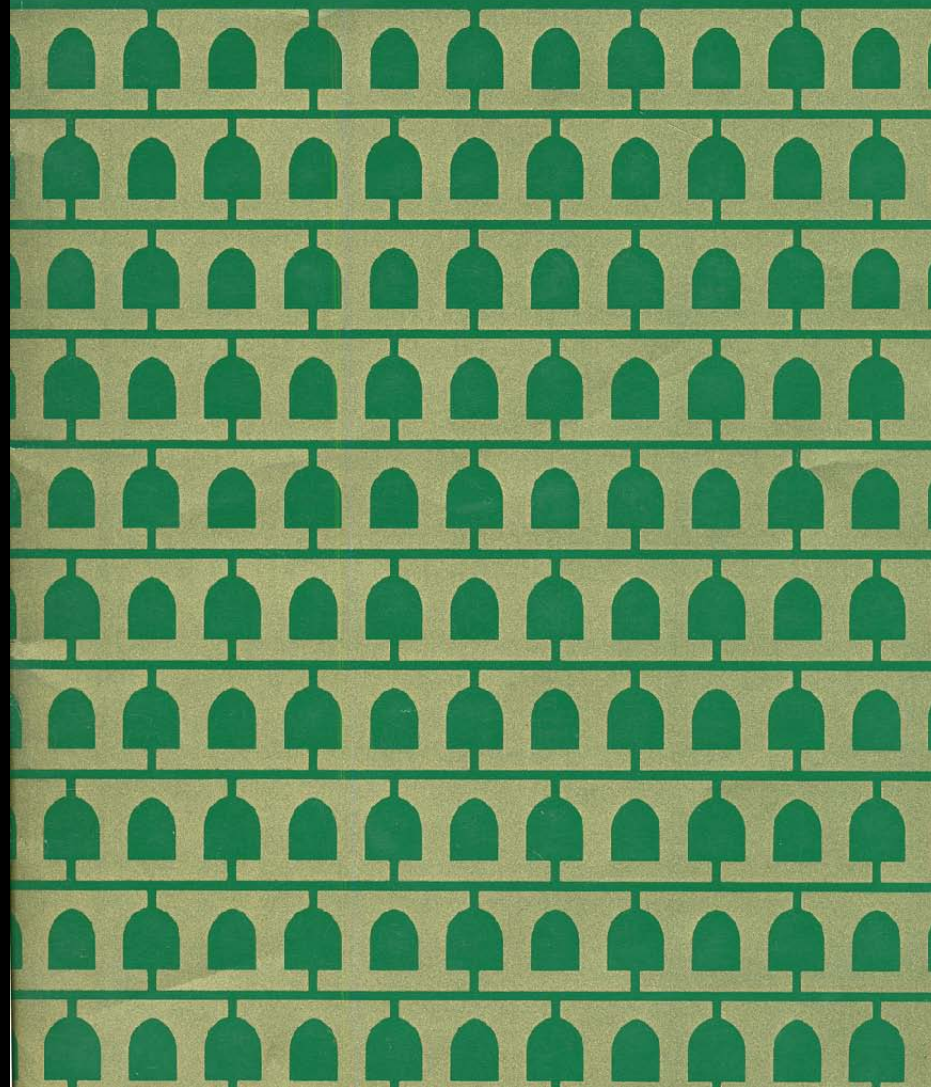




Annual Report year ending December 1977
in English

THE NATIONAL COMMERCIAL BANK





Summary Financial Information

Account	Value in Million Saudi Riyals		Percent Change
	1976 (1396)	1977 (1397)	
Revenues	449.4	558.3	24.2 %
Expenses	225.0	235.7	4.8 %
Net Profit	224.4	322.6	43.8 %
Capital & Reserves	400.0	478.0	19.5 %
Deposits	9,273.8	13,976.4	50.7 %
Cash & Deposits	6,488.2	10,516.4	62.1 %
Investments	284.7	475.8	67.1 %
Loans & Advances	3,038.4	3,842.5	26.5 %
Total Balance Sheet	19,192.7	26,300.7	37.0 %





The National Commercial Bank

Partnership Company—C.R. 1588

Founders

Sheikh Saleh & Abdullah Mousa Al Kaaki

Sheikh Abdul Aziz Mohammed Al Kaaki

Sheikh Salem 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*



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



Ahmed Bahamdan
First Deputy General Manager Credit



Mubarak Baarmah
*Deputy General Manager Personnel
and Operations*



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



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



Review of the Year's Economic and Financial Events

The year 1977 (1397) can be characterised as a year of consolidation. On the domestic front 1977 brought about marked changes in the pace of economic activity. This, in turn, had an impact on Saudi Arabia's international activities. The policies aimed at establishing priorities and of relieving bottlenecks in the economy, initiated in late 1976, have been remarkably successful. It is gratifying to see that as a result of this prudent policy many problems have been eliminated and economic growth has become more manageable.

The challenge for Saudi Arabia is to balance its planned rapid growth while keeping the forces of inflation within tolerable limits and at the same time conserve its depletable resources and preserve the principles of Islam. Major achievements in this direction were apparent during 1977.

Ports:

Port congestion at both Dammam and Jeddah was eliminated during 1977. This resulted from a more controlled pace in the awarding of new contracts, through new administrative policies and the use of a variety of new shipping/unloading techniques such as container-ships, roll-on roll-off vessels, barges and helicopters. Construction programmes aimed at increasing port capacity are well underway to ensure permanent efficiency.

Goods and Services:

The success of the Government's efforts to control the rate of inflation was evidenced by a significantly smaller increase in the cost of living index which fell from 31.5% in 1976 to an annualised rate of 4.3% during the first six months of 1977 (Source: Ministry of Finance and National Economy). Subsidies were continued on many essential food items and were extended to include others. Price controls were also introduced on many products in everyday usage. Faster deliveries of goods resulted in better availability for the consumer which, in turn, contributed to stability in prices.

Housing:

The trend in rentals is another encouraging factor in the battle against inflation. Recent Governmental efforts to increase the housing supply through subsidised financing for the private sector and through its own programme of housing construction eased the pressure

on available housing during 1977. Rental rates, which have been a major factor in rapid inflation, stabilized or even declined during the year. In the second half of 1977 the Real Estate Development Fund stopped granting loan approvals to private owners, pending the introduction of new procedures and requirements. This was done to allow utility companies to catch up with the housing supply so that water and power could be supplied to privately built houses which are ready for occupancy. This policy helped reduce the cost of construction and also effected the growth in money supply, hence having a positive effect on the rate of inflation.

