The National Commercial Bank  Sustainability Report 2009

People, Planet, Profit
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

HRH Prince Naif Bin Abdulaziz Al-Saud
Second Deputy Prime Minister and Minister of the Interior
Our Sustainability Framework

**Our Shareholders**
- Creating economic value
- Ensuring good governance
- Prudently managing risk

**Our Customers**
- Offering innovative Shariah-compliant solutions
- Providing a responsive, convenient, and efficient service

**Our Community**
- Designing and managing programs that address critical needs in our society in the fields of job creation, education, health, and social issues
- Attracting, retaining, and optimizing talent
- Fostering diversity and human rights

**Our People**
- Honoring our commitments and enhancing our standing in the business community
- Practicing and promoting responsible competitiveness

**Our Business Partners**
- Improving our management of resources and minimizing environmental impacts

**Our Environment**
- People
- Planet
- Profit
What is Sustainability?

There are differing views about how *sustainability* should be defined. NCB’s definition is in line with many of the world’s leading corporations, and that of the UN’s Brundtland Commission.* It includes not only sustainability’s environmental dimensions, but also its social and economic aspects.

Sustainability is about *people*: harnessing their expertise, creativity, and skills so we can compete successfully. It is also about our relationships with customers, business partners, and the community.

Sustainability is about *planet*: we hold the environment in trust for future generations and environmental stewardship is embedded in our Islamic values and integral to our corporate culture.

And sustainability is about *profit*: business cannot exist without creating economic value. Prudent management of risk and good governance are implicit in fulfilling this objective.

*Sustainability management* is the integrated management of economic, environmental, and social performance with the goal of creating value for all stakeholders. We simply consider it to be the next step in business excellence.

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* The Brundtland Commission (formally the World Commission on Environment and Development) was convened by the United Nations in 1983 to address growing concern about the accelerating deterioration of the human environment and natural resources, and the consequences of that deterioration for economic and social development.*
2009 Achievements

Providing a responsive, convenient, and efficient service
NCB continued to raise service standards through the re-launch of AlAhli Online, giving customers unique electronic banking functionality and convenience.

2009 saw the launch of Tajir, a special program for SMEs that attracted 5,035 new customers.

Improving our management of resources and minimizing environmental impacts
Water-saving measures at head office included installing low-flow sensor taps, and new chillers that utilise more energy-efficient technologies.

Practicing and promoting responsible competitiveness
NCB won the King Khalid Award for Responsible Competitiveness for the second year running, and was encouraged to see 80 companies applying for this award in its second year of existence.

Attracting, retaining, and optimizing talent
A new performance management process was launched involving peer reviews conducted in open forums, with individual performance calibrated to team and Bank-wide achievements.

Designing and managing programs that address critical needs in our society in the fields of job creation, education, health, and social issues
The Bank’s community programs touched the lives of more than 150,000 people during the year.

The AlAhli Health Awareness program led to a further 15,000 people being trained in the basics of first aid.

In cooperation with 34 charity organizations, the AlAhli Orphans program provided school bags to 26,614 orphans in 26 cities and villages.

Creating economic value
The near doubling of operating income illustrates the resilience of our strategy and puts NCB in a strong position to safeguard the interests of stakeholders and build for the future.

Customer deposits rose by 17.9 percent, reaching SR 202.6 billion, and total assets grew 16.1 percent to SR 257.5 billion, representing a robust performance in difficult conditions. The Board of Directors proposed paying a dividend of SR 2,244 million, which equates to SR 1.5 per share.
Learning from today to build tomorrow’s future

Short-term orientation and failed governance were at the heart of the recent global financial crisis. Significantly improved corporate governance – including a focus on a wider range of economic, environmental, and social risks and opportunities – will be essential to a sustainable global economic recovery.

By Abdulkareem Abu Alnasr
Chief Executive Officer

This is also simply good business and, when applied by large numbers of companies and supported by government policy, can result in enhanced national and regional competitiveness.

The global economic crisis has produced significant worldwide social costs in terms of rising unemployment, diminished personal savings, and loss of trust in financial institutions and regulators. Saudi Arabia was fortunately one of the countries least affected by the crisis, largely due to effective government regulations and sound economic policies, but the effects of the crisis spread to our region, impacting companies as well as individuals.

How did this happen? The global financial crisis was the result of several failures, but ultimately it came down to a failure of governance systems and ethics, both at a corporate and institutional level. It is now an appropriate time to consider what needs to be done to address this failure, and how we can be assured that changes will be successfully implemented. Sustainable recovery requires an improved system in which people can better trust.

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered, and controlled. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It includes the relationships among the many stakeholders and the goals for which the corporation is governed.

The basic principles of good governance include rule of law, ethics, integrity, disclosure, transparency, accountability – not only to shareholders, but also to all stakeholders. The recent crisis has shown that there were implementation problems in at least four areas of governance: Board practices, risk management, remuneration, and the exercise of shareholders’ rights. Our opportunity now is to learn from the mistakes made globally and to contribute to shaping an enhanced international and regional governance system. Three important opportunities follow.

1. Adherence to governance standards

As a starting point at the regional level, we should aim to ensure that we meet the highest international governance standards, such as the recommendations of the Organization for Economic Co-operation and Development (OECD). These are a good starting point and companies such as NCB have found them to be of significant value, having systematically integrated them over the past several years. At the same time, the Bank continuously reviews these recommendations and focuses on means to ensure their implementation.

In Saudi Arabia, the Saudi Arabian Monetary Agency (SAMA), the Kingdom’s central bank and the banking supervisory authority, has played a leading role in strengthening governance in the banking industry by providing proper guidance and oversight. SAMA’s regulations cover issues such as internal controls, Know Your Customer (KYC), anti-money laundering and combating terrorism financing, and prevention of fraud.
The roles of external audit, internal audit, and compliance are regulated by SAMA, which also requires that banks apply the International Financial Reporting Standards, and that two firms of external auditors conduct an annual audit. Furthermore, SAMA requires banks to meet the corporate governance guidance emanating from the Basel Committee on Banking Supervision and, more recently, the Islamic Financial Services Board (IFSB).

2. Integrating sustainability into corporate governance

Leading businesses around the world are adopting sustainability management – the integrated management of economic, environmental, and social performance with the goal of creating value for all stakeholders. The underlying premise of sustainability management is that companies that better identify, understand, and respond to a wider range of material economic, environmental, and social risks and opportunities will out-compete companies that do not. This will be especially true as social and environmental trends continue to gain importance. As part of sustainability management, the ultimate oversight of risks and opportunities relating to these wider issues must be specifically assigned at Board level.

At NCB, we have committed to sustainability management and reporting. Our commitment is not only reflected in our reporting, but also finds expression in the structures, processes, and programs that have been established to promote our sustainability agenda.

3. Encouraging renewed emphasis on good corporate governance and sustainability in government policy

When practiced properly by large numbers of companies, good governance can enhance the attractiveness, effectiveness, and competitiveness of national markets. Good corporate governance that incorporates sustainability management should therefore further strengthen national markets.

Several governments in the region are already exploring this link under the banner of Responsible Competitiveness. These countries include Jordan, Egypt, and Saudi Arabia.

In Saudi Arabia, the government has recognized that responsible business practices have the potential to contribute significantly to the Kingdom’s ambition of becoming one of the world’s top 10 most competitive nations by 2010. As such, they have launched the Saudi Arabia Responsible Competitiveness Index, including initiatives that explore the take-up of sustainable business practices by many leading companies. Other countries in the region are also being encouraged to consider the link between widespread uptake of good governance, sustainability management, and national competitiveness, and to modify government policy and regulatory frameworks accordingly.

Beyond policy and regulatory revisions that will undoubtedly arise, governments have another major opportunity to promote sustainability-oriented governance.

It is fair to say that most governments worldwide have not taken into account a long-term sustainability-oriented perspective that fully considers economic, environmental, and social development. This has included embracing an economic model that is now understood to have failed to recognize important environmental and social impacts.

In response to the financial crisis, the G20 governments have stepped in with stimulus packages aimed at the funding of major infrastructure projects. Saudi Arabia alone has committed to invest $400 billion over the coming five years on national projects. There is an opportunity here to achieve immediate progress in factoring into these projects the wider range of environmental and social risks and opportunities, ensuring these investments contribute to the sustainable value creation for all stakeholders.

Towards responsible competitiveness

As the largest bank in Saudi Arabia and a leading financial institution in the region, we are committed to continuously improving our governance processes and to integrating sustainability management into our business operations. We will be pleased to work together with partners who also wish to enhance their governance and sustainability management practices. In this way we hope to achieve sustainable growth through responsible competitiveness as we continue to grow and diversify the financial sector for the benefit of all stakeholders.
Our Sustainability Policy

The purpose of this policy is to set out the principles for applying sustainability management at NCB and allocating responsibility for sustainability performance.

Objectives

The purpose of this policy is to set out the principles for applying sustainability management within NCB and allocating responsibility for sustainability performance.

Effectively implemented, this policy should:

- Drive NCB’s sustainability performance in relation to all its stakeholders
- Enhance NCB’s financial performance
- Enhance NCB’s business performance
- Enhance the development of the communities in which we operate
- Minimize NCB’s environmental impacts
- Support the development of the Kingdom of Saudi Arabia in a sustainable and responsible manner

Global Reporting Initiative (GRI): NCB’s Application Level

GRI pioneered the development of the world’s most widely used sustainability reporting framework, which sets out principles and indicators for measuring and reporting economic, environmental, and social performance. NCB was the first company in Saudi Arabia to comply with GRI’s G3 guidelines, and the first financial institution in the Middle East to publish a GRI checked sustainability report.
Principles

As part of the implementation of NCB’s sustainability management, NCB will broadly aim to:

- Engage stakeholders to understand and respond to their priorities and expectations
- Insist on integrity, honesty, accountability, transparency, and trust. This includes public reporting on performance against all issues that are material to stakeholders

As part of the implementation of NCB’s sustainability management, NCB will specifically aim to:

- Offer innovative Shariah-compliant solutions
- Provide a responsive, convenient, and efficient service
- Improve our management of resources and minimize our environmental impacts
- Honor our commitments and enhance our standing in the business community
- Practice and promote responsible competitiveness
- Attract, retain, and optimize talent
- Foster diversity and human rights
- Design and manage programs that address critical needs in our society in the fields of job creation, education, health, and social issues
- Create economic value
- Ensure good governance
- Prudently manage risk

This policy encapsulates any existing NCB policies relating to the above principles and all relevant current legislation.

Implementation

Sustainability management will be fully adopted and integrated into all operations of NCB and in all manners available, to ensure the creation of a strong culture of sustainability within NCB and among its stakeholders. NCB’s Strategic Plan and Annual Operating Plan (AOP) will incorporate all necessary plans and actions to ensure the achievement of continuously improving sustainability performance. Implementation is the responsibility of all managers and employees.

Compliance and reporting

NCB will report publicly on its sustainability performance through its annual Sustainability Report. Every NCB manager is responsible for ensuring that the principles set out in this policy are communicated to, understood, and observed by all employees and for ensuring compliance in their area of responsibility.

Sustainability framework

NCB, through its sustainability framework, will use a diagrammatic depiction of the Bank’s sustainability policy to better communicate sustainability principles and issues to all stakeholders.
For generations, NCB has been trusted to provide a responsive and efficient service, leading the way in customer-focused innovation. The Bank’s record includes Saudi Arabia’s first credit cards, the first ATMs, the first student saving schemes, the first mutual funds, and the first dedicated ladies’ branches. It has also offered many Shariah-compliant financial solutions – from Mudharabah-based investment products to Ijarah or Murabaha-based leasing or lending, as well as Takaful insurance and savings schemes. By embracing values and concepts that have stood the test of time, NCB’s skills and flexibility have made a meaningful contribution to people’s lives and the economy as a whole. NCB is totally committed to playing a central role in supporting future generations, continuing our tradition of trust and innovation.

AlSharif Khalid AlGhalib, SEVP – Head, Individual Banking Sector

Our Customers
The spirit of entrepreneurship is deeply rooted in Saudi Arabia’s economic history. It is also embedded in NCB’s heritage, having begun life as a partnership between two young entrepreneurs back in 1953.

Perhaps this is why NCB has always understood and supported small companies – essential businesses that engender vibrant and healthy competition to the advantage of consumers and the economy as a whole.

Today, the Kingdom’s young and rapidly growing population is creating an unprecedented need to nurture such businesses – recognized as the most successful engines of job creation and wealth generation. SMEs are also the ideal vehicle to drive Saudi Arabia’s compelling initiative to build a more diversified economy.

Entrepreneurship is a role to which many Saudi Arabians aspire. The strength of this ambition is underlined by the positive reaction to the new Tajir (‘Entrepreneur’) account, launched by NCB in February 2009. By the end of the year, the program had 11,835 customers, of whom 5,035 were new to the Bank, and had attracted more than SR 870 million in deposits. In 2010, NCB will further enhance Tajir and aim to recruit 7,000 more Tajir customers.

Starting a company can be challenging – especially in raising finance. To help small and medium-sized businesses, the Saudi government (through the Saudi Industrial Development Fund) initiated the Kafala program in collaboration with the Kingdom’s banks.

Kafala offers qualifying applicants loans of between SR 75,000 and SR 2 million, with up to 70 percent of each loan guaranteed by the Saudi Industrial Development Fund. In 2010, NCB will align its Kafala efforts with the Bank’s Corporate Social Responsibility initiatives, many of which are designed to support small businesses.

Tajir and Kafala are together fulfilling NCB’s vision to be the bank for small business in Saudi Arabia, helping to create the new enterprises that will shape opportunities within today’s economy and for future generations.
Improving service quality (left)
NCB’s focus has been to enhance service standards and leverage multiple access channels. The success of these measures is demonstrated by research that shows year-on-year improvements in customer satisfaction.

Kafala in action (main picture)
Dr. Mohamed Fateh, a Saudi heart surgeon, established his practice in 2009, financed by NCB under the Saudi government’s Kafala program. Designed to support SMEs and start-ups, Kafala offers loans with up to 70 percent guaranteed by the Saudi Industrial Development Fund.

Our Customers
Offering innovative Shariah-compliant solutions
Providing a responsive, convenient, and efficient service
Offering innovative Shariah-compliant solutions

**What is Islamic banking and finance?**

Islamic banking and finance is based on Shariah law, which is Islam’s legal system. It is derived from a combination of sources including the Qur’an (the Muslim holy book which contains the word of Allah), the Hadith (narrations about the sayings and conduct of the prophet Muhammad PBUH), together with analogy and consensus expressed by Shariah scholars on a range of issues. Shariah differs from other legal traditions in that it guides every aspect of the life of Muslims.

