



Annual Report year ending April 1966

English



ANNUAL REPORT

FOR THE YEAR 1385 (HIJRA)

(1965 - 1966)



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Head Office : JEDDAH

C. R. No. 1588 - P. O. Box 104

Teleg. In Saudi Arabia : MOWAEEAK - Abroad : BANKSAUDI

BRANCHES

IN SAUDI ARABIA

BAB SHEREIF (Jeddah)	DAMMAM	TURAIIF
MECCA	AL-AHSSA	BURAIDAH
MEDINA	BADNA (AR-AR)	HAYIL
RIYADH	JIZAN	BALJORASHI
TAIF	TABOOK	YANBOH
ALKHOBAR	ABHA	

IN SISTER ARAB COUNTRIES

B E I R U T : 2 Branches. MAARAD - RENAULT

Republic of Lebanon

Correspondents In All Parts of the World

AUDITORS : Messrs. ISSA EL-AYOUTI & Co. Accountants & Auditors

LOCATIONS OF THE BANK'S BRANCHES IN SAUDI ARABIA AND ABROAD



SHEIKH MOHAMED AHMED
BAGABAS

(Deputy General Manager)

The Management of the National Commercial Bank mourn with deep sorrow and sadness the great loss on 29th June 1966 of one of the Bank's most senior men, Sheikh Mohamed Ahmed Bagabas whose life's work and exceptional ability was generously devoted to the progress of this national financial institution. His outstanding services to the Bank and to Saudi banking shall always be remembered with great admiration.

Sheikh Bagabas will always be remembered at The National Commercial Bank.



REPORT
OF
THE GENERAL MANAGEMENT

FOR THE YEAR
ENDED 29TH ZULHIJJA 1385
CORRESPONDING 20TH APRIL 1966

THE NATIONAL COMMERCIAL BANK

JEDDAH, SAUDI ARABIA

ANNUAL REPORT FOR THE YEAR 1385 (1965-1966) — ENDED 29TH ZULHIJA 1385 (20TH APRIL, 1966)

It is the pleasure of the Management of the National Commercial Bank, now that the year 1385 (1965-66) has come to an end, to submit its annual report on the general balance sheet of the Bank disclosed on April 20th 1966, reviewing all aspects of progress prevailing in all parts of the Kingdom in the sphere of economics and finance. Such activities have resulted in a considerable increase in the volume of the Bank's operations. This increase necessitated the expansion of the Bank's activity in order to participate effectively in the economic development of the country. Before commenting on the balance sheet figures, we would like to focus first on the economic and financial development in the Kingdom during this year. The year 1385 (1965-66) witnessed tremendous activity and progress in the national economy. The effect of the increase in Government spending on all development projects has been remarkable. This has been undoubtedly accelerating development and broadening the production base, thus bringing about a higher income and a better standard of living. Government spending coupled with the national consciousness and the increasing confidence of the citizens in the national institutions are the most important factors in our Country's economic

development. Public participation was clearly demonstrated when the shares of the Saudi Arabian Fertilizers Company (SAFCO) were put on the market. All the shares were fully subscribed for in the first few days and, in fact the demand was three times as high as the number of shares offered.

The Government budget for the year 1965-66 which was made public in October, 1965, broke new records. Its estimates were S. Rls. 3,961 millions as against S. Rls. 3,112 millions in the year 1964-65, an increase of S. Rls. 849 millions or 27%. By comparing this budget with that of 1960-61 which amounted to S. Rls. 1,786 millions, it can be seen that the estimates have doubled in five years. These budget estimates have steadily been expanding. While the increase in the Government budget for the year 1963-64 amounted to 9.5% in relation to the preceding year, the subsequent budgets disclosed a rise of 16% in the year 1964-65 and of 27% in the year 1965-66. The country's continued growth at these phenomenal rates expresses record levels in relation to the developing Countries.

Oil revenues have markedly increased at an estimate of S. Rls. 3,166 millions for the year 1965-66 compared to S. Rls. 2,592 millions in 1964-65 with a growth of S. Rls. 564 millions or 21%. Tremendous efforts are also exerted by His Majesty's Governments in creating new sources of revenue in addition to oil. This has been manifested in the present trend towards industrialization and the exploration of new minerals, so abundant in our country.

Saudi Arabia is regarded as one of the leading developing countries which achieved great success in her economic planning, particularly when compared with countries which went through this experience before her. This of course is mainly due to the realistic planning and close supervision of His Majesty's Government.