The first phase of the state-sponsored housing programme, awarded at a cost of SR34 billion is nearing completion. Combined with extensive Government efforts and financial commitments to increase utility companies output, this programme will dramatically add to the housing supply and should continue to have a favourable impact on prices and rentals.

In the field of construction, new government guidelines require contractors and foreign business ventures to provide housing for their workers and personnel in order not to aggravate the housing shortage.

Developments Under The Second Five-Year Plan

The Kingdom of Saudi Arabia is now in its third year under the five-year plan announced at the end of 1975.

The infrastructure for massive hydrocarbon-based industrial complexes are well underway at Jubail in the Eastern Province and at Yanbo on the West Coast. The Royal Commission for Jubail and Yanbo was established in 1976 to supervise the development of the infrastructure associated with these projects, and Saudi Basic Industries Company (SABIC) will supervise the industrial development. Last year several contracts were awarded for Jubail and Yanbo in developments that will ultimately cost in excess of SR 40 billion. Included in the infrastructure of Jubail are commercial and industrial seaports (already in progress), desalination plants and other water supply resources, sea water pipelines for cooling purposes, power plants, training station, telecommunications, a 500 kilometre road network, waste collection and treatment plant and residential quarters with all necessary utilities for workmen who will operate the industrial plants. Industrial operations will include basic industries involving petrochemicals, gas gathering,



refineries, steel and aluminium manufacturing, along with several auxiliary and related industries to be carried out by the private sector. The facilities at Yanbo include refineries, commercial and industrial harbours and other industrial facilities. Yanbo will be at the Western end of the East-West pipeline and will also be the site of a major gas gathering system.

Other top priorities under the second five year plan include telecommunications, transportation, education and vocational training, water and industry.



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1/2 Jeddah Cement Factory—an NCB financed project.

3/4 Kilo 2 Mecca Road, Jeddah, branch interior and Manager Ali Alattas.

5/6 Palestine Road, Jeddah, branch exterior and Manager Abdullah Abdat.



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Telecommunications

In June, 1977 the Ministry of Communications awarded a contract for SR 1.5 billion to establish a microwave telecommunications network in the Kingdom. Additionally a contract was awarded for a major telecommunications switching project which will add about 450,000 new telephone lines throughout the Kingdom and will completely modernise our communications system. The project cost will be upwards of US\$ 6 billion and should be completed by the end of 1980. There has been significant improvement already in telex and telephone services; and further improvement is anticipated.

Transportation:

The Kingdom continued expansion of major and feeder roads during 1977. It is estimated that an additional 1,751 Kilometres were added to the main network in 1977, bringing the total to about 15,800 Kilometres. Roads either under construction or in the study and design phase total an additional 15,400 Kilometres.

Water Resources:

The rise in population and increased industrialisation has placed continuing pressure on water supply. Significant progress in meeting existing and expected demands was made during 1977. Desalination projects throughout the Kingdom continued. New contract awards were made for Jeddah and Alkhobar during the year, and new or expanded facilities are planned in at least a dozen further locations in the future. In addition, exploration for deep-water wells is continuing to supplement the output of desalination plants.

Education:

Education continues to receive top priority in the government's development programme because of its vital role in the country's social infrastructure. While the government is maintaining 1978's overall budget expenditure at 1977 levels, education expenditure is planned to increase at 7% to US\$4.36 billion. Over 300 new schools at the primary and secondary level are being built. In higher education, major expansion programmes are in progress at the University of Petroleum and Minerals, Riyadh University, and King Abdul Aziz University in Jeddah and Mecca. Even at this stage, only three years into

the current Five Year Plan, the figures for ultimate higher education disbursement will probably exceed the SR 52 billion indicated in the Five-Year Plan.

Industrial Investments

At the end of 1975, the responsibility for developing basic industries other than petroleum refining was shifted to the Ministry of Industry and Electricity, which in turn created the Saudi Basic Industries Company (SABIC). The basic responsibilities of SABIC are the preparation of public sector projects, project evaluation (along with joint venture partners where appropriate), to provide project financing and the supervision of successful implementation of such projects.

Industrial development made considerable advances during the year. Industrial estates in Jeddah and Riyadh are now in operation, with new consumer/light industry developing consistently and constantly. Investment in this sector is gaining momentum.

Review of Banking and Finance:

The year was very active in banking and finance within the Kingdom, continuing the trend of recent years. The Government pursued its policy of encouraging investment through specialized credit institutions operating in the Kingdom.

Real Estate Development Fund (REDF):

By the end of fiscal year 1976/1977, the cumulative disbursement of the

REDF, since inception in 1974, reached SR 23 billion. From mid-77 no new loans were extended. New procedures for real estate financing set the maximum loan for private residences at SR 350,000 or 70% of cost, whichever is lower, and set limits on construction location beyond which the property will not qualify for financing. This restriction is intended to avoid developments in areas where utilities are not yet available. Commercial development will continue to benefit from fund financing as before but with more regulated disbursement scheduling to avoid heavy and irregular demand on available labour and services. The locations eligible for commercial development financing are also regulated in that only properties in main cities and towns will be subsidised, with the objective of increasing the supply of apartment houses and office blocks. Loan approvals are now solely processed at the headquarters of the fund to enforce disbursement planning. These new procedures are expected to achieve rapid and successful property development without the inflationary impact seen in the past.

Saudi Industrial Development Fund:

This fund, created to stimulate and facilitate industrial investment by the private sector, experienced a sharp increase in both new loan applications and fundings since its inception in 1974. Total loans committed reached SR 2,234 million by year end 1976 and further



substantial growth occurred in 1977 so that loans committed in 1977 reached ST 6,715 million.

Saudization:

Saudization of foreign banks operating in the country has now become law after ratification by the Council of Ministers early this year. All branches of foreign banks are subject to conversion and 60 percent of their share capital must be owned by Saudi individuals. During the year under review the transfer of Algemene Bank Nederland and Banque de L'Indochine et de Suez was fully completed and The British Bank of the Middle East and Banque du Caire are in the final stages. The other foreign owned banks will make the change in the near future.



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1 Plan of Albustan Housing Project for Bechtel, financed by NCB.

2 Main branch Riyadh.

3 Mallez Street Riyadh—new branch office interior.

4 Omar Bajamal visits the Hyundai Harbour Project at Jubail.

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The National Commercial Bank feels that the move towards Saudization is a significant move in the right direction. When all banks have been converted we will have a larger and more meaningful banking system which can then play an even more important role in the development of the economy. This development will create greater competition to provide better and wider customer service in view of the increased branch banking authority granted to the converted banks. NCB already enjoys a very broad base across the country and looks forward to meeting its new competition on equal terms. In terms of ability and capacity, NCB's competitiveness will be even keener when all the banks are converted since the new banks, as Saudi entities, must submit to the Saudi Banking Control Regulations and thus cannot base their lending limits on the capital pool of their parent bank. We are certain that NCB and the new banks will complement and greatly benefit from one another. NCB's leadership in the banking community will be based on support and cooperation with the new banks.

