



Annual Report year ending November 1979
in English

البنك الأهلي التجاري
THE NATIONAL COMMERCIAL BANK



Annual Report
1399~1979

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With the compliments of:

SALIM AHMED BIN MAHFOUZ
General Manager



H.M. King Khalid Bin Abdul Aziz



H.R.H. Prince Fahad Bin Abdul Aziz

Crown Prince, First Deputy Prime Minister



Chairmans Letter

On behalf of the partners, I take great pleasure in presenting the Annual Report of the National Commercial Bank for the financial year 1399 (1979).

On the eve of a new decade, I am happy to report that sound management coupled with the implementation of sophisticated banking innovations and an ardent desire to provide clients with the very best in banking services, has kept the National Commercial Bank at the forefront of Saudi Arabian banking.

Our tremendous success is in no small part due to the Government of the Kingdom of Saudi Arabia, headed by His Majesty King Khaled and the guidance of His Royal Highness Crown Prince Fahd. Their sound financial policies and desire to enhance the development of Saudi Arabia have given us every possible incentive to serve the Kingdom. In return we offer our sincere gratitude.

I should also like to extend a special note of gratitude to our hard working staff, who have strived to make the name of the National Commercial Bank synonymous with good service. The road to further success has been long eventful and rewarding.

If the past has been bright, the future looks brighter. Consequently, I call on our staff to keep up the good work and to set even higher standards for the future.

Salim Ahmed Bin Mahfouz
General Manager

The National Commercial Bank

Founders

Sheikh Saleh & Abdullah Mousa Al Kaaki

Sheikh Abdul Aziz Mohammed Al Kaaki

Sheikh Salim Ahmed Bin Mahfouz

Senior Management

Salim Ahmed Bin Mahfouz

General Manager

Deputy General Managers

Mohamed Bin Salim Bin Mahfouz
*Senior Deputy General Manager and
Chairman of the Executive Committee*



Ahmed Saeed Bahamdan.
First Deputy General Manager Credit



Khalid Bin Salim Bin Mahfouz
*Deputy General Manager for
International and Investments*



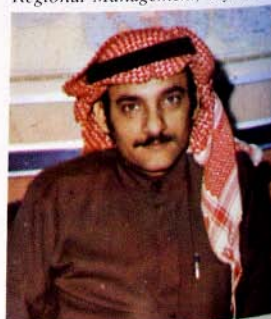
Amin Hassan Jawa.
*Deputy General Manager Public
Relations and Central Accounts*



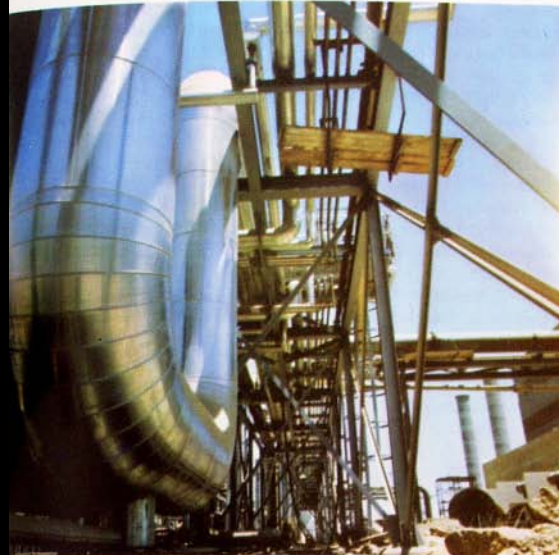
Abdullah Ahmed Bagabas.
*Deputy General Manager for Loan
Reviews and Administration*



Abdul Elah Bin Salim Bin Mahfouz
*Deputy General Manager for
Regional Management, Riyadh*



Development and Achievements of the Saudi economy during 1979



During 1979 the world economy was in a crisis stage, with high rates of inflation and declining growth rates. By contrast, the Saudi economy experienced another banner year of growth, accomplishments and prosperity with a minimum rate of inflation. Growth in the oil and non-oil sectors continued in line with last year's levels, and private consumption forged ahead of public consumption reflecting both the Government's effort to restrain budgetary outlays and, increased a personal income.

For the Kingdom, the year was unique in that it ushered in the last stage of the second Five-Year Development Plan and prepared the ground work for the launching of the Third Five-Year Plan.



Public Finance, Money and Banking

The Budget

The Kingdom's FY 1399/1400 budget was introduced during the year, calling for about SR 160 billion in allocated expenditures, or about 9 percent more than last year's actual expenditures. Although at first sight it appeared to be a tight budget, it was in fact adequate and balanced and reflected a practical shift in emphasis within the Kingdom's development process. All budgetary items showed increases over last year's, except internal government loans and local subsidies. The decline in the former may be attributed to cyclical needs for specialized loans, such as those disbursed by the Real Estate Development Fund and the Saudi Industrial Development Fund. The anticipated decrease in local subsidy allocations, on the other hand, may have to be revised upwards in light of a subsequent government announcement on the subject.

Revenues

At the beginning of the year, the Kingdom's estimated crude oil production was about 9.7 million barrels per day (MBD), while the weighted average price of its crude stood at \$ 13.17/ barrel. But during the second quarter of the year production levels declined by about 1.0 MBD while the average price climbed to \$ 17.98/barrel. However, during the third and fourth quarters, both average production and price increased to about 9.5 MBD and \$ 23.85/barrel, respectively, due mainly to peculiar demand-supply conditions in the world and, the usual performance of the spot market. Given this higher level of production, which is expected to continue at least into the second quarter of 1980, and given the current effective and expected further higher prices with no appreciable decline in world consumption, the Kingdom should have no difficulty meeting those mandated expenditures reflected in its 1399/1400 budget. In fact, it should be able to replenish its foreign-held assets and increase them. The Kingdom's oil revenues during 1979 alone may well have exceeded \$ 60 billion.

Money and Banking

By year's end, the riyal was little changed against the dollar. But against the SDR to which it is officially linked, the riyal had drifted downward by about 3 percent to SR 4.44/SDR and, SAMA continued to operate at a 7½ percent margin, either side.

During the year, some liquidity difficulties were encountered which prompted, at least in part, the Finance Ministry to adopt new measures. These were intended to stimulate liquidity, discourage the internationalization of the riyal and enhance the cost control and effectiveness procedures instituted a year earlier. Accordingly, all new foreign bids on government contracts exceeding SR 300 million will henceforth be paid for in dollars, but Saudi contractors shall have the option of being paid either in dollars or riyals.

SAMA during the year also introduced a new set of bank tariffs for services rendered. It reduced earlier charges drastically by as much as 75 percent, which could impact incomes of banks in the coming years.

