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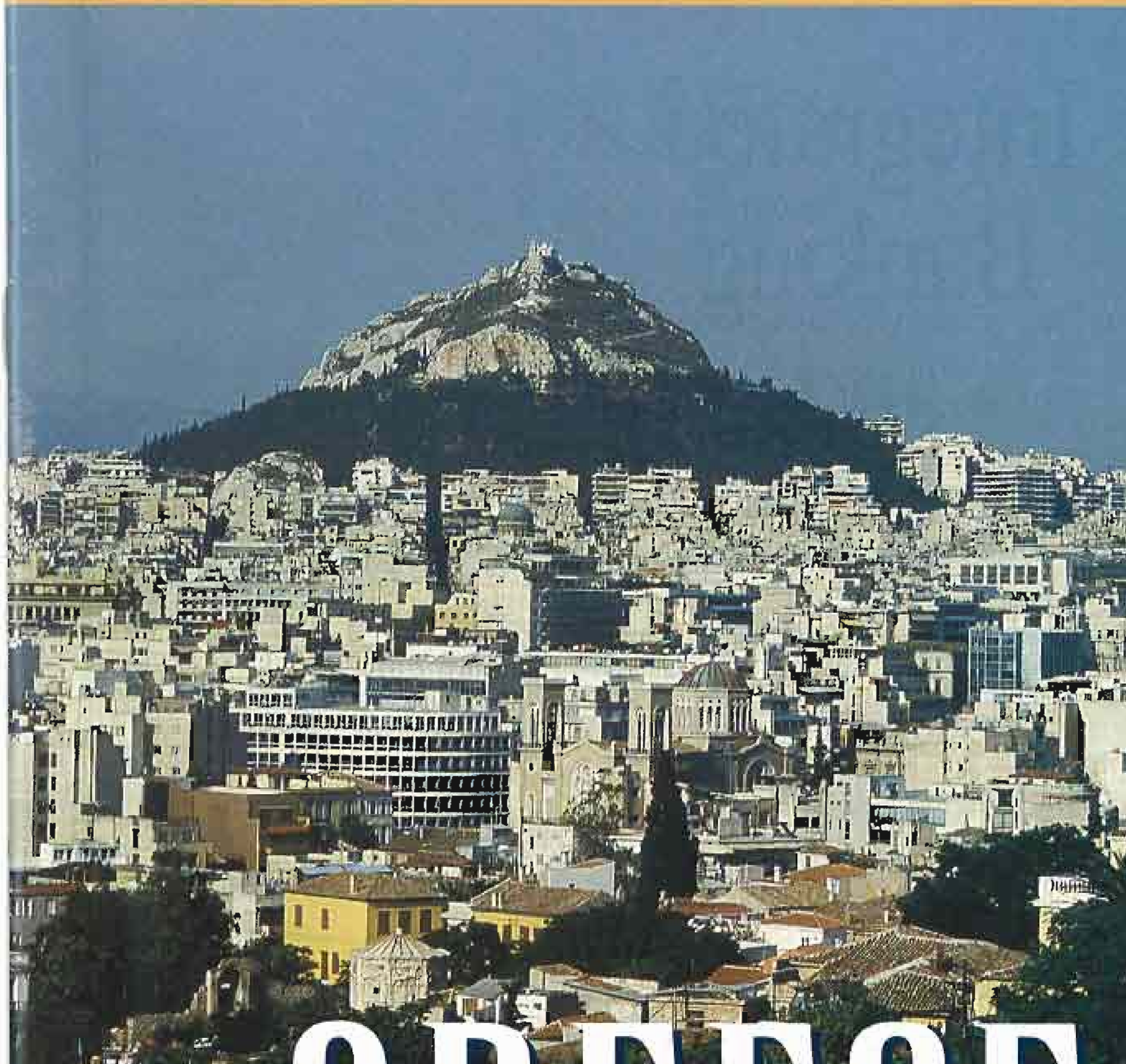

GREECE

RESTORING ECONOMIC HEALTH

GREECE

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The Port of Piraeas, Greece's link with world trade since antiquity.

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RESTORING ECONOMIC HEALTH

Three years into its economic program, the government of Greece can point to significant progress in controlling inflation and getting the economy back on its feet.

In April 1990, when the conservative New Democracy party came to power, inflation was running at 20 percent, unit labor costs were rising, debt service was draining the nation's resources, the current account deficit amounted to 5.5 percent of GDP, the public sector borrowing requirement (PSBR) was 18.5 percent of GDP and tax revenue was dwindling.

Gross domestic product grew by $10 billion dollars in 1992 to $72 billion dollars (15 trillion drachma). Inflation was down to 15.5 percent, the PSBR was at 10.5 percent of GDP and the current account deficit was reduced to 2.6 percent of GDP.

But this was not achieved without considerable pain to the public. Public sector wages and pensions were cut in real terms by 16 percent and new jobs in the state-sector were created at a rate of one for every three who retired. As a result, unemployment rose 1.5 percent to 9.2 percent. Indirect taxes and the lifting of price controls made the cost of everything from bread to oil considerably higher.

The policy that brought this change about is neither new nor original. It has really always been a question of political will. The socialist oppostion party, the Panhellenic Socialist Movement (PASOK), led by former Prime Minister Andreas Papandreou, launched an austerity program in 1985 but abandoned it two years later when the party's popularity was waning.

The International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD) and the EC's Monetary Committee had all at various times urged tough "front-loaded" policies as soon as New Democracy took office.

Yet it wasn't until the government had been in power for over a year and half that it was able to come to grips with the severity of the country's decline.

The turning point came

Constitution Square in Athens.

in February 1992, when current Prime Minister Constantine Mitsotakis signed the Maastricht Treaty and agreed to an economic convergence program that required a fiscal disciple that was hitherto unknown in Greek politics.

Under the terms of the treaty, Greece agreed that within seven years it would reduce its public debt to no more than 60 percent of GNP; the fiscal deficit would not exceed 3 percent of GNP; and inflation would not exceed 1.5 percent times the average rate of the three member countries with the lowest rates.

That same month, he appointed Harvard MBA Stephanos Manos as Minister of National Economy, who instituted a radical change of tactics, in short, economic management by results. Manos consolidated his grip on the economy by also becoming Finance Minister in August 1992.