Islamic banking and finance is based on the following two principles that are defined as Haram or impermissible:

**Prohibition of Riba (interest), seen as a form of usury**

Islamic law promotes the use of equity financing over debt financing. This encourages the classical forms of partnership, which require profit and loss sharing (Mudarabah and Musharakah).

**Prohibition of Gharar (the sale of something that may not exist at the time of the trade)**

This is seen as profiting from another person’s uncertainty. This discourages speculation, precludes short selling, and limits the use of conventional derivatives and insurance policies, unless they adopt the form of Islamic insurance (Takaful).

Shariah law also restricts the activities of individuals and companies within certain permissible boundaries, and strictly prohibits non-permissible activities such as dealing in alcohol, etc.

**Islamic banking and the global financial crisis**

Beyond the critical importance of meeting requirements of faith, there are broader merits to Islamic banking and finance. In particular, the prohibition of interest and trading in debts helps avoid the types of highly leveraged operations and risks that were central to the recent financial crisis.

Similarly, the avoidance of trading in financial risk and the sale of something that may not exist at the time of the trade, helps to reduce exposure to the huge range of complex financial instruments and toxic assets that contributed to the financial crisis. These failures in the current financial system have brought renewed attention and demand for Shariah-compliant products.

**Islamic banking at NCB – a proud history**

NCB has a proud history of leadership in Islamic banking and finance, having pioneered the innovation of various tools and products that are now widely adopted. NCB launched its first pilot branch offering Islamic-only services in 1990.

In 2005, NCB made a commitment to convert its entire retail branch network to Islamic banking. NCB’s leadership in Islamic banking and finance, particularly since the time of this commitment, has been rewarded by a rapid growth in the Bank’s customer base and higher levels of customer loyalty.

In December 2006, after the successful conversion of the retail network to Shariah compliance, NCB established the Islamic Banking Development Group (IBDG). This was intended to become the center of excellence for all of NCB’s Shariah-compliant offerings, and to support business units in achieving the Bank’s Islamic banking strategy by ensuring full Shariah compliance of their Islamic offerings.
NCB was the first bank in the region to develop:
• A Shariah standard for investing in equities
• A Shariah-compliant equity fund
• The Tawaroq process to facilitate cash finance needs
• A Shariah-compliant credit card
• An Islamic capital secured fund
• The first Islamic capital protected fund
• The first Islamic investment certificate listed on an international exchange (in association with Deutsche Bank)
• A Musharaka contract as a substitute for conventional overdrafts
• Islamic securitization
• A Murabahah fund to finance automobiles

Shariah-compliant products and services
Examples of NCB’s Shariah-compliant products and services are as follows:
• For consumers, we provide a range of Islamic current account and related program packages, Islamic credit cards, Al-Tayseer personal financing, real estate financing, and auto leasing.
• For corporate clients, we offer a range of Islamic products based on Murabaha, Ijarah, and Tayseer to support corporate financing needs. Other sophisticated Islamic structures are developed to address a range of specialized financing needs.
• For Treasury, the Murabaha placement and Khayrat provide the Bank with Islamic instruments to raise and manage its liquidity and funding needs.

Shariah Advisory Board
NCB’s Shariah Board reviews and approves every Shariah-compliant product and service offered to customers. It consists of three prominent scholars in the field of Islamic economics: Sheikh Abdullah Bin Sulaiman Al Monee, Sheikh Dr. Abdullah Bin Abdulaziz Al Musleh, and Dr. Mohammed Ali Elgari.

NCB’s commitment to the true and ethical implementation of Shariah-compliance requires that the Shariah Board examine every aspect of products and services offered by NCB. Any enhancement to a product or service offering undergoes the same stringent process required for a new product or service. Monthly meetings of the Shariah Board are held to review and discuss new product development issues and enhancements. In addition, the Shariah Board meets with NCB customers and staff to provide clarifications on products and services. These meetings are held in main centers throughout the Kingdom.

The Islamic Banking Development Group manages the relationship between NCB business units, subsidiaries or affiliates, and the Shariah Board through its Shariah Compliance Department. The Department comprises two units: the Shariah Board Secretariat and the Shariah Audit Unit. The Shariah Board Secretariat provides Shariah research relevant to the product approval process and reviews product structures and all submissions to the Shariah Board. The Shariah Audit Unit conducts audits of approved products and services to ensure their ongoing implementation is according to the Shariah Board’s resolutions.

The 2009 Shariah Board Audit Report for the NCB Group indicated that all agreements, Shariah contracts, and transactions conducted by NCB were compatible with the resolutions and Fatwas issued by the Shariah Board.

A continuing leadership role
NCB intends to continue to play a leadership role in pioneering and advancing Islamic banking and finance. This includes:
• Supporting dialogue, such as conferences and key forums on Islamic banking. Examples include supporting the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the 2009 Second Islamic Banking Symposium on the Future of Islamic Banking.
• Continuing to explore product and service innovation in the field of Islamic banking and finance. In this regard, NCB is also of the view that Islamic banking is consistent with many aspects of sustainability and sustainable development. Ongoing innovation in Islamic banking products and services should also help to advance NCB’s overall positive impact on society.

We aim to continue to be recognized for our leadership in Islamic banking and finance. In 2009, NCB received a number of international awards including:
• Award for Outstanding Contribution to the Development of Global Islamic Finance (London Sukuk Summit).
• Best Bank in the Middle East for Islamic Financial Services (Islamic Business & Finance, published by CBI Financial Group).
• Best Asset Manager and Best European Islamic Equity Fund, NCB Capital (International Takaful).
• Best European Islamic Equity Fund, NCB Capital (Failaka International).

For more information on NCB’s Islamic banking products and services, please visit www.ahli.com
Providing a responsive, convenient, and efficient service

Taking pride in understanding and serving the needs of consumers is central to the NCB ethos. Since 1953, the Bank has occupied a special position of trust in Saudi Arabia, known simply as ‘Bank AlAhli’ – the National Bank. NCB’s leadership in the retail arena is largely due to its longstanding partnership with people from all segments of the community.

NCB has more than 2.2 million customers who engage with the business through the following principal business lines: individual banking, consumer finance, corporate banking, wealth management, capital markets, and investment banking. Each area is driven by a customized strategy designed to meet the distinct needs of all customer groups, with innovation and convenience as common themes.

In 2008, the first steps were taken to implement NCB’s international expansion program when the Bank successfully completed the acquisition of a 64.68 percent shareholding in Türkiye Finans Katilim Bankasi.

Individual Banking

In recent years, the Bank’s objective has been to further enhance customer convenience by converting all retail branch activities to Shariah compliance while focusing on clearly defined strategic priorities – customer-centricity, introducing tailored programs based on deep customer insights, improving service quality, and leveraging multiple access channels.

Specialist units focusing on Islamic product development and customer management now spearhead the introduction of next generation products that address the needs of each market segment – such as affluent individuals, sole traders, graduates entering the workforce, and young families.

Other initiatives have seen the ATM and point-of-sale networks grow by more than 300 percent in the last ten years. The introduction of round-the-clock telephone banking; the addition of sophisticated services to ATMs; new cash deposit machines; and highly advanced online and mobile facilities have also contributed to transforming the Bank’s distribution capabilities.

The Individual Banking sector has continued to raise the level of service quality during 2009 through the re-launch of AlAhli Online, which has been rebuilt to the standards of the world’s leading electronic banking offerings with added functionality and customer convenience.

Customer choice and convenience have also been enhanced during the year through developing the contact center, which has seen a strong migration of customers benefiting from the convenience of a 24-hour contact point for requests and enquiries. By using interactive voice response systems and agent-based telephony services, we have instilled a more proactive sales approach in our service center.

NCB customers now enjoy multi-channel functionality that provides unprecedented convenience, and today more than 91 percent of transactions are conducted via electronic channels. The impact of these measures has been demonstrated by independent research showing significant year-on-year improvements in customer satisfaction levels.

QuickPay has now been rolled out beyond the pilot stage. Specially designed for foreign workers, it allows customers to remit funds overseas by visiting QuickPay centers and NCB branches, and through electronic channels such as ATMs, phone banking, and the internet.
NCB’s vision to be the bank for small business took an important step forward in 2009 with the launch of the Tajir (‘Entrepreneur’) account and the further strengthening of the Kafala program. By the end of the year the Tajir program had attracted over 11,000 customers, who play a significant role in developing this important segment of the Saudi economy.

NCB’s private banking customer base has continued to expand. Customers are served by an increased number of relationship managers who form a seasoned team to serve this important and growing segment. Our customers are benefiting from our ability to leverage the capabilities of NCB Capital in providing advisory services, a comprehensive array of investment solutions, and the country’s finest brokerage facilities to trade in local and international equities.

Consumer Finance

Innovation, speed, and convenience are central to NCB’s consumer finance offering, founded on the principle: ‘Wherever the customer is, we will be there.’ Customers enjoy unparalleled ease of access to all their financing needs through dedicated finance centers, point-of-purchase facilities at auto dealers and furniture and electronics stores, and an extensive network of retail partners.

By excelling in product range and speed of approval, NCB provides an impressive range of tailored Islamic financing packages.

The Bank leads the way in offering personal finance packages with on-the-spot approval and same day cash deposit in customers’ accounts, providing a time-effective solution that fulfils their needs.

NCB finance centers are open 14 hours a day, six days a week, and their number is expanding rapidly in response to market demand.

Customers can also take advantage of convenient lending facilities available from the NCB branch network and the 24-hour customer care unit.

During 2009, significant growth was achieved in the number of credit card customers and the income received from transactions. Efforts were also devoted to enhancing risk management systems and improving credit quality and collection.

With the growth of internet shopping and customers’ need for confidence in the security of transactions, NCB was the first bank to launch SecureCode, a credit card security system. Customers can feel reassured that, since its inception, SecureCode has had no incidence of e-fraud. This is a pleasing statistic but we remain vigilant to any potential threats in this area.

NCB also offers two state-of-the-art credit card loyalty programs – one based on bonuses and one providing mileage points. Both programs offer exclusive benefits, rewarding customers whenever they spend.

The bonus program offers customers four key benefits: cash rewards on daily purchases, extra cash rewards from strategic partners, special bonuses with cross-selling offers, and insurance. All rewards are automatically credited to customers’ credit card accounts.

NCB’s auto leasing is the leading program of its kind in Saudi Arabia, available at the finance centers and in motor dealers’ showrooms. In partnership with all major dealers in the Kingdom, the program offers a highly effective solution for customers to finance their cars, with on-the-spot approval for qualifying applicants.

The newly established real estate finance unit offers a suite of Shariah-compliant home finance products that are capturing a growing percentage of the market. We eagerly anticipate and are preparing for the finalization of the new law that will facilitate the sale of mortgages. The Bank is well placed to innovate and package products for this growing market, building on our well-proven experience in personal finance.

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<tr>
<td>Total</td>
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<tr>
<td>New</td>
<td>150</td>
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<td>Point-of-sale terminals</td>
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<tr>
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<td>83%</td>
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<td>87%</td>
<td>91%</td>
</tr>
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Our Customers

Corporate Banking

NCB’s extensive local knowledge and understanding has been built over 50 years serving Saudi Arabia’s business community. 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 commercial environment.

In support of the government’s entrepreneurship drive, and recognizing the private sector’s vital role in the growth of the national economy, NCB assigns special attention to the corporate sector. This is illustrated by the Bank’s efficient credit approval process, along with its highly personal service. NCB’s goal is to help small businesses emerge as mature enterprises.

The Bank not only meets corporate banking needs, but provides privileged access to useful market information and business opportunities. A number of other initiatives have improved the convenience of clients’ day-to-day financial activities, and enabled NCB to become the leader in corporate cash management solutions.

The Specialized Finance group supports major infrastructure and development projects. These include participation in the petrochemical, water and power, oil and gas, and steel sectors, where NCB assumes senior roles as lead advisor and underwriter in project financing for prominent corporations.

The Bank’s capacity to underwrite large transactions has placed it in a prime position to apply its resources and expertise to the public private partnerships (PPPs) that are among the Saudi government’s proposed vehicles for infrastructure expenditure, as allocated under the economic stimulus plan.

To better serve corporate clients, three additional Corporate Service Centers were opened during the year, bringing the total to six Kingdom-wide. We also upgraded e-Corp, the Bank’s corporate portal, to enable distribution of the government payroll. This important initiative supports the Saudi government’s transition towards e-government.

The Islamic Finance group offers a comprehensive range of Shariah-compliant solutions: short-term finance for raw materials and purchasing, using Murabaha and Tayseer; and long-term financing of assets, using Musharakah, Mudarabah, and Ijarah.

NCB aspires to be the leading provider of trade services to local and international clients, and to support the needs of foreign companies and financial institutions working in Saudi Arabia.

The International division is responsible for all dealings with foreign institutions, ensuring the Bank remains the preferred Saudi correspondent for all transactions they conduct in the Kingdom. This division also identifies and selects the most appropriate business partners for NCB’s various needs abroad, and finalizes arrangements in the trade and payments areas.

At the upper end of the business scale, NCB Capital – the Bank’s autonomous capital markets arm – provides specialized investment banking services encompassing financial advisory, underwriting, and mergers and acquisitions.

Although 2009 was a difficult year for businesses everywhere, the Corporate Banking sector continued to grow its loan book and revenues, illustrating NCB’s commitment to supporting the Saudi economy.
Wealth Management, Capital Markets, and Investment Banking

In 2009, NCB Capital worked hard with clients to protect their capital and help devise strategies to deal with the new market conditions. Because of this focus, NCB Capital remains the largest investment bank in Saudi Arabia, with more than one million clients and SR 45 billion ($12 billion) of assets under management. The firm is the Kingdom’s largest Shariah-compliant fund business, with 33 percent market share at the end of 2009, making it the world’s largest Shariah-compliant asset manager. NCB Capital has grown a strong reputation as a leading provider of high-quality services to individual, corporate, and institutional clients, through its wealth and asset management, brokerage, and investment banking businesses.

Wealth management is an elite service based on confidentiality, trust, and expert knowledge of clients’ lifestyles and aspirations.

NCB’s expertise is rooted in the principle of strategic wealth management and recognizes the unique needs and objectives of each client. Dedicated Relationship Managers focus on gaining a thorough understanding of clients’ circumstances, enabling them to establish the most appropriate type of service for each individual.

