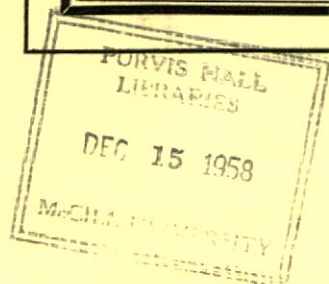


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# REPORT FOR THE YEAR 1957

5TH YEAR

NATIONAL BANK OF GREECE AND ATHENS





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1957

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REPORT  
FOR THE YEAR  
1957



R E P O R T  
OF  
MR BASIL J. KYRIACOPOULOS  
GOVERNOR OF THE  
NATIONAL BANK OF GREECE AND ATHENS \*  
PRESENTED ON BEHALF OF THE BOARD OF DIRECTORS  
FOR THE YEAR 1957

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GENTLEMEN,

In making their appearance before this Meeting, to report on the Bank's business in 1957, the Administration of this Institution consider it their first duty to underline that the year 1958 brings along the imperative need to create the pre-requisites and possibilities required to lead Greece to a smooth entry into the European Economic Community. Now, more than ever, such entry will open up broad fields for fruitful individual efforts, which are the only guarantee for the survival of the Greek nation. This year will decide whether these pursuits can be attained. It is, therefore, the duty of all of us, whether leaders or plain citizens, to do everything within our power for the achievement of this purpose. Fortunately, all the basic conditions required to this end are available: the indefatigable industry of the Greek race, the wealth-producing resources of our country and the rise in savings. But what is primarily needed is the existence of an organic program of development and, mainly, the drawing up of a corresponding credit program. The Greek credit problem should be re-considered as a whole, both with regard to credit institutions and the channelling of the funds available and also with regard to supplementing these funds and bringing them under a common administration. Also a policy should be established for deposits, to which special attention must be given, on account of their sensitiveness and because they still lack in stability. An imperative need for the country's economy,

\* Since the 10/6/1958, the Bank's name was changed into NATIONAL BANK OF GREECE.



as a whole, is to insure such deposits. It is well known that Bank deposits are the main factor which can contribute to the progress of our country, and there should be no illusions about the effectiveness of other ways or means for the concentration and wise channelling of the savings of the Greek people.

After a brief review of the development of the Greek national economy in 1957, with which the activity of this Institution is closely connected, and before describing the trends in the money market, we think it indispensable to give a general outline of the international economic situation. Because Greek economy and the efforts made for its restoration are now connected more than ever with the economic developments and trends in the whole world and in Europe more particularly.

### **I. Achievements and weaknesses of Greek Economy**

#### **Favourable development of economic aggregates**

In the course of 1957, the trends noted in the main sectors of the country's economy were particularly propitious, with a favourable influence on the conditions of credit. These trends were positively supported by the further considerable improvement of the credit market, the recovery of which, after the vicissitudes of the past, tends to become a fact, provided, of course, that an objective and consistent credit policy is followed. The increased production noted in the agricultural and manufacturing sectors has kept pace with the monetary stability, whilst savings, deposits and financing showed a rise, which corresponded to the most optimistic expectations.

The increase of the Greek national income by over 9%, with prices being steady, is in itself an exceptionally satisfactory development, the more so as, contrary to previous years, this increase is not due so much to secondary branches, as to basic production—agriculture and mines—which showed an increase of 15%, and to manufacturing, which increased its production by 8%.

The considerable increase in farming income, last year, was partly due, of course, to favourable weather conditions and to the coincidence of a good olive crop. But the rise in agricultural output, regardless of fluctuations from year to year, is the result of improvement of agricultural conditions, in general, and may be considered as being of a more permanent nature.

The favourable effects of the increased farming income on indu-

strial and handicraft production, from the point of view of demand, has enabled the latter to achieve a serious increase. The very substantial financing extended last year and the technological improvement observed in certain cases, in the enterprises concerned, have obviously contributed to this increase.

The increased national income in 1957, resulting from the above trends, has created margins for increased savings, which the monetary stability has maintained and the restoration of confidence in the banking system has directed, to a larger extent, towards deposits with Banks.

These developments permit us to express, in principle, optimistic expectations regarding the current year, provided a wise economic policy would safeguard the achievements of recent years, and would aim at further improvement, especially with regard to conditions of the credit market. Because a sound organization and expansion of the latter, as well as a more effective orientation of this market to the most urgent needs of the economy, constitute, especially to-day, a decisive factor for maintaining the stability and the progressive development of our country's productive resources.

Nevertheless, the trends observed, as above, and the existing prospects of further favourable developments do not mean that the basic weaknesses of Greek economy have disappeared, or that great progress has been made with the measures taken to deal with them. These measures have not been sufficient to lead our economy to an organic recovery of long duration. The weaknesses and the dangers involved were lately made more clear to us by developments and pursuits in the international economy, which have drawn more intensively our attention to them. Before proceeding with an examination of the standing of the Greek credit and banking economy and of its problems, we think it advisable to give an accurate account of the significance and consequences of these developments.

**Consequences of the favourable development and economic prospects**

**The basic weaknesses of Greek economy continue to exist**

## **II. International economic developments and Greek economy**

Two of these developments are of signal importance. The one, which may be considered of short-term nature, is the recession in the American economy, which first appeared last year and assumed certain proportions during the early months of 1958. Its extent is

**Short- and long-term developments**



surely not yet disquieting, but there have been signs of stagnation and, in some cases, of a slowing down in the activity of European economy. This recession occurred after an economic upswing which was practically continuous most of the post-war years, and after equilibrium was achieved at even higher levels of activity. The other development, which is of long-term character, and has very extensive consequences, is the formation of the European Economic Community, along with the intended establishment of the so-called Free Trade Area in Europe, in which seventeen countries, members of the Organization of European Economic Cooperation, will participate.

### **1) The recession of American economy**

#### **Extent and significance of the American recession**

According to the latest data available, the number of unemployed in the United States was over five millions, reaching 6.8% of the total labour potential, this percentage being appreciably higher than in the previous months. On the other hand, stagnation in industrial production and, in certain branches, signs of economic recession appeared during the last few months in certain European countries (Western Germany, United Kingdom, Norway), as well as in some other countries (Japan).

The importance of these developments should not be overrated, and one may trust that they will be dealt with in due time, considering that the economic policy of to-day knows the means to find a remedy for them. In any event, however, we should not lose sight of the causes of the above developments or of the possibility of a greater decline in international economic activity.

#### **Characteristics of the American recession and disagreement as to the nature of its determining factors**

A characteristic of the slackening in the economic activity of the United States is that the recession has affected all economic sectors: production, employment, stocks and investments. Only prices and salaries show a continuous tendency to rise. This is an additional indication that the factors, which led to inflationary developments in recent years, were not actually of a monetary nature. No matter how little the usual differentiation between «demand inflation» and «cost inflation» may correspond to reality, it is a fact that the inflation of recent years was more of the latter kind, the rise in prices having originated from increased salaries and other items of cost. It would appear that the tendency to such inflation now lies with the organization of modern society itself. The pressures from this infla-

tion, however, were partly neutralized until now by continuous technological progress and by increased productivity.

Efforts were made to stop this inflation, especially by credit measures, such as reduced financing and higher interest rates. There is no doubt that such measures do not fail to have a certain influence, even in the case of cost inflation, provided they can affect the profit margins of enterprises for salary increases and can lead to a decrease in employment, thus preventing pressures from over-employment. The prevailing view, however, is that these anti-inflationary measures did not do much to solve the problem for which they were taken. Instead of affecting the causes of inflationary pressure, they tended to stop economic and technical progress, which is the indirect anti-inflationary power that counterbalances inflation. The danger involved is that these measures may have even worse effects on the country's economic activity. Thus, according to one view at least, the measures in question disregard the real causes of the inflationary pressures, which were more of an organic than of a monetary nature; these causes could be faced with measures of credit and other similar devices. The fact that prices have shown a continuous rising tendency, under conditions of an expanding recession of the American economy, is probably due to this reason.

Measures of a social character and increases in salaries over and above the increase in productivity, as well as artificial increases in prices of agricultural products, are looked upon as being the cause of inflationary tendencies, which a credit policy is unable to cure. It is for this reason that the restrictive anti-inflationary policy followed since 1956 tended to be reversed during these last few months, as interest rates were lowered and the liquidity of the economy was increased.

We should not disregard, on the other hand, that the recession noted was due, in some cases, either to disproportionate investments in certain branches or to overstocking. Should the recession become more extensive, the consequences of these disproportions would certainly prove to be of a more serious character.

As already stated, one should rather agree with the view that the phenomena of slackening of the economic activity in the U.S.A. are not going to lead to a crisis. We should not, however, overlook the repercussion that this recession may have on the economy of other countries.

**Measures to be taken  
to meet the recession  
and disagreement as  
to their effectiveness**



### **The effect of the recession on the Greek economy**

The shipping crisis, which is due to special causes, was followed by a more general slackening in the economic activity. This crisis, which, as generally known, took on large proportions, has not yet affected the Greek economy to any great extent. As present facts seem to suggest, this crisis is not likely to become more acute, unless the signs of an economic depression increase, in which event the crisis will doubtless become worse. As said above, Greek economy has not yet been affected, as Greek crews were reduced at a slower rate than in other countries and compensations were paid to members of former crews. Should this situation continue, however, as it is probable, it cannot but affect the foreign exchange receipts and the income of Greece.

On the other hand, if the American recession continues to be limited, it will not have any serious repercussion on Greek economy. If it should become more intensive, however, it is likely to affect mainly remittances from Greek emigrants. If this crisis spreads to the European countries, it may indirectly affect the Greek economy unfavourably to a larger extent. In this case, the income from tourists would certainly suffer a severe setback, whilst the export of Greek agricultural products, the demand for which is not so elastic, whether incomes are higher or lower abroad, would be less valuable.

In any event, a possible expansion in the slackness of economic activity would aggravate the problems of the Greek balance of payments. On the other hand, it would create a great many difficulties in the internal equilibrium of Greek economy. A possible decrease of income and demand would cause disturbances, in respect of which we should be careful, in order to secure a regular development in business activity, as well as liquidity and stability in the credit system.

## **2) Unification of the European economy**

### **Objectives of the unification**

The movements towards economic cooperation between European countries mainly aim at uniting the markets of these countries and at allocating production among them. These unions are, therefore, based on a gradual abolition of custom duties and of other obstacles in the international flow of goods, so that commodities may circulate unimpededly. The ultimate aim is to reduce costs and increase production, thus strengthening the economic potential of European countries and raising their standard of living. Reduction of costs is expected to be obtained by the production of goods and by the use of services wherever



er conditions are most favourable, by the establishment of a large market, which will make possible concentrated and well organized production by large-size enterprises, and by a more intensive competition throughout Europe.

In the case of countries which are less developed economically, the abolition of custom duties and of other foreign trade restrictions will not solve, of course, the problem of their participation in the international division of production. On the contrary, if this abolition is indiscriminately applied, there is a danger that the under-development of these countries and their limited participation in the world trade will become permanent, unless measures are provided for at the same time to reinforce their economy. Linking under-developed countries with economically developed ones, by means of a simple customs union, could possibly lead to a further concentration of capital equipment in already developed areas, which have all the advantages of «external economies», whilst the industrially under-developed countries would be confined to branches with low output. To tie these countries to larger markets simply, without any special arrangements, would do nothing more but prove the principle that poor countries are poor today because they were poor also in the past.

It is quite natural that participation of under-developed countries in the international division of production, and their organic incorporation in larger economic unities, means that these countries will be assisted to make the best possible use of their productive potential. This principle, which has been accepted, by both the theory of our times and the international organizations, corroborates the requests, made by Greece and by other European countries in a similar stage of development. These requests are that custom duty protection be abolished later than in other countries, that economic aid be extended, that special arrangements be made favouring the investment of capital in them, and, finally, that the sale of their exportable farming products in Europe be safeguarded. These exports, which represent the bulk of exports of under-developed European countries, are facing special difficulties and require special arrangements. Our Bank is greatly interested in the problem of promoting exports of Greek agricultural products and aims at the most suitable organization of such exports, through the application of proper measures. This problem will be the most critical subject in negotiating the terms for the participation of Greece in the European economic union, both owing to its importance to the coun-

**Dangers for under-developed countries**

**Fundamental pre-requisites for the profitable participation of Greece**

try's balance of payments and to the protectionist policy for agricultural production in all European countries. There is also a more or less steady international demand for these products and often an illegal competition by non-European products.

In any event, Greece's participation, under any terms, in the unification of the European economic area will mean that the conditions of competition, under which Greek production is labouring, will become harder. Foreign competition will gradually be much stronger. Thus, in order to survive and develop, Greek production will have to improve its organization and reduce its costs. Investments will have to be selected on the basis of stricter criteria. Enterprises must achieve continuous improvement in their ability for competition. Methods of production should be up to date, and the organization of enterprises should be perfect both with regard to productive procedure and trading, and to evaluation of the market and forecasting of its development and possibilities. Disproportionate production charges will have to belong to the past, and taxes and labour costs should be stabilized. Cost elements, both those resulting from the enterprise itself and those due to external causes will have to be reduced. The level of interest rates for long-term investments will have to be readapted to the requirements of a harder international competition. On the other hand, the whole credit program will have to be reorganized, to ensure that enterprises be financed on the basis of standard criteria and under the guidance of an institution which will be suited for this purpose. We believe that even if Greece were not to participate in the Common European Market, a pressure would have arisen towards rationalization, modernization and improved organization of her production. Because, the end result of the Common Market will, in any case, be the acceleration of economic progress in the participating countries, the reduction of costs and the strengthening of their capability for competition.