Allocations for development projects have remarkably increased in recent years. In the fiscal year 1965-66 they amounted S. Rls. 1,662 millions as against S. Rls. 1,205 millions in 1964-65, revealing an increase of S. Rls. 457 millions or 37%. It is worth mentioning in this connection that Saudi Arabia depends entirely on her own resources for financing her development projects without resorting to foreign financing in the form of aid, loans or the like.

Among the important projects that have been completed are: the road that connects Medina with Tabuk (700 KMS), the Mecca Taif Road and many others within the framework of the 5 years plan covering about 5000 Kms. of Roads, which is being carried out by the Government. It is worth noting that the road connecting the Southern Province with the Western Province of the Kingdom (Jizan, Tuhama, Abha, Taief) which is estimated to cost about S. Rls. 500 millions will soon be embarked upon.

Contracts have also been awarded for the construction of a network of roads to link all parts of the Kingdom. Yanbo Port was inaugurated last year and was put into operation during the Pilgrimage Season. Continuous studies are being made for the extensions of all the harbours

in the Kingdom in an effort to improve and increase their facilities. The tender for the extension of Jeddah Port has been offered to international concerns and is estimated to cost about S. Rls. 120 millions. A number of new airports shall be equiped and extended, to reduce the pressure of the rapidly expanding air traffic.

..... The Ministry of Agriculture is exerting great efforts to bring more land into cultivation. An example of this is the Faisal Model Settlement Scheme aiming at the cultivation of arid land and increased production. In order to protect the land from drifting sands, trees have been planted around the cultivated areas. This Scheme will provide resettlement to a great number of nomad families by way of ownership of these lands, and it has been estimated to cost S. Rls. 100 millions and will be completed in five years.

Furthermore, the Ministry of Agriculture is providing farmers with planting, harvesting, marketing and storage facilities through its model farms spread all over the country. The Ministry is also spending large amounts of money on irrigation and drilling wells to provide sufficient supply of water.

Studies are also in progress for the desalinization of sea water in the Western and Eastern Provinces. A subterranean lake has been discovered 60 miles away from Riyadh. Experts have estimated that the lake will be sufficient for the city's needs for one hundred years. This will considerably help in the development of the city. A number of agreements have also been concluded with international concerns aiming at surveying

all the subterranean water available in Saudi Arabia to utilize it in agricultural development. A large number of schools, colleges and hospitals have also been erected.

Reference should also be made to the immense activity and continued progress of the General Organization of Petroleum and Mineral Resources (Petromin) in the field of petrochemical industries and in the exploration of the country's mineral wealth. The establishment of the Jeddah Steel Mill, The Saudi Arabian Fertilizers Company (SAFCO), the Oil Refinery in Jeddah, the concession granted to (French Auxirap) for oil exploration in the red sea, and the agreement with the Italian concern E.N.I. for the construction of a plastic plant in Dammam with a production capacity of 60,000 tons of P.V.C. from natural gas with a capital of 55 millions Dollars, are all manifestations of this activity.

The Yamama Cement Factory in Riyadh has passed the construction stage and is now about to start production. The two Cement Factories in Jeddah and the Eastern Province are proceeding with the necessary extensions for their planned increase in capacity. A company for the production of asbestos has been set up in the Eastern Province. Similar construction activities prevail all over the Country.

As a result of the remarkable progress achieved in the economic sphere there has been a continued growth in the number of share companies and partnerships provided with qualified experts and financial means which may not be available to individuals. Thus the need was felt for the enactment of Company Law which was promulgated by ministerial

resolution No. 185 dated 17-3-1385 and approved by Royal Decree No. M/6 dated 22-3-1385. The Law outlines the rules and regulations which must be observed upon the formation, operation and liquidation of companies and specifies the powers of the Ministry of Commerce and Industry in directing and observing companies for safeguarding public interest.

The expansion in establishing companies and the interest of individuals in investing their savings in the various financial, commercial, industrial and construction projects, led to a noticeable increase in the volume of banking operations. This and the other diversified banking aspects, necessitated the introduction of Banking Control Law, the purpose of which is to regulate banking affairs for the protection of the Banking System in this country and of public interest. This law has been promulgated by Royal Decree No. 2/5 dated 22-2-1386, based upon the ministerial resolution No. 179 of 5-2-1386.

BALANCE SHEET

It is gratifying to note the further expansion and progress that has been achieved by the Bank during the year under review in all aspects of its activity. Total assets rose to S. Rls. 1,239,959,434. — as against S. Rls. 1,156,303,602. — for the previous year, an increase of S. Rls. 83.65 millions. In view of this increase in the Bank's activity, the Management is fully aware of its increased responsibilities towards the provision of wider and more diversified banking services in response to the wise economic policy pursued and executed on sound planning basis by His

Majesty's Government. The Bank has participated in most of the major projects such as financing the extensions of the Cement Factory in the Western Province and the Jeddah Power Stations.

