes. Undeniable proof of the stable value of the drachma at home is the fact that the average annual level of wholesale prices between 1956 and 1961 increased by only 3.6%. It should be pointed out that rarely has our currency known such stability over such a long period, in spite of the most considerable increases in salaries and wages. Even by international standards changes in Greek prices have been among the smallest.

Greek economy is now reaping the benefits of the recent systematic improvement in the monetary field. For the fifth consecutive year revenue from Greek sources has exceeded expenditure on the State Budget. This has made it possible to finance the Public Investment Programme with the truly noteworthy surplus which amounted to Dr. 1,600 million or 9% of total ordinary revenue.

Furthermore, the cycle of deposits and credits developed independent-

ly as adequate amounts of deposits flowed into the credit institutions to cover the credit needs of the economy. Against an increase of Dr. 3,694 million in overall financing between the end of December 1960 and 1961, new deposits with commercial banks and special credit institutions amounted to 3,509 million. The excess of loans over deposits amounting to Dr. 185 million was more than covered by various deposits with the Bank of Greece which were not redistributed among the commercial banks.

BALANCE OF FOREIGN PAYMENTS

THE most interesting development in the exchanges of the country with the rest of the world during the past year was the increase in exports, not so much because the additional amount of foreign exchange was considerable compared with 1960, but because the decreasing trend in exports noted during the previous two years was reversed. Large crops, particularly of cotton, allowed for greater exportable surpluses, which were sold abroad with comparative ease and at satisfactory prices.

Net invisibles again showed a most considerable increase originating, primarily, from shipping remittances and tourist receipts. The great importance of invisibles to the normal development of the balance of foreign payments is proved by the fact that they already exceed exports and take first place among the sources of foreign exchange receipts.

The total increase in exchange earnings from exports and net invisibles amounted to \$62 million, while the increase in expenditure on imports amounted to approximately \$65 million. Consequently, hardly any change took place in the balance of current payments compared with 1960. Furthermore, it should be noted that more than one third of the additional expenditure on imports, that is approximately \$24 million, was for capital goods indispensable for the development of the economy. Taking into consideration the rise of real income, the increase in the remaining imports—excluding capital equipment by some 10% is fully justified as being compatible with the expansion of economic activity in general.

The net capital inflow again reached a higher level with the result that it was possible to further increase foreign exchange reserves with the help of American Aid. Measured against average monthly import requirements, actual reserves standing at \$250 million as at 31st December 1961, compared with \$223 million at the end of the previous year, should be considered as being entirely satisfactory. Moreover, considering that \$15 million has been deposited with the International Monetary Fund, Greece has obtained the right to draw on I.M.F. an amount of up to \$60 million to meet any emergency.

IV

DEPOSITS AND FINANCING

ACTIVITY OF THE NATIONAL BANK

THE favourable developments in Greek economy during 1961, already briefly described, could not but also exert a favourable influence upon the credit sector. Both supply and demand of capital showed a strong upward trend and it can be said that the greater part of financing needs was covered by the credit institutions of the country by means of bank deposits. The National Bank, more particularly, took a most active part both in the extension of credits to the economy and in the attraction of deposits. The following figures are indicative of the special vitality shown by this Institution during the past year. Of the total increase in drachmae deposits with the commercial banks, which amounted to Dr. 2,321 million, approximately 70% was channelled to the National Bank. Furthermore, of the additional financing of Dr. 1,781 million, 84% was made by our Bank.

DEVELOPMENT OF DEPOSITS AND THE BANK'S EFFORTS

CONSIDERABLE capital from national saving again flowed into the banks and special credit institutions and was distributed among all productive branches of the economy. Of the total of these additional deposits, the greater part, that is Dr. 3,096 million (88%), came from deposits of individuals and private enterprises. Comparison with corresponding data for the previous year shows a small increase in absolute figures.

However, it should be noted that at the beginning of 1961 and later, particularly during the four-month period of May-August, the rate of increase in deposits showed a decided falling-off. It was only from September, and especially in the last two months of the year, that the inflow of deposits started again at a rate which, according to data so far available, continues to remain high. This development was chiefly due to the general rise of incomes that took place mainly in the second half

of 1961. The tendency of the public to deposit with banks was further encouraged by the political stability which was consolidated following the general elections. The fact that during 1961 the Government did not have recourse to the capital market for its financial needs also played an important role in helping funds to accumulate with the banks and the special credit institutions.

Most of the increase in deposits again went into savings bank accounts which continue to represent over 65% of total private deposits. From available data and information it appears that savings bank deposits, which are the most popular form of savings, are increasing at the same or even at a slightly faster rate in the provinces than in the Athens-Piraeus area. At the same time, however, the share of time deposits in the total has improved and increased from 6.8% on 31st December 1960 to 7.5% at the end of 1961. Although, at first sight, this increase seems small its more general importance cannot be underestimated, as it indicates that the public have started to show a growing interest in longer-term deposits. There is no doubt whatsoever that the increased rates of interest on deposits of this kind established since 16th October 1961 and the greater differentiation between the rates on time deposits and those on savings bank deposits has been a most important factor in bringing about this result.

In the attraction of deposits of all kinds, and particularly the savings bank and time deposits, the National Bank maintained its traditional leadership among the large credit institutions of the country. Thus, the percentage of participation of the National Bank in the sum total of drachmae deposits—private and public—with commercial banks increased from 60.4% at the end of 1960 to 61.7% on 31st December 1961. A similar increase is noted in the corresponding percentage of private deposits in general and of savings bank deposits in particular. However, the field in which the National Bank has made the most impressive progress is that of time deposits. Its participation in the total of these increased during the year under review from 54.7% to 61.6%. The figures referring to the new category of deposits withdrawable at 3 months' notice introduced since 16th October, 1961, are indicative of the efforts made by the Bank to attract further savings. Up to the end

of the year, that is within two and a half months, as much as Dr. 33.5 million had accumulated in accounts of this category and by the end of February 1962 had increased to 85.7 million.

In all the efforts in the field of saving the National Bank is fortunate to have the full support of the Advisory Council on Savings, which is under the patronage of H.M. the King and the chairmanship of His Beatitude, The Archbishop of Athens and All Greece. Mention has repeatedly been made in the past of the successful activities of the Bank in cultivating a savings spirit in the men and women of tomorrow. It is most gratifying to observe the ever-increasing flow of savings by young people: 8,915 new accounts totalling Dr. 27.7 million were added during 1961, so that the total number of boys and girls depositing with this Bank amounted to 36,572 with a total of deposits of 73.7 million at the close of the past year.

Another category of deposits in which noteworthy progress is recorded is that of the Savings Accounts combined with Life and Accident Insurance. Depositors of this category increased in 1961 from 3,427 to 4,244, and the balance of deposits from Dr. 11,783,000 to Dr. 16,936,000.

Similarly satisfactory is the development of the deposits of seamen who for years have entrusted the leading credit institution of the country with the drachma equivalent of their foreign exchange savings. The number of new accounts opened in 1961 amounted to 4,546 with deposits of Dr. 78.4 million. The balance on 31st December 1961 showed deposits of Dr. 255.8 million, that is, an increase of approximately 26%.

Another special category of deposits of particular interest are joint accounts which were more widely made use of during the year under review. The number of depositors in this category amounted to 27,824, as compared with 19,361 at the end of 1960, with deposits of Dr. 871.1 million as compared with Dr. 686.4 million.