At all events, whether Greece will participate or not, the expansion of the European economic area and the increasing competition will bring about, also in Greece, under the force of trends, a pressure to eliminate unproductive branches and not up-to-date enterprises, with all the consequences and problems that will arise, at least during the transitory period, in the economic and credit mechanism of the country.



### III. Credit conditions in 1957

#### 1) Development and formation of deposits

Increased savings and a rising tendency towards making deposits have been the basic determinative factors for last year's favourable development, as regards both currency and improvement of credit conditions and the financing of production. The percentage of consumption in relation to the total of national resources, showed a further decrease in 1957. This has been more substantial in the case of private consumers, and it is estimated that consumption dropped to 70.2% of the national resources, as against 72.1% in 1956 and 73.4% in 1955. Despite the reduction of interest rates in 1957, deposits with Banks increased beyond every expectation. This increase proves the degree to which confidence in Banks has been restored. Should a proper policy be followed, this increase will continue and become a foundation of monetary stability, which is the fundamental condition for economic development.

**Extent of increase in deposits and their relation to Bank financing**

Private deposits with Banks (except the Bank of Greece) showed an increase of 3,357.2 million drachmae in 1957, as against 1,216.7 million drachmae in 1956 and 852.5 million drachmae in 1955. This increase, calculated in present-day drachmae, is considerably higher than the annual increase before the last war.

What should be noted, however, is that even at present the total volume of deposits with Banks is substantially smaller than before the war and considerably lower than the financing extended by Banks. The difference between loans and deposits used to be covered by Bank of Greece financing under the privilege of money issue. This kind of financing, however, is now limited, in fact, to the financing extended by the Bank of Greece direct and to loans extended by the Agricultural and Mortgage Banks. The supply of funds, derived from the privilege of issue, to commercial banks is at present limited to an insignificant amount. It should be noted that deposits with the Bank of Greece, belonging to commercial banks, by far exceed the financing extended to them by the Bank of Greece. The fact that commercial banks have substituted financing from deposits with them for financing from the Bank of Greece has had anti-inflationary effects, which have counterbalanced the influence of other factors tending to increase the money in circulation.

**Development of Deposits in Drachmae with Banks and with  
Banking Organizations, except the Bank of Greece (\*)**

(End of each year, in millions of drachmae)

B a n k s	A m o u n t s			P e r c e n t a g e		
	1955	1956	1957	1955	1956	1957
<b>1. National Bank of Greece and Athens<sup>1</sup></b>	<b>2,174.3</b>	<b>3,069.2</b>	<b>4,839.6</b>	<b>47.2</b>	<b>47.6</b>	<b>46.6</b>
a) Private Persons and Companies <sup>2</sup>	1,423.5	2,032.2	3,673.0	30.9	31.6	35.4
b) Public Entities <sup>3</sup>	750.8	1,037.0	1,166.6	16.3	16.0	11.2
<b>2. Other Commercial Banks<sup>1</sup></b>	<b>1,523.8</b>	<b>1,823.3</b>	<b>2,932.9</b>	<b>33.1</b>	<b>28.4</b>	<b>28.2</b>
a) Private Persons and Companies <sup>2</sup>	1,217.8	1,565.4	2,567.7	26.5	24.3	24.7
b) Public Entities <sup>3</sup>	306.0	257.9	365.2	6.6	4.1	3.5
<b>3. Total Commercial Banks<sup>1</sup></b>	<b>3,698.1</b>	<b>4,892.5</b>	<b>7,772.5</b>	<b>80.3</b>	<b>76.0</b>	<b>74.8</b>
<b>4. Non Commercial Banks and Savings Organizations<sup>4</sup></b>	<b>904.7</b>	<b>1,548.1</b>	<b>2,613.5</b>	<b>19.7</b>	<b>24.0</b>	<b>25.2</b>
a) Private Persons and Companies	460.9	721.3	1,435.4	10.0	11.2	13.8
b) Public Entities	443.8	826.8	1,178.1	9.7	12.8	11.4
<b>5. Total Deposits with Banks</b>	<b>4,602.8</b>	<b>6,440.6</b>	<b>10,386.0</b>	<b>100</b>	<b>100</b>	<b>100</b>
a) Private Persons and Companies	3,102.2	4,318.9	7,676.1	67.4	67.1	73.9
b) Public Entities	1,500.6	2,121.7	2,709.9	32.6	32.9	26.1
<b>6. Deposits with the Bank of Greece</b>	<b>3,469.3</b>	<b>3,394.0</b>	<b>5,231.6</b>	<b>100</b>	<b>100</b>	<b>100</b>
a) Private Persons and Companies	364.4	438.4	484.3	10.5	12.9	9.3
b) Public Organizations, Emergency Law No 1611/50 <sup>5</sup>	2,104.4	2,443.3	3,011.5	60.6	72.0	57.6
c) Commercial Banks	550.1	335.6	1,272.9	15.9	9.9	24.3
(of which : N.B.G.A.)	227.0	213.7	676.3	6.5	6.3	12.9
d) Special Credit Organizations	450.4	176.7	462.9	13.0	5.2	8.8

(\*) According to revised data (1958) of the Bank of Greece.

1. These figures do not include renewed sight and time deposits of the Agricultural Bank of Greece and of the Post Office Savings Bank to avoid duplication. The said deposits have been included by the above Institutions with whom they were made originally. During the corresponding period, these deposits amounted : in 1955 to 67.3 million, the total being with N.B.G.A.; in 1956 to 246.5 million, out of which 184.6 million with the N.B.G.A.; and in 1957 to 766.3 million, out of which 470.5 million with the N.B.G.A. These figures do not include renewed deposits of Commercial Banks. Such deposits with the N.B.G.A. in 1955 amounted to 31.9 million, in 1956 to 71.0 million, and in 1957 to 122.4 million (particularly renewed deposits of the Army Shareholders Fund Bank and AMEXCO).

2. Including deposits of some Public Enterprises also, e.g. Telecommunication Organization of Greece (O.T.E.), Public Power Corporation (P.P.C.).

3. Including «Funds Administration» deposits made with Banks direct, which carry no interest, direct sight and time deposits, carrying interest, permitted as an exception to Emergency Law No 1611/50, renewed deposits made by the Bank of Greece from deposits of Public Entities with the Bank of Greece, as well as some «Special Government Deposits», deposits of the American Mission and some funds of the Bank of Greece coming from the servicing of the Greek-Egyptian clearing.

4. Namely : Agricultural Bank of Greece, National Mortgage Bank of Greece, Pledged Deposits and Loans Treasury Office and the Post Office Savings Bank.

5. Including the «Funds Administration», as well as deposits of Public Entities of Emergency Law No 1611/50 with the Pledged Deposits and Loans Treasury Office.

6. Not including deposits of Public Entities of Emergency Law No 1611/50, which have been included in deposits of Public Organizations.



**Analysis of Deposits of Private Persons and Companies, in Drachmae,  
with Banks and Banking Organizations, except the Bank of Greece (\*)**

*(End of each year, in millions of drachmae)*

B a n k s	A m o u n t			P e r c e n t a g e		
	1955	1956	1957	1955	1956	1957
<b>1. National Bank of Greece and Athens</b>	<b>1,423.5</b>	<b>2,032.2</b>	<b>3,673.0</b>	<b>45.9</b>	<b>47.1</b>	<b>47.8</b>
a) Sight	993.0	918.0	1,257.0	32.0	21.2	16.4
b) Savings	286.2	859.9	1,941.0	9.2	20.0	25.3
c) Time	33.3	131.4	339.0	1.1	3.0	4.4
d) Blocked	111.0	122.9	136.0	3.6	2.9	1.7
<b>2. Other Commercial Banks</b>	<b>1,217.8</b>	<b>1,565.4</b>	<b>2,567.7</b>	<b>39.2</b>	<b>36.2</b>	<b>33.5</b>
a) Sight	991.4	851.7	958.9	32.0	19.8	12.5
b) Savings	109.4	550.0	1,256.3	3.5	12.7	16.4
c) Time	38.8	86.1	265.4	1.2	2.0	3.5
d) Blocked	78.2	77.6	87.1	2.5	1.7	1.1
<b>3. Total Commercial Banks</b>	<b>2,641.3</b>	<b>3,597.6</b>	<b>6,240.7</b>	<b>85.1</b>	<b>83.3</b>	<b>81.3</b>
<b>4. Non Commercial Banks and Savings Organizations</b>	<b>460.9</b>	<b>721.3</b>	<b>1,435.4</b>	<b>14.9</b>	<b>16.7</b>	<b>18.7</b>
a) Sight	109.1	127.9	138.2	3.5	2.9	1.8
b) Savings	127.3	347.6	905.1	4.2	8.0	11.7
c) Time	—	9.4	19.1	—	0.3	0.2
d) Blocked	224.5	236.4	373.0	7.2	5.5	5.0
<b>5. Total Private Deposits with Banks</b>	<b>3,102.2</b>	<b>4,318.9</b>	<b>7,676.1</b>	<b>100</b>	<b>100</b>	<b>100</b>
a) Sight	2,093.5	1,897.6	2,354.1	67.5	43.9	30.7
b) Savings	522.9	1,757.5	4,102.4	16.9	40.7	53.4
c) Time	72.1	226.9	623.5	2.3	5.3	8.1
d) Blocked	413.7	436.9	596.1	13.3	10.1	7.8

(\*) See note (\*) and remarks (2) and (4) appearing in the preceding table.



**Analysis of Savings and Sight Deposits with the National Bank of Greece and Athens, by categories of Depositors and Scales of Amounts as at the 31st December 1957**

**A. Savings Bank Deposits**

(In thousands of drachmae)

Categories of Depositors	1 - 50.000		50.001 - 100.000		100.000 & over		Total	
	Num-ber	Am-ounts	Num-ber	Am-ounts	Num-ber	Am-ounts	Num-ber	Am-ounts
Manufacturers	294	2,926	68	4,905	96	11,007	458	18,838
Merchants	6,715	67,901	1,184	86,086	817	102,789	8,716	256,776
Handicraftsmen	7,068	65,182	585	41,500	227	27,595	7,880	134,277
Free Professionals	6,906	78,759	1,140	81,701	520	62,539	8,566	222,999
Employees	21,206	211,930	1,708	118,574	451	52,830	23,365	383,334
Others	47,059	455,081	3,738	262,217	1,546	189,155	52,343	906,453
Total as at 31.12.57	89,248	881,779	8,423	594,983	3,657	445,915	101,328	1,922,677
%	88.1	45.9	8.3	30.9	3.6	23.2	100	100
Total as at 31.12.56	57,512	431,543	3,819	242,855	1,618	184,558	62,949	858,956
%	91.4	50.2	6.1	28.3	2.5	21.5	100	100

**B. Sight Deposits <sup>1</sup>**

<b>1) Natural Persons</b>	<b>21,370</b>	<b>109,662</b>	<b>886</b>	<b>62,035</b>	<b>837</b>	<b>235,776</b>	<b>23,093</b>	<b>407,473</b>
a) Manufacturers	593	3,155	35	2,386	39	10,389	667	15,930
b) Merchants	8,694	45,135	405	28,105	355	108,240	9,454	181,480
c) Professionals	2,820	15,749	93	6,354	59	10,323	2,972	32,426
d) Others	9,263	45,623	353	25,190	384	106,824	10,000	177,637
<b>2) Small Companies</b>	<b>2,898</b>	<b>17,985</b>	<b>222</b>	<b>15,683</b>	<b>270</b>	<b>89,090</b>	<b>3,390</b>	<b>122,758</b>
a) Manufacturing	401	2,735	23	1,652	38	16,980	462	21,367
b) Commercial	1,652	10,233	150	10,562	171	56,200	1,973	76,995
c) Others	845	5,017	49	3,469	61	15,910	955	24,396
<b>3) Sociétés Anonymes</b>	<b>1,016</b>	<b>8,355</b>	<b>91</b>	<b>6,360</b>	<b>310</b>	<b>281,152</b>	<b>1,417</b>	<b>295,867</b>
a) Manufacturing	334	2,700	27	1,938	109	84,132	470	88,770
b) Commercial	331	2,611	35	2,396	105	68,975	471	73,982
c) Others	351	3,044	29	2,026	96	128,045	476	133,115
<b>4) Other Depositors <sup>2</sup></b>	<b>3,305</b>	<b>23,974</b>	<b>232</b>	<b>16,340</b>	<b>348</b>	<b>121,166</b>	<b>3,885</b>	<b>161,480</b>
Total as at 31.12.57	28,589	159,976	1,431	100,418	1,765	727,184	31,785	987,578
Total as at 31.12.56	32,396	180,038	1,454	107,962	1,504	513,967	35,354	801,969

1. Not including : Sight Deposits of Organizations (Public Utility Enterprises, Oil Companies and Organizations which are not Sociétés Anonymes and do not come under Emergency Law No 161/150).

2. Namely : Associations, Corporations, Donation Committees, etc.

The considerable increase of deposits cannot be explained merely as the result of increased incomes over the preceding years and the pre-war period. An additional explanation for the much higher volume of annual deposits, as against those of the last pre-war years, could be that new depositors were attracted by Banks, and they deposit previous savings with them, as confidence is being gradually restored. An indication of this development is the considerable increase in the number of depositors with the National Bank of Greece and Athens, who were 133,113 on the 31st December 1957, as against 98,303 on the 31st December 1956, for sight accounts and savings bank deposits. The importance of this phenomenon should not be overrated, of course, as this is expected to influence deposits towards an increase for a transitory period only.

The considerable reduction of non-banking loan transactions, as practiced both during the post-war years and in the years before the last war, seems to lead to an increased flow of savings with Banks. Financing through banking channels has now reduced non-banking financing to a minimum. It is obvious that this fact can be of great importance as regards both a well balanced financing of the economy's requirements and the charge on borrowing enterprises.

