

Developing the Country  
Creating Wealth for Shareholders  
Building Customer Loyalty  
Advancing our Employees  
Protecting our Environment  
Strengthening the Community



# بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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Custodian of the Two Holy Mosques  
**King Abdullah Bin Abdulaziz Al-Saud**



**HRH Prince Sultan Bin Abdulaziz Al-Saud**  
Crown Prince, Deputy Prime Minister,  
Minister of Defense and Aviation, and Inspector General



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**NCB is...** one of the Arab world's largest financial institutions. With total assets of SR 226 billion (US\$ 60 billion), the Bank serves 1.6 million customers\* and has 5,160 employees\*. NCB was established in 1953 as Saudi Arabia's first local bank.

**Sustainability is...** the integrated management of economic, environmental, and social performance in a manner that optimizes value for business and society.

NCB is the first company in Saudi Arabia to comply with the G3 guidelines of the Global Reporting Initiative (GRI). Furthermore, we are the first financial institution in the Middle East to publish a GRI checked sustainability report.

### Global Reporting Initiative (GRI): NCB's Application Level

		C	C+	B	B+	A	A+
Mandatory	Self Declared		Report Externally Assured		Report Externally Assured		Report Externally Assured
	Third Party Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured

### Feedback

We would welcome your comments on this report, our sustainability focus and performance. Feedback should be directed to [sustainability@alahli.com](mailto:sustainability@alahli.com).



# Introduction by the CEO

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**Abdulkareem A. Abu Alnasr**  
Chief Executive Officer

As we help to create wealth, we must seek to protect the environment and strengthen our society.

As one of the region's largest financial institutions, we have always recognized the enormous responsibility that NCB bears in the overall development of our society. This begins with insisting on integrity and basic ethical principles in everything we do, and consistently delivering trustworthy, superior services to our customers. The consequences of not meeting these expectations have been highlighted by the recent crisis experienced across the global financial system.

Sustainability management is the integrated, systematic management of economic, social and environmental performance in a manner that optimizes value for our business, our stakeholders, and society. Now practiced by thousands of leading organizations worldwide, it is simply an essential step towards achieving business excellence. This report represents our commitment to sustainability management.

Our stakeholders need to know that we are taking every step not only to minimize risks but also to maximize our positive impact on society. Increasingly, this involves understanding and managing economic, social, and environmental impacts. As we help to create wealth, we must seek to protect the environment and strengthen our society. Adopting sustainability will help NCB to identify opportunities to improve our social and environmental impacts while enhancing value for our customers, shareholders, and corporate reputation.

This is a mid-year report, covering NCB's performance up to 30 June 2008. We have chosen to undertake this mid-year report to better understand the risks and opportunities for our business and to gain a clearer understanding of our sustainability performance. We will issue a full 2008 sustainability report in the first half of 2009, which will focus on improving baseline reporting and outline NCB's specific future commitments on key sustainability issues.

We are proud to note that this report achieves a number of firsts: NCB is the first company in Saudi Arabia to comply with the G3 guidelines of the Global Reporting Initiative (GRI). Furthermore, we are the first financial institution and the first bank in the Middle East to publish a GRI checked sustainability report.

I am delighted that we have embarked on this important journey and look forward to real benefits with the progress of time.

**Abdulkareem A. Abu Alnasr**  
Chief Executive Officer





The National Commercial Bank (NCB) was established in 1953 as Saudi Arabia's first local bank. It has since grown to become one of the Arab world's largest financial institutions, with total assets of SR 226 billion (US\$ 60 billion), 1.6 million customers, and 5,160 employees. These figures reflect the pre-eminent position that NCB has secured, despite the emergence of many domestic competitors and the admission of international banks to the Saudi market.

NCB is headquartered in Jeddah, Saudi Arabia. The Bank has a nationwide branch network and international presence in Bahrain and Lebanon, with representations in the United Kingdom, Singapore, Japan, and South Korea. NCB offers full geographic coverage of Saudi Arabia for both retail and corporate customers. It is one of the most recognized financial brands in the Middle East. NCB's largest area in terms of business volume is the Western Region. The Bank is confident that the future holds significant opportunity for further domestic growth, particularly in the Central Region, which enjoys the highest level of economic activity in the Kingdom. NCB's 60 percent acquisition of Türkiye Finans Katılım Bankası has given it a major presence in Turkey.

NCB's customer-centric strategy emphasizes services, quality, convenience, product innovation, and the utilization of technology. Innovation has always been central to NCB's approach and its historical leadership is illustrated by the development of a range of Shariah-compliant products, the first credit cards, the first ATMs, the first dedicated ladies' branches, the first online services, and the first mutual funds.

NCB stands out among Arab banks in size, performance, and services offered. In 2007 it ranked first among Saudi banks in terms of capital, and second in terms of earnings. Rating agencies recognize NCB's strengths in its solid financial position, effective risk management, and well-diversified high-quality asset base. NCB is also acknowledged for its strong reputation, market share leadership in several business lines, and stable and capable management team.

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NCB is the premier financial services group in the region:

**Our Mission is to be:**

THE LEADING ISLAMIC RETAIL BANK

Excelling in service quality, convenience and innovation for highest customer satisfaction

THE MARKET LEADER IN CONSUMER FINANCE

Excelling in risk management, innovative marketing, distribution and processing

THE PREFERRED PROVIDER OF FINANCIAL SOLUTIONS FOR TARGETED BUSINESS CLIENTS

Excelling in risk management, products, speed and service quality

THE LEADING WEALTH MANAGER

Excelling in offering trusted, expert advice, a comprehensive product range and service quality

THE FIRST CHOICE INVESTMENT HOUSE IN THE REGION

Excelling in performance, innovation and placement

EXPANDING GEOGRAPHICALLY IN SELECTED MARKETS

NCB's purpose is to increase shareholder total return and support the development of the country.

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**NCB's core values focus on people, customers and flawless execution.**

PEOPLE

We insist on personal integrity

We value and recognize teamwork and collaboration

We practice open communication

We commit ourselves to learning and self-development

We reward for performance

We practice delegation and empowerment

CUSTOMERS

We are market-oriented and customer-driven

We deliver superior customer service

We anticipate and meet customer needs better than competition

We maintain absolute confidentiality

EXECUTION

We insist on flawless execution in everything we do

We insist on personal ownership and accountability

We fight complacency and act with a sense of urgency

We improve productivity continuously

We demand managers to lead by example

### **Business Lines**

NCB's principal business lines are: Islamic Retail Banking, Consumer Finance, Corporate Banking, Wealth Management, and Investments.

#### **Islamic Retail Banking**

In recent years, NCB has converted all retail branch activities to Shariah compliance while focusing on clearly defined strategic priorities – customer-centricity, introducing tailored programs based on customer insights, improving service quality, and leveraging multiple access channels.

#### **Consumer Finance**

NCB provides an impressive range of tailored Islamic packages including personal financing, credit cards, auto leasing, mortgages, and consumer durables financing. NCB leads with packages offering on-the-spot approval and same day cash deposit in customers' accounts. Customers enjoy ease of access through dedicated finance centers, point-of-purchase facilities at auto dealers and furniture and electronics stores, and an extensive network of retail partners.

#### **Corporate Banking**

From large conglomerates and public sector entities to sole proprietor start-ups, NCB offers a range of sophisticated banking solutions that address the broad range of client needs in today's dynamic business environment. In support of the government's entrepreneurship drive, and recognizing the private sector's vital role in supporting the growth of the national economy, NCB assigns special attention to the corporate sector. This is illustrated by NCB's efficient credit approval process, along with its highly personal services. NCB not only meets corporate banking needs, but provides privileged access to useful market information and business opportunities. The NCB corporate banking sector supports the Kingdom's major development projects. In 2007 NCB participated in project financing transactions worth close to SR 10 billion.

#### **Wealth Management**

For generations, NCB has been trusted to advise the most distinguished private clients in Saudi Arabia. NCB Private Banking offers professional wealth management services through a combination of financial planning and investment advice in association with NCB Capital, which covers comprehensive portfolio management and offers a wide range of traditional and alternative product offerings to suit individual needs.

#### **Investments**

In 2007, NCB Capital became the first subsidiary of a Saudi bank to be licenced by the Kingdom's Capital Market Authority. This led to the establishment of a dedicated team of professionals charged with building a leading regional investment house. NCB Capital's offering includes numerous products across a range of underlying categories. It manages a series of regional and international investment funds with total assets under management of SR 32.9 billion (US\$ 8.7 billion) as of June 2008. NCB Capital was recently responsible for creating the world's first Shariah-compliant global real estate fund.

#### **Growth in Retail Outlets and Alternative Channels**

Driven by a commitment to provide customers with fast, convenient, and high-quality services, the Bank has continued to expand its network and alternative distribution channels. NCB branches in June 2008 reached a total of 267. In the first half of 2008 the number of ATMs increased by 114 (9.6 percent) to 1,294, while the number of point-of-sale machines increased by 990 (9.2 percent) to 11,716. NCB's ATM and point-of-sale networks have grown by more than 300 percent in the last 10 years.

NCB has also introduced round-the-clock telephone banking, additional sophisticated services to ATMs, new cash deposit machines, and advanced online and mobile facilities, as part of its efforts to transform the Bank's distribution capabilities. In 2007 customer transactions grew by 8 percent to 131 million, from 121 million in 2006, of which alternative delivery channels accounted for 86 percent of total financial transactions (compared to 83 percent in 2006 and 79 percent in 2005). As of 30 June 2008, 87.6 percent of financial transactions were conducted via electronic channels.

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### **Ownership**

NCB is majority-owned by the Saudi Ministry of Finance's Public Investment Fund (PIF), which has a shareholding of 69.29 percent. The General Organization for Social Insurance (GOSI) holds a further 10 percent. Fewer than 100 Saudi nationals and privately-owned companies make up the remaining 20.71 percent ownership.

### **Major Developments**

In 2007 NCB separated its investment and capital market activities, creating NCB Capital, which now provides a comprehensive range of investment services. NCB also recently established AlAhli Takaful Company, a specialist insurance company, in partnership with the International Finance Corporation and Germany's FWU Group. AlAhli Takaful was listed on the Saudi Stock Market after successfully completing its initial public offering in May 2007. NCB retained 30 percent of the company's shares, the maximum ownership level permitted by Saudi banking regulations.

In March 2007, NCB increased its share capital from SR 9 billion to SR 15 billion. The Bank also opened its new regional head office in Riyadh during 2007. The new building and facilities will enhance customer service and support continuing expansion in the Central Region.

In 2008, in keeping with the Bank's strategy to selectively expand its activities across the region, NCB acquired 60 percent of Türkiye Finans Katılım Bankası, one of Turkey's leading participation banks. The Bank was owned by the Ulker and Boydak Groups. Both companies will remain strategic shareholders, each with equal ownership in the balance of the shareholding.

NCB is fully compliant with the Basel II regulations as required by the Saudi Arabian Monetary Agency (SAMA).

### **Memberships and Associations**

NCB holds various memberships and associations, including the Union of Arab Banks and the Arab Sustainability Leadership Group. It is also actively involved in the following SAMA committees:

- Managing Directors' Committee
- Chief Financial Officers' Committee
- Chief Risk Officers' Committee
- Bank Operations Officers' Committee
- Bank IS Security Managers' Committee
- Treasury Operations Committee
- Financial Controllers' Committee
- EMV/SPAN 2 Committee

### **Recognition and Awards**

- Award for Best Bank in Saudi Arabia (Banker Middle East), 2008
- Prince Naif Award for Saudization, 2008 (also received in 2004 and 1999)
- Jeddah Chamber Of Commerce & Industry (JCCI) award for Best Saudi Bank in CSR
- ITP Publishing Group Award for Social Contributions
- Awards for CSR Leadership at Dubai's 5th CSR Summit
- Best Islamic Bank in the Middle East (Arabian Business), 2007
- Best Islamic Fund (International Foundation Libere), 2007
- Best Electronic Trading Services in the Gulf Region (Gulf Capital Markets Forum), 2007

# NCB Stakeholders

NCB is Saudi Arabia's largest bank, so our stakeholders rightly expect the highest quality of service, reliability, and trust. It is therefore essential to understand and respond effectively to the priorities of stakeholders in order to achieve success as a business. Engaging with stakeholders is also a critical feedback mechanism in managing and enhancing economic, social, and environmental performance.