A RECORD OF ACHIEVEMENTS

Whatever happens in the Greek elections, currently scheduled for next spring, one thing is certain. The structural changes and the deregulation of the economy introduced by Manos over the past two years ensure that Greece can never return to its profligate and corrupt ways of the past. To date, the government has:

- Abolished all foreign exchange and capital controls.
- Fully liberalized interest rates and consumer credit.
- Introduced legislation to make the Bank of Greece an independent central bank, ending the State's ability to borrow money from it.
- Abolished the practice of government appointment of the governors for the state-controlled banks.
- Abolished the requirement that all pension funds deposit their savings exclusively with state-controlled banks.
- Abolished all price controls except those pertaining to medicines.
- Introduced a new tax law which eased the burden on wage earners and simplified the tax code for corporations and the self-employed.
- Introduced hourly wages and part-time work.
- Curbed the power of trade unions by introducing part-time work hours.
- Overhauled state pension and insurance systems.
- Expanded shopping hours including Sunday trading in tourist areas.

All this has helped to create a leaner, more competitive and highly profitable private sector economy. Manufacturing, for example, now attracts 17 percent of private investors compared with 12 percent five years ago. Foreign funds on the Athens Stock Exchange now account for almost 20 percent of total market capitalization.

Greece is currently the largest recipient of EC funds. This year it will begin to draw on a $23 billion, six-year grant to improve the infrastructure of the country. This will give a major boost to the earnings of many private sector firms in construction, communications and transportation.

Economic Summary (1990—1998)

	1990	1991	1992	1993*	1994*	1995*	1996*	1997*	1998*
Percent									
GDP Growth	-0.1	1.8	1.5	2.0	3.0	3.5	4.0	4.0	4.0
Inflation	19.7	18.4	15.5	12.6	7.5	6.0	4.5	4.4	4.0
Unemployment Rate	7.0	8.1	9.0	9.8	10.0	9.5	9.0	8.3	7.7
Percent of GDP									
Current Account	-6.1	-5.1	-3.0	-2.1	-1.8	-1.4	-0.7	-0.2	0.5
Public Sector Borrowing Requirement	18.1	14.7	9.4	8.6	7.0	4.4	1.6	0.8	0.2
Public Debt	95.3	100.9	105.5	107.5	105.3	100.5	94.3	87.5	80.6

Source: Bank of Greece

*Projected

The greatest uncertainty in the government's economic projections is the question of tax collections. In 1992, the government managed to collect only 25 percent of GDP in taxes. Tax evasion is the national sport in Greece, with a black economy estimated at over a third of the national output. Now the government has decided to get into the game with a new computerized system which will track tax payers through a personal number on a host of documents from car insurance to telephone bills.

Few doubt this will go a long way to tightening the tax net; the question is, how long will in take before it becomes effective?

Until it does, there is little hope that interest rates will come down substantially because the government needs to finance the bulk of its deficit through high-yield treasury notes of over 21 percent.

TRIMMING THE PUBLIC SECTOR

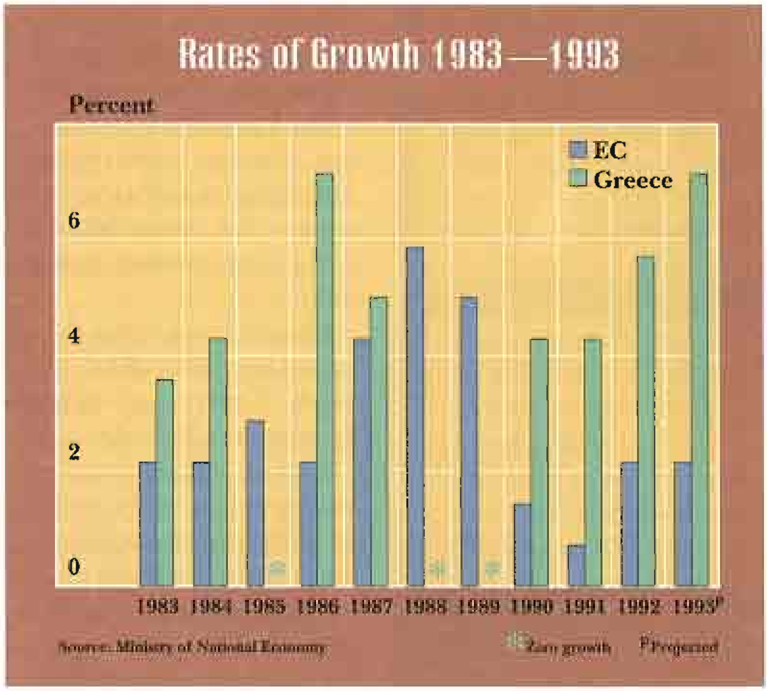
The heart of Manos' plan to stabilize the economy and reduce the public debt, which is currently running at a rate of 116.2 percent of GNP, is to reduce the public sector to manageable proportions. To do this, the government has embarked on a privatization program which, if successful, will reduce the public payroll by half, will earn the treasury $2.6 billion dollars this year and next, and cut the country's overall debt by an estimated 25 percent.

Yet, despite the obvious benefits to the State, there remains considerable opposition to the program from both sides of the political spectrum, primarily because cutting the size of the public sector deprives politicians of the key privilege of power — patronage.

The theory was that if one helped out a man or his family, you could always count on their support for the rest of one's political life. It cut down the amount of campaigning one had to do because it relies heavily on the notion that ardent supporters will convince those around them to do likewise. In a highly family-oriented society, it's a sure bet.

Needless to say, PASOK has pledged that if it returns to power, it will halt the privatization program and possibly reverse some of the sales.

Mitsotakis' main concern is with his own party. He must convince rebel MPs of the Political Spring movement that the government's only hope of maintaining power is to stabilize the economy by balancing the budget — not by giving away jobs. If the public companies are not sold off, the government will not meet its fiscal targets and the confidence it has earned in the financial markets will collapse. Furthermore, if the program is delayed much longer, the New Democracy party will have no results to show voters before a spring election.



