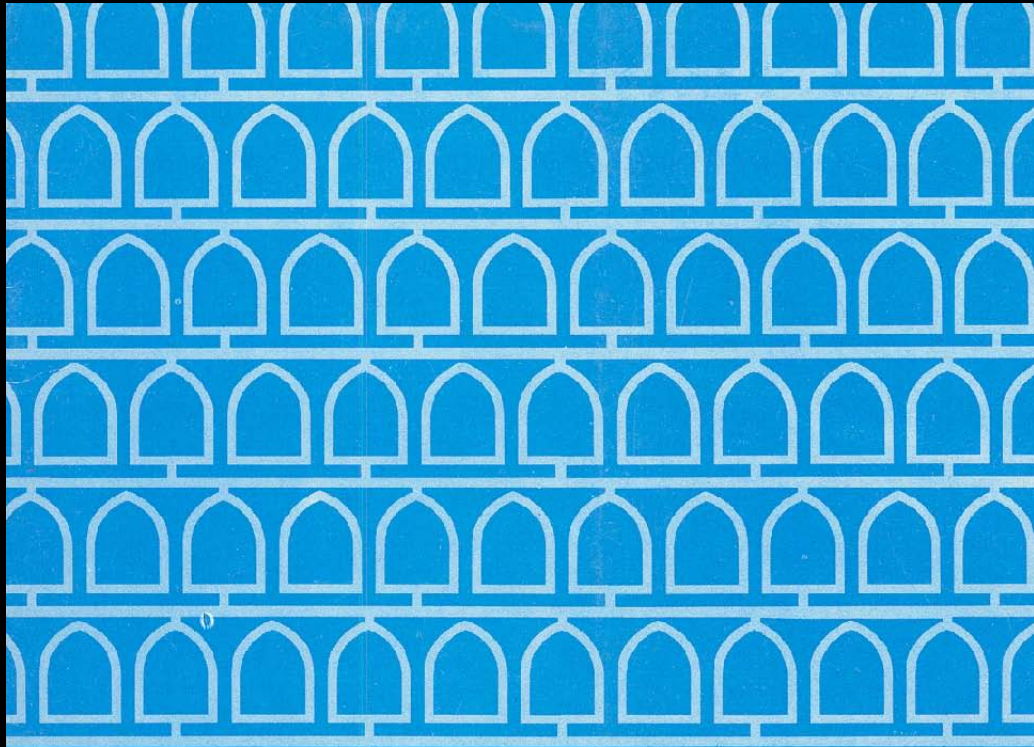




Annual Report year ending January 1976
in English



annual report
1975



FOUNDERS

Sheikh SALEH & ABDULLAH MOUSA AL KAAKI

Sheikh ABDUL AZIZ MOHAMED AL KAAKI

Sheikh SALEM AHMED BIN MAHFOUZ

GENERAL MANAGER

Sheikh SALEM AHMED BIN MAHFOUZ

البنك الأهلي التجاري
THE NATIONAL COMMERCIAL BANK

Partnership Company – C.R. No. 1588 – Saudi Arabia

Head Office : Jeddah P.O. Box 3555

Telegraphic Address : BANKSAUDI

Telex No. : General Management 40102
40086

Riyadh Branch 20009

Alkhobar Branch 67023

Taif 45006

BRANCHES

Jeddah (4 branches)	Abha	Badana (Ar-Ar)
Mecca (3 branches)	Hayil	Tabuk (2 branches)
Riyadh (4 branches)	Madina	Turaif
Al-Khobar (2 branches)	Taif	Buraidah
Al-Ahsa	Dammam	Balgarshi
Najran	Yenbu	Khamis Musheit
Jizan	Qurayat	

Seasonal Sub-branches : Jeddah Airport, Jeddah Seaport, Muna

LEBANON

Beirut, Bab Idris

Correspondents all over the world.



It is my pleasure to present to you on behalf of the partners of The National Commercial Bank, the Bank's Annual Report for the year 1395 ah (1975-1976). This Annual Report includes an analysis of the Bank's activities and financial statements, as well as an appraisal of economic and fiscal developments in Saudi Arabia and abroad. I invite you to review the report and see the great success the Bank has achieved over the past fiscal year.

I would like to point out that the tremendous growth reflected by the Bank is a natural result of the continuous progress which our country has witnessed in all fields. The publication of this report affords me the opportunity to extend our sincere appreciation and deep gratitude to H. M. King Khalid and Crown Prince Fahad and to all officials in His Majesty's Government for the continuous support to the national institutions, a factor which lies behind our success.

I will also take this opportunity to offer our sincere thanks to our customers and correspondents throughout the world for their cooperation and valued confidence which they have bestowed upon us. The continued loyalty and devoted service of the staff of this institution contributed greatly to our progress and growth. To them I extend our sincere thanks.

We look forward to the upcoming year with great confidence for continued growth and success for The National Commercial Bank and the Kingdom of Saudi Arabia.



Salim Ahmed Bin Matfoux
General Manager
The National Commercial Bank

INTERNATIONAL DEVELOPMENTS

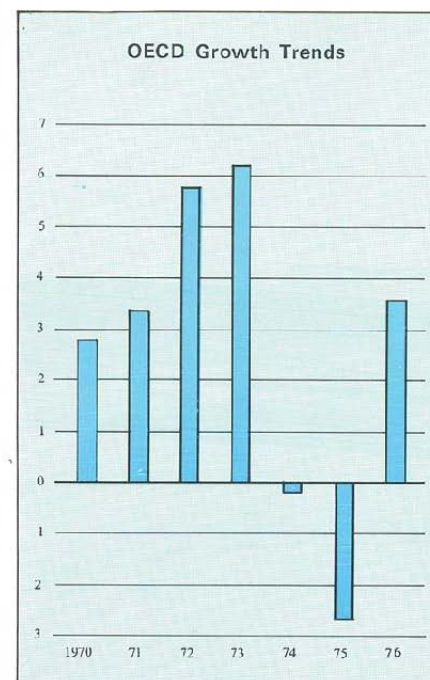
Introduction :

The acute and complex economic problems which the world experienced over the past two years began to ease towards the end of 1975. The inflationary spiral, which was a phenomenon common to both the industrial and the developing countries, was brought under control and a slight improvement in the rate of economic growth in the industrial countries was recorded. Although this growth was relatively modest, it was a sign which brought optimism for gradual recovery from the serious economic depression that hit the world economy, the worst in recent history.