Two other developments are worthy of note. First, in 1979 Saudi Arabia occupied the 21st seat of the executive directorship of the International Monetary Fund. Second, preliminary figures indicated that the Kingdom's money supply increased by just over 10 percent, a figure that could not have generated an unacceptable level of inflation especially in light of the Kingdom's healthy absorptive capacity.



Construction

Construction activities were again dominant in 1979. The value of total construction during the year may have reached S 24 billion, or about 9 percent more than in 1978, and is expected to stabilize at the higher level in 1980. In the meantime, this sector of the economy may at last have matured during 1979. Indicative of this, were the apparent high level of competitiveness, the changing nature of projects and the average size of contracts, the trend towards greater local participation, and — significantly — the evident decline in unit cost. Numerous projects remained to be executed in the fields of transportation, utilities, communications and manufacturing.



Industrial Development

The Kingdom remained committed to expand its industrial base through the conceptualization, planning and implementation of joint ventures. This area is clearly dominated by both SABIC and PETROMIN.

SABIC during the year signed a SR 2 billion steel mill joint venture agreement with Korf-Stahl to produce 850,000 tons of steel bars from imported iron ore. This is in addition to another SR 100 million undertaking with the same firm to revenue and upgrade the existing Jeddah Rolling Mill. SABIC was also putting the finishing touches on agreements for a number of petrochemical joint ventures.

PETROMIN, on the other hand, remained actively engaged with its foreign joint venture partners to complete detailed engineering studies and agreements relevant to two petroleum export refineries, one in Jubail and the other in Yanbu. Feasibility and engineering studies were also initiated regarding two 12,000 barrel/day export lube refineries. During 1979, PETROMIN also began the construction of a 170,000 barrel/day domestic refinery in Yanbu at a cost exceeding SR 4 billion, while work on the 120,000 barrel/day Riyadh refinery and its dedicated crude line from the Eastern Province neared completion. In the meantime, work on the East-West Crude and NGL pipelines, as well as work on the Eastern Province mammoth gas-gathering system was progressing.

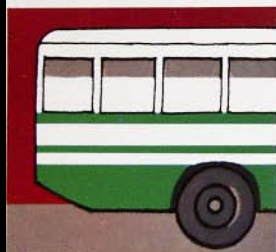
To service many of these and other heavy industries, the two industrial cities of Jubail and Yanbu continued to be built by the Royal Commission. A major portion of the relevant temporary infrastructure was completed and work on the major permanent infrastructure commenced.

The Kingdom's effort in the area of smaller industrialization, which is intended for the private sector, was no less impressive. The Saudi industrial development Fund continued its lending activities while the Ministry of Industry and Electricity during 1979 issued over 350 manufacturing industry licenses. Furthermore, during the year it became apparent that manufacturing investment began to move away from the obvious quick-return projects, such as food processing and building materials, towards more sophisticated components for domestic industry. Hence it was evident that the private sector was beginning to respond to the challenges of the Second Five Year Plan, and should continue to do even better during the Third Five Year Plan starting in June 1980.

Transportation, Communications and Utilities

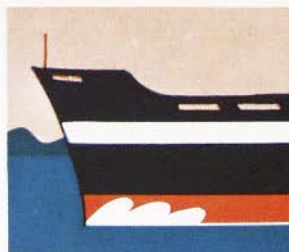
Public Transport

1979 marked the year in which public transport was introduced into the Kingdom. A public-private transport company was launched and buses began to roll inside Riyadh and between the main towns and cities of Western Region. Service rather than profit was the motivation as the government undertook to guarantee a 15 percent dividend on every share of the joint stock company.



Ports

The Kingdom's ports continued to handle the ever-increasing volume of traffic, currently estimated to be rising at 17 percent annually. Port bottlenecking became a thing of the past during 1979. The 9-pier Yanbu commercial port completed at a cost of SR 2.7 billion, which, besides continuing to decongest Jeddah will serve the commercial traffic needs of the Industrial City there, eliminate overland traffic and reduce cost by as much as SR 200/ton to the different population centres of the northern region. The Dammam expansion was no less spectacular. Its expansion from a 7 — to 38 pier port was completed during 1979. It will handle one-third of the Kingdom's imports and will employ 7000 people. During the year also, the idea of building specialized and satellite ports along the western coast was given impetus, and plans were launched to start computerizing the monitoring and operation of the ports, a move when realized should reduce the labour force required in the ports by as much as 15 percent.



Civil Aviation

Development in this field occupied no less prominence. In 1979, Riyadh's International entered the active implementation stage while North Jeddah International entered its completion stage. Dhahran International was successfully expanded and modernized inclusive of warehousing facilities, at a cost of SR 175 million. Additionally, smaller airports became operational and 55 civil aviation projects were completed at a cost of SR 5.5 billion. Moreover, Saudia continued to expand its fleet and operation including the completion of a modern training center at a cost of SR 140 million. Saudia carried about 7.5 million passengers, or about 30 percent more than last year.



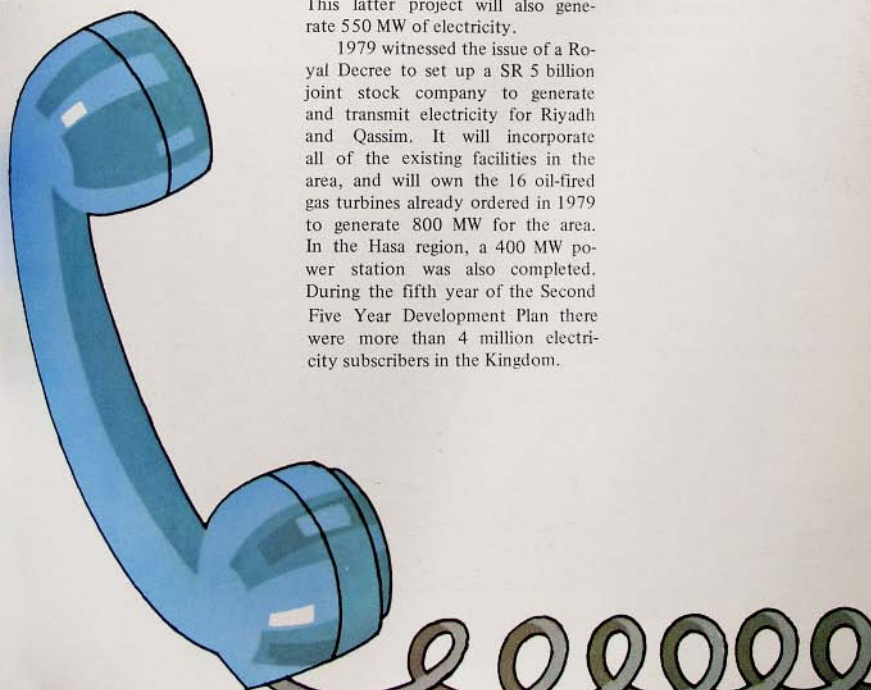
Telecommunications Utilities

1979 marked the introduction and installation of an electronic exchange system, and the first expansion stage for installing 6000 telex lines was completed. A SR 2.7 billion extension contract to the original SR 10.8 billion undertaking to provide 470,000 telephone lines was signed, to provide an "outside plant". The installation of switching facilities to handle 180,000 new local subscriber lines was completed, and district telephone links with a number of Gulf countries were also established.