A LOOK AHEAD

An Interview with Prime Minister Constantine Mitsotakis

Constantine Mitsotakis

Q. How would you characterize the progress made in turning the economy around ?

A. The Greek economy today is entirely different from what it was three years ago. In the public finance sector, which was the greatest problem of all, the improvement has been spectacular. From a huge primary deficit of 9 percent of GNP in 1989 we had a 1 percent primary surplus in 1992 — greater progress than in any other OECD country. In 1993 the improvement is continuing with a primary surplus of 3.5 percent of GNP.

At the same time, our government has made far-reaching structural changes, such as removing market controls and privatization. The social insurance system, which had reached a complete financial impasse, has been placed on a sound basis. Radical changes have been made in the fiscal system with a drastic reduction in tax coefficients and an extensive program of infrastructure works is under way. Despite all its problems, the Greek economy, as noted in the reports of the IMF, EC and OECD, has made significant progress and is on the threshold of a new era.

Q. How do you answer critics who say your austerity program was too late, too long and an unfair burden on much of the population?

A. We have tried to improve the country's finances while at the same making structural changes that need time to produce results. Combatting tax evasion is a case in point. Our program also had to cope with strong reactions from the powerful trade unions of our state monopolies. It was therefore impossible to avoid delays.

As for the charge of unfairness, my answer is that the structural changes we embarked on did not increase but reduced the social inequity which has developed in Greece over the past few decades because of state monopoly unions and extensive tax evasion. Limiting tax evasion and reducing tax coefficients was a relief for those who suffered most from unfair treatment: the honest taxpayers. At the same time, abolishing the privileges of state monopoly unions lifted the burden from the shoulders of workers in the private sector who had been paying dearly and unjustly for the shortcomings of the public sector.

Q. With an election year ahead, are you planning any major changes to your current economic policy ?

A. Our political planning has been based from the beginning on a stable policy that will bear fruit in the course of time. Now the first results are at last beginning to appear, with lower inflation and interest rates and the gradual improvement of the economic climate.

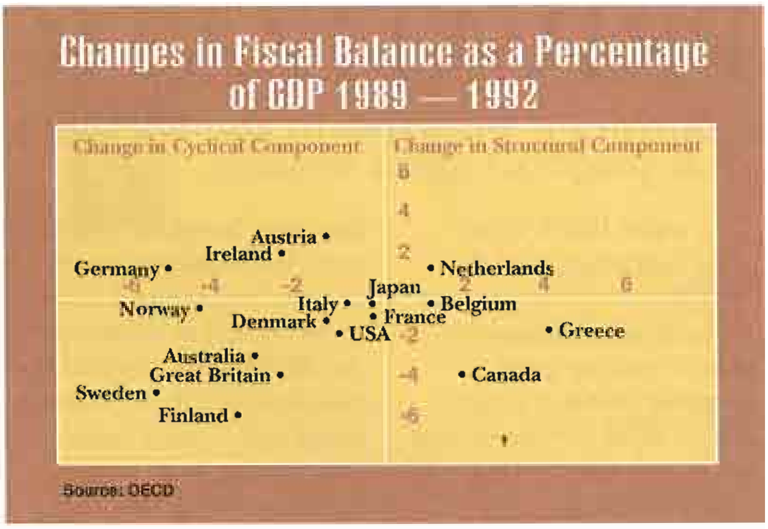
Q. Can the Greek electorate tolerate the sacrifices you are asking of it?

A. Nobody likes to have to make sacrifices. But I believe the Greeks understand the need for sacrifices and are waiting to see if the program produces the expected results before passing judgment. This wait-and-see attitude is expressed by the large numbers of undecided voters who appear in all the polls. What will count in the next elections is the result of our efforts.

Q. What are your projections for the Greek economy if you win a second term?

A. The policies we have pursued in the past three years were planned for long-term effect. The major works — Athens airport, mobile telephones, the Athens metro, roads, ports, railway modernization, a natural gas pipeline from Russia — will have been completed, and will give, together with the definitive resolution of the problems of inflation and deficits and progress in privatization and its benefits, a new boost to the Greek economy.

The same applies to regional developments. As a market economy begins to function more efficiently in our neighboring countries, Greece will reap huge benefits since it is the only EC member in the Balkans and constitutes a natural bridge to Europe. The presence of 1,250 Greek enterprises in our Balkan neighbor and in Eastern Europe is a testimony to the vitality of Greek private enterprise and the great economic prospects now



Between 1989 and 1992, Greece improved its structural fiscal deficit more than any other OECD country. The structural deficit is derived by deducting from the total deficit the component attributed to cyclical fluctuations in the economy (loss of tax revenue owing to recession and higher expenditures for unemployment benefits).

appearing in Greece.

Q. What are your aims as the president of the EC?

A. Our presidency, which begins on January 1, 1994, is the first that will be called upon to put the Maastricht treaty into effect. Our first concern, therefore, is to give a new impetus to European union in the critical first half of 1994. Europe has not yet recovered from the crisis which broke out after Maastricht, a crisis which is also linked to the problems facing most EC economies.

We will also try to promote enlargement of the Community, beginning with the EFTA countries from which we have created the European Economic Zone. The dialogue will continue for association agreements with Balkan countries and those in Central and Eastern Europe.

Q. When do you think the Greek economy will converge with the rest of the EC?

A. It is a fact that Greece is further from these targets than the other partners. However, in 1993, Greece's finances will improve, compared to the deterioration in the rest of the Community. The same is true of the growth of GNP which will be positive in 1993, compared to negative growth for the Community as a whole.

The road will not be an easy one, but I believe convergence is a relative matter. It depends on the performance of the other partners as well.

PRIVATIZATION

Continued Progress in the Face of Controversy

Despite highly vocal oppositon from the Socialists, the two-year old privatization program is making good progress. So far, 24 state-owned firms have been sold for an estimated price tag of nearly $1 billion.

Even if the Socialists win the next election, few expect them to go through with their threat to reverse the privatization program. With Greece committed to the convergence plan of the EC, a new government will have little room to maneuver within the current budget constraints.

The centerpiece of the program is the planned 49 percent sale of the state-owned telecommunication corporation, OTE, estimated by Coopers & Lybrand at around $3.4 billion. The government hopes to complete the sale of a 35 percent stake by mid-October and to have an initial public offering, valued at around $42 million dollars, the largest so far in Greece, by early December. On the short list of likely buyers are GTE (US), NTT (Japan), France Telecom, Korea Telecom and Telefonica of Spain.