<p><b>NCB Shareholders</b> The Saudi Ministry of Finance's Public Investment Fund (69.29 percent), the General Organization for Social Insurance (10 percent), and less than 100 Saudi nationals and privately owned companies (20.71 percent).</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Board of Directors' meetings</li> <li>• Executive Committee meetings</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Sound corporate governance</li> <li>• NCB integrity and reputation</li> <li>• Protection of assets and wealth</li> <li>• Solid return on investment</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Multi-year governance reform now complete</li> <li>• Excellent growth and profitability</li> <li>• Low non-performing loan rate</li> </ul>
<p><b>Individual Customers</b> NCB serves 1.6 million customers.</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Branch network</li> <li>• Electronic channels (retail)</li> <li>• Regular market surveys to gauge customer expectations, satisfaction and loyalty</li> <li>• Regular customer focus groups</li> <li>• Dealing with customer questions or complaints</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Shariah compliance</li> <li>• Bank for the community</li> <li>• Customer care</li> <li>• Understanding customer needs</li> <li>• Modern, functional and clean branch premises</li> <li>• Fully functional ATMs</li> <li>• Effective tellers and Customer Service Representatives (CSRs)</li> <li>• Reasonable fees and charges</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• 100% Shariah-compliant retail banking services</li> <li>• Branch and ATM network expansion</li> <li>• New and improved product offerings</li> <li>• Better access to consumer finance and auto leasing</li> <li>• Enhanced customer service standards</li> </ul>
<p><b>Corporate Customers</b> NCB serves over 1,750 corporate customers, ranging from large conglomerates and public sector entities to sole proprietor start-ups.</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Meetings and customized servicing</li> <li>• Branch network</li> <li>• Electronic channels (corporate)</li> <li>• Dedicated Corporate Service centers</li> <li>• Dedicated Relationship Managers</li> <li>• Dealing with customer questions or complaints</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Accessibility and affordability of financing</li> <li>• Comprehensive range of services</li> <li>• Shariah compliance (for some, typically smaller businesses)</li> <li>• Security of deposits</li> <li>• Service quality</li> <li>• Protection of privacy</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Specialized departments for institutional clients, SMEs, and SMEs requiring Sharia-compliant products and services</li> <li>• Concentration on underserved segments</li> <li>• Continuous enhancement of service quality</li> <li>• Product development</li> </ul>
<p><b>NCB Employees</b> NCB directly employs 5,160 full-time staff*. Women constitute 6.7 percent of the staff. NCB also employs 1,216 outsourced staff through contractors.</p> <p><small>* Excluding NCB Capital and Türkiye Finans Katılım Bankası</small></p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Internal employee surveys</li> <li>• Training and development</li> <li>• Regular meetings</li> <li>• Annual performance reviews</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Remuneration and pension plans</li> <li>• Skills development</li> <li>• Workplace environment</li> <li>• Merit-based compensation and promotion</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Competitive remuneration</li> <li>• Increased training</li> <li>• Major Saudization initiative</li> <li>• Program to enhance annual performance reviews for all staff</li> </ul>

<p><b>Regulators</b>  NCB's regulator is the Saudi Arabian Monetary Agency (SAMA).</p> <p><i>Note: NCB Capital is regulated by the Capital Market Authority (CMA). Türkiye Finans Katılım Bankası is regulated by the Banking Regulations and Supervision Agency (BRSA).</i></p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Regular reporting requirements</li> <li>• Regular visits by regulators</li> <li>• Responding to periodic requests by regulators</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Banks' adherence to all laws and regulations</li> <li>• Banks' effective corporate governance practices</li> <li>• Banks' effective risk management</li> <li>• Ensuring the soundness of the financial system</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Comply with the Banking Control Law and the Regulations for Companies in Saudi Arabia</li> <li>• Continuous dialogue with SAMA and responding promptly to any requests made</li> <li>• Monitor policy and regulatory developments</li> </ul>
<p><b>NCB Shariah Board</b>  The authoritative body that reviews every proposed product and service under NCB's Shariah-compliant offerings. Comprises three prominent Islamic scholars.</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• NCB Shariah Compliance unit serves as main contact point</li> <li>• Shariah Board monthly meetings</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Shariah compliance</li> <li>• Adopt the decisions and recommendations of the Shariah Board</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Establishment of the Shariah Compliance unit and the Shariah audit team</li> <li>• Training for back office and frontline staff on contractual requirements of Islamic transactions and processes</li> </ul>
<p><b>Business Partners</b>  Including other banks, and all suppliers of goods and services.</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Normal business transactions</li> <li>• Visits to suppliers and meeting their management</li> <li>• Pre-qualification form for contractors</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Banks: NCB's integrity and reputation</li> <li>• Suppliers: fair opportunity to secure business contracts</li> <li>• Timely payment</li> <li>• NCB loyalty</li> <li>• Confidentiality</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Adoption of SAMA AML and CTF measures, and other international standards</li> <li>• Structured, fair RFP process</li> </ul>
<p><b>Community / Society</b>  Primary focus is Saudi Arabia.</p>	<p><b>How We Engage</b></p> <ul style="list-style-type: none"> <li>• Dedicated Corporate Social Responsibility (CSR) unit designs and executes focused programs</li> <li>• Collaboration with a number of institutions (governmental and non-governmental)</li> <li>• Continuous interaction with communities and beneficiaries</li> <li>• Direct feedback mechanisms</li> </ul>	<p><b>Stakeholders' Priority Issues</b></p> <ul style="list-style-type: none"> <li>• Reducing unemployment</li> <li>• Improving education quality and access</li> <li>• Improving health services</li> <li>• Assisting the poor</li> </ul>	<p><b>NCB's Response</b></p> <ul style="list-style-type: none"> <li>• Significantly increased budget</li> <li>• Prioritized four strategic areas: employment, education, health, and social causes</li> <li>• Staff volunteer program</li> </ul>

# Report Parameters



This is NCB's first sustainability report, focusing on performance in 2007 and the first half of 2008. In addition, comparative information for 2005 and 2006 is provided wherever possible. A second report covering all of 2008 will be published in the first half of 2009, and we will report annually thereafter.

## Process for Defining Report Content

This report focuses on our priority sustainability issues. We have identified these priority issues through a process that incorporates the GRI's principles for defining report content. These include:

**Materiality** We believe we have covered all major issues that reflect the organization's significant economic, social, and environmental impacts, or that would substantively influence the assessments and decisions of stakeholders.

**Stakeholder Inclusiveness** We have considered all of our stakeholders. For our key stakeholder groups, we have outlined how we engage them, their interests and expectations (as we understand them), and our responses. We hope they will read this report and share their feedback.

**Sustainability Context** We have taken into account global trends towards sustainability while considering the regional and local contexts in which we operate.

**Completeness and Boundaries of this Report** As this is our first report, and as it only covers half of the year, we have attempted to be as complete as possible in accounting for our sustainability performance, while also being realistic about boundaries. These boundaries are outlined below.

**Reporting Cycle** We will report on our sustainability progress within the first half of 2009, then report annually thereafter.

## Report Boundaries and Limitations

This interim report covers all operations of NCB within the Kingdom of Saudi Arabia, unless otherwise stated. Apart from the June 2008 financial figures, the report does not cover the operations of NCB Capital or Türkiye Finans Katılım Bankası, of which NCB acquired a controlling stake in 2007.

## Ensuring Quality in our Sustainability Reporting

Ensuring the quality and credibility of this report has been of utmost importance from the outset. We have used the GRI 'Reporting Principles for Defining Quality':

**Balance** We aspire to report in a transparent way about achievements as well as the areas where we must improve performance. We acknowledge that we are only in the very early stages of adopting sustainability. This means there is tremendous opportunity for performance gains.

**Comparability** We have provided 3.5 years of comparable data for the majority of indicators. In some cases the half-year data may not translate well into comparable full-year data. We identify and explain any such cases.

**Accuracy and Reliability** We have invested significant time in calculating many indicators whose data was indirectly available but never previously tracked or managed. We have attempted to track and collect this new data in a way that could in future be audited. As a result of this effort, to the best of our knowledge the numbers included in this report fairly represent actual impacts. Where accuracy is in question, or where any estimates have been used, this is specifically noted. A small number of desired indicators were excluded from the report (e.g. vehicle fuel consumption and emissions) when we felt that the available data was not accurate enough. All financial numbers in the report (apart from June 2008 figures) are based on audited financial statements complying with SAMA and IFRS requirements.

**Clarity** This report targets a wide range of stakeholders, with hugely different awareness and appreciation of sustainability. We have tried to cater to all ranges of reader.

## Assurance

As noted, all financial numbers in the report (apart from June 2008 figures) are based on audited financial statements. In addition, we have submitted this report to GRI, which has checked it and confirmed it to be GRI Application Level B. A GRI check assesses the transparency of the report – it checks what has been included, but does not check the accuracy of the included content. We have not yet made any firm commitment to audit non-financial data in our forthcoming reports. We do, however, recognize the importance of assurance to the accountability process.

# Priority Sustainability Issues

NCB has identified a set of priority sustainability issues based on the inputs of all key stakeholders and applying the principles of materiality, completeness and context. The table below lists these issues and outlines NCB's perspectives on each.

Sustainability Issue	NCB's Perspectives
<b>Integrity, Accountability, and Trust</b>	We insist on personal integrity, accountability and trust. These principles are fundamental pre-requisites for all NCB's dealings with stakeholders.
<b>Governance and Management Approach</b>	We will continuously improve our business performance. We believe sustainability management – the integrated management of economic, social and environmental performance covering all stakeholder interests – represents best practice in driving business excellence.
<b>Effective Risk Management</b>	Protecting our assets and customer wealth involves a continuous focus on identifying and mitigating a wide range of risks, including increasingly material social and environmental risks.
<b>Economic Impacts and Performance</b>	We aim to provide above-average growth and profit for our shareholders. A sustainability focus will contribute directly to this goal.
<b>Customer Servicing and Loyalty</b>	Being customer-centric is a top priority. We anticipate customers' needs, deliver superior service, and maintain absolute confidentiality.
<b>People – Attracting, Retaining, and Optimizing Top Talent</b>	Qualified, motivated, and effective human resources, along with a high retention rate of those quality persons, are essential to the peak performance of our business. We will empower our people, invest in their development, and reward people according to their contribution to overall corporate performance.
<b>Human Rights</b>	Human rights are enshrined in international law and must be respected throughout our operations.
<b>Environmental Stewardship</b>	We must lead by example and minimize the environmental impacts of NCB and its stakeholders.
<b>Community Development</b>	A key goal is to enhance the communities in which we operate. We concentrate our efforts on creating local economic opportunities and enhancing human capital.
<b>Islamic Banking and Sustainability</b>	We recognize the immense demand for Islamic banking and we have a tradition of leadership in this field.

# Sustainability Performance

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A number of the emerging indicators have not previously been measured or managed by NCB. Establishing KPIs and assessing baseline performance has been an illuminating exercise, revealing new opportunities to improve the Bank's performance as it affects stakeholders.

NCB has commenced a process of identifying Key Performance Indicators (KPIs) for each priority sustainability issue, against which the Bank's baseline performance will be evaluated – see table opposite. The full-year 2008 report will further refine our baseline KPIs.

In identifying KPIs, we have taken into account existing internal indicators, nationally and regionally relevant indicators, and international guidelines such as the Global Reporting Initiative (GRI) indicators, the GRI's financial sector supplemental indicators, the Equator Principles, the United Nations Global Compact, and others.

A number of the emerging indicators have not previously been measured or managed by NCB. Establishing KPIs and assessing baseline performance has been an illuminating exercise, revealing new opportunities to improve the Bank's performance as it affects stakeholders. In the second half of 2008 we will closely examine all priority areas and set performance targets. These targets will be communicated in the full-year 2008 report.