It has been suggested that the great increase in deposits may also be due to an inter-relationship between deposits and credits, i.e. that increased deposits have led to an increased financing therefrom and, consequently, to a further increase in deposits by those who received credits, and so on. However, the system of financing in Greece and the use of credits by enterprises in this country do not make it probable that deposits can increase considerably from this source. There can be no question, therefore, of a «credit inflation». It would be justifiable to believe that such an inflation could manifest itself, under present conditions, only in the special sense that owing to the existing system of intervention, pressure is brought to bear on Banks to grant certain loans beyond the actual requirements of the economy and without the pre-requisites laid down by sound banking practice. Such financing, however, does not seem to have taken place on any large scale until now.

The remarkable improvement in the propensity to deposit and in the volume of deposits during the last few years, and especially last year, are shown by the substantial increase in deposits with Banks (except the Bank of Greece), as compared with the gross national product.

**Probable causes of the increased deposits**

**a) Transfer of older savings**

**b) Reduction of non-banking financing**

**The improbable view that deposits and credits determine each other**

**Favourable signs in the development of :**

**a) Deposits and National Product**



## Ratio between Gross National Produce and Deposits

(In market prices. In millions of drachmae)

Years	Gross National Produce (1)	Deposits with Banks (except Bank of Greece) <sup>1</sup> (2)	Ratio % 2 : 1
1938	85,937	23,520	27.4
1954	56,112	3,906	7.0
1955	64,391	4,603	7.1
1956	73,699	6,441	8.7
1957	81,802	10,386	12.7

1. At the end of the year.

### b) Deposits and circulation

This improvement, as well as the development of the banking system, are reflected also in the considerable rise in the percentage of deposits, in relation to the circulation of bank-notes and to the percentage of sight deposits, in comparison with the total money supply. This development is particularly important in countries where the banking market goes along with the money and capital market.

### Trends of deposits : a) Concentration of private deposits with the N.B.G.A.

The bulk of new deposits again went to the N.B.G.A. last year, and thus private deposits with us (not including re-deposits of the Agricultural Bank and of the Post Office Savings Bank) showed an increase of 1,640.8 million drachmae in 1957, as against 608.7 million drachmae in 1956, and 308.7 million drachmae in 1955.

Thus, savings flow back into their old and broad channel, and render to the National Bank its well-known historical characteristics of a powerful national, independent and self-supporting banking institution. Out of the total of private deposits with Banks (except the Bank of Greece), private deposits with the N.B.G.A. represented 47.8% by the end of last year, as against 47.1% by the end of 1956 and 45.9% by the end of 1955.

### b) Fewer deposits of Public Entities with commercial banks

Deposits of Public Entities with commercial banks, coming from re-allocation, according to Emergency Law No 1611/50, showed an increase of 47.1 million in 1957. But the increase of these deposits with the other, non-commercial, banks was considerably higher.

### Composition of deposits and the resulting increased cost of money

All categories of private deposits increased last year, i.e. sight deposits by 24.1%, savings accounts by 133.4% and time deposits by 174.8%. Out of the total of private deposits, the percentage of savings

**Analysis of Deposits of Private Persons and of Private Entities with  
Banks and Banking Organizations, except the Bank of Greece\***

*(In millions of drachmae)*

Months	Cardinal Figures					Percentage			
	Total	Sight	Savings	Time	Blocked	Sight	Savings	Time	Blocked
1954 Dec.	2,249.7	1,607.6	297.9	38.4	305.8	71.5	13.2	1.7	13.6
1955 March	2,310.9	1,601.1	329.2	47.6	333.0	69.3	14.2	2.1	14.4
June	2,374.0	1,605.7	355.9	58.4	354.0	67.6	15.0	2.5	14.9
Sept.	2,541.6	1,719.9	378.4	68.1	375.2	67.7	14.9	2.7	14.7
Dec.	3,102.2	2,093.5	522.9	72.1	413.7	67.5	16.9	2.3	13.3
1956 March	3,153.8	2,133.4	568.4	37.4	414.6	67.6	18.0	1.2	13.2
June	3,658.3	2,123.2	959.5	114.2	461.4	58.0	26.2	3.1	12.7
Sept.	3,976.1	1,901.2	1,420.2	200.4	454.3	47.8	35.7	5.0	11.5
Dec.	4,318.9	1,897.6	1,757.5	226.9	436.9	43.9	40.7	5.3	10.1
1957 March	4,957.0	1,815.8	2,421.3	264.8	455.1	36.6	48.8	5.4	9.2
June	5,882.7	1,942.3	3,067.9	301.7	570.8	33.0	52.2	5.1	9.7
Sept.	6,597.8	2,143.5	3,418.9	444.8	590.6	32.5	51.8	6.7	9.0
Dec.	7,676.1	2,354.1	4,102.4	623.5	596.1	30.7	53.4	8.1	7.8
<b>Fluctuations noted in the years 1955, 1956, 1957</b>									
1955	852.5	485.9	225.0	33.7	107.9	30.2	75.5	87.8	35.3
1956	1,216.7	-195.9	1,234.6	154.8	23.2	-9.4	236.1	214.7	5.6
1957	3,357.2	456.5	2,344.9	396.6	159.2	24.1	133.4	174.8	36.4

(\*) On the basis of last revision (1958) data of the Bank of Greece.



rose from 40.7% at the end of 1956 to 53.4% by the end of 1957; as the increase of savings accounts was higher, it follows that there was a fall in the percentage of sight deposits. This latter percentage dropped from 43.9% in 1956 to 30.7% in 1957. The increase in the percentage of time deposits was also substantial. This fact points to an improvement in the composition of deposits. The differentiation of interest rates, to favour time deposits, as from July last, has greatly contributed to this improvement, as proved by the much faster increase of such deposits thereafter. But savings deposits also, although withdrawable at any time, tend to stabilize the volume of deposits. This is due to their origin and nature as savings (being, therefore, subject to slower movement) and because they keep adding themselves, from year to year, to the total of deposits in ever increasing amounts. We believe that Banks rightly assume the onus of high interest rates allowed on deposits of this category to encourage such savings. This has resulted in a certain qualitative improvement of deposits last year, in addition to the quantitative improvement. However, the continuing and considerable rise of costs, as a result of this formation of deposits, in general, has absorbed a great part of profits, which could have resulted from a reduction in the interest rates paid on deposits.

**The need to improve composition of deposits further and the proper policy to this effect**

In spite of the foregoing and of the considerable charge to Banks for the cost of deposits, the proportions of the various categories of deposits are far from being the desirable ones, at least for the National Bank, which preferably finances industry. Should there be no improvement in these proportions, this will mean a serious obstacle to the channeling of deposits thus concentrated to serve the objective of the country's economic development. To improve the composition of deposits with banking organizations, which would undertake the financing of industrial investments it is necessary : a) that an interest rate policy be applied, which, without increasing the cost of banking money—unless there is a good reason for it—will aim at establishing those proportions in deposits which will correspond to the proper ratio between short-term and long-term loans, and b) that this effort for obtaining a proper ratio between the various categories of deposits be encouraged by «blending» these with private deposits of other origin, which would be of a long-term character. Such capital comes mainly from availabilities of Public Entities and of the E.D.F.O.

This «blending» of private deposits with money of a long-term nature is required moreover for the following very important reasons: First,



the increase of private deposits makes their utilization more difficult and exacting because of their sensitiveness, as far as their safety is concerned. Larger investments from short-term deposits might create difficulties, in case of fluctuations in their volume for some reason or other (such as a mistaken interest rate policy, and so on), as well as risks concerning the liquidity of the Banks. Second, because the organic conditions of Greek economy do not permit the luxury of long-term private deposits, whereas the large-scale credit requirements, which characterize the development of industry, make the disposal of mixed money (short-term and long-term financing, in combination) more and more imperative. Third, because the blending of the said funds would not only improve their circulation, but would make it also easier to control their disposal, especially in the case of funds (deposits of Public Entities), the channelling of which is not followed up at present. It should be noticed that even the Law of 1928, which required that Public Entities' funds be deposited with the National Bank, aimed basically at creating a steady foundation for sight deposits and at assisting the National Bank in this manner to carry out its objective of managing industrial credit, which is the most difficult and risky branch of credit. And fourth, because such blending will allow desirable long-term credit requirements to be satisfied, at a low interest rate, which will not be prohibitive for this kind of financing.

In setting up a policy, with regard to deposits, Banks are inevitably confronted with the following basic dilemma: whether they should continue to aim at obtaining an improvement in the qualitative composition of deposits, in order to ensure a sounder, steadier and more regular financing to the economy, despite the higher cost that such improvement involves, or whether they should seek a reduction in the cost of deposits, which would allow the financing of productive enterprises under more favourable terms.

In any event, qualitative improvement and stability of deposits are generally considered most important for Banks, whose main objective is the financing of industry and of large enterprises. Under present conditions, which are still unfavourable for long-term deposits, and due to reluctance on the part of depositors, stability of capital is preferable to a lower cost of same, for two basic reasons in particular. First, because it is certain that firms financed by such Banks are enterprises which, owing to their nature and size, do not have the elasticity and liquidity of commercial firms, the financing of which is the rule for

**The National Bank's  
basic dilemma: high  
cost of deposits or  
high production  
costs?**

commercial banks. But the main reason perhaps is the fact that even short-term industrial credit is of longer duration than other categories of short-term credit, and the way in which working capital has to be at the disposal of industrial enterprises is more permanent.

We believe, therefore, that application of a policy aiming at the qualitative improvement and the stability of deposits, even if involving a higher cost for deposits and consequently for financing, will finally lead to a lower charge on production costs. Because, if the volume of deposits were not steady, difficulties might arise in making credits available, thus causing a disorder in production, as well as a further serious increase in costs, owing to interruptions in the activity of enterprises, or to inevitable recourse of same to non-banking financing at high interest rates.

The National Bank, both as an institution with a social mission and as a financing organization, aims above all at securing regularity in the productive process and at reducing the cost of same. It is for this reason that even after savings have returned to the Banks, the National Bank now aims at an improvement of the composition of deposits, which is a basic pre-requisite for the financing of production in a way that will correspond to the said objectives.

**The effort to lower the cost of money is incompatible with the policy of blocking deposits.**

**Contradictory aspects of credit policy**

The abovementioned considerations do not mean, of course, that there should not be made every effort, which is compatible with the obtention of stability in deposits and financing, in order to ensure lower cost of money. But the efforts in this direction and the policy suggested for lowering the cost of money are surely not compatible with the policy of blocking the availabilities of Banks, a policy which inevitably leads to an increased cost of deposits. Such blocking has not proved effective, because the funds in question were not used for the purpose for which they, had been intended. The use of these funds as intended, would really have been extremely dangerous under present conditions. Furthermore, the blocking of banking funds thwarts also the National Bank's efforts to bring about a better composition in its availabilities. It thus hinders the business of extending loans to industries, a business which is of a special nature.

On the other hand, these restrictions, leading, as they do, to the channelling of funds to other organizations, are not only a burden on the average cost of deposits with commercial banks, but they also result in a scattering of this money. Such scattering is not without risks for the Banks or for their deposits. How is it possible, in the midst of such con-



tradictory views on the Greek credit policy, to ensure a normal operation of the country's economy and still more to ensure its recovery?

In any event, the need to reduce the cost of money requires that interest rates on deposits be steadily lowered in the long run, at least for certain categories and in due time. Along with an improvement in the other factors of bank-money costs, such reduction would lead to an average cost, which would render long-term financing possible at sound interest rates. It is not possible, however, to determine from now what the proper reduction should be, or when the proper time will come to apply it. First, because the reaction of depositors will have to be examined over a longer period, as these reactions are not quite clear, following the last lowering of interest rates, as evidenced by a decrease of deposits observed during the last two or three months. Second, because it is impossible to foresee what conditions will arise in the banking market and especially in the non-banking market, as a result of an eventual return to the restrictive measures on credits, which were taken in the past as a means of regulatory intervention for reasons of foreign exchange policy or others. Third, because the policy regarding deposits and interest rates should be directly related to the extent and composition of the demand for short-term and long-term credits; such credits are to be included in a sound program on credit requirements, which will guarantee a maximum productivity to economy, as well as safety, along with liquidity for Banks and deposits. There is neither a general co-ordination program, at present, nor can each Bank set up a financing program of its own in connection with a policy on deposits. But even if one of them, like the National Bank, were to set up a program of deposits and financing, in the absence of a general program, such a special program would surely run the risk of being overturned, since regulations, introduced from time to time, without general criteria or directives, specify to the Bank the disposal or non disposal of funds. Only by reconsidering the whole subject of credit, according to a general program, and by determining the credit requirements in short-term and long-term capital, arising from such program, or, otherwise, by creating an institution, or agency, which will concentrate short-term and long-term financing and will be able to plan loaning and guide investments, will it be possible to specify both the limits and the conditions for a systematic and correct policy on deposits, in conformity with the economy's requirements in short-term and long-term capital. Otherwise, the policy of deposits and of interest rates, and any decisions to change

**Basic principles of  
long-term policy on  
interest rates**

it, would not be the outcome of reflection or of a previous examination of the requirements of the economy.

## 2) Development and formation of financing

### Extent of increase in bank financing

Thanks to the increasing concentration of deposits, the total bank financing extended to the country's economy last year showed an appreciably higher rise than during the previous year.

Expressed in 1938-drachmae, this rise is higher than that of the last pre-war years, and its percentage on the gross national product is approaching the pre-war percentage by now.