This improvement in the general economic environment was achieved by the implementation of wise fiscal and monetary policies by most of the industrial countries, aimed at curbing inflation and fighting recession.

The economic situation in the industrialized countries :

By end of 1975 reports indicated that most of the industrialised countries witnessed a slight upward turn in their economic activities from the recent fall. Reports from OECD show that most member countries had achieved some improvement in their GDP growth in 1975. On the other hand, the major industrial nations improved their balance of payments in the year 1975. Table 1 indicates the present upturn and future forecast.



The cumulative balance of trade deficit was reduced from 35 billion dollars in 1974 to seven billion dollars in 1975. However, this is generally attributed to the recession in the first half of 1975, during which imports dropped by 13% as against only 3% in the second half of 1974. Another factor was the relative decline in the price of raw materials imported by these countries. At the end of 1975, the average price of these commodities had fallen by 16% when compared with prices at the end of 1974. Nevertheless this was still 35% higher than prices which prevailed prior to October 1973.

Economic developments in the OPEC countries :

The OPEC countries continued to concentrate on implementing their ambitious economic and social development plans, taking full advantage of their oil revenues. Special emphasis is focused on investment strategy to ensure safe and adequate returns while structuring their industrialization programmes with the development of Hydro-carbon industries in the forefront, as a means to reduce the countries dependence on oil exports.

On the other hand it can be said that the OPEC countries have made noticeable progress in establishing cooperation with the developed and the developing countries with a view to achieving a balanced world economy.

The dialogue between OPEC and the western nations on financial and technological cooperation should have its effect. Technical assistance to OPEC's developing industry will open up active exports of plants and services from industrialized nations that will directly help the balance of trade and indirectly the balance of payments.

World commodity prices*

	1972	1973	1974	1975	Percentage change
				May	
all items	121	178	226	180	-24
food	125	178	246	199	-31
industrial materials	113	178	195	237	-40
of which :					
fibres	136	238	216	177	-37
metals	97	141	181	119	-51

*Excluding fuels. Source : OECD.

Current account balances of OPEC countries billions of dollars

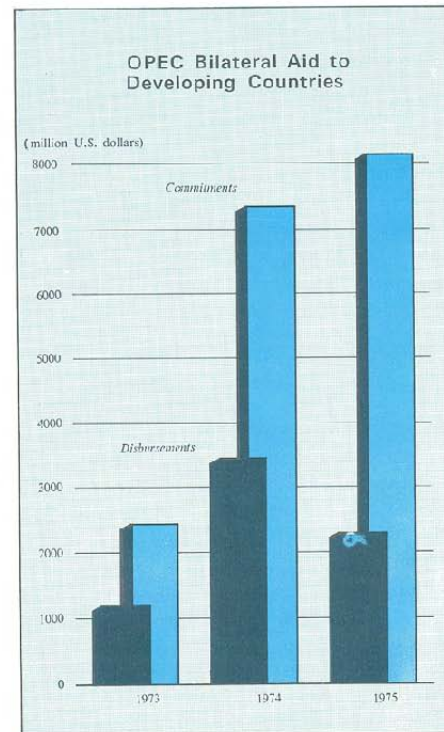
	1974	1975
Arabian Peninsula	34.6	26.3
Kuwait	7.3	4.4
Qatar	1.3	0.8
Saudi Arabia	22.9	18.0
United Arab Emirates	3.1	3.1
Other	26.9	3.1
Algeria	0.4	-2.5
Ecuador	0.0	-0.2
Gabon	0.2	0.0
Indonesia	0.4	-2.2
Iran	10.9	4.7
Iraq	2.4	1.0
Libya	1.9	-1.4
Nigeria	4.5	0.7
Venezuela	6.2	3.0
Total	61.5	29.4

Available statistics indicate a significant fall in revenues of the oil producing countries in 1975, narrowing their collective current-account surplus to approximately 25 billion dollars in 1975, as compared with the record figure of 64 billion dollars reported in 1974.

This fall is attributed to a slow down in demand from the industrialized countries resulting from the economic recession in these countries. World demand for oil declined from 28 million barrels a day in 1974 to 26 million barrels a day in 1975.

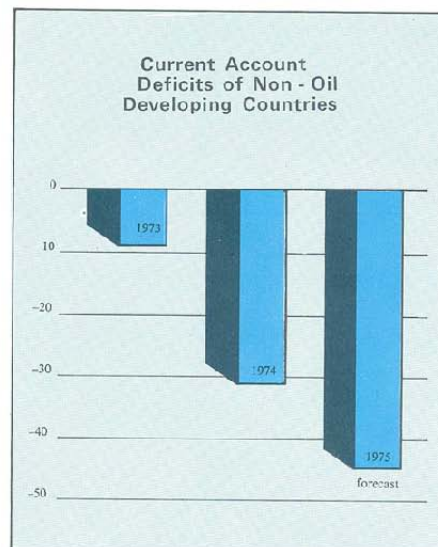
It is worth mentioning that the OPEC countries continued their support to the IMF and the World Bank (IBRD) through the extension of oil facilities as well as direct loans. In the frame work of the recycling process the industrialized countries, which recorded deficits in their balance of payments, were the major recipient of medium and long term loans from Arab oil producing countries. This included government to government, public sector, capital market investments and private investments. These factors helped ease the pressure on the economies of the industrial nations.

OPEC countries also founded a special fund with total capital of 800 million dollars to extend long term loans to the developing countries to finance part of their economic development programme. Saudi Arabia and Iran are the major contributors. On the regional front, the OAPEC countries widened cooperation among themselves by establishing a common development fund and by executing joint projects, as well as coordinating their development plans in a manner which will help achieve economic integration and enhance their position as a world economic power.



The situation in the developing countries :

The non-oil producing countries were adversely hit by the inflationary pressures which affected the industrial nations. This was a natural consequence since they depend to a great extent on imports from these countries. It is estimated that the deficit in the balance of payments of 24 of these developing countries (which represent 85% of the total) amounts to \$ 34 billion as compared with \$ 26 billion in 1974. The rate of growth in these countries is still lagging behind the target of 6% set by the United Nations for this decade and has hardly reached 4% per annum. The industrial nations as well as the oil producing countries seem committed to give full support and aid to these countries to help them find solutions and overcome the problems of economic development.