Sustainability Issue	Key Performance Indicators (KPIs)	Performance			
		2005	2006	2007	H1 2008
<b>Integrity, AccountAbility, and Trust</b>	Reported regulatory incidents	22	25	59	51
	Reported ethics-related incidents	12	28	40	63
	GRI Application Level achieved	N/A	N/A	N/A	13
	Stakeholder groups involved in sustainability assurance	New indicator			
<b>Governance and Management Approach</b>	Improving sustainability KPIs	N/A	46%	42%	N/A
	Independent Directors	44%	44%	44%	37%
	Female Directors	0	0	0	0
<b>Effective Risk Management</b>	Non-performing loans	1.4%	2.1%	2.2%	2.7%
	Investments / loans screened for sustainability	New indicator			
	Investments / loans approved with sustainability conditions	New indicator			
	Investments / loans declined on sustainability basis	New indicator			
<b>Economic Impacts and Performance</b>		<i>SR millions</i>	<i>SR millions</i>	<i>SR millions</i>	<i>SR millions</i>
	Net income	5,011	6,273	6,038	3,697
	Operating costs / Operating expenses	2,412	3,044	3,835	2,208
	Employee wages and benefits	1,253	1,393	1,573	949
	Zakat payments to government – 2.5% of net income	126	159	144	(Paid year-end)
	Community investment	27	30	53	27
	Total shareholders' equity	21,636	23,999	29,609	31,588
Total assets	145,789	155,706	208,717	226,745	
<b>Customer Servicing and Loyalty</b>	Customer loyalty rating	N/A	N/A	N/A	61
	Customer privacy complaints / incidents	New indicator			
<b>People – Attracting, Retaining, and Optimizing Top Talent</b>	Total employees	4,723	5,056	5,101	5,160
	Saudization rate – overall	86.6%	87.8%	87.3%	87.9%
	Saudization rate – executives	70.3%	66.7%	63.6%	68.7%
	Average training hrs / supervisory and clerical employee	16.1	13.0	21.8	9.1
	Average training hrs / managerial employee	42.5	29.7	29.8	19.2
	Employee satisfaction index	New indicator			
	Staff turnover rate	10.5%	10.2%	14.0%	9.0%
	Employees with performance based benefits	100%	100%	100%	100%
	Female employees – overall	4.5%	5.0%	5.9%	6.7%
	Female employees – managerial	5.3%	5.2%	5.1%	5.8%
<b>Human Rights</b>	NCB compliance (number of incidents)	New indicator			
	Suppliers' compliance (number of incidents)	New indicator			
<b>Environmental Stewardship</b>	Water consumption (000's of m <sup>3</sup> )	732.7	831.5	1,064.3	536.3
	Energy consumption / Electricity (000's of kWh)	67,171.8	70,401.2	81,328.6	39,539.0
	Paper consumption (metric tons)	2,870	3,950	4,550	N/A
	Greenhouse gas emissions (metric tons)	55,401	58,361	68,573	33,758
	Procurement sustainably sourced	New indicator			
	Carbon disclosure – clients reporting	New Indicator			
<b>Community Development</b>	Social contribution / net income	0.5%	0.5%	0.9%	0.7%
	Zakat / net income (in addition to social contribution)	2.5%	2.5%	2.5%	(Paid year-end)
	Local economic development – businesses launched with NCB support	15	245	470	N/A
<b>Islamic Banking and Sustainability</b>	Shariah compliant business lending	N/A	N/A	N/A	N/A
	New sustainability-oriented products and services	New indicator			
<b>Sustainable National Growth and Competitiveness</b>	Corporate customers (small, medium, and large)	N/A	N/A	N/A	1,750
	Customers adopting sustainability management	New indicator			
	Customers participating in NCB sustainability forums	New indicator			
	Suppliers that are women-led companies	0	0	0	0

# Governance and Management Approach



NCB's performance management framework has evolved in recent years to reflect organizational, regulatory, and governance transformations.

Sound governance is essential to long-term business success, and NCB has placed heavy emphasis on ensuring its governance practices meet the highest international standards. Specifically, the Bank has modeled its governance on the recommendations of the Organization for Economic Co-operation and Development (OECD) and internationally recognized corporate and public governance practices.

NCB is overseen by a Board of Directors. The Board is ultimately accountable to shareholders and the regulatory authorities for the Bank's management. As of 30 June 2008, the Board had eight male members, with another seat in the process of being filled.

All Board members are shareholders, in some cases as representatives of NCB's institutional shareholders: the Public Investment Fund (69.29 percent ownership); and the General Organization for Social Insurance (10 percent ownership). The roles of Chairman and Chief Executive Officer are separated, and no Directors serve on NCB's executive management team.

The Board is required to meet a minimum of eight times each year. In practice it meets more frequently than the minimum requirement. The Board functions in part through the work of its committees, namely the Executive Committee, the Credit Committee, the Risk Management Committee, the Nomination and Compensation Committee, and the Audit Committee.

Director's compensation falls within the range suggested by SAMA. For full details please refer to the Bank's 2007 Annual Report.

NCB convenes a Annual General Meeting (AGM) each year, open to all shareholders holding 20 or more shares. The agenda is set in advance and only Board members contribute to its development. Any participant in the AGM can contribute to the discussion of each agenda item.

The Chairman is responsible for the reinforcement of internal controls to enhance sound governance practices. The Chairman practices his supervisory and control responsibilities through the units reporting to him, such as the Audit Division and Compliance Division.

The Board receives reports on both a regular and periodic basis from various sources within the Bank, as well as external sources, to keep it readily informed. These reports relate to critical issues such as performance vs. strategies and plans, financial results, quality of the loan portfolio, market and regulatory developments, new initiatives, and other notable matters.

As the highest governance body of the Bank, avoiding conflicts of interest is essential. NCB's bylaws provide guidance and restrictions, as do the Banking Control Law and the Saudi Companies Law, to which NCB adheres. Board members must self-identify conflicts of interests, and are expected to identify any known conflicts of interests of other Board members if those members do not self-identify. NCB has never had such an incident. The overall performance of Board members is periodically reviewed by the Chairman, particularly with regard to attendance at meetings and responsiveness to matters of the highest importance.

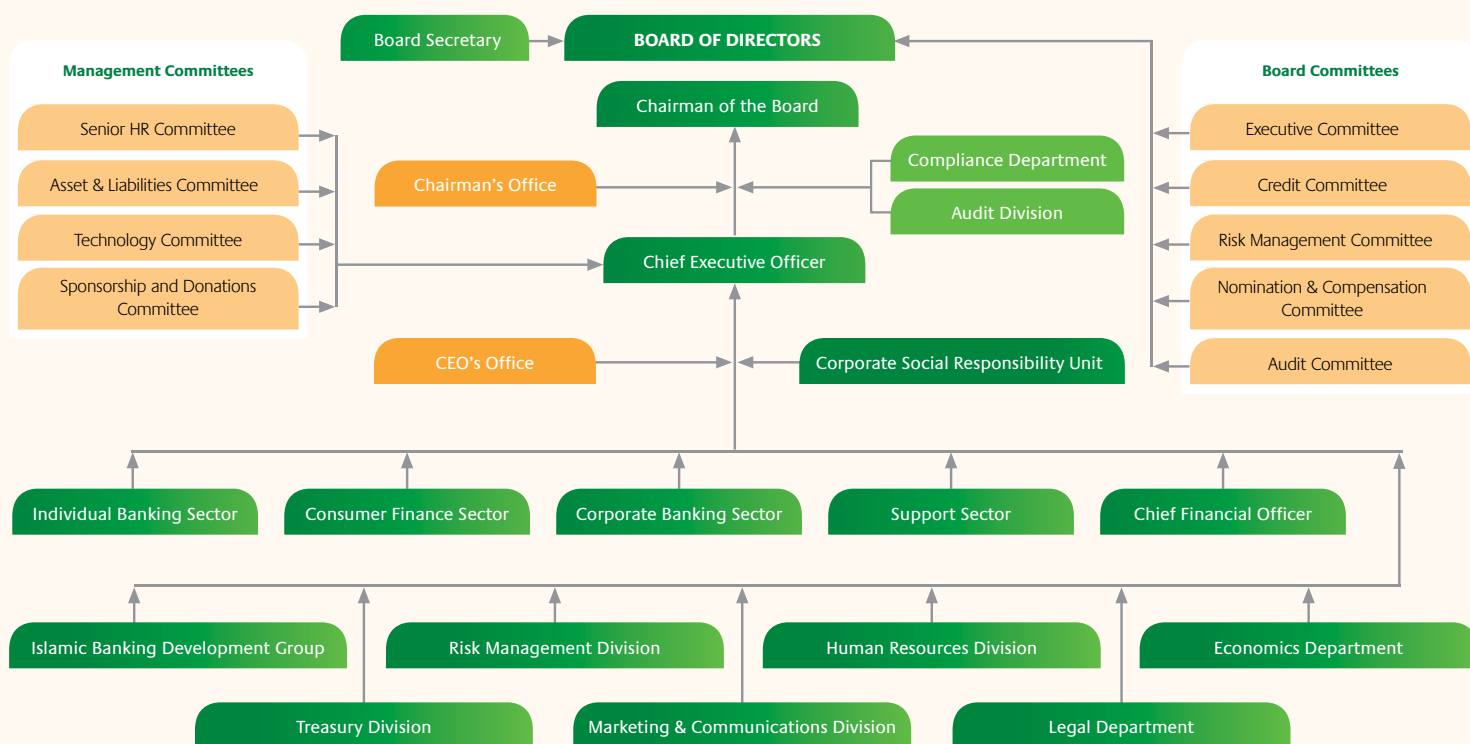
## Planning Process

NCB's planning process involves two cycles: a strategic planning cycle to develop longer-term group strategy on a five-year horizon, and an annual operating planning cycle covering a full financial year horizon. Both cycles are led by the Senior Management Team and coordinated with the different levels of the organization.

In accordance with the Bank's corporate governance framework, the Strategic Business Plan (SBP) and the Annual Operating Plan (AOP) are reviewed and approved by the Board. The SBP is reviewed and updated on an as-needs basis by the Senior Management Team. The Annual Operating Plan is a corollary to the Strategic Business Plan.

The Chief Executive Officer, in conjunction with the Chief Financial Officer, develops high-level targets for the Bank. These targets are reviewed, updated, agreed, and aligned with the Board and the Chairman. Strategic Business Unit targets are then prepared and agreed, after which the AOP for each unit is prepared and reviewed. A consolidated AOP is then presented to the Board for approval. Upon acceptance, it serves as the framework guiding all business activities and the organizational focus for the year.

## NCB Organizational Structure



### Organizational Performance Management

NCB's performance management framework has evolved in recent years to reflect organizational, regulatory, and governance transformations. At the organizational level, performance is monitored and reviewed at division, sector, subsidiary, and group levels. Monthly performance reviews of all sectors and strategic support units are conducted with the Chief Executive Officer.

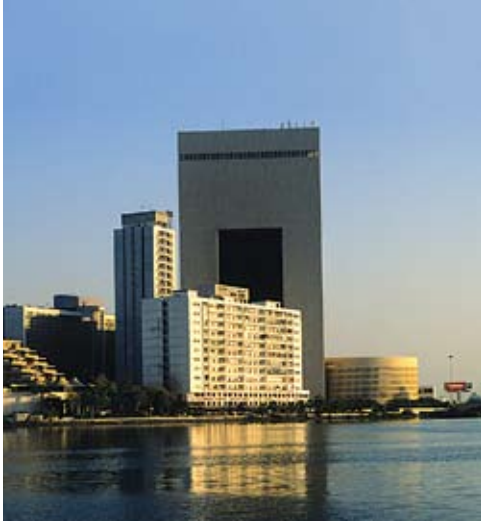
With the implementation of Basel II, new risk and capital governance models were set in place. The performance management framework was expanded to incorporate the review of these measures on a regular basis at the Senior Management Team and Board levels.

### Internal Audit

The Bank's Internal Audit Department comprises 88 staff. The department's primary goals are to ensure: that NCB has adequate internal control procedures in place; that administrative and accounting policies are satisfactory; and that the use of information technology is controlled and secure in accordance with the control policies. The department has established Internal Audit Standards that have strengthened and improved the internal control culture and environment within NCB.

