

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



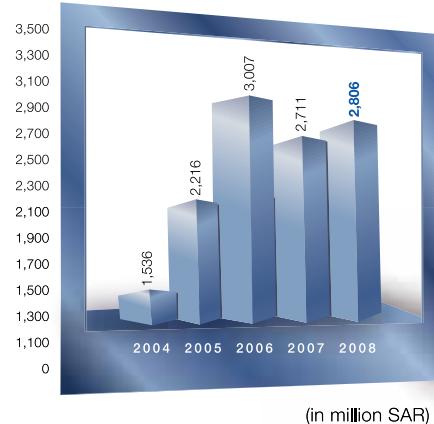
His Royal Highness  
**Prince Sultan**  
**Bin**  
**Abdulaziz Al-Saud**  
Crown Prince  
First Deputy Premier



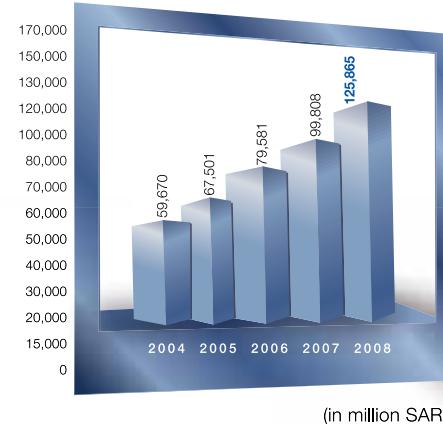
**King Abdullah**  
**Bin**  
**Abdulaziz Al-Saud**  
Custodian  
of the  
Two Holy Mosques

