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His Royal Highness
Prince Sultan
Bin
Abdulaziz Al-Saud
Crown Prince
First Deputy Premier



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



Eastern Region - Al Khobar



Head Office - Riyadh



Western Region - Jeddah

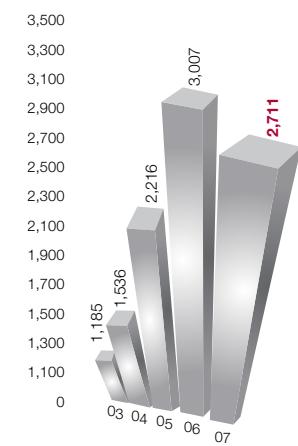
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The Year at a Glance

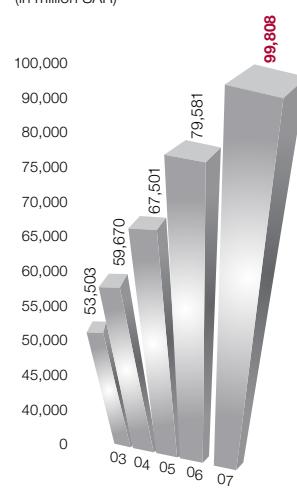
Net Income

(in million SAR)



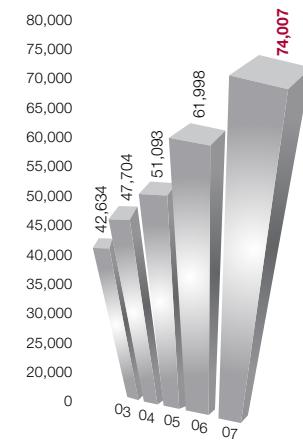
Total Assets

(in million SAR)



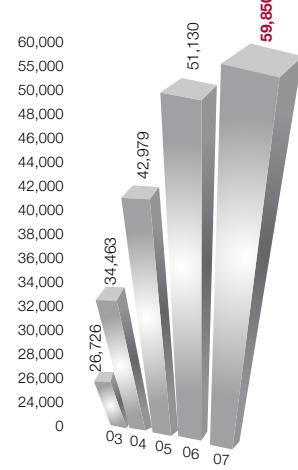
Customer Deposits

(in million SAR)



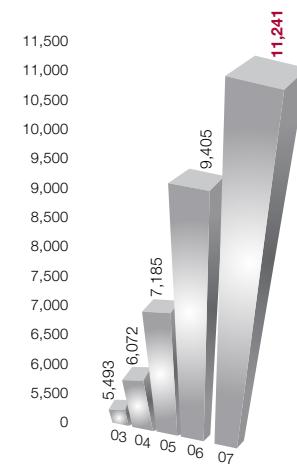
Loan and Advances, net

(in million SAR)



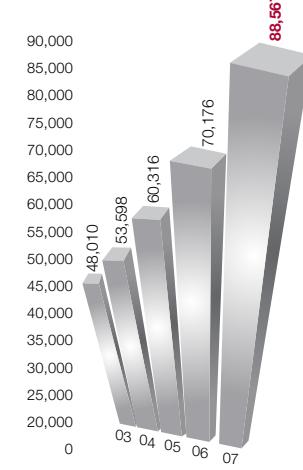
Shareholders' Equity (Tier 1)

(in million SAR)



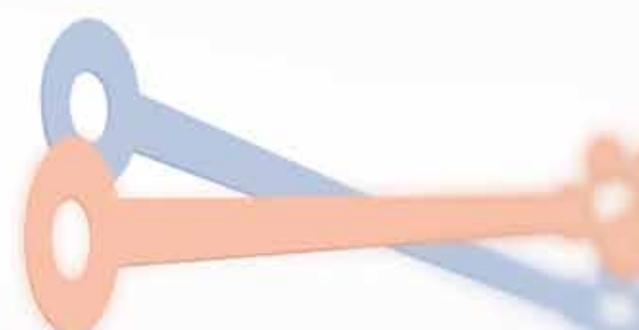
Total Liabilities

(in million SAR)



2007 Performance

Total Assets	+ 25.41% to SAR 99,808 million
Loans and Advances, net	+ 17.05% to SAR 59,850 million
Customer Deposits	+ 19.37% to SAR 74,007 million
Net Income	- 9.84% to SAR 2,711 million
Shareholders' Equity	+ 19.52% to SAR 11,241 million



The Chairman's Statement

It is my pleasure to present on behalf of the Board of Directors this annual report of Banque Saudi Fransi for the financial year ended 31st December 2007. Whereas it is a reality that the whole financial sector has experienced difficult situations during 2007, I am extremely happy to present BSF's results which prove that BSF has been resilient to adverse and volatile Market Conditions.

As the strategy for BSF is to create recurring revenues to our shareholders by continuing expanding in our core businesses and diversifying the revenue streams, I am proud to report that the Bank has consolidated revenues on initiatives taken in the recent years while at the same time creating new businesses that supplement the existing offering of products and services. With the adjunction of Sofinco Saudi Fransi, (Consumer Finance), CAAM Saudi Fransi (Asset management), Calyon Saudi Fransi (Investment Banking), Allianz Saudi Fransi (Insurances) and Fransi Tadawul (Brokerage), it is a reality that BSF has evolved from a standalone Bank to a Financial Group.

In this respect, I am happy to report a net income of SR 2 711 Millions. Albeit in reduction of 9.8% compared to 2006, this result must be analyzed by taking into account the slowdown of the local stock market related activities (-63% income) and the growth of our core Banking activities (+21%).

This core growth is substantiated by strong fundamentals where our loan Portfolio increased by 17.1%, our Customers' deposits by another 19.5% and total Balance sheet by 25.4%. While the total shareholders' equity moved by 19.5%, the return on Equity witnessed by BSF Shareholders has been maintained at a healthy level of 26.3%, notwithstanding the reduction in Brokerage related profits and the increase of Capital performed in March 2007.

Last, but not least, BSF has continued to be a place of choice for the development and investment in national cadres at all levels of career planning and career development. Out of a total Staff complement of 2341 employees, BSF's Saudization reached 82%. With regards to the year ahead, we expect local economic conditions to remain favorable and despite the recent turbulences in the financial world, we remain positive for 2008, having laid down the foundations for BSF to further grow.

I would like to extend my deepest appreciation and thanks to the BSF Management team and all BSF Staff for their dedication in achieving such results.

I also would like to take also this opportunity to thank my colleagues of the board, and our loyal shareholders.

Finally, I take this opportunity to express my gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince and the Government of Saudi Arabia for providing a stable environment which is conducive to sustained economic growth in the Kingdom.



Ibrahim Al-Touq
Chairman



**“ The return on Equity witnessed by
BSF Shareholders has been maintained
at a healthy level of 26.3% ”**



Managing Director's Statement

Undoubtedly, 2007 has been a challenging year for the Banking industry and financial businesses and I am proud of the results BSF could deliver to its loyal shareholders.

In a context of worldwide financial turmoil, where Interest Rates, Credit risks, and Forex market have been submitted to dramatic volatility and uncertainties, BSF proved the robustness of its business model. By staying focused on the expansion of its core businesses and having diversified its sources of Revenues, BSF could substantially overcome the mechanical reduction in revenue from the local brokerage activities as anticipated end of 2006. Excluding the revenues of this activity where BSF has kept its ranking and market share, all other businesses of the Bank show a total operating income in progression of 21% compared to 2006 based on healthy growth in our balance sheet key components.

Our loan portfolio increased by 17.1%, our Customers deposits grew by 19.5% while our total balance sheet reflects a 25.4% increase. This is the result of strong dedication to better serve our clientele base and the results of an ongoing investment policy into our core infrastructure and delivery channels. BSF's Branch network has increased from 68 to 75 branches, while our ATM and Cash Acceptance Machines network added 120 new machines. On the Risk side, it is noteworthy that BSF could continue to grow its loan portfolio and maintain a strong presence in the Corporate Banking sector without compromising on asset quality and risk management standards.

2007 is also the year where BSF has established itself as a Financial Group by adding specialized subsidiaries and joint-venture companies to the business model to supplement the existing range of products and services that the Bank is delivering.

Five companies, operating under the umbrella of BSF have been created: Fransi Tadawul (Brokerage Services), Caam Saudi Fransi, a subsidiary created in partnership with Credit Agricole Asset management and dedicated to asset management, Sofinco Saudi Fransi, a partnership with SOFINCO Group specialized in Consumer Finance, Calyon Saudi Fransi, a joint-venture with Calyon in Investment Banking activities and Allianz Saudi Fransi, an insurance company created in conjunction with Allianz Group.

I strongly believe that with a strong Capital base, a range of products and services enlarged thanks to the addition of these specialized companies, BSF is ready to meet the 2008 challenges in order to satisfy the demands from its customers in all areas of their financial needs in this context where Banking and Financial activities are fast evolving. I want to thank SAMA and the Capital Market Authority for their help and fruitful support in the creation of these specialized companies and ongoing support. I also reiterate my appreciation to our shareholders for their longstanding commitment and to our clients for their confidence and trust to the Bank.

To all BSF Staff, the dedication of whom allowed these achievements, I want to express my satisfaction. On behalf of all BSF staff I extend my gratitude for the extensive support and understanding given to BSF's management from the Chairman of the Board, Board Members, Executive Committee and Audit committee Members.

Jean Marion
Managing Director



“ Banque Saudi Fransi proved the robustness of its business model ”



Financial Management

2007 was characterized by a significant increase in the revenues derived from our core banking businesses versus a reduction in revenues generated by our Brokerage business which has been so successful in the previous years.

Taking this into account, 2007 will remain as a year of growth (total Balance Sheet +25.4%) where the loans and deposits have respectively increased by 17% and 20%. Although the net profit shows a reduction of 9.8%, the financial results of BSF must be analyzed in respect of the slowdown in the Saudi Stock Market, as it is a fact that Market volumes and related value traded reduced by 50% throughout the year 2007 compared to 2006. BSF results must also be looked at along the growth of its core and recurring profit generating businesses.

Although the stock brokerage business was significantly impacted (note 18), it is noteworthy that the other business segments of the Bank posted a healthy 21% growth compared to 2006, almost compensating for the lack of revenues in the equity brokerage activity. This 21% increase in the core operating income of the Bank has to be put in perspective with a 6.2% increase in operating expenses.