The Capital Market:

When the Saudization programme is fully implemented, the total Saudi capital contribution in all the ten previously fully owned foreign banks is estimated to be about SR 600 million.

This contribution when added to the value of other corporate shares recently issued, and the upgraded capital of existing joint stock companies will make a handsome capital market. Major existing share companies with their capitalisation are listed in Table I.

Common stocks are the main instruments in the capital market. A few private placements of notes issued mainly by foreign borrowers in Saudi Riyal have been made but purchases were mainly by institutional investors. The total amount of private placements issued since the first financing in 1973 is SR 692 million and is shown in Table II. NCB has been the lead manager in most of these issues and continues making a market for all of these notes. It is gratifying to note that there has been some active trading between the banks despite the very limited number of these issues and the institutional characteristic of

Table I Joint-Stock Companies

Name of the Company	Authorized capital in S.R.	Year Hijrah	Gregorian
Jeddah Cement Co Jeddah	150,000,000	1379	1960
Yamama Cement Co Riyadh	750,000,000	1381	1962
Dammam Cement Co Dammam	850,000,000	1390	1970
Yanbu Cement Co Yanbu	700,000,000	1397	1977
Southern Region Cement Co	700,000,000	1397	1977
Jeddah Electric Co Jeddah	100,000,000	1393	1973
Riyadh Electric Co Riyadh	540,000,000	1393	1973
Dhahran Electric Co Dammam	100,000,000	1393	1973
Badana Electric & Water Co Arar	4,104,850	1392	1972
Jizan Electric Co Jizan	3,000,000	1393	1973
Saudi Electric Co Mecca & Taif	120,000,000	1393	1973
Medina Electric Co Medina	30,000,000	1393	1973
Al Hassa Electric Co Al Hassa	20,000,000	1393	1973
Tabuk Electric Co Tabuk	2,500,000	1395	1975
National Gas & Industrial Co Riyadh	116,651,200	1380	1961
National Gypsum Co	36,000,000	1380	1961
Saudi Arabian Fertilizers Co	100,000,000	1385	1965
Red Sea Insurance Co Jeddah	13,000,000	1395	1975
Saudi Hotel Services Co	60,000,000	1397	1977
Saudi Real Estate Co Jeddah	350,000,000	1397	1977
Saudi Investment & Banking Corp Jeddah	90,000,000	1397	1977
Bank Aljazira Jeddah	50,000,000	1397	1977
Bank Al Saudi Al Hollandi Jeddah	90,000,000	1397	1977
Bank Al Saudi Al Fransi Jeddah	100,000,000	1397	1977

Table II

1.	Autopistas Del Mare Nostrum "Aumar". 8½ % 1975-1980/1982. S.R.100,000,000
2.	Banque Nationale Pour le Developpement Economique "BNDE" 8½ %. 1975-1980/1984. S.R.100,000,000
3.	Australian Nationale Hotels 8½ % 1978-1980. S.R.27,000,000
4.	Banque Nationale D'Algerie 9 % 1977-1980/1984. S.R.80,000,000
5.	Societe Anonyme Marocaine De L'Industrie Du Raffinage "SAMIR" 8½ %. 1977-1982/1987. S.R.100,000,000
6.	Compagnie Nationale Algerienne De Navigation "CNAN" 8½ %. 1977-1987. S.R.100,000,000
7.	Interdec "Bermuda" 9 % 1977-1982. S.R.35,000,000
8.	Compagnie Nationale Algerienne De Navigation "CNAN" 8½ %. 1978-1983/1988. S.R.100,000,000
9.	Korea Exchange Bank 7½ % 1983. S.R.50,000,000

participants/investors. The demand for these instruments is surprisingly large and we feel that the Saudi Riyal capital market will easily absorb a much larger volume. Maturities of debt securities in the Saudi Riyal capital markets, however, have been shorter than in other major capital markets. Institutional investors as well as individuals are reluctant to invest in securities with longer maturities than 5-7 years, while maturities in other capital markets, especially the Euro-capital market, have been stretched to 10 and 15 years. Maturities are shorter in the Saudi Riyal sector but the low cost and stability of the Saudi Riyal for the foreseeable future is more than off-setting for the potential borrower.

For NCB all of these activities and developments mean a great deal. As the leading bank in Saudi Arabia, we are making a great commitment and anticipate a greater contribution in the future in creating and encouraging the country's capital markets. Our success to date in playing an important role in the development of the capital markets is satisfying and our record is one which we hope to continue.



1 Al Khobar branch.

2 Corporate Customer meeting at Airport Road branch.

3 Airport Road branch, Riyadh.





Financial Statements

Balance Sheet

as at 10th December, 1977 (29th Zul Hijjah, 1397).

National Commercial Bank (Partnership Company) Saudi Arabia

PARTNER'S EQUITY & LIABILITIES	Note	S.Rls.	Year 1977 (1397) S.Rls.	Year 1976 (1396) S.Rls.
Capital			30,225,133	30,225,133
Reserves				
Statutory reserve		32,774,867		32,774,867
Revenue reserves		337,000,000		259,027,253
Surplus on revaluation of properties		46,095,605		46,095,605
Surplus on revaluation of investments		31,877,142		31,877,142
			447,747,614	369,774,867
TOTAL CAPITAL AND RESERVES			477,972,747	400,000,000
Deposits				
Customers deposits (Note: Covers total current, time and saving deposits)		11,049,112,511		7,437,998,164
Deposits from banks:				
(a) In Saudi Arabia		5,815,436		26,031,803
(b) Abroad		1,331,955,244		421,018,805
Sundry deposits (Note: Includes margins for letters of credit, guarantees, drafts and other transfers)		1,589,528,684		1,388,718,811
			13,976,411,875	9,273,767,583
Borrowings				
From banks				
(a) In Saudi Arabia		—		10,000,000
(b) Abroad		365,760,604		233,059,653
From others		—		—
			365,760,604	243,059,653
Profit & Loss Account	6			
Balance brought forward from previous year		13,956,598		91,237
Add: Net Profit for the year 1977 (after transfer to Reserves)		244,636,783		152,365,361
			258,593,381	152,456,598
Other Liabilities				
Acceptance outstanding on behalf of customers		104,002,565		95,809,582
Other liabilities		195,804,714		222,026,300
			299,807,279	317,835,882
TOTAL PARTNER'S EQUITY & LIABILITIES			15,373,545,886	10,387,119,716
Contra Accounts	7, 8			
Guarantees, letters of credit and other obligations			10,922,157,593	8,805,580,224
BALANCE SHEET TOTAL			26,300,703,479	19,192,699,940