# The Year at a Glance

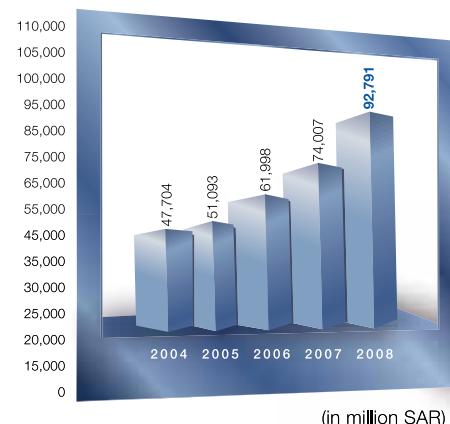
## Net Income



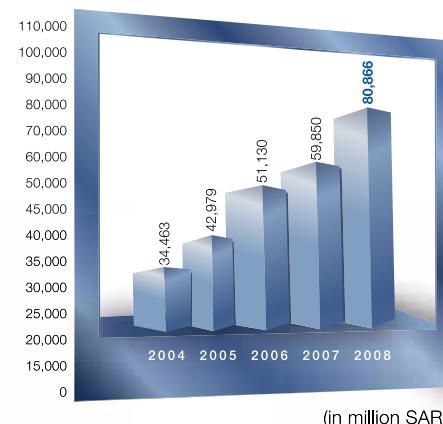
## Net Assets



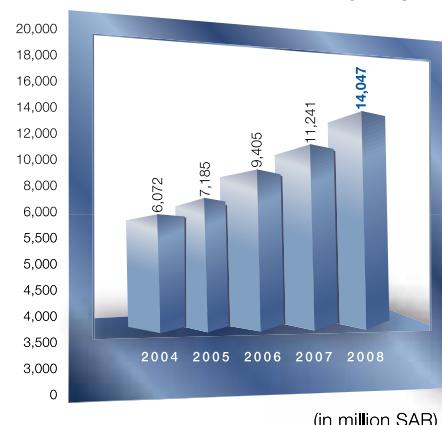
## Customer Deposits



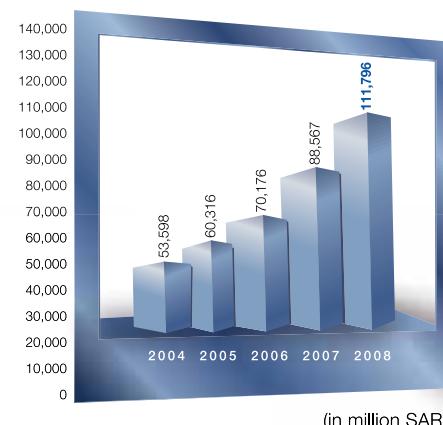
## Net Loans and Advances



## Shareholders' Equity



## Total Liabilities



## Performance 2008

|                         |                                |
|-------------------------|--------------------------------|
| Total Assets            | + 26.2% to SAR 125,865 million |
| Loans and Advances, net | + 35.3% to SAR 80,866 million  |
| Customer Deposits       | + 25% to SAR 92,791 million    |
| Net Income              | + 3.5% to SAR 2,806 million    |
| Shareholders' Equity    | + 25% to SAR 14,047 million    |

**+3.5%**

**SR2,806 million**

Profit in 2008

# The Chairman's Statement

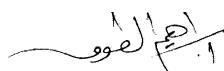
It is my pleasure to present on behalf of the Board of Directors the annual report of Banque Saudi Fransi for the financial year ended December 31, 2008.

The strategy BSF adopts involves the achievement of higher yield for the shareholders' investments through expanding on major activities and the diversification of sources of income. I am proud to say that BSF was able to achieve good returns from the Bank's normal activities and from the new business opportunities that appeared in recent years. BSF continued to actively work on establishing new business activities in order to support its present products and services. Joint venture companies within the BSF Group such as Calyon Saudi Fransi began offering investment services and financial advisory; CAAM Saudi Fransi in asset management; Allianz Saudi Fransi in cooperative insurance services; and Fransi Tadawul in shares brokerage services.

I am pleased to comment that BSF achieved net income of SAR 2,806 Million an increase of 3.5% compared to the last year. This reflects the strong development in the Bank's activities despite the world's difficult economic conditions. Loan and advances portfolio increased by 35.3% and customers' deposits by 25%. The total balance sheet increased by 26.2%. The shareholders equity increased by 25%, yielding 22% on the return on shareholders equity. BSF remains in the lead in respect of human resources planning and development. The percentage of Saudization increased to 79.91% during the year. Despite the world's economic turmoil, we welcome the year 2009 with enthusiasm and optimism.

On this occasion, I wish to express my deep gratitude to BSF management and staff for their loyalty as well as to the Directors and Shareholders.

Finally, on behalf of BSF Board of Directors and staff, I wish to thank the Ministry of Finance, the Saudi Arabian Monetary Agency (SAMA), the Ministry of Commerce and Industry, and Capital Markets Authority (CMA) for their efforts in creating a stable environment for continued and sustainable growth in the interest of the national economy.



**Ibrahim Al-Touq**

Chairman



# Managing Director's Statement

In the context of volatile Interest Rates, slow activities in Capital Markets, expensive liquidity, uncertain credit Risks, the whole Banking sector has been under intense pressure during the year 2008 and I am pleased to present Banque Saudi Fransi's yearly results at 2,806 Million SAR, in progression of 3.5% compared to our 2007 financial performance.

During 2008, BSF continued to focus on its core activities through its various Lines of Businesses, enhanced its infrastructure network, its delivery channels while maintaining its strict risk management principles. As a result, our total Balance Sheet increased by 26.2%, our customers deposit by 25% and our loan book by 35.3% without a significant rise in the costs of risks. This performance, added with the quality oriented approach towards customers servicing, epitomizes the well founded of our business model.

BSF's total Operating income has increased by 18.8% compared to 2007 and if we exclude the reduction in revenues from Brokerage Activities where BSF kept its strong Market Share and Ranking, all core activities of the Bank show a progression of 29%. It is also noteworthy that our net interest income has progressed by 23% in a universe where Interest Rates have been extremely volatile and plummeted in the last quarter of 2008. BSF could preserve its operating efficiency by mastering its cost base with a healthy cost to income ratio at a level of 25%.