BSF's Corporate Banking segment continued its strong development, in line with the dynamics and the positive outlook of the Saudi Economy and could post a 45% growth while their assets grew by 22%. Retail Banking (including Private Banking) showed strong results, notably in terms of Customers deposits which grew by more than 21% and could generate an operating income in progression of 16% (without brokerage impact). Treasury and Capital Market Activities observed a 24% increase in net income, thanks notably to maintaining its strong position in the derivative markets.

The increase of Capital which was processed after the general assembly of March 2007 (new rights issue in the ratio of 2 shares for 3 shares) proved to be successful as BSF could gather the means and resources to fund such a growth while continuing to invest in its core infrastructure and the enhancement of its business model by setting up new specialized subsidiaries and joint-venture companies.



“ It is noteworthy that the other business segments of the Bank posted a healthy 21% growth compared to 2006 ,”



Financial Management (continued)

Albeit the impact of brokerage slowdown, the favorable mix between revenues derived from special commissions and commissions, creates a healthy Return on Average Assets of 3.20% , and, taking account of the increase of Capital, a Return on Average Equity of 26.3%.

With regards to the world wide financial crisis, it is noteworthy that BSF did not suffer any write down or losses due to the subprime crisis as the Bank was never exposed to structured finance products relying on such assets.

Ratings

On the basis of the financial strength that BSF has demonstrated, BSF has kept a high level of ratings as shown in the following table:

December 2007	Long Term Foreign Currency	Short Term Foreign Currency	Financial Strength	Outlook
Moody's	A1	Prime-1	C	Positive
Fitch	A	F1	B	Stable
Standard & Poor's	A	A1	n/a	Stable
Capital intelligence	A	A1	A+	Stable

All ratings were reaffirmed during the year 2007.

Capital Adequacy

Although the BSF Capital Adequacy (in terms of the Basel 1 accord) has been slightly reduced (12.2% as at the end of December 2007), it was maintained throughout the year between 12% and 14.3% which complies with international standards.

During the last Board of Directors meeting held on December 2nd, 2007, the directors recommended that the final dividends pertaining to the year 2007 be set at 0.50 SAR in order to preserve the Bank's capability to maintain its forecasted growth while maintaining a strong Capital Adequacy Ratio.



During the year, BSF ran parallel test with regards to the new Capital Accord (namely Basel II) in order to see to it that in the ambit of the new regulation to be implemented in 2008, Capital Adequacy would still comply over and above the 8% threshold.

Accounting and Financial Control

With the changes in its infrastructure and the evolution in its business model, BSF has enhanced its accounting and financial control functions in order to better apprehend the consolidation effects and to better identify the sources of revenues.

A substantial amount of work has been developed by our Accounting and Financial Control Division (AFCD) in order to create appropriate accounting platform enabling the new specialized subsidiaries and joint-ventures to operate safely.

All these specialized subsidiaries and joint-ventures have been equipped with state of the art technology in terms of systems and accounting platforms, creating a full coherence across the BSF's financial group.

Having done that, all these new companies have been brought up at par in terms of best accounting practices and norms with the Bank, allowing a fair and transparent representation of the group's accounts.

In addition to that, AFCD continued its strong commitments with regards to the implementation of the Basel II project, notably for the Pillar 3 element. Whereas Finance and Risks Divisions are involved in the Pillar 1 and Pillar 2 elements, AFCD devised, in conjunction with the rest of the Saudi Banks the new templates that will be used to report Capital Adequacy to SAMA and to the outside world.

On the financial control aspect, BSF was able to extend its budget control procedures in order to better follow-up the financial performance of the Bank together with its related subsidiaries and to accelerate the production of profitability reports. It was also the year where our Corporate Planning & Budget Department (CPB) led, upon the input of the whole senior Management Team of BSF, the establishment of BSF's new Medium Term Plan which fixes the strategic priorities for the next three years.

This plan was adopted by the Board of Directors of BSF in June 2007.

Board of Directors' Report

The Board of Directors is pleased to present its report for the FY 2007.

Banque Saudi Fransi continued to progress in all major business lines thus compensating for the larger part of the drop in income due to the reduction in the share brokerage activity which had contributed to the major hike in 2006. BSF net profit reached SAR 2,711 Millions for the Financial Year ended 31 Dec 2007 (compared to SAR 3,007 Millions in 2006) and lower by 9.8% (SAR 296 Millions).

The total Operating Income stood at SAR 3,701 Millions (SAR 3,939 Millions in 2006, lower by SAR 238 Millions or 6%). Net Profits observed during the last quarter of 2007 totaled SAR 640,5 Millions representing a 10% increase when compared with the 4th quarter of 2006 (SAR 582,1 Millions). Operating expenses increased by 6% only from SAR 931,9 Millions in 2006 to SAR 990,0 Millions in 2007.

Excluding the reduced contribution from brokerage business, the operating income in all aspects of the core activities of the Bank shows a +18% increase. Loan portfolio increased from SAR 51 Billions in 2006 to SAR 60 Billions (+17%) in 2007. Customers deposits increased to SAR 74 Billions at the end of 2007 compared to SAR 62 Billions in 2006 (+19%).

Total Assets increased from SAR 79,6 Billions in 2006 to SAR 99,8 Billions in 2007 (+25%). Profit per share was SAR 4,82 in 2006 compared to SAR 5,34 in 2007 taking into account the increase in the number of the Bank's shares from 337,5 Millions in 2006 to 562,5 Millions in 2007.

BSF could maintain a cost to income ratio of 27% thanks to a stringent and permanent control over operating expenses and a proactive management of provisions without impairing its provision to NPL ratio. This limited increase in expenses did not reflect on the quantitative or qualitative development of human resources. The number of staff members increased from 1,998 in 2006 to 2341 in 2007. Progress continued in the number of branches and the adoption of advanced IT technologies.

The following table represents the balance sheet and statement of income details for past 5 years:

SAR' 000	2007	2006	2005	2004	2003
Balance Sheet					
Total assets	99,808,110	79,581,010	67,501,380	59,669,483	53,502,903
Loans and advances, net	59,849,952	51,130,195	42,978,702	34,463,424	26,725,781
Investments, net	22,500,774	16,012,954	18,127,849	19,097,138	19,029,738
Total liabilities	88,567,475	70,176,229	60,316,480	53,597,925	48,452,538
Customer deposits	74,007,251	61,998,107	51,093,385	47,704,152	42,634,296
Shareholders' equity	11,240,635	9,404,781	7,184,900	6,071,558	5,050,365



SAR' 000	2007	2006	2005	2004	2003
Statement of Income					
Total operating income	3,701,156	3,938,832	3,093,630	2,260,827	1,867,518
Total operating expenses	990,046	931,884	878,029	724,896	682,317
Net income	2,711,110	3,006,948	2,215,601	1,535,931	1,185,201
Net special commission income	2,296,089	2,016,867	1,705,768	1,590,096	1,427,631
Fees from banking services	897,234	1,571,961	1,110,375	465,428	260,194
Impairment charge for possible credit losses, net	42,011	90,484	134,858	67,596	90,306
Salaries and employees related expenses	543,322	462,924	394,900	350,124	317,464
Number of employees	2,341	1,998	1,733	1,555	1,468

The following table shows the geographical distribution of income in 2007:

SAR' 000	Eastern	Western	Central	HO	BSF
Revenue	637,167	881,809	1,081,960	1,094,682	3,695,618
Expense	(81,788)	(118,704)	(109,474)	(603,055)	(913,021)
Operating Revenue	555,379	763,105	972,486	491,627	2,782,597
Provisions and PL	(8,191)	(18,577)	(18,320)	(26,399)	(71,487)
Net Income	547,188	744,528	954,166	465,228	2,711,110

Loans and Advances

The bank's net loans and advances have grown from SAR 51 Billion in 2006 to SAR 60 Billion in 2007, an increase of 17%. This can be attributed to the increase in the commercial loans portfolio by SAR 8 Billion translating to 22% growth. The bank was also able to restrict its provision for credit losses expense to SAR 42 Millions as against SAR 90 Millions in 2006, all made possible by prudent management of credit risk.

A summary of the loans and advances portfolio by product type is provided hereunder:

SAR' 000	Over Draft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
2007						
Performing loans and advances-gross	5,821,346	449,084	3,936,113	46,362,118	3,671,301	60,239,962
Non performing loans and advances, net	324,426	42,720	56,989	10,919	456	435,510
Total loans and advances	6,145,772	491,804	3,993,102	46,373,037	3,671,757	60,675,472
Allowance for impairment of credit losses	(9,219)	(42,707)	(83,295)	(283,756)	(406,543)	(825,520)
Loans & advances, net	6,136,553	449,097	3,909,807	46,089,281	3,265,214	59,849,952

Board of Directors' Report (continued)

SAR' 000	Over Draft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
2006						
Performing loans and advances-gross	5,972,904	321,206	3,581,092	37,843,540	3,702,261	51,421,023
Non performing loans and advances, net	371,774	26,388	86,595	117,844	-	602,601
Total loans and advances	6,344,678	347,594	3,667,687	37,961,384	3,702,281	52,023,624
Allowance for impairment of credit losses	(9,749)	(26,196)	(112,623)	(325,318)	(419,543)	(893,429)
Loans & advances, net	6,334,929	321,398	3,555,064	37,636,066	3,282,738	51,130,195

Statutory Payments

A summary of balances from and due to SAMA is provided hereunder:

SAR' 000	2007	2006
Due from SAMA		
Statutory deposits	3,101,507	2,031,239
Current accounts	15,633	1,759
Reverse repo	6,562,271	868,866
Due from SAMA	9,679,411	2,901,864
Due to SAMA		
Deposits	225,000	400,000



Bank's Major Business Lines

The Bank is organized into the following main business lines:

Retail Banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, retail investments products, consumer loans, international and local shares brokerage services, funds management, insurance (brokerage) and certain Forex products.

Corporate Banking – incorporates corporate demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury Banking – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Transactions between the business segments are reported according to the Bank's internal transfer pricing policy.

