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FINANCIAL SUPPORT OF BUSINESS ACTIVITY IN THE BALKANS

MACEDONIA THRACE

Phare

Tacis

FINANCIAL INTERMEDIARY

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The Balkan Strategy of Macedonia Thrace Bank

The strategy of Macedonia Thrace Bank for the Balkans stems from the emergence of the post 1989 international environment, which has created the conditions for the development of an integrated Balkan market of 60 million consumers, and by the special role that Greece can play in this direction, as an intermediary vis-a-vis the European Union (in terms of geography, politics and economics), due to its powerful historical, commercial, cultural and religious ties with the other countries in the region and its integration in the world economy and institutions.

The fact that the headquarters and the main area of the Bank's activities is Thessaloniki and the area of Northern Greece, a region with close links to the Balkan states, is an additional factor dictating Macedonia Thrace Bank's special interest in the Balkans.

Our strategic targets in the Balkans and Eastern Europe include:

- The establishment of our presence in all Balkan countries in support of business endeavours and as an intermediary in the transition to fully fledged market economies.
- The elaboration of mechanisms, with the Bank's initiative, for the development of trade and investment.
- The contribution to the modernisation of the money and capital markets in the region through financial know-how and technology transfers and training initiatives. The Bank also aims to reach the above goal by facilitating the access of Balkan enterprises to capital sources and in particular to the capital market.
- The participation in the realisation of infrastructure projects in the Balkans.

The guideline for our entrepreneurial activation in the Balkans is long-term orientation, in line with the awareness that the Greek comparative advantage in the region has a discrete time horizon. The timely positioning in these markets, with a relatively low cost and the co-operation with other companies activated in the area, determine the framework for the exploitation of opportunities and risk dispersion vis-a-vis long-term profit expectations.

The appropriate banking vehicle, in this direction, is merchant banking.

The Balkan strategy of the Bank, in specific, includes:

I. Establishment of branches in all Balkan countries.

- The Central Bank of Greece has already provided its license for the operation of the Bank's branch in Sofia, where the Bank operates already a representative office, as well as a license for the establishment and operation of the Bank's branch in Bucharest, Romania.
- The Bank has already submitted the relevant applications to the National Bank of Bulgaria and the National Bank of Romania and intends to establish, in the short-term, branches also in Skopje and Beograd.

II. In support of trading enterprise needs, particularly of those based in Northern Greece, the Bank, in co-operation with other firms doing Balkan-wide business, initiated the establishment of a Balkan Trading Company.

The statutory-by laws of the Balkan Trading Company was signed on 17.3.97. The Balkan Trading Company will be based in Thessaloniki, with offices, initially, in Sofia and Bucharest. The objectives of the Trading Company focus on supporting the member companies, in their trading activation in the Balkans, as small and medium size enterprises meet serious constraints when acting on their own.

The Trading Company is an efficient intermediation mechanism, facilitating, with local infrastructure, Greek commercial companies to get efficient solutions to their trading obstacles, specialised administrative and consultation support as well as advantage of international co-operation in world markets.

The equity capital of the Balkan Trading Company amounts 300 million drs.

III. With the Bank's active participation, Thessaloniki Stock Exchange Centre operates since 1.4.96, initially, as a trading floor for shares listed in the Athens Stock Exchange. At a subsequent stage, it is aimed the listing of deposit certificates of securities of developing Balkan companies, thus contributing significantly to the growth of a Balkan capital market -as presented in details in Section II of this publication- with the creation of the Greek Market of Emerging Capital Markets.