Riskwise, BSF has remained extremely liquid all through the year and being preemptive of a potential degradation on the USD liquidity front, we managed to raise additional long term funding in USD, by way of a syndicated borrowing, in order to secure the necessary funding for future growth. BSF was the only Saudi Bank in 2008 to manage this type of transaction. This proved the positive perception of BSF's Risk and more generally of Saudi Arabia related Risks. On the investment side, some of our assets were affected by the Marked to Market deterioration provoked by the world wide financial downturn. With the support of our Directors and based on our financial performance, we decided to provide in full all investments presenting a risk in order not to impact at all the 2009 exercise.

Thanks to the support of our Board Members and Shareholders, we can rely on a strong Capital Base and with the works developed by BSF teams in terms of new infrastructure, an enlarged range of products and services, I am confident that we can tackle the 2009 challenges in a sound manner. I want to thank SAMA and the Capital Market Authority for their help and fruitful on going support. I also reiterate my appreciation to our clients for their confidence and trust into the Bank and to our loyal shareholders for their longstanding commitment

I extend my deep gratitude to the Chairman of the Board, all Board Members, Executive Committee and Audit committee Members for the efficient quality of working relationship, their extensive support given to BSF's management during this difficult year.

I also want to express my grateful thanks to all BSF Staff for their dedication and their positive attitude in enabling this year's achievements.

**Jean Marion**

Managing Director



# Financial Management

The main characteristic of the year 2008 has been the volatility and the rapid changes in the market conditions which affected in various ways our financial performance. The key elements that have to be ascribed to the financial turmoil are the cost of liquidity which raised significantly, the changes in the reserve requirements, the equity brokerage which was extremely slow during the whole year, the deterioration of the Marked to Market Valuations of Financial Assets and the drop in the interest rates.

Albeit these factors, BSF could show another year of growth where each of its core business lines posted significant performance. Volumes of Customers Assets and Deposits grew respectively by 35% and 25% (17% and 20% in 2007) which helped to overcome the dropping interest rate situation since our Net Special Commission increased by 23.2% during the year.

On the Non Special Commission revenue front, BSF shows a net growth of its Banking Revenue by 11.8%. This performance must be analyzed taking into account the slowdown in the Saudi Stock Market, as Market volumes and related value traded reduced significantly from 2007 to 2008. Stripped from the Brokerage activity, the Non Special Commission Revenue has increased by 43.5% led by strong performance in Trade Finance, Card related fees, trading activities. and Corporate Finance.