### Ratio between Gross National Product (in market) prices and Credits

(In millions of drachmae)

Year	Gross National Product (1)	Total of Credits <sup>1</sup> (2)	Ratio percent 2 : 1
1938	85,937	22,284	25.9
1954	56,112	10,594	18.9
1955	64,391	11,631	18.1
1956	73,699	14,740	20.0
1957	81,802	18,936	23.1

1. At the end of the year.

### As a result of the in- creased deposits: a) Credits granted by commercial banks with Bank of Greece funds have been re- duced to a minimum

By the end of 1957, the share of the National Bank of Greece and Athens in the total bank financing was 25.9%. This financing included credits granted by special organizations and credits extended from Government funds through the Banks. During the last two years, the National Bank's share showed a steady increase (1955: 19.6%; 1956: 23.3%). This quantitative improvement in bank financing of the country's economy is, at the same time, a qualitative improvement in business financing, generally. The reason for this qualitative improvement is that non-banking high-interest and irrationally-channelled loaning is being replaced by bank financing. Furthermore, one should particularly stress the fact that the financing extended by commercial Banks from Bank of Greece funds has now been reduced to an insignificant amount. Following its considerable decrease last year, the financing granted by commercial Banks from this source, as at the end of that year, amounted



to 300 million drachmae only (as against 472 millions at the end of 1956), whereas the total financing extended by these banks by the 31st December, 1957, amounted to 7,590 million drachmae. It should be noted that, on the same date, deposits of the commercial banks with the Bank of Greece, some bearing interest and others none, amounted to 1,273 million drachmae (as against 336 millions at the end of 1956).

Only credits granted by the Bank of Greece direct and by the Agricultural and Mortgage Banks, with Bank of Greece funds, showed a substantial increase last year. Thus, the outstanding balance of credits granted by the Bank of Greece direct amounted to 1,344 million drachmae on the 31st December, 1957, as against 1,112 millions on the 31st December, 1956. It should be noted that these credits actually originated, to a great extent, from deposits of commercial Banks, which these Banks are obliged to re-deposit with the Bank of Greece. Thus, it is private deposits with commercial Banks which actually provide, for a great part, the money for new credits granted by the Bank of Greece direct and through other Banks.

The fact that the credits granted by the Bank of Greece direct originate from the privilege of money issue and from the non-interest or low-interest deposits of commercial Banks with it leaves very large margins of funds to the said Bank, as it is also apparent from the results of its balance sheet. It would be easy to use a part of these margins in an effort to reduce the very considerable burden on the cost of bank money, which is due to various measures and to the blocking of money, thus enabling a gradual improvement and lowering of the interest rates on credits.

On the other hand, by restricting its direct loans and by offering commercial Banks the possibility of granting corresponding credits, the Bank of Greece would be able to obtain for the benefit of the country's economy and currency the following: First, to reduce organically the cost of money for Banks. This would result automatically, if the high percentage of blocked funds were reduced and the amount of loans granted by commercial Banks were increased; this would further lead to a natural lowering of interest rates on credits. Second, to prevent a credit inflation and arrange that credits, in general, be not extended beyond measure. To obtain this, it would be necessary to restrict the total of short-term credits coming from commercial Banks and, beyond these, from the Bank of Greece.

**b) More and more credits are granted by the Bank of Greece from Bank deposits with it**

**This fact provides the Bank of Greece with the possibility of reducing the cost of money**

## Total Financing to the Economy, by Source and Institution

(At the end of each year, in millions of drachmae)

Financing Banks and other Credit Organizations	1 9 5 5		1 9 5 6		1 9 5 7	
	Amount	%	Amount	%	Amount	%
<b>National Bank of Greece and Athens</b>	<b>2,283.3</b>	<b>19.6</b>	<b>3,431.0</b>	<b>23.3</b>	<b>4,895.0</b>	<b>25.9</b>
a) From its own availabilities	1,597.1	13.7	2,325.7	15.8	3,879.3	20.5
b) From Bank of Greece funds	271.5	2.3	314.5	2.1	192.9	1.0
c) From funds of Public Entities	414.7	3.6	790.8	5.4	822.8	4.4
<b>Other Commercial Banks</b>	<b>1,302.4</b>	<b>11.2</b>	<b>1,813.5</b>	<b>12.3</b>	<b>2,694.7</b>	<b>14.1</b>
a) From their own availabilities	1,119.9	9.7	1,655.2	11.2	2,587.0	13.6
b) From Bank of Greece funds	108.5	0.9	157.6	1.1	107.3	0.5
c) From Funds of Public Entities	74.0	0.6	0.7	0.0	0.4	0.0
<b>Bank of Greece, direct</b>	<b>988.0</b>	<b>8.5</b>	<b>1,112.3</b>	<b>7.5</b>	<b>1,343.8</b>	<b>7.1</b>
<b>Agricultural and Mortgage Banks</b>	<b>4,028.6</b>	<b>34.6</b>	<b>4,626.6</b>	<b>31.4</b>	<b>6,023.4</b>	<b>31.8</b>
a) From their own availabilities	573.0	4.9	840.5	5.7	981.2	5.2
b) From Bank of Greece funds	3,455.6	29.7	3,460.8	23.5	4,595.5	24.3
c) From funds of Public Entities	—	—	325.3	2.2	446.7	2.3
<b>Economic Development Financing Organization (E.D.F.O.)</b>						
Its own funds	2,326.4	20.0	2,734.9	18.6	2,759.5	14.6
of which : through Agricultural Bank of Greece	45.0		68.0		74.0	
<b>Other Special Organizations</b>	<b>311.4</b>	<b>2.7</b>	<b>400.4</b>	<b>2.7</b>	<b>505.9</b>	<b>2.7</b>
(from their own availabilities)	391.2	3.4	621.8	4.2	713.7	3.8
<b>Government availabilities</b>	<b>334.3</b>		<b>526.4</b>		<b>620.1</b>	
of which : through Agricultural Bank of Greece and Na- tional Mortgage Bank of Greece.						
<b>Grand Total</b>	<b>11,631.3</b>	<b>100</b>	<b>1,4740.5</b>	<b>100</b>	<b>18,936.0</b>	<b>100</b>

Such a policy would lead to the best possible results and would ensure not only a smoother and sounder formation of the monetary and credit situation for the benefit of the country's economy, but also a more rational structure and a more consistent operation of the country's banking system.

### Composition of Bank credits and directives of the National Bank

Credits extended to all branches of the economy, last year, showed a considerable increase. Thus, calculated on the basis of the annual average, bank credits extended to manufacturers and handicrafts in 1957 increased by 26.5 %, or by 33.1 %, if loans granted at the end of the year are taken into account, as compared with the year 1956. Loans to trade increased by 26.5 %, or 22.9 %, respectively. The total bank financing did not show any considerable change in its composition.



# Breakdown of total increase in Financing by Source of funds and Institution.

(Amounts in millions of drachmae)

Source and Institution	Increase in total Financing		Percent increase between :	
	31.12.55-31.12.56	31.12.56-31.12.57	31.12.55-31.12.56	31.12.56-31.12.57
<b>Total increase</b>	<b>3,109.2</b>	<b>4,195.5</b>	<b>26.7</b>	<b>28.5</b>
<b>1. Bank's own availabil.</b>	<b>2,028.9</b>	<b>2,756.2</b>	<b>34.2</b>	<b>34.6</b>
a) Commercial Banks	1,263.9	2,485.4	46.5	62.4
of which : N.B.G.A.	(728.6)	(1,553.6)	45.6	66.8
b) Agricultural Bank of Greece and National Mortgage Bank	267.5	140.7	46.7	16.7
c) E.D.F.O.	408.5	24.6	17.6	0.9
d) Special Organizations	89.0	105.5	28.6	26.3
<b>2. Bank of Greece funds</b>	<b>221.6</b>	<b>1,194.3</b>	<b>4.6</b>	<b>23.7</b>
a) Commercial Banks	92.1	-171.9	24.2	-36.4
of which : N.B.G.A.	(43.0)	(-121.6)	15.8	-38.7
b) Agricultural Bank of Greece and National Mortgage Bank	5.2	1,134.7	1.5	32.8
c) Bank of Greece	124.3	231.5	12.6	20.8
<b>3. Funds of Public Entit.</b>	<b>628.1</b>	<b>153.1</b>	<b>128.5</b>	<b>13.7</b>
a) Commercial Banks	302.8	31.7	62.0	4.0
of which : N.B.G.A.	(376.1)	(32.0)	90.7	4.0
b) Agricultural Bank of Greece and National Mortgage Bank	325.3 <sup>1</sup>	121.4		37.3
<b>4. Government funds</b>	<b>230.6</b>	<b>91.9</b>	<b>58.9</b>	<b>14.8</b>
of which : through Agricultural Bank of Greece and National Mortgage Bank	(192.1)	(93.7)	(57.5)	(17.8)

1. The amount of credits granted by the Agricultural Bank of Greece and the National Mortgage Bank of Greece from Bank of Greece funds showed a limited increase in 1956. This was due to the fact that the National Mortgage Bank of Greece stopped using Bank of Greece funds for its loans, after funds were allocated to it derived from deposits of Public Entities.

However, the percentage of credits to manufacture and commerce showed a small increase. Thus, credits extended to industry in 1957 (average annual level) reached 37.6% of the total bank financing, as against 36.8% in 1956. As regards credits allocated to commerce in 1957, these reached 19% in 1957, as against 18.5% in 1956. By the end of last year, the National Bank of Greece and Athens extended more than half of its loans to industry and handicraft, i.e. 50.7%, against 44.8% granted in 1956. Most of the total increase in credits extended to the econo-

## Total Credits granted to Economy by Branches

(End of each year, in millions of drachmae)

Categories of Loans	1 9 5 5		1 9 5 6		1 9 5 7	
	Amount	%	Amount	%	Amount	%
Industry	4,191.6	36.0	5,158.0	35.0	6,786.2	35.8
Handicraft	123.3	1.1	263.3	1.8	426.4	2.3
Commerce	1,692.9	14.6	2,690.2	18.2	3,307.4	17.5
of which : domestic	792.2	6.8	1,005.1	6.8	1,438.7	7.6
imports	178.6	1.5	259.1	1.8	311.3	1.6
exports	242.4	2.2	346.1	2.3	482.1	2.6
tobacco trade	479.7	4.1	1,079.9	7.3	1,075.3	5.7
Miscellaneous <sup>1</sup>	1,320.1	11.3	1,513.6	10.3	1,844.5	9.7
Agriculture	3,804.3	32.7	4,548.0	30.9	5,876.4	31.0
Housing	499.1	4.3	567.4	3.8	695.1	3.7
T o t a l	11,631.3	100	14,740.5	100	18,936.0	100

1. Including credits to P.P.C. from funds destined for medium-term financing (Currency Committee decision No 1010/57) and loans to Insurance Funds.

my by the National Bank of Greece and Athens was channelled by it to industry, in combination with basic industries (specifically to the Public Power Corporation, etc.). Thus, this Institution has consciously moved, with its own means and deposits, the centre of gravity towards the development of the country's industrial potential.

The increase noted in the total of bank credits extended to industry mostly concerned short-term financing. Thus, compared with 1956, the average annual level of short-term financing in 1957 showed an increase of 39.1 %, whilst long-term financing increased by 5.8 %.

This development of industrial credit should be made the object of a more careful analysis, so as to reach certain conclusions and lay down a series of principles for the development of a sound policy on industrial credit. First, it should be stressed that the great increase noted in short-term credit extended to industry was not in the form of discounting, but of loans for working capital, which are now the bulk of short-term financing to industry.

Sufficient working capital to meet the requirements of a constantly progressing industry is a basic pre-requisite for a smooth expansion of its productive activity. It is the duty of Banks, however, to aim always at keeping these loans within proper limits, and not to give in to exorbitant requests for such capital, thus causing an accumulation of excessive stocks and supporting productivity beyond the capacity of the market.

**Problems and principles arising from the increased short- and long-term credits extended to industry  
a) for the Banks**



# Credits granted by the National Bank of Greece and Athens, by Branches

(End of each year, in millions of drachmae)

Branches	1956		1957		Percent of increase	Percent of total credits granted by com. banks	
	Amount	%	Amount	%		1956	1957
<b>Industry</b>	<b>1,421.0</b>	<b>41.4</b>	<b>2,300.1<sup>1</sup></b>	<b>47.0</b>	<b>61.9</b>	<b>64.4</b>	<b>63.6</b>
of which : Bills discounted	523.0	15.2	546.8	11.2	4.6	57.2	59.1
Working capital	898.0	26.2	1,736.3	35.5	93.4	69.5	64.9
Fixed installations	—	—	17.0 <sup>1</sup>	0.3	—	—	96.6
<b>Handicraft</b>	<b>115.8</b>	<b>3.4</b>	<b>182.7</b>	<b>3.7</b>	<b>57.8</b>	<b>44.0</b>	<b>42.8</b>
<b>Commerce</b>	<b>1,485.1</b>	<b>43.3</b>	<b>1,871.2</b>	<b>38.2</b>	<b>26.0</b>	<b>65.7</b>	<b>64.7</b>
of which : Domestic	548.6	16.0	826.9	16.9	50.7	58.1	60.8
Imports	110.2	3.2	142.5	2.9	29.3	43.8	46.5
Exports	215.0	6.3	291.0	5.9	35.3	64.0	61.1
Tobacco trade	611.3	17.8	610.8	12.5	-0.1	83.9	81.7
<b>Miscellaneous</b>	<b>409.1<sup>2</sup></b>	<b>11.9</b>	<b>541.0<sup>2</sup></b>	<b>11.1</b>	<b>32.2</b>	<b>79.6</b>	<b>82.6</b>
<b>Total</b>	<b>3,431.0</b>	<b>100</b>	<b>4,895.0</b>	<b>100</b>	<b>42.7</b>	<b>65.4</b>	<b>64.5</b>

1. Not including loans to Public Power Corporation from funds intended for medium-term credits (Currency Committee decision No 1010/57), which are included in loans for miscellaneous purposes.