World Monetary Developments and Gold :

The main features which characterised the world monetary situation during the past year can be summarized in the following :

- Continuation of the floating system of the major currencies with Central Bank intervention to prevent heavy and unbalanced fluctuations.
- The trend of many of the developing countries, especially the oil producing countries including Saudi Arabia, to realign their currencies with the Special Drawing Right.
- Fluctuations in foreign exchange markets were less hectic and speculative during 1975. Signs of economic recovery in the USA helped to stabilize currency markets and the Dollar emerged a bit stronger. The continuation of investment by OPEC countries in the U.S. and U.S. treasury securities will have favourable effect on the Dollar's performance. So far this seems uninterrupted.

The accompanying table explains the changes in foreign exchange rates of principal currencies against the Dollar and the Saudi Riyal.

- Interest rates declined considerably in 1975. Three months rate in the Euro-Dollar market declined from 10.19% at the end of 1974 to 5.63% at the end of 1975. This led to a significant shift of investment to medium and long-term bonds. As a result the bond and stock markets in Europe and the U.S. witnessed greater activity.

Movements of 14 currencies against US dollar between the Smithsonian Agreement of December 18, 1971 and January 14, 1976 (units of currency per US dollar).

Currency	18 Dec 71	31 Dec 73	31 Dec 74	31 Dec 75	14 Jan 76	Percentage
Deutschmark	3.22	2.70	2.41	2.62	2.60	17.26
Pound sterling	2.61	2.32	2.35	2.02	2.03	27.65
Japanese yen	303.00	279.57	300.75	305.01	305.62	1.34
French franc	5.12	4.68	4.44	4.47	4.47	7.68
Canadian dollar	1.0036	0.9958	0.9906	1.0158	1.0062	.70
Swiss franc	3.84	3.25	2.53	2.62	2.60	39.52
Dutch guilder	3.24	2.82	2.51	2.68	2.67	11.84
Belgian franc	44.82	41.28	36.12	39.53	39.27	3.06
Italian lira	581.50	607.14	647.07	683.40	683.03	23.26—
Austrian schilling	23.30	19.78	17.10	18.48	18.40	14.90
Spanish peseta	64.47	56.71	55.89	59.69	59.67	5.73
Swedish krona	4.81	4.58	4.07	4.40	4.38	5.33
Norwegian krone	6.65	5.72	5.21	5.58	5.55	16.40
Danish krone	6.98	6.27	5.63	6.17	6.15	9.66

— Gold which recorded the highest price ever at end 1974, at \$ 197.50 suffered a heavy fall to \$ 154.25 an ounce at the end of 1975. The main factor for this fall was the announcement by the IMF in September of its intention to sell 1/6 (775 tons) of its gold reserves to fund members and 1/6 to the market. Expectation of large sales by the U.S.S.R. in order to finance its U.S. grain purchase also served to depress gold prices. The Table below shows the trend of gold prices, during 1975 (London fixing).

As a result of this fall in gold prices, the gold market

in Saudi Arabia was fairly active and demand for consumption and jewellery was stimulated.

The situation in Lebanon :

No doubt the sad and dreadful events taking place in Lebanon, will have serious effect on our Lebanese brothers, where casualties and losses were extremely high. Banks had to close down throughout 1975. Many of them were burned and looted. Our branch, the Saudi National Commercial Bank was no exception and was badly damaged. We sincerely pray that peace comes back to Lebanon and recover its stability.

Movement of Gold Price

At daily fixing

	Highest	Lowest	Average
	\$	\$	\$
January	185.00	169.50	176.566
February	186.25	173.40	179.571
March	181.85	176.25	178.180
April	177.65	164.00	169.954
May	174.75	163.50	167.342
June	166.25	161.75	164.244
July	168.40	162.50	165.019
August	166.75	159.80	163.082
September	155.00	128.75	144.202
October	146.25	137.50	142.724
November	146.50	138.15	142.490
December	142.40	137.00	139.260
For the year	186.25	128.75	160.872

DOMESTIC DEVELOPMENTS

Introduction :

Despite the predominant inflation and recession which characterised the world economy during 1975, the Kingdom of Saudi Arabia was able to strengthen the basis of its economy and reduce the impact of imported inflation, by following appropriate monetary and fiscal policies. Several measures such as making available and generously subsidising basic food items, reducing or abolishing of custom duties and elimination of payroll taxes, were taken to combat inflation and reduce its effects.

The Second Five Year Plan

The year 1975, witnessed the promulgation of the ambitious Second Five Year Plan which aims at development of all sectors of the economy, with the following objectives to be achieved :

- A. A high rate of growth in the industrial sector.
- B. Reduce the dependence on oil.
- C. Improve social welfare.
- D. Extend the country's infrastructure.

Total expenditures of SR : 498 billion (US \$ 165.47 billion) is projected during the period. This is practically nine times the amounts budgeted for the first five year plan. The aim is to achieve a real rate of growth of 13.4% annually in the private sector, 12.9% in the public sector and 9.7% in the oil sector. Gross National Product is expected to grow by 10.2% annually during the period of the Plan.

To achieve the above objectives, the Central Planning Organisation's development strategy was based on three factors :

1. Diversification of the economic base through emphasis on increasing agricultural and industrial production. By this, the authority aims at self-sufficiency in industrial and agricultural output in the future as a precautionary measure against the gradual depletion of oil when revenues and foreign exchange from oil may decline. Thus, large investments are to be made in industrial ventures based on natural gas and mineral resources.
2. Rapid development of the Kingdom's manpower resources. A potential major constraint to the country's development is the limit on its manpower in terms of both numbers and skills. A special manpower training organisation will be set up to assure efficient implementation of special nationwide recruitment and training programmes. Further, a manpower planning department within the Central Planning Organization will coordinate overall development and utilization of the Saudi and non-Saudi requirements of the labour force. Preparations are also underway for the modification and modernisation of the structure of education so that it can effectively serve the future needs of the Kingdom.
3. Development of the economic regions of the country by :
 - Wide distribution of productive investment based on the distinctive natural and human resources of each region without ignoring the incentives to individual effort and achievement.
 - Introduction of social programmes in accordance with need.
 - Development of basic infrastructure.This is the main strategy of the plan, as it reflects the country's determination to obtain maximum benefit from its available financial resources.

Total appropriations required for the Plan are estimated in 1974-75 prices as follows
(U. S. millions) :

Economic Resource Development	26,174.7
Human Resource Development	22,762.5
Social Development	9,435.5
Physical Infrastructure Development	32,086.5
Subtotal	90,459.5
Administration	10,846.4
Defense	22,203.6
External Assistance, Emergency Funds, Food Subsidies and General Reserve	18,033.6
Subtotal	51,083.6
Total	141,543.1

Planned expansion of other manufacturing includes increasing cement production capacity from 1.15 million tons annually to 10 million tons.