PROPERTY & ASSETS		Year 1977 (1397) S.Rls.	Year 1976 (1396) S.Rls.
	Note	S.Rls.	
Cash Funds			
Cash in hand		782,758,593	625,586,953
Statutory deposits with Saudi Arabian Monetary Agency		4,348,432,985	2,038,479,983
Other Deposits with Saudi Arabian Monetary Agency		3,156,519,430	340,515,664
		8,287,811,008	3,004,582,600
Deposits with Banks			
In Saudi Arabia		111,366,518	319,402,733
Abroad		2,117,197,827	3,164,189,374
		2,228,564,345	3,483,592,107
Investments	1		
Shares and securities of establishments:			
(a) In Saudi Arabia		165,310,085	133,289,470
(b) Abroad		310,463,363	151,596,145
Other investments		—	—
		475,773,448	284,685,615
Loans & Advances	4		
To:			
(a) Private Sector		2,921,180,759	2,187,579,995
(b) Banks		494,908,466	110,886,332
(c) Others		201,073,880	320,600,420
Bills purchased and discounted		225,330,759	419,366,348
		3,842,493,864	3,038,433,095
Fixed Assets	2		
Bank premises and other real estate (at cost or revaluation)		205,326,144	89,564,301
Furniture, fixtures and equipment (less depreciation)		27,322,451	11,785,336
		232,648,595	101,349,637
Other Assets			
Customers' liability for acceptances outstanding		104,002,565	95,809,582
Other assets		207,252,061	378,667,080
		311,254,626	474,476,662
TOTAL PROPERTY & ASSETS		15,373,545,886	10,387,119,716
Contra Accounts	7, 8		
Customers' liability under guarantees, Letters of credit and other obligations		10,922,157,593	8,805,580,224
BALANCE SHEET TOTAL		26,300,703,479	19,192,699,940

Profit and Loss Account

for year ending 10th December, 1977 (29th Zul Hijjah, 1397).

National Commercial Bank (Partnership Company) Saudi Arabia

	Note	S.Rls	Year 1977 (1397) S.Rls.	Year 1976 (1396) S.Rls.
Expenses				
Salaries and other staff expenses			90,532,450	54,897,700
Directors fees and remuneration			—	—
Service charges			81,903,910	87,332,947
Provision for depreciation on buildings, furniture, etc			3,672,831	2,946,194
Other provisions			23,500,000	21,750,000
Allocation for charitable projects			—	30,000,000
Other expenses	5		36,097,259	28,086,669
Total Expenses			235,706,450	225,013,510
Net Profit for the year			322,609,530	224,392,614
Of which:				
(a) Transfer to reserves		77,972,747		
(b) Balance carried to balance sheet		224,636,783		
			558,315,980	449,406,124

	Note	S.Rls.	Year 1977 (1397) S.Rls.	Year 1976 (1396) S.Rls.
Income				
Net income from foreign exchange transactions and other services	3		546,344,237	425,695,539
Net income from investments and real estate			11,856,693	14,276,085
Profit on sales of real estate			115,050	9,434,500
Total Income			558,315,980	449,406,124
			558,315,980	449,406,124

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 lower of cost or 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 of market value or cost.

The following is a list of companies owned or partially owned by the bank

Name of Company	Location	Value in SR
United Arab Company	Mecca	1
Al Ehssa Electric Company	Al Ehssa	150,000
Badana Electric & Water Company	Arar	210,000
The National Gas & Manufacturing Company	Riyadh	4,667,065
The Electric Company of Riyadh	Riyadh	26,579,708
Yemama Cement Company	Riyadh	23,078,550
Saudi Provisions Company	Riyadh	1
The National Gypsum Company	Riyadh	292,500
Medina Electric Company	Medina	108,750
The Saudi Preching Press Establishment	Jeddah	30,000
The Electric Company of Dhahran District	Dhahran	12,512,150
Jeddah Electric Company	Jeddah	21,727,440
The Arabian Fertilizer Company (SAFCO)	Dammam	632,000
The Arabian Cement Company/Jeddah	Jeddah	42,277,200
The Electric Company of Mecca	Taif	355,220
Tabuk Electric Company	Tabuk	286,500
Balgrishy Electric Company	Balgrishy	25,000
Red Sea Insurance Company	Jeddah	500,000
The Saudi Hotel Services Company	Jeddah	6,000,000
The Saudi Real Estate Company	Jeddah	20,000,000
Yanbu Cement Company	Yanbu	3,500,000
		165,310,085

Bank Participations	% of total
Saudi International Bank Ltd.	1.25 %
European Arab Holding S.A.	4.39 %
Compagnie Arab et International d'Investissement	7.2 %
The Arab Jordan Investment Bank	5 %
Saudi Investment Banking Corporation	8 %
Arab Malaysian Development Bank Berhad	12 %
Arab Latin America Bank	3.33 %

The Bank is in the process of acquiring 16% in a newly set up Saudi-Spanish Bank.

The Bank has overseas investments 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.
Depreciation rates are as follows:

Equipment and automobiles 30 % per year

Furniture and fixtures 20 % per year

Buildings 2½ % per year

Fixed assets	Cost (S.Rls.)	Accumulated Depreciation (S.Rls.)	Net (S.Rls.)
1 Bank premises	36,018,287	1,593,351	34,424,936
2 Investment			
—buildings	80,812,105	604,684	80,207,421
—land (Saudi Arabia)	88,143,652	—	88,143,652
—land (Lebanon)	2,550,135	—	2,550,135
3 Furniture, fixtures & equipment	35,986,400	8,663,949	27,322,451
	243,510,579	10,861,984	232,648,595

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 1½ % is payable on net profits.

6. Profit & Loss Account

This account represents the amount owed as dividends to the partners of the bank.