During 1979, water desalination and electricity generation projects were prominent. The awards for the multi-flash dual purpose plants for this purpose were spectacular, and Saudi Arabia remained the major world market.

During 1979, two giant projects were awarded. Early in the year, the SR 2.5 Billion Khobar II 59 million gallon per day 750 KW contract was awarded. This was followed later in the year by the award of the SR 3.5. billion Jubail II, 200 million gallons per day, 40 units project. This latter project will also generate 550 MW of electricity.

1979 witnessed the issue of a Royal Decree to set up a SR 5 billion joint stock company to generate and transmit electricity for Riyadh and Qassim. It will incorporate all of the existing facilities in the area, and will own the 16 oil-fired gas turbines already ordered in 1979 to generate 800 MW for the area. In the Hasa region, a 400 MW power station was also completed. During the fifth year of the Second Five Year Development Plan there were more than 4 million electricity subscribers in the Kingdom.



Housing and Urban Development

Housing

The Kingdom continued during the year its energetic programme to provide private and public housing for those needing it, whether through loans or physical provision of facilities. The Real Estate Development Fund resumed its lending activities and is expected during FY 1979/80 to lend about SR 5 billion for the purpose. A number of rush public housing schemes under the 1977 programme were dedicated, completed or remained under execution. In 1979, the SR 2 billion Jeddah Towers Scheme was dedicated, the SR 1.8 billion 1667 apartment scheme in Dammam was completed and the SR 1.23 Billion for Riyadh was signed. Preparations for others in Qatif and Khafji were also completed.

Urban Conservation and Development

A massive urban conservation scheme to preserve the architectural heritage of Jeddah was undertaken in 1979. Also, the master plan for the diplomatic quarters in Riyadh was completed in late 1978 and the first contract, for SR 350 million, was awarded to provide for the necessary infrastructure, thus marking the beginning of a new neighbourhood in the capital.

Agriculture and Fisheries

This sector of the economy began to receive pronounced emphasis in the government's drive to make the Kingdom relatively independent in the food area. Dairy and poultry farming were greatly encouraged through a number of programmes and incentives. The land distribution programme continued. During 1978/79 alone, 831 thousand donums were distributed to about 11,000 citizens and about 40 agricultural projects were established. The Agricultural Credit Bank was active and the Agricultural Subsidization Programme expanded. The subsidy level rose from SR 531 million in 1977/78 to SR 875 million in FY 1978/79, at a time when agricultural loans attained a level of SR 709 million.

In the field of fisheries, the five year development programme for this industry is well underway. Among the notable achievements during the year was the development in the Ministry's laboratories in Jeddah of a simple and intensive breeding method for fish. The Third Five Year Plan will witness a massive commitment to agriculture. During 1979 also, the Council of Ministers approved the formation of a private-public joint stock company to preserve, develop and exploit the Kingdom's fishing wealth.



Development and Achievements of the The National Commercial Bank during 1979

Throughout the 40 years of its establishment and service to the Kingdom, the National Commercial Bank, the Kingdom's first banking establishment, has endeavoured to provide the public and the business community of the Kingdom the kind of banking service so important to its financial security and development, and has done so during a period of enormous growth and demand.

Continuing its efforts, and aware of its responsibility, the National Commercial Bank has established this year, a new Public Relations Department, within its general management, to help expand the awareness of banking in the community and to provide the means through which the community can communicate directly with the Bank. Among the activities of the new Public Relations Department is the daily publishing of foreign exchange rates, prepared by International Division, in the major publications throughout the Kingdom. Additionally, an Economic Research Department, also within the bank's general management, has been established to provide economic and financial insight to the Kingdom's development.

In keeping with its dedication to serve, the bank has intensified its development of branches and offices, throughout the Kingdom and internationally. There are now 92 branches and offices.

During the past year particular emphasis has been placed on the following areas:

Training Centre

NCB, fully recognising the value and importance of training in the Kingdom has, during the past year, introduced a development programme to improve facilities and education opportunities for employees of every level of our operations.

NCB's new training centre at Kilo 10 on Mecca Road, Jeddah, is now complete and equipped with language laboratory, closed-circuit television and audio-visual aids. The centre includes four main lecture halls, syndicate rooms, offices and library, and a model branch has been built there for trainees, complete with every aid used by tellers in bank branches.

Training programmes for new employees have been prepared after in-depth study, including vocational training for tellers, letters of credit operations, supervision and management development. Training will be conducted in Arabic by highly-qualified tutors.



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Management Development

A series of management development seminars were run last year, in co-operation with Dr. Fawzi Attoui of the Executive Development Institute, Bahrain. More than 100 managers and bank officers from throughout the Kingdom took part in the seminars, at which they were taught general management techniques, and in particular introduced to the new performance-appraisal methods which will be used to help staff fulfill their potential with the bank.

The seminars followed-up the managers' conference earlier in the year, and provided an opportunity for local executives to discuss with seniors the bank's progress and future plans for credit and corporate finance, operations, personnel and training, loan review and inspection, central accounting and international division activities and investments. Additionally, the bank's computer development programme was reviewed in depth.

It is felt that many ideas and suggestions emerging from the two conferences have been valuable in helping the NCB achieve its broad objectives, and have contributed to its development plans.



Human Resources

More effective use of staff has been made possible by improved personnel policies. In addition, the job evaluation scheme introduced in June will enable salaries and wages to be adjusted to individual performance, as well as cost-of-living fluctuations and mean rates in other, external commercial areas.

Plans are under way to computerize all personnel records, to provide rapid identification and reference facilities, and allowing management ready access to personal achievement records for promotion assessment. In general, the system concentrates on individual perfor-

mance, encouraging open consultation between managers and their staff.

Recruitment has been carefully monitored throughout the year, and in line with bank policy, increasing numbers of young Saudi nationals are being recruited. The bank is anxious to increase the numbers of Saudi graduates in staff training programmes.

The bank's 92 branches and offices in the Kingdom now employ some 2,473 people an 11.5% annual staff increase, compared with a 19.8% increase in 1978.