### External Audit

Ernst & Young and KPMG audit NCB's consolidated financial statements and express their opinion. They also present the management report to the Board of Directors.



Protecting the Bank's assets and customers' wealth requires a continuous focus on identifying and mitigating a wide range of risks, including increasingly material social and environmental risks.

### **NCB's Approach to Risk**

The Board of Directors' Risk Management Committee sets the policy framework that establishes requirements and parameters for executive level management of risk. A detailed outline of NCB's approach to risk is included in the Bank's 2007 Financial Annual Report, including descriptions of several major types of risk managed by the Bank. These include credit risk, market risk (divided into trading portfolio and non-trading book), and liquidity risk.

### **Business Continuity Management**

In June 2007, NCB established a Business Continuity Management (BCM) program. This ensures that, in the event of service interruption, essential services are maintained in a timely, efficient, and cost-effective manner, and that normal service is restored as swiftly as possible in accordance with SAMA and Basel II guidelines.

The BCM program also establishes a 'critical activities roadmap' for 2007-2010 that will define a framework clearly demonstrating that NCB has been gearing up from Disaster Recovery and Business Continuity Planning phases to Organizational Resilience. By 2010 the Bank aims to acquire Corporate Certification in Business Continuity (BS-25999) from the British Standards Institute.

Progress thus far includes the following:

- Creation of the BCM department
- BCM Strategy development
- Board approval of BCM policy
- Development of emergency response plans for critical sites
- Enhancing emergency tools
- Creation of an incident management and communication plan
- Establishing business continuity centers in Jeddah and Riyadh
- Establishing a disaster recovery center in Jeddah

The new centers include fully replicated Information Technology and Treasury facilities to ensure that business operates normally in the event of a disaster.

### **Social and Environmental Risk**

Social and environmental risks are, to an extent, covered by NCB's existing risk management frameworks, policies and procedures. Nevertheless we recognize that, from a sustainability perspective, the Bank's screening related to social and environmental risks is in the early stages of development. There are numerous standards, tools, and guidance that will be reviewed in the near future to establish a more robust approach to the management of these risks.

# Economic Impacts and Performance



As Saudi Arabia's largest bank, we consider it a responsibility and a privilege to be involved in the majority of the Kingdom's major infrastructure and development projects. Our roles in these projects help to stimulate economic benefits for society, as does our role in creating economic possibilities for each of our individual and corporate customers.

## Management Approach

NCB is committed to the economic development of the communities in which it operates, starting with the Kingdom of Saudi Arabia and extending regionally as the Bank expands. We firmly believe that if our customers are successful and our communities thrive – in part because of the products and services provided by NCB – then the Bank will achieve its business objectives.

As Saudi Arabia's largest bank, we consider it a responsibility and a privilege to be involved in the majority of the Kingdom's major infrastructure and development projects. Our roles in these projects help to stimulate economic benefits for society, as does our role in creating economic possibilities for each of our individual and corporate customers.

The Bank also takes pride in its direct economic contributions, including profitability as a firm, economic opportunities generated for employees, suppliers and business partners, and financial contributions to important community projects.

NCB's policy is to hire Saudi nationals whenever possible. This generates local wealth and talent. The Bank has been awarded the Saudization prize on three occasions, most recently in 2008.

NCB pays fair wages. For example, our entry-level employees earn well above the average entry-level wage in the Kingdom. NCB contributes to the pension plans of full-time employees and payments are made direct to the government, which manages these plans. NCB also offers a separate end-of-service benefit plan and these funds are managed within the overall asset management.

With regard to sourcing required products and services, the Bank's approach is to source from local suppliers whenever feasible.

In these ways, we maximize both our direct and indirect economic impacts in Saudi Arabia.

## Direct Economic Value Generated and Distributed

Our direct economic impacts are summarized in the table below, which illustrates how wealth directly created by NCB is distributed among stakeholders such as employees, the community, government, suppliers, shareholders, and others.

NCB Direct Economic Value Generated and Distributed				
SR millions	2005	2006	2007	H1 2008
<b>Direct economic value generated</b>				
Total revenue	7,491	9,292	9,882	5,903
<b>Economic value distributed</b>				
Operating costs	(1,159)	(1,651)	(2,261)	(1,259)
Employee wages and benefits	(1,253)	(1,393)	(1,573)	(949)
Other income (cost)	(41)	55	43	29
Community investment	(27)	(30)	(53)	(27)
<b>Net income</b>	<b>5,011</b>	<b>6,273</b>	<b>6,038</b>	<b>3,697</b>
Zakat	(126)	(159)	(144)	N/A
Dividend distribution	(1,200)	-	(2,400)	-
<b>Economic value retained</b>	<b>3,685</b>	<b>6,114</b>	<b>3,494</b>	<b>3,697</b>

## Indirect Economic Impacts

As noted above, throughout the last five decades, NCB has played an active and essential role in supporting national progress. Since the Bank's inception as the first national Saudi bank, NCB has been a leader in supporting major development projects in a range of vital sectors that affect the well-being, prosperity, and progress of citizens.

# Customer Servicing and Loyalty



Understanding the needs and requirements of customers is the starting point for NCB's business success. The Bank must develop and deliver products and services that meet customers' needs swiftly and flawlessly. Furthermore, it must continue to anticipate evolving customer needs and seek to better understand the needs of prospective customers in the marketplace.

## Engaging Customers

NCB interacts with customers in many ways – at branches and offices, via electronic channels, or through the Bank's call center, which handles customer enquiries and complaints. Every day the Bank learns more about customers' needs and preferences, and their opinions of NCB are influenced by all these touch-points.

Regular focus groups are held in each of the Kingdom's regions. Regular market surveys gauge customer expectations and loyalty levels – these include exit surveys, telephone surveys, and brand health tracking. While they are not forms of customer engagement, the Bank runs 'mystery shopper' and 'mystery caller' programs where NCB's service quality is anonymously gauged.

## Assessing Customer Needs and Satisfaction, and Responding

NCB has 1.6 million customers. These customers have emphasized the importance of Shariah compliance, security of deposits, accessibility, affordability, privacy, great service, easy payments, straightforward credit applications, and quick approvals, among other issues. In response, NCB has achieved 100 percent Shariah-compliant retail banking; continued to increase branch numbers (including those catering exclusively to women) and ATMs; and launched a range of improved products and services (such as expanding the availability of auto leasing).

The Bank's 1,750 corporate customers range from large conglomerates and public sector entities to sole proprietor start-ups. These customers have emphasized the need for a comprehensive range of services and customized solutions meeting all their needs; accessibility and affordability of financing; excellent service quality; security of deposits; protection of privacy; and, in many cases, Shariah-compliant banking. In response, the Bank divided its corporate servicing into three sectors, customizing services to these broadly different groupings. Emphasis has been placed on service excellence and flawless execution. More broadly, there is a heightened focus on the Riyadh region, given that this area enjoys the highest level of economic activity in the Kingdom. NCB's new regional head office was recently opened in Riyadh.

The sectoral breakdown of NCB's loans portfolio is shown in the pie chart below.

### NCB Distribution Channels

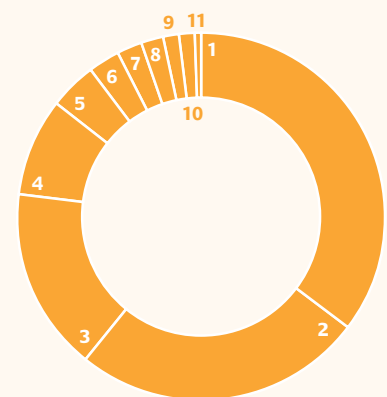
	2005	2006	2007	H1 2008
<b>Branches</b>				
New	9	5	4	3
<b>Total</b>	<b>255</b>	<b>260</b>	<b>264</b>	<b>267</b>
<b>ATMs</b>				
New	63	150	100	114
<b>Total</b>	<b>930</b>	<b>1,080</b>	<b>1,180</b>	<b>1,294</b>
<b>Point-of-Sale Machines</b>				
New	1,510	1,642	2,158	990
<b>Total</b>	<b>6,926</b>	<b>8,568</b>	<b>10,726</b>	<b>11,716</b>
<b>Electronic Transactions</b>				
<b>Of total*</b>	<b>78.8%</b>	<b>83.0%</b>	<b>86.0%</b>	<b>87.6%</b>

\* Refers to migration of financial transactions from branches to electronic channels

### Sectoral Breakdown of NCB Loans Portfolio 2007

Percent (of performing loans and advances)

1	Consumer loans and credit cards	35.3%
2	Government and quasi government	25.8%
3	Commerce	16.1%
4	Building and construction	8.4%
5	Transportation and communication	4.3%
6	Banks and other financial institutions	2.6%
7	Manufacturing	2.3%
8	Others	1.9%
9	Electricity, water, gas and health services	1.6%
10	Services	1.2%
11	Agriculture and fishing	0.5%



## NCB Customer Satisfaction Research

### Branch Exit Survey (Mass)

June 2008 rating as 'Excellent' or 'Very Good'

Overall	86%
Tellers	92%
Customer Service Representatives	85%

### Wessam Telephone Survey

June 2008 rating as 'Excellent' or 'Very Good'

Overall	93%
Customer Service Representatives	95%

### Mystery Shopper

June 2008 index (rating out of 100)

Overall	79
Tellers	91
Customer Service Representatives	82

### Branch Waiting Times

June 2008 (minutes)

Tellers	9.9
Customer Service Representatives	4.8

### Mystery Caller

June 2008 index (rating out of 100)

Overall	94
Call waiting	87
Etiquette	97
Call attitude	95

### Loyalty Levels

August 2008 index (rating out of 100)

Overall	61
Affluent	63
Mass	60

### Brand Health Tracker

January 2008 all segments

Top of mind	23%
'Main bank'	18%
Consideration	28%
Recommend	18%

The table at left outlines some of our findings with regard to current customer related performance.

### Quality of Service: Our Performance

To establish whether NCB's branch service standards are satisfying customers, we use exit surveys and telephone surveys. Key competitor performance is monitored in exit surveys only. Our own Wessam (affluent program) customers are consulted in telephone surveys.

**Mystery Shopping and Mystery Caller** Branches and call centers have a major influence on customers' opinions of the Bank. According to service standards set internally and based on research, NCB developed 'mystery shopping' and 'mystery calling' studies to monitor service delivery. Mystery shopping is where a service evaluator visits a branch or calls in for phone services, then evaluates the service. Important elements of mystery shopping include waiting times, and the attitude and etiquette exhibited by employees. The figures to the left summarize our most recent performance.

Mystery caller is a relatively new study. Various options are being considered, as the Bank endeavors to find new ways of measuring the finer points of call center service.

### Building Loyalty

In 2008 the Bank commissioned a comprehensive baseline loyalty study. This identifies loyalty levels and the causes of dissatisfaction and loyalty, and identifies touch-points where NCB can enhance the customer experience. Loyalty studies identify the impact of all touch-points on customer satisfaction/loyalty.

### Building the NCB Brand

Awareness, usage, and perceptions of banks are critical indicators of performance. Top-of-mind awareness (the first bank a respondent can think of) is a key indicator of business success. These metrics are tracked, along with how many people use which bank as their 'main bank'. Consideration and willingness to recommend a bank are also measured. These are usually based on perceptions of attributes such as service speed, Shariah compliance, and trustworthiness. Monitoring these attitudes and perceptions can point to flaws and/or strengths at NCB.

### Handling Complaints

NCB is committed to providing customers with exceptional products and services. If we fail to deliver on that promise, we want to hear from customers so that immediate corrective action can be taken. Whenever possible, the Bank aims to resolve customer complaints on-the-spot. If immediate resolution is not possible, a representative from the Customer Complaint Handling department will contact the customer to acknowledge the complaint and inform them of an expected resolution time.

To ensure prompt resolution of customer complaints, the Bank's Customer Complaint Handling department is in the process of being redesigned. This performance-orientated redesign has focused on the following areas to optimize the ability to speedily respond to customer issues: organizational structure, customer reach, customer response, and complaint reduction.