2. Including loans to Insurance Funds, i.e. 218.4 millions on 31.12.1956, and 166.6 millions on 31.12.1957.

## Total Bank Credit granted to Manufacture and Handicraft

(In millions of drachmae)

Year	Short-term credits						Long-term credits		Handicraft	
	Total		Discounting		Working capital					
	1	2	1	2	1	2	1	2	1	2
1955	2,197	2,357	761	845	1,436	1,512	1,798	1,835	119	123
1956	2,523	2,976	832	981	1,691	1,995	2,099	2,182	216	263
Increase as against previous year	326	619	71	136	255	483	301	347	97	140
%	14.8	26.3	9.3	16.0	17.7	31.9	16.7	18.9	81.5	113.8
1957	3,510	4,488	955	1,004	2,555	3,484	2,221	2,299	386	426
Increase as against previous year	987	1,512	123	23	864	1,489	122	117	170	163
%	39.1	50.8	14.8	2.3	51.0	74.6	5.8	5.4	78.7	62.0

1. On the basis of average annual level.

2. On the basis of balances at the end of the period.

**Average Credits granted by the National Bank of Greece and Athens**  
**A. By branches**

*(On the basis of monthly balances. Amounts in millions of drachmae)*

A m o u n t s	1 9 5 6		1 9 5 7		Per- cent of increa- se	Percent on total loans granted by commer. banks	
	Amounts	%	Amounts	%		1956	1957
<b>Industry</b>	<b>1,181.2</b>	<b>40.4</b>	<b>1,770.8</b>	<b>43.9</b>	<b>49.9</b>	<b>64.7</b>	<b>64.0</b>
of which :							
Bills discounted	400.9	13.7	515.3	12.8	28.5	52.2	58.1
Working capital	780.3	26.7	1,252.5	31.0	60.5	73.8	66.7
Fixed installations	—	—	3.0	0.1	—	—	93.8
<b>Handicraft</b>	<b>97.3</b>	<b>3.3</b>	<b>156.7</b>	<b>3.9</b>	<b>61.0</b>	<b>45.1</b>	<b>40.6</b>
<b>Commerce</b>	<b>1,309.8</b>	<b>44.8</b>	<b>1,709.8</b>	<b>42.4</b>	<b>30.5</b>	<b>66.6</b>	<b>66.3</b>
of which :							
Domestic	535.1	18.3	692.8	17.2	29.5	60.4	58.2
Imports	83.7	2.9	122.0	3.0	45.8	42.1	48.6
Exports	143.2	4.9	182.6	4.5	27.5	60.0	63.6
Tobacco Trade	547.8	18.7	712.4	17.7	30.0	85.0	83.8
<b>Miscellaneous</b>	<b>335.1</b>	<b>11.5</b>	<b>398.2</b>	<b>9.8</b>	<b>18.8</b>	<b>77.2</b>	<b>78.1</b>
<b>T o t a l</b>	<b>2,923.4</b>	<b>100</b>	<b>4,035.5</b>	<b>100</b>	<b>38.0</b>	<b>65.8</b>	<b>64.7</b>
<b>B. By Source of Funds</b>							
From Bank's own availabilities	1,890.5	64.7	3,047.4	75.5	61.2	58.3	59.0
From Bank of Greece Funds	417.5	14.3	189.4	4.7	—54.6	77.0	68.9
Public Entities Funds	615.4	21.0	798.7	19.8	29.8	93.1	99.9
<b>T o t a l</b>	<b>2,923.4</b>	<b>100</b>	<b>4,035.5</b>	<b>100</b>	<b>38.0</b>	<b>65.8</b>	<b>64.7</b>

The Banks should play the role of a guide, and this can only be performed if they do not grant credits beyond actual requirements. To this end, their financing should be determined according to market conditions and to the enterprises' potential, considering also the nature of deposits with the Banks. An over-estimate or excess over and above the buying capacity of the market would bring about serious difficulties to both the enterprises and the banking system. Since the outlet of the Greek industry is, for the major part of its production, the domestic market, the trends of that market should be closely followed up. Fluctuations of a temporary nature should not be overrated, so that credits granted will meet the actual needs of enterprises and not be determined simply by the amount of availabilities with Banks. Otherwise, the credit mechanism could present signs of inflexibility, which could very seriously affect the economy as a whole. These effects could be still greater, as it is likely that international economic activity and prices will decrease.

b) for industrial enterprises

The duty of enterprises, on the other hand, is to have such an organization, as to enable them to plan and carry into effect the expansion



of their existing plants and to increase their production, after evaluation of the data concerning the demand and possibilities of the money market. It should not be forgotten, moreover, that the amount of short-term money available with Banks and the possibilities of obtaining short-term credit from such money for working capital should be the main basis for determining the extent of the long-term investments planned. It is also the duty of enterprises to improve their organization continually, to cut down their expenses and to improve their capability for competition, so that they will increase the possibilities for the absorption of their products and be in a position to face adverse developments. If this is achieved, the bank credit could be adapted, so as to satisfy the needs of enterprises.

If long-term credits to manufacture are slow to increase, this slowness is largely due to the qualitative composition of the demand for such credits. As long as requests for funds are not made as they should be, after a careful estimate of the needs to improve and complete industrial technical equipment, and after evaluation of the market conditions, the banking system is right, we believe, in not meeting this demand and is wary or even opposed to such demand, especially for long-term loans, which would place funds coming from deposits beyond the Banks' control.

There is no doubt that, during the last few years, substantial progress was made in several cases, by modernizing technical equipment and by raising the organizational level, especially of pioneering enterprises. Nevertheless, much is still left to be done for both a rational organization of many enterprises and a renewal of their plants. Only if this is done, the Banks would be justified to increase the channelling of long-term funds to enterprises.

Furthermore, an improvement in the enterprises' organization and a reduction of their costs would bring about the following good result: by increasing their profits and the possibilities of building-up reserves, the enterprises would be in a position to promote self-financing, which—up to a certain extent—constitutes a basic condition for their sound development and for their obtaining assistance through credits. This is natural, as the increased means of enterprises deriving from reduced costs, and the establishment of a sounder proportion in relation to capital borrowed by them, would result in lightening their fixed costs and in a further increase of their output and business profit.

It is true that, in order to achieve the necessary technological pro-



gress and a rational organization of enterprises, by the restoration of the right proportions between short- and long-term credit, and by a sound readjustment of the latter, private business should have the support of a special organization. The National Bank of Greece and Athens, appreciating the efforts made by enterprises, wishes to assist them, by examining the possibilities of helping and re-organizing each branch and by inviting foreign experts for this purpose. But the problem is much more extensive and, as will be mentioned below, should be approached as a whole, on a more general basis.

**The basic problem of high interest rates charged to industrial enterprises, and factors preventing a reduction of these rates**

The level of interest rates charged for credits is a basic question for rational financing. Its significance is becoming more serious, day by day, as domestic and international trends make it necessary to increase the competitive ability of enterprises. It is generally known that post-war conditions have caused an enormous increase in banking costs, which set a minimum limit to the level of interest rates charged on credits granted. We believe that two converging trends will justify and allow—not in a very distant future—a reasonable reduction in the interest rates on credits. This could be achieved at least in certain categories of enterprises, especially in those where the rate of interest is a major charge on the cost of the commodities offered, or where the enterprises concerned are confronted with keener competition.

These trends consist, first, of a gradual elimination of excessive demand for credits at high interest rates, with a parallel organic and permanent monetary stability; and second, of a continuous reduction of banking costs. The latter reduction, which is due to increasing investments, on the one hand, and to a relative restriction of banking expenses, on the other, is already considerable. In the case of the National Bank of Greece and Athens, the percentage of the charge on credits due to pay-roll, contributions and general expenses, dropped to 6.95 % in 1957, against 8.99 % in 1956 and 10.34 % in 1955. A deterring factor to this favourable development is the charge on Banks owing to constantly increasing formalities in the banking business, but mainly on account of the fact that Banks are burdened with an increasing accumulation of funds from high-interest deposits with them, which are left unused. This accumulation is the result of direct or indirect restrictions, which oblige commercial Banks to make low-interest or non-interest deposits with the Bank of Greece. According to the National Bank's estimate, the charge on the average interest rate of bank deposits, as a result of these restrictions, has been very considerable. This is an obvious proof



that: 1) abolishment of existing restrictions will lead to sounder levels of interest rates on credits extended to Greek economy, much more safely than would a reduction in the interest rates on deposits; 2) as mentioned above, the reduction obtained in banking costs, in the case of the National Bank, is greatly counterbalanced by the charge due to the blocking of funds.

Regardless of the reasons put forth from time to time to justify the blocking of funds, this measure was mainly intended to combat inflationary factors originating from other sources. It cannot be said that credit extended by commercial Banks can bring about inflation as a result of such credits, because, as was mentioned previously, an upward spiral of deposits and credits does not actually exist. Furthermore, provided that banking principles are strictly adhered to, there should be no danger that credits would be extended beyond measure. It is the responsibility of the Banks to keep credits within the margins of safety and within the needs of the economy. Moreover, credits extended by commercial banks until now have served the objective of monetary stability, as a rule, having contributed to the increased production of goods and to their distribution, as well as to the smooth supply of the market.

The inflationary pressures were due to organic reasons of the country's economy and to re-adjustments in the cost elements, which could not be remedied with monetary and credit measures. On the contrary, the restriction, of credit facilities, to counter-balance increases in money circulation, which are due to financing for the concentration of products or to other similar reasons, deprives the credit and monetary policy, as well as the productive policy, of the necessary consistency. On the other hand, the credit mechanism is deprived of savings, which, on the conditions mentioned below, could decisively contribute to increasing production, to strengthening the competitiveness of enterprises and to promoting the economy.

We have always believed, and now more than ever, under the conditions that obtain in the credit market, that restrictive regulations of bank credits do not ensure the best disposal of savings. Such regulations render credits inflexible, and this makes it difficult to satisfy urgent requirements each time, or even leads to extending credits which are dangerous to Banks and detrimental to the Greek nation and its economy. These regulations should become increasingly more elastic, with a parallel increase of the commercial banks' responsibility, so that financ-



ing can meet more fully the requirements of production and of circulation of commodities, and meet any special cases that may arise. In this manner, we think that it would also be possible to satisfy certain requests from industry and commerce to cover their requirements, e.g. by financing certain exports on credit, by short-term financing of commercial enterprises, exceptionally and in proportion to their deposits during the preceding period, by granting certain loans on pledge, etc.

#### IV. The Greek long-term problem

**The imperative need to cope with the organic economic problems of Greece**

This country's economy might be exposed to risks of inflation, if manufacturing were financed in a way that would not be in harmony with the conditions of the Greek banking market and with the possibilities of consumers. While the American recession comes to draw attention to these risks, it is true that, for the time being at least, it has no substantial or direct influence on the normal course of the Greek economy. But the same remark does not apply to the tendency aiming at the unification of Western Europe. Production within this union will reach exceedingly high levels, competition will become more keen and rapid improvement of productivity will be a matter of survival for each economy, each economic branch and each enterprise. The impact of the tendency, thus outlined, on the Greek economic problem will be definitely stronger and more acute, making the need for a progressive and rational solution of it most urgent.

**Short-term and monetary problems are of secondary importance. The establishment of a rational financing program depends on the necessity of reorganizing the credit system**

Short-term problems of domestic equilibrium have lost their urgency whilst the basic organic causes of economic imbalance can no longer be met through monetary and credit handling, which was usual in the past. Also the maintenance of monetary stability has now become a subject of secondary importance. The effective solution to the Greek problem, through industrialization of the country, cannot be obtained, except by a more rational and systematic financing of industrial branches and of industrial enterprises, in accordance with the objectives of the development program. Such financing requires a positive, consistent, coordinative and constructive program, suited to correspond to the need of a more methodical and intensive facing of economic development problems with credits. The great problem today is, therefore, a re-examination of the credit program. This is related to certain aspects concerning the more general subject of the country's credit organization, and to the establishment of the most suitable credit mechanism



for the said objectives, both with regard to the form and the extent of financing.

Among the various forms of credit, industrial credit is not only of primary importance, but also of an altogether special nature. This is due to the particular way of operation and to the specific mission of the banks which handle industrial credit within the framework of the country's economy. Indeed, the operation of an Institution for industrial credit is generally connected with the need of a complete technical and economic organization and of detailed planning. This means the compilation of technical and economic studies as regards the possibilities of capital investment and of promotion of constructive projects for the coordinated and fruitful use of capital of any origin. The operation of an industrial credit bank is also connected with a socially-minded credit policy, which would ensure that loans be granted, on the basis of the criteria of sound progress and of a better composition of the Industry and investments. At the same time, such an organization must have the flexibility, vitality and personnel set-up of a private banking institution, so as to ensure the liquidity of credits granted: credits that are characterized by a low degree of security and by complicated and sensitive banking activities.