Ladies Branches

A sure sign of NCB's eagerness to establish first-class banking facilities here in the Kingdom came when with first branch for women, opened in Jeddah, and planned for Riyadh.

The branches are staffed exclusively by fully trained female bankers to comply with legal and religious regulations. The bank intends to open more branches throughout the Kingdom as the concept catches on.



Employee Benefits

General improvements in this area include annual leave and medical treatment facilities. The general management introduced free treatment for all staff and their families in the Kingdom, from the beginning of last year, in lieu of the old proportion-of-salary payment system used previously.

The savings plan enables employees to save 5 percent of their

salary with the bank, which after three years' minimum services, the employee is eligible for an increasing percentage of return on the amount of his saving, based upon his length of service.

Families of such employees will, if ill-health or death prevents the employees from working, receive the accumulated savings plus a 20% gratuity.



Systems Development

Following the successful instalment of the Jeddah computer centre, a significant step in NCB's progress towards integrated "electronic banking" was realised with the installation of a comprehensive auto-accounting system in Mecca Road branch, Jeddah.

The system, which provides data and control facilities to both branch and general management from one, on-site source, is due to be duplicated in other branches in the area shortly, and it is our hope that the speed and accuracy of these systems will further improve the standard of service we offer our customers.

The new system will soon expand to include other business facilities, such as letters of credit and travellers' cheques processing.

Whilst these branch accounting system developments were occurring, our central accounts department began a complementary improvement process, introducing "automatic reconciliation" with foreign banks.

Meanwhile, a second computer centre was opened in Riyadh, and work completed in Jeddah will be used in software programmes in the capital centre.

The bank also undertook a comprehensive survey of branch and regional automated equipment last year, to ensure customers will benefit from the full potential of our state-of-the-art technology.





International Division

Steady growth in all the National Commercial Bank's international activities marked 1979. Representative offices were opened in financial centres of the world, Frankfurt, London and Singapore. We also set up an OBU branch in Bahrain in addition to our Beirut branch.

NCB made headway and achieved a respectable position in loan syndication and new issues during 1979 as lead manager, manager and co-manager. The bank's expertise in this field has been satisfactorily built. NCB's activities in foreign exchange spot and forward has been second to none and the bank continues to maintain this position.



New Building

San Whan, a Korean Construction Company, was assigned to build the Bank's new headquarters. Work is expected to take three years and there is no doubt that - once complete- the spectacular 27 storey block will provide an impressive addition to the Jeddah skyline.

The bank intends to use only the first 12 floors and a penthouse suite of offices. The remaining floor space will be leased.

The building was designed with comfort, security and efficient internal communications in mind. Fire and burglar alarm systems will be monitored by a single electronic centre, which in addition will control lighting, temperature and doors.

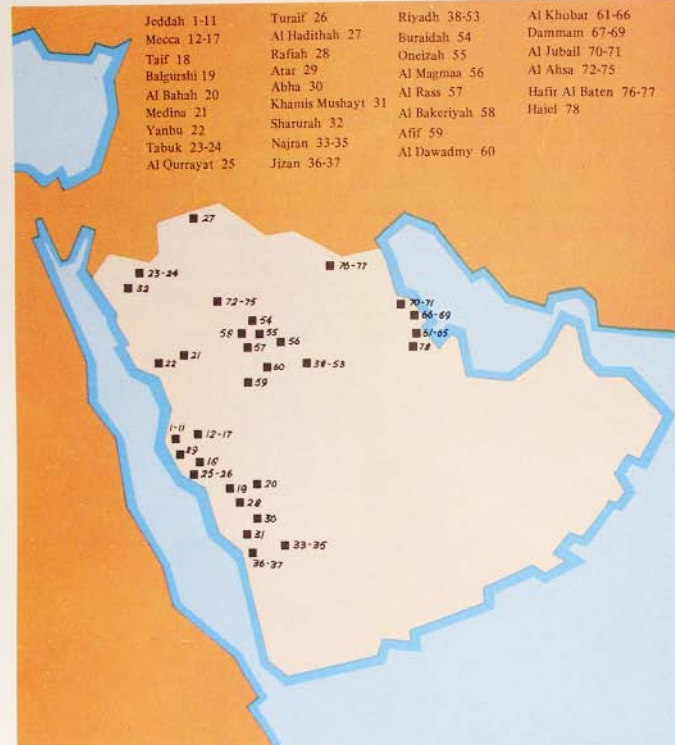
Careful consideration has been given to car parking. Management met with representatives of the Traffic Authority and Jeddah Municipality to discuss the issue and decided to annex an adjoining site for a car park. That, in conjunction with an underground car park in the main block, will provide spaces for 700 vehicles.

The new headquarters project forms just a part of the bank's rapid expansion plans.

Branches are under construction at Jeddah Islamic Port, at Khali-deya, Jeddah, and Tabuk. The bank intends to open others in Riyadh, Baljarshi, Yanbu and Khamis Meshait.



Branches of The National Commercial Bank



Head Office:

The National Commercial Bank
Tel: 33580/4, 45455/8, 45351
Telex: 401102
Cable: BANKSAUDI
P.O. Box: 3555, Jeddah
Management Foreign Relation: 23794

Regional Management:

Bathah Street
Tel: 34100, 25084, 31152, 401302/10
Telex: 200296, 201009
P.O. Box: 34, Riyadh

Western Province:

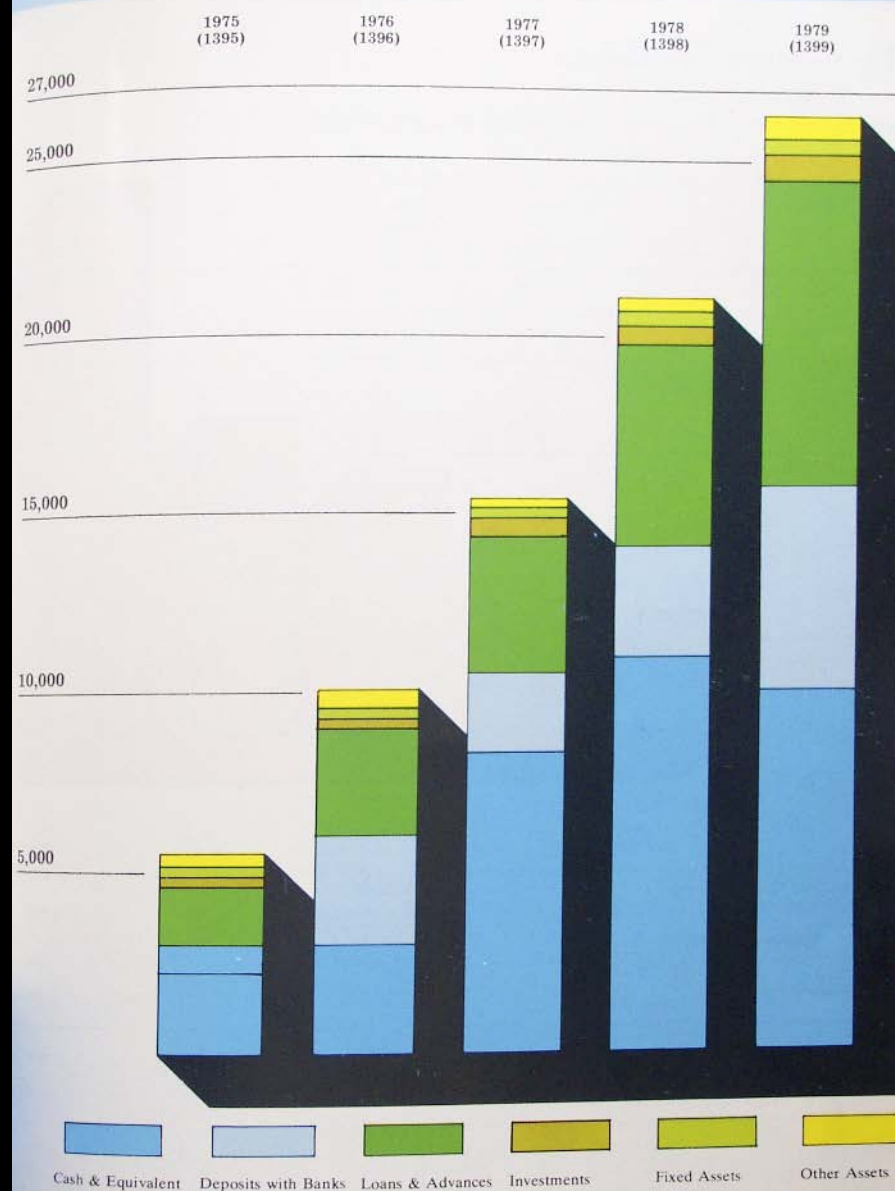
- | | | | |
|---|---|---|---|
| 1. Jeddah Main
King Abdul Aziz Street
Tel: 33580/4, 36220, 36231, 23122
Telex: 401102, 401086
P.O. Box 104
Jeddah. (101) | 5. Jeddah International Airport
Tel: 41116/17 Ext. 321
Jeddah. (112) | 9. Bab-Mecca
Bugshan Building
Tel: 42035, 45563,
Telex: 402029
P.O. Box 4152
Jeddah. (107) | 14. Al Shubbecca
Tel: 41177
P.O. Box 228
Mecca. (3) |
| 2. Bab-Sharief
King Abdul Aziz Street
Tel: 26352, 26353, 43838, 34946
Telex: 400180
P.O. Box 710
Jeddah. (106) | 6. Mecca Road - Kilo 3,
Al Rajhi Building
Tel: 39656, 39856, 39957
Telex: 401329
P.O. Box 3436
Jeddah. (103) | 10. Industrial Zone
Tel: 20433, 20174, 20176
Jeddah. (108) | 15. Al Gimmela
Tel: 40646
P.O. Box 228
Mecca. (6) |
| 3. Al Hindawia
Port Street
Tel: 48624, 45561
P.O. Box: 8041
Jeddah. (106) | 7. Palestine Square
Tel: 674974, 604755
Telex: 400051
P.O. Box 7161
Jeddah. (104) | 11. King Khalid Street
Airport Road
Tel: 35749
P.O. Box 8042
Jeddah. (109) | 16. Al Ataqbiyah
Tel: 34708
P.O. Box 228
Mecca. (5) |
| 4. Al Sharafiya
Osman Bin Affan Street
Tel: 402162
P.O. Box 8038
Jeddah. (105) | 8. Lady's Branch
Palestine Road
Tel: 603536
Jeddah. (113) | 12. Mecca Main
Madkhal Shaab Ali
Tel: 45513, 45523
P.O. Box 228
Mecca. (11) | 17. Al Gazzah
Tel: 41404, 41405
P.O. Box 228
Mecca. (2) |
| | | 13. Ali Azizia
Tel: 66441
P.O. Box 228
Mecca. (301) | 18. Taif
Tel: 21021/4
Telex: 45006
P.O. Box: 19
Taif. (302) |
| | | | 19. Balqurshi
Balqurshi. |