### Customer Privacy

Today, banking is a profession – as such, it has its own values and charter. NCB must deal with all aspects of its customer relationships with a high level of diligence. This includes ensuring 'Know Your Customer' (KYC) data and key account information are secured. KYC also provides an important opportunity to understand and learn more about customers. At the same time, this knowledge heightens the Bank's responsibility to maintain the strictest levels of confidentiality in all dealings with customers.

# People – Attracting, Retaining, and Optimizing Top Talent



## Management Approach

At the core of NCB's success, and at the heart of its ambitions for growth, is the importance of employees – our human capital. NCB is continuously working to enhance the human resource management and development function. This includes increasingly systematizing processes, such as the recent adoption of advanced human resources management software. The Bank has also recently undertaken an organizational and operational restructuring of staffing, manpower planning, and staff relations areas.

NCB's human resources function includes the following divisions:

**People Pay and Policy** Managing all issues related to staff benefits and salaries, job descriptions, and job evaluations.

**Talent Acquisition and Employee Services** Managing the recruitment, acquisition, on-boarding, and orientation of all new employees, and the provision of services to existing staff such as loans, government relations, etc.

**People Development** Managing all aspects of the development of staff including learning and training, performance management, and the Human Resources Management System (HRMS).

An important aspect of NCB's employment approach has been the focus on Saudization – hiring qualified Saudi nationals. The Bank has won several awards for its Saudization efforts and leadership performance.

NCB places significant value on the importance of strong staff/management relations. This is achieved primarily through the Staff Relations department. One of the most effective approaches has involved surveys amongst staff, seeking their views on all aspects of NCB operations including the human resource function, and how it can be improved.

Training and education is one of the most critical needs associated with human resource requirements in the region. NCB is committed to investing significantly in staff training, and we continuously improve our internal and external training programs. Overall, the Bank's approach is to always hire the most qualified, talented people who have an inherent drive for customer and business excellence, and then to invest in their ongoing development.

At NCB there is a fundamental belief in the principle of equal opportunity, non-discrimination, and diversity. Equal opportunity, in particular, is gathering pace in the Bank's culture, and we are determined that the standards we are setting in the Saudi market will keep NCB as a leader in the employment of women. Complementing the Bank's leadership in Saudization, we benefit from the participation, experience, and differing viewpoints of expatriates from numerous countries amongst the staff. Diversification within a strong Saudization strategy will become increasingly valuable as NCB expands regionally.

Healthy employees are productive employees, and NCB provides a range of benefits that address staff health and medical needs. The Bank intends to encourage additional proactive steps that staff can take to maintain good health.

## Our Staff

Staff numbers are continually growing as NCB expands. As of 30 June 2008, NCB had 5,160 staff, up from 5,101 at end of 2007. The workforce is divided into two main categories: staff who are directly hired on a full-time basis, and outsourced employees (via a second party) who work full-time at NCB. These are typically stewards, security guards, and other support staff.

NCB is committed to investing significantly in staff training, and we continuously improve our internal and external training programs. Overall, the Bank's approach is to always hire the most qualified, talented people who have an inherent drive for customer and business excellence, and then to invest in their ongoing development.

#### NCB Staff

Number	2005	2006	2007	H1 2008
Directly hired full-time employees	4,723	5,056	5,101	5,160
Outsourced employees	N/A	864	1,124	1,216

#### NCB Employment by Level

Number	2005	2006	2007	H1 2008
Executive	30	31	28	32
Managerial	1,642	1,815	2,032	2,204
Supervisory and clerical	3,051	3,210	3,041	2,924
Total	4,723	5,056	5,101	5,160

#### NCB Employment by Region

Number	2005	2006	2007	H1 2008
Western	2,789	2,942	2,990	3,045
Central	860	929	907	901
Eastern	476	534	534	520
Southern	284	322	324	335
Northern	314	329	346	359

#### NCB Saudization by Region

Percent	2005	2006	2007	H1 2008
Western	82.0%	83.1%	82.2%	83.4%
Central	90.9%	92.9%	91.9%	91.7%
Eastern	91.2%	92.9%	93.8%	94.6%
Southern	95.4%	97.2%	97.2%	98.5%
Northern	93.9%	94.8%	97.7%	97.8%

#### NCB Gender Mix

Percent	2005	2006	2007	H1 2008
Female staff (of total staff)	4.5%	5.0%	5.9%	6.7%
Female managers (of total managers)	5.3%	5.2%	5.1%	5.8%
Female executives (of total executives)	0	0	0	0

#### NCB Hiring of Women

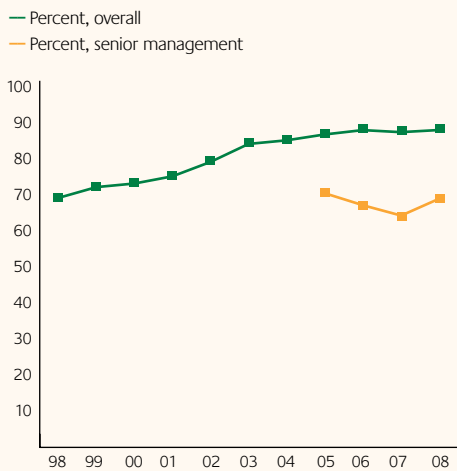
Percent	2005	2006	2007	H1 2008
Female hires (of total new hires)	11.9%	8.7%	14.6%	17.8%

#### NCB Salary Ratio of Men to Women by Category

Ratio as of June 2008	Men	Women
Executive	*	*
Managerial	53	47
Supervisory and clerical	51	49
Others	*	*

\* No comparison given because there are no women in these categories.

### NCB Saudization



Note: Separated figures for senior management are not available before 2005.

### Recruitment and Saudization Program

At NCB the importance of the recruitment process is stressed. The Bank follows a set of methodologies that ensure that hiring is based on two main criteria: a needs basis using assessment of future human resource requirements; and a competence basis. Within this framework, NCB strongly supports efforts to equip Saudi nationals with the skills, knowledge, experience, and opportunities needed to enhance the overall quality of the Saudi workforce, as well as its own workforce. This concept of national human resource development is also a regulatory requirement of the government, referred to as Saudization. The minimum regulatory level of Saudization for the banking sector is 70 percent. NCB significantly exceeds this target, having reached 87.9 percent in June 2008.

In addition to its Saudization efforts, NCB attempts to hire, develop, and promote people to work within their own regions. This contributes to local economic development, while ensuring strong regional understanding and creating opportunity for increased diversity amongst executives.

### Opportunities for Women

The empowerment of women has become a subject of international interest and Saudi Arabia is no exception. In examining the Kingdom’s social landscape, there have been significant developments in recent years. More job opportunities have been made available for women in both the private and public sectors, and certain impediments that used to complicate the employment of women due to certain social traditions have been eliminated. NCB is proud to be participating in these developments from numerous perspectives:

**Employment Opportunities** NCB has one of the highest employment rates of women in Saudi Arabia and the percentage of female staff has been steadily rising. As of mid-2008, it stood at 6.7 percent, up from 4.5 percent in 2005. An important indicator is the percentage of women hired in a given year. In 2007 the Bank hired 111 women out of 763 hires, a total of 14.6 percent. By June 2008 this figure had increased to 17.8 percent.

**Management Opportunities** As with all employees, NCB encourages the promotion of top female talent into managerial positions. While NCB does not yet have any women in executive positions, our performance again demonstrates an increasing percentage of our talented female staff achieving managerial positions. As of mid-2008, NCB has 127 women in management, which represents 5.8 percent of all managerial positions.

**Equal Rights** NCB policies do not discriminate between male and female employees, whether in terms of salaries, benefits, allowances, promotions, training, and holding leadership positions. Equal work conducted by equally qualified staff should result in equal reward, regardless of gender. A preliminary review of pay scales and salaries to test this commitment found that minor discrepancies between male and female salaries were within a margin of acceptability, when factoring in numerous variables.

**Banking Opportunities** NCB is proud to have been one of the first national institutions to open its doors to women through our network of dedicated ladies’ branches. Major segments of the Saudi female community are able to deal directly with NCB and manage their own accounts. The first ladies-only branch opened 29 years ago and NCB now has 113 ladies’ branches covering all regions.

**Entrepreneurial Opportunities** Financial and training support is provided to women entrepreneurs through NCB’s corporate social responsibility programs. During 2006 and 2007 NCB has supported 1,769 women entrepreneurs, 40 percent of whom have successfully started their own businesses. The Bank acknowledges that, currently, it does not procure any goods or services from women-led companies.

### Listening to Our People

NCB has found that one of the most effective ways to identify and prioritize human resource management and development issues is to directly engage staff on their suggestions, concerns, and priorities. Accordingly, the Bank surveys employees on a host of issues.

In 2006, NCB undertook a ‘Human Capital Survey’ that targeted management and executives. Following the survey, focus groups reviewed the issues identified and discussed how to best address them. For the last 18 months, NCB’s human resource management plan has benefited from being informed through this survey and discussions.

### NCB Human Capital Survey 2006 – Key Needs

1. Comprehensive change of Performance Review System (appraisals)
2. Introduction of a new Personal Development Plan for each employee
3. Introduction of SMART goals for each employee
4. Tie-in of business SMART goals to Personal Performance Management
5. New emphasis on performance for the calculation of the annual bonus ratio
6. Introduction of a competency framework and Key Performance Indicators (KPIs)
7. Organizational and operational restructuring of the Staffing and Manpower Planning and Staff Relations areas, plus the reorganization of the Operations and Marketing areas
8. Introduction of authority tables and explanation of authority limitations
9. Greater emphasis on customer service improvements
10. Better market response times and information handling



### Compensation and Benefits

All employees receive a monthly salary that is paid in a timely manner determined by Bank procedures and salary levels are determined according to pay grades. Additional benefits include:

**Fixed Bonus** This financial incentive is a guaranteed bonus raising the yearly salary by a net three months' basic salaries. These additional salaries are spread out over 12 months, paid in equal monthly installments. Fixed bonuses are incorporated into all eligible employees' monthly pay structures and require no additional process or processing.

**Allowances** These include National Day allowance, ladies' transportation allowance, housing allowances, and other allowances including teller's allowance, Automated Teller Machine (ATM) supervisory allowance, job/position nature allowance, transportation allowance, and business trip per diem (cash advances), and allowances.

**Performance Bonus** All employees are eligible for an annual performance-related bonus aligned to the overall performance of the Bank. Eligibility is based on outstanding performance by the individual against agreed targets and is awarded at the discretion of the Bank's executives.

**Social Insurance** For every direct full-time employee, NCB pays into the General Organization for Social Insurance (GOSI) fund. This provides financial support in the form of pensions, stipends, or other compensation once employees reach retirement age.

**Medical and Life Insurance** Each employee, his/her spouse and children are covered by full health insurance through a wide network of hospitals and medical centers, both domestic and international. NCB also provides life insurance for each direct full-time employee. It covers death by any cause, permanent total disability due to accident or illness, or permanent partial disability due to accident.

**Privileged Access to Loans** Direct full-time staff have access to special rates for various loans and bank services.

**End of Service Awards (EOSA)** End of service awards are a legal requirement under Saudi Labor Law offered to all employees based on their number of years of service and the employee's last active salary.

### Training and Development

Effective training and development is absolutely essential to NCB's success. It is also consistently identified as a high-priority issue by staff. The Bank sees training and development as part of its responsibilities toward the communities in which it operates, to help educate and train local nationals.

The Bank aims to provide training opportunities for all staff. Every employee is assigned an annual training schedule based on the recommendations of managers and/or the areas responsible for training within NCB, in accordance with management training needs assessments, or through the direct approval of a staff training request.

#### NCB Training

	2005	2006	2007	H1 2008
Total number of training hours	N/A	96,433	126,390	69,171
Total cost of training (SR millions)	N/A	17,195	27,207	14,727
Average cost of training per individual trained (SR)	N/A	2,904	4,370	2,309

#### NCB Training per Employee Category

	2005	2006	2007	H1 2008
Average hours of training per year, per employee				
Executive	N/A	14.0	8.2	3.1
Managerial	42.5	29.7	29.8	19.2
Supervisory and clerical	16.1	13.0	21.8	9.1
Outsourced	N/A	0.8	0.2	0.3
Others	N/A	5.3	1.9	1.8

### Talent Retention

Talent retention is an important success factor for NCB. The combination of a limited talent pool in Saudi Arabia and the region, combined with growing competition in the marketplace and an influx of international banking institutions, has created strong demand. This in turn requires a comprehensive plan for ensuring the Bank remains the employer of choice for its top talent. This includes many of the above listed aspects, such as advanced training opportunities, promotions, stretch assignments, and the continuous development of the work environment.