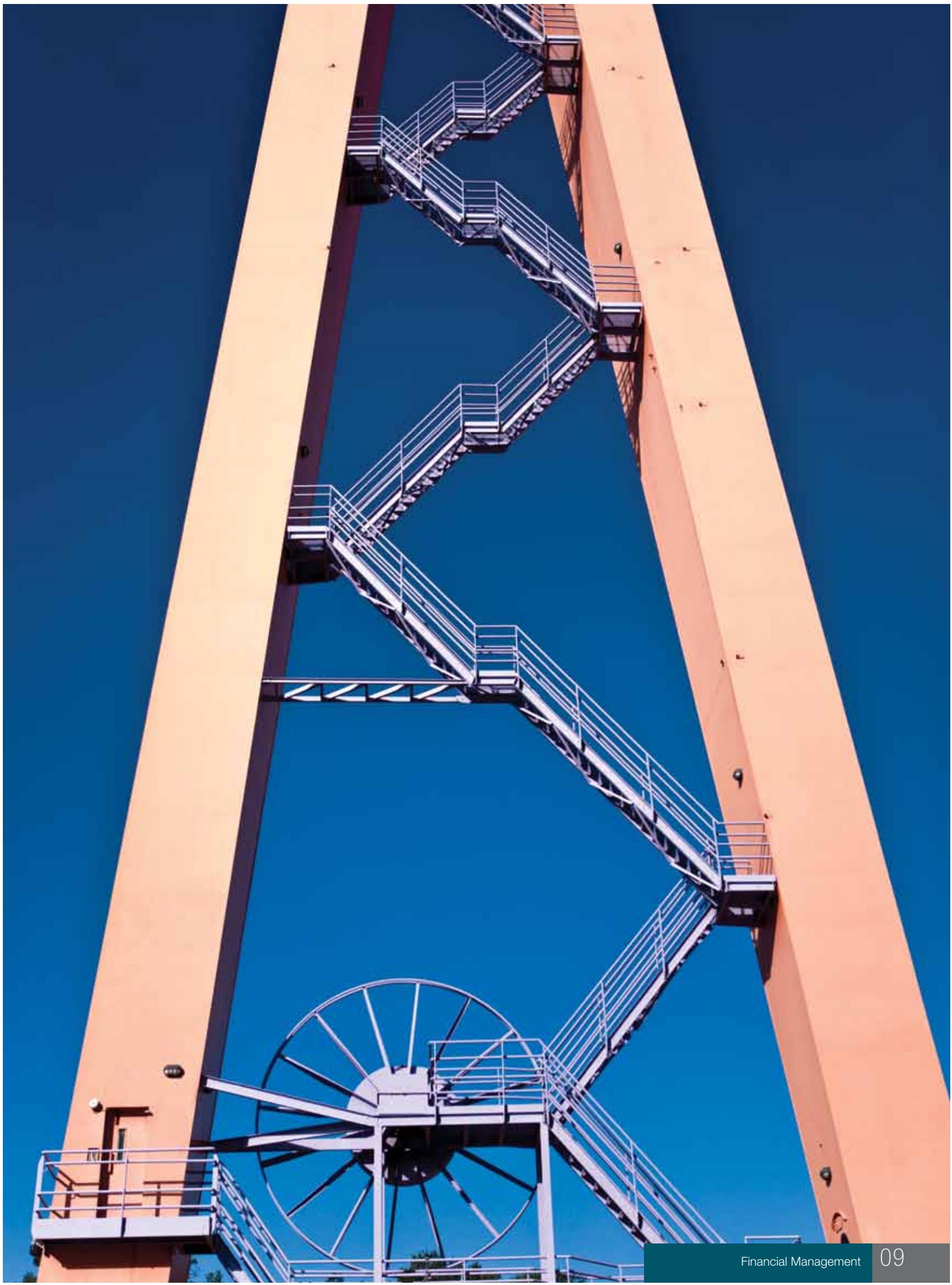
Our total Operating Income is in augmentation of 18.9% from one year to the other but without brokerage activity impact, the growth progression established at 29%. This 29% increase in the core operating income of the Bank has to be put in perspective with a 15.6% increase in Operating expenses.

Continuing on the momentum created in 2007, BSF's Corporate Banking Business posted another record year in term of Assets and liabilities growth (+36% and +46%) and value creation (Operating Income increased by 21%) while the Retail Banking segment (including Wealth Management) registered a 28% increase in their assets and experienced a Net Operating income in progression of 25%.

Treasury and Capital Market Activities observed an 80% increase in their revenue, thanks notably to a strong flow business, Sales to customers while keeping its strong position in the derivative markets.

## On the Risk side, BSF took precautionary measures:

During the first quarter, we reduced the amount of structured products from the investment portfolio by redeeming our investments and in the second part of the year, the Board of Directors decided to provide at 100% for those assets that were still presenting a risk in light of the rapid deterioration of Marked to Market Value. The 410 Million SAR provision appearing in the income statement has to be put in perspective with the Investment portfolio size (24.3 Billion SAR, or 1.6%). In order to enhance its long term liquidity profile, especially in the USD segment, BSF worked on the raising of long term US Dollars and could conclude at the end of September, a new syndicated borrowing for a total of 525 Million USD. It was the only operation of that kind performed by a Saudi Bank on the international Market in 2008. In spite of the financial downturn, BSF continues to show rather healthy performance ratios: 25% Cost to Income, 2.5% Return on Average Assets and 22% Return on Average Equity.