Al Bahah Tel: 07725-1294/1111 P.O. Box 127 Al Bahah.	(303)	39. Al Diah Ahmed Bin Hanbal Street Tel: 20797, 4041090, 20981 Telex: 201685 P.O. Box: 41363 Riyadh.	(202)	54. Buraidah Tel: 06328, 1508, 1608, 6976 Telex: 801017 P.O. Box: 33, Buraidah.	(391)	73. Khamis Square P.O. Box 10, Al-Ahsa.	(62)
Medina Tel: 25344/6 Telex: 470010 P.O. Box: 26 Medina.	(326)	40. Mallaz Sitteen Road Tel: 65886/87 - 4760454, 4783208 Telex: 201687 P.O. Box: 34 Riyadh.	(203)	55. Oneizah Tel: 06364/3101, 06364/1034 Telex: 801125 Oneizah.	(392)	74. Shadgum P.O. Box: 10, Al-Ahsa.	(63)
Yanbu Tel: 21421, 21551 P.O. Box: 5 Yanbu.	(351)	41. Al Shimeisi Central Hospital Roundabout Tel: 57067, 55723 Telex: 200184 P.O. Box: 34 Riyadh.	(204)	56. Al Magmaa Tel: 1588, 6432 P.O. Box: 22, Al-Magmaa.	(393)	75. Mabraz Tel: 74629, 23518 Al-Ahsa.	(64)
Tabuk Tel: 044221566 Telex: 821014 Tabuk.	(361)	42. Al Nassiriah Saudia Hotel Tel: 3650004 Telex: 201657 P.O. Box: 34 Riyadh.	(205)	57. Al-Rass Tel: 63330464 Al-Rass.	(394)	76. Hafir Al Baten Hafir Al Baten.	(65)
Military City Tabuk	(362)	43. Airport Airport Passenger Lounge Tel: 68320, 68243 P.O. Box 34 Riyadh.	(206)	58. Al-Bakeriyah Tel: 98165, 58958 Al-Bakeriyah.	(395)	77. Military City Hafir Al-Baten.	(66)
Al Qurayyat Main Al Qurayyat	(402)	44. Industrial Zone Al Khari Square Tel: 86436, 86441 Telex: 200185 P.O. Box 34 Riyadh.	(207)	59. Afif Tel: 1468 P.O. Box: 11, Afif.	(396)	78. Haiel Main Tel: 0653/20840, 22562, 21564 21121, Telex: 811009 P.O. Box: 85, Haiel.	(67)
Turaif Turaif	(401)	45. Airport Road Tel: 68262, 68243, 4784681, 4784553, 4772281 Telex: 201732 P.O. Box: 34 Riyadh.	(208)	60. Al-Dawadmy Tel: 1968-1953 P.O. Box: 3, Al-Dawadmy.	(397)	79. Sea Pilgrims City Jeddah.	(68)
Al Hadithah Al Qurayyat	(403)	46. Al Khari Riyadh.	(210)	61. Al-Khobar Main King Khaled Street Tel: 86746206, 86746489/ 46474/46686 Telex: 670023, 671340 P.O. Box: 1, Al-Khobar.	(51)	80. Airport Pilgrims City Jeddah.	(69)
Rafah P.O. Box 8 Rafah	(412)	47. Diriyah Aam Street Tel: 23804, 4860453 P.O. Box 34 Riyadh.	(211)	62. Camp ARAMCO Tel: 8744435, 873838 P.O. Box: 1, Dhahran, Al-Khobar.	(53)	81. Al Fateh King Faisal Street Mecca.	
Arar Tel: 06621104 P.O. Box 105 Arar.	(411)	48. Military Hospital Tel: 69222 Riyadh.	(212)	63. Thoghah Tel: 08648876, Telex: 671478 P.O. Box: 1, Al-Khobar.	(54)	82. Mona Mecca.	
Abha Tel: 2246045 - 2246638 Telex: 901009 P.O. Box 12 Abha.	(421)	49. Al Khazan Al Khazan Street Tel: 4044274/5 Riyadh.	(213)	64. King Abdul Aziz Street Tel: 8645432, Telex: 671477 P.O. Box: 1, Al-Khobar.	(55)	83. Aiyad Mecca Mecca.	
Khamis Mushayt Tel: 072237323 Khamis Mushayt	(422)	50. Al Amir Abdullah Al Amir Abdullah Bin Abdul Aziz Street Tel: 4777962/3 Riyadh.	(214)	65. Dhahran Airport Tel: 8649673, 8792990 P.O. Box: 1, Al-Khobar.	(64)	84. Reyah Kudayi Mecca.	
Sharurah Sharurah	(423)	51. Al-Rayal Al-Rayal Street Tel: 23483 Riyadh.	(215)	66. Dammam Main Tel: 83/21577, 21717, 21566 Telex: 601116 P.O. Box: 1, Al-Khobar.	(52)	85. Bank Building Medina Munawvara Medina.	
Najran Main Tel: 075420832, 075420812 P.O. Box: 11 Najran.	(431)	52. Manfoohah Manfoohah Street Tel: 23483 Riyadh.	(216)	67. Industrial Zone Tel: 8372351 P.O. Box: 13, Dammam.	(56)	86. Halat Ammar Tabuk.	
Al Faimalin Tel: 1155/17522 P.O. Box: 11 Najran.	(432)	53. Hallah Bin Dayal Hizaz Street Tel: 71487, 72414 Telex: 201808 P.O. Box: 34 Riyadh.	(209)	68. Western Quarter P.O. Box: 13, Dammam.	(59)	87. Sea Pilgrims City Yanbu.	
Dhuran Al-Janoub P.O. Box 11 Najran.	(433)			69. King Faisal University Tel: 8647000, 8646318 P.O. Box 13, Dammam.	(60)		
Jizan Tel: 1365, 22111, 22173 Telex: 911025 P.O. Box: 48 Jizan.				70. Al-Jubail Main Tel: 3465/33000, 3464/33000 Ext. 64 Al-Jubail.	(65)		
Sabiya Tel: 073221863 P.O. Box: 48 Jizan.	(443)			71. Industrial City Tel: 038/333000, Ext. 3463 Al-Jubail.	(68)		
Riyadh Area				72. Al-Ahsa Tel: 21441/2, Telex: 661025 P.O. Box: 10, Al-Ahsa.	(61)		
Riyadh Main Bathah Street Tel: 34100, 2508431152, 401302/ 19 lines Telex: 200296, 201009 P.O. Box: 34 Riyadh.	(201)						
						Seasonal Branches	
						79. Sea Pilgrims City Jeddah.	
						80. Airport Pilgrims City Jeddah.	
						81. Al Fateh King Faisal Street Mecca.	
						82. Mona Mecca.	
						83. Aiyad Mecca Mecca.	
						84. Reyah Kudayi Mecca.	
						85. Bank Building Medina Munawvara Medina.	
						86. Halat Ammar Tabuk.	
						87. Sea Pilgrims City Yanbu.	
						Overseas Branches & Representative Offices	
						1. LEBANON Tel: 240508 P.O. Box: 2355, Beirut.	
						2. BAHRAIN Tel: 231136 or 231182, Telex: 9299-9298 P.O. Box: 20363, Manama.	
						3. LONDON Tel: 01-638-4477, Telex: 8952594 99Bishops Gate London EC2.	
						4. FRANKFURT Tel: 611236631, Telex: 416507 Wilhelm Leuschner Strasse 7 600 Frankfurt 1	
						5. SINGAPORE Tel: 437833, Telex: R8 27196 NCT 0104 Suite 2701 - 27th Floor Clifford Centre Singapore.	

Five Year Balance Sheet History

	S.R. Million					Compound Annual Growth Rate 1975-1979 (1395-1399)
	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)	
Cash and Equivalent	2,301.04	3,004.58	8,287.81	10,930.79	9,968.08	44%
Deposits with banks	863.07	3,483.60	2,228.57	3,122.22	5,788.09	61%
Loans and Advances	1,697.34	3,038.43	3,842.49	5,676.72	8,707.69	51%
Investments	203.82	284.69	475.77	558.90	827.87	42%
Fixed Assets	104.13	101.35	232.65	351.47	364.26	37%
Other Assets	357.81	474.47	311.25	354.69	644.91	16%
Total Assets	5,527.21	10,387.12	15,378.54	20,994.79	26,300.91	48%
Deposits	4,689.08	9,273.77	13,976.41	19,151.57	24,200.69	51%
Borrowings	185.78	243.05	365.76	-	-	-
Other Liabilities	304.29	317.84	299.81	1,056.06	839.36	29%
Profit & Loss Account	20.09	152.46	258.59	89.19	82.88	43%
Capital & Reserves	327.97	400.00	477.97	697.97	1,177.97	38%
Total Liabilities & Net Worth	5,527.21	10,387.12	15,378.54	20,994.79	26,300.91	48%
Contra Accounts	3,857.45	8,805.58	10,922.16	12,453.36	17,849.97	47%
Balance Sheet Footings	9,384.66	19,192.70	26,300.70	33,448.15	44,150.87	47%

5



Five Year Income History

Gross Income S.R. Millions



	1975 (1395)	1976 (1396)	1977 (1397)	1978 (1398)	1979 (1399)
Net income from Foreign Exchange transactions and other services.	209.5	425.7	546.3	658.7	1,144.6
Net income from Investment and Real Estate.	10.6	14.3	11.9	13.4	25.5
Profit on sales of Real Estate	39.5	9.4	.1		8.3
Gross Income	259.6	449.4	558.3	672.1	1,178.4
Expenses	129.6	225.0	235.7	371.5	624.7
Net profit	130.0	224.4	322.6	300.6	553.7

Affiliates of NCB

European Arab Bank

European Arab Holding S.A. Luxembourg
14 Rue Aldringer
Luxembourg — Ville, Grand Duchy of Luxembourg
(Subsidiary banks located in Frankfurt, Brussels and London)

B.A.I.L.