The structure for the equity sale is 5 percent for domestic investors, 5 percent as an international tranche and the remaining 4 percent to be offered at a discount to the 40,000 OTE workers and pensioners. On the international side, Credit Suisse First Boston and J. Henry Schroder Wagg have been named joint lead managers.

If the phone company sale goes well, the government plans to sell a minority interest and the management rights, worth an estimated $1 billion in Greece's two largest oil refineries, Hellenic Aspropyrgos Refinery (ELDA) and Hellenic Fuel and Mineral Oil (EKO). Also on the block for potential strategic investment are the Public Power Corporation, Hellenic Aerospace and Olympic Airways.

The state tourism association also hopes to attract foreign investors with plans to sell 50 hotels and long-term leases for marinas. But the biggest influx of foreign money in the tourist industry is expected from the sale of nine casino licenses due to be awarded in November for an estimated $100 million.

Hellenic Aerospace Industry Ltd. (HAI) is the most technologically advanced company in Greece and one of the largest and best

Several large refineries are slated for privatization.

equipped aeronautical companies in southern Europe. Yet the state-owned company, which serves a wide range of global customers in both the civil and military aerospace sectors, has been a drain on the national treasury for over a decade.

Now the government wants to cut its losses and sell up to 49 percent of the company. In April 1991 the government called in Lockheed Aircraft Services International to help restructure HAI and prepare it for privatization. Overall, HAI was carrying debts and service costs of about $1 billion.

Lockheed's strategic plan recommended that HAI be run by the same strict business management and accounting rules as a private company, keeping the state at arm's length and billing the Armed Forces for service like any other customer. By the end of 1993, Dan Lange, HAI's new managing director, expects the restructured company to post a $10.2 million profit on revenues of $135.8 million — its first time ever in the black.

Peter Doukas, the government minister responsible for HAI, says the fixed assets of the company have been valued at around $250 million. He concedes that it may be politically more acceptable as well as financially more profitable to sell off parts of the company rather than trying to sell a 49 percent stake to a strategic investor.

Under a plan being prepared by Barclays Bank, HAI is looking at establishing one or two product lines as subsidiaries, and selling shares in them separately on the Athens Stock Exchange. The most likely candidates are the electronics and airframe assembly divisions. The electronics division is trying to move into the lucrative telecom industry and already has an agreement to manufacture components for Alcatel and Northern Telecom, who are bidding for the government contract for a digital telephone switching system.

ECONOMIC POLICY

An Interview with Deputy Finance Minister Peter Doukas

Q. There is speculation in the currency market that the government is considering a devaluation of 15 percent to 20 percent. Is this true?

A. A devaluation is out of the question. There are no pressures on the drachma currently. We want to bring inflation to single-digit numbers and a devaluation would be completely contrary to that anti-inflationary mode. It would just create a new spiral of higher inflation and uncertainty in the market.

Q. Why did the government wait nearly two years before introducing its austerity program?

A. We tried to see if there were milder ways of achieving the same fiscal discipline and economic improvement since the public at the time was not 100 percent convinced there was a problem that needed to be dealt with severely. When we saw that things were not working, the turnaround in policy came very quickly.

Q. Can the public now see the benefits of austerity?

A. I realize that some would say we are currently overdoing tough measures, but I think the results are already showing. They may not be front page news yet, but the fiscal disciple in the public sector is there. Inflation is coming under control on a more permanent basis. Tax collection is improving. It is going to be obvious that the financial picture come this September will be much better than last September or two Septembers ago.

Q. If PASOK wins the next election, will the economy be run differently?

A. There is minimal action they could take. They will be forced by events to continue what we are doing, only with less conviction. The debt burden on the country does not allow the luxury of a different policy.

Q. Why should a foreign investor choose Greece over other EC countries?

A. First of all, the government realizes the need for foreign partnership and is willing to bend over backwards to make deals happen. Our labor costs are low and we have a pool of educated engineers, computer scientists and managers. Our tax code is very attractive — we have a 35 percent flat corporate tax and no capital gains tax on securities transactions. We have complete freedom of capital flows.

Peter Doukas

In addition, there are undervalued Greek companies in almost every industry, many of which are traded on the Athens Stock Exchange. Given our expansion into Balkan markets, there is substantial room for growth.

Some might contend that Greece is at the bottom of the EC's economic barrel. But if you want to get into a market as diverse as the EC, especially one with the added growth of the Balkans and Eastern Europe, what better place is there?

CAPITAL MARKETS

Anticipating a Year-End Surge

The Athens Stock Exchange.

By far the biggest change to hit the 115-year old Athens Stock Exchange in the past 12 months has been the successful switch from open outcry to screen-based trading.

Designed by the U.S. firm Femcon, the order-matching system enhances transparency by providing price and volume information on every transaction, while values of the ASE composite and component indices are computed instantly. Under the old system, these figures were released at the end of a trading session on a closing basis only. "The capacity for real-time and on-line access to trading information should attract new investors and result in higher volumes," says John Markopoulos of Sigma Securities. Ultimately, it is hoped that the new system will pave the way for the introduction of futures and options trading.

But as brokers have been finding out over the last year, technological wizardry is no cure-all for an ailing market. The market ended 1992 down 16.9 percent, which in U.S. dollar terms meant a loss of 39.3 percent, the worst showing in five years. The market went from a high of 1,009 to a low of 588 on a spate of government and foreign policy crises.

"We have been operating under a siege mentality," says Markopoulos. "Investors are waiting to see how the conflicts in the Balkans resolve themselves. The impact of this cannot be minimized, as this area represents Greece's major land link to the outside world. In addition, investors have been cautiously awaiting some tangible results of the government's austerity program such as sustained lower inflation and interest rates and progress in reducing the government deficit through increased tax collection and privatization."

First half results for 1993 indicate that investor confidence is slowly but steadily returning. At the end of July the ASE index passed the mid-800 level, a gain of about 27 percent overall or over 17 percent in dollar terms.

A survey of foreign and local analysts indicates the market is awaiting two major developments in the second half of this year which should spur trading volumes and send the index shooting upwards by year-end. The first is the inflow of EC structural funds worth some $23 billion, a sum approximately equal to a yearly state bud-

U. S. $300,000,000

Bank of Greece

Athens, Greece

Floating Rate Notes Due 2003

The issue price of the notes is 99.70 per cent of their principal amount.