The roll-out of the ‘shop-in-shop’ concept has helped to strengthen NCB Capital’s presence at the larger NCB branches, bringing it closer to clients. This is an important part of NCB Capital’s wealth management model.

The investment banking market was challenging in 2009, but this provided an opportunity to concentrate on building stronger relationships with the Kingdom’s corporate leaders. Market conditions for quality IPOs are expected to return in 2010, and NCB Capital already has a healthy pipeline of deals to bring to market at the appropriate time.

A pioneer in the launch of new equity and Sukuk funds, NCB Capital has a leading brokerage franchise that uses the latest technology to help clients trade online. NCB Capital has doubled its brokerage volumes over the past two years. This growth is attributed to a customer-centric trading system and service excellence, such as a dedicated call center that is able to address clients’ issues minute-by-minute, improved processing efficiency, and strengthening of research capabilities to support client needs.

A new securities platform will be implemented in 2010, a state-of-the-art online trading system that will deliver better analysis and charting, basket trading, and other sophisticated features.

The Bank’s international expansion strategy aims to extract synergies by combining NCB’s expertise in Shariah-compliant products and management of large distribution networks, with insights into the local markets of the acquired banks.

In 2008, the first steps were taken to implement the expansion program when the Bank successfully completed the acquisition of a 64.68 percent shareholding in Türkiye Finans Katilim Bankası. Türkiye Finans is one of Turkey’s leading ‘participation’ banks. The previous owners, the Ulker and Boydak groups, have an extensive business presence in Turkey and have each remained as partners and minority shareholders.

Türkiye Finans’s priorities in 2009 were reorganization and managing change. The governance structure of the bank was revised and implemented through a series of strategic projects and processes. Establishing new risk management, governance, and retaining and attracting top employee talent to key positions enhanced the business significantly. As a result, the subsidiary has performed ahead of budgeted expectations and forecasts, emerging well from the global economic downturn.

The National Commercial Bank Sustainability Report 2009 | 15
Our Customers

Engaging customers

Understanding the needs and requirements of customers is the starting point for NCB’s business success. The Bank aims to develop and deliver products and services that meet customers’ needs swiftly and flawlessly. Furthermore, the Bank continues to anticipate evolving customer needs and seeks to better understand the aspirations of prospective customers in the marketplace.

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 – these include brand health tracker, mystery shopper, and loyalty levels.

Assessing customer needs and satisfaction, and responding

NCB 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 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.

The sectoral breakdown of NCB’s loans portfolio is shown in the pie chart above.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percent of Loans and Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Consumer loans and credit cards</td>
<td>30%</td>
</tr>
<tr>
<td>2 Government and quasi government</td>
<td>8%</td>
</tr>
<tr>
<td>3 Commerce</td>
<td>22%</td>
</tr>
<tr>
<td>4 Building and construction</td>
<td>7%</td>
</tr>
<tr>
<td>5 Transportation and communication</td>
<td>7.8%</td>
</tr>
<tr>
<td>6 Banks and other financial institutions</td>
<td>0.3%</td>
</tr>
<tr>
<td>7 Manufacturing</td>
<td>8.5%</td>
</tr>
<tr>
<td>8 Others</td>
<td>1.8%</td>
</tr>
<tr>
<td>9 Electricity, water, gas, and health services</td>
<td>2.5%</td>
</tr>
<tr>
<td>10 Services</td>
<td>11.8%</td>
</tr>
<tr>
<td>11 Agriculture and fishing</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Sectoral breakdown of NCB loans portfolio 2009
Mystery shopper

September 2009 index (rating out of 100)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tellers</td>
<td>83.3</td>
</tr>
<tr>
<td>Customer service representatives</td>
<td>79.3</td>
</tr>
</tbody>
</table>

Branch waiting times

December 2009 (minutes)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tellers</td>
<td>13.5</td>
</tr>
<tr>
<td>Customer service representatives</td>
<td>13.5</td>
</tr>
</tbody>
</table>

Loyalty levels

May 2009 index (rating out of 100)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>62</td>
</tr>
<tr>
<td>Affluent</td>
<td>63</td>
</tr>
<tr>
<td>Mass</td>
<td>60</td>
</tr>
</tbody>
</table>

Brand health tracker

November 2009 all segments

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top of mind</td>
<td>21%</td>
</tr>
<tr>
<td>‘Main bank’</td>
<td>18%</td>
</tr>
<tr>
<td>Consideration</td>
<td>30%</td>
</tr>
<tr>
<td>Recommend</td>
<td>19%</td>
</tr>
</tbody>
</table>

The above table 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 a variety of market research techniques.

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’ 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.

Building loyalty

In 2008 the Bank commissioned a comprehensive baseline loyalty study. This identifies loyalty levels and the drivers of loyalty, identifying the touchpoints and brand imagery aspects that can enhance the customer experience. Loyalty studies identify the impact of all touchpoints on customer satisfaction and 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, NCB provides its customers with multiple channels to approach the Bank to resolve their complaints.

Customers can call the contact center or go to the branch to speak to their manager and log a complaint from within the branch. Complaint brochures in branches provide relevant information outlining how customers can register a complaint. Customers can also contact the Bank directly through its website, or email their complaints.

**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.
The stunning landscape of Wadi Al-Shaga, in Saudi Arabia’s South West region.
Our Environment

Our planet is challenged. We are continually adding to our population but our natural resources are in decline. However wisely and economically these are consumed, there is still a detrimental effect on the natural environment. NCB therefore aims to minimize its environmental impact and improve its management of resources. By cutting waste, adopting recycling, and using scarce resources such as water and power more efficiently, we can minimize our carbon footprint. We can also ensure the benefits are spread as widely as possible. By exercising environmental prudence, NCB has a key role to play in setting an example, sharing knowledge, and educating our people and partners so that they adopt similar behavior at home and in the wider community.

David Jones, SEVP – Head, Services Sector

2009 goals
- Improve power and water measurement
- Develop a formal Environmental Policy
- At head office:
  - Install low-flow sensor taps
  - Reconfigure / install new chillers
  - Introduce recycling

2009 achievements
- Power and water measurement introduced
- At head office:
  - Low-flow sensor taps installed
  - Chillers all reconfigured or changed
  - Recycling initiative launched

2010 goals
- Sign-off Environmental Policy
- Sign-off 5-Year Environmental Plan
- Branch network water and power savings
- Roll-out power-saving equipment to 30 branches and four main buildings
- Improve internal environmental awareness

<table>
<thead>
<tr>
<th>Key performance indicators (KPI’s)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption (000's of m³)</td>
<td>No reliable data until 2009</td>
<td></td>
<td></td>
<td>153,638</td>
</tr>
<tr>
<td>Energy consumption / electricity (000's of kWh)</td>
<td>No reliable data until 2009</td>
<td></td>
<td></td>
<td>68,092</td>
</tr>
<tr>
<td>Greenhouse gas emissions (metric tons)</td>
<td>No reliable data until 2009</td>
<td></td>
<td></td>
<td>55,705</td>
</tr>
</tbody>
</table>
Precious water –
at NCB, every drop counts

Saudi Arabia has been slow to address environmental pressures, but it is sometimes forgotten how countless past generations of Saudis nurtured resources to sustain life in a harsh, dry land. They knew that without water, life becomes difficult or even impossible.

Water, a strategic resource (main picture)
Water is a critical natural resource impacted by our operations, so reducing its consumption is a key priority. In 2010 a major water saving initiative will be launched across NCB’s branch network, supported by internal communications highlighting the need for water conservation and management.

New low-flow sensor taps (left)
In 2009 NCB investigated potential water saving opportunities. At head office, all water outlets were replaced with low-flow sensor taps. New chillers were fitted that employed more energy-efficient technologies.
Today more than ever, life revolves around water, whether it is for drinking, cooking, washing, cleaning, or cooling. In Arab culture, great reverence is paid to water and today’s generation has a responsibility to conserve this essential element.

Saudi Arabia’s desalination plants make up the difference between natural water supply and current demand, but the energy consumed in the process places a heavy burden on the environment. Essentially, we are burning fossil fuels to meet water needs.

NCB is aware of the inefficient way it acquires water and disposes of waste. For instance, the Bank’s headquarters building can receive only 10 percent of its water from the existing municipal infrastructure. The balance is trucked in, and the wastewater is then taken away by trucks. The Bank therefore recognizes its own contribution to environmental degradation – both through fuel use in desalination, and from emissions caused by transporting its water and wastewater.

Cooling systems in the Bank’s buildings use large amounts of water and power. Around two-thirds of water consumption is attributable to evaporation from air-conditioning.

In 2009 NCB sought to reduce water and power use by 15 percent in all the Bank’s buildings. But first it had to start measuring consumption of these resources (something it had previously not done) to obtain a baseline for measuring usage and potential savings. During the year, the Bank began investigating where initial cuts could be made: at head office, all water outlets were replaced with low-flow sensor taps. And new air-conditioners were fitted with the latest technology, and sized to optimize water and power consumption.

The investment at head office has already brought savings. So in 2010 the next task will be to start a similar process across the Bank’s many other buildings and 282 branches.
Our Environment

Improving our management of resources and minimizing environmental impacts

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 collectively 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
Until recently we have not fully appreciated the extent of our ability to positively affect our impact on the environment. During 2010, the key focus area of the Sustainability department will be to analyze NCB’s direct impact on the environment in far greater detail and – using insights derived from this exercise – agree NCB’s environmental policy and plan. The environmental plan will provide a detailed short-, medium-, and long-term plan detailing NCB’s response to our key environmental challenges. The approach to be explored aims to address at least three key elements:

Direct environmental impacts
Emphasis on water conservation, energy and emission reductions, waste minimization, and sustainable design of NCB’s infrastructure.

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.

Measurement and tracking
One of the challenges encountered when initially reviewing NCB’s environmental impact was the lack of available data throughout the business to track the consumption of water, electricity, and waste. Considerable effort was therefore made during 2009 to set up processes to accurately track the usage of water and power. From the beginning of 2009, head office put in place additional reporting requirements for branches, requiring them to report monthly consumption of water and power. When reviewing this data, it became clear that previous estimates for water and power consumption were inaccurate. Therefore, a decision was taken to only report data from 2009 onwards.
NCB direct environmental impacts

Water consumption

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 as they are energy-intensive and therefore emit significant 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.

Reducing water consumption is therefore a priority for NCB. 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 (18m³) every three days. For the NCB head office, approximately 68 percent of water consumed evaporates during usage in the cooling towers.

NCB set itself a target of reducing water consumed at its key buildings by 15 percent during 2009. Due to the lack of accurate data prior to 2009, it was unfortunately difficult to accurately quantify the savings. However, analysis of the interventions undertaken indicates that, at the very least, 15 percent savings were achieved. Water-saving interventions during 2009 included:

- Replacing all taps at the head office with low flow sensor taps
- Replacing chillers at the head office with those using the latest technologies, and sized according to our varying needs

Based on 2009 branch-level consumption data, a water-saving initiative will be launched in 2010 throughout the branch network to drive down consumption. Potential sources of water savings have been identified by head office and will be communicated to the branch network and then monitored on a monthly basis. These initiatives will be supported by an internal communications campaign highlighting the need for careful management of this resource.

| NCB annual water consumption |
|-------------------------------|-----|-----|-----|-----|
|                               | 2006| 2007| 2008| 2009|
| Branches                      |     |     |     |     |
| Western region                |     |     |     | 210 |
| Eastern region                |     |     |     | 112 |
| Central region                |     |     |     | 174 |
| Northern region               |     |     |     | 73  |
| Southern region               |     |     |     | 174 |
| Branches sub-total            |     |     |     | 743 |
| Main buildings                |     |     |     |     |
| Jeddah                        |     |     |     |     |
| Head office                   |     |     |     | 82,534|
| Al-Nakheel center             |     |     |     | 1,565 |
| Tahlia building               |     |     |     | 2,960 |
| Computer center (K10)         |     |     |     | 4,280 |
| Training center               |     |     |     | 845  |
| IT center                     |     |     |     | 9,296 |
| Al-Mahmal building            |     |     |     | 10,367|
| Riyadh                        |     |     |     |     |
| Regional head office (old building) |     |     | 10,212|
| Regional head office (new building) |     |     | 28,762|
| Dammam                        |     |     |     |     |
| Regional head office          |     |     |     | 2,065 |
| Main buildings sub-total      |     |     |     | 152,895|
| Total                         |     |     |     | 153,638|
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.

NCB set itself a target of reducing energy consumed at its key buildings by 15 percent during 2009. As with water usage, a lack of accurate data prior to 2009 has made it difficult to accurately quantify the savings made during this period. Although much of the focus was on establishing processes to accurately measure energy consumption, savings were made during the year by replacing chillers at the Jeddah head office with those using the latest technology.

2010 will see an initiative being rolled out throughout the branch network aiming to reduce power consumption. Potential sources of power savings have been identified by head office and will be communicated to the branch network and then monitored on a monthly basis. Furthermore, during 2010 the latest energy-saving equipment will be rolled out to 30 branches and four key main buildings in Jeddah. These initiatives will be supported by an internal communications campaign highlighting the need for careful management of this important resource.

Waste management
One of the surprises uncovered in the 2008 analysis of NCB’s direct environmental impact was the significant amount of solid waste that was 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. For NCB’s head office, the daily generated waste was estimated at 1,100 kg, or approximately 275,000 kg per year. For the Bank’s IT center, 400 kg of waste was estimated, or approximately 100,000 kg per year.

2009 saw the roll-out at head office of a waste recycling program. During 2010 this program will be monitored, improved, and expanded to other buildings. The initiative will also be supported by an internal awareness campaign.