### End of Service

When an employee leaves, NCB's policy and intention is to facilitate the employee's exit with dignity and respect, whilst safeguarding the interests of both NCB and the employee to the fullest extent possible.

NCB Staff Turnover				
Percent	2005	2006	2007	H1 2008
Total workforce	10.5	10.2	14.0	9.0 *

*\* Highest turnover occurs typically in the first half of the year. 2008 turnover is not expected to be significantly higher than 2007.*

NCB Staff Turnover by Gender				
Percent	2005	2006	2007	H1 2008
Female	13.5	12.9	21.1	10.0
Male	10.5	10.1	13.5	8.9

NCB Staff Turnover by Employee Category				
Percent	2005	2006	2007	H1 2008
Executive	20.0	11.8	28.6	6.2
Managerial	10.5	10.4	14.5	8.9
Supervisory and clerical	10.6	10	13.7	8.8
Others	2.0	2.1	9.7	5.4

NCB Staff Turnover by Age				
Percent	2005	2006	2007	H1 2008
18-30	13.0	13.5	15.5	10.7
31-40	11.6	10.2	16.4	6.4
41-50	6.6	7.2	8.9	5.4
51-60	12.3	9.9	13.1	13.5

# Human Rights



NCB has one of the highest employment rates of women in Saudi Arabia and the percentage of female staff has been steadily rising. As of mid-2008, it stood at 6.7 percent, up from 4.5 percent in 2005. An important indicator is the percentage of women hired in a given year. In 2007 the Bank hired 111 women out of 763 hires, a total of 14.6 percent. By June 2008 this figure had increased to 17.8 percent.

The necessity and role of business in supporting human rights is well recognized. NCB's emphasis on non-discrimination and equal opportunity is critically important to its management of human rights. In addition to these efforts, we directly address other important areas relating to human rights.

## Freedom of Association

There are no trade unions in Saudi Arabia. As detailed in the previous sections, NCB operates a business that is dependent on attracting and retaining top talent, and providing a workplace conducive to optimizing the talent of its employees. As such, various frameworks have been adopted for engaging collectively with employees. Most significantly, the Staff Relations department was established to facilitate staff engagement and give a greater voice to employees.

## Harassment (including Electronic Harassment) and Corrective Action

NCB employees have the right to work in an environment free from discrimination, harassment, and intimidation, whether committed by or against a co-worker, supervisor, customer, vendor, or visitor. Harassment, whether based on a person's gender, race, national origin, or citizenship, is repugnant and totally inconsistent with NCB's commitment to provide a respectful and professional workplace. Allegations of harassment are fully investigated by the Staff Relations department and the recommendations are forwarded directly to the Head of Human Resources for his concurrence and approval. Discrimination in any area of employment, including hiring, advancement, compensation, discipline, and termination, are not tolerated.

The Bank's Corrective Administrative Action Plan was issued in accordance with the Saudi Labor Law number R/21 dated 06/09/1389H, and R/51 dated 23/08/1426H, and applies to all employees. These Corrective Administrative Action tables have been adapted from NCB's Bylaws Charter as part of the Management Policy and Procedures Guide. Applying the appropriate Corrective Administrative Action is compulsory, especially in cases where financial damage or goodwill damages have taken place as the result of an employee's actions.

## Harassment, Complaints and Grievance Practices

NCB adopts the chain of command system of management with respect to the filing of complaints and grievances. Each employee refers firstly to his/her immediate supervisor when encountering administrative or technical problems. Each tier refers these transactions to the tier immediately above it, including any commentary, within a maximum of three working days of receipt.

Complaints and grievances are considered by management to assure justice and fairness, and the submission of a grievance will not be detrimental to the employee. Grievances are ruled upon and the decision conveyed within a maximum of ten working days from the day of submission.

NCB has a Complaints & Grievances Committee mandated by the Chief Executive Officer and comprising a chairman and two members. Rulings are normally provided within five days of receipt. Employees may appeal against a ruling directly to the CEO, within fifteen days. The subsequent ruling of the CEO is considered final and binding.

## Child Labor and Forced Labor

NCB adheres to internationally accepted principles of human rights relating to the abolition of child labor and prevention of forced and compulsory labor. NCB does not employ child labor in any circumstances and has not encountered any instances of forced or compulsory labor.

## Contractor Selection and Human Rights in the Supply Chain

NCB has a well-developed contractor selection process, which differs depending on the type and scale of requirement. In all circumstances, the Bank's contracts specifically require that contracting companies abide by all national laws, which include laws relating to the abolition of child labor and prevention of forced and compulsory labor. NCB periodically visits contractors. While human rights are not yet systematically reviewed, any anomalies observed would be acted upon.

## Human Rights in Financing Decisions

As with contractors, all agreements with customers require that they abide by all national laws, which includes laws relating to the abolition of child labor and prevention of forced and compulsory labor.



## The Environment and Climate Change

At NCB we understand the importance of the natural environment and the fact that our existence depends entirely on its vital and conserved state. We recognize growing strains on our environment, which include increasing local and national strains such as availability of water and energy. Burning fossil fuels such as oil creates ‘greenhouse gases’, which trap heat in our atmosphere and reduce the amount that escapes into space. Global warming is already creating significant environmental, social, and economic impacts, and the long-term consequences are expected to be severe if we do not dramatically reduce overall human greenhouse gas emissions.

From a business perspective, this presents both a challenge and an opportunity. Saudi Arabia is the world’s largest oil producer and holds the world’s largest oil reserves. The Kingdom, and the region, will continue to be critical players in addressing the two major challenges of meeting the world’s growing energy needs while reducing global environmental impacts. NCB aims to actively participate in this process.

## Management Approach

Admittedly, until now we have not fully appreciated the extent of our ability to positively affect our impact on the environment. NCB is in the process of identifying measures that can significantly improve our direct and indirect impacts on the environment. In the coming months we aim to develop an environmental policy that will systematize our environmental management and integrate it as an active part of our business objectives. The approach to be explored will include at least three key elements:

**Direct environmental impacts** Emphasis on water conservation, energy and emission reductions, waste minimization, and sustainable design of all new premises.

**Working with clients and suppliers** Sharing our sustainability initiatives and improved environmental management with selected business partners. For clients, this includes incorporating environmental design and mitigation strategies into everyday business, which in turn can lead to financial gains, reputation advantage, and new business opportunities. For suppliers, this includes giving preference to suppliers who both improve environmental management of their operations and integrate sustainability into the design and nature of the sourced products and services.

**NCB products and services** Encourage environmental stewardship and stimulate environmental and social innovation through the design of our own products and services.

## NCB Direct Environmental Impacts

### Water

Perhaps the most critical resource impacted by our operations is water. NCB operates in a geography with very limited water resources, and far greater human demand than can be naturally provided. The shortage of water is addressed in part through desalination plants across the Kingdom. However, desalination plants are a poor environmental response because they are energy-intensive and therefore emit significant global warming greenhouse gases. In addition, limited infrastructure combined with NCB’s level of demand for water means that in some locations, such as NCB’s head office, barely 10 percent of the required water is provided by the municipality’s infrastructure. The remainder is delivered by trucks, contributing more greenhouse gases and other pollutants into the environment.

NCB’s water consumption thus has a triple negative impact – it reduces a precious and limited natural resource, causes significant greenhouse gas emissions through desalination processes and trucking of water, and contributes to other undesired vehicle emissions.

This means that reducing water consumption is a top priority for NCB. Our existing water consumption is shown in the table opposite. This includes a breakdown of branches by region, and of the Bank’s main buildings.

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### NCB Annual Water Consumption

000's of m <sup>3</sup>	2005	2006	2007	H1 2008
<b>Branches</b>				
Western region	233.0	243.9	264.3	140.4
Central region	155.7	221.1	210.9	103.1
Eastern region	90.7	113.3	108.0	57.1
Northern region	25.0	22.2	18.9	9.9
Southern region	96.2	95.6	80.0	62.9
<b>Branches sub-total</b>	<b>600.6</b>	<b>696.1</b>	<b>682.1</b>	<b>373.4</b>
<b>Main buildings</b>				
<b>Jeddah</b>				
Head office	79.1	69.9	81.4	48.5
Al-Nakheel center	N/A	N/A	157.8	33.4
Tahlia building	4.1	N/A	0.9	N/A
Computer center (Kilo-10)	5.7	3.2	4.0	17.9
Training center	N/A	N/A	N/A	N/A
IT center	15.5	34.8	31.1	5.9
Al-Mahmal building	9.1	8.9	8.4	3.6
<b>Riyadh</b>				
Regional head office (old building)	8.4	8.4	8.4	4.2
Regional head office (new building)	-	-	80.0	46.7
<b>Dammam</b>				
Regional head office	10.2	10.2	10.2	2.7
<b>Main buildings sub-total</b>	<b>132.1</b>	<b>135.4</b>	<b>382.2</b>	<b>162.9</b>
<b>Total</b>	<b>732.7</b>	<b>831.5</b>	<b>1,064.3</b>	<b>536.3</b>

Nearly 100 percent of NCB's water consumption becomes wastewater, which is routed to the national sewage drainage line for all NCB buildings except the Training center in Jeddah. For this center, wastewater is stored in a tank and then trucked. This amounts to approximately one truck (18m<sup>3</sup>) every three days. For the NCB head office in Jeddah, approximately 33 percent of water consumed evaporates during usage in the cooling towers.

### Energy Consumption

The energy requirements are significant when operating in a very hot natural environment such as Saudi Arabia. However, energy is a low-cost resource for the user in Saudi Arabia, and this has to some extent minimized public appreciation of the environmental impacts of energy production and consumption.

The first step to improve the energy efficiency of NCB's operations has already been taken. In 2007, the Bank installed power-saving lights at 50 of its branches. NCB estimates that the effect has been an energy saving of 15-20 percent. This program is being extended to another 50 branches in 2008, with another 50 targeted for 2009. NCB has also considered energy consumption in the design of two new buildings. The IT center in Jeddah and the new regional head office in Riyadh were equipped with more energy-efficient chillers (air conditioning). NCB has not yet, however, adopted any overall standard for buildings, such as the LEED standard for environmentally-friendly buildings. This will be considered in the development of NCB's environmental policy.

Many practices can be adopted by NCB's employees, maintenance systems, and procurement that will reduce not only NCB's consumption of energy, but of all resources.

Energy is a low-cost resource for the user in Saudi Arabia, and this has to some extent minimized public appreciation of the environmental impacts of energy production and consumption.

<b>NCB Annual Electricity Consumption</b>				
000's of kWh	2005	2006	2007	H1 2008
<b>Branches</b>				
Western region	10,670.5	13,017.3	11,733.9	6,219.1
Central region	10,961.9	16,561.1	15,541.3	6,807.0
Eastern region	3,846.7	4,083	5,048.8	2,201.0
Northern region	499.6	538.2	758.6	315.0
Southern region	2,536.7	3,062.1	3,130.0	1,588.0
<b>Branches sub-total</b>	<b>28,515.4</b>	<b>37,261.7</b>	<b>36,212.6</b>	<b>17,130.1</b>
<b>Main buildings</b>				
<b>Jeddah</b>				
Head office	18,140.6	17,484.8	16,958.4	8,188.4
Al-Nakheel center	921.1	0.0	206.5	901.6
Tahlia building	2,371.4	0.0	882.2	1,338.8
Computer center (Kilo-10)	5,371.0	2,744.7	4,857.5	2,696.4
Training center	0.0	0.0	153.1	541.0
IT center	2,547.1	7,407.0	9,531.9	5,138.1
Al-Mahmal building	5,235.2	1,433.1	1,433.6	579.6
<b>Riyadh</b>				
Regional head office (old building)	1,980.0	1,980.0	1,980.0	990.0
Regional head office (new building)	–	–	7,023.0	990.0
<b>Dammam</b>				
Regional head office	2,089.9	2,089.9	2,089.9	1,044.9
<b>Main buildings sub-total</b>	<b>38,656.3</b>	<b>33,139.5</b>	<b>45,116.1</b>	<b>22,408.8</b>
<b>Total</b>	<b>67,171.8</b>	<b>70,401.2</b>	<b>81,328.6</b>	<b>39,539.0</b>

#### Fuel Consumption and Vehicle Emissions

NCB's operations require the use of security vehicles to transport money, precious metals, and other required actions between branches, ATMs, regional offices, and other institutions. NCB contracts a security company to manage these operations. The contracted company has a dedicated fleet of 17 vehicles for NCB operations, which are typically 2004-2007 General Motors Savana vans. The company also uses additional vehicles as required.