INCREASED FINANCING

INTENSIFIED economic activity in all fields, rising incomes and, consequently, a growing demand for goods during the past year, automatically increased the credit needs of the economy. The commercial banks,

and particularly the National Bank, responded to the greater demand for all kinds of credits by means of their own funds, total loans and advances in Greece rising from Dr. 12,432 million at the end of 1960 to 14,213 million on 31st December 1961. The rate of financing developed smoothly apart from a short period during the summer when there was a temporary scarcity of available funds, mainly attributable to the comparative standstill in deposits.

Most of the increase in commercial bank financing went to industry (59%) and the balance to commerce, especially to the home and import trade, and to various other fields of economic activity. On the other hand, loans extended to handicraft, export and tobacco trade showed a falling-off. The increase in industrial loans is justifiable on the grounds that manufacturing activity was stepped up and that there was also an overall effort to extend and modernize industrial plants. This is clearly shown by the fact that longer-term loans both for fixed and working capital increased considerably. In the case of loans for new equipment the outstanding balance rose from Dr. 494 million at the close of 1960 to 804 million on 31st December 1961.

The National Bank has contributed to a great extent to assist private business initiative, particularly in the manufacturing field. The Bank has met the real needs of industry and has aimed at its general development and at improving the technical and financial set-up of the enterprises rather than merely to make a profit.

Another branch of Greek economy towards which our Bank always turns its full attention is merchant shipping. The Bank plays, indeed, a leading role in supporting the Greek mercantile marine by extending credits and offering its services to this most important sector of the economy, with the result that the Bank handles by far the largest part of shipping business. Developments are closely watched and shipping problems carefully studied by us so that we can submit our findings and suggestions to the monetary authorities. We have thus succeeded in getting the mercantile marine established as a branch which is entitled to special credit treatment.

The stepping up of the Bank's overall credit activity is also shown by the fact that the percentage of its participation in the financing of the

economy by commercial banks, increased from 64.5% on 31st December 1960 to 67.1% at the end of 1961. The Bank's share in the financing of industry correspondingly rose from 65% to 69% and of handicraft from 45% to 52%. Thus the Bank remains the main source of financing of manufacturing and shipping, for the assistance of which it has made available over half of its funds.

ORGANIZATION OF INDUSTRIAL CREDIT AND FOREIGN COLLABORATION

By tradition the National Bank is the almost exclusive supplier of credit to the industrial sector, guiding and assisting Greek enterprise in its initial phase. Now that Greek industry has begun to come into its own, the Bank lends its support both by loans and by direct participation in the share capital of industrial undertakings.

This has necessitated the close and continuous study of the progress of industry. For this to be carried out the Bank has taken on staff with technical knowledge and practical experience both in the banking field and in industrial matters. Furthermore, the Greek and foreign technical advisors in its service contribute effectively towards the accomplishment of the aims of the Bank. Thus, for some time now, the technical, organizational and financial problems of industrial enterprises, and branches of industry, are being thoroughly investigated.

During the past year two new Services were formed. One of these undertakes the study of the various branches of industry from the point of view of their structure in comparison with corresponding branches of industry in countries under development and in those already fully developed, and their chances of survival within broader economic areas. The other service deals with the matter of attracting foreign capital for investment in Greek industries, promoting the cooperation of foreign industrial concerns with local enterprises, establishing new industries, merging small related industries into larger ones, and so on.

Within the framework of this activity we considered it imperative for the National Bank to get into direct contact with industrial and banking circles in advanced countries, with which the Bank has been col-

laborating for a very long time, and also to approach the international capital market. To arouse international interest in investments in Greece, the Governor of this Bank visited the United States and the countries of Western Europe. There are signs that foreign enterprise is already beginning to show an interest in setting up plant in Greece, either alone or in cooperation with Greek businessmen. In fact, representatives of important foreign banks and industrial concerns are expected to arrive shortly to negotiate the terms of possible technical and financial cooperation.

An agreement has now been signed with the French firm of Saint-Gobain for the reorganisation and modernisation of the existing Chemical Products and Fertilizer Company and the erection, in common with this firm, of two plants for the production of ammonium phosphates. The foundation stone of the first plant will be laid shortly. As this is the first instance of major cooperation with a foreign firm particular importance should be attached to it.

Apart from this, the firm of Saint-Gobain—which has become one of the largest industrial concerns in the world following its amalgamation with Péchiney's chemical division—has undertaken, by special agreement, to reorganize the chemical industry and has already started to study the possibility of establishing other chemical industries in cooperation with our Bank.

Similarly, American, French and German firms, with the help of our Bank, are examining the possibilities of supplying capital and technical assistance to enterprises engaged in the following lines of activity: steel rolling, tin plate, beverages and fruit juices, electrical equipment, agricultural tractors, motor-vehicle bodies, etc.

Negotiations are at present under way with the object of concluding further agreements of cooperation between Greek and foreign concerns along the same lines as that of the French firm of St.-Gobain. The Bank considers it its duty to act as an intermediary in such transactions in order to lend its support to the Greek enterprises which are almost invariably smaller than their foreign counterparts and, consequently, would be placed at a disadvantage in their negotiations.

The most noteworthy effort of the Bank, however, is being made in

cooperating with banking institutions in the United States, Germany and France. It is hoped that this cooperation will shortly assume a concrete form through special machinery designed to mobilize foreign capital for the long-term financing of the industrial development of the country and for the realization of direct investments.

At the same time the Bank has begun to cooperate with American semi-Government financing institutions, such as the International Finance Corporation, and the Agency for International Development. The participation of I.F.C. in the share capital of the Greek Industry of Organic Fertilizers and in its financing can be looked upon as being a first expression of this cooperation.

To assure the full success of its endeavours and to establish direct contact with Government agencies, semi-state and banking institutions abroad, as well as to supply information to foreign industrial circles, the Bank is contemplating the setting up of special offices in New York and, eventually, in Paris along the lines of the similar Dutch office which has proved to be most successful. The way this latter office operates and its methods have already been carefully studied and its active support has been enlisted should the necessity arise.

The ever-increasing international prestige of the National Bank, its history and its position as the leading credit institution of the country, greatly help to create a favourable climate of cooperation and constitute a guarantee that its efforts will yield a rich harvest.

V

CREDIT PROBLEMS

THE economic developments in the past year which we have already touched upon lead to the conclusion that the Greek economy is now following a steady upward course. On the basis of both the trends in the various fields of the economy and the intentions voiced by the Government and private business it is generally agreed that there are favourable prospects for the current year. Consequently, there is room for optimism as regards the anticipated level of activity in 1962.

PERMANENT FACTORS OF PROGRESS

THE leap in production and incomes during the past year is mainly attributable to the exceptional agricultural production. From year to year, however, more permanent internal factors are continuously acquiring greater importance and are now decisively contributing to the steady progress of Greek economy. These factors are the great increase in fixed capital investments and also the remarkable improvement in productivity. The combined effect of these is expected to be the gradual decrease in the almost exclusive dependence of economic activity on climatic conditions and the development of the economy on a broader, steadier and sounder basis.

The year 1958 marked the beginning of a decisive contribution of the Government to the development of the economy by carrying out productive works. Since that year public investments have kept increasing from year to year and have now reached an unprecedented level. In this way one of the most obvious weaknesses of Greek economy—the inadequacy of infrastructure works—is now in the course of being remedied. A study of the problems which less developed countries have to face proves that such works are a most essential condition for getting out of the state of backwardness and for the development of private initiative.