7. Contingent Liabilities

The contingent liabilities are composed as follows:—

	1977 (1997)
Guarantees	6,362,900,642
Letters of credit	3,452,278,306
Other obligations	1,106,978,645
	10,922,157,593

Notes continued

3. Letters of Credit

The letters of credit opened by the bank are analysed by country and currency in the following tables:—

Number of correspondents and letters of credit in important countries	Country	Number of correspondents	Number of documentary letters of credit	Value in SR (000)
	Japan	30	9,220	1,693,172
	U.S.A.	76	2,600	754,780
	W. Germany	29	2,051	596,224
	Italy	25	3,143	500,661
	Korea	18	2,307	486,638
	Taiwan	14	3,821	400,135
	Switzerland	12	482	336,582
	U.K.	38	1,583	297,116
	Belgium	14	392	141,475
	India	16	1,185	141,143
	Hong Kong	20	1,684	124,467
	Total	292	28,518	5,472,393

Important currencies used in documentary letters of credit during 1977

Rank	Currency	Amount (000)	Value in U.S. Dollars (000)	Percentage
1	U.S. Dollars	1,380,447	1,380,447	68.00
2	Yen	40,962,538	171,391	8.45
3	German Mark	342,794	154,173	8.19
4	Pound Sterling	35,153	57,775	3.34
5	Swiss Franc	98,901	49,950	2.45
6	Saudi Riyal	170,921	48,834	2.41
7	French Franc	137,160	29,251	1.44
8	Belgian Franc	883,411	27,308	1.35
9	Bahraini Dinar	8,048	20,344	1.00
10	Dutch Guilder	36,008	15,968	0.79

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 therewith.

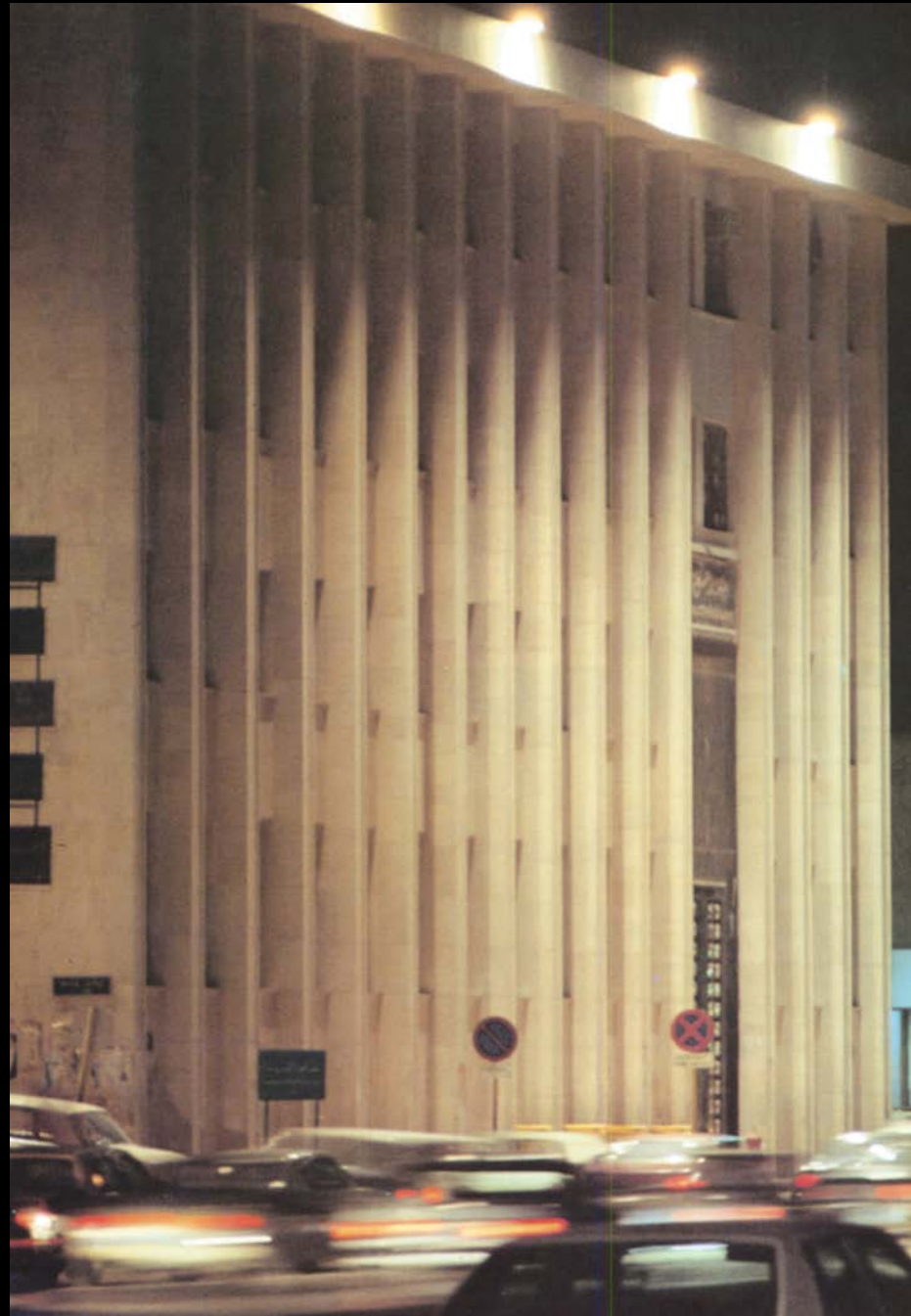
We have obtained the information and explanations which we considered necessary for the purpose of our audit. In our opinion, the Balance Sheet and Profit and Loss Account present fairly the financial position of The National Commercial Bank at 29th Zul Hijjah, 1397 (10th December, 1977) and the Profit of the year ended on that date in accordance with generally accepted accounting principles and as shown by the books.

JEDDAH: 14th Rabi Al Thani, 1398
22nd March, 1978

ISSA EL-AYOUTY & CO.,
Accountants & Auditors

ISMAIL A. EL-HABBAK
Accountant & Auditor

Opposite page
Riyadh main branch at night.



Activities of The National Commercial Bank

In all aspects of the economic development of our country, NCB's presence is evident. In 1977, as in the past many years, NCB's immense capabilities were put to work. For example, within the Saudi business sphere, large scale project financing has been granted or arranged for the Jeddah, Riyadh and Eastern Province power expansion programmes, Jeddah Cement expansion, the Dammam Cement and the new Yanbo Cement Plant.

NCB continues to recognise the importance to the country of trade and inventory build up to face the continuing dramatic increase in demand and consumption. Financing to this sector of business represents the biggest share in the bank's total credit extension.

Changes in trade patterns and the substantial growth in consumer demand for goods and services has placed new demands on the banking system and NCB is first to recognise the importance of assisting young and small business ventures. More retail service branches are planned to achieve this goal.

The demand for project financing from our local and foreign corporate customers has increased and is expected to grow. To satisfy these needs NCB devised improved methods of raising finance, and our International Corporate Finance Group has completed several large medium-term financings for housing complexes required by Saudia, Bechtel, Juffali and Mitsui-Saico, to mention but a few. Our capability in this area has been proven and we are confident of our ability to do even more complex financings.