Moreover, the particular mission of an institution for industrial credit is a consequence of the necessity for it to lay out a single industrial development program, considering that industrial credit, both the so-called short-term and long-term industrial credit (the latter concerning permanent installations of enterprises or basic investments) is a single problem. As such, this problem requires the uniform and appropriate solution dictated by the close connection and interrelation of credits of every form, which are called upon to meet the needs of industrial economy. This problem further requires a correct evaluation and fixing of proportions for capital of every form—long-term, medium-term and short-term—which, through the enterprises, the branches of industry and other investments, lead to an improvement of the rational organization of the entire Greek economy. Specifically, the institution for industrial credit should, in its operation, aim at the following: 1) as regards the individual enterprise, at a close connection and correlation between fixed and working capital, in order to establish the proper proportion between them in the productive operation of the industrial enterprise and thus improve continuously the conditions of production, and also in order to insure the enterprise against any

**The special nature of industrial credit and, therefore, of the corresponding banking Institution**

**The need for a single program and for a single institution arising from the nature of industrial credit as a single problem**



risk and to secure liquidity for the banking system; 2) as regards the industrial branch: at facing its composition, so as to be in a position to obtain the selection of enterprises, which must be incited to radical efforts for increasing productivity and rationalizing their organization, with the necessary help in loans and technical assistance, in order to become, in the course of time, large-scale competitive enterprises, models for the other enterprises of the same branch and viable within the broader national margins; and 3) as regards the economy as a whole: at the proper coordination of basic and special investments, as we have explained at length in the respective study of our Bank. The importance of organizing industrial credit in this manner and of meeting the whole industrial problem as one problem, became evident from certain unfortunate cases of financing until now and from the excessive waste and immobilization of capital, as a result thereof. This waste has been a consequence of the policy initiated since the last war to break up industrial credit amongst institutions of diverging objectives, character and constitution, with the result that capital was broken up and dispersed. This case of channelling short-term and long-term credits without any cohesion, and in many cases the granting of short-term financing for long-term purposes, is a usual symptom in the present credit relations, which are detrimental to the progress of our economy.

As a conclusion of the foregoing, it may be said that the interest in «theory» and in «practice» shown in Greece since the last war is contrary to fundamental principles laid down by science and experience, whether this interest concerns credit intended to cover industrial requirements in «fixed» capital, or credit aiming at supplying «working» capital, or the setting up of a mechanism which would be able to dispose of credit facilities to the industrial economy.

A change in trends, to avoid any further delay in the restoration of Greece, would be to concentrate industrial credit and all the relative investments in the hands of the institution which deals, even now, with the major part of credit relations of any form with industrial economy, which it controls and follows up, and disposes of the greatest part of liquid capital. Because it should not be forgotten that the amount of liquid availabilities sets the limits to the expansion of investments and that the center of attraction, around which all business with industrial economy revolves and concentrates, lies mainly with the current, i.e. short-term credit transactions. Long-term loans for plants and expansions, for setting up enterprises and participations, for the issuance of



capital, etc., are interrelated and always in close connection with such transactions.

In the effort of guiding Greek economy into the European community under formation, the country's Bank of Issue will play a decisive rôle, by creating the liquidity required for this purpose and by restoring a smoother circulation of capital of every form: provided this Institution will raise itself to become a regulator of credit and the «ultimate» source of the country's liquidity. Discontinuation of every activity tending to undermine the above function (such as the blocking of funds, retentions and direct business) will be the basis for the success of a credit program. Banking operation tends to become altogether *sui generis* because of the methods imposed on the circulation of funds and of the blocking of funds in various ways. Consequently, margins should be created for a greater concentration of capital—particularly at a time when American aid is extended on a smaller scale and in a form (agricultural products) which offers small service to the country—and the cost of banking operation should be reduced. Experience has proved that the various forms of blocking bank funds and the taking away from the Banks of their own availabilities may serve various objectives, but these are foreign to a speedy rehabilitation of the country. Because the dispersal of funds, caused by blocking, has the following effects: it weakens their effectiveness, it does not ensure their channelling in the most advisable and fruitful manner, it breaks up the responsibility of credit institutions and leaves unsatisfied the basic needs of economy, as no uniform program for the disposal of these funds can be established.

There is no doubt that, especially under the present regime of multiple industrial credit institutions, the measure lately introduced, namely of having a special service follow up bank credits which are in excess of a certain amount, will assist banks in their task, by keeping them informed of the extent of total financing extended to each enterprise. This measure, however, cannot help the task of industrial development in general, as it disregards the essence of the problem. In order to determine the advisable extent of financing for each enterprise, the right proportions between short- and long- term credits to be extended to them, and the priority in which each enterprise and each branch will be financed, special technical and economic studies, as well as specialized follow up, are required. These are only possible within the limits of a more general program, which should be drafted by a guiding institution for industrial and basic investments.

**The possible contribution of the Bank of Greece to the restoration of this country: abolishment of present restriction on the smooth flow of capital and the normal operation of the banking system**



On the other hand, effective performance of the part played by the Bank of Greece for the implementation of a program of economic recovery is not compatible with any further expansion of its credits to economy direct. For, whereas such an expansion would not increase the possibilities of controlling and influencing the banking market, it would hinder both the smooth development of relations between the Bank of Issue and commercial banks and the introduction of orthodox and tried forms of dependence of the latter Banks on the Central Bank.

The Central Bank's degree of success is not measured by its own business activity or by its assuming responsibility for deciding on any particular loans. This success is measured by the development of the banking system, by its suitability for an expedient channelling of funds available, and by the coherence of its operation from the point of view of deposits and loans. The Central Bank can, of course, and should forbid certain loans or should set limits for others. But what is contrary to its nature and mission is its undertaking to grant loans itself direct, that can be given by the other Banks, and also its intervention in obliging other banks to extend certain loans.

GENTLEMEN,

The nature of Greek economy, as well as developments and trends abroad, require an objective evaluation and consistent handling of the country's economic and credit problems, if the organic weaknesses of Greece are to be overcome. For this reason, it is now, more than ever, necessary to introduce an organic program, as well as a credit program corresponding to it. The objectives of these two programs will converge, to ensure the quickest and mainly the soundest possible economic development. The effort to concentrate the savings of the Greek people, and subsequent adequate, steady and balanced financing of transactions and of production requirements, but also the proper operation, in general, of the revised credit mechanism to satisfy all categories of financing, mark the first stage. After this, the deeper conscious aims of this Institution are: 1) the creation of pre-requisites, through a uniform constructive program, based on criteria corresponding to a competitively developing economy, for restoring a sound, rational and normal ability to absorb the funds for promoting the necessary investments and developing creative initiatives; and 2) trending, at the lowest possible price, the accumulated savings to that qualitative composition



which will make it possible to satisfy, under the best possible conditions, the planned requirements of longer duration; this should be done without risks, not only for the deposits, for the safety of which the National Bank, above all, feels very deeply responsible, but also for the currency and the banking system of the country. During this second stage of efforts, neither the difficulties nor the need for sacrifices are underestimated by the National Bank. The Bank hopes, however, that the content and importance of these objectives will meet with a broader understanding and that a common national conscience will be formed, away from the vicissitudes of partial advisability. In any event, despite any adversities and any interfering obstacles, the encouragement of a speedier economic development will be a steady and persistent policy of the National Bank. The lessons learned from its great past, the national conception of economic interest and, above all, the public-utility character of this Institution, lead to that direction.

The present National Bank continues the course and the mission of the old National Bank, whose services to the country's economy have placed it in the framework of Greece's national life. Like the National Bank which has always been an institution for national objectives and a pillar, for the great efforts made to lift the Greek nation materially, the present National Bank of Greece will continue the same mission, with steadiness and consistence, and having as its sole guide course the promotion of the Greek national interests.





## GENERAL REMARKS ON THE OPERATIONS OF THE BANK

The Bank's business during the last year 1957 developed as follows :

### Deposits

Deposits with the Bank, in general, which amounted to Dr. 4,344 million at the end of 1956, reached Dr. 6,616 million at the end of 1957, i.e. they showed a Dr. 2,272 million increase, as against an increase of Dr. 1,268 million during the preceding year. An amount of only Dr. 55 million of this increase concerns deposits with the Bank's Branches abroad, and thus practically the total amount of the increase came from our Offices and Branches in Greece.

A breakdown of these deposits, by categories, as at the end of 1955, 1956 and 1957 was, in million drachmae, as follows :

	1955	1956	1957
Sight Deposits	1,860	1,852	2,392
Savings Account Deposits	457	1,051	2,189
Time Deposits	246	650	1,212
Deposits of Public Entities, Emergency Law No 1611/50	513	791	823
	<u>3,076</u>	<u>4,344</u>	<u>6,616</u>

These figures show that deposits in Greece and abroad, as at the end of 1957, increased 52.5%, compared with the total of deposits at the end of 1956, as against an increase of 41.5% in 1956, compared with 1955. Deposits with the Bank's Branches in Greece, not including the deposits of Public Entities, have increased 76%, as against 51%, which was the increase of deposits at the end of 1956, in relation to the total of 1955 deposits. Savings deposits increased 125% as against a 197% increase in 1956.

In 1957 also, deposits, generally, and particularly Savings account deposits, went on increasing, despite a slight reduction in the interest rate, which was reduced as from July 1, 1957, for deposits generally, and as from October 1, 1957, for Savings account deposits.

## **Financing by the Bank of Greece**

As expected and mentioned in our Report, which we addressed to you last year, the money for the loans granted by our Bank throughout 1957 came from the Bank's own funds. In addition to this, money of our Bank, for which no proper investment was possible, due to the restrictive conditions set by the Currency Committee, was left deposited with the Bank of Greece until August 31, 1957. This money amounted, on March 15, 1957, to Dr. 378 million.

In August 1957, the Currency Committee, by their decision No. 1015, abolished their previous decision No. 978 of July 30, 1956, which required Banks to invest a certain part of their deposits in special loans, and stated that such Banks were entitled to be financed by the Bank of Greece for the part beyond this percentage. The new decision stated that Banks should grant loans, thereafter, from their own availabilities, supplemented by re-discounting of industrial drafts and, on an exceptional and temporary basis, by overdrafts on their current accounts with the Bank of Greece.

The same decision further permitted Banks to be financed, exceptionally, until the end of October 1957, for loans granted especially to the export trade.

Even after the new measures came into effect, we made no use of such financing, but, on the contrary, we invested our funds with the Bank of Greece, which amounted to Dr. 254 million on December 31, 1957, at 5% interest.

Moreover, capital deposited with the Bank of Greece, intended for financing medium-term industrial loans, was left unutilized. This capital, which, at the end of December 1957, amounted to Dr. 92 million, was left over after part of it had been used for medium-term loans. These funds came from the 30% increase in our deposits of all kinds, as from June 1957, following the decision of the Currency Committee.

It should be pointed out that an average total of Dr. 395 million was left, in 1957, in the form of compulsory deposits and investments, compulsory or not, more than half of which brought no interest, whilst the balance earned interest at 5% p.a.

This capital, at the end of January 1958, amounted to a total of Dr. 1,055 million, one third of which brought no interest, whilst the balance earned interest at 5% p.a. Nearly one half of these funds were deposited obligatorily, following a decision of the Currency Committee stating that 10%, 12% and 14% of all kinds of private sight and Savings account deposits be compulsorily left deposited with the Bank of Greece in December, January and February, respectively, regardless of the other provision permanently in force requiring that 8% of these deposits be obligatorily deposited.



The loss to the Bank, as a result of this compulsory immobilization of such a volume of capital, in addition to its cost due to the high rate of interest payable on deposits, is evident.

### **Loans and Advances**

Loans and Advances, on December 31, 1957, amounted to Dr. 5,309 million, as against Dr. 3,778 million at the end of 1956. The year 1957 showed an increase of Dr. 1,531 million, representing almost entirely loans and advances abroad increased by 39 million only.

The average of loans and advances, generally, amounting to Dr. 4,407 million in 1957, increased by Dr. 1,120 million, over 1956, as against Dr. 575 million in 1956 over 1955.

### **Tourism**

In 1957, we spent about Dr. 3.5 million for minor completions to the buildings of our hotels at Iraklion and Kavalla, for furnishing both hotels and for constructing the major part of our hotel building at Alexandroupolis. This money came from the Dr. 6 million left available, as mentioned in our 1956 Report. A sum of Dr. 2.5 million was left over, and efforts will be made to complete with this amount the building of this third hotel, at Alexandroupolis, and to furnish it.

The first two hotels, as above, are already operating.

"Astir,, Hotel Company, who have undertaken to operate the bathing and other facilities at Glyfada beach and our hotels at Rhodes, received no further financing from us in 1957. On the contrary, their operation left certain surpluses, which are deposited with us. Profits from this operation show a continuous increase with the progress of time.

The firm "Kamena Vourla Radium Springs,, Société Anonyme, increased its share capital in 1957 by issuing 15,000 preference shares of a nominal value of Dr. 3,105,000.

After the other shareholders had declared that they were unable to take up the shares they were entitled to, all the shares were bought by the Bank, at par.

The Bank now holds, therefore, 78% of this Company's shares.

The Company signed a new contract with the Greek National Tourist Organization, in 1956, following a Law requiring that the original contract be revised. Under this new contract, the Company secured the operation of Kamena Vourla Mineral Spa until 1990 and was allowed a five-year period within which

construct the indispensable new works, the cost of which is estimated at about Dr. 18 million.

The Company intend to carry out these projects, partly with their increased capital, as above, and by using the operation surpluses during the five-year period, and partly by contracting a long-term loan.

The Mineral Spa in question combines many natural advantages and develops satisfactorily from year to year. It is believed that after the construction of the new Athens-Thessaloniki national highway, which is being laid out and passes by this Spa, the latter will develop considerably in the course of time.

### **Shipping**

It is generally known that the Greek mercantile marine assumed world-wide proportions after the last war. Greek shipping lays claim almost to primacy over world tonnage and takes part in all fields of shipping activity. Nevertheless, Greek shipowners found no banking assistance in Greece, to serve even their elementary requirements, such as to cover the expenses of vessels on their arrival in Greek ports. This applies to Greek-owned shipping, flying either the Greek flag or foreign flags.

The National Bank, faithful to its long tradition to consider it its duty and obligation to assist the development of every Greek national effort, has extended its activity, in a systematic and organized manner, also to the shipping sector in Greece.

We thus proceeded to establish, in August last, special Services in Athens and Piraeus, under a Department for Shipping Business with the Administration designed to serve seamen. These services aim at the promotion and development, in general, of the Shipping Credit branch in Greece.