The decision of the Government, therefore, to carry out an expanding programme of public investments should be particularly stressed. The success of the Government in this direction is shown by the fact that in a very short period of time the responsible Government services and the agencies under its control have been completely reorganized. These are now in a position to plan and carry out a programme that runs into the amount of 10,000 million drachmae. Equally important is that the Government has been able to raise the necessary funds.

GOVERNMENT CREATING FAVOURABLE CLIMATE AND OFFERING INCENTIVES FOR ECONOMIC DEVELOPMENT

GOVERNMENT action to ensure economic development was not limited to the carrying out of infrastructure works and the establishment of basic industries. It also aimed at a more direct encouragement and mobilisation of private initiative in all sectors and fields of economic activity which are nationally and socially desirable. The Government has repeatedly stated that, in the final analysis, the responsibility for the development and improvement of production, must lie with private business.

The Government, in fact, has provided and continues to provide powerful incentives to all who wish to contribute to the speed-up of the economic progress of the country. Even before the successful outcome of the negotiations for linking Greece with the European Economic Community measures had been adopted which favoured newly founded or modernised enterprises with regard to import duties and taxes.

Legislative Decree 4002/59 and Law 4171/61, to mention only the more recent instances, are undoubtedly progressive measures. These measures are being supplemented by others, mainly in the field of organization and credit. By a bill which is now before Parliament it is proposed to exempt export enterprises from time-consuming formalities and onerous charges and to grant them substantial facilities so that exports might become a truly attractive field of activity. It is, we believe, particularly worth stressing the modern spirit which has prevailed in the measures that are being adopted. It expresses the

new course followed by economic policy aiming at making national production competitive in all respects on an international level. Henceforth the criterion for furthering private initiative is not merely the ability to produce, but to produce exportable goods.

It should also be noted that the value of the Greek currency has been maintained. To combine monetary stability with an impressive rise in public investments is an achievement not often met with and which the Government can be rightly proud of. It must be recognized that this achievement proves the correctness of the policy adopted during recent years.

The duty of the Government is mainly to create a suitable framework within which private business may operate encouraged by the existence of favourable conditions. Public investments, incentives and monetary stability are important conditions to this end while the Long-term Development Programme outlines the course to be followed by the private sector.

INDICATIONS OF PROGRESSIVENESS IN THE PRIVATE BUSINESS SECTOR

THANKS to the persistent and systematic efforts of the Government, Greek economy is today—on the eve of its association with the European Economic Community—far better placed to adapt itself to the new conditions.

Due praise must also be given to the realistic manner and the courage with which the business world has faced the link-up with E.E.C. It can be said that the need for this association was unanimously recognized although it will mean the end of a régime of high tariff protection which has so far safeguarded most Greek enterprises from foreign competition. Ever since last year there has, indeed, been an increasing trend to find solutions to the problems which are bound to arise and to enter into cooperation with similar enterprises both at home and abroad. We believe that the attitude adopted by the business world in general is the best possible proof of its vitality and capability and also guarantees the success of its efforts to get established on the vast and exacting market of Western Europe.

It is important to note that Greek economy had noticeably progressed even before the first phase of the Development Programme had been completed and before enterprises had been able to take advantage of such incentives as were offered to them. Developments in 1961, in particular, proved that the nation can rely on the vitality of its business sector to expand activities in all branches of industry and related services. The considerable increase in private investments in the field of secondary production, the appearance of new products on the market, and the perceptible improvement in the quality and packing of products during the past year were sure signs and proof of the work that has been done to reform manufacturing.

The total of the integrated measures that have been introduced to bolster private initiative in productive sectors is rightly expected to be a decisive factor contributing to the rise of the economy which has already started.

NECESSITY TO MOBILISE CAPITAL

INFRASTRUCTURE works are now under way, the currency seems to have been fully stabilized, and at the same time the Government has made it clear that it is prepared to support any effort which is to the benefit of production as a whole. Furthermore the business world has clearly shown its willingness to set up productive enterprises. Consequently, the basic conditions for a continuous rise in production and income at an ever-increasing rate and the reformation of activities are there. However, before full use can be made of public investments and of the willingness of the business world capital must be made available. The main problems whose solution, in our opinion, should be urgently yet systematically sought, are connected with the ease with which medium and long-term capital, particularly in drachmae, can be found and with making it available at a low cost.

Greece has never had an adequate supply of capital to finance economic development. It is, indeed, true that during recent years there has been a steady improvement, but at the same time needs are increasing by leaps and bounds. The rate at which the economy is expected to grow

demands the supply of far more funds than are at present available. There is, therefore, a danger that a serious shortage of capital might soon arise which will necessarily lead to a slowing down in the desired rate of progress. It would, however, be a grave shortcoming if the lack of capital were to delay the progress that seems to have been assured by the establishment of all the other necessary conditions to speed up development.

It might be argued that as long as people continue to save it is always possible to raise capital by preventing it from being channelled to activities of lesser importance. The answer to this is that it is not always easy to distinguish between what may be classified as being of greater or smaller importance on the basis of objective criteria and on an accurate assessment of results. On the other hand, measures that would perforce be based on an arbitrary classification are by no means certain to produce the expected results or to ensure the supply of the necessary capital.

While there can be no objection to the need for influencing the way in which people will use their annual income and dispose of their savings, we believe that, in principle, any direct restrictions should be avoided. Under a system of free enterprises such restrictions tend to undermine the existing economic structure and to change the business climate.

The proportion of savings to national income continues to be small and, as a result, leaves room for considerable improvement. It is therefore necessary to induce people to save more in the course of the year by introducing suitable measures which will bring about a better proportion between consumption and savings. The National Bank put forward detailed proposals on this matter in last year's Report. These were founded upon the observation that the decisions of the public are decisively influenced by the rewards granted for abstaining from consumption. We again stress our belief that the offer of attractive terms—such as laying down a satisfactory rate of interest and offering certain facilities—greatly stimulates the will to save.

It is certainly possible to increase the percentage of time deposits in total savings. The fact that there was a rapid rise in time deposits imme-

diately following the long overdue decision to raise interest rates has fully vindicated the soundness of the suggestions made by our Bank.

SAVINGS OF PUBLIC BODIES

To adequately increase the flow of private savings into long-term accounts will necessitate a considerable effort which, in the long run, is certain to produce good results. On the other hand, it must be borne in mind that this capital is necessarily expensive owing to the high rates that must be paid to attract such savings.

There is, consequently, an immediate need to strengthen the position of the banks to enable them to engage in long-term industrial credit operations which respond to an increasing demand. The question therefore, of our Bank being precluded from accepting all annual deposits of Public Bodies again arises. These deposits are particularly well suited for long-term industrial loans because of their indefinite duration and the low interest paid on them. It will be recalled that in pre-war days the savings of these bodies were all channelled to the National Bank. The reasons which led the monetary authorities to tie up these funds some twelve years ago—that is the need to apply an anti-inflationary policy—have now undoubtedly disappeared.

POSSIBILITIES AND PREREQUISITES FOR THE DEVELOPMENT OF THE CAPITAL MARKET OUTSIDE THE BANKS

It has been said that the market outside the banks is in a position to satisfy the capital needs of enterprises to a considerable extent. It has been argued, however, that there is a strong tendency for enterprises to shun the official stock market and to prefer to obtain money from the banks.