Planning studies will be completed for a major industrial estate at Jubail to accommodate hydrocarbon-based industries and several estates elsewhere will be expanded or created for other industries.

To encourage full participation of the private sector in economic diversification, the Government continues to grant special incentives, the establishment of investment funds and other enhancements.

The physical infrastructure must be developed if the economic and social objectives of the Plan are to be attained. The targets for the roads sector are to link all major populated areas and to provide alternatives for the most travelled routes. More than 13,000 kilometres of paved roads and 10,000 kilometres of rural roads will be constructed and the maintenance programme will be expanded. The Kingdom's ports which are the major handicap at present, will be expanded to cope with the vast expected increase in imports. Twenty new berths will be constructed at Jeddah and sixteen at Dammam and the introduction of further mechanization will increase the handling capacity of existing berths. The improvement programme for the Kingdom's airport will continue and the whole airway system

will be provided with the highest quality navigation and control equipment to ensure safety and convenience.

The development of the minerals sector in the next five years is planned largely to increase the commercial potential of the Kingdom's metallic and non-metallic resources.

The integrated electricity system that is planned will add 3,300 megawatts of generating capacity and 3,500 kilometres of transmission line of the present non-integrated system and will serve 1.6 million more people.

Manufacturing is a focal point of the development plan in general terms, for the Kingdom can reduce its dependence on exports of crude oil, only by expanding and diversifying its manufacturing activities. In the oil producing Eastern region, major plants will be constructed for gas gathering and treatment, production of petro-chemicals, refining of products for export, fertilizer production and manufacture of steel and aluminium products. The total investment in these projects during the Plan is estimated at S.R. 37,800 million equivalent to U.S. Dollars 10,693 million. In the Western region with crude oil and NGL piped from the east, an export oriented refinery and a petro-chemical complex are planned and will account for a further investment of S.R. 10,830 equivalent to U.S. Dollars 3,063 million.

**COMPARISON OF ESTIMATED FINANCIAL REQUIREMENTS OF
FIRST AND SECOND PLANS**

(\$ Millions)

	First Plan		Second Plan		Ratio : Second Plan to First Plan
	Amount	Percent	Amount	Percent	
Economic Resource Development	1,714.0	10.7	26,174.7	18.5	15.3
Human Resource Development	2,897.5	18.1	22,762.8	16.1	7.9
Social Development	693.9	4.3	9,435.5	6.6	13.6
Physical Infrastructure Development	4,001.9	25.1	32,086.5	22.7	8.0
Subtotal, Development	9,307.3	58.3	90,459.5	63.9	9.7
Administration	2,973.5	18.6	10,846.4	7.7	3.7
Defense	3,691.7	23.1	22,203.6	15.7	6.0
External Assistance, Emergency Funds, Food Subsidies, and General Reserve	—	—	18,033.6	12.7	—
Subtotal, Other	6,816.7	41.7	51,083.6	36.1	7.7
Total Plan	15,972.5	100	141,543.1	100	8.9

Programmes for the development of water resources during the plan to provide for increasing water supplies to inland cities from underground resources.

Desalination will be the main source developed for the coastal urban centers. The projected increase in water production will amount to about 209,000 cubic metres per day on the Red Sea and 380,000 on the Arabian Gulf coast. All the larger desalination plants will be dual purpose type, producing water as well as generating electricity.

In the management of petroleum resources the Government's Five Year Plan may be taken as a first step in a very long term development for this sector. Many of the programmes planned by the Ministry of Petroleum and Mineral Resources for the next five years are basic studies which include techno-economic analysis of world trends in petroleum production and marketing, the roles of petroleum as energy and as a raw material, and international conservation of hydrocarbon resources. Seismic exploration will be extended to all areas including "Rub al Khali" and field studies will be made of surface production potentials and production improvements.

The targets established for telecommunications are far reaching. The plan includes upgrading of the local telephone network to provide at least 20 telephones per 100 residents in the large cities and approximately 5 telephones per 100 in the smaller communities.

The postal service plans to provide all parts of the Kingdom with prompt service of unquestionable reliability.

The Government's primary aim for housing is to ensure that every household in the Kingdom has decent, safe and sanitary housing. The plan calls for the private sector to construct, with the assistance

of the Real Estate Development Fund, 122,100 units and for the public sector to construct 52,500 units for low-income families and to develop 44,300 fully serviced building lots to be allocated to low-income households for the orderly self-help construction of housing.

Government Budget for 1395/96

The Budget for the current fiscal year 1395/96 reflects the objectives of the Second Five Year Plan.

Revenues were projected at S.R. 95,847 million of which oil revenue represents S.R. 86,969 million or 90.7 percent of the total. The balance of S.R. 8,878 million is expected to be realised mainly from investment and partly from income tax on foreign companies.

Total expenditure appropriation in the Budget is S.R. 100,935 million, more than double the level in the previous year. The deficit is expected to be financed from previous year's unspent allocations.

Budget Estimate	(Million Riyals)	
	1394/95	1395/96
Revenues	98,247	95,847
Oil Revenue	94,432	86,969
Other Revenue	3,815	8,878
Expenditures	45,743	110,935
Projects Budget	26,397	74,380
Principal Development Departments	4,085	9,851
Defence and National Security	2,272	3,893
Royal Secretariat and Council of Ministers	80	119
Other Expenditures and Subsidies	12,909	22,692
Less Expected Saving	—	—

Saudi Riyal

It was felt that the objective of having a stable Riyal could best be attained by linking the Riyal to the Special Drawing Right. On March 15, 1975 the Riyal link with the dollar was abolished, and the Riyal has since then been realigned to the Special Drawing Right. The Riyal/Dollar exchange rate is determined daily by the Saudi Arabian Monetary Agency on the basis of the daily Dollar/SDR rate announced by IMF. To secure more stability to the exchange market IMF approval on a wider band of 7.25 percent either side of the exchange rate

was obtained in September 1975, to replace the common 2.25%. This concludes that the Riyal would no longer be exposed to wide fluctuations in any single currency, and in particular to its rate with the Dollar which is the main trading-used currency for imports and investment. It is worth mentioning that since Mid-July 1974, five international Riyal loans were managed through the N.C.B, totalling S.R. 425 million equivalent to Dollars 125 million, to the Sudan, Morocco, Australia, and Spain. It is felt that as a result of parity realignment and the fairly stable rate of exchange, the Riyal may be reasonably accepted for medium term loans internationally.