Principal of, and interest on, the Notes will be paid as described under Condition 6 of the terms and conditions of the Notes (the "Conditions"). Payments will be made without deduction for or on account of Greek withholding taxes, as described under Condition 7 of the Conditions.

The Notes will be bearer form in the denominations of U.S. $1,000, U.S. $10,000 and U.S. $100,000 each with Coupons attached and in registered form in denominations of U.S. $100,000 or integral multiples thereof.

The Notes will mature on the Interest Payment Date (as defined in the Conditions) falling in March 2003 and may be redeemed in whole, but not in part, at their principal amount on any Interest Payment Date in the event of the imposition of certain Greek withholding taxes. In addition, the Notes may be redeemed at the option of the Issuer (in whole, but not in part) on the Interest payment Dates falling in March 1995, 1997, 1999, or 2001 and at the option of the Noteholders on the Interest Payment Date falling in March 1995, 1997, 1999 and 2001, both as described under Condition 5 of the Condition.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes will initially be represented by a single temporary global note (the "temporary Global Note") which will be deposited with a common depositary for Cedar S.A. and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System, on or about 9th March, 1993 (the "Closing Date"). the temporary Global Note will be exchangeable for definitive Notes in bearer form on or after a date not earlier than the 40th day after the commencement of the offering of the Notes and the closing Date, which is expected to be 19th April, 1993, upon certification as to non-U.S. beneficial ownership and for definitive Notes in registered form as soon as is practicable after the Closing Date. Any Notes sold pursuant to Rule 144A under the U.S Securities Act of 1933 to qualified institutional buyers will only be delivered to such buyers in registered form.

Credit Suisse First Boston Limited

Bankers Trust International PLC

Chase Investment Bank Limited

Daiwa Europe Limited

Commerzbank Aktiengesellschaft

Lehman Brothers International

Salomon Brothers International Limited

The date of this Prospectus is 5th March, 1993

Bank of Greece

Athens, Greece

£100,000,000

9¾ per cent. Bonds 2003

Issue price 98.86 per cent.

S. G. Warburg Securities

Barclays de Zoete Wedd Limited

UBS Limited

Bank of Greece

Athens, Greece

DM 1,000,000,000

7¾ per cent Deutsche Mark Bearer Bonds of 1993/1994

Issue Price: 101.60%

COMMERZBANK AKTIENGESELLSCHAFT

BAYERISCHE LANDESBANK GIROZENTRALE

MORGAN STANLEY GMBH

BANK BRUXELLES LAMBERT N.V.

BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT

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BANKERS TRUST GMBH

BHF-BANK

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SCHWEIZERISCHE BANKGESELLSCHAFT (DEUTSCHLAND) AG

The Athens Stock Exchange

	1988	1989	1990	1991	1992	1993*
ASE General Index (close Dec. 31)	279.7	459.4	932.0	809.7	672.3	850.73
Return in Drs. (%)	+162	+64.2	+101	-13.12	-16.96	+26.5
Return in US$ (%)	-14.96	+57.7	+103	-24.32	-39.38	+16.25
Market Capitalization (Drs. bn)	598	997	2427	2355	2058	2455
Market Capitalization (US$ bn)	4.2	6.1	15.3	13.4	9.6	10.3
Transaction Value (Drs. bn)	89	95	667	500	307	245
Transaction Value (US$ bn)	0.6	1.1	4.2	2.9	1.4	1.03
ASE High	321	567	1684	1317	1009	926
ASE Low	264	260	460	794	558	667
No. of Companies	119	119	145	159	164	164

* As of July 31, 1993

budget. The package, known as Delors II after EC president Jacques Delors, is expected to help cement, construction, metallurgical and telecom stocks like Titan, Heracles, Petzetaxis, Michaniki, Metka, Aluminium of Greece, Alcatel, and Intracom.

The second is the privatization of the public telephone company, OTE. In early December the government plans to sell a 14 percent stake in a free float following the sale of 35 percent of the shares to a strategic investor who will undertake the management of the company. The IPO will be the largest ever on the ASE and is expected to attract considerable foreign interest.

Foreign portfolio managers, such as Schroder Investment Management in the U.K., are also taking a shine to several bank stocks, especially the two major private banks, Credit Bank and Ergo Bank, which are set to acquire the biggest chunks of new business from the recent removal of all foreign exchange and capital controls. Schroder's also favors Delta Dairy and Hellenic Bottling Company, which have impressed the market with their bold moves into the Balkan region.

Schroder's manages the $12 million equity-only Greece Fund of 21 local stocks. It is the only open-end foreign-based fund for Greece and is quoted in U.S. dollars and listed on the London Stock Exchange.

The major play for foreign investors in a closed-end local fund listed on the ASE is the $65 million Greek Progress Fund, run by Ergo Bank in Athens and managed by Baring Securities in London. The Progress Fund,is 60 percent equities, 20 percent Greek currency and government paper and 20 percent foreign currency.

THE BOND MARKET

The bond market in Greece is currently one of the more attractive investments for the international portfolio manager. With an interest rate in July at 21.25 percent against an inflation rate of 15.80 percent, the real yield on a one-year treasury bill is 5.45 percent, twice that of a German Bund or U.S.T- bill.

"Now is a very opportune time to buy Greek government paper," says Takis Arapoglou, CEO of the Ionian Bank, "because we expect that inflation will fall much faster than interest rates due to the lag in bridging the government deficit. Over the next 12 months, I expect real interest rates to stay the same or possibly go even higher, as the government's efforts to reduce the deficit will depend mainly on its ability to collect taxes, and the new measures to do this won't work overnight."

SIGMA SECURITIES

Teaming Up with Local Expertise

In the worldwide shift toward free markets, investors are flocking to emerging equity markets in the search for companies with good management, strong balance sheets and potential for hefty returns. Indeed, the growing importance of newly opened financial markets and their corporate flagships is reflected in the rapid rise of foreign holdings of corporate stock in these markets.

Cross-border investors have recognized that the key to success is understanding each market's own equity culture. To this end we believe there is hardly a substitute for local expertise.