The Bank's total assets and liabilities as at December 31, 2007 and 2006, its total operating income and expenses, and its net income for the years then ended by business segments are as follows:

SAR' 000	Retail Banking	Corporate Banking	Treasury Banking	Total
2007				
Total assets	12,254,456	51,928,414	35,625,240	99,808,110
Total liabilities	40,733,663	33,983,140	13,850,672	88,567,475
Total operating income	1,662,122	1,203,580	835,454	3,701,156
Total operating expenses	772,674	89,314	128,058	990,046
Net income	889,448	1,114,266	707,396	2,711,110
2006				
Total assets	11,125,690	42,582,170	25,873,150	79,581,010
Total liabilities	33,474,509	28,942,247	7,759,473	70,176,229
Total operating income	2,261,628	978,810	698,394	3,938,832
Total operating expenses	619,193	184,081	128,610	931,884
Net income	1,642,435	794,729	569,784	3,006,948

This is in addition to other departments such as Private Banking and Support Services and other departments.

Corporate Banking

By virtue of its diverse and strong customer base, Corporate Banking Group continued to operate actively and effectively and maintain its leading position in the market for big and medium sized firms. It continued to expand in terms of coverage and products. Loan portfolio recorded an increase of 18% as compared to the previous year resulting into higher net return and an increase in fee based activity.

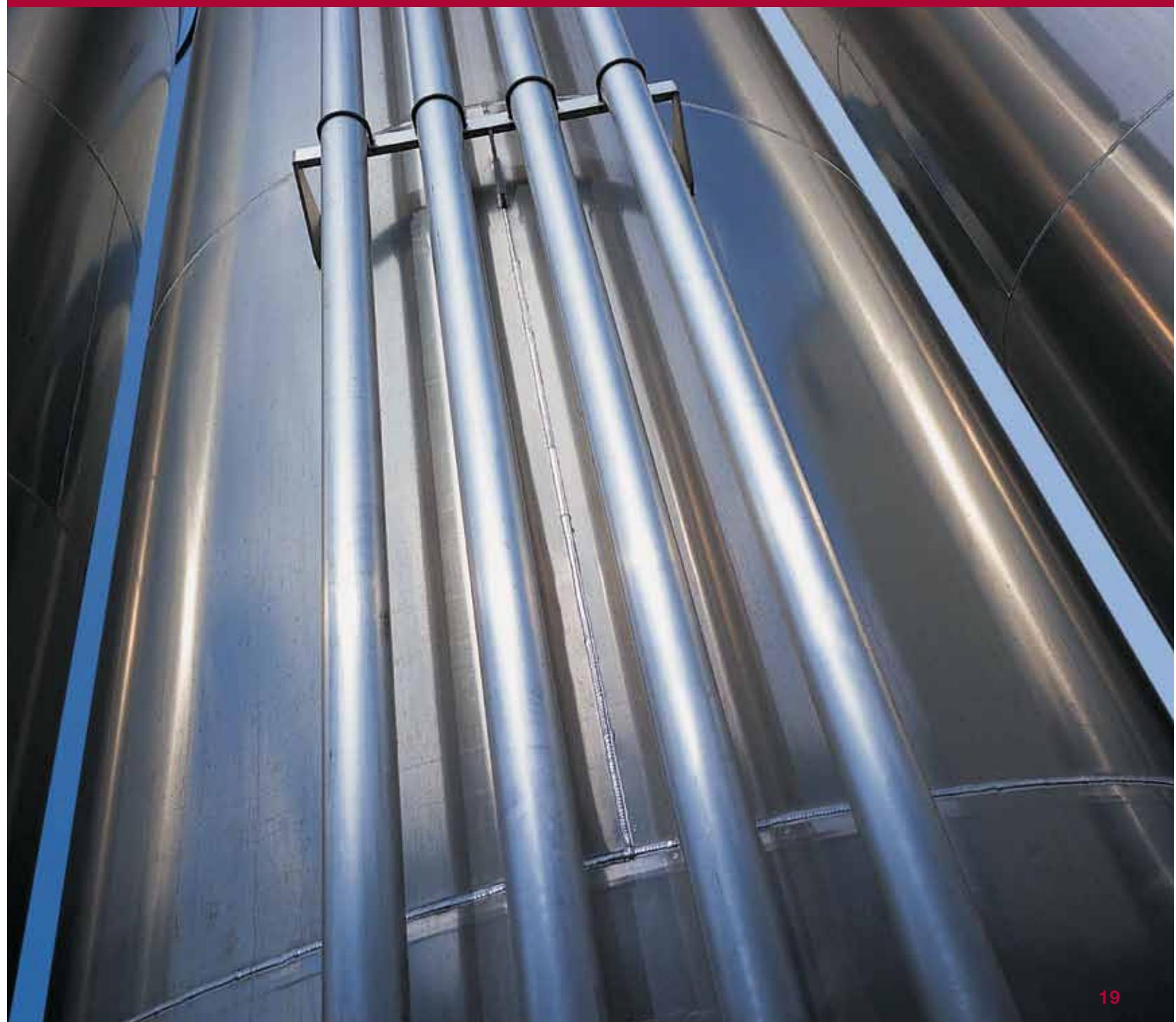
It is worth mentioning that the growth in the Group's activity did not have any impact on the risk level pertaining to loan portfolio. The Group also continued to work on selling the bank's products including commercial trading, foreign exchange, derivatives, brokerage, funding syndications, structured financing, and counseling relating to corporate funding for special underwriting and initial public offering.

The growth in the Group's activities has stemmed from an extensive study of marketing policy and is consistent with the changes in the market. It has greatly contributed to the continuous expansion in the Bank's customer base and attracts major deals in the areas of energy, oil, petrochemicals, telecommunications, operations, maintenance, constructions, cars, transport, housing, commerce, industrialization and in all other economic fields.

These overall results of Corporate and Investment Banking were underpinned by important qualitative trends that contribute to their credibility and sustainability. The core objective for the coming years would be to further grow the business in sectors, which would bring the highest risk-weighted returns to ensure optimal use of the Bank's capital and to ensure top-level service to our valued clients.



“The corporate banking continued to take full advantage of the economic growth ,”



Corporate Banking (continued)

Structured Finance

The strong growth in structured and project finance continued not only in Saudi Arabia but also in the region with a record number of deals, which were signed and closed. BSF was able to secure a pole position in nearly all of those deals that were executed in the Kingdom.

During the year, BSF executed 11 mega deals in the telecommunications, petrochemical, power, infrastructure, and shipping sectors as a mandated lead arranger where debt underwriting of over USD 3.0 billion were committed. The Division was also successful in structuring a number of Shariah-compliant financing solutions for green-field and brown-field projects.

The Division will continue its focus on oil, gas, energy and infrastructure projects both in terms of arranging syndicated debt on recourse and non-recourse basis and acting as debt financial advisor.

Islamic Banking

We maintained our strong position in shariah compliant finance to our corporate customers with extraordinary growth of 40 % in Islamic finance during 2007 by providing a wide range of financing solutions to a large number of corporate customers including signing of major Musharkah / Mudaraba and project finance transactions during the year.



The Islamic Banking Division of the bank continued to provide support to other business lines in development of Shariah compliant products, which also includes sophisticated solutions for Profit Rate Swap, and other structured Murabaha investment products to our Corporate and High Net Worth customers.

Shariah Committee

In this respect BSF is highly grateful to the members of its Shariah Committee; Sheikh Abdullah Al Manea, Dr. Mohammed El-Gari and Dr. Abdulsattar Abu Ghuda for their continuous guidance and support in development and approval of new Shariah-compliant products and transactions.

Institutional Banking

The Corporate Banking Group has been promoting its trade finance activities and played an important role in the Kingdom's import / export trade with all its major trading partners through the wide international network of its partner, Calyon, and the large base of correspondent banks.

BSF has also taken a strong initiative to provide clearing bank services to Investment / brokerage companies, formed under new CMA regulations, which created a strong reputation in the market.

Treasury

Interest rate risk represents the most significant market risk exposure in Group Treasury. The correct anticipation of trends is key to the achievement of our goals of financial growth and the maintenance of sufficient liquidity required to fund the bank's core activity.

We have succeeded in 2007 in meeting and exceeding our objectives despite the dramatic events unfolding globally due to sub prime crises and regionally due to the speculative pressures on the GCC currencies.

Diversification of exposures and the adherence to sound risk management principles are of key importance. As we apply these principles to manage the group's bottom line, we stay close to our clients to aid them in managing their own risk.

The size of our off balance sheet activity continues to grow highlighting our leading position in this market. The arrival of new competition has served to make our market deeper and more efficient leading to the benefit of the local market.

Increased synergies between BSF's various business lines and Group Treasury have helped us deliver a wider range of products to a broader scope of customers. Conventional and Islamic derivatives are now being offered to corporate, commercial and retail clients.



“ We have succeeded in 2007 in meeting and exceeding our objectives ”



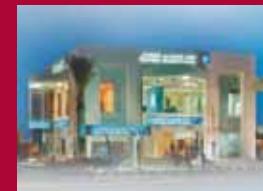
Retail Banking

During the year, Retail Banking Group embarked on well planned efforts aimed at providing focused and high quality service to our customers.

Branches are strategically positioned in major cities and economic centers in the Kingdom. This was achieved through the opening of new Branches and repositioning of existing ones. Branches are conveniently located, designed to the highest standards and customized to meet the needs of target segments. Teams in the Branches are well-trained and experienced professionals catering to the Priority Banking, My Family and Mass market segments. Customers are, therefore, assured of the highest level of professionalism and quality service.

BSF customers are benefiting from the Bank's growing distribution network, which to date, has reached 74 Branches. During the year, seven (7) new Branches were opened matching the same number of Branches opened last year. These new Branches are: Sary, Old Airport, Palestine Street Branches in Jeddah, Khobar North, AlSalmania in Hofuf and AlSahafa and AlNakheel in Riyadh. A new Ladies Section was opened in Jeddah Old Airport Branch. Ladies Sections in Salmania Branch and Andalus Branch are also in the pipeline. The groundwork for the Self Service Branch as another alternative delivery channel also began during the year.

Retail Banking has five dedicated Islamic branches and is pursuing a phased approach to set up additional units. The Islamic Branches are Salmania in Hofuf, Dammam Andalus, Makkah Sitteen and Um AlHamam and AlKhaleej in Riyadh.