Greenhouse gas emissions
Greenhouse gas emissions contribute to undesirable global warming of the atmosphere. NCB’s emissions have been calculated using electricity consumption data. 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 US 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.
### NCB annual greenhouse gas emissions (metric tons)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption (MWh)</td>
<td>No reliable data until 2009</td>
<td>68,093</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon dioxide</td>
<td>No reliable data until 2009</td>
<td>55,563.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Methane</td>
<td>No reliable data until 2009</td>
<td>1.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nitrous oxide</td>
<td>No reliable data until 2009</td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total GHG emissions - CO₂ equivalent</td>
<td>No reliable data until 2009</td>
<td>55,705</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### NCB annual electricity consumption

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>000's kWh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Branches</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western</td>
<td>No reliable data until 2009</td>
<td>2,725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>No reliable data until 2009</td>
<td>2,160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>No reliable data until 2009</td>
<td>3,664</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>No reliable data until 2009</td>
<td>2,051</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern</td>
<td>No reliable data until 2009</td>
<td>1,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Branches sub-total</strong></td>
<td>No reliable data until 2009</td>
<td>11,924</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeddah</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head office</td>
<td>No reliable data until 2009</td>
<td>16,907</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Al-Nakheel center</td>
<td>No reliable data until 2009</td>
<td>1,344</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tahlia building</td>
<td>No reliable data until 2009</td>
<td>2,285</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer center (K10)</td>
<td>No reliable data until 2009</td>
<td>4,685</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training center</td>
<td>No reliable data until 2009</td>
<td>1,757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT center</td>
<td>No reliable data until 2009</td>
<td>11,022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Al-Mahmal building</td>
<td>No reliable data until 2009</td>
<td>6,509</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main buildings sub-total</strong></td>
<td>No reliable data until 2009</td>
<td>55,297</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ATM sub-total</strong></td>
<td>No reliable data until 2009</td>
<td>871</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>No reliable data until 2009</td>
<td>68,093</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### NCB annual consumption of other materials

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper (metric tons)</td>
<td>3,950</td>
<td>4,550</td>
<td>5,602</td>
<td>N/A</td>
</tr>
<tr>
<td>Personal computers (units)</td>
<td>1,388</td>
<td>1,136</td>
<td>N/A</td>
<td>157</td>
</tr>
<tr>
<td>Copy machines (units)</td>
<td>N/A</td>
<td>N/A</td>
<td>1,036</td>
<td>7</td>
</tr>
<tr>
<td>Printers (units)</td>
<td>798</td>
<td>670</td>
<td>N/A</td>
<td>43</td>
</tr>
<tr>
<td>Printer cartridges (drums)</td>
<td>20,330</td>
<td>19,895</td>
<td>N/A</td>
<td>443</td>
</tr>
</tbody>
</table>
NCB’s success is intimately linked to the success of its partners. For some, a bank’s reputation is measured by ratings. For NCB, it is much more. We work hard to honor our commitments to customers and shareholders, but we apply the same high standards to all dealings with local and international joint venture partners, correspondents, and suppliers. Over the years, the Bank’s reputation has spread far and wide. We are proud that the NCB brand is today known to stand for reliability, fairness, and professionalism. Of course, we are highly selective about who we interact with. We also invest time and effort in strengthening each key relationship so that it becomes a valuable strategic asset for both parties. In this way, the Bank promotes responsible competitiveness, while enhancing NCB’s standing in the business community, in Saudi Arabia and beyond.

Adel Al Howar, SEVP – Head, Consumer Finance Sector

<table>
<thead>
<tr>
<th>2009 goals</th>
<th>2009 achievements</th>
<th>2010 goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reorganization and transformation initiatives at Türkiye Finans</td>
<td>• Reorganization and transformation at Türkiye Finans</td>
<td>• Upgrade service offerings to correspondent banks</td>
</tr>
<tr>
<td>• Raise sustainability awareness among business partners</td>
<td>• Receiving the King Khalid Award for Responsible Competitiveness for the second successive year</td>
<td>• Better define ‘business partners’ and articulate each of their priority issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Raise sustainability awareness among business partners</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key performance indicators (KPI’s)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending on locally based suppliers (percent)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Supplier satisfaction levels (rating out of 100)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Suppliers adopting sustainability management (percent)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Our Business Partners

Honoring our commitments and enhancing our standing in the business community

NCB is at the center of a series of networks that extend beyond the Bank and create a matrix of relationships within and beyond Saudi Arabia. These are the relationships that NCB has with its business partners.

They are rich and varied, from connections the Bank makes with its correspondent banks around the globe to the relationships we have with suppliers of local goods and services, as well as regulators. But from the largest global partners to the smallest of suppliers, there is a common set of ethics, business practices, and behavior that characterize our relationships. These guiding principles ensure that NCB conducts its affairs with its business partners in a manner that is aligned to its corporate values and protects the Bank’s integrity and reputation.

Because of the importance NCB places on its reputation, the Bank is highly selective about the organizations with which it does business, and expects these entities to apply the same standards the Bank itself practices.

Correspondent banks

Some of the most important relationships the Bank enjoys are with over 120 active correspondent banks that are the focal point of our international transactions. Here the Bank chooses the strongest international partners and focuses on providing these partners with the best ongoing service. It actively and continually reviews its correspondent relationships based on the volume and quality of transactions undertaken to highlight shortcomings and areas for improvement. Reciprocity is in the nature of banking and, as much as the Bank exercises prudence in selecting its partners, we are equally aware of the need to provide our international partners with the very highest levels of service.

Partners and associates

NCB also maintains key relationships with other banks or corporations for the purpose of business collaboration. The Bank’s international expansion strategy seeks to extract synergies by combining NCB’s expertise in Shariah-compliant products and management of large distribution networks with foreign partners’ insights into their local markets.

NCB owns 64.68 percent of Türkiye Finans Katilim Bankası, one of Turkey’s leading participation banks. The remaining shares are held by the bank’s previous owners: the Ulker and Boydak groups (two Turkish family firms) that have an extensive business presence in Turkey.

In the Consumer Finance area, NCB is associated with several well-known consumer brands, including Saudi Telecom Company (STC), Saudi Airlines, and Fawaz Al Hokair, with whom the Bank offers co-branded credit cards and loyalty schemes. In this way, NCB aims to complement and support the activities of its partners, while expanding the market for its own products.

Suppliers

Another group of business partners is the Bank’s suppliers of goods and services. NCB has a well-developed contractor selection process, which differs depending on the type and scale of requirement. Providing suppliers with a fair opportunity to secure contracts is important. In all circumstances, the Bank’s contracts specifically require that contracting companies abide by all domestic laws. On the Bank’s side, attention is paid to honoring contractual obligations, including the timely payment of invoices.

Government and regulators

Finally, the Ministry of Finance, the Saudi Arabian Monetary Agency (SAMA), and the Capital Market Authority (CMA) are business partners who play a vital role in guiding and supporting the Bank and its activities. This role has been more than usually important in recent times. They play an important role in upholding and raising standards that seek to protect the interests of all stakeholders.
Practicing and promoting responsible competitiveness

At NCB, when we look at the type of role we want to play in society, a key goal is to contribute to the achievement of ‘responsible competitiveness’ of Saudi Arabia and our region. Responsible competitiveness is about making sustainable development count in the marketplace. It is about creating markets that reward business practices that deliver improved social, environmental, and economic outcomes; and that create economic success for nations that encourage such business practices through public policies, societal norms, and citizen actions.

A track record in responsible competitiveness

Historically, responsible competitiveness has taken many forms for NCB. Since our inception as the first Saudi bank, responsible competitiveness has meant:

Running a major, trusted, reliable national bank that is financially successful and highly competitive

As the global financial crisis has forcefully illustrated, all societies need reliable financial institutions as the foundation for their economic health. Our first responsibility is to be a sound platform from which all Saudi Arabia’s stakeholders can contribute to the growth of our society.

Being customer-oriented and contributing to the financial well-being and success of our clients

Be they retail or corporate customers, by supporting the success of our clients NCB helps develop the country and contributes to Saudi Arabia’s stability, success, and competitiveness.

Contributing to major national projects

Throughout the last five decades, NCB has played an active and essential role in supporting the national progress drive. NCB has been a leader in supporting major development projects in a variety of vital sectors that affect the well-being, prosperity, and progress of citizens.

Evolving expectations: responsible competitiveness in the era of sustainability

Our view of responsible competitiveness continues to evolve in line with our thinking and efforts in the area of sustainability. While still at the early stages ourselves, we hope to do more to work together with others on this journey towards sustainability. These efforts will include:

Promoting widespread adoption of sustainability management and reporting in Saudi Arabia

If sustainability management is good for NCB and companies in general, then it is also good for the Saudi economy and Saudi competitiveness if a growing number of companies adopt sustainability management and reporting. As a starting point to encourage this, we hope to enter into a dialogue with clients on how we can collectively accelerate our take-up of sustainability practices in a way that enhances business performance. We hope that many of our clients will join us on this sustainability journey.

Promoting the application of sustainability principles and thinking into major government projects and investment initiatives

There is no more important place to ensure the application of sustainability thinking than major infrastructure initiatives that will impact the long-term competitiveness of a nation. This is particularly important during this financial crisis, when governments are investing in massive development projects. In Saudi Arabia, the government has pledged $400 billion in infrastructure investments over the next five years, to help maintain strength in the Saudi economy. Given our involvement in many of the country’s largest projects and investments, NCB will fully support government initiatives with regard to further incorporating sustainability into these plans, in order to maximize the contributions of these projects on Saudi Arabia’s national competitiveness.

Continuing to participate in national and regional sustainability initiatives

The Saudi Arabian government, through the Saudi Arabian General Investment Authority (SAGIA), has recognized the importance of ‘responsible competitiveness’ to national competitiveness. In 2008, SAGIA launched the Saudi Arabia Responsible Competitiveness Index (SARCI), as part of the government’s overall objective to become one of the world’s top 10 most competitive nations by 2010. The SARCI project aims to assess the overall progress of Saudi businesses in applying responsible business practices, and to assess how that progress contributes to overall national competitiveness.

NCB was pleased to participate in this assessment, and was honored to win first place as the recipient of the inaugural King Khalid Award for Responsible Competitiveness. This validated our commitment to sustainability and responsible competitiveness, and strengthened our resolve to improve our performance and contribute to the wider uptake of sustainability practices by Saudi businesses. In 2009 NCB won the King Khalid Award for Responsible Competitiveness for the second year running, and was encouraged to see 80 companies applying for this award in its second year of existence.

NCB is also a founding member of the Arab Sustainability Leadership Group (ASLG). Under the leadership of Her Majesty Queen Rania Al-Abdullah of Jordan, the ASLG comprises a group of companies, government agencies, and non-profit organizations from across the region that are firmly committed to adopting sustainability management and reporting. Amongst its efforts, the ASLG is promoting an Arab-wide Responsible Competitiveness initiative, to which NCB has submitted a written contribution. NCB looks forward to playing a continued active role in this important initiative, which helps to promote the uptake of sustainability on a regional level.
Our People

Saudi Arabia’s population has a rich diversity which gives NCB an exciting choice in the people it selects as employees. But this is a competitive economy, which means potential employees also have a choice. The Bank works hard to attract, retain, and optimize talent and we seek to provide an environment in which people from a whole range of backgrounds can develop and thrive. In return, we ask employees to be good ambassadors for NCB: taking responsibility for their own attitudes, image, and the way they interact with customers, colleagues, and the community. NCB monitors each individual’s contribution to achieving its objectives. In this way, we not only improve customer service and productivity, we enhance our employees’ career paths.

Saud S. Sabban, EVP – Head, Human Resources Division

2009 goals
• Implement the Employee Service Center
• Improve performance management
• Develop a staff exit interview process
• Build internal coaching capability
• Employee placement program

2009 achievements
• Employee Service Center launched
• Performance management system improved
• Staff exit interviews implemented
• Internal coaching launched
• Groundwork laid for employee placements

2010 goals
• Enhance succession planning
• New leadership development program
• Address key exit interview issues
• Extend corporate medical scheme to families

<table>
<thead>
<tr>
<th>Key performance indicators (KPI’s)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employees (ex NCB Capital and Türkiye Finans Katılım Bankası)</td>
<td>5,056</td>
<td>5,101</td>
<td>5,380</td>
<td>5,400</td>
</tr>
<tr>
<td>Saudization rate – overall</td>
<td>87.80%</td>
<td>87.30%</td>
<td>88.48%</td>
<td>88.75%</td>
</tr>
<tr>
<td>Female staff</td>
<td>5%</td>
<td>5.90%</td>
<td>7.03%</td>
<td>7.59%</td>
</tr>
<tr>
<td>Female hires (percentage of total new hires)</td>
<td>8.70%</td>
<td>14.50%</td>
<td>14.60%</td>
<td>17.81%</td>
</tr>
<tr>
<td>Staff turnover – total workforce</td>
<td>10.20%</td>
<td>14%</td>
<td>10.20%</td>
<td>9.10%</td>
</tr>
</tbody>
</table>
Directors and senior management want everyone to share their vision and understand corporate strategy. That can only happen if their objectives are communicated to every level of the company. For their part, employees need to know their roles, understand what is expected of them, and feel that they will be heard and their achievements recognized.

Performance management has been practiced at NCB for a number of years. But feedback from managers and employees (including exit surveys of people leaving the Bank) revealed that some felt the process lacked consistency.

Clearly a different approach was needed. In 2009, a new way of managing performance was introduced. Goals would be defined at the beginning of each year – for every sector, division, department, and individual. Progress was then monitored in peer reviews conducted in regular open forums.
The new process included a new concept of ‘calibration’. Individual performance was not measured in isolation, but correlated to team performance and achievements across the Bank. This improved the accuracy and transparency of the process.

Managers and employees now feel the assessments are more objective and credible, and that people’s efforts are being fairly evaluated and rewarded.

This new approach gives senior management a more effective mechanism for disseminating vision and strategy throughout the organization, linking corporate strategy more closely to people’s roles. And employees can now use the system to align their goals with those of the Bank, while achieving their personal career ambitions.

Effectively managing people’s performance is an ongoing challenge. In 2010, further improvements will be made, particularly in how goals are set and articulated, clarifying the process and thereby improving NCB’s overall performance.

**NCB ambassadors (left)**
The Bank’s focus on Saudization is central to its corporate philosophy. NCB strongly supports efforts to equip individuals with the skills, knowledge, and opportunities needed to enhance the quality of Saudi Arabia’s workforce.

**Open forum peer reviews (main picture)**
Reaction to NCB’s new performance management process shows managers and employees feel more comfortable with the accuracy and fairness of assessments.

**Our People**
Attracting, retaining, and optimizing talent

Fostering diversity and human rights
Attracting, retaining, and optimizing talent

Management approach
At the core of NCB’s success, and 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 implementation of advanced human resources management software.

NCB’s human resources function includes the following divisions:

People, pay and policy
Managing staff benefits and salaries, job descriptions, and job evaluations.

Talent acquisition
Recruitment, acquisition, and orientation of all new employees, as well as exit interviews.

Employee services
Managing service provision to existing staff (loans, government relations, etc).

People development
Managing all aspects of staff development including learning and training, talent management, performance management, and the Human Resources Management System.