Recommended List Scoreboard

Company (Industry)	Market Cap Dr bn	Market Cap $ m	Share Price Dr	P/E	Capital* Gain in %
Michaniki (Construction)	40	166	11,500	14.7	245
Hellenic Bottling (Beverages)	198	821	6,300	14.7	154
Alcatel (Metallurgy Cables)	18.5	75	3,330	10.2	95.8
Intracom (Telecom)	147	609	8,700	9.1	87
Hellas Can (Packaging)	39	161	4,150	9.7	70
Greek Progress Fund (Investment)	14	58	2,360	7.3	62
Elais (Foods)	49	203	14,550	9.5	53
Titan (Cement)	85	352	8,350	9.3	36
Etba Leasing (Financial Services)	20	83	6,700	5.6	31
Ergo Bank (Banking)	149	618	8,220	5.6	22
Alta Leasing (Financial Services)	41	170	6,925	6.3	21
Nikas (Foods)	15	62	4,750	10.3	21
Metka (Metallurgy Mech. Constr.)	6	24	1,920	15.1	20
Credit Bank (Banking)	154	639	15,550	5.8	8
Delta Dairy (Food/Beverages)	79	328	6,350	14.1	6

*From Jan. 2,1992-July 30, 1993. Closing prices as of July 30, 1993.

At Sigma Securities we take more than a passing interest in the Athens Stock Exchange's equity wildlife. Our close involvement with our own market has meant that today we are regarded as one of the premier ASE equity specialists, with recognized expertise in liaising with globally oriented investment capital. We were ranked first in local equity research and execution by *Euromoney*'s European brokers' survey in 1991 and 1992. We think this says a lot about the experience of our trading team and the quality of the research that supports it. At Sigma we strive to provide our clients with in-depth professional investment advice about the region we know best. After all, it's how we won our stripes.

SIGMA SECURITIES S.A.
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POLITICAL CLIMATE

Confidence in 1994

Home of the 300-member Greek Parliament.

The political landscape in Greece is as rocky and unsure as the country's terrain. The key question is whether the government can hold out until April 1994 when its four-year term is over, or if it will fall and be forced to go the polls earlier than it would like. Prime Minister Mitsotakis' popularity is at an all-time low and public opinion polls constantly show his conservative New Democracy party trailing the Socialist PASOK by wide margins.

Mitsotakis is pinning his hopes on the fact that over one third of the electorate remains undecided and that few of them would choose to return to Papandreou, whose severe heart condition precludes from being able to put in a full day's work.

Yet with only a one seat majority in the 300-member Parliament, there is growing concern that Mitsotakis and his policies will be held hostage by the Political Spring movement delaying much needed economic legislation, thus further reinforcing the perception that Greece lacks effective leadership.

Mitsotakis will do all he can to prevent calling an early election. The longer he can hold on, the greater the chance that the economy will begin to show significant improvement, justifying the three years of hardship the public has endured as a result of the government's sweeping social and economic reforms.

While the government's earlier prediction of 2 percent GDP growth for 1993 has been halved and its target of single-digit inflation by the end of the year replaced by a new estimate of 12 percent (down from the current 15.5 percent), confidence in the government's economic plan could be revived if interest rates fall substantially from their current crippling rate of over 25 percent.

Secondly, in January Greece assumes the six-month rotating presidency of the European Community. Mitsotakis hopes to use his term to redefine the EC's foreign policy in the Balkans and assume the role of champion of this economically depressed region.

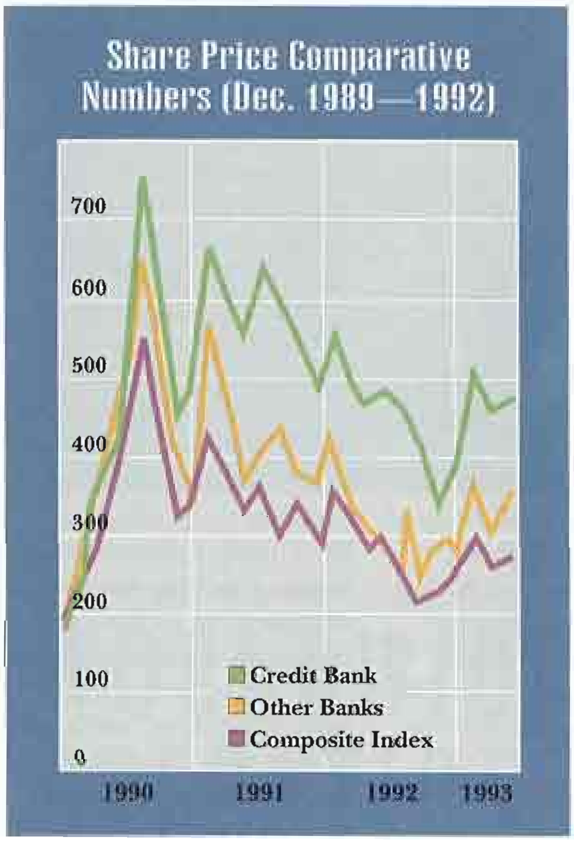
With a combination of time, astuteness, and a good deal of luck, Mitsotakis could well secure the mandate he so desperately wants.

CREDIT BANK

A New International Focus

Credit Bank, Greece's largest and oldest private bank, is going international in the coming year by opening up a full branch office in London as well as setting up the first foreign joint venture bank in Romania. The moves follow the establishment in March of an ADR facility in the United States with J.P. Morgan. The facility is the first by a Greek financial institution. The ADRs will be issued at a rate of 1:4, i.e., one share equals four ADRs.

For the 1992 financial year, net earnings for Credit Bank rose by 17.4 percent to 23.8 billion drachma (Dr) on total revenues of Dr53.4 billion, up 19.7 percent over the previous year. The bank's capital base increased to Dr54.3 billion, a gain of 12.3 percent. Deposits, including repos, increased by 31.2 percent and loans and advances (including bond issues) rose by 34.5 percent.



Net pretax earnings per share were Dr1,625 compared to Dr1,417 in 1991, while the dividend per share rose to Dr1,100 from Dr812 a year earlier. At the end of February 1993, Credit Bank had a P/E ratio of 9, down from 11.1 in 1991. The average share price was Dr13,306, down from an average of Dr17,025 in 1991, while at the end of July 1993 the stock was trading near Dr15,000.