The following table shows the increase in the major items of the balance sheet:

	1385 (65-66)	1384 (64-65)
Loans & Bills discounted.	S. Rls. 443,344,000	396,937,000
Deposits & Currents a/cs.	S. Rls. 663,682,000	635,539,000
Liabilities under L/Cs. & L/Gs.	S. Rls. 375,885,000	372,291,000

DEPOSITS :

As can be seen, this item increased by S. Rls. 33,431,000 over last year's figure. Although this increase is slightly less than the one registered in 1963-64, it is mostly due to the large expansion in construction, commercial and industrial activities which have been a feature of 1965-66. This spurt has motivated the public and business concerns to channel a major share of their savings into investment in such projects.

LOANS :

Loans and advances for bills discounted marked another record figure of S. Rls. 443,344,000 compared to 396,937,000 in the preceding year, an increase of S. Rls. 46.4 millions. This is a further indication of the financial facilities granted by the Bank for the various industrial and development projects. The Bank has also increased its credit and other banking services to its customers in the field of documentary Credits and guarantees as a result of the considerable growth in their foreign trade and their participation in development projects.

CASH :

As a result of the expansion in loans and advances through the year in question, cash balances in hand and at banks amounted to S. Rls. 225,849,000.

FOREIGN TRADE :

The Bank's role in foreign trade is better expressed by the total value of the documents handled under documentary Letters of Credits and Bills for Collection which amounted to S. Rls. 678 millions compared to S. Rls. 522 millions in the previous year.

The Bank has shifted to mechanization which was necessitated by the substantial expansion in the Bank's business. Arrangements have been made with National Cash Register for the supply and installation of electronic accounting machines at the Head Office and main Branches. Some of the students sponsored by the Bank to study at American Universities have graduated and started their career at the Bank.

Due to the loss of Sheikh Bagabas, Sheikh Ahmed Saiid Bahamdan, former Manager of our Head Office, has been promoted to the post of Deputy General Manager. Other changes have been made in the management whereby Mr. Saiid Bin Saleh Bin Mahfouz, Manager of our Mecca Branch, has been appointed as Manager of the Head Office, and Mr. Mahfouz Salem Bin Mahfouz, former Assistant Manager at Head Office Foreign Department, as Manager of our Mecca Branch.