“Support services were mobilized for the expansion of the branch and ATM networks”



Retail Banking (continued)

From 256 at the end of 2006, BSF's ATM network expanded to 321 in 2007 in 103 onsite (including 26 in-branch drive-ups) locations, 145 offsite, and 73 Cash Acceptance Machines (CAMs). Replacement of obsolete and non-EMV compliant ATMs were also initiated in 2007 and currently progressing. POS machines installed at merchants jumped 76% with 915 new machines installed, bringing our total to 3,827.

BSF credit cards continue to post excellent all around results. Record breaking sales of SAR 1 Billion was achieved for the first time in BSF history during a single year while ANR was 46% higher than same period last year.

Sakan Home Financing product was launched at the beginning of the year. Product enhancements to make the Bank more competitive were also made during the year like increasing the financing tenor from 12 to 15 years and the introduction of the Co-Borrower financing. The Visa Infinite was also issued during the year exclusively for High Networth clients.

Payroll Cards were also introduced during year. The reach of Visa Infinite Cards is being expanded through Private Banking. Through cross-selling with Corporate Banking, 86 new Corporate Staff Loan Package (CSLP) schemes have been added and should reach 276 in 2007. In addition, several promotional campaigns including an internal Product Knowledge Contest were launched during the year to boost sales of personal loans and cards.

The Outdoor Sales Team (ODST) Center in Khobar is now operational. Additional centers will be implemented in Riyadh, Jeddah, Najran and Tabuk. These ODST centers are focused and dedicated units selling loans and credit cards. Retail Banking's commercial banking business has seen strong, well balanced growth



in 2007. Year-on-year portfolio grew by 30%. This was achieved through strengthening relationships with existing customers and increasing the number of new relationships.

Retail Banking performed strong collaborative work with the Joint Ventures to ensure a smooth spin-off such as sales referral process, subsidiary offices and locations, Customer Relationship Manager (CRM), customer and staff communications schemes to help promote cross selling of Brokerage and Assets Under Management (AUMs).

Retail Banking was also actively involved in terms of shifting the Bancassurance portfolio from SNA AGF in Lebanon to ASF Saudi Arabia and in the setting up of SOFINCO and a Sales Insurance Company based on the new legislation of SAMA for selling insurance products.

On the technology side, Retail Banking Group spearheaded the deployment of the Open/2 and Bankworks Phase 2 Project (Debit Card Management System), the Signature Verification System Enhancements (SVS), SADAD SCECO payments, ChequeBook Management System, and Yaqeen. Preparatory work for the BDS Re-engineering and mobile banking solutions is on-going.

In coordination with Corporate Human Resources, Retail Banking Group significantly expanded and transformed the training of its personnel. Training covered diverse courses on Sales, Service Excellence, Operational Risks, Credit, and Product Knowledge on top of the Basic Banking skills. Knowledge transfer programs for the segments and Credit Learning packages were developed as well. Credit Agricole Training Institute (IFCAM) also conducted a pre-planned diagnostic mission (situation analysis) in Head Office and in the three Regions.

Wealth Management

High Networth

High Networth Group (HNG) is dedicated to rendering a wide range of customized banking services for the Bank's upper market private clientele and is one of the important contributors to the Bank's pool of revenue.

Performance-wise, HNG has realized an overall 121% increase in interest generated from its main business activities (i.e. Customer deposits, performing loans, etc.) When compared to previous year. However, this level of achievement was less than the budgeted target for the year 2007.

This was largely due to the substantial decline in margin trading activities and, as a result, commissions generated from both facility utilizations and trading commissions were sharply down by about 72% compared to the year's budget. Not surprisingly, all local banks, including BSF, have suffered from the unprecedented decline in margin trading activities in local shares, which has significantly depressed the profit results for the year ending 2007.

Volume-wise, the group's major business components (i.e. Customer deposits, performing loans, etc.) volumes went up by an overall 8% over 2007's budget and was substantially larger than the year 2006 volume figures. Meanwhile, HNG's marketing efforts have succeeded in bringing several new profitable relationships thereby enhancing its existing large customer base further during the year 2007.

As for the 2008, we expect a notable enhancement in volumes in margin trading activities and asset management products should the current business trend continues.



“ We aim to successfully compete with both local & offshore International Private Bankers ”





Private Banking

Banque Saudi Fransi Private Banking thrives to become a leader in Wealth management in the Kingdom. It aims to successfully compete with both local and offshore International Private Bankers. By virtue of the support received from BSF business lines and support divisions, a worldwide network of Credit Agricole as one of the strongest banks in the world with 130 years of Private Banking expertise.

A well-established understanding of our clients' environment and needs, we draw on a wide scope of financial solutions endeavoring to build the long-term trust of our clients. A durable and profitable relationship is the essence of a partnership with Private Banking.

Assets under the responsibility of the Private Banking Group grew by over 30 % in 2007. The quality of our revenues has improved, and will improve further, as we diversify their sources, aspiring to weather financial market volatility. Committed Relationship Officers and their teams whole-heartedly invested valuable time and effort in furthering their technical knowledge of local and international instruments and solutions.

Capitalizing on quality and timely response especially from our colleagues at Treasury and other business lines, Private Banking was able to conclude numerous investment solutions most suited for clients facing specific issues in the prevailing market conditions.

In 6 months, Central Province Private Banking Division was instrumental in concluding over SAR 500 million of structured investments with Treasury. Western Private Banking, a nascent division, for its part successfully consolidated its base of clients, and managed to diversify SAR 100 million of their clients' assets and capitalized on some of BSF's best performing mutual funds.

All Private Banking clients who had the need, found the group's international network at their disposal. Patrimonial engineering and tax optimization solutions for their offshore assets and investments. We firmly believe that the service extended to our partners who entrust their wealth to Private Banking must be of a quality commensurate with their expectations.

Investment Services

In 2007, efforts by Asset Management continued to get independent and to work as a separate entity as per the Administrative Accountant Code enacted under the Resolution No. 1-83-2005 dated 21.5.1426.

April 2007, saw the launch of a new fund named Al-Qasr Fund. The new share consistent fund deals in real estate securities in the GCC states. At the end of 2007, the assets in the fund recorded good increase. This fund is considered good performing fund within the same funds category in the Kingdom.

In Q3, 2007, BSF product for the discretionary management of investment portfolio was launched. The product aims at providing investors with specialized investment solutions.

BSF Funds won 9 Saudi Arabian Investment Funds prizes in 2006 in the ceremony held in June 2007. (more information available under CAAM Saudi Fransi).



Risk Management

Risk Management Division, at BSF encompasses the management of Credit Risk, Market Risks and Operational Risks.

Growth Of BSF Credit Portfolio

Growth of BSF credit portfolio was very dynamic during 2007. Total limits grew from SAR 109.1 billion in December 2006 to SAR 138.8 billion end 2007 and utilizations from SAR 78.3 billion to SAR 104.5 Billion +33.4 %. Funded exposure represents 57.9 % of total exposure. The utilization ratio (utilization/limits) is at 75.3 %.

All business lines contributed to the portfolio growth and the asset diversification.

Quality Of Credit Portfolio

In the context of a continued strong growth in the credit portfolio, the Bank maintained its close vigilance on portfolio quality.

Organization of credit control was reinforced with ongoing monitoring of credit utilization and portfolio reviews to ensure proper classifications of assets as per BSF internal rating system and SAMA guidelines. Conservative credit policies were enforced early 2005 on activities subject to market corrections, notably share financing.

Accordingly, the sharp market correction experienced between February 2006 and mid 2007 had no direct negative impact on the credit portfolio. Margin trading facilities were managed without recourse to forced liquidation of shares and remain free of litigations.

Also, as detailed below, limited size of non performing loans and low cost of credit is evidence of good asset quality.

Non Performing Loans and Provisions

Non Performing Loans and advances net of accumulated special commission in suspense (net NPLs) are at SAR 436 million end December 2007. Ratio of net NPLs / Loans & Advances net is at 0.73% end 2007 compared to 1.18% end 2006 and 1.23% end 2005.



During 2007, net specific provisions amounted to SAR 67.6 million giving a very low net cost of credit for the year (specific provision set up minus reinstatements) representing only 0.12% of the average performing loans.

Due to other reinstatements, total provisions for the year reached SAR 42 million.

BASEL II and Risk Management

BSF opted for a phased implementation of the Basel II accord. The immediate objective was to adopt the Standardized Approach in 2007 for measuring capital requirement for credit risk assets followed by the Internal Ratings Based (IRB) Approach by 2010/2011. By the end of 2007, BSF complied with SAMA's requirements under the Standardized Approach.

In the area of credit risk, a contemporary and comprehensive system for the calculation of minimum capital required under Basel II has been selected and successfully implemented. In the area of operations risk, implementation of the Standardized Approach has been completed during 2007 and all policies and procedures for management of risk are in place.

As a part of Pillar II requirements, specific methodologies have been developed to assess capital requirements for other risks, notably liquidity risk, interest rate risk, and concentration risk. In some cases risks are mitigated by adoption of appropriate policies and practices. The Basel II parallel run was organized successfully between July and December 2007.

BSF will meet Basel II disclosure requirements stipulated under Pillar III from 1st January 2008.

In line with BSF's broader objectives of improving the risk management process, a new credit risk system has been selected. Implementation of this system is planned in a staged approach over 2008 and 2009 and will allow the bank to improve controls, enhance process efficiencies, and aide the longer term goal of adopting the IRB methodology.

Information Technology

2007 was a different year for ITD, true to its motto “Year of Outreach”, when compared to previous years. They had to play the role as service provider to the new entities that were created due to the strategic moves by the management, besides continuing their support to the business lines in their quest to reach new heights. The existing IT services were either split or new services created to meet the demands of FransiTadawul LLC, Caam Saudi Fransi, Allianz Saudi Fransi and Calyon Saudi Fransi. New systems were introduced for SOFINCO Saudi Fransi to reach to the market. Overall, it was a year spent on providing service for the spin-offs by ITD.