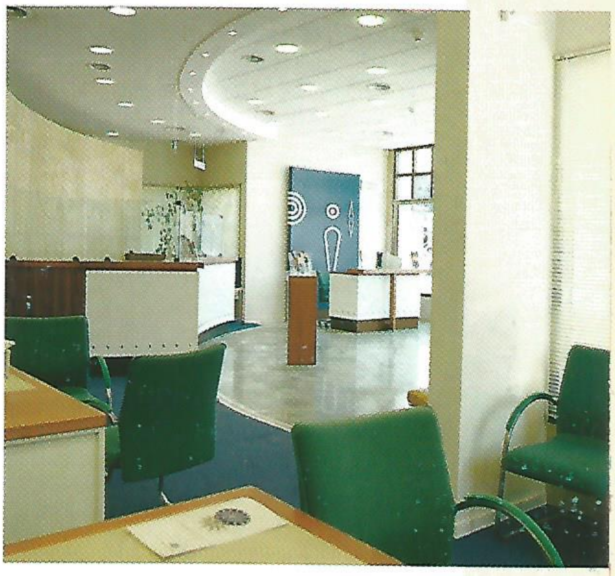
Thessaloniki Stock Exchange Centre is located in the historical commercial centre of the city, Ladadika, in a building owned by the Bank, designated as protected for aesthetic and historical reasons and carefully restored.

Based on an initiative of the Bank, an amount of 680 million drs. was allocated to Thessaloniki Stock Exchange Centre, from 1994-1999 II Delors Package.

IV. With the Bank's active participation, the creation of an Offshore Centre for financial services in Thessaloniki is proposed, in order to facilitate an attractive legal environment for the establishment of international financial activities primarily for the Balkans, as well as for the countries of the Black Sea region.

A relevant study has been prepared by the Bank for the appropriate Authorities.

V. The Bank joined the network of Financial Intermediaries (FI) for Joint Venture Phare - Tacis Programme (JOP Phare - Tacis). On 3.3.97 Macedonia Thrace Bank and the European Community signed the Framework Agreement and the Bank will be soon in a position to offer all relevant services, which are presented in Section III of this publication.



JOP-Phare Tacis Programme aims to the financial support of small and medium companies, in order to facilitate the establishment of joint ventures between companies in the states of the European Union and local partners in Central and Eastern European Countries and Commonwealth of Independent States. JOP Phare - Tacis Programme is the only relevant Programme which finances direct investment, in all productive sectors, including the service sector.

VI. In the direction of associating with centres for decision-making, information and study of developments in the European Union, the Bank, since 1996, is the first Greek company to become a member of Centre for European Policy Studies (CEPS), an independent EU think tank, based in Brussels.

The first CEPS Chapter Meeting in Greece is scheduled to take place in Thessaloniki during this year, on the topic of The EU Enlargement to the East: The Case of the Balkans'.

Thessaloniki Stock Exchange Centre

The main argument explaining regional Stock Exchanges growth lies on the advantage of capital market decentralisation, on the basis of:

i. proximity of investors
ii. specialisation.

Greek capital market can play an important role in channelling private funds and transmitting financial know-how on issues related to the establishment of capital markets in the Balkan states, exploiting the activities of Thessaloniki Stock Exchange Centre and promoting its developmental role.

Thessaloniki Stock Exchange Centre operates already as a parallel platform of trading stocks, listed in Athens Stock Exchange.

In respect to the Balkan dimension of Thessaloniki Stock Exchange Centre, the establishment of a second Stock Exchange market, namely the Greek Market of Emerging Capital Markets, supported by Thessaloniki Stock Exchange Centre, has been proposed and the final relevant Draft of Law has been submitted for a parliamentary vote.

Greek Certificates (as of Law 2396 / 1996), shares of emerging market investment funds and stocks of emerging market portfolio management companies (established according to the legal framework set in the aforementioned Draft of Law) are to be traded initially in the Greek Market of Emerging Capital Markets.
The enrichment of the legal framework regarding listing of developing Balkan private companies in the parallel market of Thessaloniki Stock Exchange Centre, is dependent upon Stock Exchanges volume of transactions growth and the transition pace of the Balkan economies.

The potential for listing the aforementioned securities in the Greek Market of Emerging Capital Markets broadens the scope of Greek firms activation in the Balkans and also fulfils the requirements for Thessaloniki Stock Exchange Centre, to attract international funds aiming the Balkans.

Thus, securities of developing Balkan firms, initially in the most developed economies, can be listed in the parallel market, since some of those firms are expected to meet the prerequisites, necessary for listing in the Greek Market of Emerging Capital Markets, in a not distant future.