The drop in share price is a reflection of the bearish mood which plagued the entire stock market last year. Warnings by international financial institutions in the first quarter of the year about the growing deterioration of the country's economy sent the index from a high of 1,009 in January to a low of 588 in November. The poor economy, coupled with upheavals in the Balkans, created a concern in the investment community that belied the impressive gains posted by the private sector. By year-end the index was nearly 33 percent off the year's high.

During 1992, 1,393,000 Credit Bank shares were traded, representing 14.1 percent of the company's outstanding shares. By way of comparison, the total amount of all bank shares traded on the Athens Stock Exchange was 18,899,000. Credit Bank's market value at the end of 1992 was Dr115.8 billion, ranking it third among banks after the National Bank (Dr171.7 billion) and the Commercial Bank (Dr117.6 billion).

Credit Bank's plan to expand offshore in the coming year is part of the continuing growth in its foreign banking capabilities which has seen its relationships with corresponding banks increase to more than 900 in over 100 countries. Founded in 1879, Credit Bank also has over 140 branches in Greece.

The bank already has a full representative office in the City of London and plans to open a full branch office in Mayfair by March 1994 to accommodate the growing number of Greek clients who will be moving money abroad as a result of new legislation which permits the free movement of capital across borders. The new law is also expected to affect the sizeable Greek and Greek-Cypriot communities in London who want to maintain direct financial links with Greece.

But it is Credit Bank's plan to set up the first foreign-owned bank in Romania that has captured the imagination of many observers of what could become one of Eastern Europe's fastest growing areas. Greece is already the largest single foreign investor in Romania, with over 750 joint ventures. The relationship between the two countries, both ethnic and religious, dates back generations.

The new financial institution, to be called the Bank of Bucharest, is a joint venture between Credit Bank, its investment banking subsidiary, Alpha Finance, and the European Bank for Reconstruction and Development, which has a 25 percent stake. The plan is for the consortium to seek substantial Romanian participation within a few years, with the eventual aim of selling a majority share to the host country.

In addition to bringing to Romania the latest banking technology, much of which was pioneered in Greece by Credit Bank, Alpha Finance hopes to capitalize on its presence in the country to work with the Romanian government on plans to privatize state-owned companies.

The Alpha group of companies offers its clients the most comprehensive, integrated and technologically advanced range of financial services in Greece. The services fall into six broad categories: commercial banking, investment banking, securities brokerage, leasing, fund management, and insurance. The Group is also involved in real estate, market research, and electronic data processing. These activities are both autonomous and interconnected to ensure that clients derive optimum advantage from the full range of expertise within the Alpha Group.

Basic Financial Indicators 1990—1992

In million drachma	1990	1991	1992
Total Assets (excluding contra accounts)	735,181	821,526	1,053,514
Deposits	611,845	663,111	751,402
Loans and Advances	245,650	267,102	351,205
Core Capital	43,598	48,444	54,392
Provisions*	9,580	11,930	12,500
Net Profits	18,235	20,303	23,837
Dividends Payable*	7,307	9,183	10,890
Dividends Per Share*	638	812	1,100
Price of Share on December 31	14,400	14,650	11,700
Average Market Price of Share	18,438	17,025	13,306
Net Profit to Average Total Assets	2.80%	2.60%	2.50%
Number of Employees	3,395	3,498	3,505

*For better comparison, adjustments were made after introduction of Law 2065/92 on corporate profit taxation.

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WINDOW ON THE BALKANS

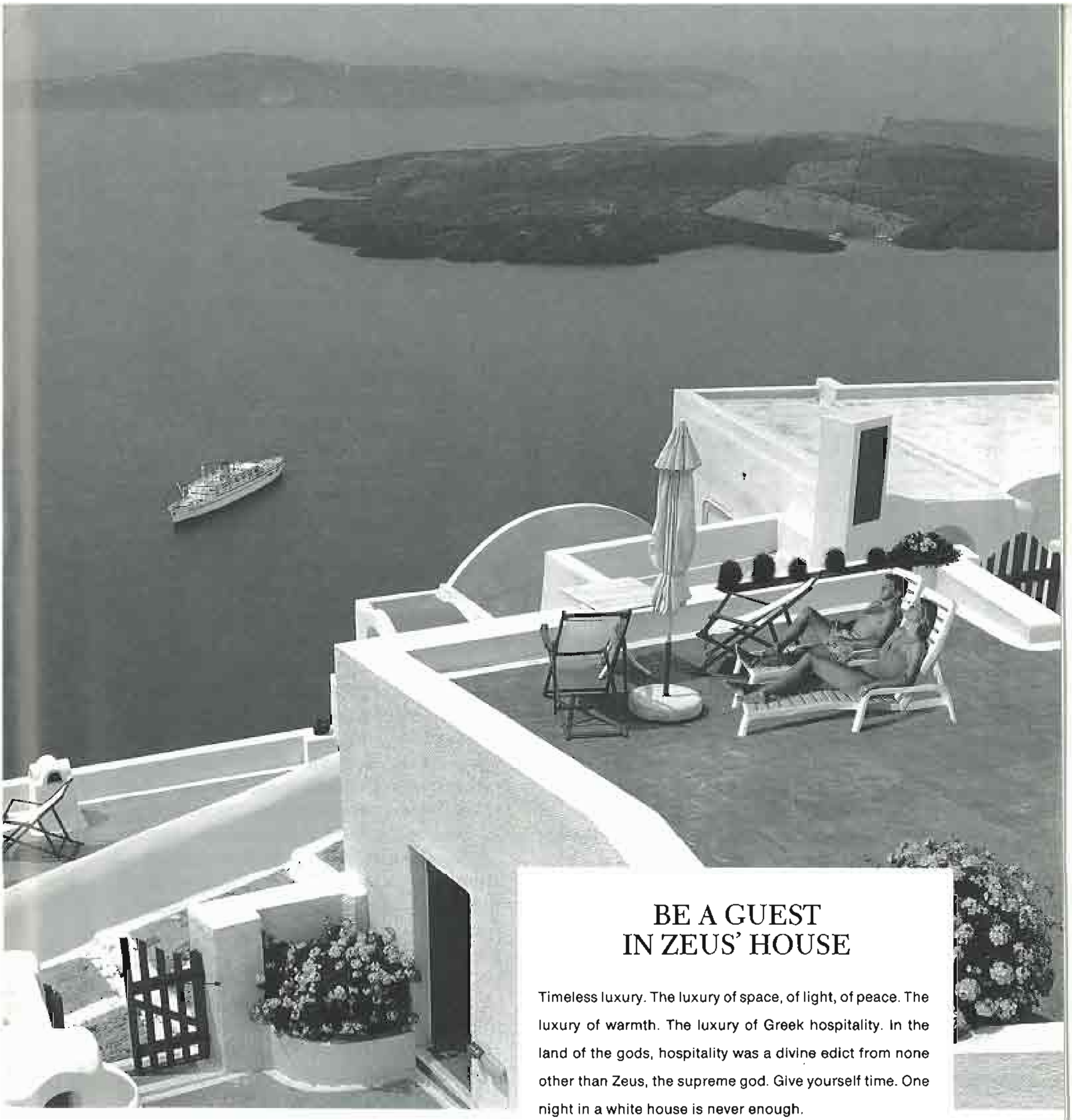
A new phrase is appearing in the Greek business lexicon: comparative advantage. "Greece is handicapped in its trade with the rest of the EC because we lack a common border with our partners," admits Jason Stratos, president of the Federation of Greek Industries. "But we have a comparative advantage in Eastern Europe, especially the Balkans."