Development of Saudi Riyals			
Cross Rates	END	END	END
Currency	1973	1974	1975
West German - Deutschmark	131.67	147.51	134.92
Pound Sterling	8.25	8.36	7.14
Japanese Yen	12.72	11.82	11.59
French Franc	75.96	80.07	79.03
Canadian Dollar	3.54	3.52	3.59
Swiss Franc	109.39	140.51	134.92
Netherland Guilder	126.06	141.63	131.60
Belgian Franc	8.56	9.84	8.94
Italian Lira	5.86	5.49	5.17
Austrian Schilling	17.97	20.79	19.13
Spanish Peseta	62.69	63.61	59.22
Swedish Krone	77.62	87.35	80.34
Norwegian Krone	62.15	68.24	63.35
Danish Krone	56.70	63.14	57.29

Oil

World oil production decreased by 6% in 1975 ; from 2872.6 million tons in 1974 to 2702.1 million tons. Arab production of oil represent 31 % of total world production and the Kingdom retained its position as the third largest world producer in relation to daily production. The Kingdom's share in world production in 1975 was 337.3 million tons against 421.8

million tons in 1974 a decrease of 20%. This is viewed to be a reasonable decrease and reconciles with the Government-oil policy and the policy of the "OPEC" countries, which is seen to serve the interest of both producers and consumers. As a consequence, revenue from oil accordingly declined by 3.6% during the present fiscal year. For the record, the 1974 revenue was Dollars 22,573 million.

Oil Production For Arab Countries				
Countries	1973	1974	1975	Percent
Saudi Arabia	364.7	421.8	337.3	-20.0
Iraq	99.4	91.6	111.3	+ 21.5
Kuwait	138.3	114.4	93.3	-18.4
United Arab Emirates	76.9	84.9	82.3	+ 37.2
Qatar	27.5	24.8	20.0	-19.3
Oman (Sultanate)	14.5	14.3	16.5	+ 15.0
Syria	5.5	6.5	9.0	-38.5
Libya	104.6	74.8	71.0	- 5.0
Algeria	51.1	48.7	42.6	-12.4
Egypt	13.5	12.1	15.8	+ 30.6
Tunisia	3.9	4.1	4.5	+ 9.8
Others	27.4	29.0	25.4	-12.5
Total	173.1	139.7	133.9	- 4.2
Total production of Arab Countries	927.3	927.0	829.0	-11.6
World production	2,850.8	2,872.6	2,702.1	- 6.0

Foreign Trade

Imports from nine major industrial countries amounted to US Dollars 3,287 million during the first nine months of 1975 against US Dollars 1,761.3 million in 1974 a growth of 86%. This large increase in

imports reflects the economic boom in the country. The volume of imports financed through commercial banks amounted to S.R. 10,986.8 million in 1975 as against S.R. 5,357.6 million in 1974.



The Haj Season :

In 1395 Haj pilgrimage reached 894,573 pilgrims who came from all over the world against 918,777 pilgrims in the previous year.

This signifies the need for more expanded facilities. Thus, necessary arrangements have been completed by the authorities to start the big Mina project which will cost S.R. 7,000 million and to accommodate 3

million pilgrims. Of this total, a sum of S.R. 2,000 million will be spent on water supply net work, sewage, electricity, telephones, roads, bridges, tunnels and buildings for public services. The remaining S.R. 5,000 million will be spent on houses and the whole project will take 5 years to complete. Our Bank continued to render its usual services to pilgrims through its seasonal branches at the airport and seaport which render 24 hours service.



**BALANCE SHEET
AND
PROFIT & LOSS ACCOUNT**





NATIONAL COMMERCIAL BANK (PARTNERSHIP COMPANY)

SAUDI ARABIA

BALANCE SHEET AS AT 29TH ZUL-HIJJAH 1395 (1ST JANUARY, 1976)

CAPITAL & LIABILITIES

ASSETS

1394 S. Rls		S. Rls	S. Rls	1394 S. Rls		S. Rls	S. Rls
30,225,133	CAPITAL		30,225,133.00		CASH FUNDS		
	REVENUE RESERVES			252,441,626	1 - Cash in Hand	441,685,245.00	
32,774,867	Statutory Reserve	32,774,867.00		456,491,407	2 - Statutory deposit with Saudi Arabian Monetary Agency	960,032,006.00	
77,000,000	Other Reserves	187,000,000.00		298,529,376	3 - Other deposits with Saudi Arabian Monetary Agency	899,326,000.00	
			219,774,867.00	1007,462,409			2301,043,251.00
	CAPITAL RESERVES				DEPOSITS WITH BANKS		
—	Surplus on revaluation of properties	46,095,605.00		103,955,987	1 - In Saudi Arabia	89,861,634.00	
—	Surplus on revaluation of investments	31,877,142.00		570,420,219	2 - Abroad	773,204,534.00	
			77,972,747.00	674,376,206			863,066,168.00
140,000,000	Total Capital and Reserves		327,972,747.00		INVESTMENTS (revalued at market value)		
	DEPOSITS				1 - Shares and securities of Establishments :		
2356,067,182	1 - Customers deposits (Note : Covers total current, time and saving deposits)	3861,828,505.00		58,008,414	a) In Saudi Arabia	107,366,142.00	
	2 - Deposits from Banks :			64,009,513	b) Abroad	96,448,310.00	
1,995,810	a) In Saudi Arabia	53,048,988.00		—	2 - Other Investments	—	
32,712,316	b) Abroad	184,852,407.00		122,017,927			203,814,452.00
424,168,528	3 - Sundry Deposits (Note : Includes margins for letters of credit, guarantee, drafts and others transfers)	589,348,935.00			LOANS, Advances...etc. (Less Provision for bad and doubtful debts)		
2814,943,836			4689,078,835.00		1 - To :-		
	BORROWINGS			815,149,883	a) Private Sector	1236,626,434.00	
—	1 - From Banks			89,592,419	b) Banks	81,101,050.00	
—	a) In Saudi Arabia	—		38,055,078	c) Others	99,734,108.00	
105,945,428	b) Abroad	185,778,938.00		190,302,555	2 - Bills purchased and discounted	279,881,555.00	
—	2 - From Others	—		1133,099,935			1697,343,147.00
105,945,428			185,778,938.00		FIXED ASSETS		
	PROFIT & LOSS ACCOUNT			27,112,311	1 - Bank premises and other real estate (revalued at market value)	99,737,811.00	
384,348	1 - Balance Brought Forward from Last Year	79,616.00		3,475,636	2 - Furniture, Fixtures and equipment (Less Depreciation)	4,395,886.00	
19,695,268	2 - Net Profit of the Year 1395 (after transfers to other reserves)	20,011,621.00		30,587,947			104,133,697.00
	OTHER LIABILITIES				OTHER ASSETS		
25,749,993	1 - Acceptances outstanding on behalf of customers	236,371,839.00		25,749,993	1 - Customers Liabilities for outstanding acceptances	236,371,839.00	
50,346,893	2 - Other Liabilities	67,919,557.00		163,771,349	2 - Other Assets	121,440,599.00	
76,096,886			304,291,396.00	189,521,342			357,812,438.00
3157,065,766	Sub-Total		5527,213,153.00	3157,065,766	Sub-Total		5527,213,153.00
	CONTRA ACCOUNTS				CONTRA ACCOUNTS		
2528,098,978	Guarantees, Letters of Credit and other obligations	3857,450,677.00		2528,098,978	Customers Liabilities under guarantees, letters of credit and other obligations	3857,450,677.00	
5685,164,744	Grand Total		9384,663,830.00	5685,164,744	Grand Total		9384,663,830.00