These enterprises, in the first instance joint-ventures with Greek equity participation, will have the potential to draw the funds required, in order to improve their competitiveness, thus contributing to private sector strengthening and to economic development of the countries they are activating in.

Hence, listing of Balkan firms securities, in Thessaloniki Stock Exchange Centre, will have a direct impact on accelerating privatisation, on transferring capital market operations know-how, on developing Stock Exchanges in the Balkan markets (e.g. Sofia, Bucharest), on the growth of consulting and investment services to Balkan firms and, finally, on the strengthening of the Balkan economies private sector.

Thessaloniki Stock Exchange Centre can attract Northern Greek firms interested in drawing funds from the capital market, thus improving their competitiveness, as, in spite of them meeting the preconditions for listing in Athens Stock Exchange, the majority remains off capital markets.

The activation of existing Stock Exchange companies in Thessaloniki as well as the establishment of local new ones and the development of consulting and investment services, which will result from the promotion of Stock Exchange institution in the area, will enrich the financial infrastructure of Thessaloniki.

Thessaloniki Stock Exchange Centre can contribute to capital market decentralisation, enriching Northern Greece development dynamics. At the same time, the international dimension of Thessaloniki Stock Exchange Centre, as defined by the combination of capital supply to the Balkan states and the attraction of international funds, promotes Thessaloniki as an international financial centre, link between the Balkans and the European Union.

Joint Venture Phare - Tacis Programme

1. Introduction

The primary aim of Joint Venture Programme Phare - Tacis is to facilitate productive community investment in the CEEC and CISC, especially through the creation and the development of joint ventures. The programme also aims to encourage the development of a competitive private sector in those countries.

The Programme offers different types of support which take into account the different stages of creation and development of an enterprise preliminary information research, preliminary contacts, feasibility studies, direct financing or support, training and technology transfer.

2. Beneficiary Countries

Phare (Central and Eastern Europe Countries - CEEC)

- Albania
- Bosnia-Herzegovina
- Bulgaria
- The Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- FYROM
- Romania
- Slovakia
- Slovenia

Tacis (Countries members of the Community of Independent States - CISC)

- Russian Federation

3. The Financial Intermediaries Network

For the implementation of the Programme, a network of 75 Financial Institutions recognised by the European Commission, called Financial Intermediaries (FIs), provides the link between the beneficiary of the Programme and the European Commission.

The Financial Intermediary studies, analyses and forwards to the European Commission the projects submitted by entities wishing to benefit from the Programme, arranges direct or indirect co-financing of the project, manages the disbursements of the EU contribution to the beneficiary and monitors the implementation of the project.

4. Beneficiery European Union Enterprises

Any business which intends to invest via the creation or the development of a joint venture or, under certain conditions, a subsidiary.

This applies to businesses in all productive sectors, including the service sector, provided that they are making an investment which is not essentially aimed at the mere distribution of products manufactured by the EU partner.

The projects in the financial services sector are excluded.

Are eligible, in addition to SMEs which are given priority, those community companies which have:

- a maximum of 1000 employees;
- net fixed assets of a maximum of ECU 150 million;
- not more than 1/3 of their share capital held, directly or indirectly, by a major company.

Priority will also be given to enterprises created in one of the CEC or CIS countries whose net fixed assets do not exceed ECU 20 million.

5. *Structure of the Programme*

The Programme implements its aim through four facilities:

FACILITY 1: Events promoting the creation of joint ventures in CEEC, seminars and information, EuroJOPData Service

FACILITY 2: Pre-feasibility and Feasibility Study

FACILITY 3: Equity Participation or Guarantee

FACILITY 4: Technical Assistance (Training, Transfer of know-how)

6. *Facility 1*

Events promoting the creation of joint ventures in CEEC, seminars and information, EuroJOPData Service

This strand of the programme is to provide assistance for organising events or seminars which are designed to promote the creation of joint ventures in CEEC, through the organisation of activities to promote the Programme.

EuroJOPData service provides updated files for every beneficiary country, regarding the macroeconomic environment, relations with other countries etc.