### **Purchase of Sterling Loan Bonds of the National Mortgage Bank of Greece**

During the year 1957, we were faced with a question which arose from a guarantee given by the former National Bank of Greece in connection with the above National Mortgage Bank of Greece bond loan.

Bondholders abroad, representing 87%, refused to comply with the provisions of Decree-Law No 3393/55, which reduced the bond capital by 50% and extended the time of repayment until the year 2028. This Law further reduced the interest rate from 4.75% to 2.5%. The bondholders in question then lodged lawsuits before the English Courts, claiming payment of matured coupons, first, and payment of matured capital, afterwards.



With the consent of the Greek Government and of the Bank of Greece, our Bank made efforts and obtained a compromise with bondholders abroad who possess 85% of the bonds in circulation. For reasons of principle, this agreement included bondholders who had complied with Decree-Law No 3393, and the Bank paid £42.10.0 per £100 bond, including coupons as from June 1, 1941, and hereafter, etc.

Thus, out of a total of £1,950,000 bonds, we purchased bonds of a nominal value of £1,646,500, and paid about £700,000 in foreign exchange, which the Bank of Greece made available to us against payment of its counter-value by our Bank.

Should the continuing suits of the bondholders, who claim the matured capital of their bonds, end in their favour at the next stages of appeal and quashing, considering that the first Court has decided against the Bank, the amount we will have to pay is expected to amount to another £250,000.

We are discussing the matter with the National Mortgage Bank in a spirit of mutual understanding, and shall reach an agreement, whereby the amount we have paid will be repaid to us by the said Bank in 20 years, on an amortization basis, plus interest at 5% p.a.

We sincerely believe that this solution was highly successful, for if no agreement were reached with the bondholders, the sum we would have been called upon to pay to settle capital and interest would have amounted to more than three times the amount paid for the purchase, provided, of course, that the English Courts will decide against the Bank at the last stage of the legal procedure.

### **Portfolio of Securities**

The book value of the Bank's securities in portfolio as at 31st December, 1957, amounted to 589.6 million drachmae, as against a balance of 580.6 million drachmae on 31st December 1956.

The surplus difference of 9 million drachmae is due to shares purchased in various companies and to new shares bought due to capital increase of companies, old shares of which are owned by the Bank, less amounts collected from the sale of some shares and from bonds drawn by lot at par.

### **Real Estate**

The book value of the Bank's Buildings and Real Estate as 31st December 1957, amounted to 371.3 million drachmae, as against a balance of 371.1 million drachmae on the 2nd January (after the new adjustment at the beginning of the year 1957). This balance has resulted as follows:

Value as at 2nd January, 1957		Dr. 371.1 million
Real Estate purchased	Dr. 6.3 million	
Real Estate acquired from forced sales	» 2.3 »	
Spent on construction of new buildings	» 4.8 »	
Spent on improvements and additions to old buildings	» 4.7 »	» 18.1 »
		<u>Dr. 389.2 million</u>
Real Estate sold	Dr. 1.8 million	
Struck off owing to donation (Branch at Ioannina donated to Municipality of Ioannina)	» 3.4 »	» 5.2 »
		<u>Dr. 384.0 million</u>
Written off as per Balance Sheet		» 12.7 »
Balance as at 31st December, 1957		<u><u>Dr. 371.3 million</u></u>

Out of the amount of 6.3 million drachmae spent on purchases of Real Estate, 2.7 million drachmae were used for buying the building of our Kaminia Branch, as well as two plots, the one intended for the construction of an office building at Zea and the other for the construction of an office building at Ky-parissia. Out of the amount of 4.8 million drachmae spent for the construction of new buildings, 1.6 million drachmae were used to continue the construction of the hotel at Alexandroupolis, and the balance for the new office premises being constructed at Almyros, Katerini, Kiaton, Xylokastron and Nicosia; also for additional expenses to complete the Branch buildings constructed at Argostolion and Volos, and for the expansion of our Metropolis Branch, Athens.

During the year under review, our Argostolion Office moved to its new building.

It has always been our policy to see that our customers contact our Offices and Branches under the best conditions possible and be served for their business in pleasant surroundings. Moreover, it is our desire that our personnel should work under comfortable and up-to-date conditions. In this spirit, we are constructing the above new buildings for our Branches.



## **Installations, Furniture, Vaults, etc.**

After the new adjustment at the beginning of the year 1957,  
the balance of the above account, as at January 2, 1957, was Dr. 18.3 million

During the year 1957, new items of installation were purchased, worth » 6.5 »

Out of this amount, 2.4 million drachmae were used for the purchase of typewriters and accounting machines, 1.6 million drachmae for the purchase of furniture for the hotels at Iraklion and Kavalla, and the balance for steel furniture, teletypes, safes and various items of installation, especially for our new Branches

Depreciation for the year 1957

Balance as at 31st December, 1957

Dr. 24.8	million
» 5.3	»
Dr. 19.5	million

## **Capital**

### **Share Capital**

Following a new adjustment, pursuant to Royal Decree of the 14/27th November 1956, the Share Capital rose to 581,637,060 drachmae as at the beginning of 1957, as shown in the special statement of accounts for the beginning of the year 1957, published together with the Balance Sheet for 1956.

Out of this amount, and in compliance with a decision reached at your last year's General Meeting, a sum of 229,380 drachmae was credited to the Regular Reserves, in order to round off the nominal value of the Bank's shares.

Thus, the Share Capital amounts to 581,407,680 drachmae and is divided into 404,880 shares, each of a nominal value of 1,436 drachmae.

### **Regular Reserves**

In accordance with the Articles of Association, the Regular Reserve Funds were credited with a sum of 2,770,620 drachmae from the profits available for distribution. This amount, together with the above 229,380 drachmae, transferred from the Share Capital, formed the Regular Reserves of 3,000,000 drachmae shown in the Balance Sheet.

## **Results of the year**

During the last year, the Bank's gross earning,  
after deduction of interest due, amounted to  
as against 317.3 million drachmae in 1956

Dr. 397.7 million

The expenses and taxes in 1957 amounted to  
as against 277.2 million drachmae in 1956.

Dr. 307.6 million

The breakdown of expenses is as follows:

Dr. 272.7 million

Administration expenses

Of which:

Salaries to personnel Dr. 190.4 million

Contribution to Personnel's

Insurance Funds » 34.2 »

Fees to third parties » 10.2 »

General expenses (office stationery, lighting, heating, contributions to Institution for social Insurances—«IKA»—, compensations to retiring employees, rent for IBM machines, publications and advertising, donations, etc.) » 37.9 »

Taxes (on net income, business turnover, etc.)

» 34.9 »

Total

Dr. 307.6 million

The charges for administration expenses, over and above the debit interest paid on deposits and on financing for capital used for loans, are shown (in million drachmae) below, for each year, from 1950 to 1957:

Year	Average of loans etc., in Greece	Salaries, Contribution to Insurance Funds and General expenses	Charge on capital due to salaries, etc.
1950	1.545	177	11.45%
1951	1.858	236	12.70%
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%

The amount of administration expenses shown above does not include the extraordinary contributions to the Personnel's Insurance Funds.



This table clearly shows the continued improvement in the percentage of charges incurred each year, especially during the years 1956 and 1957.

RELATION OF CATEGORY OF EXPENSES TO THEIR TOTAL  
DURING THE YEARS 1954 - 1957 (IN MILLION DRACHMAE)

	1 9 5 4			1 9 5 5			1 9 5 6			1 9 5 7		
	Mill.	Dr.	%	Mill.	Dr.	%	Mill.	Dr.	%	Mill.	Dr.	%
Salaries	149.5		61.1	159.6		62.1	178.0		64.2	190.3		61.9
Contribution to Personnel's Insurance Funds	29.9		12.2	29.2		11.4	32.3		11.7	34.2		11.1
Fees to third parties	6.8		2.8	8.9		3.5	9.2		3.3	10.2		3.3
General expenses	32.7		13.4	32.9		12.8	33.6		12.1	37.9		12.3
Taxes	25.7		10.5	26.3		10.2	24.1		8.7	34.9		11.4
	<u>244.6</u>		<u>100.0</u>	<u>256.9</u>		<u>100.0</u>	<u>277.2</u>		<u>100.0</u>	<u>307.5</u>		<u>100.0</u>

Compared with 1956, salaries showed an increase of 12.3 million drachmae. This is due to an additional payment of 3 million drachmae to the Personnel for overtime, and the balance represents differences paid owing to promotions and increases for changes in ranks.

Contributions to Personnel's Insurance Funds show an increase of 1.9 million drachmae, against the preceding year, as a consequence of the larger amount paid for salaries due to the above reasons.

As stated in the previous year's Report, the Bank paid a sum of 50 million drachmae as an extraordinary contribution to its Personnel's Insurance Funds, for the years 1956 and 1957, pursuant to Law No. 3662/57. To write off this amount in part, a provision of 10 million drachmae was included in the Balance Sheet for 1956.

It is now proposed to include 25 million drachmae in last year's Balance Sheet, for the same purpose, and thus leave a balance of another 15 million drachmae for writing off this item completely.

The profits made last year have permitted that the amount of this extraordinary contribution for the years 1956 and 1957 be written off by a much larger amount than in the preceding year. This contribution, however, was not totally written off, as it should have been, as according to the above Law, our Bank will be called upon to pay a new contribution, jointly with the Bank of Greece and the National Mortgage Bank, for the new two-year period now commencing.

Fees to third parties showed an increase of 1 million drachmae, mainly due to salaries paid retroactively to dismissed lawyers, who were re-employed by virtue of court decisions.

The total of general expenses, which amounted to 37.9 million drachmae, showed an increase of 4.3 million drachmae, as compared with 33.6 million drachmae of general expenses in 1956, mainly due to expenses incurred for the maintenance of the Bank's buildings and installations, and for advertising expenses, especially for the savings campaign.

Taxes, in general, showed an increase of 10.8 million drachmae, which was due to increased business turnover tax and stamp paid, on account of higher income over the preceding year, to increased taxes on buildings, because of their higher income, and to employment tax, which partly concerned the preceding year, as taxes were paid for eighteen months, i.e. from 1st July 1955 to 31st December 1956.

According to the foregoing, the Bank's earnings for the year amounted to 397.7 million drachmae. Against these earnings, expenses amounted to 307.6 million drachmae, and thus the net profits made amounted to 90.1 million drachmae, as against 40.1 million drachmae the preceding year. Net profits were, therefore, 50 million drachmae higher than the preceding year, despite the fact that expenses, including taxes, increased by 30.4 million drachmae.

The above amount of net profits, plus 0.3 million drachmae brought forward from the preceding year, of a total of 90.5 million drachmae, was used for depreciation and for provisions, thus leaving a sum of 27.5 million drachmae for distribution, as follows :

a) To write off installation expenses	Dr. 5.3 million	
b) For depreciation of the Bank's Office Buildings and Real Estate permitted by Law, free of tax	» 12.7 »	Dr. 18.- million
c) To provide for bad and doubtful debts		» 20.- »
d) To provide for extraordinary contribution to Personnel's Insurance Funds for the years 1956 and 1957, according to Law 3662/1957		» 25.- »
e) Balance for distribution		» 27.5 »
	Total	<u>Dr. 90.5 million</u>

It is to be noted that the sum provided for bad and doubtful debts is still sufficient to cover them, as stated in our Report for the preceding year.

We recommend, for your approval, that pursuant to the Articles of Association, the above balance of 27.5 million drachmae be distributed as follows :



Regular Reserves	Dr. 2.8 million
Gross dividend at 60 drachmas per share	» 24.3 »
Balance carried forward	» 0.4 »
	<hr/> Dr. 27.5 million <hr/>

### **New Branches and Agencies**

During the year 1957, two new Agencies were opened, one at Orchomenos and the other at Nemea, which started operating on the 1st and the 7th August, 1957, respectively. The former depends on the Branch of Levadia and the latter on the Branch of Argos.

As of the 1st November, 1957, a Branch started operating at 4, Colocotroni Street, Athens, to replace the Branch at Argentinis Street, which has been closed.

### **Personnel**

The General Meeting is requested to express appreciation to the Bank's personnel, to whose zeal and industry the satisfactory results obtained last year are due.

### **Bank's Directors**

During the year 1957, the passing away of Mr. P. Sfakianakis, Director of the Bank, deprived us of the services of a valuable colleague.

According to the Articles of Association, Mr. Andreas Laimos, ship-owner, was temporarily elected by the Board of Directors to replace the late Mr. Sfakianakis for the remainder of the latter's term, expiring in 1960. You are requested to ratify his nomination.





## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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### Text in force

#### Article 1

The NATIONAL BANK OF GREECE AND ATHENS, S.A. established by virtue of Royal Decree dated 26th February 1953, «regarding the amalgamation of the National Bank of Greece and the Bank of Athens, by the formation of a new Limited Liability Banking Company», has its Registered Office in Athens, and as objects, the carrying on of the business prescribed by the present Articles of Association.

The Bank has the right to establish Branch Offices and Agencies anywhere in Greece or abroad.

#### Article 3

On the 27th February 1953, date of publication of the Royal Decree of 26th February 1953 referred to in Article 1 of these Articles of Association, and by virtue

### Proposed amendments

#### Article 1

By virtue of Royal Decree dated 26/27th February, 1953, «regarding the amalgamation of the National Bank of Greece and the Bank of Athens, by the formation of a new Banking Société Anonyme», the Banking Société Anonyme, established in 1841 under the name of «National Bank of Greece, S.A.» and the Banking Société Anonyme, established in 1893 under the name of «Bank of Athens, S.A.» were amalgamated, and a new Banking Société Anonyme was formed, first under the name of «National Bank of Greece and Athens, S.A.» and subsequently, in compliance with a decision of the General Meeting of Shareholders held on the 30th April, 1958, under the name of «National Bank of Greece, S.A.».