# Financial Management (continued)

## Ratings

As shown in the following table, BSF has maintained strong ratings from all of the key rating agencies. With these ratings, BSF continues to qualify for "Investment Grade".

|                       | Standard & Poors | Moody's Investors Services | Fitch Ratings | Capital Intelligence |
|-----------------------|------------------|----------------------------|---------------|----------------------|
| Foreign Currency      |                  |                            |               |                      |
| Long-Term Outlook     | A<br>Stable      | A1<br>Positive             | A<br>Stable   | A+<br>Stable         |
| Short-Term Outlook    | A1<br>Stable     | P-1<br>Stable              | F1<br>Stable  | A1<br>Stable         |
| Global Local Currency |                  | Aa3<br>Stable              |               |                      |
| Outlook               |                  |                            |               |                      |
| Financial Strength    |                  | C+<br>Stable               | B             | A+                   |
| Outlook               |                  |                            |               |                      |
| Support               |                  |                            | 1             | 2                    |
| Support Rating Floor  |                  |                            | A-            |                      |
| last update           | September-08     | June-08                    | July-08       | October-08           |

It is noteworthy that Moody's upgraded the outlook on Long Term Foreign Currency deposit from Stable to Positive while Fitch upgraded the Individual support and the Support Rating floor from 2 to 1 and from BBB+ to A- respectively.

## Capital Adequacy

To be compliant with the Central Bank's requirement, BSF has adopted the Basel II accord as the only base to calculate and publish its Capital Adequacy Ratios.

At the end of 2008, the new solvency ratio establishes at 10.97% (tier 1 Capital), coming from 12.2% at the end of 2007 under Basel 1. This ratio has been maintained above 10% throughout the year and is a priority of the Board of Director to see to it that this ratio is kept over and above the 8% threshold. During the Board of Directors meeting held in January 2009, the directors recommended that the final dividends pertaining to the year 2008 be paid partly in cash, partly in new shares (in the ratio of 2 new for 7 existing) in order to preserve the Bank's capability to maintain this level of Capital Adequacy while increasing the paid-up Capital.

Accounting and Financial Control

With the new subsidiaries/joint ventures going live in 2008, accounting and financial control functions were put to test with respect to new ventures' accounting and financial matters and their related impact on the group's financial statements.

All the relevant international practices have been incorporated to meet the standards on consolidation in order to ensure the accuracy of all information disclosed. To achieve this, taking into account the context of global financial downturn, our Accounting Division worked closely with our External Auditors and regulatory bodies in order to ensure full compliance with the international accounting standards and enhance the presentation and disclosures of financial information reaching the stakeholders.

Following the regular meetings of IASB (International Accounting Standard board), we are expecting some changes in the accounting standards and are ready to tackle new practices.

With regards to Capital Adequacy, our Accounting Division, who is in charge of Pillar 3 element, fine tuned the disclosures in conjunction with Risk Management Division and the regulatory authority, SAMA, as per their requirements.



# Board of Directors' Report

The Board of Directors is pleased to present its report for the fiscal year 2008.

Banque Saudi Fransi, a Saudi Joint Stock Company, was established in accordance with the Royal Decree No. m/23 dated 17 Jumada II 1397H (corresponding to 4 June 1977). Following the transfer of operations that were carried out by Banque Indochine et de Suez in Saudi Arabia, Banque Saudi Fransi officially commenced its operations on 1 Muharram 1398 (corresponding to 11 Dec 1977) under CR No. 1010073368 issued on 4 Safar 1410 (corresponding to 5 Sept 1989). Banque Saudi Fransi has a branch network of 75 branches (74 in 2007). The Bank's employees number 2345 (2226 in 2007) at the rate of Saudization of 79.91%.