EC Contribution: 50% of eligible costs
Maximum amount: 100.000 ECU
Type of EC Contribution: Grant
Eligible costs: Organisational costs, costs related to external speakers etc.

7. *Facility 2*

Pre-feasibility and feasibility study

The aim is to finance part of the eligible preparatory costs of creation or development of a joint venture. It can also apply, under certain conditions, to direct investment projects.

Eligible costs cover inter alia, the preparation of the JOP application, market analysis, business plans, the preparation of contractual documents, etc.

i. Pre-feasibility Study

EC Contribution: 50% eligible costs
Maximum amount: 20.000 ECU
Type of EC Contribution: Grant
Eligible costs: Search of a partner, preparation of the JOP application.

ii. Feasibility Study

EC Contribution : 50% of eligible costs 100% of eligible costs if the Joint Venture is created
Maximum amount: 150.000 ECU (100%)
Type of EC contribution: Interest free financing which can be transformed into a grant if the Joint Venture is created.
Eligible costs : Consultants and experts fees, accommodation and travel expenses, etc.

8. Facility 3

Equity participation or guarantee

In this phase the European Union will bear part of the risk of the joint venture by participating in providing its capital finance requirements, on condition that the partners and Financial Intermediaries also provide such finance.

FI Co-financing:

i. Equity
ii. Medium- and long-term loans
iii. Guarantees.

EC Contribution:

i. Equity or quasi equity (not exceeding the FIs co-financing)
ii. Guarantee up to 50% of the FIs co-financing or
iii. Equity: 1/3, 1/2 or 2/3 of the FIs medium- or long-term loan.

EC contribution will not exceed the 20% of the total amount of the medium- and long-term resources

Maximum amount: 2.000.000 ECU.

9. Facility 4

Technical Assistance (Training, Transfer of know-how)

This phase is designed to strengthen new or existing joint ventures by co-financing specific training, technical assistance and know-how transfer measures.

EC contribution: 50% of eligible costs

Maximum amount: 250.000 ECU

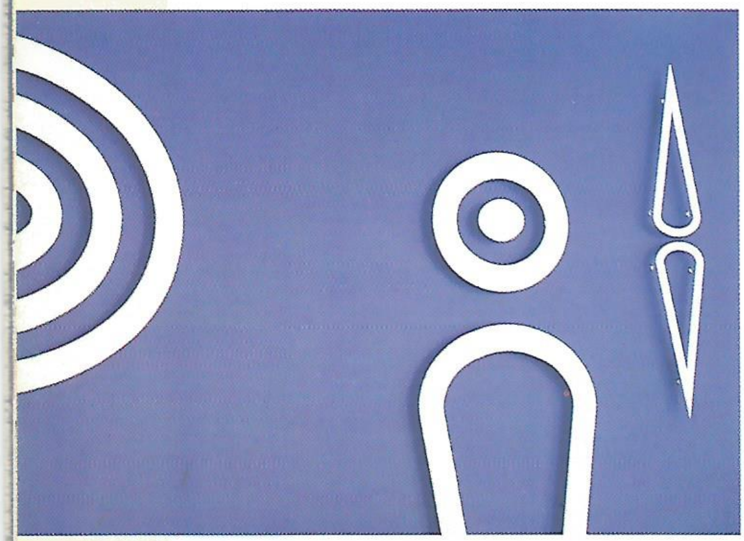
Type of EC contribution: Grant

Eligible costs: Accommodation and travel expenses, internal experts fees, external consultants fees etc.

10. How can a business benefit from the programme?

In order to benefit from the programme the European Union business must adopt the following procedure:

1. identify a potential partner in one of the beneficiary countries;
2. prepare a project which could lead to the creation or the expansion of a joint venture;



3. present its application to one of the Financial Intermediaries which forms part of the network. This Financial Intermediary will assess the project and if its assessment is favourable, will submit it to the European Commission;
4. once the project has been accepted by the Commission, the business signs a financing agreement with the Financial Intermediary responsible for submitting the project;
5. the European Union contribution will be disbursed in accordance with the provisions laid down in the financing agreement.