The National Bank of Greece, S.A. has its Registered Office in Athens, and its objects are to carry on the business prescribed in these Articles of Association.

The Bank has the right to establish Branch Offices and Agencies anywhere in Greece or abroad.

#### Article 3

As from the 27th February 1953, date of publication of the Royal Decree of 26th February 1953, referred to in Article 1 above, and by virtue of same, the property of both the «Na-

of same, the property of both Banks, the National Bank of Greece, S.A., and the Bank of Athens, S.A., taken as a whole (Assets and Liabilities, except commitments mentioned hereinafter) was automatically transferred to the National Bank of Greece and Athens, S.A., which entered *ipso jure* and without any other formality whatsoever into all the rights and all the obligations of the aforesaid Banks, as their universal successor, except those obligations which resulted from direct debt, guarantee or any other commitment on the basis of bonds, titles in general, contracts or for any other reason, concerning loans in gold or foreign exchange, either bonded or not, issued to the bearer by joint-stock companies, Public Entities, Communities and Municipalities, etc. (Decree Law 3504/1956).

The share capital of the National Bank of Greece and Athens, which had been fixed by virtue of the Royal Decree of 26th February 1953, at 223,190,100,000 old drachmae, fully paid, divided into 30,366 shares, each of a nominal value of 7,350,000 old drachmae, was later increased, pursuant to a decision reached by the Bank's Board of Directors on the 10th September 1953, to 297,586,800,000 old drachmae, or 297,586,800 new drachmae (Law 2824/1954) divided into 40,488 shares, each of a nominal value of 7,350 new drachmae. Following a decision reached at the General Meeting of Shareholders on the 2nd April 1955, the above share capital was divided into 404,880 shares, each of a nominal value of 735 drachmae.

This capital, having been readjusted pursuant to Royal Decree «in regard to readjustment of Balance Sheets of Sociétés Anonymes» dated 14/27th November 1956, rose to 721,353,476 drachmae. After 4,070,000 drachmae, representing reserves, were absorbed, however, the account «Difference due readjustment» final-

*tional Bank of Greece, S.A.» and of the «Bank of Athens, S.A.», taken as a whole, assets and liabilities (except the commitments mentioned directly below), was transferred to the «National Bank of Greece and Athens, S.A.» which, under its new name of «National Bank of Greece, S.A.», as above, entered, ipso jure and without any other formality whatsoever, as the universal successor of the said Banks, into all their rights and obligations, except their obligations arising from direct debt, guarantee, or for any other reason, on the basis of bonds, securities, in general, or contracts, or for any other reason, relating to loans in gold or foreign currency, contracted in the form of bonds, or not, issued to the bearer by Sociétés Anonymes, Legal Entities of Public Law, Municipalities and Communities etc. (Decree Law 3504/1956).*

*The share capital of the Bank, which was fixed by virtue of the Royal Decree of 26th February 1953, at 223,190,100,000 old drachmae, fully paid, divided into 30,366 shares, each of a nominal value of 7,350,000 old drachmae, was later increased, pursuant to a decision reached by the Bank's Board of Directors on the 10th September 1953, to 297,586,800,000 old drachmae, or 297,586,800 new drachmae (Law 2824/1954), divided into 40,488 shares, each of a nominal value of 7,350 new drachmae. Following a decision reached at the General Meeting of Shareholders on the 2nd April 1955, the above share capital was divided into 404,880 shares, each of a nominal value of 735 drachmae.*

*This capital, having been readjusted pursuant to the Royal Decree «regarding readjustment of Balance Sheets of Sociétés Anonymes», dated 14/27th November 1956, rose to 721,353,476 drachmae. After 4,070,000 drachmae, representing reserves, were absorbed, however, the account «Difference due to readjustment» finally showed a debit balance of 139,716,416 drachmae, and when this sum was deducted from 721,353,476 drachmae, a sum of 581,637,060 was left. To round off the nominal value of each share, a sum of 229,380 drachmae was transferred to reserves, and thus, pursuant to the provi-*



ly showed a debit balance of 139,716,416 drachmae, and when this sum was deducted from 721,353,476 drachmae, a sum of 581,637,060 drachmae was left. To round off the nominal value of each share, a sum of 229,380 drachmae was transferred to reserves, and thus, pursuant to the provision of Article 10 of the said Royal Decree of 14/27th November 1956, the Bank's share capital now amounts to 581,407,680 drachmae, divided into 404,880 shares, each of a nominal value of 1,436 drachmae.

#### Article 5

By virtue of the Royal Decree of 26th February 1953, the shareholders of the Bank are, *ipso jure*, the shareholders of the «National Bank of Greece, S.A.» and the «Bank of Athens, S.A.», and the ratio between the shares of the two last mentioned Banks and those of the new Bank, following the decision reached at the General Meeting of Shareholders on the 2nd April 1955, to increase the number of shares and to reduce their nominal value proportionately, is fixed as follows:

Ten (10) shares of the National Bank of Greece and Athens, S.A. are to be exchanged against one (1) share of the National Bank of Greece, S.A. or against twelve shares and five-hundredths of a share (12.05) of the Bank of Athens, S.A.

sion of Article 10 of the said Royal Decree of 14/27th November 1956, the Bank's share capital now amounts to 581,407,680 drachmae, divided into 404,880 shares, each of a nominal value of 1,436 drachmae.

#### Article 5

By virtue of the Royal Decree of 26th February 1953, the shareholders of the «National Bank of Greece, S.A.» and of the «Bank of Athens, S.A.» are, *ipso jure*, the shareholders of the Bank, and the ratio between the shares of the above two Banks and those of the Bank in question, following the decision reached at the General Meeting of Shareholders on the 2nd April 1955, to increase the number of shares by reducing proportionately their nominal value, is fixed as follows:

Ten (10) shares of the Bank are to be exchanged against one (1) share of the former National Bank of Greece, S.A. or against twelve shares and five hundredths of a share (12.05) of the former Bank of Athens, S.A.

#### Article 41

Until new share warrants are issued, which will bear the new name of «National Bank of Greece, S.A.», as decided at the General Meeting of Shareholders on the 30th April 1958, the shares bearing the initial name of the Bank, which originated from the merger, i.e. «National Bank of Greece and Athens, S.A.» will continue to be in force.





# BALANCE SHEET





# NATIONAL BANK OF GREECE AND ATHENS

SOCIÉTÉ ANONYME

BALANCE SHEET, AS AT 31<sup>ST</sup> DECEMBER, 1957, IN DRACHMAE

ASSETS			LIABILITIES	
AVAILABILITIES			CAPITAL	
Cash on hand, with the Bank of Greece, Coupons, Cheques, and foreign Treasury Bills	1,001,966,234.31		Share Capital .....	581,407,680.—
Gold, with Banks abroad, and foreign bank-notes .....	117,091,819.—	1,119,058,053.31	Ordinary Reserves .....	3,000,000.—
				584,407,680.—
LOANS AND ADVANCES			DEPOSITS	
<i>I. To Merchants and Professionals</i>			Sight Deposits .....	2,391,995,273.78
Bills discounted .....	437,927,744.10		Savings Accounts .....	2,188,942,988.62
Loans and Accounts :			Time Deposits .....	1,212,436,416.85
Against personal guarantee .....	1,129,540,298.15		Deposits of Public Entities .....	822,778,697.20
On merchandise and bills of lading .....	957,249,396.75			6,616,153,376.45
On securities .....	80,298,337.35		BANK OF GREECE FINANCING .....	
On mortgage .....	6,201,953.90			1,427,717.45
Current accounts and Guarantors .....	927,979,588.72	3,539,197,318.97	CURRENT ACCOUNTS AND GUARANTEES .....	
				1,626,086,306.80
<i>II. To Industry and Handicraft</i>			GREEK STATE - E.D.F.O. (Long-term Reconstruction Loans) ...	
Bills discounted .....	81,939,392.90			579,217,398.—
Loans and Accounts :			CHEQUES AND PAY ORDERS .....	
Against personal Guarantee .....	2,435,983,667.70			97,912,787.50
On merchandise and bills of lading .....	177,870,513.10		PROFIT AND LOSS ACCOUNT	
On mortgage .....	2,451,260.—		Balance carried forward .....	422,057.55
Current Accounts and Guarantors .....	426,536,321.50			
Reconstruction Loans .....	579,217,398.—	3,703,998,553.20		
INVESTMENTS				
Securities in Portfolio .....	589,579,571.35			
Bank Premises and Real Estate .....	371,344,132.60			
Fixtures, Office Furniture, Vaults .....	19,495,994.85	980,419,698.80		
SUSPENSE ACCOUNTS .....		116,609,821.67		
BRANCHES .....		46,343,877.80		
		9,505,627,323.75		9,505,627,323.75
PROFIT AND LOSS ACCOUNT				
DEBIT			CREDIT	
General Expenses .....	238,422,100.51		Balance brought forward .....	346,896.43
Taxes .....	34,886,674.75		Commissions, Interest and Sundry Earnings .....	397,681,011.38
Contribution to Personnel's Insurance Funds .....	34,233,655.—			
Depreciation of :				
Fixtures and repairs .....	5,300,000.—			
Bank Premises and Real Estate .....	12,700,000.—	18,000,000.—		
Provisions :				
For bad and doubtful debts .....	20,000,000.—			
For extraordinary aid to Personnel's Insurance Funds, pursuant to Law 3662/57 ..	25,000,000.—	45,000,000.—		
Balance carried forward .....		27,485,477.55		
		398,027,907.81		398,027,907.81
DISTRIBUTION OF PROFITS				
To Ordinary Reserves .....		2,770,620.—		
Gross Dividend at 60 drachmae per share .....		24,292,800.—		
Balance carried forward .....		422,057.55		
		27,485,477.55		

Athens, 20th March, 1958

BASIL J. KYRIAKOPOULOS  
GOVERNOR

N. J. DRITSAS  
SPECIALLY AUTHORISED DIRECTOR

SP. CH. KAPANTAÏS  
MANAGER, CHIEF ACCOUNTANT

REPORTS  
OF THE AUDITORS





REPORT OF THE AUDITORS  
TO THE  
ORDINARY GENERAL MEETING OF THE SHAREHOLDERS  
OF THE  
NATIONAL BANK OF GREECE AND ATHENS  
FOR THE YEAR 1957

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GENTLEMEN,

We have the honour to inform you that in compliance with the authority given us at your Ordinary General Meeting, held on the 29th April 1957, we have audited the accounts of the Bank for the past year, 1957, and have verified the balances in the Ledger with reference to the Balance Sheet, as of the 31st December, 1957, and the other records placed at our disposal.

From the audit made by us, we have satisfied ourselves concerning the accuracy of the entries, which have resulted in the amounts appearing in the Balance Sheet.

The figures in the Balance Sheet under approval clearly show a steady rise in the level of deposits and of the loans and advances of the Bank.

Thus, capital made available for loans, etc., all coming from the Bank's own funds, amounted to Dr. 5,309 million on the 31st December 1957, as against Dr. 3,778 million at the end of the preceding year, i.e. they showed an increase of Dr. 1,531 million, as against an increase of Dr. 1,085 million in 1956. No use was made of Bank of Greece funds.

The total amount of deposits with the Bank increased by Dr. 2,272 million at the end of 1957, their balance having amounted to Dr. 6,616 million, as against an increase of Dr. 1,268 million recorded in 1956.

These increases nearly all come from deposits and loans in Greece, as the corresponding increase abroad was insignificant.



The net profits from business amounted to Dr. 90.1 million, as against Dr. 40.1 million the previous year.

According to the Balance Sheet under approval, it is proposed that out of last year's net profits, Dr. 18 million be used for depreciation of real estate and installation expenses, Dr. 45 million for sundry provisions, 25 million of which for the Bank's extraordinary contribution to its Personnel's Insurance Funds, pursuant to Law No 3662/1957, and the balance of Dr. 27.5 million for reserves, according to the Statutes, and for the distribution of a mixed dividend of Dr. 60 (sixty) per share.

We avail ourselves of the opportunity to record the order prevailing, in general, in the services of the Bank's General Accounting, as well as the accuracy of the data placed at our disposal for this audit.

We recommend, therefore, approval of the Balance Sheet as submitted to you.

Athens, 22nd March, 1958

D. APOSTOLIDIS  
D. THIVIDOPOULOS  
N. SPAHIS

AUDITORS

RESOLUTIONS  
PASSED AT THE ANNUAL ORDINARY GENERAL  
MEETING OF SHAREHOLDERS  
OF THE 30<sup>TH</sup> APRIL 1958

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UNDER THE CHAIRMANSHIP OF THE GOVERNOR  
MR B. J. KYRIACOPOULOS

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THE GENERAL MEETING:

1. Adopted the Report of the Board of Directors and the Balance Sheet for the year 1957, as submitted.
2. Discharged the Board of Directors and the Auditors from all liability for the year 1957.
3. Voted amendments to articles 1, 3 and 5 of the Bank's Articles of Association and the addition of article 41.
4. Amended decision of the General Meeting dated 15th May, 1954, approving the donation of a building at Ioannina to the Ioannina Municipality.
5. Approved the election of Mr. Andreas Lemos to the Board of Directors, as made by the Board, to fill a vacancy.
6. Re-elected Messrs. Andreas Kyriacopoulos, Stavros Vlachos, George Papadimitracopoulos, Pericles Ioannidis and Nicholas Petridis, as members of the Board.
7. Appointed Messrs. Asterios Dais, Nicholas Spahis and Demetrios Apostolidis as regular Auditors and Messrs. Aristotelis Peppas, Constantine Cordosis and Demetrios Thividopoulos as substitute Auditors for the year 1958, and fixed their remuneration.
8. Fixed the remuneration of the members of the Board of Directors and of the Administration.