We do realize that much is expected from a country's leading bank, and we are determined to meet the challenge. We continue to exercise new methods and innovations to serve our domestic clients and our foreign guest customers better. In this context, during 1977, we improved communication within the bank's network and we expect to be computerised by the end of 1978. Moreover, during 1977, the bank continued its programme of modernising and updating its operations procedures and equipment, and introduced new offices with corporate banking facilities especially to serve our foreign corporate customers.

Office space has been continuously strained to keep pace with the rapid growth in our business and personnel. We continue to seek ways and means to improve and renovate our existing premises to meet our immediate and

pressing need for space. It is recognised that our efficiency and ability to offer better services will depend much on improved premises. In this respect, we plan to invest in a new headquarter's building in Jeddah.

The location selected is prime and the building when completed will comprise a most modern banking hall on an area of about 2,500 square metres, and will include twenty-seven storeys of office space. The building will be equipped with the most modern equipment and communication systems available.

During 1977 three new branches were opened at Airport Road Riyadh, Haferel Baten and Gemaza, Mecca. The Airport Road branch in Riyadh is especially worthy of mention, since this particular branch specialises in corporate lending and is staffed with an excellent team of professionals capable of offering the widest possible range of financial advice and expertise.

The bank currently has 1,800 employees including many of the finest calibre Saudi bankers but needs a rapidly increasing number of highly trained and professional bankers, especially in the international sphere. The investment of the government in higher education is beginning to bear fruit, in the form of a reservoir of university trained Saudis capable and interested to develop a career in banking but, until they are available in quantity, it is necessary for the bank to recruit qualified bankers from the United States, Europe and elsewhere. The bank is now directly employing its own expatriate staff with a view to maintaining the loyalty and continuity of such staff.

The bank continues to seek as many ways as possible to serve the corporate community and general public in all their financial needs as well as endeavouring to offer as good a service as possible. The bank is proud



of its record in assisting Saudi entrepreneurship with venture capital with a view to building up an infrastructure of business enterprise within the Kingdom. The bank is the major participant in the country's trade finance and opened SR 6.7 billion in letters of credit during 1977.

The National Commercial Bank is claiming for itself a place among the world's leading banks and is involved in note issues, syndicated medium-term credits and performance guarantee facilities, very often in a lead management position. It is the bank's intention to continue to endeavour to compete in the highest circles of international banking and to enhance its reputation as one of the world's most professional financial institutions.

Computer Installation:

NCB is making considerable progress in implementing an electronic data processing system. The selected system will be based on four centres—Jeddah, Riyadh, Dammam and Mecca—and will utilise NCR hardware. In Jeddah and Riyadh, the most recent of NCR's equipment, the NCR 8550 Criteria, is planned to be installed whilst the NCR 8250 Century is planned for Dammam and Mecca.

Initially the centres will cover a specific number of branches but will not be fully on-line for three years. However, at Riyadh, Dammam and Mecca the computer centres will be based upon the premises of one of the local branches so that on-line transmission will take place immediately for those branches. At present, we have 31 NCR 299/200 electronic accounting machines for accounting within individual branches and which will be used for data capture for computer centre processing once the centres are operative.

The configuration will be controlled from Jeddah, will cost SR 12.5 million in total, and will ultimately employ over 100 personnel throughout the four centres, several from overseas. Furthermore, NCR have agreed to supply two engineers to look after the NCR 8550 hardware.

In the Autumn of 1978, the first stage of the programme should be completed with a SR 8.5 million premises (including sophisticated airconditioning, humidity control and a standby generator) built at Mecca Road to house the Jeddah hardware which is scheduled to arrive in

September 1978. Systems operations in Jeddah are expected to commence around year end. The first systems to be computerised will be the branch accounts (current accounts, savings accounts, overdrafts, general ledger) and central accounts (nostros, vostos, reconciliation accounts, general ledger) but during 1979 several additional applications will be added.

Training programmes for computer personnel have already commenced as have management data interpretation training seminars. Over the next two to three years, NCB expects to have revolutionised its operational activities and to be fully automated throughout its branch network.

Financial Summary and Results of Operations

An overview of the bank's financial results for 1977 reflects the health of the Saudi Arabian economy as a whole during the year. On balance, liquidity reserves accumulated at a rate faster than the bank's ability to identify profitable uses for these funds although SAMA continues to maintain high reserve requirements which necessitates a high degree of liquidity. The net result is that the overall liquidity of the bank increased strongly again last year.

Results of Operations

The bank was able to maintain its strong profit performance during the year. Net profits rose from SR 224.4 million in 1976 to SR 322.6 million, an increase of 43.8%. This was achieved through growth in gross income of 24.2% (from SR 449.4 million to SR 558.3 million) during 1977. Revenue from foreign exchange transactions and banking services increased from

SR 425.5 million to SR 546.3 million or 28.4%. Income from real estate transactions were down from the previous year reflecting reduced activity in this area. The principal increase in expense was in personnel and related costs. This is the natural result of the necessary expansion in qualified and experienced staff required to keep pace with our heightened banking activity.



- 1 Omar Bajamal.
- 2 Mahfouz Bin Mahfouz, Manager of Jeddah Main Branch.
- 3 Abdul Fatah Al Sufi, operations officer and assistant manager, Jeddah, Main Branch.
- 4 Abdullah Bin Hadi, assistant operations officer, Jeddah, Main Branch.
- 5 Signing of the Korea Exchange Bank note issue which was finalised during 1978. General Manager, S. P. Hong (third from the left), signed on behalf of Korea Exchange Bank.
- 6 International division staff meeting in Jeddah (left to right) Yansunori Fujii, Ghalib Al-Kathiri, John Harris, Abdulhadi Shayij and David Mathies.