We believe that both these opinions tend to generalize and do not fully correspond to present-day reality. Surely, there are exceptions to the second contention as is proved by the success of the recent bond-issue of a well known enterprise and the manifested intentions of other concerns to go into the capital market outside the banks. Two questions, however, might well be put:

First, how many enterprises could reasonably expect a favourable reaction on the part of the public?

To attract capital for investment in manufacturing activities and related services enterprises must offer high returns. Furthermore, a necessary condition to attract capital from the local market is for the enterprises to get into a strong financial position and to command the full confidence of the general public in their future prosperity. Then only will there be a certainty that the capital of the general public will gradually turn from investments in activities of minor social and economic importance to bond and share issues of Greek productive enterprises.

The second question is how many such issues can our present meagre capital market absorb, particularly when it is called upon to satisfy the needs of the Government and the Public Power Corporation which are foreseen to amount to approximately 1,500 million for the current year?

It has been agreed that there is a vital need to implement a large-scale programme of public investments and it has been pointed out how successful their financing has been. On the other hand, however, if the Government raises funds in the capital market this, inevitably, will result in limiting the amounts available for the needs of private enterprises and at the same time will slow down the rate of increase of deposits with credit institutions.

Apart from this it must not be overlooked that the commercial banks have directly contributed to the financing of the Government Development Programme. Our Bank alone has put over Dr. 1,500 million in interest-bearing Treasury bills.

On such a serious matter as the organization and development of the capital market no illusions must be entertained. The Greek stock market is certainly expanding. The numbers of those who are familiar with its workings are continuously increasing and a constantly rising number of firms contemplate having recourse to the market.

Indicative of this is the fact that during the past year stock exchange dealings totalled 690 million drachmae, as compared with 423 million in 1960 and 220 million in 1959. New issues amounted to 139.3 million drachmae in 1961, as compared with 50.7 million in 1960 and 6.9 million in 1959. This progress is impressive, but is far slower than is needed

to meet the envisaged speed-up in the industrialisation of the country.

For all these reasons and for a long time to come the credit institutions will have to remain the principal financing source for business to draw on—mainly to cover their long-term requirements. If this fact were overlooked it would only make matters more complicated.

COOPERATION OF DEVELOPMENT ORGANIZATIONS WITH THE NATIONAL BANK

THE problems of meeting the capital needs of private business and industrial enterprise within the framework of the Long-term Development Programme, and in the light of the necessity of readjusting the economy to the conditions created by the association of Greece with E.E.C., calls for cooperation between all the credit and financing organizations concerned. At the present moment it is necessary for the Industrial Development Corporation and the Economic Development Financing Organization to cooperate with the National Bank in a joint effort to mobilize idle capital and ensure that it is put to good and productive use. Idle capital is at the disposal both of the Industrial Development Corporation and of E.D.F.O. and it would obviously be advisable for it to be channelled through the National Bank, which would thus be enabled to handle and provide industrial credit on an increased scale. Co-ordination of the activities of the Industrial Development Corporation, E.D.F.O. and the National Bank on the basis of a common programme would bring about a rational distribution of the available capital and would speed up the rate of industrialization by assisting both new industrial enterprises and existing firms in process of modernization or expansion.

At present it is not quite clear what role I.D.C. and E.D.F.O. are playing and what their relations are with the commercial banks. It is, therefore, necessary to restate the scope of the activities of these organizations.

In our opinion I.D.C.'s financing task, apart from its valuable contribution to research, its promotion of collaboration between kindred enterprises and its contacts abroad, should be the founding of industries

within the framework of the Government Development Programme whenever private initiative appears hesitant or cannot provide a considerable proportion of the capital needed. On the contrary, I.D.C. should avoid making investments in undertakings in which financiers and businessmen of consequence have shown an active interest, and furthermore it should not, on its own initiative, launch projects which the commercial banks are able to promote successfully. It would also be advisable that I.D.C. agree to cooperate with the commercial banks in cases where sound enterprises in promising productive fields are to be supplied with additional capital.

As regards E.D.F.O., it should primarily turn its attention to the financing of public utilities and organizations of a public nature. At the same time, however, it is essential for it to channel capital to the commercial banks, so as to provide them with increased cheap and long-term capital for industrial loans.

In the light of the foregoing, the lines along which the commercial banks should work are clearly defined. In view of its long tradition and experience in the field of industrial credit, its efficient machinery and its close daily contact with the majority of the industrial world, the National Bank is ideally suited to undertake this task. Acting in cooperation with the Industrial Development Corporation and E.D.F.O., the Bank will be fully capable of assisting new or existing industrial enterprises in their efforts by granting medium or long-term loans, and by taking up or guaranteeing issues of bonds or shares.

The National Bank is claiming no monopoly for itself; what we can not understand, however, is why our arguments meet with a certain reserve and what is the point of trying to establish new, specialised organizations. It has been proved that mixed banks with much the same set-up and qualifications as the National Bank played a decisive, if not exclusive, part in all countries which went through the process of industrialization. We believe that the setting up of new organizations will do nothing to solve the problems of the capital market but, on the contrary, will complicate matters by increasing expenses of the credit system and by making specialised staff still more difficult to find. In any case, our Bank is fully entitled to demand the same facilities which might be

extended to any such organization and also to demand permission to found a similar organization under equal conditions.

THE INCREASE OF THE NATIONAL BANK'S CAPITAL

THE National Bank has always contributed and continues to contribute decisively and successfully to the increase of savings as well as to the financing of all productive branches. It is now making a coordinated effort to increase its own capital in addition to the important increase in reserves. To this end, the Board of Directors have decided to suggest to the General Meeting that the Bank's share capital be increased by Dr. 290,703,840. By having recourse to the capital market, our Institution will not only make a decisive contribution to the revival of the market but will also tap a further source of capital to increase the funds available for loans.

SUPPLEMENTATION OF DOMESTIC SAVING BY FOREIGN CAPITAL

It is obvious that the local capital market is not yet in a position to meet the demands of the public and private sectors simultaneously. As a result, there is an inevitable need for attracting foreign capital to supplement inadequate domestic saving. For some years now the Greek Government has obtained foreign loans, as confidence in Greece has been internationally re-established. A few private enterprises have also been able to obtain foreign loans. For various reasons, however, the attraction of foreign capital by a larger number of enterprises meets with difficulties and is slow to materialize.

On the contrary, it is far easier for the National Bank to handle such matters. From different soundings we have made, we have come to the conclusion that the Bank might be able to find considerable amounts of capital under favourable terms. It would use this capital for re-lending to enterprises in the course of being set up and also to enterprises which are in need of drachmae funds to modernise their installations. However, the suitable mechanism is not at present available for our Bank to take advantage of the opportunities which arise. The fact that the

commercial banks, in this instance, have to obtain prior approval of the authorities concerned whether these be the committee formed under Legislative Decree 2687 or the Currency Committee, impedes the success of their activities, as the taking of a decision in such matters does not allow for any uncertainty, long protracted negotiation or changes in terms and conditions. For these reasons, we think that the monetary authorities should make it clear that they will facilitate any effort of the commercial banks to raise capital abroad, provided it will be used to meet the medium and long-term drachmae needs of enterprises within the framework of the regulations laid down for each case by the authorities.