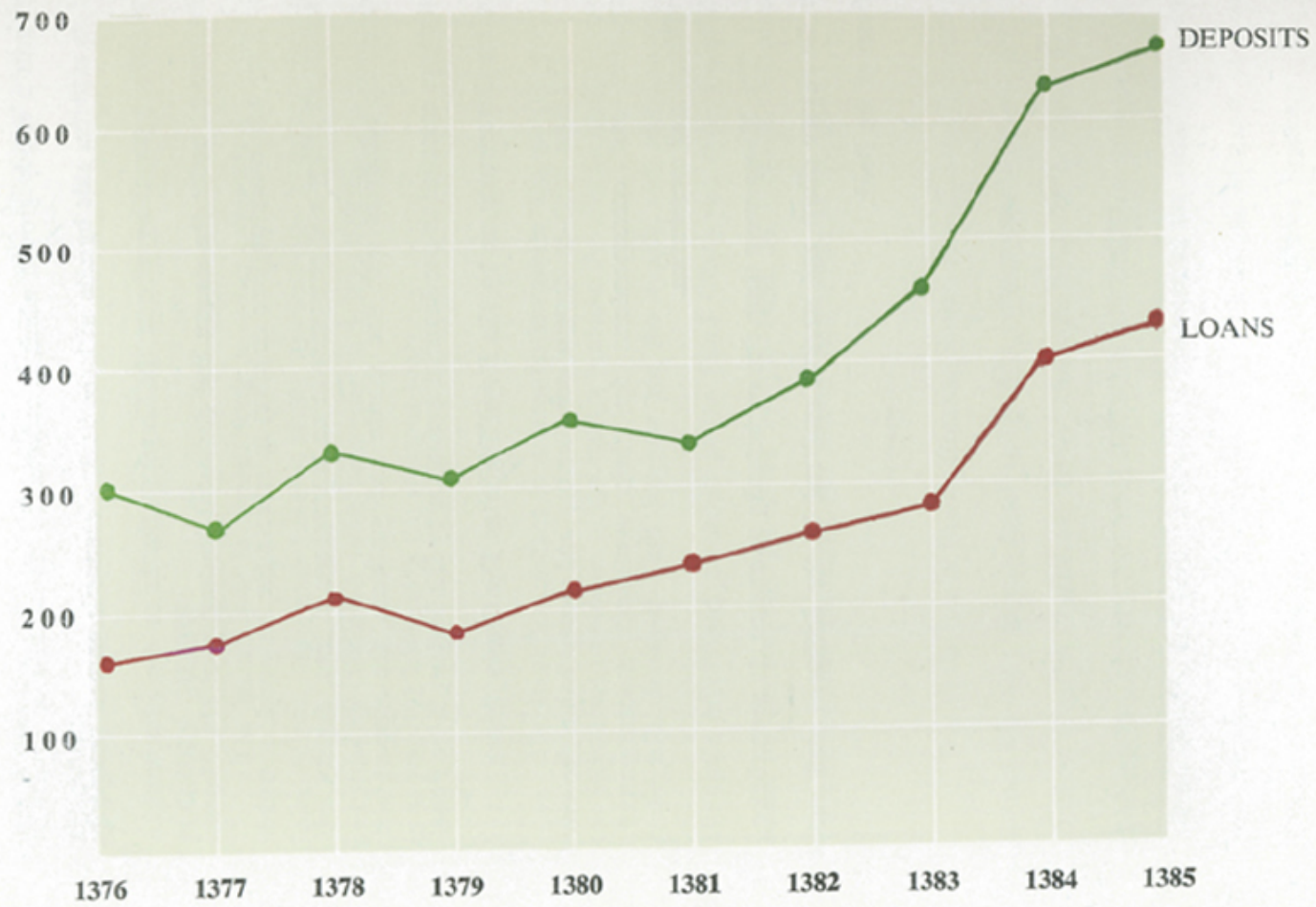
CONCLUSION

As can be seen in this report, the bank is continuing its pace towards a steady growth which is reflected in the continuous expansion of its activities side by side with the healthy economic growth, prosperity and stability prevailing all over the Kingdom; thanks to the conscientious Government under the sincere and dedicated leadership of His Majesty the King who spare no time or effort to achieve for his people a higher standard of living and prosperity in an atmosphere of love, dignity and peace. We recognize with due thanks and gratitude, the support and patronage extended to our financial institution by His Majesty King Faisal and his Government and by His Royal Highness The Crown Prince.

We also wish to express our thanks and appreciation for our customers and correspondents for their continued encouragement, confidence and cooperation.

The Management seize this opportunity to express its appreciation for the sincere efforts and services rendered by the dedicated staff and officers of the Bank.

DEPOSITS AND LOANS IN MILLION OF S. RIALS





BALANCE SHEET AS AT 29th. ZULHIJJA 1385 (20th APRIL 1966)

LIABILITIES

ASSETS

1384 S. RIYALS		1385 S. RIYALS	1384 S. RIYALS		1385 S. RIYALS
30,225,133	Capital	30,225,133	253,136,568	Cash in Hand, at Banks and with Correspondents	225,849,694
32,671,000	General Reserve	32,671,000	20,912,386	Investments (at cost)	22,391,319
3,000,000	Special Reserve	3,000,000	5,078,817	Bills Discounted	7,670,669
635,539,232	Deposits, Current Accounts & Others	668,682,113	391,858,481	Advances and Loans	435,674,107
38,161,256	Banks & Correspondents Accounts	46,777,078	17,684,357	Sundry Debit Balances	40,972,224
4,295,275	Acceptances	8,757,976	53,489,325	Bank Premises, Lands and Buildings (Less Dep.)	55,822,549
			1,731,962	Furniture and Cars (Less Depreciation)	1,732,738
372,291,923	Documentary Credits and Guarantees (Per Contra)	375,885,024	372,291,923	Customers' Liabilities for Documentary Credits and Guarantees (Per Contra)	375,885,024
40,119,783	Endorsers of Bills for Collection and in Guarantee (Per Contra)	73,961,110	40,119,783	Bills for Collection and in Guarantee (Per Contra)	73,961,110
1156,303,602		1239,959,434	1156,303,602		1239,959,434

AHMAD SAID BAHAMDAN

Deputy General Manager

SALEM AHMAD BIN MAHFOUZ

General Manager

AUDITORS' REPORT

We have examined the above Balance Sheet with the books and documents of the National Commercial Bank and with the final returns received from some branches not visited by us, and certify it to be in accordance therewith.

In our opinion, the Balance Sheet set above, is properly drawn up so as to exhibit true and fair view of the state of the Bank's affairs as at 20th Zul Hijja 1385 (20th. April 1966) according to the best of our information and explanation given to us, and as shown by the books of the Bank.

Jeddah, 29th. Jamad Awal 1386
14th. September 1966

ISSA EL-AYOUTY & CO.
Accounts & Auditors