NCB’s focus on Saudization and hiring qualified Saudi nationals is important to our employment approach. The Bank has won several awards for its Saudization efforts and leadership in this field.

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 aims to hire the most qualified, talented people, with an inherent drive for customer and business excellence, and then to invest in their development.

NCB believes in the fundamental 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 set in the Saudi market will retain NCB’s leadership position in employing women.

Complementing the Bank’s lead in Saudization, we benefit from the participation, experience, and viewpoints of expatriates from numerous countries among 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’s medical insurance scheme covers employees, spouses, and children. During 2010 the Bank aims to partner with its medical insurance provider to offer an option for NCB employees to provide medical insurance to other specific relatives. The Bank also encourages staff to maintain good health, by providing talks, information, and testing for common ailments.

During 2009 an NCB Employee Service Center was opened in the Jeddah Head Office building. This center centralizes all employee service offerings under one hub, enabling NCB staff to benefit from these services in a more efficient and convenient way. Services include: government services, HR administration services, medical insurance services, travel services, and employee loans. Service Center extensions will be opened in Riyadh and Dammam during 2010.
Our staff

Staff numbers increase as NCB expands. At 31 December 2009, NCB had 5,400 staff, up from 5,380 at the end of 2008 (excluding NCB Capital and Türkiye Finans Katılım Bankası). The workforce is divided into two main categories: staff who are directly hired full-time, and outsourced employees (via a second party) who work full-time at NCB. These are typically stewards, security guards, and other support staff.

Recruitment and Saudization program

NCB stresses the importance of the recruitment process. The Bank follows a methodology to 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 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, which NCB significantly exceeds, having achieved 88.75 percent in December 2009.

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.

<table>
<thead>
<tr>
<th>NCB staff</th>
<th>Number</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly hired full-time employees</td>
<td>5,056</td>
<td>5,101</td>
<td>5,380</td>
<td>5,400</td>
<td></td>
</tr>
<tr>
<td>Outsourced employees</td>
<td>864</td>
<td>1,124</td>
<td>1,271</td>
<td>1,342</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCB employment by region</th>
<th>Number</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>2,942</td>
<td>2,990</td>
<td>3,118</td>
<td>3,266</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>929</td>
<td>907</td>
<td>953</td>
<td>917</td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>534</td>
<td>534</td>
<td>576</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Southern</td>
<td>322</td>
<td>324</td>
<td>348</td>
<td>319</td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>329</td>
<td>346</td>
<td>385</td>
<td>352</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCB Saudization by region</th>
<th>Percent</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>83.1%</td>
<td>82.2%</td>
<td>83.8%</td>
<td>84.87%</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>92.9%</td>
<td>91.9%</td>
<td>92.2%</td>
<td>91.71%</td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>92.9%</td>
<td>93.8%</td>
<td>95.3%</td>
<td>95.6%</td>
<td></td>
</tr>
<tr>
<td>Southern</td>
<td>97.2%</td>
<td>97.2%</td>
<td>98.9%</td>
<td>98.43%</td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>94.8%</td>
<td>97.7%</td>
<td>98.2%</td>
<td>97.72%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCB gender mix</th>
<th>Percent</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female staff (percentage of total staff)</td>
<td>5.0%</td>
<td>5.9%</td>
<td>7.0%</td>
<td>7.59%</td>
<td></td>
</tr>
<tr>
<td>Female managers (percentage of total managers)</td>
<td>5.2%</td>
<td>5.1%</td>
<td>5.6%</td>
<td>6.59%</td>
<td></td>
</tr>
<tr>
<td>Female executives (percentage of total executives)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCB hiring of women</th>
<th>Percent</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female hires (percentage of total new hires)</td>
<td>8.7%</td>
<td>14.5%</td>
<td>14.6%</td>
<td>17.81%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCB salary ratio of men to women, by category</th>
<th>Ratio as of end 2009 (excluding expatriates)</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Managerial</td>
<td>54</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Supervisory and clerical</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

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

Opportunities for women

The empowerment of women is 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. There are more job opportunities for women in both the private and public sectors, and impediments that complicated the employment of women due to certain social traditions have been eliminated. NCB is proud to participate 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 is steadily rising. As of December 2009, it stood at 7.59 percent, up from 4.5 percent in 2005. An important indicator is the percentage of women hired in a given year. In 2009 the Bank hired 93 women out of 522 hires, a total of 17.81 percent.

Management opportunities

As with all employees, NCB encourages the promotion of top female talent into managerial positions. Although women are not yet represented in executive positions, an increasing percentage of our talented female staff are achieving managerial positions. As of December 2009, NCB had 149 women in management, which represents 6.59 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, or holding leadership positions. Equal work by equally qualified staff should be equally rewarded, regardless of gender. A preliminary review of pay scales and salaries to test this commitment found minor discrepancies between male and female salaries, within an acceptable margin 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. Large segments of the Saudi female community can deal directly with NCB and manage their own accounts. The first ladies-only branch opened 30 years ago, and NCB now has 44 ladies’ branches covering all regions.

Entrepreneurial opportunities

Financial and training support is provided to women entrepreneurs through NCB’s corporate social responsibility programs. During the last four years NCB has provided training to 3,675 women entrepreneurs through the AlAhli Small Business program and the AlAhli Productive Families program. Many of these women have successfully started their own businesses, with some supported by the Bank. In 2009 the Bank procured goods from women-led companies formed out of the AlAhli Productive Families program.

Listening to our people

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. In 2009 a significant portion of our staff were surveyed and over 33 percent of employees responded to questionnaires. Interventions were developed to address specific areas of need identified through the surveys.

In 2009, NCB implemented a structured exit interview process for employees voluntarily leaving the company. Leavers are invited for an interview with trained exit interviewers to discuss their reasons for leaving NCB. The objective is to capture valuable management information on employee turnover, necessary to develop action plans for talent engagement and retention. Exit interview participation averaged 90 percent.

One of the Human Resources division’s 2010 initiatives is to draw up action plans to address the major reasons why employees leave NCB. Focus groups will be formed to analyze the issues, conduct research on international and local best practices, and develop recommendations for action. The approach will focus on the vital issues that will optimize the engagement and retention of valuable NCB talent.

Compensation and benefits

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

Fixed bonus

This is a guaranteed bonus raising the yearly salary by a net three months’ basic salary. The additional salary is paid over 12 months, in equal monthly installments. Fixed bonuses are incorporated into all eligible employees’ monthly pay structures, with no additional processing.

Allowances

These include housing, National Day, ladies’ transportation, teller, automated teller machine (ATM) supervisor, transportation, and business trip per diem 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 individual performance against agreed targets and decided by 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 (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
End of service awards are a legal requirement under Saudi labor law, offered to all employees based on years of service and the employee's last active salary.

Building capacity
Effective training and development is essential to NCB's success. Staff have also consistently identified it as a high-priority issue. Training and development is part of our responsibility toward the communities in which we operate, to help educate and train Saudi nationals.

The Bank aims to provide training opportunities for all staff. Every employee is assigned an annual training schedule, recommended by managers and/or the areas responsible for training within NCB, according to management training needs assessments, or through a direct staff training request. Over 15,000 man-days of training were conducted during 2009.

NCB training

<table>
<thead>
<tr>
<th>NCB training</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of training hours</td>
<td>96,433</td>
<td>126,390</td>
<td>109,884</td>
<td>107,536</td>
</tr>
<tr>
<td>Total cost of training (SR 000's)</td>
<td>17,195</td>
<td>27,207</td>
<td>24,652</td>
<td>25,252</td>
</tr>
<tr>
<td>Average cost of training per individual trained (SR)</td>
<td>2,904</td>
<td>4,370</td>
<td>10,873</td>
<td>4,267</td>
</tr>
</tbody>
</table>

NCB training per employee category

<table>
<thead>
<tr>
<th>NCB training per employee category</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours of training per year, per employee</td>
<td>14.0</td>
<td>8.2</td>
<td>5.4</td>
<td>10.67</td>
</tr>
<tr>
<td>Executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial</td>
<td>29.7</td>
<td>29.8</td>
<td>30.0</td>
<td>25.11</td>
</tr>
<tr>
<td>Supervisory and clerical</td>
<td>13.0</td>
<td>21.8</td>
<td>14.4</td>
<td>12.66</td>
</tr>
<tr>
<td>Outsourced</td>
<td>0.8</td>
<td>0.2</td>
<td>2.58</td>
<td>1.8</td>
</tr>
<tr>
<td>Others</td>
<td>5.3</td>
<td>1.9</td>
<td>1.8</td>
<td>16.76</td>
</tr>
</tbody>
</table>

Professional and technical abilities have been complemented by a focus on 'soft' skills, typified by the successful launch of the Ambassador program, to equip every employee with a unified code regarding work approach, attitude, and image, as well as outstanding competence, to achieve better business results. The Ambassador program developed and evolved during 2009 through two significant campaigns: Team and Service. These campaigns were initiated across the business with attendance levels exceeding 90 per cent. After 18 months of significant activity, the Ambassador program has been reviewed, and will return in a format relevant to the challenges facing the Bank.

Our Reach III program with INSEAD Business School gives the Bank access to world-class executive development programs. This program is now well established and ran for the third time in 2009 at INSEAD’s Singapore campus. Selection for our senior management programs is aligned to our talent management reviews, and courses take place as required.

In 2010 our Management and Leadership Development program will be introduced. Those managers who consistently display strong performance and potential will be given the opportunity to further develop their management and leadership capabilities through carefully selected training and development programs, and other suitable opportunities.

This will ensure a healthy pipeline of future managers who are prepared and equipped to lead change and impact business performance.

NCB intends to align the Management and Leadership Development and INSEAD programs with other internal people initiatives such as succession planning, to make sure that the future of NCB is carefully managed and that our primary objective is to manage careers from within, wherever appropriate.

In 2009 NCB extended its existing coaching initiative to include training a selected group of senior managers, with the objective of building an internal coaching capability. These internal coaches are equipped and available to deal with a variety of personal performance issues, which must be business-related. In conjunction with the coachee's manager, a 'contract' is agreed, committing the coach and coachee to work on improvements in a specified area. This is an initiative that we are keen to develop.

We have also invested in training selected internal business managers as trainers on our coaching programs. These managers will work alongside our external coaching consultants, helping to extend the reach of our coaching initiative and develop our capability to deliver the material in Arabic.
Talent retention

Talent retention is an important success factor for NCB. The limited talent pool in Saudi Arabia and the region, combined with growing competition in the marketplace, has created strong demand. This in turn requires a comprehensive plan to ensure the Bank remains the employer of choice for its top talent. All the factors described under ‘Building capacity’ are designed to reinforce our desire to retain our talent.

Recognizing that talent retention is an important success factor for NCB, the Bank laid the groundwork for an Employee Placement Program in 2009. This program will create a platform for exceptional talents seeking career growth to explore internal opportunities, and also protect job security for employees threatened by potential job loss. While it forms part of the Bank’s comprehensive plan for ensuring that it remains the employer of choice, this program is also a timely response to the global economic difficulties of 2009.

Preliminary efforts included encouraging internal job advertising, internal redundancy nominations, discussions with management, and consolidating the best internal practices for roll-out across the organization. These will be unified into a comprehensive program for roll-out and implementation in 2010.

We have implemented an Executive Long-Term Incentive Plan to encourage retention at senior levels in the Bank.

Performance management

Performance management has been practiced at NCB for a number of years. However, feedback from managers and employees revealed that some felt the process lacked consistency.

A different approach was needed – based on defining goals at the beginning of each year for every sector, division, department, and individual.
In 2009, a critical additional element was introduced: ‘calibration.’ This meant that individual performance was not measured in isolation, but correlated to team performance and achievements across the Bank. This improved the accuracy and transparency of the process.

Managers and employees are now more comfortable with the objectivity and credibility of assessments, and how people’s efforts are evaluated and rewarded.

Senior management now has a more effective mechanism for conducting vision and strategy throughout the organization, linking corporate strategy more closely to people’s roles. From their point of view, employees can now align their goals with those of the Bank, while achieving their personal career ambitions.

Effectively managing people’s performance is an ongoing challenge. In 2010, further improvements will be made, particularly in the way that goals are set and articulated, shedding more light and clarity on the process, and thereby improving NCB’s overall performance.

Fostering diversity and human rights
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 of human rights.

Freedom of association
There are no trade unions in Saudi Arabia. NCB’s business depends 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 employees a greater voice.

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, nationality, 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 recommendations are made to the Head of Human Resources for approval. Discrimination in any area of employment, including hiring, advancement, compensation, discipline, and termination, is 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 when an employee’s actions result in financial damage or goodwill damages.

NCB has a Complaints and 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 15 days. The subsequent ruling of the CEO is 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 varies according to the type and scale of requirement. In all circumstances, the Bank’s contracts specifically require contracting companies to abide by all national laws, including laws on 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.
NCB’s engagement with the community is deep and long-standing. Through our in-house Community Support unit, we focus on helping disadvantaged people, addressing social problems, encouraging the Bank’s staff to undertake voluntary work, and fostering the development of micro and small businesses. Four discrete programs – AlAhli Job Opportunities, AlAhli Health, AlAhli Education, and AlAhli Social – are carefully designed, monitored, and externally audited to ensure that our investment of time and money delivers tangible results where they are most needed. At the conclusion of 2009, I am honored to note that our four AlAhli community programs touched the lives of more than 150,000 people during the year.

Abdulrazak M. Elkhrajy, EVP – Head, Islamic Banking Development Group

### 2009 goals

**Key programs include:**
- Productive Families program
- Entrepreneurs program
- INJAZ-Saudi Arabia program
- Basic first aid program
- Provide school bags to orphans

### 2009 achievements

- Productive Families program: 1,026 women
- Entrepreneurs course: 605 people
- INJAZ-Saudi Arabia program: 909 students
- Basic first aid course: 15,000 people
- 26,614 school bags provided to orphans

### 2010 goals

- Productive Families program: 950 women
- Train 60 charity employees to enhance their organizations’ capabilities
- Provide 300 students with work skills
- Support 350 charity organizations
INJAZ – cultivating the next generation of young business leaders
The rationale behind INJAZ-Saudi Arabia is that society’s needs can only be met if the economy generates sufficient wealth and employment opportunities for its young population. INJAZ is the localized equivalent of America’s Junior Achievement program which, for nearly a century, has offered courses in entrepreneurship, business leadership, ethics, communications, and financial literacy for young people across the world.

These are precisely the skills that INJAZ gives young Saudis through extra-curricular lessons at school. Pupils gain further insights through INJAZ’s Entrepreneurial Master Classes, where business leaders explain how they built successful companies. The courses are offered to students from eighth grade through to university-entrance level.