SUGGESTED IMPROVEMENTS IN THE FIELD OF LENDING ON MORTGAGE OF REAL ESTATE

THE Bank believes that, if the suggestions made previously were adopted, an adequate supply of capital would be forthcoming for the steady financing of industrial development. Nevertheless, we feel it necessary to revert to two matters which we have repeatedly stressed at previous Meetings. Without their solution operations in the field of long-term industrial credit will continue to encounter serious difficulties.

The first of these matters lies in the fact that owing to the excessive expansion of privileges to the detriment of mortgages during recent years, credit based on mortgages and the security of transactions have been undermined. The second matter is that the expenses for registering mortgages are exorbitant, amounting to 2.5%, not including stamp-duty. To avoid these expenses it has become the established practice to secure loans by a so-called preliminary noting of a mortgage. This, however, has numerous drawbacks for the lending bank, mainly because of the lack of any act of enforcement; the impossibility of obtaining a complete description of the property under preliminary noting; the long procedure required to convert the preliminary noting into a full mortgage, and the risk of the debtor removing parts of the property during the interim period.

To correct this we submitted specific proposals to the authorities con-

cerned a long time ago and we hope that due consideration will be given to them when new measures are taken.

GENTLEMEN,

The successful and timely solution of the problems facing Greek economy will depend on the extent and the intensity of the effort that will be made during the transitional period provided by the Athens Agreement. The clauses of the Association Agreement are largely based on the terms of the Rome Treaty and also touch upon the credit sector, creating new conditions for commercial banks. Thus, on the basis of the regulations concerning free establishment, the credit institutions of the countries of the European Economic Community are given the opportunity to carry on business in Greece. There is, therefore, a distinct possibility that in the course of time foreign banks may establish themselves here. Supported by the large means at their disposal, with their wide experience and efficient organization, taking full advantage from their connections with foreign financiers and businessmen, these banks will compete with Greek financing institutions. Independently of this eventuality however, which, it is true, will take some time to materialize, it should not be overlooked that there is a need to organize the manner in which foreign business is invited to set up in this country or cooperate with Greek enterprises by establishing suitable agencies. These matters have seriously engaged the attention of the National Bank. We have already come into contact with banking institutions of the European Economic Community and with the collective body that has been founded—the *Fédération bancaire de la Communauté économique européenne*.

The Bank is fully aware not only of the changing circumstances and the immense possibilities that arise for Greece, but also of the problems she will have to face. Always acting in close cooperation with the responsible Government authorities, the National Bank will aim systematically at the attraction of foreign capital and the organization of the Greek capital market so as to speed up the economic development and industrialization of the country.

VI

GENERAL REMARKS ON THE OPERATIONS OF THE BANK

THE Bank's business during the year under review has developed as follows:

DEPOSITS

DEPOSITS with the Bank, of all categories, which amounted to 11,160 million drachmae at the end of 1960, rose to 12,706 million by the end of 1961, marking an increase of Dr. 1,546 million, against Dr. 1,249 million in the preceding year. Taking into account that deposits abroad during the year under review were reduced by Dr. 329 million, the increase of deposits in Greece in 1961 amounted to Dr. 1,875 million.

An increase of Dr. 127 million was also recorded by our London and Cyprus Offices, but the total of our deposits abroad fell by Dr. 329 million owing to the fact that at the end of December 1961 there were no deposits with our Offices in Egypt which were closed down.

The breakdown of deposits, by categories, at the end of the years 1959, 1960 and 1961 is given below, in millions of drachmae:

	<i>1959</i>	<i>1960</i>	<i>1961</i>
Sight Deposits	3,250	3,596	4,099
Savings Bank Deposits	4,259	5,249	5,897
Time Deposits	1,584	1,469	1,863
Deposits of Public Bodies, Emergency Law No 1611/1950	818	846	847
	<u>9,911</u>	<u>11,160</u>	<u>12,706</u>

Specifically, the breakdown of deposits in Greece was as follows:

	<i>1959</i>	<i>1960</i>	<i>1961</i>
Sight Deposits	2,832	3,109	3,780
Savings Bank Deposits	4,019	5,032	5,840
Time Deposits	1,474	1,370	1,765
Deposits of Public Bodies, Emergency Law No. 1611/1950	818	846	847
	<u>9,143</u>	<u>10,357</u>	<u>12,232</u>

These figures show that deposits in Greece, considered as a whole, rose by 18% as at the end of 1961 compared with the total deposits in Greece as at the end of 1960. The increase in 1960 compared with 1959 was 13%, and the respective percentages, not including the deposits of public bodies, were 20% and 14%.

Out of Dr. 1,875 million representing the 1961 increase, Dr. 808 million were deposited in savings bank accounts as against an increase of Dr. 1,018 million in 1960.

The increase in time deposits by Dr. 395 million, as against a fall of Dr. 104 million in the preceding year, is characteristic of present trends, being clearly due to an overall increase in the rates of interest on time deposits, according to the period of time of the deposit, which was decided upon and put into effect from 16th October 1961. This is also corroborated by the fact that the increase was recorded in the last three months of the year.

From the same date (16th October 1961), a new form of deposits, savings bank deposits at notice, was introduced, the rate of interest thereon being fixed at 5½%. Up to the present the concentration of deposits of this category is considered as satisfactory.

The rate of increase in deposits was quicker in 1961 than in the preceding year despite the issue of the Public Power Corporation Bond Loan of Dr. 500 million in June and July. This increase has continued during the first months of the present year.

The number of depositors of all categories with our Bank in Greece was 512,000 by the end of 1961 (of which 360,420 depositors in savings bank accounts), as against 419,221 by the end of 1960, i.e. an increase of 93,379, as against 95,839 in 1960.

BANK OF GREECE FINANCING

BANK'S AVAILABILITIES WITH THE BANK OF GREECE

ALL loans and advances were made out of the Bank's own availabilities apart from some small-scale financing by the Bank of Greece on the basis of re-discountable bills. The average balance of financing of this nature amounted to Dr. 250 million in 1961.

We would not have had recourse to this small-scale financing were it not for the decision of the Currency Committee which increased the percentage of deposits to be obligatorily invested in interest-bearing Treasury Bills from 10% to 18%. This took effect from 1st March 1961 and resulted in an additional Dr. 560 million of our availabilities being blocked.

In the year under review there was no question of our availabilities lying idle. This was due both to the fact of the increased blocking of deposits in interest-bearing bills, and the rational use of the remaining funds, and new funds accruing from additional deposits, for financing purposes within the limits set by the Currency Committee decisions.

LOANS AND ADVANCES

TOTAL loans and advances amounted as at 31st December 1961 to 9,526 million drachmae, as against 8,303 million by the end of 1960. Consequently, there was an increase of Dr. 1,223 million in 1961, as against Dr. 1,037 million in 1960. The increase of financing in Greece amounted to Dr. 1,563 million, but as loans made by our branches abroad fell by Dr. 340 million, the total increase was limited to Dr. 1,223 million.

The decrease in our foreign branch loans and advances is due to the fact that the balances of loans and advances made in Egypt were deleted from our books, our Branches in that country having ceased to operate. On the other hand, loans and advances made in London and Cyprus showed, in comparison with the 1960 balance, a small increase of Dr. 17 million, of which Dr. 6 million went to shipping.

Of the Dr. 1,563 million increase in Greece Dr. 1,312 million was made available to industry and the balance of Dr. 251 million to commerce.