NATIONAL COMMERCIAL BANK (PARTNERSHIP COMPANY)

SAUDI ARABIA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 29TH ZUL HIJJAH, 1395 (1ST JANUARY 1976)

1394				1394		
S. Rls		S. Rls	S. Rls	S. Rls	S. Rls	S. Rls
	EXPENSES				INCOME	
21,428,838	Salaries and other staff expenses	33,983,767.00			Net income from foreign exchange transactions and other services	209,520,984.00
—	Directors Fees, remunerations...etc.	—	137,644,314		Net income from Investments and real estate	10,552,996.00
36,208,861	Service Charges	55,243,721.00	7,870,881		Profit on sales of real estate	39,552,771.00
	Provisions for Depreciation...etc.		14,929,743			
1,786,288	a) Depreciation on Buildings, Furniture...etc.	1,445,396.00	160,444,938			259,626,751.00
31,160,279	b) Other Provisions	24,485,000.00				
32,946,567		25,930,396.00				
10,165,404	Other Expenses	14,457,246.00				
	NET PROFIT FOR THE YEAR					
59,695,268	Of which :—	130,011,621.00				
	a) Transfer to other reserves	110,000,000.00				
	b) Balance – Carried to Balance Sheet	20,011,621.00				
160,444,938		259,626,751.00	160,444,938			259,626,751.00

AUDITORS REPORT

We have examined the above Balance Sheet and the 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 there with.

We have obtained the information and explanations which we considered necessary for the purpose of our audit.

Investments and Bank premises have been valued at current market value by experts and as certified by the directors.

In our opinion, the Balance Sheet and Profit and Loss Account present fairly the financial position of the National Commercial Bank at 29th Zul Hijjah, 1395 (1st January, 1976) and the net Profit of the year ended on that date in accordance with generally accepted accounting principles and as shown by the Books.

ISSA EL-AYOUTY & CO.
ACCOUNTANTS & AUDITORS

ISMAIL A. EL HABBAK
ACCOUNTANT & AUDITOR

JEDDAH: 18th March, 1976
18th Rabi-ul-Awal, 1396

Brief analysis of the Balance Sheet and Profit and Loss Account

Introduction :

The year 1395 has been another year of higher success for the Bank as it appears from the excellent results exemplified by all the figures of the balance sheet which rose from S.R. 5685.2 million in 1394 to S.R. 9384.7 million in 1395 i.e. a growth rate of about 65%. This aggregate increase in the balance sheet is reflected on all the items of banking activity explained by the following comments :

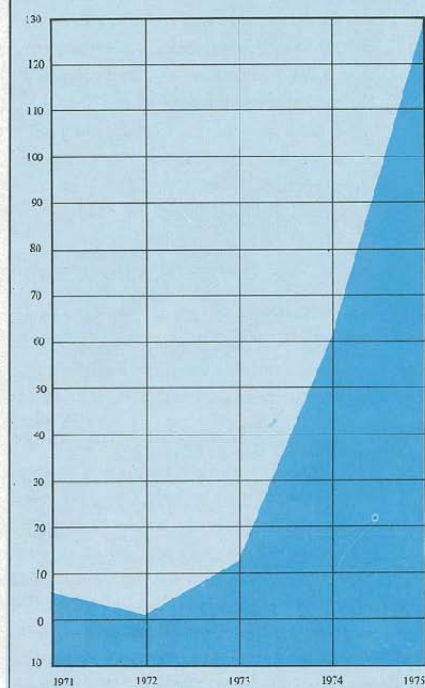
Operating income :

Efforts on all levels have been productive ; income rose from S.R. 160.4 million in 1394 (1974) to S.R. 259.6 million in 1395 (1975) with an increase of S.R. 99.2 million and a growth rate of about 61%. Net income after appropriation showed another record figure of S.R. 130.01 million against S.R. 59.7 million which represents an increase of 117%.

The most important sources of this income are the sale of foreign currencies, international investments and other banking services which produced S.R. 209.5 million accounting for 80% of the aggregate income. Profits from investments in, and yield of real estates amounted to S.R. 10.6 million about 4% of the aggregate income. The profits from the liquidation of land and real estates investment S.R. 39.6 million which accounts for 15% of the aggregate income.

While the operating income this year has almost doubled, operating expenses have also increased considerably due to the rise in administrative expenses and the increase in the number of employees and their salaries and other services, which accounted for S.R. 129.6 million compared with S.R. 100.8 million in 1394 with an increase of about S.R. 28.8 million or a rate of growth of about 28%.