The Bank has made a concerted efforts to try to determine its fuel consumption and related greenhouse gas emissions and other emissions such as Nitrogen Oxides and Sulfur Oxides, but we were not able to arrive at reliable numbers for this report. This is in partly because our contractor does not currently track fuel consumption and odometer readings. We are working with the contractor towards a solution to allow for calculation of fuel consumption and emissions in the future.



### Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions contribute to the undesirable global warming of the atmosphere. NCB's emissions have been calculated using electricity consumption data. We could not assess GHG emissions for the Bank's vehicle fleet or air travel. This means we cannot give a complete picture of the Bank's GHG emissions, but the calculations offer an initial baseline. We will investigate integrating air and vehicle emissions into the 2009 reporting period.

#### NCB Annual Greenhouse Gas Emissions

Metric tons of CO <sup>2</sup> equivalent	2005	2006	2007	H1 2008
Electricity consumption (MWh)	67,722	71,340	83,822	41,265
Electricity consumption (MJ)	243,799,250	256,822,846	301,760,360	148,554,318
Nitrous oxide (kg)	330	347	408	201
Methane (kg)	1,814	1,910	2,245	1,105
Carbon dioxide (kg)	55,261,163	58,213,178	68,399,015	33,672,312
<b>Total</b>	<b>55,401</b>	<b>58,361</b>	<b>68,573</b>	<b>33,758</b>

Note: Excludes air and land transportation

The electricity supplier for all of NCB's domestic operations is the Saudi Electricity Company, which generates energy from oil. The Bank's greenhouse gas emissions have been calculated using the emissions factors for the Saudi Arabian electricity grid that are collated and published by the U.S. Department of Energy (DoE). These figures originate in Saudi Arabia, and are the best available data provided voluntarily by the Saudi Arabian authorities to support the DoE database.

Reducing NCB's direct impact on climate change, while simultaneously saving money, is an important environmental goal for NCB.

### Consumption of Other Materials

Other notable materials consumption includes paper and other information technology hardware such as computers, printers and printer cartridges. This list is clearly not exhaustive, but represents significant supplies. NCB's consumption of these is illustrated in the table below. Currently no recycled goods are used, nor are any of these items recycled.

#### NCB Annual Consumption of Other Materials

	2005	2006	2007
Paper (metric tons)	2,870	3,950	4,550
Personal computers (number)	2,230	1,388	1,136
Printer (number)	651	798	670
Printer cartridges (number)	34,032	20,330	19,895

### Waste Management

One of the surprises uncovered in an early analysis of NCB's direct environmental impact is the significant amount of solid waste, in addition to waste water, that is generated by the Bank's operations. A preliminary estimate for two buildings was carried out, based on recorded weights as provided by the waste disposal contractor. Currently, these measurements cannot be verified. For NCB's head office, the daily generated waste is estimated at 1,100 kg, or approximately 275,000 kg per year. For the Bank's IT centre, 400 kg of waste is estimated, or approximately 100,000 kg per year. NCB believes there is an opportunity for environmental improvement here.



As the first local Saudi bank, NCB and its stakeholders have been an inseparable part of the community and they continue to make a significant contribution today. The needs of society have changed over 50 years and so has the Bank's approach.

NCB established the Corporate Social Responsibility (CSR) unit in 2005. Its task is to design and implement a number of specialized programs. The group has established the following vision, mission, and objectives that emphasize five areas:

### Vision

For NCB to be the leading joint stock company in the field of corporate social responsibility.

### Mission

To introduce creative, innovative, non-profit programs that contribute to the country's development.

### Objectives

- Contribute to reducing unemployment by creating job opportunities
- Contribute to the education and development of society
- Contribute to the health development of society
- Adopt various social programs for assisting the needy
- Encourage the concept of voluntary work in society

### NCB's Social Contributions

In 2007 NCB allocated SR 59 million to CSR programs and a similar amount has been budgeted for 2008. These programs encompass key social issues and areas of need within Saudi society, namely job creation, education, healthcare, and social services. In addition, NCB makes donations to various educational, cultural, sports, and awareness and training initiatives.

NCB Annual Social Contribution				
SR 000's	2005	2006	2007	H1 2008
CSR programs	–	9,934	12,373	2,860
CSR donations	26,992	19,986	40,865*	24,160
<b>Total community investment</b>	<b>26,992</b>	<b>29,920</b>	<b>53,238</b>	<b>27,020</b>
CSR unit operations	1,308	2,101	6,131	1,555
<b>Total social contribution</b>	<b>28,300</b>	<b>32,021</b>	<b>59,369</b>	<b>28,575</b>
<b>Total social contribution / net income</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.7%</b>

\* Includes substantial one-off social contributions.

### CSR Programs

The following is an overview of the four key CSR programs and achievements.

#### AlAhli Job Opportunities Programs

These programs aim to boost the living standards of citizens, especially youth, by helping them to find job opportunities through training. The programs also strive to support small production projects by providing knowledge, advice, and expertise. Strategic partners include NGOs, governmental bodies, and Chambers of Commerce.

**AlAhli Small Business Program** aims to provide Saudi youth with the knowledge and skills necessary to establish their own businesses, and to guide them on the road to success by educating and equipping them with appropriate skills. Through the program, 37 specialized training courses were conducted in 13 cities throughout the Kingdom, covering the basics of small business planning, preparation, and execution.

**AlAhli Training and Employment Program** Aims to contribute to reducing the unemployment rate in Saudi Arabia by qualifying unemployed citizens and improving their ability to fill job vacancies in the private sector. Through this program, 472 Saudi nationals were trained, 89 percent of them men and 11 percent women. The program held 16 specialized training courses in Riyadh and Jeddah covering 24 professional fields, and all trainees were accepted in the Kingdom's private sector. This program ended in 2007.

AlAhli Training and Employment Program			
Number	2005	2006	2007
Saudi nationals trained (male and female)	10	240	222
Training courses	1	16	20
Fields covered	1	14	18

**AlAhli Small Business Program** Aims to provide Saudi youth with the knowledge and skills necessary to establish their own businesses, and to guide them on the road to success by educating and equipping them with appropriate skills. The program also helps them to obtain loans from sources that cooperate with NCB. Through the program, 37 specialized training courses were conducted in 13 cities throughout the Kingdom, covering the basics of small business planning, preparation, and execution. 762 Saudi nationals benefited from this program, with 28 percent of the trainees being women. During the program period, 40 percent of the trainees have started small businesses.

'How to Start Your Small Business' Course				
Number	2005	2006	2007	H1 2008
Saudi nationals trained	17	227	324	194
Specialized training courses	1	11	15	10

In addition, 27 courses were conducted in 15 cities across the Kingdom, focusing on training women to start their own businesses. 450 trainees took part, of whom 35 percent have successfully started home businesses during the program period.

'How to Start Your Home Business' Course				
Number	2005	2006	2007	H1 2008
Women trained	20	175	151	104
Training courses	1	10	9	7

**AlAhli Productive Families Program** Aims to provide women from needy families with craft skills that will allow them to earn income. The program also supplies them with the equipment and basic materials they need for production, and helps them to obtain loans from sources that cooperate with NCB. This program is run in cooperation with charity organizations throughout Saudi Arabia. The program has steadily increased in size since 2006, with 622 women having been trained in the first half of 2008. 40 percent of the trainees now have businesses that provide an income covering most of their family's needs. The strategic partners for this project include charity organizations throughout the Kingdom, and the Chambers of Commerce and Industry.

AlAhli Productive Families Program				
Number	2005	2006	2007	H1 2008
Women trained	N/A	453	725	622
Cities covered	N/A	7	15	12
Training courses	N/A	23	37	34

### **AlAhli Education Programs**

These are divided into four programs:

**AlAhli Education Development Program** Designed to assist students who are orphans and wish to study at university to earn Bachelor degrees. It facilitates their enrolment in educational institutes that issue certificates accredited by government authorities. In 2007 NCB provided scholarships to two male and three female students, who have begun studies in private universities. In addition to this, five girls graduated from Dar AlHekma College through this program. The program is currently on hold pending evaluation.

**AlAhli PC Labs Program** Designed to assist in reducing computer illiteracy by setting up computer laboratories in schools, colleges, and universities. In 2005, 11 labs were installed, 6 were installed in 2006, and 5 in 2007: a total of 22 labs in 14 universities and colleges across 11 cities around the Kingdom. In 2008 the Bank has signed an agreement to establish a further 7 computer labs for blind students. The strategic partner is the Ministry of Education.

**AlAhli Injaz Initiative** Aims to develop and polish youth skills to increase their opportunities in the workplace as employees or qualified business owners. In 2007, 100 students were trained and, in 2008, 500 have been trained up to June. The 2008 goal is to train 1,000 students.

**AlAhli Endowed Chairs Program** In early 2008 NCB signed agreements to fund two Endowed Chairs in the fields of Islamic Banking (the strategic partner is King Fahad University for Petroleum and Minerals), and Corporate Social Responsibility (the strategic partner is King Saud University).

### **AlAhli Health Programs**

NCB aims to contribute to the development of the health sector through the following programs:

**AlAhli Medical Equipment Program** Supports non-profit health organizations in extending their services to the largest number of patients by helping to improve their capabilities and supplying new equipment. The program has participated in supplying a number of government hospitals and health centers with new renal dialysis units. NCB distributed 25 units in 2006, 40 in 2007, and has signed an agreement to distribute 30 units in 2008. NCB's strategic partners are the Health Ministry and the Prince Fahad Bin Salman Charity for Kidney Disease.

**AlAhli Medical Units Program** Aims to contribute to the development of ambulance services around the Kingdom by setting up specialized medical units. In 2007, two mobile intensive care units were equipped and delivered to the Saudi Red Crescent Society for use in Riyadh and Dammam. Another two ambulances were delivered in mid-2008.

**AlAhli Health Awareness Program** Aims to enhance health awareness among the various segments of society. In 2007, 7,000 citizens from 13 regions of the Kingdom were trained in the basics of first aid. Up to mid-2008, another 3,000 citizens had been trained in the basics of first aid, from a total target of 10,000 in 2008.

AlAhli Medical Equipment Program supports non-profit health organizations in extending their services to the largest number of patients by helping to improve their capabilities and supplying new equipment.



### AIAhli Social Programs

NCB plays a major role in charitable work through the following programs:

**AIAhli Charity Organizations Program** Charity organizations in the Kingdom today face increasing challenges that stretch their resources. NCB believes that such organizations play an important social role, and has strived to support selected charities in achieving their objectives. In 2007, significant assistance was provided to 337 organizations around the Kingdom, including financial assistance totaling SR 8 million. In 2008, all activity will be undertaken in the second half of the year.

AIAhli Charity Organizations Program	2005	2006	2007	H1 2008
Organizations supported (number)	204	265	337	0
Financial assistance (SR millions)	6.3	7.5	8.0	0

**AIAhli Orphans Program** NCB provides support and sponsorship specifically for orphans. In collaboration with appropriate societies and organizations, NCB gives financial aid and, through well-designed programs, provides material needs such as stationery, school bags, clothes, and medical care. In 2006 we provided 2,000 orphans with new clothes over Eid. This was extended to 5,750 orphans in 2007. In 2008, all activity will be undertaken in the second half of the year.