The additional amounts lent to industry included Dr. 320 million for medium and long-term loans and Dr. 76 million for loans to shipping.

Regarding the increase of Dr. 251 million in the loans extended to commerce, it should be noted that balances of loans to all categories of trade, except to the tobacco trade, increased by Dr. 395 million. The

balance of loans to the tobacco trade, on the other hand, was reduced by Dr. 144 million because of an earlier liquidation of such loans within 1961.

TOURISM

LAST year the tourist installations of Astir Co. operated satisfactorily and with an increased number of visitors. Thus, the Company was able to pay again low rate interest on its loans, and was, moreover, in a position to repay the Bank a part of its borrowed capital.

The bathing installations at Vouliagmeni (Laimos), near Athens, operated throughout the summer period. The adjoining group of bungalows at Mikro Kavouri was completed early in the summer of 1961 and opened to the public.

Work was also begun, and is being continued, on the erection of the de-luxe hotel at Mikro Kavouri.

PORTFOLIO OF SECURITIES

ON 31st December 1961 the book value of the Bank's Portfolio of Securities amounted to Dr. 753.8 million, against a balance of Dr. 696.4 million as at 31st December 1960.

The increased value of Dr. 57.4 million is mainly due to:

(a) The payment of the second instalment on the 288,000 shares of Industrial Development Corporation for which we subscribed in 1960; our subscription to the capital of the newly established rubber company Pirelli (Hellas), and the purchase of 1960 Economic Development 5% Loan Bonds.

(b) Our subscription, in proportion to the old shares in our portfolio, to the increase in the capital of the National Mortgage Bank, Lampsa Greek Hotels, Banque Hypothécaire, Liptol, and Astir Hotel Company, and

(c) The purchase of shares of Astir Insurance Company and Eleourghiai Ellados (the latter having been deposited as a pledge) less the value of:

- (a) Securities sold and bonds redeemed at par, and
- (b) Securities of our Branches in Egypt struck off.

REAL ESTATE

ON 31st December 1961 the book value of the Bank's Buildings and Real Estate was Dr. 394 million, against a balance of Dr. 368.6 million as at 31st December 1960.

This balance is arrived at as follows:

Value as at 31st December 1960			Dr. 368.6 m.
In 1961:			
Real estate purchased	Dr. 24.5 m.		
Real estate acquired from forced sales	» 20.4 »		
Spent on construction of new buildings to house our Offices	» 4.9 m.		
Spent on improvements and completions of old buildings	» 2.1 m.	» 51.9 m.	
		Dr. 420.5 m.	
Real estate sold	Dr. 5.3 m.		
Real estate in Egypt struck off	» 5.9 »	» 11.2 m.	
		Dr. 409.3 m.	
Written off, as per Balance Sheet		» 15.3 m.	
Balance as at 31st December 1961		<u>Dr. 394.0 m.</u>	

The sum of Dr. 24.5 million spent on the purchase of real estate was utilized as follows: Dr. 14.5 million for the purchase of real estate owned by our debtors in settlement of their various debts to the Bank, and Dr. 10 million for the purchase of buildings to install Branches of our Bank in Athens (Karageorgi Servias St., Kypseli and Syrou Streets, and Praxitelous St.), and in Igoumenitsa and Kastoria.

During the year under review our newly established Branch at Ampelokipoi (2, Kifissias Ave., Athens) was installed in a new building owned by the Bank. The other newly-opened Branches referred to under the heading "Establishment of Branches-Agencies" were installed in rented premises.

Our Kolonaki and Evripidou Street Branches, Athens, as well as our Branches in Grevena, Plomarion and Ptolemais were also moved to new rented premises which are more satisfactory from the point of view of location and size.

FIXTURES, OFFICE FURNITURE, VAULTS, ETC.

At the end of 1960 the balance of this account amounted to	Dr. 40.6 m.
New items purchased in 1961	» 17.0 m.
	<u>Dr. 57.6 m.</u>
Written off for 1961, as per Balance Sheet	» 8.1 m.
Balance as at 31st December 1961	<u>Dr. 49.5 m.</u>

Out of the amount of Dr. 17 million expended for the purchase of various items as above, Dr. 8.1 million were spent on the purchase of accounting and calculating machines, and other office machinery, and Dr. 8.9 million on the purchase of furniture, safes, air conditioners, heating stoves and other equipment for the offices of our various Branches.

RESULTS OF THE YEAR

Gross earnings for 1961, after deduction of interest due, amounted to	Dr. 776.7 m.
against a corresponding amount of Dr. 592.7 million in 1960	
Expenses and taxes amounted to	<u>Dr. 513.5 m.</u>
against an amount of Dr. 446.5 million in 1960	
The breakdown of expenses is as follows:	
Payroll	Dr. 298.3 m.
Contribution to Staff Insurance Funds	» 74.7 m.
Fees to third parties	» 8.5 m.
General expenses (office supplies, lighting, heating, rent for the Bank's buildings, installation and maintenance expenses of the Bank's buildings, transport expenses, travel expenses for regular inspections and special missions, compensations to retiring personnel, rent for IBM machines, publications and advertising, donations, etc.)	Dr. 64.3 m.
Contributions to Social Insurance Fund (IKA) for unemployment, military service, family allowances, etc.	Dr. 12.8 m.
Taxes (on income, salaried services, business turnover, etc.)	» 54.9 m.
	<u>Dr. 513.5 m.</u>

The following table shows the percentage ratio of the Bank's administrative expenses (after deduction of interest paid on deposits and for

Bank of Greece financing) to the average level of loans and advances granted in the years 1952 to 1961 (in million drachmae).

<i>Year</i>	<i>Average amount of loans granted in Greece</i>	<i>Payroll, contributions to Insurance Funds and General Expenses</i>	<i>Percentage ratio</i>
1952	1,635	251	15.35
1953	1,670	250	14.97
1954	2,027	219	10.80
1955	2,233	231	10.34
1956	2,803	253	8.99
1957	3,913	272	6.95
1958	5,452	307	5.63
1959	6,161	350	5.68
1960	7,160	397	5.55
1961	8,880	457	5.15

The figures show that the percentage of expenses continued to fall last year when it amounted to 5.15%. The reason for this is that the average outstanding balance of loans increased more than expenses.

The analysis of the Bank's expenses by categories during 1958-1961 is as follows (in million drachmae):

	<i>1958</i>		<i>1959</i>		<i>1960</i>		<i>1961</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Salaries	210.3	58.8	240.9	61.3	258.8	58.0	298.3	58.2
Contribution to Staff								
Insurance Funds	37.0	10.4	44.9	11.4	55.2	12.4	74.7	14.5
Fees to third parties	6.9	1.9	7.6	1.9	8.3	1.9	8.5	1.6
General Expenses	52.7	14.7	56.6	14.4	74.5	16.7	64.3	12.5
Contributions to Social							12.8	2.5
Insurance Fund (IKA)	50.9	14.2	43.1	11.0	49.7	11.0	54.9	10.7
Taxes								
T o t a l	357.8	100.0	393.1	100.0	446.5	100.0	513.5	100.0

Salaries show an increase of Dr. 39.5 million, which is due to amounts paid retroactively on account of promotions, increments, etc.; to an increase in long service emoluments; to employment of new staff, as referred to below; to an increase in the salary scale by 9%, following

the recent arbitration decisions; and also to additional amounts paid for overtime totalling Dr. 2.1 million.