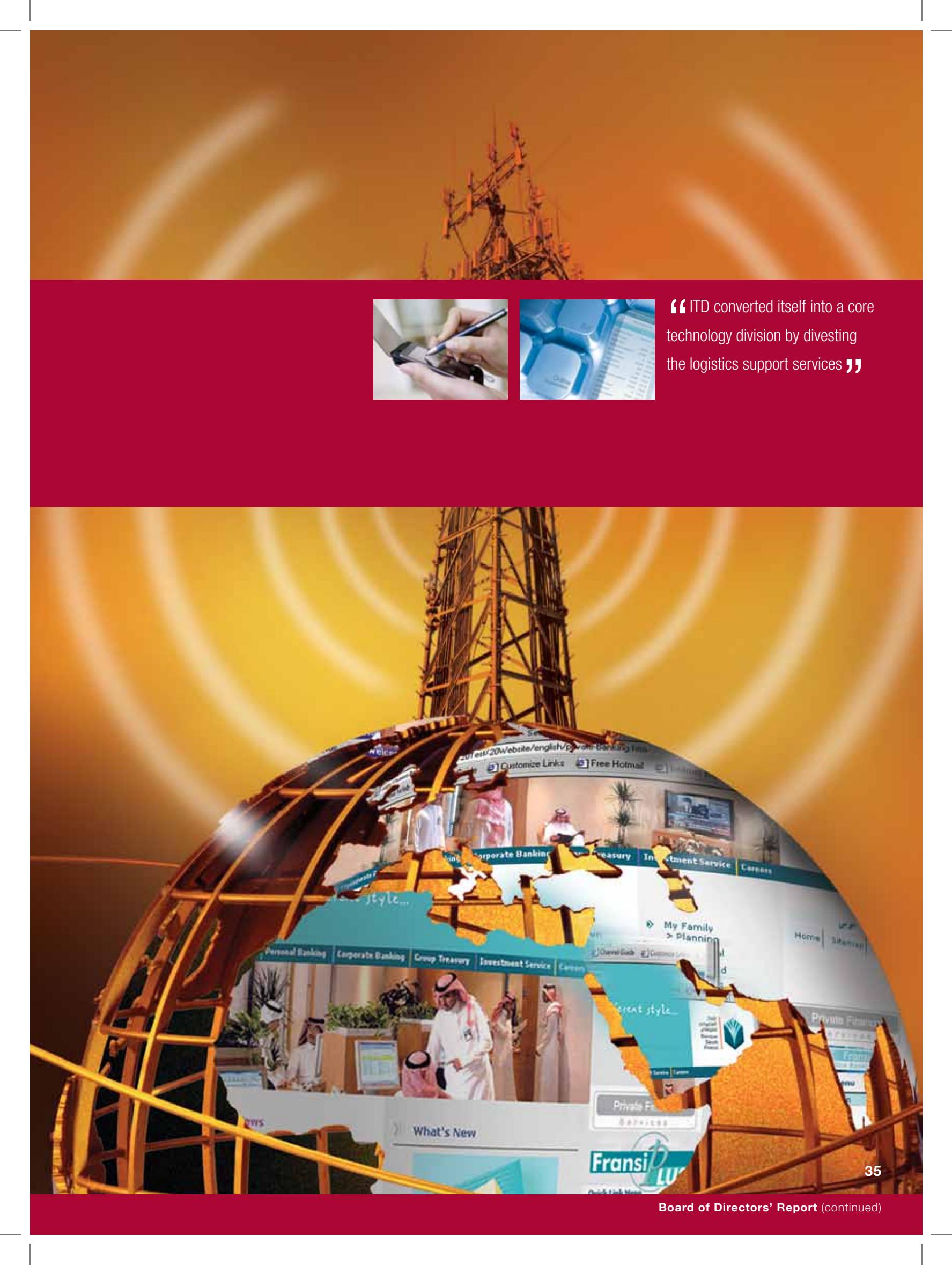
During the year, ITD converted itself into a core technology division by divesting the logistics support services to the Services Management Division. The work of ITD was managed under 3 departments namely, Development, Production and Network and Windows Administration.

Our old systems that managed debit/credit cards were upgraded to a new single integrated system that would provide a better service to the customer with instant activation of the card upon issuance, allowing different limits under different networks (like SPAN/ GCC etc.), reducing the risk by linking with real time balance in the customers' accounts etc. It also helped the bank to exercise better control and monitoring of the cards to reduce instances of frauds.

SADAD was integrated with every delivery channel of the bank. Services available under ATM were enhanced greatly and IPO subscription has been enabled through ATM. Call Center system was enhanced to benefit the customers calling the toll free numbers. SAKAN loan scheme was introduced and enhanced with lots of options for the customers. New Customer Relationship Management systems were implemented to manage the Private Banking, Corporate and Commercial Customers, and to manage ‘My Family’ relationship.

Initiatives for starting self service branches were taken, which would bear fruits during next year, ushering in a new era in servicing the customers in the Kingdom.

To ensure that the bank is able to serve its customers well, ITD also undertook projects that would strengthen the IT infrastructure. The storage capacity was upgraded by 200%. Communication lines were strengthened to cater to the ever increasing need for faster and higher data load. The efforts to build a disaster recovery center are continuing and for many of the critical services, it is already in place. Old and obsolete hardware were replaced with latest ones.



“ ITD converted itself into a core technology division by divesting the logistics support services ”



Corporate Operations

This year was a year of change for Corporate Operations. Services were improved seamlessly without any interruption to our customers and partners.

The main driving principles were to introduce the change from within and to rely on our internal knowledge and customer feedback as guideline for the change. As we aspire to provide the highest quality of service, we introduced organizational changes that will reflect our focus on customer needs and more emphasis on electronic channels of delivery and straight-through processing.

Trade Finance Operations

During the year, the department took the lead in offering electronic services which are designed to answer to the customers' needs through new products such as Client Trade and e-Doc. Trade Finance Operations Dept undertook during the year the task of training customer and staff on trade standards. Such training was appreciated by corporate clients as it helped them in avoiding the problems they used to encounter and it improved their comprehensive understanding of the risks connected with their activities.

Staff members at the Trade Finance Operations are known for their specialized experience and the qualitative services being offered by them which have won recognition by customers and correspondent banks. The customers can now secure their needs for trade finance by using a new electronic system called Client Trade, which was designed to operate through the Internet and offer quick services to all customers.

Export Letters of Credit and related amendments can be advised to customers electronically through the system called "e-doc" tagged under "Fransi-Corp" which could be accessed by export LC customers.

Payments & Cheques

The Payment and Cheques Department was segregated into 2 major units in a strategic move that aims at increasing the level of care by each unit. One of the two units is still known as Payment and Cheques Dept and it works as a central unit in processing, review and approving the incoming, outgoing, clearing and collection matters. The other unit is known as Operations Control Department, which was created to provide complementary services to the Corporate Operations and Retail Banking customers. The services it offers include the keeping of customers' legal files, Branch transaction checking and corporate customer support and products and applications administration.

Treasury & Operations

Treasury Operations brought in a change after a long time and formed a new organizational structure with a vision of focusing smooth flow of its entire activities by putting prudential controls to mitigate operational risk



occurrence and serve business lines. Our main functions are directly linked with prominent business lines that involve processing and settlement deals of Foreign Exchange/Money Market/Customer Term Deposit & Loans/Cash Flow Management in all currencies.

Goals were setup to automate the crucial activities, Staff training and career development planned in accordance with new organizational setup including staff functions and responsibilities. The objective is to improve the quality and to provide excellent services to business lines, has always been our target. Treasury has implemented a new treasury back office system. It has spent a great deal of time and efforts in conducting preliminary testing and the operation of the system is underway.

Services Development

Services Development Department was created in COD to ensure implementation of initiated projects on time and budget. It plays a role in assisting other departments in re-engineering projects and in defining their requirements. In 2007, SDD has achieved significant progress on key projects for the division, such as e-Doc for Aramco, implementation of SWIFT MA-CUG, Treasury Back Office, and Document Management.

IPO Services

IPO Department has gone through several automation processes. BSF was able to handle several IPOs at the same time as Floatation Manager and Receiving Bank. The department is also handling Brokerage operations activity. Monitoring the automated marking and mails, and setting the limits.

Business Continuity Plan

In order to protect the bank and be able to continue our business process under International Standards, Business Continuity Plan Department (BCP) has performed the following:-

- More than 75 Business Impact Analysis's were updated
- BCP Plans were simplified. Every BSF Group and Division have a BCP plan. Plans were written earlier at the department level.
- BSF Crisis Management Team (CMT) workshop was organized.
- Business Recovery Centers were proposed.
- BCM Guide & Flyer Released.
- Evacuation tests were performed for H.O., ERM, WRM buildings.
- BSF Subsidiaries were supported.
- Preparations started for BS25999 certification for mature BSF businesses.

Services Management

Services Management Division (SMD) was organized, as a standalone entity, separated from Operation division, both under the umbrella of the Chief Operating officer, with a clear mission to enhance the infrastructure of the Bank (non IT), to provide support for the Bank's Staff to better serve the needs of our valued customers and also to bring more efficiency in the procurements of BSF.

During 2007, SMD successfully delivered 11 new Branches, managed the deployment the relocation and the upgrade of 120 new ATMs. In addition, new generation of Cash Acceptance Machines were installed throughout the Retail Network. This was completed as per the expansion plan of the Retail Banking Group of BSF.

Moreover, SMD was deeply involved in the setting up of BSF's new subsidiaries and Joint-ventures companies, where Turn-Key solutions were handed over to the management of these companies (premises, design, renovation, delivery of furniture and ad-hoc equipment).

Internally, SMD revisited the mail delivery system to our customers, and implemented new solutions in order to secure a good communication flow with BSF's Clients. SMD also could streamline the procurement process in BSF, by centralizing all BSF's expressed needs, and installing a brand new procurement application that automates and rationalizes all manual and various processes Bank-wide.

Last, SMD ensures that all BSF's infrastructure comply with Civil Defense requirements. In conjunction with our Business Continuity Management team, they devised and implemented several exercises (evacuation plan, fire drills.) in order to ensure that the BSF Staff is fully secured.



“Support services were mobilized for the expansion of the branch and ATM networks”



Corporate Human Resources

After doing a review of human resources function last year, we made significant progress in achieving our vision to help make BSF what it wants to be. By making important strides to our 7-year strategic goals in 2007, as outlined in CHR Balanced Scorecard, overall we: did more to further engage employees who are proud to work here; helped grow business through training that made employees highly-skilled to engage clients; and, made BSF highly flexible to take advantage of opportunities by sourcing, recruiting and retaining the best talents.