AIAhli Orphans Program	2005	2006	2007	H1 2008
Number				
Orphans benefiting	N/A	5,065	11,500	0
Cities	N/A	8	18	0

**AIAhli Disabled Program** Aims to care for those with special needs, helping them to overcome their disabilities, develop skills, and improve their lives. The program also helps them to search for jobs so they can become active members of society and lead stable, productive lives. In 2007, 20 mosques were modified to cater for people with special needs. In 2008 the AIAhli Disabled Training and Education program is targeting 50 disabled persons to be trained and employed.

**AIAhli Voluntary Work Program** This program offers NCB staff the opportunity to volunteer their time, experience and skills to help the needy. The number of volunteers in 2007 was 83 (male and female). By mid-2008, 57 staff had been engaged as volunteers.

### Other Sponsorships and Donations

In addition to the CSR programs, NCB has been a major financial contributor to numerous community activities and events. These range from sponsorships in key areas of focus, to responding to various special appeals and requests. Further information is contained in the Bank's 2007 Community Service Report.

### Awards

NCB has received the following awards with regard to its CSR activities:

- Jeddah Chamber Of Commerce & Industry (JCCI) award for Best Saudi Bank in CSR
- ITP Publishing Group Award for Social Contributions
- Award for CSR Leadership in Dubai's 5th CSR Summit
- King Abdullah Bin Abdulaziz Award for supporting the Saudi Educational Sector

# Global Reporting Initiative Index

GRI	Page(s)	GRI	Page(s)	GRI	Page(s)
1.1	Page 4	Management Approach– Environment Page 28		HR9	None
1.2	Page 4	EN1	Page 31	Management Approach – Society Page 32	
2.1	Page 6	EN2	None	SO1	Still not included in the designer version
2.2	Page 6 and 8	EN3	Page 30	SO2	None
2.3	Page 8 and 9	EN4	Page 29 and 30	SO3	None
2.4	Page 6	EN6	Page 29	SO4	None
2.5	Page 6	EN7	Page 29	Management Approach– Product Responsibility Page 20	
2.6	Page 9	EN8	Page 28-29	PR1	None
2.7	Page 20	EN9	Page 28-29	PR2	None
2.8	Page 2 and 9	EN10	None	PR3	As per national laws
2.9	Page 9	EN11	Not applicable as no branches or locations threaten biodiversity	PR5	Page 20-21
2.10	Page 9	EN12		PR6	We abide by all laws
3.1	Page 12	EN13		Financial Sector Supplement	
3.2	Page 12	EN14		CSR1	Page 32
3.3	Page 12	EN15		CSR2	Page 32-35
3.4	Page 2	EN16	Page 31	CSR3	Page 32
3.5	Page 12	EN17	Page 31	CSR4	See all management approach sections ; Opportunities for Women Page 24
3.6	Page 12	EN18	Page 29	CSR5	See other compliance indicators
3.7	Page 12	EN19	None Known	CSR6	Page 10
3.8	Page 12	EN20	Page 31	INT1	Page 27
3.9	Page 12	EN21	Page 29	INT2	Page 26
3.10	No re-statements as first report	EN22	The weight of some waste has been calculated. Page 31	INT3	Page 24-25
3.11	Page 12	EN23	None	INT4	Page 16
3.12	Page 36	EN24	None	INT5	None. See page 25
3.13	Page 12	EN25	None affected	INT6	Page 23
4.1	Page 17	EN26	No initiatives up until now as specifically relates to products and services.	INT7	Page 23
4.2	Page 16	EN27	None. Not applicable	SOC1	Page 32
4.3	Page 16	EN28	None	SOC2	Page 19
4.4	Page 16	EN29	Page 30	SUP1	Page 27
4.5	Page 16	Overall Management – Labour Page 22		SUP2	Page 10
4.6	Page 16	LA1	Page 23	RB1	Page 24
4.7	Page 16	LA2	Page 26	RB2	Page 10 and 20
4.8	Page 7	LA3	Page 25	RB3	No major initiatives
4.9	Page 16	LA4	No trade unions	AM1	As per Sharia-compliant investing
4.10	Page 16	LA5	As per law. Has not been an issue	F13	Page 20
4.11	Still not included in the designer version	LA6	None		
4.12	Page 16	LA7	No notable injuries or fatalities.		
4.13	Page 9	LA8	None		
4.14	Page 10-11	LA9	None		
4.15	Page 16	LA10	Page 25		
4.16	Page 10-11	LA11	Page 26		
4.17	Page 10-11	LA13	Page 23		
Management Approach– Economic Page 19		LA14	Page 23		
EC1	Page 19	Management Approach – Human Rights Page 27			
EC2	Page 28	HR1	Page 27		
EC3	Page 19	HR2	None		
EC4	None	HR3	No major programs		
EC5	Page 19	HR4	Page 27		
EC6	Page 19	HR5	Page 27		
EC7	Page 24	HR6	Page 27		
EC8	Page 19	HR7	Page 27		
EC9	Page 19	HR8	None		

# Acronyms

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AGM	Annual General Meeting
AML	Anti Money Laundering
AOP	Annual Operating Plan
ATM	Automated Teller Machine
BOD	Board of Directors
BRSA	Banking Regulations and Supervision Agency
CAP	Corrective Action Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFS	Consumer Finance Sector
CO2	Carbon Dioxide
CSR	Customer Service Representative / Corporate Social Responsibility
CTF	Counter Terrorist Financing
DoE	Department of Energy
EOSA	End of Service Award
G3	The G3 version of the GRI Sustainability Reporting Guidelines
GHG	Greenhouse Gas
GOSI	General Organization for Social Insurance
GRI	Global Reporting Initiative
HR	Human Resources
HRD	Human Resources Department
HRMS	Human Resources Management System
IFRS	International Financial Reporting Standards
JCCI	Jeddah Chamber of Commerce & Industry
Kg	Kilogram
KPI	Key Performance Indicator
KSA	Kingdom of Saudi Arabia
kWh	Kilowatt Hour
KYC	Know Your Customer
LEED	Leadership in Energy and Environmental Design
MENA	Middle East & North Africa
MITC	IT Center in Jeddah
MJ	Megajoule
MP&P	Management Policy and Procedures
MWh	Megawatt Hours
N/A	Not Available
NCB	The National Commercial Bank
NCBC	NCB Capital
NOx	Nitrogen Oxides
OECD	Organization for Economic Co-operation and Development
PC	Personal Computer
PIF	Public Investment Fund
PM	Performance Management
RFP	Request for Proposal
SABIC	Saudi Basic Industries Corporation
SAMA	Saudi Arabian Monetary Agency
SAUDIA	Saudi Arabian Airlines
SBP	Strategic Business Plan
SBU	Strategic Business Unit
SMART	Specific, Measurable, Actionable, Relevant and Timely
SMEs	Small, Medium Enterprises
SEC	Saudi Electricity Company
SOx	Sulfur Oxides
SR	Saudi Riyal
STC	Saudi Telecom Company
UAE	United Arab Emirates
US\$	United States Dollars

AccountAbility1000	AA1000 series are principles-based standards intended to provide the basis for improving the sustainability performance of organizations. The AA1000 Framework was developed to help organizations build their accountability and social responsibility through quality social and ethical accounting, auditing, and reporting. It addresses the need for organizations to integrate their stakeholder engagement process into their daily activities.
Carbon dioxide	A chemical compound often referred to by CO <sub>2</sub> , and is present in the Earth's atmosphere. Carbon dioxide is a greenhouse gas that, when emitted as a by-product of human energy/fuel/other consumption, contributes to global warming
Global Reporting Initiative (GRI)	A long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.
G3 Reporting Guidelines	A framework for reporting on an organization's economic, environmental, and social performance.
AlAhli	The National Commercial Bank (NCB)
Executives	Refers to senior management staff, namely Grades 10 and above
Management	Refers to Grades 6 to 9
Participation banks	A Turkish concept of Shariah compliant banking
Sustainability	An attempt to provide the best outcomes for the human and natural environments both now and into the indefinite future.
Sustainability Management	The integrated management of our economic, environmental, and social performance in a manner that optimizes value for all of our stakeholders.
Sustainability Reporting	Corporate reporting is the voluntary public presentation of information about an organisation's non-financial performance – environmental social and economic – over a specified period, usually a financial year. A report may be published as a stand-alone document, on a company web site or incorporated into an annual report. The release of a corporate sustainability, environmental or health and safety report is seen as increasing transparency and therefore accountability.
Saudization	Refers to the national policy in Saudi Arabia to encourage employment of Saudi nationals in the private sector
Shariah	Is the body of Islamic religious law. The term means 'way' or 'path to the water source'; it is the legal framework within which the public and private aspects of life are regulated for those living in a legal system based on Islamic principles of jurisprudence and for Muslims living outside the domain.
Zakat	Zakat is the Islamic religious tax; one of the five basic requirements or 'pillars' of Islam. All adult Muslims of sound mind and body with a set level of income and assets are expected to pay Zakat. Zakat is due yearly on certain types of property. For NCB, Zakat is the liability of the shareholders. Zakat is computed on the net adjusted income using the basis defined under the Saudi zakat regulations. Zakat is paid by the Bank on their behalf and is not charged to the consolidated statement of income but is deducted from the gross dividend paid to the shareholders or charged to retained earnings as an appropriation of net income if no dividend has been distributed.

## Kingdom of Saudi Arabia

### Group Headquarters

The National Commercial Bank  
PO Box 3555  
Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 2 646 4999  
Fax: +966 2 646 2898  
www.alahli.com

### Regional Head Offices

#### Central Region

PO Box 22216  
Riyadh 11495  
Kingdom of Saudi Arabia  
Tel: +966 1 478 4877  
Fax: +966 1 472 7508

#### Western Region

PO Box 3555  
Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 2 649 3333  
Fax: +966 2 627 2472

#### Eastern Region

PO Box 5558  
Dammam 31432  
Kingdom of Saudi Arabia  
Tel: +966 3 834 0088  
Fax: +966 3 833 5433

#### Northern Region

PO Box 33  
Al Gassim 51411  
Kingdom of Saudi Arabia  
Tel: +966 6 325 0551  
Fax: +966 6 325 1021

#### Southern Region

PO Box 605  
Abha  
Kingdom of Saudi Arabia  
Tel: +966 7 224 6638  
Fax: +966 7 225 0374

### NCB Capital – Head Office

PO Box 22216  
Riyadh 11495  
Kingdom of Saudi Arabia  
Tel: +966 1 273 3696  
Fax: +966 1 273 3699  
www.ncbc.com

## International Network

### Branches

#### Kingdom of Bahrain

The National Commercial Bank  
Diplomat Tower, Diplomatic Area  
PO Box 10363  
Manama  
Bahrain  
Tel: +973 17531 182  
Fax: +973 17530 657

#### NCB Capital

Diplomat Tower, Diplomatic Area  
PO Box 10363  
Manama  
Bahrain  
Tel: +973 17549 700  
Fax: +973 17530 657

#### Lebanon

Rashid Karamah Street  
Verdun Plaza, Corniche Al Mazraa  
PO Box 11-2355  
Beirut  
Lebanon  
Tel: +96 11 787 381  
Fax: +96 11 867 728

### Representative Offices

#### United Kingdom

Wellington House, 125 Strand  
London WC2R 0AP  
United Kingdom  
Tel: +44 20 7420 4115  
Fax: +44 20 7420 4128

#### South Korea

CCMM Building, 9th Floor  
12 Yoido-Dong, Yongdungpo-Ku  
Seoul 150-010  
South Korea  
Tel: +82 2 786 9011  
Fax: +82 2 786 0340

#### Singapore

No. 6 Battery Road, No. 14-01  
Singapore 049909  
Tel: +65 6 222 8496  
Fax: +65 6 222 8396

This is a network of businesses, government agencies, and NGOs that have taken the lead in committing to adopt sustainability management and reporting in the Arab region. The ASLG serves as an experience sharing forum, as well as a vehicle for accelerating the take-up of sustainability in the region. The ASLG is an initiative of Her Majesty Queen Rania Al-Abdullah of Jordan. NCB is a founding member of the The Arab Sustainability Leadership Group (ASLG).