الجمعية العامة



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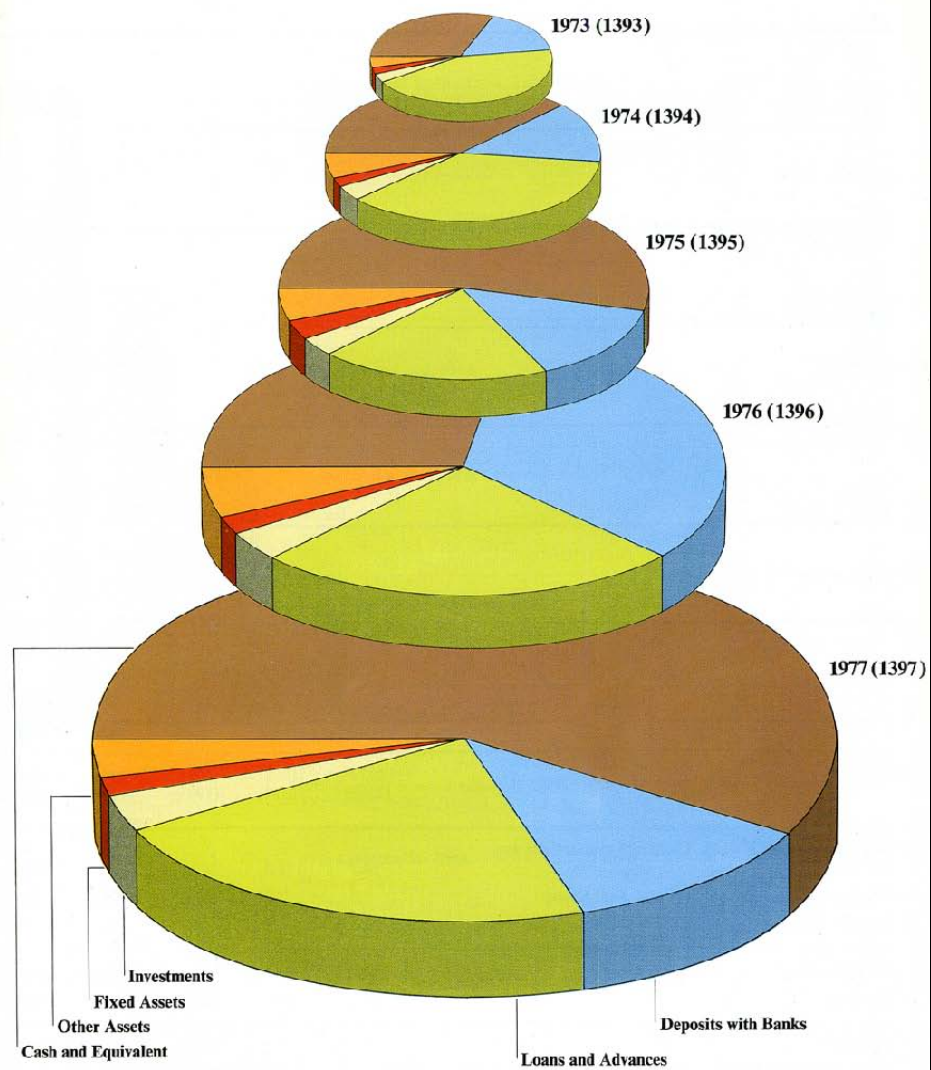
National Commercial Bank in the Kingdom



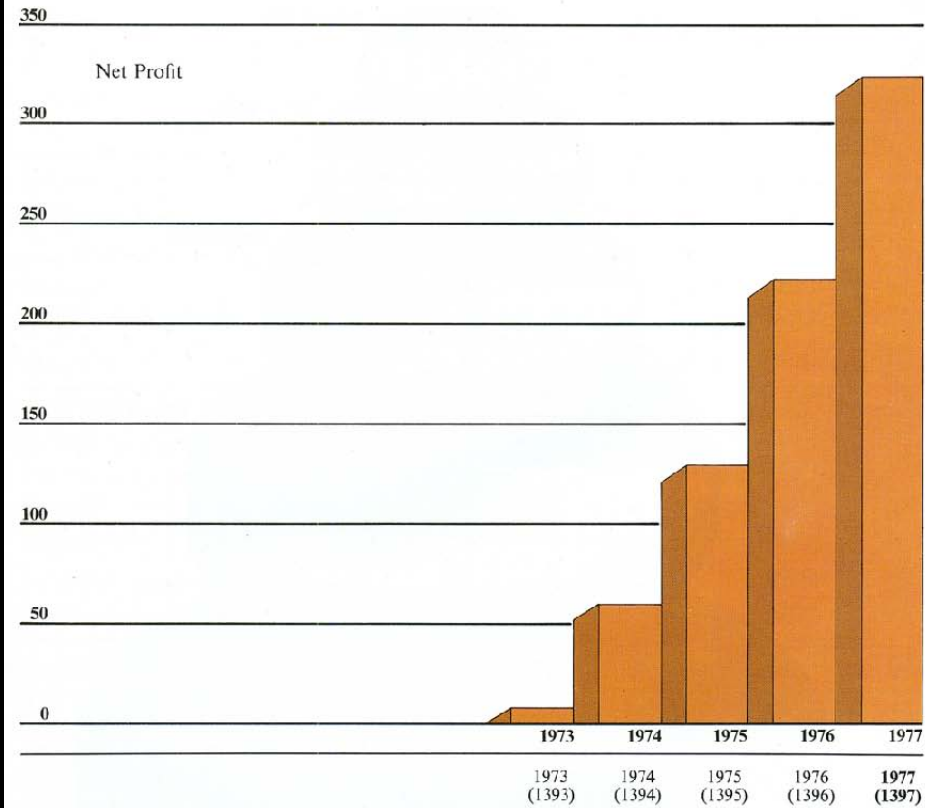
<i>List of Branches and Offices of The National Commercial Bank</i>			
The National Commercial Bank P.O. Box: 3555, Jeddah Tel: 33580/4, 23794 Cable: BANKSAUDI Telex: 401102 neb fx, 401086 gen	12 Yanbu Branch Yanbu	31 Affee Branch P.O. Box: Affee	47 Al-Shuwmasi Office P.O. Box: 34, Riyadh
	13 Arar Branch Arar	32 Al-Bkryia Branch P.O. Box: Al-Bkryia	48 Airport Road Office Riyadh Telex: 201732
The National Commercial Bank Branches: CABLE for all: Mowaffak	14 Najran Branch Najran	33 Eneza Branch P.O. Box Eneza	49 Al-Nasriah Office Riyadh Telex: 201657
	15 Buraidah Branch Buraidah	34 Shadgam Branch P.O. Box: Shadgam	50 Industrial City Office Riyadh
1 Jeddah Main Branch Tel: 23122 P.O. Box: 104, Jeddah	16 Haiel Branch P.O. Box: 85, Haiel	35 Al-Kharj Branch P.O. Box: Al-Kharj	51 Dhahran Office Dhahran—Alkhobar
	17 Jizan Branch P.O. Box: 234, Jizan	36 Al-Driyah Branch P.O. Box: Al-driyah	52 Military City Office Tabuk
2 Bab-Sharief Branch Tel: 26352, 26353, 34946 P.O. Box: 710, Jeddah	18 Al-Gurrayat Branch Al-Gurrayat	37 Meeen Branch Tel: 45513, 45523 P.O. Box: 228 Telex: 440005	53 Al-gazzah Office Mecca
3 Taif Branch Tel: 21021, 22022 P.O. Box: 19, Taif Telex: 450006 alahli	19 Turaif Branch Turaif	The National Commercial Bank Offices:	54 Hailah Bin Dayal Office Riyadh
4 Medina Branch Tel: 25344, 25345 P.O. Box: 26, Medina Telex: 470010	20 Al-Jubail Branch Al-Jubail		55 Industrial City Office Dammam
5 Riyadh Branch Tel: 34100, 34128, 34229 P.O. Box: 34, Riyadh Telex: 201009, 201296	21 Sharoorah Branch Sharoorah	38 Mecca Road Office Tel: 39656, 39957 P.O. Box: 3436, Jeddah Telex: 40	56 Al-Faisalayah Office Najran
6 Al-Khobar Branch Tel: 42266, 42489 P.O. Box: 1, Al-Khobar Telex: 670023	22 Baljorashi Branch Baljorashi	39 Hindawiya Office Tel: 48624 Hindawiya—Jeddah	57 King Abdul Aziz Street Office Alkhobar
7 Dammam Branch Tel: 21717, 21577 P.O. Box: 13, Dammam Telex: 601116	23 Beirut Branch Tel: 314580 P.O. Box: 2355 Beirut—Lebanon, Kaaki Building, Sakiat, El-Ganzir Telex: 20642	40 Sharafiya Office Tel: 36791, 44763, 44764 Sharafiya—Jeddah	58 Midan Al-Khmis Office Al-Ehsa
8 Tabuk Branch Tabuk	24 Raffh Branch Raffh	41 Bab-Mecca Office Bab-Mecca—Jeddah	59 Hijaz Street Office Riyadh
9 Khamis Mushayt Branch Khamis Mushayt	25 Hafir Al-Baten Branch Hafir Al-Baten	42 Medina Road Office Tel: 59765 Balishain Square—Jeddah	60 Riyadh Airport Office Riyadh
10 Al-Ahssa Branch Tel: 21442, 21441 P.O. Box: 1, Al-Ahssa	26 Al-Konfodah Branch P.O. Box: Al-Konfodah	43 Al-Shubbecca Office P.O. Box: 328, Mecca	61 Al-Dirah Office P.O. Box: 34 Riyadh
11 Abha Branch Abha Telex: 901009	27 Al-Dawadmy Branch P.O. Box: Al-Dawadmy	44 Azizyah Office P.O. Box: 228, Mecca Telex: 440005	62 Mallaz Office P.O. Box: 34 Riyadh
	28 Al-Hadithah Branch P.O. Box: Al-Hadithah	45 Al-ataebiyah Office P.O. Box: 228, Mecca	63 Thogbah Office P.O. Box: Al-Khobar
	29 Al-Bahah Branch P.O. Box: Al-Bahah	46 Al-Gummaizah Office Mecca	Seasonal Branches:
	30 Al-Magmaa Branch P.O. Box Al-Magmaa		64 Sea Pilgrims City Branch Jeddah
			65 Airport Pilgrims City Br. Jeddah
			66 Mona Branch Mecca