Contributions to Staff Insurance Funds also rose by Dr. 19.5 million, on account of, firstly, the increased rates paid into the Staff Funds of the former Bank of Athens to bring them completely into line with those of the former National Bank, both from the point of view of contributions and grants; secondly, the fact that contributions to the Extra Pension Fund were also paid for the staff of the former Bank of Athens who, since 1st January 1961, have become members of the pre-existing Fund of the National Bank's employees; and, thirdly, the increase in contributions because of increased pay-roll as mentioned previously.

Fees to third parties show a negligible change.

Total General Expenses decreased by Dr. 10.2 million. If, however, it is taken into consideration that contributions to the Social Insurance Fund (IKA) amounting to Dr. 12.8 million are shown separately, whilst in 1960 they were included in the total amount of General Expenses, the figures for both years are approximately the same.

Taxes showed an increase of Dr. 5.2 million which, after the addition of Dr. 20 million deducted from profits for distribution as provision to cover income tax, amounts to Dr. 25.2 million, relating mainly to income tax, business turnover tax and stamp duties on account of higher earnings, and to tax on salaried services as a result of increased salaries.

Against the year's earnings of Dr. 776.7 million, expenses amounted to Dr. 513.5 million, leaving a net profit of Dr. 263.2 million, against Dr. 146.2 million in the preceding year, i.e. an increase of Dr. 117 million.

Out of the net profits, plus a balance of Dr. 0.1 million carried over from the previous year, or Dr. 263.3 million in all, the sums indicated below were used for depreciation and provisions, as well as for an extra contribution to Staff Insurance Funds, leaving a sum of Dr. 129.8 million for distribution.

(a) Depreciation of installations	Dr. 8.1 m.	
(b) Depreciation of Bank's Buildings and Real Estate	» 15.4 m.	Dr. 23.5 m.

Brought forward	Dr. 23.5 m.
(c) Provision for bad and doubtful debts	» 60.0 m.
(d) Extra contribution to Staff Insurance Funds	» 50.0 m.
(e) Available for distribution	» 129.8 m.
T o t a l	<u>Dr. 263.3 m.</u>

It should be noted that sufficient provisions have been made to cover the estimated total of bad and doubtful debts.

You are requested to approve that the above amount of Dr. 129.8 million be distributed in accordance with the Articles of Association, as follows:

To Ordinary Reserves	Dr. 11.0 m.	
To Extraordinary Reserves	» 49.0 m.	Dr. 60.0 m.
Provision for income tax		» 20.0 m.
First dividend at Dr. 71.80 per share, less stamp duties (5% on 404,880 shares)	» 28.6 m.	
Additional dividend at Dr. 48.20 per share	» 19.2 m.	
Total dividend Dr. 120	Dr. 47.8 m.	
plus stamp duties	» 0.8 m.	» 48.6 m.
Remuneration to the Members of the Board		» 0.4 m.
Carried forward		» 0.8 m.
T o t a l		<u>Dr. 129.8 m.</u>

Compared with 1960 the gross earnings of the National Bank showed a considerable increase.

It is suggested that the sum which is left after covering much higher expenses for salaries and contributions be used to step up provisions and reserves and to pay a gross dividend of Dr. 120 per share.

The following table shows the amounts allocated in the course of the last three years to increase both provisions for bad and doubtful debts and reserves (Ordinary and Extraordinary), as well as the amounts representing distribution of dividends:

	1959	1960	1961
Provision for bad and doubtful debts	30.0 m.	35.0 m.	60.0 m.
Increase in reserves (Ordinary and Extraordinary)	10.8 m.	17.0 m.	60.0 m.
Amount of dividend per share	Dr. 80.-	Dr. 80.-	Dr. 120.-

BANK'S ORGANIZATION—IBM CENTRE

DURING the year under review the Bank's Organization Department was expanded and placed in charge of an Assistant-Manager. This department continues to operate under the direct supervision of the Governor and is making further efforts to apply new methods with a view to cutting down expenses, simplifying the work and speeding up banking operations.

With regard to the IBM Centre, in particular, we would mention that it has now taken over the accounting work of all the remaining branches in the Athens and Piraeus area, including the new branches opened in the course of the year. These branches have as a result been relieved of 95% of their general accounting work. As to the special accounting work resulting from day-to-day transactions, that connected, with deposits has been reduced by 70% and in other cases by 50%.

Moreover, the departments of the Administration have had their accounting work cut down by 80%.

The Bank has installed electronic equipment of the newest type which was ordered last year. The greatly increased efficiency of this new equipment will now enable the IBM Centre to undertake, within a short time, the accounting work of all the large provincial branches of the Bank which will then have their accounting work reduced in the same proportion. It is anticipated that this will take place within this year.

The use of the new machines will also result in further reducing the work of the departments dealing with customers direct—except for Deposits—by 50% to 70%, and will improve and speed up the work presently being carried out by the IBM Centre.

It should be noted that the Accounting Centre also handles much work of a statistical nature which, if done by the branches themselves, would necessitate an increase in their staff. This statistical work will be expanded when the new unit comes into operation.

ESTABLISHMENT OF BRANCHES AND SUB-BRANCHES

IN the course of 1961 the Bank established the following new branches:

In Athens:

Aggelopoulou Branch at 110, Patission Street, opened on 14th January.

Makriyanni Branch at 14, Syngrou Ave., opened on 2nd October

Ampelokipoi Branch at 2, Kifissias Ave., opened on 9th October

Ippokratous Street Branch at 211, Ippokratous Street, opened on 25th October (operated as Sub-Branch from 11th January to 25th October).

In Thessaloniki:

Eikosipente Martiou Branch at 176, Vasilissis Olgas Street, opened on 18th February.

At Nikaia, Piraeus, on 24th June.

The Bank also opened the following Sub-Branches at:

Eleftheroupolis, on 18th January

Chrysoupolis, on 18th January

Koufalia, Thessaloniki, on 16th August

Erythrai (Kriekouki), on 4th December.

The following Sub-Branches were converted into Branches as of 25th October:

Aigaleo, Alexandria (Imathias), Nemea, Orchomenos, Filiatra.

As at 1st July 1961 all the Branches of the Bank in Egypt ceased operating.

PERSONNEL

A. Staff Financial Matters

In the course of last year, too, Staff matters drew the undivided attention of the Administration who spared no efforts in trying to find the best possible solutions.

Thus, during the year under review various decisions and measures were taken which contributed to the immediate improvement of the Staff's financial position. The most important of these are the following:

- (a) The Bank undertook to pay the contributions due by the Staff to the Workers Housing Programme and the Unemployment Fund.
- (b) Married employees were granted an extra monthly allowance for children.

- (c) The rates paid for long service and to cashiers were raised.
- (d) The annual payments made to staff members in active service out of insurance commissions were increased.

The annual expenses to the Bank resulting from these extra payments amounted to Dr. 10,500,000.

- (e) The Bank's employees were paid the third instalment on the increase in basic salaries due to them retroactively since 1955, on the basis of various Ministerial Decisions, as well as the increases due to promotions effected from 1954 to 1956. This amounted to Dr. 6,300,000, plus the Bank's contributions to Staff Insurance Funds.
- (f) During the past year an amount of Dr. 32,000,000 was made available to employees in the form of housing loans. Such loans benefited 190 members of the staff of all grades. It will be recalled that these loans are granted on a long-term basis and at a low interest. Thus, up to the end of 1961, 400 employees had received housing loans.
- (g) 269 new employees were engaged on both the main and the auxiliary Staff. This was necessary to meet the requirements of the Bank resulting from the fact that 143 employees retired because of age or for other reasons, and increased business. Preference was given to 134 sons and daughters of the Bank's employees and pensioners.