INJAZ-Saudi Arabia equips young Saudis to compete in the world of modern commerce. It trains them for the roles they will play in establishing and running businesses that will broaden the base of the Kingdom’s economy, creating greater diversity and new jobs.

NCB has nurtured INJAZ as being at the heart of its corporate social responsibility goals. An expression of the Bank’s commitment is that its Chief Executive, Abdulkareem Abu Alnasr, serves as Chairman of the Board of INJAZ-Saudi Arabia.

The first phase of NCB’s contribution to INJAZ involved laying its foundations and setting a clear direction for the development of a strong domestic franchise. By 2009, INJAZ had successfully completed a pilot scheme that trained 909 male and female students.

Encouraged by the Ministry of Education, NCB will be joined by a number of leading Saudi corporations for the nationwide roll-out of INJAZ-Saudi Arabia during 2011. By 2018 they hope to empower as many as 100,000 students with a business dimension to their education, giving them a vital role in gearing up the Kingdom for the exciting challenges posed by its rapidly developing economy.
Designing and managing programs that address critical needs in our society in the fields of job creation, education, health and social issues

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. It is tasked with implementing a number of specialized programs. The group has established the following vision, mission, and objectives:

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

**Mission**
To introduce creative, innovative, non-profit CSR programs that contribute to the country’s development, and to continue with NCB’s CSR initiative.

**Objectives**
- Contributing to reducing the unemployment rate by creating job opportunities
- Supporting educational programs in society
- Supporting health programs in society
- Adopting various social programs to help the needy while promoting the concept of volunteerism in the community

**NCB’s social contributions**
In 2009, NCB supported social programs aimed at addressing 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, awareness, and training initiatives.

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

**AlAhli Job Opportunities programs**
These programs aim to support the nation’s youth and women in need to find suitable job opportunities by developing their know-how and business skills to start up and manage their own small business. These programs also provide low-income families with vocational skills that enable them to secure a steady source of income for them and their families.

**AlAhli Small Business program**
This program conducts three training courses. The first is ‘How to Start Your Small Business,’ for both men and women. In 2009, 339 Saudi nationals were trained with 17 specialized training courses. The second program is ‘How to Start Your Own Home Business.’ In 2009, 224 women were trained through 15 customized programs conducted in 13 cities across the Kingdom. The third training program is ‘How to Develop Your Small Business.’ Through two customized courses held in Riyadh and Dammam, 42 men benefited from this course.

**AlAhli Productive Families program**
This program aims to provide women from needy families with craft skills that will allow them to earn an income. The program, which is run in conjunction with charity organizations around the Kingdom, also supplies them with the equipment and basic materials they need for production. Importantly, from 2009 the program also helps them to obtain micro loans. Micro loans to 104 women were provided through NCB and the three charity organizations involved. The program has steadily increased in size since 2006, with 1,026 women having been trained in 2009 through 52 training courses conducted in 19 cities Kingdom-wide.
### NCB annual social contribution

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>SR 000's</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR programs</td>
<td>31,988</td>
<td>24,699</td>
<td>31,984</td>
<td>27,897</td>
</tr>
<tr>
<td>NCB donations and sponsorships*</td>
<td>N/A</td>
<td>12,024</td>
<td>14,006</td>
<td>18,267</td>
</tr>
<tr>
<td><strong>Total community investment</strong></td>
<td>N/A</td>
<td>36,723</td>
<td>45,990</td>
<td>46,164</td>
</tr>
<tr>
<td>CSR unit operations</td>
<td>2,101</td>
<td>6,131</td>
<td>6,005</td>
<td>7,757</td>
</tr>
<tr>
<td><strong>Total social contribution</strong></td>
<td>N/A</td>
<td>42,854</td>
<td>51,995</td>
<td>35,921</td>
</tr>
<tr>
<td><strong>Total social contribution / NCB net income</strong></td>
<td>N/A</td>
<td>0.7%</td>
<td>2.6%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

* Includes substantial one-off social contributions.

### AlAhli Job Opportunities programs

**'How to Start Your Small Business' course**

<table>
<thead>
<tr>
<th>Number</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi nationals trained</td>
<td>227</td>
<td>324</td>
<td>453</td>
<td>339</td>
</tr>
<tr>
<td>Specialized training courses</td>
<td>11</td>
<td>15</td>
<td>20</td>
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</tbody>
</table>

**'How to Start Your Own Home Business' course**

<table>
<thead>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women trained</td>
<td>175</td>
<td>151</td>
<td>209</td>
<td>224</td>
</tr>
<tr>
<td>Training courses</td>
<td>10</td>
<td>9</td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

**'How to Develop Your Small Business' course**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men benefited</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>42</td>
</tr>
<tr>
<td>Cities</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>2</td>
</tr>
</tbody>
</table>

### AlAhli Productive Families program

<table>
<thead>
<tr>
<th>Number</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women trained</td>
<td>453</td>
<td>725</td>
<td>964</td>
<td>1,026</td>
</tr>
<tr>
<td>Cities covered</td>
<td>7</td>
<td>15</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Training courses</td>
<td>23</td>
<td>37</td>
<td>54</td>
<td>52</td>
</tr>
</tbody>
</table>
Our Community

**AlAhli Education programs**
Through these programs, NCB aims to contribute to the development of the educational sector in the Kingdom by supporting and enhancing educational institutions through modern approaches and updated tools. NCB also seeks to encourage scientific research and computer literacy.

**AlAhli PC Labs program**
This program is designed to assist in reducing computer illiteracy by setting up computer laboratories in schools, colleges, and universities. In 2009, the program addressed the particular needs of the blind, with computer labs being set up in Al Nour institutes as well as public schools that provide education to blind students, and in schools aimed at integrating the blind into the education system. In 2009, 14 labs were installed in nine cities benefiting 656 blind students. The strategic partner for this program is the Ministry of Education.

**INJAZ-Saudi Arabia initiative**
Junior Achievements programs aim to qualify and prepare students in the education system to meet the requirements of the labor market in terms of practical expertise by providing cost-effective instructional courses for school and university students. This training scheme comprises a series of training courses, each of which is organized during a full academic semester requiring an average of one hour of study per week.

This program is based on the US Junior Achievement initiative, which started in 1919 and was adopted in the Arab world in 2004. Today, the program is implemented in several Arab countries under the INJAZ Al Arab program. Realizing the significance of the program, NCB shouldered the responsibility for bringing the program to the Kingdom.

The program commenced in Jeddah, where a number of programs were conducted in 2009 including the Company program, Leadership program, and the Entrepreneurial Master Class program. These took place in 15 schools throughout Jeddah with the participation of 16 volunteers who trained 909 male and female students.

**The Imagine Cup initiative**
This project aims to develop the creativity and imagination of students to develop new projects to help them build a better life. In 2009, 2,000 students from nine different Saudi universities participated in the global competition.

**Science and Mathematics Teachers’ Development initiative**
Commencing in 2009, this project aims to train and develop professional skills among teachers in the areas of mathematics and science. In 2009, 134 men and women from 32 cities were trained. The strategic partners for this project were King Saud University and the Ministry of Education.

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

Through these programs, NCB aims to support and enhance the health sector in the Kingdom by providing medical equipment and units in order to increase government hospitals’ capacity and to raise health awareness among Saudi citizens.

AlAhli Medical Equipment program

This 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 supplied a number of government hospitals and health centers with new renal dialysis units. NCB distributed 35 units in 2006, 40 in 2007, 30 in 2008, and 45 units in 2009. 21,600 patients will benefit from this apparatus in nine government hospitals. NCB’s strategic partners in this project across seven cities are the Ministry of Health and the Prince Fahad Bin Salman Society for the Care of Patients with Renal Failure.

AlAhli Medical Units program

The program contributes to the development of ambulance services around the Kingdom by setting up specialized medical units. During 2008 two sophisticated ambulances specifically designed for intensive care use in Riyadh and Dammam were donated to the Saudi Red Crescent. In 2009 a further three ambulances were approved for donation.

AlAhli Health Awareness program

This program aims to enhance health awareness among the various segments of society. In 2007, NCB trained 7,000 citizens from 13 cities in the basics of first aid. In 2008, 10,000 citizens were trained in 15 cities. In 2009, a further 15,000 citizens were trained across 37 cities. Training courses have been conducted in cooperation with the Saudi Red Crescent.
Our Community

AlAhli Social programs
Through these programs, NCB aims to enhance its active role and contribution to humanitarian work by designing and adopting innovative programs to support charity organizations in meeting the actual needs of the community.

AlAhli Charity Organization 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 2009, significant assistance was provided to 373 organizations around the Kingdom. Support was provided to 265 charity associations licensed by the Ministry of Social Affairs, 52 charity associations for Holy Qur’an teaching, and 56 cooperative efforts with other committees and associations.

AlAhli Orphans program
NCB provides support and sponsorship specifically for orphans. In collaboration with other organizations, NCB gives financial aid and, through well-designed programs, provides material needs such as stationery, school bags, clothes, and medical care to children in need. In 2007 we provided 11,500 orphans with school bags. This was extended to 18,936 orphans in 2008. In 2009 the program covered orphans in 26 cities and villages around the Kingdom in cooperation with 34 charity organizations, where school bags were provided to 26,614 orphans in all school grades.

AlAhli Disabled program
This program aims to care for those with special needs, helping them to overcome the difficulties associated with their disabilities. In 2009, 223 children were provided with prosthetic limbs, in cooperation with charity organizations for disabled children.

AlAhli Voluntary Work program
This program offers NCB staff the opportunity to volunteer their time, experience, and skills to help the needy. During 2009, 40 NCB men and women employees joined the voluntary work team, whose volunteer membership numbered 195. During 2009, 121 opportunities for voluntary work were made available to volunteers from charity associations, in addition to volunteers from within the INJAZ initiative.

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 2009 AlAhli Programs Achievements Report.

Awards
NCB received the following awards for its CSR activities in 2009:

- King Khalid Award for Responsible Competitiveness
- Prince Mohammed Bin Fahad Award for Charity Contributions
- ITP Special Corporate Social Responsibility Award
### AlAhli Social programs

#### AlAhli Charity Organizations program

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizations supported (number)</td>
<td>265</td>
<td>337</td>
<td>300</td>
<td>373</td>
</tr>
<tr>
<td>Financial assistance (SR millions)</td>
<td>7.5</td>
<td>8.0</td>
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#### AlAhli Orphans program

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<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orphans benefiting</td>
<td>5,065</td>
<td>11,500</td>
<td>18,936</td>
<td>26,614</td>
</tr>
<tr>
<td>Cities</td>
<td>8</td>
<td>18</td>
<td>23</td>
<td>26</td>
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#### AlAhli Disabled program

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationals with special needs trained</td>
<td>N/A</td>
<td>N/A</td>
<td>40</td>
<td>N/A</td>
</tr>
<tr>
<td>Alternative equipment (disabled benefiting)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>223</td>
</tr>
<tr>
<td>Mosques adapted for special needs</td>
<td>N/A</td>
<td>N/A</td>
<td>20</td>
<td>N/A</td>
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#### AlAhli Voluntary Work program

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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCB employees engaged in volunteer work</td>
<td>N/A</td>
<td>N/A</td>
<td>2.8%</td>
<td>3.6%</td>
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</table>

### NCB achievements

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
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<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community members served</td>
<td>14,095</td>
<td>47,964</td>
<td>90,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Projects</td>
<td>100</td>
<td>152</td>
<td>879</td>
<td>1,319</td>
</tr>
<tr>
<td>Strategic partnerships</td>
<td>297</td>
<td>391</td>
<td>338</td>
<td>403</td>
</tr>
<tr>
<td>Cities that benefited from the programs</td>
<td>115</td>
<td>125</td>
<td>132</td>
<td>151</td>
</tr>
</tbody>
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Our Shareholders

For shareholders, profit is not only about this year’s dividend. They rely on NCB to build and maintain its capacity to generate a growing stream of high-quality earnings over time. To meet this expectation, the Bank continues to invest in strategic enablers such as corporate governance, risk management, strategy, productivity, and people. Shareholders can take confidence in NCB’s robust corporate governance approach. This helps to improve accountability, devolve responsibility, and instill greater agility in the organization. The effect of sound risk management measures is protection of shareholders’ investments today, while also creating growth for the years ahead. Investors can expect that NCB’s integrity and transparency apply to investing for the future, not just for short-term gain. With these tools and commitments, NCB seeks to grow a customer-driven portfolio that generates value into the future.

Faisal Al-Sakkaf, SEVP – Group Chief Financial Officer

2009 goals
- Net income growth
- Total assets growth
- Build capital and liquidity
- Review corporate governance
- Strengthen Group risk management

2009 achievements
- Net income grew 98.9%, to SR 4,040 million
- Total assets grew 16.1%, to SR 257.5 billion
- Capital adequacy ratio increased to 19.3%
- New corporate governance framework
- Strengthened risk management capabilities

2010 goals
- Net income growth
- Total assets growth
- Implementation of new corporate governance framework
- Improve all risk related controls and drive improved transparency

<table>
<thead>
<tr>
<th>Key performance indicators (KPI's)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (SR millions)</td>
<td>155,706</td>
<td>208,717</td>
<td>221,802</td>
<td>257,452</td>
</tr>
<tr>
<td>Total shareholders’ equity (SR millions)</td>
<td>23,999</td>
<td>29,610</td>
<td>27,536</td>
<td>30,860</td>
</tr>
<tr>
<td>Net income (SR millions)</td>
<td>6,273</td>
<td>6,016</td>
<td>2,031</td>
<td>4,040</td>
</tr>
<tr>
<td>Dividend distribution (SR millions)</td>
<td>N/A</td>
<td>2,400</td>
<td>1,200</td>
<td>2,244</td>
</tr>
<tr>
<td>Economic value retained (SR millions)</td>
<td>6,114</td>
<td>3,472</td>
<td>699</td>
<td>1,696</td>
</tr>
<tr>
<td>Return on assets (percent)</td>
<td>4.16%</td>
<td>3.30%</td>
<td>0.94%</td>
<td>1.69%</td>
</tr>
<tr>
<td>Return on equity (percent)</td>
<td>27.5%</td>
<td>22.4%</td>
<td>7.1%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>
Our Shareholders

Creating economic value

As the largest bank in the biggest economy in the region, NCB’s shareholders expect the Bank to create sustainable value over the long term. They rely on NCB to build and maintain its capacity to generate a growing stream of high-quality earnings over time. To achieve this objective, in recent years the Bank has adopted a three-pronged strategy of strengthening the core business, expanding its scope and activities, and diversifying its geographical reach. This strategy remains on course.