Historical, ethnic and religious ties dating back two centuries are strengths which other Western countries will have difficulty matching. The drachma is already the official hard currency of Albania and is widely used, unofficially, in the other former Yugoslav republics.

Greece is currently the leading foreign investor in Albania, Bulgaria and Romania with over 1,200 registered joint ventures, of which about half are actively operating. "When Greek companies get involved in the Balkans, they become more relevant in the European environment," says Dimitris Daskalopoulos, CEO of Delta Dairy which is spending $4 million to produce ice cream in Bulgaria. "Foreign companies are more willing to associate with Greek companies now because, through Greece, they are targeting a population of 56 million."

Greek influence in the Balkans will be enhanced when a planned new international mercantile exchange is set up in the northern port of Thessaloniki. The $150 million project is being jointly financed by the EC and the Port Authority. When the project is completed by the end of the decade, the port is expected to handle up to 4,000 ships and a million tonnes of dry cargo a year.

Says deputy finance minister Peter Doukas: "If you want to work in Bulgaria but don't want to be based in Sofia, you can have your office in Athens or Thessaloniki with all the infrastructure of an EC and OECD country."



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MONETARY POLICY

An Interview with Ethimios Christodoulou, Governor of the Bank of Greece

Ethimios Christodoulou

Q. Could a change of government mean a change in monetary policy?

A. I don't think so, at least not substantially. We now move within an international context since we are a member of the European Community and we have an open economy.

A lot has been done in recent years to liberalize the economy. Price controls and almost all foreign exchange controls have been abolished, the banking system is now free of administrative restrictions, and credit controls have been abolished. Our frame of reference is now the broader economic and political considerations of the European Community.

Consequently, the policies that must be adopted in a country with our problems is more or less clear: one can't diverge too much. There may be room for tactical maneuvers but not for a change in strategy.

Q. You are planning to go to the U.S. market with a Yankee bond. Why?

A. We will start with a small issue, but it's a vast market and our policy is to diversify our sources of funding as much as possible.

Q. How competitive is Greece in attracting foreign investment?

A. The best way to attract foreign investment is to provide an attractive context in which to operate: a stable environment, good infrastructure and easy access to markets, all of which we have. In the case of infrastructure, we are in the midst of a considerable upgrading program. As to incentives, most of those offered usually by developing countries — cheap labor, subsidies, etc. — are short-lived and very often result in distortions.

One should also consider that whoever starts an operation has opportunities beyond the domestic market. Greece offers many possibilities for getting into other markets not only in Western Europe but also in the Balkans and the former Soviet states.

Q. Legislation has been introduced to change the structure of the Bank of Greece. What changes are likely?

A. First of all, the term of governor, beginning with my successor, will increase from four to six years. This means that it will exceed the life of a parliament, which should go a long way towards depoliticizing the post. In addition, we will have a Monetary Board made up of people exclusively employed by the bank.

The changes due to take place before the end of this year are all in line with the guidelines for "democratic accountability" set out in the Maastricht treaty. The Bank of Greece can be as independent as it desires. From a monetary point of view, its role is to apply the general economic framework set out by the government.

With an upcoming general election we are now going through a very political period. Our responsibility as a Central Bank is not to fall into the electoral cycle in any sense, either from the government's point of view of expanding the economy, or the point of view of the opposition which promises a lot of things it will do when it comes to power and which the government feels obliged to match. This results in stopping the progress we have made toward the goal of convergence with our European partners and we will do whatever we must to avoid this.

Q. What will the Central Bank do to ensure that economic stabilization continues?

A. We will not allow undue monetary expansion because we are following a policy of disinflation. We have a hard drachma and very limited credit expansion — well below the rate of inflation — as well as tight controls on interest rates.

For example, a debate is going on now about whether to liberalize consumer credit. The government says we should. We say no, because unless we see a substantial drop in inflation, such a move would set us off on an upward inflationary spiral.

Right now we are pegging the drachma as though we were in the narrow band of the exchange rate mechanism (ERM). We pay for this with high interest rates — about 3 percent more than we would like — but since we decided to proceed with this policy we must live with the consequences. I believe that you must be coherent with your policy. The paramount mistake of many economic planners is that they tend to be selective in the means and effects of their conclusions. They take the ones that suit them and forget the others.

Bank of Greece headquarters in Athens.

Bear in mind that between 1955 and 1980 we had 25 years of an industrial revolution. In a quarter of a century we did what most countries took two centuries to accomplish. We went from per capita GNP of $200 to $4,600. For most of this period we had the lowest inflation rate in Europe, so the character of the economy is such that it can manage a stabilization program through a period of development.

I think we are now at a stage when stabilization is taking hold and in the beginning of next year we will be getting into a developmental stance without undue influence on monetary policy.

Q. Has the austerity program been too tough?

A. I don't believe so. The program's principal difficulties stem from the fact that it falls more heavily on certain segments of the population than on others. That is why it is absolutely essential to broaden the tax base and clamp down on tax evaders, which is exactly what the government is trying to do in order to avoid the adverse effects of a two-tier economy.

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