Five Year Balance Sheet

	S.R. Million				Compound Annual Growth Rate
	1973 (1393)	1974 (1394)	1975 (1395)	1976 (1396)	1977 (1397) 1973-1977 (1393-1397)
Cash and Equivalent	619.35	1,007.46	2,301.04	3,004.58	8,287.81 91 %
Deposits with banks	426.28	674.38	863.07	3,483.60	2,228.57 51 %
Loans & Advances	706.34	1,133.10	1,697.34	3,038.43	3,842.49 53 %
Investments	70.00	122.02	203.82	284.69	475.77 61 %
Fixed Assets	42.61	30.58	104.13	101.35	232.65 53 %
Other Assets	77.31	189.52	357.81	474.47	311.25 42 %
Total Assets	1,941.89	3,157.06	5,527.21	10,387.12	15,378.54 68 %
Deposits	1,766.61	2,814.94	4,689.08	9,273.77	13,976.41 68 %
Borrowings	17.24	105.94	185.78	243.05	365.76 115 %
Other Liabilities	50.16	76.10	304.29	317.84	299.81 56 %
Profit & Loss Account	7.88	20.08	20.09	152.46	258.59 139 %
Capital & Reserves	100.00	140.00	327.97	400.00	477.97 48 %
Total Liabilities & Net Worth	1,941.89	3,157.06	5,527.21	10,387.12	15,378.54 68 %
Contra Accounts	1,687.15	2,528.10	3,857.45	8,305.58	10,922.16 59 %
Balance Sheet Footings	3,629.04	5,685.16	9,384.66	19,192.70	26,300.70 64 %



Five Year Profit History



Net income from Foreign Exchange transactions and other services	74.9	137.6	209.5	425.7	546.3
Net income from Investments and Real Estate	5.0	7.9	10.6	14.3	11.9
Profit on sales of Real Estate	2.2	14.9	39.5	9.4	.1
Total Income	82.1	160.4	259.6	449.4	558.3
Expenses	74.4	100.7	129.6	225.0	235.7
Net Profit	7.7	59.7	130.0	224.4	322.6

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 EC2M 3TB
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

8th Floor
Hong Leung Building
117 Jalan Bandar
P.O. Box 233 Kuala Lumpur 01-22 Malaysia
Tel: 200033 Telex: 31167/9

Arab Latinamerica Bank

Huallaga 320
Lima I
Peru
Tel: 236038/9 Telex: 25138

Communications Information

HEAD OFFICE

King Abdul Aziz Street

Jeddah

P.O. Box 3555

Tel: 33580/4 Telex: 401102/401086

Cable: Banksaudi

MAJOR BRANCHES

Al Khobar

P.O. Box 1

Tel: (031) 42266 Telex: 67023

Beirut, Lebanon

P.O. Box 2355

Tel: 240508

Dammam

P.O. Box 13

Tel: (031) 21566

Jeddah Main

P.O. Box 3555

Tel: 23121 Telex: 401102

Mecca Main

P.O. Box 228

Tel: (022) 21405

Medina

P.O. Box 26

Tel: (041) 25344

Riyadh Main

P.O. Box 34

Tel: (011) 25082 Telex: 20009

Taif

P.O. Box 19

Tel: (023) 21022 Telex: 45006

MAJOR INTERNATIONAL CORPORATE FINANCE OFFICES

International Division

Jeddah

P.O. Box 3555

Tel: 23794 Telex: 401102

49149

401086

Regional Management

Riyadh

P.O. Box 34

Tel: (011) 34100 Telex: 20009

34746

34625

البنك الأهلي التجاري