Banque Arab et International d'Investissement
12 Place Vendôme
75001 — Paris, France
Tel: 260 3401 Telex: 680 330F

S.I.B.L.

Saudi International Bank
99 Bishopsgate, London EC2M3TB
Tel: 01-638 2323 Telex: 8812261/2/9

Saudi Investment Banking Corporation

P.O. Box 3533
Riyadh, Saudi Arabia
Tel: 60300, 60401 Telex: 20170

Arab Jordan Investment Bank

P.O. Box 8797
Amman, Jordan

Arab Malaysian Development Bank

Bangunan Dato Zainal
P.O. Box 233
Kuala Lumpur 01-02
Malaysia
Telephone: 985322
Telex: MA 31167 and 31169 ABMAL

Arab Latinamerica Bank

Huallaga 320
Lima 1, Peru
Tel: 286038/9 Telex: 25138

Banco Saudi-Espanol S.A.

Calle Recoletos No. 22
Madrid 1, Spain

Banco Bozano, Simonsen de Investimento S.A.

Av Rio Branco 138
Rio de Janeiro, Brazil
Tel. 242.0972 Tlx. 2122921



Financial Statements

Balance Sheet as at 19th November 1979

1398	Capital & Liabilities	S.Rls	S.Rls
S.Rls			
30,225,133	CAPITAL RESERVES		30,225,133
32,774,867	Statutory Reserve	32,774,867	
557,000,000	Other Revenue Reserves	1,037,000,000	
	Surplus on revaluation of properties	46,095,605	
31,877,142	Surplus on revaluation of investments	31,877,141	
667,747,614			1,147,747,613
697,972,747	Total Capital and Reserves		1,177,972,746
	DEPOSITS		
	1 - Customers deposits (Note: Cover total current, time and saving deposits)	18,495,531,608	
14,612,477,136	2 - Deposits from Banks:		
42,402,827	a) In Saudi Arabia	490,829,560	
2,576,103,158	b) Abroad	3,313,732,506	
	3 - Sundry Deposits: (Note: Include margins for letters of credit, guarantees, drafts and other transfers)		
1,920,586,316		1,900,600,352	
19,151,569,437			24,200,694,026
	BORROWINGS		
	1 - From Banks		
	a) In Saudi Arabia		
	b) Abroad		
	2 - From Others		
	PROFIT & LOSS ACCOUNT		
8,593,382	Balance Brought forward from last year	9,190,265	
80,596,883	Add: Net Profit for the year 1399 after transfer to Reserve	73,689,297	
89,190,265			82,879,562
	OTHER LIABILITIES		
164,897,314	1 - Acceptances outstanding on behalf of Customers	107,741,372	
891,160,572	2 - Other Liabilities	731,618,170	
1,056,057,886			839,359,542
20,994,790,335	Sub-Total		26,300,905,876
	CONTRA ACCOUNTS		
12,453,355,899	Guarantees, Letters of Credit and Other obligations		17,849,968,802
33,448,146,234	Grand-Total		44,150,874,678

1398	Property & Assets	S.Rls	S.Rls
S.Rls			
1,111,385,019	CASH FUNDS		
	1 - Cash in hand	1,135,643,818	
8,028,157,383	2 - Statutory deposits with Saudi Arabian Monetary Agency	6,097,347,491	
1,791,248,406	3 - Other Deposits with Saudi Arabian Monetary Agency	2,735,090,572	
10,930,790,808			9,968,081,881
	DEPOSITS WITH BANKS		
308,712,066	1 - In Saudi Arabia	77,063,862	
2,813,506,101	2 - Abroad	5,711,026,642	
3,122,218,167			5,788,090,504
	INVESTMENTS: (Not exceeding lowest of cost or market value)		
	1 - Shares and Securities of Establishments:		
169,524,301	a) In Saudi Arabia	227,185,331	
389,377,522	b) Abroad	600,686,906	
558,901,823	2 - Other Investments		827,872,237
	LOANS, ADVANCES ... etc (Less provision for bad and doubtful debts)		
	1 - To:		
4,517,744,923	a) Private Sector	7,664,743,070	
511,390,426	b) Banks	150,756,475	
414,957,258	c) Others	629,300,545	
232,626,389	2 - Bills purchased and discounted	262,886,414	
5,676,718,996			8,707,686,504
	FIXED ASSETS		
	1 - Bank premises and other real estate (at cost or revaluation)	321,060,309	
315,634,755	2 - Furniture, Fixtures and equipment (less depreciation)	43,203,524	
35,832,711			364,263,833
351,467,466	OTHER ASSETS		
164,897,314	1 - Customers liabilities for outstanding acceptances	107,741,372	
189,795,761	2 - Other Assets	537,169,545	
354,693,075			644,910,917
20,994,790,335	Sub-Total		26,300,905,876
	CONTRA ACCOUNTS		
	Customers liabilities under guarantees, letters of credit and other obligations		17,849,968,802
12,453,355,899			44,150,874,678
33,448,146,234	Grand-Total		

Profit & Loss account for the year ended on 19th November 1979

1398 S.Rls	EXPENSES	S.Rls	S.Rls
129,711,755	Salaries and other staff expenses		186,338,285
140,486,143	Directors Fees, Remunerations...etc		261,715,417
	Service charges		
	Provisions for depreciation ... etc		
5,648,510	a) Depreciation on	7,710,314	
45,500,000	buildings, furniture ... etc	86,000,000	
51,148,510	b) Other provisions		
50,153,299	Other expenses		72,966,167
	Donation for AFGHANISTAN		
	MOGAHIDIN		10,000,000
300,596,883	NET PROFIT FOR THE YEAR		553,689,297
	Of which:		
	a) Transfer to Reserve	480,000,000	
	b) Balance carried to	73,689,297	
	Balance Sheet		
672,096,590			1,178,419,480

1398 S.Rls	INCOME:	S.Rls	S.Rls
658,709,636	Net income from foreign ex- change transactions and other services	1,144,629,698	
13,386,954	Net income from investments and real estate	25,500,670	
672,096,590	Profit on sales of real estate	8,289,112	
	TOTAL INCOME		1,178,419,480
672,096,590			1,178,419,480

We have examined the above Balance Sheet and annexed Profit and Loss Account with the books and documents relating thereto of the Head Office and Branches of THE NATIONAL COMMERCIAL BANK (PARTNERSHIP COMPANY) visited by us, and with the returns submitted by the managers of the other Branches, and certify it to be in accordance therewith.