Profits



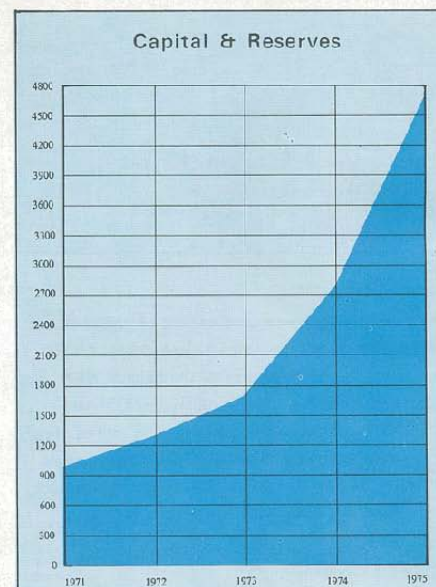
Capital & Reserves funds :

In line with the preparation now underway to transfer our Bank from a partnership company into a Saudi share company in accordance with the requirements of the Banking Control Law. The National Commercial Bank has revalued its investments and real estate properties at current market prices on the date of balance sheet. The total surplus resulting from this revaluation amounted to S.R. 77.9 million which has been added to the capital reserves. This figure is made up from S.R. 46.1 million surplus of revaluation of bank premises and real estate and S.R. 31.8 million surplus of revaluation of investments. The Bank's revenue reserves have also been supported by S.R. 110 million transferred out of this year's profits. After these changes, the total capital and reserve fund of the Bank stood at S.R. 327.9 million compared with S.R. 140 million last year an increase of about S.R. 187.9 million, or 134 %.

Liquidity :

Cash in hand with Saudi Arabian Monetary Agency, local banks and with correspondents abroad and at home reached S.R. 3164.11 million not including marketable securities compared with S.R. 1681.84 million last year an increase of about S.R. 1482.27 million and a growth rate of about 88 %. This produced a liquidity ratio of about 60 % as compared with 57 % last year. There is no doubt that this is a very high liquidity ratio for a bank of our standing, despite the great expansion in loans and advances.

However, this can be taken as a clear indication of the magnitude and capability which our bank enjoys and ability to take a major role in accommodating more financing operations especially for vital projects.



Borrowed funds :

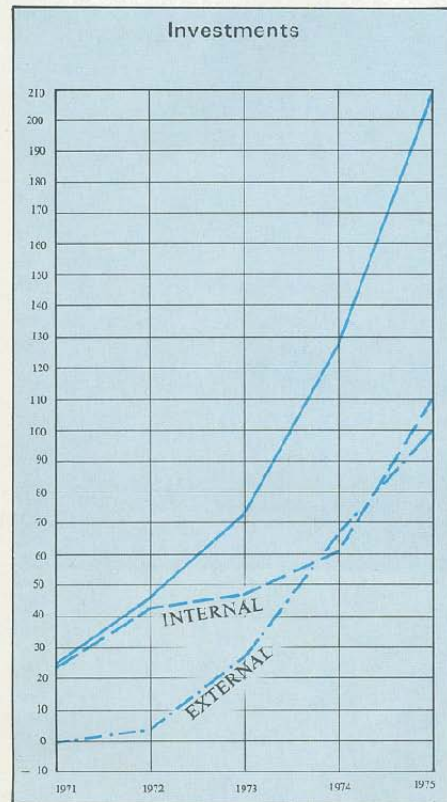
This item represents documentary operations in transit and balances of correspondents' current accounts resulting from these operations. The total of this item amounted to S.R. 185.8 million against S.R. 105.9 million last year an increase of about S.R. 79.9 million and a growth rate of about 75 %. This may well be due to the dimension this documentary business mostly negotiated credits, is taking.

Investments :

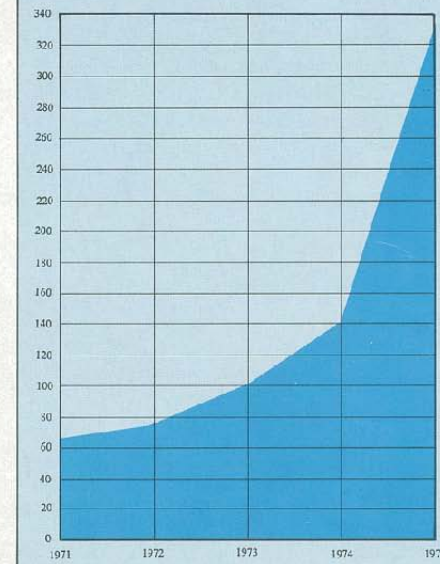
The total of our investments in Saudi share companies after revaluation at market price amounted to S.R. 203.81 millions compared with S.R. 122.01 million last year.

Loans & Advances, etc. :

Loans, advances, bills and commercial paper bought and discounted after provision for bad debts and debts of doubtful nature totalled S.R. 1697.3 million as compared with S.R. 1133.01 million an increase of about S.R. 564.3 million and a growth rate of about 49%.



Deposits



Deposits :

The aggregate total of deposits including current accounts and accounts maintained by local and foreign banks registered another record level this year at S.R. 4689.08 million compared with S.R. 2814.9 million last year an increase of about S.R. 1874.18 million and a growth rate of about 65%. This increase emphasises the increasing confidence and the continuous cooperation between the Bank and its customers and correspondents, which we are always proud of.

SUMMARY OF BALANCE SHEETS 1386 - 1395

	1386 SR (Millions)	1387 SR (Millions)	1388 SR (Millions)	1389 SR (Millions)	1390 SR (Millions)	1391 SR (Millions)	1392 SR (Millions)	1393 SR (Millions)	1394 SR (Millions)	1395 SR (Millions)
LIABILITIES										
Capital, reserves and retained earnings	65.90	65.90	65.90	66.00	66.00	66.00	75.00	100.00	140.00	327.97
Deposits & Current Accounts	703.20	628.93	767.13	799.41	869.39	1,009.61	1,389.54	1,766.62	2,814.94	4,680.08
Borrowings from Banks	64.92	54.07	72.22	36.10	39.44	41.90	26.34	17.24	105.95	185.78
Other Liabilities	9.58	38.54	46.45	52.09	47.23	42.14	52.83	58.03	96.17	324.38
Sub Totals	843.60	887.44	951.70	953.60	1,022.06	1,159.65	1,543.71	1,941.89	3,157.06	5,527.21
Contra Accounts	448.65	510.50	586.52	600.78	638.70	702.64	960.41	1,687.15	2,528.10	3,857.45
Grand Totals	1,292.25	1,397.94	1,538.22	1,554.38	1,660.76	1,862.29	2,504.12	3,629.04	5,685.16	9,384.66
ASSETS										
Cash funds & Short-term deposits with Banks	195.01	278.36	284.22	260.35	372.81	484.30	798.92	1,045.63	1,681.84	3,164.11
Loans & Advances, etc.	551.54	499.02	532.81	543.93	525.55	562.70	590.73	706.34	1,133.10	1,697.34
Investments	23.40	15.49	16.76	18.64	20.06	21.58	43.61	70.00	122.02	203.81
Fixed Assets	56.27	35.35	35.65	36.31	43.70	43.46	40.32	42.61	30.58	104.13
Other Assets	17.38	59.22	82.26	94.37	59.94	47.61	70.13	77.31	189.52	357.81
Sub Totals	843.60	887.44	951.70	953.60	1,022.06	1,159.65	1,543.71	1,941.89	3,157.06	5,527.31
Contra Accounts	448.65	510.50	586.52	600.78	638.70	702.64	960.41	1,687.15	2,528.10	3,857.45
Grand Total	1,292.25	1,397.94	1,538.22	1,554.38	1,660.76	1,862.29	2,504.12	3,629.04	5,685.16	9,384.66