Although the credit crunch had negative implications across the international financial sector, for NCB this was a period where our levels of liquidity improved as investors and depositors looked to the strength and stability of the NCB brand. Customers’ confidence in the brand and financial strength saw deposits rising by 17.9 percent during 2009, reaching SR 202.6 billion. NCB’s net income rose to SR 4,040 million, an increase of 98.9 percent over 2008. Total assets grew 16.1 percent to SR 257.5 billion, representing a robust performance in difficult conditions.

NCB continued to build its capital base. Shareholders’ equity (excluding minority interests) reached SR 29.3 billion at the end of the year, an increase of 12.1 percent. The Bank’s core capital adequacy ratio (tier 1) was 18.6 percent, underlining our financial strength and ability to support future growth. Core and supplementary capital (tiers 1 and 2) reached 19.3 percent.

NCB maintained its rating at A+ from the two international agencies, Standard & Poor’s and Fitch Ratings. These are the highest ratings in the Saudi banking sector, reflecting NCB’s strength and high level of liquidity, as well as re-affirming the Bank’s local and regional leadership.

However, for every strategy to be successfully implemented, a business needs underlying strategic enablers to help realize the end objectives. Tangible enhancements have been achieved by investing in enablers: devising and refining organizational structures, processes, and performance measurement systems in areas such as corporate governance, risk management, human resources, and information technology.

<table>
<thead>
<tr>
<th>NCB direct economic value generated and distributed</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct economic value generated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>9,292</td>
<td>9,882</td>
<td>10,503</td>
<td>11,479</td>
</tr>
<tr>
<td>Economic value distributed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td>(1,651)</td>
<td>(2,261)</td>
<td>(6,391)</td>
<td>(5,024)</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>(1,393)</td>
<td>(1,573)</td>
<td>(2,026)</td>
<td>(2,205)</td>
</tr>
<tr>
<td>Other income (cost)</td>
<td>55</td>
<td>43</td>
<td>72</td>
<td>(79)</td>
</tr>
<tr>
<td>Community investment</td>
<td>(30)</td>
<td>(53)</td>
<td>(51)</td>
<td>(50)</td>
</tr>
<tr>
<td>Less : Minority interests</td>
<td>(0)</td>
<td>(22)</td>
<td>(76)</td>
<td>(81)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,273</td>
<td>6,016</td>
<td>2,031</td>
<td>4,040</td>
</tr>
<tr>
<td>Zakat</td>
<td>(159)</td>
<td>(144)</td>
<td>(133)</td>
<td>(101)</td>
</tr>
<tr>
<td>Dividend distribution</td>
<td>–</td>
<td>(2,400)</td>
<td>(1,200)</td>
<td>(2,244)</td>
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</tr>
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</table>
With these tools and commitments, NCB seeks to grow a customer-driven portfolio that generates value into the future.

Having reaffirmed our stability and strong market position, NCB is well placed to exploit new opportunities. We foresee 2010 as a year in which the resilience that NCB has demonstrated will be translated into growth and achievements. We will build for the future by continuing to implement our strategy, delivering on our customer promises, and further strengthening our core franchise. The Group is well prepared for the challenges and opportunities that lie ahead both in 2010 and beyond.

**Ensuring good governance**

**Governance practices at NCB**

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 regulatory authorities for the Bank’s management. As of 31 December 2009, the Board had nine male members.

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. The Chief Executive Officer is the only Director currently serving on NCB’s executive management team.

The Board is required to meet a minimum of eight times each year. The Board functions in part through the work of its related committees, namely the Executive Committee, the Credit Committee, the Risk Committee, the Nomination and Compensation Committee, the Audit Committee, and the Compliance Committee.

Directors’ compensation falls within the range suggested by SAMA. For full details please refer to NCB’s 2009 Annual Report.

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

The Board and its related committees receive 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 versus strategies and plans, financial results, quality of the loan portfolio, market and regulatory developments, external audit reports, 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 interest, and are expected to identify any known conflicts of interest of other Board members if those members do not self-identify. 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.

An employee whistle-blowing mechanism exists whereby employees can raise issues relating to deliberate contraventions (i.e. fraud, manipulation of financial data, and non adherence to the Bank’s policies and procedures) committed by other employees that results in a personal gain to these employees, or in operational risks to the Bank. This confidential mechanism is under the direct personal supervision of the Chairman and the Board of Directors.

**Review of the governance framework**

NCB carried out a review of its governance framework in 2009 to align it with SAMA regulations and leading global and regional governance practices. The corporate governance framework details activities and responsibilities of the Board, Board committees, and Management committees to address various governance issues faced by the Bank. The governance framework also aligns the control functions of finance, risk, audit, compliance, and legal, in line with the governance objectives of the Bank.

The governance framework was developed based on five guiding principles: Group philosophy, upholding shareholders’ interests, business requirements to drive the framework, central oversight through control functions, and delegation of decision-making authority.

In 2010, NCB will start the implementation of the governance framework, and specifically will look at implementing the Board, Board committee, Management committee, and control function charters. In addition, Board members, senior management, and control functions will go through an adequate amount of on-boarding and training for familiarization with the new corporate governance framework, and to understand their new responsibilities and authorities.

Furthermore, in 2010 a framework will be put in place to support information sharing between the Bank’s control functions and its subsidiaries’ control functions, to ensure more robust governance.
Our Shareholders

Planning process
NCB’s planning process involves two cycles: a strategic planning cycle to develop and review the Bank’s long-term strategy and an annual operating planning cycle (AOP) 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 Bank’s strategy and the AOP are reviewed and approved by the Board.

The Bank’s strategy is reviewed and updated as needed by the Senior Management Team. The Chief Executive Officer, in conjunction with the Chief Financial Officer, develops full year high-level targets for the Bank. These targets are reviewed, updated, and agreed with the Board of Directors. 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.

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.

Compliance
The Bank’s Compliance division comprises 39 staff. Its main objective is to serve as a center of excellence for compliance and regulatory expertise, aimed at protecting the reputation and integrity of NCB by ensuring it adheres to applicable regulations and ethical standards. Its main responsibilities are at a functional level and include advising on regulatory matters, monitoring adherence to regulatory requirements, reporting on deficiencies and corrective measures, training in Anti-Money Laundering (AML) and compliance, and preserving the integrity of regulatory controls.

Internal audit
The Bank’s Internal Audit division comprises 91 staff. Its 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 division 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 Audit Committee and to the Board of Directors.
NCB organizational structure

Board of Directors
  - Board Secretary
  - Chairman of the Board
  - Chairman's Office
  - Chief Executive Officer

Board Committees
  - Risk Committee
  - Credit Committee
  - Audit Committee

Management Committees
  - Senior HR Committee
  - Assets & Liabilities Committee
  - Technology Committee
  - Sponsorship and Donation Committee
  - Group Finance Committee
  - Executive Committee

Chief of Staff
  - CEO's Office
  - Corporate Communications Unit
  - Security Department
  - Sustainability & Business Excellence

Chief Executive Officer
  - Group Chief Audit Officer
  - Group Chief Compliance Officer

Group Chief Financial Officer
  - Office of the Chief Financial Officer
  - Strategy and Performance Management
  - Finance & Accounting Division

Group Chief Risk Officer
  - Group Risk Management Division

Group Chief Legal Counsel
  - Legal Department

Individual Banking Sector
  - Islamic Branch Network Division
  - Private Banking Division
  - Contact Center Division
  - Retail Customer Management Division
  - Electronic Transactions Banking Division
  - MIS Department
  - Central Marketing Department

Consumer Finance Sector
  - Branch Network Finance Division
  - Lease & Finance Division
  - Credit Quality & Collection Division
  - Technical Support Services Division
  - Credit Cards Department

Corporate Banking Sector
  - Institutional Banking Division
  - Corporate Banking Division
  - Islamic Finance Division
  - Finance Restructuring Division
  - Specialized Finance Department
  - Cash Management Department
  - Credit Analysis Department
  - Trade Finance Sales

International Sector
  - Correspondent Banking
  - M & A and Strategy
  - Planning & Performance Management

Services Sector
  - Information Technology Division
  - Corporate Operations Division
  - Enterprise Operations Division
  - Payments Operations Department
  - Retail Operations Department
  - Operational Excellence Department

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Prudently managing risk
Protecting the Bank’s assets and customers’ wealth requires a continuous focus on identifying and mitigating a wide range of risks, including social and environmental risks.

NCB’s approach to risk
Group Risk Management (GRM) represents the risk management function for the NCB Group and all of its businesses. With a staff complement of 120 people, GRM covers NCB, Türkiye Finans, and our investment banking subsidiary, NCB Capital.

The Board of Directors’ Risk Management Committee sets the policy framework that establishes requirements and parameters for executive-level management of risk. There are several types of managed risks including credit risk, market risk, liquidity risk, and social and environmental risks.

At the operational level, risk management is implemented by the Risk Management division. This division is also responsible for oversight and implementation of key regulatory requirements, including those mandated by the Basel II Committee.

2009 risk performance
As noted in the annual financial statements, NCB’s net income nearly doubled, to SR 4,040 million. Despite this result, 2009 remained a challenging environment for banking in the Kingdom for two key reasons:

- The global credit crunch, which began in the autumn of 2008, impacted all the banks in Saudi Arabia as it impacted many banks around the world.
- The Saudi market experienced the collapse of two large family-owned companies. This affected the entire Saudi banking system as most of the 12 Saudi banks had exposure to either one or both groups.

For GRM, 2009 was a year of recruitment, particularly at a senior level. The Group Risk Management function is now fully staffed and NCB now has one of the largest risk management capabilities of any bank in the Middle East. During the course of the year, in conjunction with the business, the credit process for Corporate Banking was re-engineered, resulting in significantly reduced customer request turnaround times.

2010 plans
GRM will continue to build and develop the Bank’s Risk Management capabilities – focusing on the development of its people, the correct management of its control processes, and superior portfolio management.

Risks managed
Credit risk  NCB manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risks embedded in loans and advances and investments. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Bank manages the credit exposure relating to its trading activities by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk. The Bank’s credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and the Bank assesses counterparties using the same techniques for its lending activities in order to control the level of credit risk taken.
Overall authority for market risk is vested in the Risk Management Committee of the Board of Directors. The Bank’s Group Risk Management division is responsible for developing detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management has diversified funding sources in addition to its core deposit base. Furthermore, it manages assets with liquidity in mind, maintains an appropriate balance of cash, cash equivalents, and readily marketable securities, and monitors future cash flows and liquidity on a daily basis. The Bank also has committed lines of credit that it can access to meet liquidity needs.

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor’s/issuer’s credit standing), equity prices, and foreign exchange rates (currency risk) will affect the Bank’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury division and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules and regulations, prescribed practices, internal policies, and procedures or ethical standards. Non-compliance risk also arises with products or activities of the Bank’s client that may be ambiguous or untested with regard to compliance, for which the risk exposes NCB to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to reputational damage, reduced franchise value, a decline in business opportunities, reduced expansion potential, and an inability to enforce contracts.

Social and environmental risks have been, 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 of social and environmental risks needs to be further developed.

<table>
<thead>
<tr>
<th>SR 000’s</th>
<th>Credit Cards</th>
<th>Consumer</th>
<th>Corporate</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans and advances – gross</td>
<td>1,882,908</td>
<td>32,105,462</td>
<td>75,007,761</td>
<td>2,369,280</td>
<td>111,365,411</td>
</tr>
<tr>
<td>Non-performing loans and advances – net</td>
<td>35,772</td>
<td>424,716</td>
<td>4,614,954</td>
<td>340,123</td>
<td>5,415,565</td>
</tr>
<tr>
<td>Total loans and advances</td>
<td>1,918,680</td>
<td>32,530,178</td>
<td>79,662,715</td>
<td>2,709,403</td>
<td>116,780,976</td>
</tr>
</tbody>
</table>

NCB seeks to manage its credit risk exposure through the diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The Bank uses an internal classification system based on risk ratings for its corporate and middle market customers. The new risk rating system, which is being used for classification in 2009 and managed by an independent unit, provides a rating at the obligor level.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short-term bank deposits, and liquid debt securities available for immediate sale, and Saudi Government Bonds excluding repos. Deposit liabilities include both customers and banks, excluding non-resident bank deposits in foreign currency.
As one of the region’s and Saudi Arabia’s largest banks, our six stakeholder groups rightly expect the highest standards from NCB. It is therefore essential for NCB to understand and respond effectively to the priorities of stakeholders in order to achieve success. Engaging with stakeholders is also a critical feedback mechanism in managing and enhancing economic, social, and environmental performance.