We have obtained the information and explanations which we considered necessary for the purpose of our audit. In our opinion, the Balance Sheet and Profit and Loss Account present fairly the financial position of THE NATIONAL COMMERCIAL BANK 30th Zul Hijjah, 1399 (30th November 1979) and the profit of the year ended on that date in accordance with generally accepted accounting principles and as shown by the books.

Jeddah: 15th Rabi Al Thani, 1400 (2nd March, 1980) ISSA EL-AYOUTY & CO., ISMAIL A. EL-HABBA
Accountants & Auditors. Accountant & Auditor.

Notes to financial statements

ACCOUNTING POLICIES

1. Investment and Real Estate

At the request of the Saudi Arabian Monetary Agency, at the end of 1975 (1395) domestic investments and real estate owned were revalued to the actual market value as of the closing date. The resulting surplus is reflected in the reserve accounts. Investments in foreign companies are carried at the lower market value or cost.

The following is the list of domestic investments owned or partially owned by the bank.

Name of Company	Location	Value in SR
Badana Electric & Water Company	Arar	210,000
The National Gas & Manufacturing Co.	Riyadh	15,785,489
The Electric Company of Riyadh	Riyadh	26,579,700
Yemama Cement Company	Riyadh	23,078,550
Saudi Provisions Company	Riyadh	1
The National Gypsum Company	Riyadh	331,500
Medina Electric Company	Medina	108,750
The Saudi Preching Press Establishment	Jeddah	30,000
Jeddah Electric Company	Jeddah	21,813,870
The Arabian Fertilizer Co. (SAFCO)	Dammam	632,000
The Arabian Cement Company/Jeddah	Jeddah	42,277,200
The Electric Company of Mecca	Taif	335,220
Tabuk Electric Company	Tabuk	286,500
Balgurshi Electric Company	Balgurshi	25,000
Red Sea Insurance Company	Jeddah	500,000
The Saudi Hotel Services Company	Jeddah	10,000,000
The Saudi Real Estate Company	Jeddah	40,000,000
Yanbu Cement Company	Yanbu	3,500,000
Southern Cement Company	Jizan	2,500,000
Saudi Investment Banking Corp.	Riyadh	7,134,000
Saudi National Marine Transport Co.	Riyadh	2,500,000
Saudi Consolidated Electric Co.	Dammam	29,537,550
	Total	227,185,330

Bank Participations	Investment (Millions)
Saudi International Bank Ltd.	£ 0.95
European Arab Holding S.A.	Lux. Fr. 87.8
Compagnie Arab et International d' Investissement	US \$ 3,167
The Arab Jordan Investment Bank	J.D. 0.25
Saudi Investment Banking Corporation	SR 7.2
Arab Malaysian Development Bank Berhad	M \$ 1.8
Arab Latin America Bank	US \$ 1.665
*Saudi-Spanish Bank	Pesata Spanish 131.25
**Banco Bozano, Simonsen de Investimento	US \$ 10
The Arab Tunis Bank Investment	D.T. 0.1

* Acquired February 1979 ** In process of completion

The Bank has overseas investment in Pan Islamic Navigation Company (S.R. 147,300), Arab Bank Ltd., (S.R. 385,000) and Beirut Riyadh Bank (S.R. 14,300).

2. Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation of fixed assets is calculated using the straight line method over the estimated useful lives of the assets. The freehold property assets of the bank in Saudi Arabia (categories 1 and 2 below less land in Lebanon) have been valued by Edward Rushton Son and Kenyon as of December 31st 1978, on an "existing use" basis at Saudi Riyals 558,327,000.

Equipment and automobiles	30% per year
Furniture and Fixtures	20% per year
Buildings	2½% per year

Fixed Assets 1979 (1399)	Cost (S.Rls)	Accumulated Depreciation (S.Rls)	Net (S.Rls)
1. Bank Premise	49,855,310	3,374,979	46,480,331
2. Investments			
— Buildings	58,672,761	2,806,138	55,866,623
— Land (Saudi Arabia)	216,492,346	—	216,492,346
— Land (Lebanon)	2,221,009	—	2,221,009
3. Furniture, fixtures & equipment	48,522,916	5,319,392	43,203,524
	375,764,342	11,500,509	364,263,833

3. Foreign Exchange Conversions

Transactions originating in foreign currencies are converted to Saudi Riyals at the rate of exchange prevailing on the transaction date. Assets and liabilities in foreign currencies are converted into Saudi Riyals at the rate prevailing at the statement date.

4. Loan Loss Reserves

A thorough review of all loans is continuously conducted by the Bank. The account includes a provision for loan losses which is set by senior management and is considered adequate to offset any foreseeable losses.

5. Taxation

Zakat taxation at a rate of 2.5% is payable on net profits.

6. Profit & Loss Account

This account represents the amount distributable to the partners of the bank.

7. Contingent Liabilities

The contingent liabilities are composed as follows:

	1979 (1399)
Guarantees	7,201,863,807
Letter of credit	5,536,062,976
Other obligations	5,112,042,019
	17,849,968,802

8. Service charges

Includes overdrawn foreign accounts and domestic account customer interest.

9. Other provisions

Includes Zakat provisions, employee retirement benefit, compensation and a further general provision for contingencies.

10. Other expenses

Includes all non-personel expenses such as stationery, travelling aviation department.

The National Commercial Bank Financial Summary for the year 1399 and percentage changes over the last year

(SR. in MILLIONS)

	1399	1398	% of difference
Total income	1,178.4	672.1	75.3
Expenses	624.7	371.5	68.2
Net Profit	553.7	300.6	84.2
Capital & Reserve	1,171.0	698.0	68.8
Deposits	24,200.7	19,151.6	26.4
Cash Balance & Deposits	15,756.2	14,053.0	12
Investments	827.9	558.9	48
Loans & Credits	8,707.7	5,676.7	53.4
Total Balance Sheet Footings*	44,150.9	33,448.1	32

* Includes 17,850 Million Saudi Riyals being Contra Accounts