B. Staff Training

The Administration of the Bank considers vocational training of the Staff as a question of prime importance. It is therefore drawing up an intensive training programme, the implementation of which would make it possible to raise the professional standard of the employees. Such a programme would moreover help to produce staff able to fill managerial posts and to cope with banking problems arising from the economic development of the country.

In view of the importance of the subject the Bank has sent two senior officers abroad to study foreign bank organization and technique. They will also examine the training systems applied by foreign banks on the basis of which the Bank will prepare its own training and post-training programme adapted to local conditions.

Moreover, since last year the Bank has introduced new regulations

regarding the drawing up of personal reports, amending and adjusting the former system of staff evaluation along modern lines. This will ensure both the impartial judgment of the Staff and the most objective evaluation of their capabilities.

During the year under review the Staff of the Bank continued to show its traditional zeal and efficiency in all the sections of banking business so that it may unquestionably be considered as one of the main factors which contributed to achieving the most gratifying results in the year under review.

We would request the Meeting to join us in expressing to the Staff our sincere appreciation.

BANK DIRECTORS

As the term of office of Messrs. Constantine Kefalas, Aristomenis Rombos, Panayotis Scouras, George Termentzis and Emmanuel Hadjiandreou is due to expire, you are requested to elect an equal number of new Directors in their place for a term of three years.

According to the Articles of Association the above Directors are eligible for re-election.

INCREASE IN THE SHARE CAPITAL

FOLLOWING a decision taken by the Board of Directors at a meeting held on 6th April 1962, you are requested to approve the increase of the Bank's share capital by Dr. 290,703,840, by the issue of 202,440 new shares of a par value equal to that of the old shares, namely, Dr. 1,436 each.

As the date of the General Meeting coincides with the floating of the Dr. 990 million National Premium Bond Loan, and it is contemplated that this will be followed by other issues of Public Entities, it is not possible to fix from now the appropriate date for placing the Bank's shares on the market. The Board of Directors, therefore, request the General Meeting of Shareholders to authorize them to fix the date and terms of the new issue after evaluation of market conditions and in accordance with the directives to be decided upon by the General Meeting.

STATEMENT OF THE SWORN-IN
ACCOUNTANTS
ON THE BANK'S BALANCE SHEET
AS AT 31st DECEMBER 1961

TO THE SHAREHOLDERS:

Under Decisions No. 17572/1751 of 2nd July 1959 and No. 8716 of 12th February 1960 of the Minister of Commerce, by Order No. 1941 of 24th April 1961 of the Supervisory Council of the Institute of Sworn-in Accountants and following our appointment by the General Meeting on 30th March 1961 as ordinary auditors, we have compared your Bank's Balance Sheet with its books and accounts.

The checking of the accounting books and the relevant information and explanations given us show that your Bank has kept the books and accounts required by the provisions in force, and that the balances recorded in the above Balance Sheet and Profit and Loss Account are in agreement with those shown in the books as at 31st December 1961.

Athens, 17th March 1962

N. KOKKINOS, E. RABAUNIS, K. TSAGGAIOS

Sworn-in Accountants



Printed by F. Constantinidis & C. Mihalas, Athens

NATIONAL BANK OF GREECE

SOCIÉTÉ ANONYME

BALANCE SHEET, AS AT 31ST DECEMBER, 1961, IN DRACHMAE

ASSETS

AVAILABILITIES

Cash, in hand, with the Bank of Greece, Coupons, Cheques, and foreign Treasury Bills ...	3,381,824,190.20	
Gold, with banks abroad, and foreign bank-notes	301,992,541.70	3,683,816,731.90

LOANS AND ADVANCES

I. To Merchants and Professionals

Bills discounted	715,298,617.85	
Loans and Accounts:		
On commercial paper and other guarantees	1,906,129,253.64	
On merchandise and bills of lading	642,900,828.69	
On securities	52,989,265.40	
On mortgage	15,444,607.—	
Current Accounts and Guarantors	2,258,504,933.08	5,591,267,505.66

II. To Manufacturers and Handicraftsmen

Bills discounted	175,510,477.20	
Loans and Accounts:		
On commercial paper and other guarantees	5,358,346,246.46	
On merchandise and bills of lading	657,088,335.65	
On mortgage	2,878,817.20	
Current Accounts and Guarantors	896,755,841.35	
Reconstruction Loans	647,680,940.—	7,738,260,657.86

INVESTMENTS

Portfolio of Securities	753,840,328.50	
Bank Premises and Real Estate	393,982,035.95	
Fixtures, Office Furniture, Vaults	49,466,235.10	1,197,288,599.55
BRANCHES		95,083,815.76
		<u>18,305,717,310.73</u>

LIABILITIES

CAPITAL

Share Capital	581,407,680.—	
Ordinary Reserves	27,952,332.—	
Extra-ordinary Reserves	77,047,668.—	105,000,000.—
		686,407,680.—

DEPOSITS

Sight Deposits	4,099,499,138.71	
Savings Accounts	5,897,152,228.42	
Time Deposits	1,862,674,829.40	
Deposits of Public Bodies	847,283,495.20	12,706,609,691.73

CURRENT ACCOUNTS AND GUARANTEES

4,030,076,888.84

GREEK STATE—E.D.F.O. (Long-term Reconstruction Loans)

647,680,940.—

CHEQUES AND PAY ORDERS

102,619,867.23

SUSPENSE ACCOUNTS

82,964,957.38

Gross dividend

48,585,600.—

Profit and Loss Account — Balance carried forward

771,685.55

18,305,717,310.73

PROFIT AND LOSS ACCOUNT

DEBIT

General Expenses	371,128,491.78	
Taxes	54,926,535.60	
Contribution to Staff Insurance Funds:		
Ordinary	74,672,783.40	
Extra-ordinary aid, pursuant to Law 3662/57	50,000,000.—	124,672,783.40
Contributions to Social Insurance Fund (IKA)	12,789,727.30	137,462,510.70
Depreciation of:		
Fixtures and repairs	8,150,000.—	
Bank Premises and Real Estate	15,350,000.—	23,500,000.—
Provision for bad and doubtful debts		60,000,000.—
Profit for distribution		129,027,171.—
Balance carried forward		771,685.55
		<u>776,816,394.63</u>

CREDIT

Balance brought forward	77,621.69
Commission, Interest and Sundry Earnings ..	776,738,772.94

776,816,394.63

DISTRIBUTION OF PROFITS

To Ordinary Reserves, 10%	10,979,885.—	
To Extra-ordinary Reserves	49,047,668.—	60,027,553.—
Provision for Taxes		20,000,000.—
First gross dividend on 404,880 shares at Dr. 71.80 per share, less stamp duty	28,590,723.—	
Additional dividend on 404,880 shares at Dr. 48.20 pers hare, less stamp duty	19,193,215.—	
Total dividend at Dr. 120.—per share.	47,783,938.—	
Stamp duty on dividend	801,662.—	48,585,600.—
To members of the Board of Directors		414,018.—
Balance carried forward		771,685.55
		<u>129,798,856.55</u>