### Our Stakeholders

#### How we engage

- Branch network and Corporate Service Centers
- Electronic channels
- Dedicated Relationship Managers
- Regular customer focus groups
- Regular market surveys to gauge customer expectations, satisfaction, and loyalty
- Regular customer questions or complaints
- ‘Know Your Customer’ (KYC)

#### Stakeholders’ priority issues

- Security of deposits
- Shariah compliance
- Comprehensive range of services
- Service quality and customer care
- Modern and efficient branches and Corporate Service Centers
- Reliable electronic channels
- Accessible and affordable financing
- Reasonable fees and charges

#### NCB’s response

- Shariah-compliant retail banking services
- Ongoing roll-out and improvement of electronic channels
- New and improved product offerings
- Better access to consumer finance
- Continuous enhancement of customer service standards

### Our Customers

- Offering innovative Shariah-compliant solutions
- Providing a responsive, convenient, and efficient service

### Our Environment

- Improving our management of resources and minimizing environmental impacts

#### Our Customers

<table>
<thead>
<tr>
<th>NCB and its suppliers impact on our environment through:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of water</td>
</tr>
<tr>
<td>Use of power</td>
</tr>
<tr>
<td>Production of waste</td>
</tr>
<tr>
<td>Production of greenhouse gas emissions</td>
</tr>
</tbody>
</table>

#### Our Environment

- Improvement in the measurement of resource consumption
- Environmental initiatives that lead to the:
  - Reduction in use of water
  - Reduction in use of power
  - Reduction in production of waste
  - Reduction in overall greenhouse gas emissions
- Provision of environmental leadership

#### Initial environmental projects aimed at:

- Improved measurement of resource usage
- Water and power usage reductions
- Recycling initiatives
- Development of environmental policy (2010)
- Development of environmental plan (2010)
### Our Business Partners

- Honoring our commitments and enhancing our standing in the community
- Practicing and promoting responsible competitiveness

### Our People

- Attracting, retaining, and optimizing talent
- Fostering diversity and human rights

### Our Community

- Designing and managing programs that address critical needs in our society in the fields of job creation, education, health, and social issues

### Our Shareholders

- Creating economic value
- Ensuring good governance
- Prudently managing risk

<table>
<thead>
<tr>
<th>Our Business Partners</th>
<th>Our People</th>
<th>Our Community</th>
<th>Our Shareholders</th>
</tr>
</thead>
</table>
| • Normal business transactions with suppliers of goods and services  
  • Board of Directors' meetings  
  • Ongoing contact with regulators (reports, visits, requests etc)  
  • Supporting sustainability initiatives in the region | • Internal employee surveys  
  • Training and development  
  • Regular meetings  
  • Annual performance reviews | • Dedicated Corporate Social Responsibility (CSR) unit designs and manages programs  
  • Collaboration with a number of institutions (governmental and non-governmental)  
  • Continuous interaction with communities and beneficiaries  
  • Direct feedback mechanisms | • Annual General Meeting  
  • Board of Directors’ meetings  
  • Executive Committee meetings |
| • Fair opportunities provided to and treatment of suppliers  
  • Long-term protection of minority shareholders’ investments  
  • Financial health and long-term stability of NCB  
  • NCB leadership in sustainability within the region | • Remuneration and pension plans  
  • Skills development  
  • Workplace environment  
  • Merit-based compensation and promotion | • Reducing unemployment  
  • Improving education quality and access  
  • Improving health services  
  • Assisting the poor | • Long-term protection of shareholders’ investments  
  • Generate a growing stream of high-quality earnings over time  
  • Sound corporate governance  
  • Prudent management of risk  
  • Management of NCB’s reputation |
| • Abiding by contractual agreements with suppliers  
  • Net income and asset growth for minority shareholders  
  • Continuous dialogue with regulators and prompt responses to requests  
  • Visible support of sustainability in the Kingdom and region | • Competitive remuneration  
  • Increased training  
  • Major Saudization drive  
  • Program to enhance annual performance reviews for all staff | • Significant financial commitment  
  • Prioritized four strategic areas: employment, education, health, and social programs  
  • Staff volunteer program | • Net income growth  
  • Total asset growth  
  • Development of the new corporate governance framework  
  • Strengthening of risk management capabilities |

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**Our Environment**

- Development of environmental plan
- Development of environmental policy
- Recycling initiatives
- Water and power usage reductions
- Improved measurement of resource usage
- Initial environmental projects aimed at:
  - Production of greenhouse gas emissions
  - Production of waste
  - Use of power
  - Use of water
  - Reduction in production of waste
  - Reduction in use of power
  - Reduction in use of water

**Our People**

- Visual support of sustainability in the region
- Continuous dialogue with regulators
- Net income and asset growth for minority shareholders
- Abiding by contractual agreements with suppliers
- Significant financial commitment
- Prioritized four strategic areas: employment, education, health, and social programs
- Staff volunteer program

**Our Community**

- Laboratory of the long-term protection of minority shareholders’ investments
- Financial health and long-term stability of NCB
- NCB leadership in sustainability within the region
- Fair opportunities provided to and treatment of suppliers
- Long-term protection of minority shareholders’ investments
- Financial health and long-term stability of NCB
- NCB leadership in sustainability within the region

**Our Shareholders**

- Creating economic value
- Ensuring good governance
- Prudently managing risk
- Abiding by contractual agreements with suppliers
- Net income and asset growth for minority shareholders
- Continuous dialogue with regulators and prompt responses to requests
- Visible support of sustainability in the Kingdom and region
- Significant financial commitment
- Prioritized four strategic areas: employment, education, health, and social programs
- Staff volunteer program
This is NCB’s second full-year sustainability report, focusing on performance in 2009.

**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 with 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 second full year report (and third sustainability report), 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 annually.

**Report boundaries and limitations**

This 2009 full year report covers all operations of NCB within the Kingdom of Saudi Arabia, unless otherwise stated. Apart from the 2009 financial figures, the report does not cover the operations of NCB Capital or Türkiye Finans Katilim Bankasi, of which NCB has a controlling stake, unless otherwise indicated.

**Ensuring quality in our sustainability reporting**

From the outset, ensuring the quality and credibility of this report has been of utmost importance. 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 early stages of adopting sustainability. This means there is tremendous opportunity for performance gains.

**Comparability**

We have provided four years of comparable data wherever possible and credible, for the majority of indicators.

**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. branch annual water consumption and consumption of other materials) when we felt that the available data was not accurate enough. All financial numbers in the report 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 readers.

**Assurance**

As noted, all financial numbers in the report 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.
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<td>EC4</td>
<td>None</td>
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<tr>
<td>EC6</td>
<td>Preference is given to local suppliers when suppliers and contractors are selected.</td>
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</tr>
<tr>
<td>EN10</td>
<td>None</td>
</tr>
<tr>
<td>EN11</td>
<td>Not applicable as no branches or locations threaten biodiversity.</td>
</tr>
<tr>
<td>EN12</td>
<td></td>
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<td></td>
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<td>EN17</td>
<td>Page 25</td>
</tr>
<tr>
<td>EN18</td>
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</tr>
<tr>
<td>EN19</td>
<td>None known.</td>
</tr>
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<td>EN21</td>
<td>Page 23</td>
</tr>
<tr>
<td>EN22</td>
<td>Page 24</td>
</tr>
<tr>
<td>EN23</td>
<td>The weight of some waste has been calculated. Page 24</td>
</tr>
<tr>
<td>EN24</td>
<td>None</td>
</tr>
<tr>
<td>EN25</td>
<td>None</td>
</tr>
<tr>
<td>EN26</td>
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<tr>
<td>EN27</td>
<td>No initiatives up until now as specifically relates to products and services.</td>
</tr>
<tr>
<td>EN28</td>
<td>None</td>
</tr>
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<td>EN29</td>
<td>None</td>
</tr>
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<td>Labor – Overall Management Approach Disclosure. Page 34</td>
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<td>Pages 36-37</td>
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<td>Page 39</td>
</tr>
<tr>
<td>LA5</td>
<td>Page 39</td>
</tr>
<tr>
<td>LA6</td>
<td>As per Saudi law. Has not been an issue.</td>
</tr>
<tr>
<td>LA7</td>
<td>None</td>
</tr>
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<td>LA8</td>
<td>Page 47</td>
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<td>Pages 36-37</td>
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<td>Pages 35-36</td>
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<td>Page 28, Page 39</td>
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<tr>
<td>HR3</td>
<td>None</td>
</tr>
<tr>
<td>HR4</td>
<td>No incidents. Page 39</td>
</tr>
<tr>
<td>HR5</td>
<td>No trade unions. At the same time, NCB adopts various frameworks to engage collectively with employees. Page 39</td>
</tr>
<tr>
<td>HR6</td>
<td>Page 39</td>
</tr>
<tr>
<td>HR7</td>
<td>Page 39</td>
</tr>
<tr>
<td>HR8</td>
<td>Zero</td>
</tr>
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<td>Society – Overall Management Approach Disclosure. Page 44</td>
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<td>SO1</td>
<td>Pages 43-45</td>
</tr>
<tr>
<td>SO2</td>
<td>None</td>
</tr>
<tr>
<td>SO3</td>
<td>None</td>
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</tr>
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<td>PR1</td>
<td>None</td>
</tr>
<tr>
<td>PR2</td>
<td>None</td>
</tr>
<tr>
<td>PR3</td>
<td>As per national laws</td>
</tr>
<tr>
<td>PR5</td>
<td>Pages 16-17</td>
</tr>
<tr>
<td>PR6</td>
<td>We abide by all laws.</td>
</tr>
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<td>Financial Services Sector Supplement</td>
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<td>FS6</td>
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## Glossary

<table>
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<tr>
<th>Term</th>
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<td>AccountAbility1000</td>
<td>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.</td>
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<tr>
<td>Carbon dioxide</td>
<td>A chemical compound often referred to by CO₂, 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.</td>
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<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>A long-term, multi stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.</td>
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<tr>
<td>G3 Reporting Guidelines</td>
<td>A framework for reporting on an organization’s economic, environmental, and social performance.</td>
</tr>
<tr>
<td>AlAhli</td>
<td>The National Commercial Bank (NCB).</td>
</tr>
<tr>
<td>Executives</td>
<td>Refers to senior management staff namely Grades 10 and above.</td>
</tr>
<tr>
<td>Management</td>
<td>Refers to Grades 6 to 9.</td>
</tr>
<tr>
<td>Participation banks</td>
<td>A Turkish concept of Shariah-compliant banking.</td>
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<tr>
<td>Sustainability</td>
<td>To sustain is to maintain, support, or endure. In this context, the word sustainability is used in the sense of human sustainability.</td>
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<tr>
<td>Sustainable development</td>
<td>In 1987 the UN’s Brundtland Commission defined sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ This includes not only sustainability’s environmental dimensions, but also its social and economic aspects.</td>
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<tr>
<td>Sustainability management</td>
<td>The integrated management of economic, environmental, and social performance with the goal of creating value for all stakeholders.</td>
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<tr>
<td>Sustainability reporting</td>
<td>Corporate reporting is the voluntary public presentation of information about an organization’s non-financial performance – environmental, social, and economic – over a specified period, usually a financial year. A report may be published as a standalone document, on a company website, 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.</td>
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<tr>
<td>Saudization</td>
<td>Refers to the national policy in Saudi Arabia to encourage employment of Saudi nationals in the private sector.</td>
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<tr>
<td>Shariah</td>
<td>Is the body of Islamic religious law. 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.</td>
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<tr>
<td>Zakat</td>
<td>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.</td>
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</table>
Acronyms

AAOIFI  Accounting and Auditing Organization for Islamic Financial Institutions
AGM  Annual General Meeting
AML  Anti-Money Laundering
AOP  Annual Operating Plan
ASLG  Arab Sustainability Leadership Group
ATM  Automated Teller Machine
BRSA  Banking Regulations and Supervision Agency
CAP  Corrective Action Plan
CEO  Chief Executive Officer
CMA  Capital Market Authority
CO2  Carbon Dioxide
CSR  Customer Service Representative / Corporate Social Responsibility
CTF  Counter-Terrorist Financing
DoE  Department of Energy
EOSA  End of Service Award
EVP  Executive Vice President
FDI  Foreign Direct Investment
FVIS  Fair Value through Income Statement
G3  The G3 version of the GRI Sustainability Reporting Guidelines
GCC  Gulf Cooperation Council
GDP  Gross Domestic Product
GHG  Greenhouse Gas
GOSI  General Organization for Social Insurance
GRI  Global Reporting Initiative
GRM  Group Risk Management
HR  Human Resources
HRMS  Human Resources Management System
IBDG  Islamic Banking Development Group
IRE  International Real Estate and Finance
IFRS  International Financial Reporting Standards
Kg  Kilogram
KPI  Key Performance Indicator
KSA  Kingdom of Saudi Arabia
kWh  Kilowatt Hour
KYC  Know Your Customer
MAP  Management Associate Program
MJ  Megajoule
MWh  Megawatt Hours
N/A  Not Available
NCB  The National Commercial Bank
NCBC  NCB Capital
NCBSB  NCB Shariah Board
NOx  Nitrogen Oxides
OECD  Organization for Economic Co-operation and Development
PBUH  Peace be upon him
PC  Personal Computer
PIF  Public Investment Fund
PM  Performance Management
PPP  Public Private Partnership
RFP  Request for Proposal
SAGIA  Saudi Arabian General Investment Authority
SAMA  Saudi Arabian Monetary Agency
SARCI  Saudi Arabia Responsible Competitiveness Index
Saudia  Saudi Arabian Airlines
SBP  Strategic Business Plan
SEVP  Senior Executive Vice President
SMEs  Small and Medium Enterprises
SR  Saudi Riyal
STC  Saudi Telecom Company
UNCTAD  United Nations Conference on Trade and Development
USD  United States Dollars
Background to NCB

More than half a century ago, The National Commercial Bank (NCB) was established as Saudi Arabia’s first bank. It has since grown to become one of the Arab world’s largest financial institutions, with total assets of $68.7 billion, more than 2.2 million customers, and 9,400 employees across the group.

NCB has demonstrated a consistent pattern of growth throughout its history. In recent years, the Bank’s expansion efforts have been accelerated by a three-tiered strategy that focuses on growing core business, broadening scope, and expanding geographically.

Core growth is driven by a determination to continually improve service quality and provide tailored banking products through a unique array of channels. Broadening scope involves establishing early leadership in emerging products and customer segments. Geographical expansion is being pursued through acquisitions and strategic alliances in attractive regional markets.

NCB’s principal business lines are: Islamic retail banking, consumer finance, corporate banking, wealth management, and investments. Each area is driven by a customized strategy designed to meet the distinct needs of all customer groups, with innovation and convenience as common themes.

NCB is creating sustainable value by harnessing its distinct capabilities, strategic enablers, and unrivaled financial strength to pursue its vision of becoming the region’s premier financial services group.

Continued investments in organizational effectiveness are integral to building capability. People management is invariably the priority, ensuring that top talent is identified and developed. Quality has become a Bank-wide initiative that improves efficiency and delivery in all areas of activity. NCB has led the banking sector by introducing innovative IT applications to add value and convenience for customers. In addition, leveraging internal data systems to gain better customer insights has enabled the Bank to achieve improved market and customer segmentation.

Overall, this approach is creating centers of excellence across the group that will build NCB’s value proposition, offering synergy and value creation to future expansion initiatives through the experience acquired over its 57 years of existence.

Feedback
We welcome your comments on this report, our sustainability focus, and performance. Comments or queries should be directed to n.smith@alahli.com or we may be contacted directly on +966 2 646 4035.

To view an electronic version of this report in either English or Arabic, please visit the ‘About Us’ Section at www.alahli.com.
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The National Commercial Bank

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South Korea
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Tel: +966 3 894 9665
Ext. 275 / 241

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Bahrain World Trade Center
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Kingdom of Bahrain
Tel: +973 17 579 555

Türkiye Finans Katılım Bankası

Headquarters
Yakacık Mevki Adnan Kahveci Cad. No: 139
34876 Kartal, Istanbul
Turkey
Tel: +902 1 6452 5454
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 Arab Sustainability Leadership Group (ASLG).