The aspects of the 7-year HR Action Plan completed in 2007 are as follows:

Staff Satisfaction Survey with the following results:

Internal satisfaction measurement gave BSF a health check of internal synergy. It identified areas for improvement and provided wealth of data on function-to-function (division-to-division) interaction. It also provides performance metrics or key performance indicators (KPIs).

Staff Satisfaction survey, conducted during the year with Towers Perrin-ISR, has provided the ability to: benchmark our results against world-class organizations; and, use them to identify the key issues we must address to further boost employee engagement. Survey results were disseminated for root-level consultations to ensure action plans focused on solutions perceived by most as the right thing to do.

HR Automation - Following the successful implementation of the Oracle HRMS payroll last year.

More modules went live in 2007, as follows:

MyLink; the robust online self-service that provides fast, paperless employees' HR transactions delivery (e.g. leave, loans, salary advances) is now packed with more functionalities.

Payroll services; to third parties and joint ventures are now being rendered.

HR information; through Business Object, is now available to managers as a management tool.

e-Learning and i-Recruitment; projects to automate training and recruitment tasks, respectively completed.

Staff Development Program; the multi-level training program designed to serve as infrastructure to career and succession planning, won the support of line managers based on their reply to a special survey. Staff Development Survey was conducted this year to get managers' feedback and confirmation of the plan.

Employee Savings Plan was fully implemented early this year.

Staff Social Events, through a proactive 2007 Committee, were seen in social, learning and humanitarian aspects during the year, with the following: Arabic Learning Classes; and other sports and recreational events.



“ Helped grow business through training that made employees highly-skilled to engage clients ”



Compliance

2007 was another challenging and eventful year for Compliance. The growing demands of legislature and supervisory authorities provide the framework for the re-alignment and prioritizing of compliance activities against the plan. The systematic approach adopted by Compliance Division in monitoring risks ensures a high degree of transparency and efficiency with regard to the processes required by the supervisory authorities. The overriding principle is to avoid conflicts of interest between the Bank, its employees and its clients.

As a matter of priority, the initial focus of activity was the review of the Revised Account Opening Rules and Regulations, in which gap analysis were performed and the summary of changes were distributed to the concerned divisions and business lines for reference and compliance. Compliance Division is continuously monitoring corrective measures and essential steps taken by the concerned business lines to ensure compliance.

The replacement of the existing Anti Money Laundering application is nearing completion and the go-live of the system is about to be implemented. The activities were concentrated on the gap analysis workshop, customization of the software based on BSF functional requirements and user-acceptance testing process. The risk-based AML system will definitely enhance the observance of regulatory requirements and internal processes related to detecting and preventing any money laundering and terrorist financing activities.

The full deployment of "On-Line Reporting of Suspicious Activity and Compliance Violations" were done during the first quarter of the year, and therefore, much of the efforts were focused on users' assistance and system monitoring to ensure successful implementation of the software. On the other hand, 'Policies & Procedures Manager' was launched at the beginning of the third quarter, but continuous follow-up and monitoring are still performed to ensure maximum and effective utilization of the system.

Increased interaction with other divisions and business lines of the Bank as well as participation in various ad-hoc committees' meetings also take precedence to address serious concern on the improvement of operational processes and controls aimed to prevent occurrences of fraud incidents as well as minimize operational errors.

Other major tasks undertaken are the review of relevant compliance procedures of the new joint venture companies established by the Bank, new and existing policies procedures issued by other divisions and business lines, SAMA Internal Control Guidelines and Terms of Reference for SAMA Financial Crimes & Money Laundering (FCML) Committee.

With positive expectations to have on-board the necessary manpower requirements and planned re-organization of the Compliance Division, a more pro-active and risk-oriented activities will be the guiding philosophy of the 2008 Compliance Program.



“ The full deployment of
On-Line Reporting of Suspicious
Activity and Compliance Violations ”



Audit

In 2007, the risk-based audit methodology was further strengthened by reviewing all areas of the bank, updating the audit universe accordingly, defining auditable objects and adjusting the frequency of the audits to the risk level (high, medium, or low). The audit cycle remained at three years, except for branches which are audited once a year.

In addition to the approved audit plan, the Audit Division performed some unplanned missions at the request of management or on its own volition in order to improve the internal control environment in the Bank. To this end, the Audit Division took part in the internal control task force set-up by the Bank's management to identify gaps and suggested recommendations for improvement in internal control. The Audit Division also performed the half yearly internal control review across the Bank at the behest of Calyon, Paris.

The Audit Division remained vigilant and pro-active whenever some weaknesses were noted and gave its feed back when participating in different Bank's committees e.g. the Financial Crime and Anti-Money Laundering Committee, the Compliance Management Committee, etc.

The Audit Division modified its follow-up procedure and had the past due recommendations of each business line/support division discussed during a business committee meeting, on a quarterly basis, which resulted in improving the overall situation. However, further improvement in this regard is necessary, and a revised procedure has been planned for early next year.

Furthermore, the Audit Division interacted with the Bank's external auditors in sharing information on risk and control issues including fair reporting of the Bank's balance sheet. Issues noted in their management letter were followed up to ensure proper implementation.



The Inspector General, who also acts as Secretary to the Audit Committee, made sure that all deliberations of the Audit Committee were properly addressed by the executive management.

This Audit Committee meets six times a year to ensure that good governance processes exist in the Bank and they function as intended.

The Audit Division also endeavors to coordinate with different regulatory authorities to ensure that new regulations are properly understood and implemented in the Bank. To this end, it exchanged its views with the Capital Market Authority (CMA) about different rules and regulations, particularly relating to audit and compliance issues for spin-off companies (namely Fransi Tadawul and CAAM Saudi Fransi).

It also actively interacted with the Inspector Générale of Calyon in Paris, in order to obtain their support whenever necessary and follow best practices.

The Internal Audit Charter (previously issued in 2001) has been rewritten and has been approved by the Audit Committee and the Managing Director on 01/09/2007.

In order to improve quality, the Audit Division has totally revamped its procedures manual and disseminated to its staff member for strict adherence, with effect from 21/11/2007.

The main points of this procedures manual were summarized and commented in the Division's annual seminar on 1st of December 2007.

Corporate Communications and Social Responsibilities

As in the previous years, the Corporate Communications Department (CCD) continued its role in enhancing the bank's image and BSF being an active corporate citizen, highlighted its Corporate Social Responsibility objectives through a range of social events of national interest.

The advent of joint-venture companies during this year prompted CCD to support all communication strategies to ensure that their applications are in accordance with the bank's corporate standards.

With the aim of largely encouraging local and international investors, BSF supports a number of sponsorships organized by private sector agencies, i.e. the French Technology Seminar which took place in November 2007.

Moreover, the emphasis on sports events has always been of great significance for BSF as the bank sponsored the Tennis and Golf tournaments organized by the Riyadh InterContinental Hotel and Dirab Golf Course consecutively.

In line with its role as an active supporter of charitable causes in the Kingdom, BSF made many contributions for social, educational, health and charitable activities and in return BSF won several letters of appreciation from various supervisory entities, and extended humanitarian and philanthropic support such as King Faisal Specialist Hospital for Cancer Research, The Anti-Drug Symposium in Jeddah, Al Nahda Philanthropic Society for Women and King Fahad National Center for Children Cancer.



“ BSF made many contributions for social, educational, health and charitable activities ”



Specialized Subsidiaries and Joint-Venture Companies

Fransi Tadawul

Fransi Tadawul LLC was created in accordance to Capital Market Authority regulations to undertake local and international brokerage services in the capacity of a principal, agent in securities and its custody, in addition to IPO Flotation Management. The capital of the Fransi Tadawul is SAR 50 Million of which BSF holds 99%. The headquarters located in Riyadh City at the heart of business area (Olaya Street Cross Orouba Road) with 3 regional offices and operate through 24 Investment centers distributed among Saudi Arabia. By end of this year FT LLC will reach to 31 Investment centers.

FRANSI TADAWUL provides a wide range of superior services and products to our customers. In addition, it successfully capitalizes on BSF's flourishing activities of the Saudi Equities market which will support FransiTadawul strategic measures to improve its market share. To name few examples, an agreement had been signed with EFG Hermes as a broker at Egypt Equity Market. Also, in order to raise the best quality of execution we signed an agreement with E-Trade Financial Institution as an additional broker for the US, Europe & Asian markets.

A phased approach has been established to ensure smooth transition and operation with no impact on our customers. Below are the four major areas that we identified and tackled accordingly:

Customers

A communication campaign was directed to our existing customers outlining the new direction of CMA toward establishing FransiTadawul. The letter extended our commitment to provide a high quality services without interruption due to the new move. We assured the customers that their portfolio will be transferred to the new company in a seamless process.



فرنسى تداول
Fransi Tadawul



“ Fransi Tadawul provides a wide range of superior services and products to our customers ”



Fransi Tadawul (continued)

People

We have managed to recruit all key positions of the company within the planned budget; in addition the saudization reached 94%. All of our dealers have acquired the required certificates and registration.

Training

Training in 2007 was significantly expanded and transformed to include a set of carefully structured, tailored and diversified courses that touched on Sales, Service Excellence, Product Knowledge, Principle of Banking, and Business Investment Certificate "BIC" on top of the Basic Brokerage skills.

More than 2500 hours of training were provided for the staff in these areas. In addition, awareness programs to BSF staff in all regions were administered as well. It covers the type of operations, physical locations of the newly established investment centers and the major differences in terms of operation before and after the spin-off.

Technology

We have successfully managed the transition and implementation of the NewGen of Tadawul Trading Systems. In addition FRANSIMOBILE has been launched for the upwardly Mobile investors who need to stay



in touch with the Tadawul market even while traveling. For more security on the internet, the Virtual Keyboard system was implemented. We believe that our enhanced e-FRANSITADAWUL which will be implemented by Jan-2008 will add extra milestone and valuable functionalities to our customers.

The communication infrastructure has been upgraded to provide better service and quality of calls. In addition, an intelligent Call Routing system was successfully implemented to equally distribute the workload to our dealers in the different geographical locations, which contributed to better customers' satisfaction. More improvements have been implemented to FransiTadawul VIP customers.

Major challenges in the areas of customers, people, training and technology were identified. Many of these challenges were resolved successfully.

We will continue to maintain our position as one of the market leaders when it comes to local and international brokerage services. Finally, with the new enhancements and agreements that we have undertaken, we expect a tremendous increase in the customers' base. More and more services and products will be introduced to meet the rising demand to become a state of the art brokerage company.