THE NATIONAL COMMERCIAL BANK AND THE EXPANSION OF FIELDS OF ACTIVITY

The idea of the establishment of The National Commercial Bank has grown in the minds of its founders when they felt the country's need for such a project to participate in the growth of the national economy and to keep pace with the development and progress which the Kingdom started to experience. This organization started operations 38 years ago under the name of "Saleh and Abdulaziz Kaaki and Salim bin Mahfooz Company". Its activity was then limited to banking operations in its simplest form but started to grow rapidly. On 5/9/1369, the partners decided to raise the capital of the company, to change its name and to expand its sphere of activities to include all banking operations usually handled by banks and to extend its sphere of operations to the outside world within a framework and a comprehensive plan that ensured the utmost advantage of the expansion. According to this plan, the name of the company was changed into the name it is now bearing, i.e. "The National Commercial Bank". The capital was also raised to S.R. 30,225,133. This year it stands at S.R. 327.9 million. The Bank carries its operations today with firm strides and strong will in the service of the national economy. And from the day it was established 38 years ago, the day

the first regular balance sheet was published 22 years ago, and today, has been a story of a long exciting and challenging performance.

The bank has now 31 branches and offices in addition to 3 seasonal pay offices, and it employs more than one thousand employees.

New Bank Building :

It has been decided to construct a new complex for the Head Office and the Main Branch at Jeddah City, and the design is underway which will take into consideration the future expansion for the bank and will be based on the most modern technology.

Reorganization and Training :

The Bank's reorganisation programme is nearing completion and it is now almost fully mechanized by the modern accounting equipment. On the other hand the Bank is continuing its plan, aiming at improving the efficiency of its staff members by sending them abroad to our correspondents at the various international financial centres for training in all fields of banking. It is worth mentioning also that a new system of voluntary saving was introduced for all Bank employees with all the financial merits it affords to them.

New Branches :

The Bank continues in expanding the sphere of its activities and the extent of banking services which it offers to its clients through the opening of new branches. A new branch has been equipped and made to operate in Hindawiyah area and another in Gurayat in order to work side by side with the other main branches to make our developed banking services in close reach of every client.



THE NATIONAL COMMERCIAL BANK AND THE EXPANSION OF FIELDS OF ACTIVITY

The idea of the establishment of The National Commercial Bank has grown in the minds of its founders when they felt the country's need for such a project to participate in the growth of the national economy and to keep pace with the development and progress which the Kingdom started to experience. This organization started operations 38 years ago under the name of "Saleh and Abdulaziz Kaaki and Salim bin Mahfooz Company". Its activity was then limited to banking operations in its simplest form but started to grow rapidly. On 5/9/1369, the partners decided to raise the capital of the company, to change its name and to expand its sphere of activities to include all banking operations usually handled by banks and to extend its sphere of operations to the outside world within a framework and a comprehensive plan that ensured the utmost advantage of the expansion. According to this plan, the name of the company was changed into the name it is now bearing, i.e. "The National Commercial Bank". The capital was also raised to S.R. 30,225,133. This year it stands at S.R. 327.9 million. The Bank carries its operations today with firm strides and strong will in the service of the national economy. And from the day it was established 38 years ago, the day

the first regular balance sheet was published 22 years ago, and today, has been a story of a long exciting and challenging performance.

The bank has now 31 branches and offices in addition to 3 seasonal pay offices, and it employs more than one thousand employees.

New Bank Building :

It has been decided to construct a new complex for the Head Office and the Main Branch at Jeddah City, and the design is underway which will take into consideration the future expansion for the bank and will be based on the most modern technology.

Reorganization and Training :

The Bank's reorganisation programme is nearing completion and it is now almost fully mechanized by the modern accounting equipment. On the other hand the Bank is continuing its plan, aiming at improving the efficiency of its staff members by sending them abroad to our correspondents at the various international financial centres for training in all fields of banking. It is worth mentioning also that a new system of voluntary saving was introduced for all Bank employees with all the financial merits it affords to them.

New Branches :

The Bank continues in expanding the sphere of its activities and the extent of banking services which it offers to its clients through the opening of new branches. A new branch has been equipped and made to operate in Hindawiyah area and another in Gurayat in order to work side by side with the other main branches to make our developed banking services in close reach of every client.

International activities :

As usual the National Commercial Bank continued to play its vital role in the international field by expanding its net work of correspondents all over the world and by cooperating with associated banks in which our Bank has a participation, such as, the European Arab Bank, Brussels and Frankfurt, Banque Arabe et Internationale D'Investissement, Paris and Luxembourg and Saudi International Bank, London. It is worth mentioning here that these associated banks have proved to be a complete success not only from the point of reaching a reasonable level of profitability in their relatively short period of operations, but also from the point of fostering the existing commercial and economic ties between the Arab and European world. The National Commercial Bank was pleased to have hosted in Jeddah the last board meetings of the two associated banks named above, and this was a good opportunity to strengthen further the mutual good relations. Also, recognizing the strides which the country is

making in all economical sectors specially its ambitious plans for industrialization the Bank was quick to make available to its customers a more developed type of specialized services in the field of projects studies and analysis.

Foreign Exchange Section :

This section has been developed in the International Division of the Bank in order to keep pace with the caravan of economic progress in the country and to keep trace of the international monetary developments which are highly changeable and very fluctuating. This section has been given special attention by supplying it with expertise and necessary equipment. The scope of its activity has been diversified in order to undertake all kinds of foreign exchange transactions spot, swap and forward sales of various currencies and to take part in the international issues concentrating on developing Saudi Riyal transactions with international markets ; revitalizing the gold market locally and supplying the needs of clients in the various financial fields.