Specialized Subsidiaries and Joint-Venture Companies (continued)

Caam Saudi Fransi

Throughout 2007 and in compliance with Capital Market Authority regulation (resolution 1-83-2005 dated 21/05/1426H), BSF's asset management activities were prepared and readied for transition to new legal entity, Caam Saudi Fransi.

Caam Saudi Fransi LLC, is 60% owned by BSF and 40% by Credit Agricole Asset Management (CAAM) the 5th largest asset manager in Continental Europe*.

CAAM manages €553.8 billion for retail, institutional and corporate clients in more than 20 countries as of September 2007.

In the Kingdom, Caam Saudi Fransi obtained its license from the CMA in May 2007 and plans to formally start its operations in January 2008 after the asset management activities of BSF have been transferred.

2007 saw the launch of Shariah compliant, Al Qasr Fund in April (focused on GCC real estate sector equities). The fund was up by 50.53% as of end of 2007 and is performing well in its category in the Kingdom.

As the local stock market performance was back in positive territories, we saw renewed interest for our Saudi equities funds as well.

Furthermore, in Q3 2007, we launched our DPM (discretionary portfolio management) product to offer high net worth investors a customized professional solution to invest in the local equities market.

For the record, our fund performances continued to be strong when compared to competitors with 9 awards won at the 2006 Saudi Arabian Investment Fund awards held in June 2007.

We are actively preparing several new product launches for 2008 and will also leverage on the expanded capacities opened by our new joint ventures to broaden our offering in the Kingdom in terms of wealth management services.

* source IPE – June 2007



“ 9 awards won at the 2006
Saudi Arabian Investment fund
awards held in June 2007 ”

Specialized Subsidiaries and Joint-Venture Companies (continued)

Sofinco Saudi Fransi

The capital of Sofinco Saudi Fransi is SAR. 100 Million of which Banque Saudi Fransi owns 50%. The company began its activities in the mid 2007 with focus on small loans for the purchase of cars and household items. Loans are offered to the borrowers on easy instalments.

Sofinco Saudi Fransi (SSF) is a joint venture established by Banque Saudi Fransi and SOFINCO operating in the consumer credit market in the Kingdom of Saudi Arabia. SOFINCO (a wholly owned subsidiary of Credit Agricole Group), holds a dominant position in all areas of consumer credit through partnerships with big retail brands and institutions. SOFINCO has a significant presence across 20 countries.

SSF as a specialist in consumer lending offers a comprehensive range of financial products and associated services for consumers in Saudi Arabia. The company operates through a network of car dealers and retailers. Since its auto financing product national launch in July 2007, the company has built a strong partner dealers network of 130 dealers with 300 showrooms across the Kingdom. This partnership network comprises of leading manufacturer dealers along with multi-branded dealers. There are aggressive plans in place to increase this partnership network during the coming years. The Household equipment financing product will be launched early 2008 and the retailers participating in the pilot launch have been signed up. Supported with the right marketing campaigns, customer friendly product features and our partners' network, we expect this product to grow considerably. Another key milestone in 2007 is the introduction of a Shariah Complaint product portfolio. In line with the growth in Islamic financial solutions, SSF is working on the development of new products to meet the increasing consumer demand.

SSF has conducted joint marketing campaigns with key manufacturer dealers to effectively promote our company's products while supporting our partners' brand. The objective of these campaigns is to build strong and long term relationships with key stakeholders in the auto industry enabling SSF to become a key player in the thriving auto finance sector. The company has currently established regional offices in 3 major cities of the Kingdom including Riyadh, Jeddah and Dammam. There are plans to have 17 offices across the Kingdom to facilitate the dealer and retailer partner network while building a strong business relationship. SSF with its growing team of professionals is determined to deliver the company's commitment of high level service standards to its network of partner dealers and retailers. Our Core Values are Integrity, Professionalism, Passion, Customer Focus, and Esprit de Corps. There is also an ongoing pursuit for transfer of best practice from other countries where SOFINCO operates.

There are aggressive growth plans in place leading to the ambition and goal to become a top 3 player in the consumer finance business in the Kingdom of Saudi Arabia and a top 5 player in the GCC.

سوFinco السعودي الفرنسي
Sofinco Saudi Fransi



“ Our Core Values are Integrity, Professionalism, Passion, Customer Focus, and Esprit de Corps ”



Specialized Subsidiaries and Joint-Venture Companies (continued)

Allianz Saudi Fransi

Banque Saudi Fransi and Allianz Group already cooperate in the Saudi insurance market through a Bancassurance agreement signed in June 1999 between BSF and Allianz affiliated companies AGF/SNA.

Following the success of the Bancassurance operation, they have agreed in July 2004 to acquire in common Insaudi Insurance Company - a Bahrain based company which is engaged in the insurance business through three offices in the Kingdom, Riyadh, Khobar and Jeddah - in order to set up the new Joint Venture, in compliance and in accordance with the newly enacted laws and regulations governing the offering to the public of the Kingdom of Saudi Arabia of insurance contracts.

BSF and Allianz were amongst the first companies to apply for an insurance license and they have established a Saudi joint stock company to carry out insurance activities, with the initial issued share capital of the Company of SAR 100 Million fully paid in cash in the time of incorporation.

The Initial Public Offering of 31% of the share capital launched on March 17, 2007 was successful and oversubscribed up to six times. The company "Saudi Fransi Cooperative Insurance Company" was established on July 11th, 2007 and the first General Assembly meeting met on July 17th, 2007 to elect the Chairman and the Board of Directors.

In September 2007, Allianz Group has established the Middle East as its third major growth region – in addition to Asia Pacific & New Europe – and sees growth potential in all business lines. Allianz is committed to this new region and believes that the Saudi market plays an important role in the Middle East and shows enormous potential of growth.

In line with this strategy, the "Saudi Fransi Cooperative Insurance Company" is launching its new identity which can be easily recognized as the 1st European insurance provider and the 2nd worldwide: "Allianz Saudi Fransi Cooperative Insurance Company".

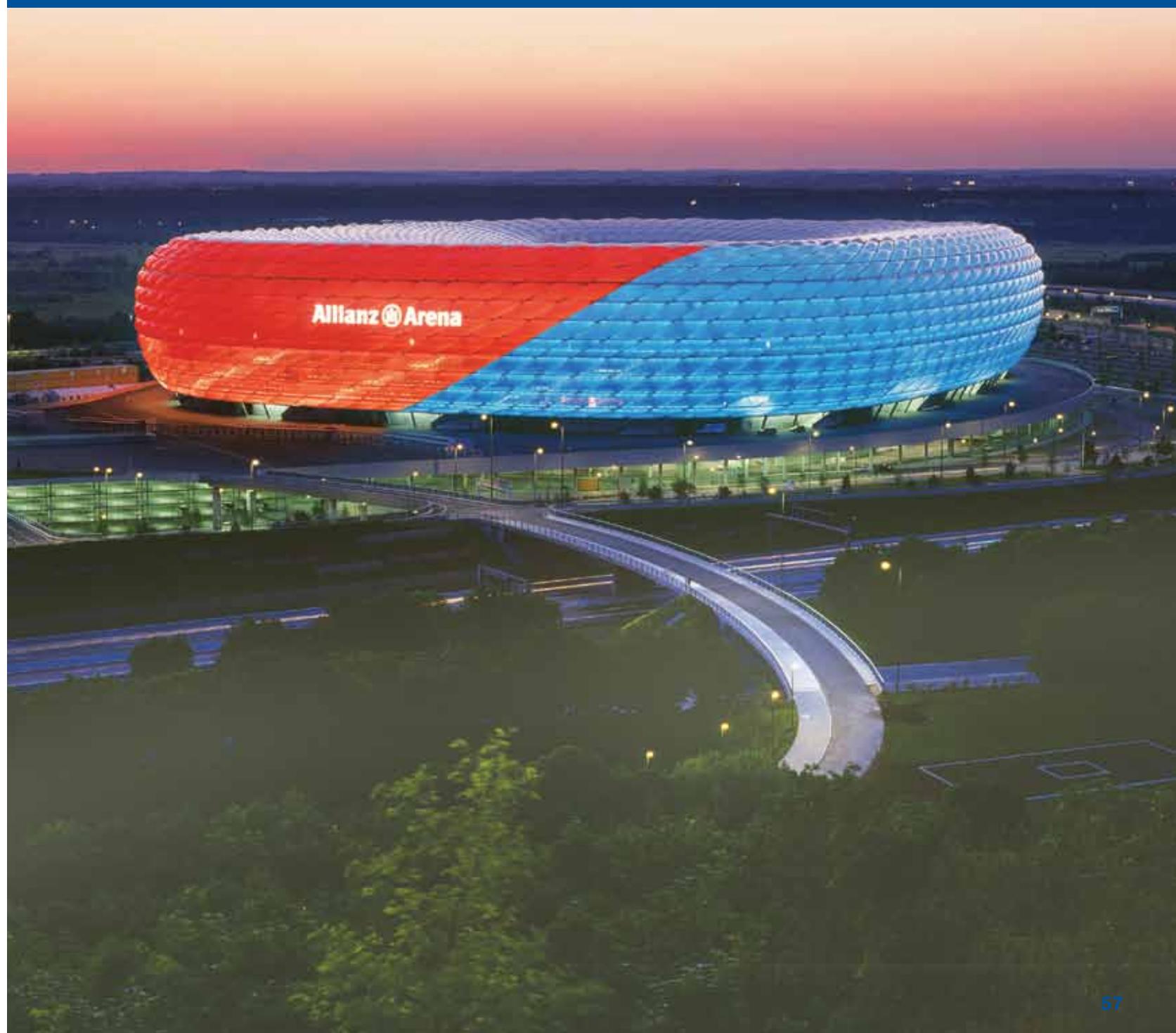
"Allianz Saudi Fransi" is under the process of licensing its products and will be hopefully fully operational in early 2008 with an ambitious plan to launch new Branches and become one of the leading Insurance providers in the Kingdom of Saudi Arabia.



أليانز السعودية
Allianz Saudi Fransi



“The Initial Public Offering of 31% was successful and oversubscribed six times”



Specialized Subsidiaries and Joint-Venture Companies (continued)



Calyon Saudi Fransi

BSF owns 45% equivalent to SAR 52 Millions share capital of the company which was established to carry out loan advisory and other corporate finance activities.

The work is still ongoing for finalizing the company's file with the authorities.

Al-Amthal Leasing Co Ltd.

BSF owns 20% of the company's share capital. The company operates in financing car sales.

The company has undertaken efforts in order to develop its administrative and marketing capabilities for it to begin profitable operation during the next year.

Regional Presence



BEMO, Lebanon

BSF owns 10% of the share capital of Banque BEMO Lebanon. Cash dividends received from Banque BEMO Lebanon amounted to SAR. 1.15 Million For 2006.

Banque Bemo Saudi Fransi, Syria

BSF owns 27% of Banque Bemo Saudi Fransi which is incorporated in Syria. 19 branches were opened as at the end of 2007. The financial reports of BBSF Syria showed USD 6 Million in net profits during 2006. The investment in BBSF Syria is accounted for using the equity method. Assets, liabilities and equity figures are per 2007 preliminary unaudited financial statements are as follows:

USD' 000	2007	2006
Total Assets	1,701,842	1,245,795
Total Liabilities	1,653,870	1,207,677
Equity	47,972	38,118

The carrying value of Banque Bemo Saudi Fransi investment BSF books as of December 31, 2007 amounted to SAR 38.6 Million.

Board of Directors' Remuneration

Profits

The annual net income is distributed after the deduction of costs and expenses, the creation of doubtful debts, investment losses, Zakat and income. 2.5% of the net profits have been transferred to the statutory reserve. After the deduction of the statutory reserve, Zakat and tax, final dividend payment is made after BOD recommendation and the approval of the competent authorities and the shareholders.

The balance of profits is then transferred to other reserves. The board of directors recommended the payment of SAR 1.75 per share as a total cash dividend in 2007. The board of directors approved the payment of SAR 1.25 during the first half 2007 and SAR 0.50 per share will be paid for the second half 2007 after the approval of SAMA and the Annual General Meeting of shareholders.

The following table presents the amount of Zakat and income tax applicable to shareholders:

SAR' 000	2007	2006
Zakat – Saudi shareholders	47,267	52,132
Income Tax – Foreign shareholder (CALYON)	170,747	188,335
Total	218,014	240,467

Total remuneration paid to the directors amounted to SAR 2,724,000 including the attendance fee as follows:

Description	SR
Annual remuneration, Chairman	360,000
Annual remuneration, Directors	2,160,000
Attendance fee, Board of Directors	120,000
Attendance fee, EC	84,000
Total	2,724,000

In addition, the remuneration paid to the directors in their capacity as BSF staff amounted to SAR 8.0 Million against SAR. 7.8 Million In 2006.

The board of directors held 4 meetings in 2007 with an attendance of 100%.

Saudi Board of Directors

During the ordinary shareholders meeting held on 17.12.2006 (26.11.1427) the following board members representing the Saudi side were appointed for the period from 1.1.2007 to 31.12.2009:

Mr. Ibrahim Al-Touq	Chairman
Mr. Abdulaziz Al-Rashid	Member
Mr. Ibrahim Al-Issa	Member
Mr. Abdulaziz Al-Habdan	Member
Dr. Khaled Mutabagani	Member
Mr. Mosa Al-Omran	Member
Mr. Abdul-Rahman A. Jawa	Member

Each of the director holds 1000 shares as membership shares, which were placed under block as per the law. No shares in excess of the amount to be disclosed were owned by any of the directors or the executive senior officers.

Transactions with Directors of the Bank

All transactions with related parties including with the Bank's Board of Directors are carried out on an arm's length basis. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA.

All facilities provided to the related parties are adequately secured in accordance with Bank's strict credit policy. Securities obtained as collateral against credit exposure to enterprises in which directors have ownership interest are reported as follows:

- if the Bank's director owns majority capital above 50% of the enterprise, then the full exposure is considered in obtaining related security
- if the Bank's director owns 50% or below of the capital of the enterprise, then the proportion to the ownership is applied in obtaining related security.

All related party balances and transactions are properly recorded and, where appropriate, adequately disclosed in the financial statements. The Bank's management hereby affirms that none of the directors, relatives in the first degree or key management staff members have any relationship with companies which have an interest in or on contract with BSF.

Audit Committee

Chairman	:	Mr. Ahmad Al-Sari Executive Partner, Malaz Group
Members	:	Mr. Ammar Al-Khudairi Managing Director and founding shareholder, Amwal AlKhaleej Mr. Michel Le Masson Inspector General of Calyon, France Dr. Khalid Al-Mutabagani Member of the Board of Banque Saudi Fransi
Secretary	:	Mr. Francois Delagrange Chief Internal Auditor of Banque Saudi Fransi

(In addition, the Bank's Chief Compliance Officer is a permanent guest to the meetings of the Committee).

Saudi Arabian Monetary Agency approved the nomination by the Board of Directors of BSF of the above members of the Audit Committee for a three-year term beginning from 01/01/2007. The Audit Committee decided to meet six times during the current year in order to adequately cover all critical risk areas in the Bank, as compared to five meetings in the previous year. The deliberations of each meeting were properly registered and reported to the Board of Directors, and were adequately followed up by the Secretary of the Audit Committee with the Bank's management.

The Committee was extensively involved in reviewing the achievements of the Internal and External Auditors and regularly reviewed the main risks related to the Bank's activities and the quality / adequacy of the internal controls according to a three-year medium term plan. To this end, the Audit Committee members were informed and briefed not only by the Chief Internal Auditor of the Bank but also, when necessary, directly by the relevant Business and Operational / Support Lines Managers, by the Compliance Officers, and by the External Auditors. The Committee has been very active in ensuring and monitoring the strict compliance with SAMA guidelines and has been systematically informed of the main issues and conclusions coming either from other internal committees such as the "Financial Crime & Anti-Money Laundering Committee", or external committees from SAMA, etc. The Audit Committee was also well informed regarding the status of spin-off companies and other joint ventures of the Bank.

The Audit Committee monitored very closely the activities and achievements of the Audit Division with respect to the 2007 audit plan, the follow-up of unimplemented audit recommendations, and also other unplanned involvements, thus providing a permanent support to the Chief Internal Auditor and his team.



External Auditors

The shareholders meeting held on 5.3.2007 (15.2.1428) appointed Messrs. Ernst & Young and Messrs. KPMG Al-Fozan and Al Sadhan as external auditors of the Bank for the financial year 2007.

Future Plans And Expectations

Banque Saudi Fransi laid down a 3 year plan that ends in 2009, with a growth rate of 25% in the three coming years, taking into account all risks including oil price changes, regional instability and other factors. The plan was discussed, approved by the Board and then distributed to all bank's units.

Declaration

The management of the Bank believes that the Bank has a system of internal controls adequate to permit the preparation of accurate financial statements in accordance with Accounting Standards for Financial Institutions as issued by the Saudi Arabian Monetary Agency, International Accounting Standards and International Financial Reporting Standards. The Directors have taken account of all relevant information covering a period not exceeding one year from the year end.

Corporate Governance

BSF acts in accordance with the directions under Corporate Governance regulations issued by CMA. Members of the board and senior management in the Bank have participated in a program in order to inform them about their responsibilities in these regards. In addition, the directors are being constantly informed through the chairman of the BOD about updates by the competent departments in this connection.

In conclusion, the Board of Directors wishes to express deepest gratitude, first and foremost, to the Almighty Allah and then to King Abdullah Bin Abdulaziz and his crown Prince for their continuous support in the banking sector.

The Board would like also to thank the Ministry of Finance and to the Saudi Arabian Monetary Agency, the Ministry of Commerce and Industry as well as the Bank customers, staff and correspondents, and pray to the Almighty Allah for continued security and prosperity.

Board of Directors

Ibrahim Al-Touq Chairman	Mosa Omran Al-Omran Member	Jean Marion Managing Director
Jean-Frederic de Leusse Member	Edouard Esparbès Member	Abdul-Rahman A. Jawa Deputy Managing Director
Abdulaziz Al-Rashid Member	Abdulaziz Al-Habdan Member	Nizar Al-Qannas Secretary General
Ibrahim M. Al-Issa Member	Dr. Khaled Mutabagani Member	

Management Team

Head Office		Regional Management
Jean Marion Managing Director	Omar Jazza Head of Private Banking Group	Western Mazen Tamimi
Abdul-Rahman A. Jawa Deputy Managing Director	Ahmad Al Kassim Information Technology Manager	Central Osama Bakhit
Youssef Laban Chief Operating Officer	Saadoun Al Saadoun Corporate Operations Manager	Eastern Abdulaziz Al Molhem
Philippe Touchard Chief Financial Officer	Abdul Qadeer Mirza Division Manager, Accounting & Financial Control	Regional Presence
Mohamad Abdulhadi Head of Corporate Banking	Amr Al Taher Corporate Human Resources Manager	Banque Bemo Saudi Fransi Riad Obegi
Naim Al Hussaini Head of Retail Banking	François Delagrange Inspector General	Specialized Subsidiaries and Joint-Venture Companies
François Rivier Chief Risk Officer	Abdulaziz Omar Osman Chief Compliance Officer	Fransi Tadawul Riyadh Al-Sharikh
Walid Fatani Head of Treasury	Khalil Al Nami Service Management Division Manager	Caam Saudi Fransi Richard Lepere
Ahmad Jawdat Head of High Networth Group		Sofinco Saudi Fransi Shehryar Ali Shah
		Allianz Saudi Fransi Antoine Issa



Independent Auditors' Report



KPMG Al Fozan & Al Sadhan

To: **The Shareholders of the Banque Saudi Fransi**
(A Saudi Joint Stock Company)

We have audited the accompanying financial statements of Banque Saudi Fransi (the Bank), which comprise the balance sheet as at 31 December 2007, and the statement of income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency, International Financial Reporting Standards, the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies, the Banking Control Law and the Bank's Articles of Association in so far as they affect the preparation and presentation of the financial statements.

Ernst & Young

P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Fahad A. Al-Toaimi
Certified Public Accountant
Registration No. 354



Muharram 10, 1429H
January 19, 2008

KPMG Al Fozan & Al Sadhan

P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Tareq Al Sadhan
Certified Public Accountant
Registration No. 352