Despite the strong fluctuations seen in the international financial market which reflected on businesses in Saudi Arabia, BSF continued to develop its conventional activities. Due to the limited external investments of the Bank, BSF's results continue to prove the soundness of its financial position and the placement of its assets in local growth sectors.

BSF's objectives are represented in the offer of all banking services including Islamic products that are approved by an independent Shariah panel. BSF adopts a strategy that is aimed at attaining high yield for the Bank's shareholders through expanding on its basic products and diversifying its sources of income. Therefore, the year's results reflect the Bank's strategy which resulted from improved performance of its conventional and new activities. The commencement of activities by the joint venture companies has had a positive effect on the increase of the Bank's results. BSF continues to establish and offer new activities and services in order to support the Bank's position such as 'Sakan Real Estate Financing Company' and 'Insurance Products Sales Company' which provides services to an increasing clientele base.

According to the decision of the Saudi Capital Market Authority, BSF established joint venture companies to undertake brokerage, asset management, and financial advisory activities. The companies that were established are Fransi Tadawul (BSF owns 99%), CAAM Saudi Fransi (BSF owns 60%), and Calyon Saudi Fransi (BSF owns 45%). All were established and exist in Saudi Arabia. BSF also owns 27% of Banque Bemo Saudi Fransi, a joint stock company established in Syria, 10% of Banque Bemo Lebanon, 50% of Insaudi Insurance, established in the Kingdom of Bahrain and its insurance portfolio will be transferred to the Saudi Fransi Company for Cooperative Insurance effective Jan 2009. BSF also owns 32.5% of Allianz Saudi Fransi, a Saudi Joint Stock Company established in Saudi Arabia. BSF has no branches outside Saudi Arabia.



For additional activities, Sofinco Saudi Fransi (BSF owns 50% of the capital) and Al-Amthal Company (BSF owns 20% of the capital) were established to operate in leasing activities.

BSF net profit reached SAR 2,806 Million for 12 months 2008 (compared to SAR 2,711 Million in 2007) with the increase of 3.5%.

The Total Operating Income amounted to SAR 4,392 Million in 2008 (SAR 3,695 Million in 2007, higher by SAR 697 Million or 18.8%). Net Operating Expenses increased from SAR 990 Million in 2007 to SAR 1,600 Million in 2008 with the increase of 62% due to extra provisioning to accommodate for the expansion in credit facilities and encounter any drop in investments locally or internationally. The increase is also due to the expansion in the quantitative and qualitative development of human resources as well as due to the increase of rental expenses (branches, ATM's, self service centers).

Loans portfolio increased from SAR 59,9 Billion in 2007 to SAR 80,9 Billion in 2008 (an increase of 35.3%). Customers' deposits increased from SAR 74 Billion in 2007 to SAR 92.8 Billion in 2008 (+25%). Total Assets increased from SAR 99.8 Billion in 2007 to SAR 125.9 Billion in 2008 (+26.2%). Profits per share amounted to SAR 4.99 in 2008 compared to SAR 4.82 in 2007.

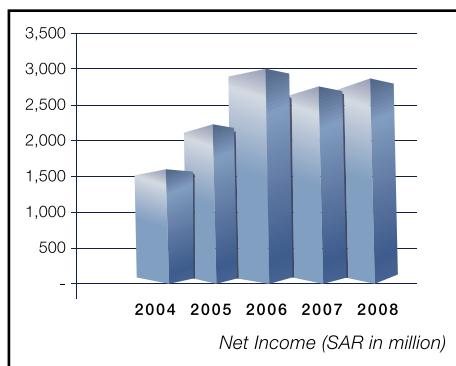
The following table represents the balance sheet and statement of income details for the past 5 years

| SAR' 000                                | 2008        | 2007       | 2006       | 2005       | 2004       |
|---|-------------|------------|------------|------------|------------|
| Total assets                            | 125,864,761 | 99,808,110 | 79,581,010 | 67,501,380 | 59,669,483 |
| Investments, net                        | 27,710,023  | 22,376,149 | 16,012,954 | 18,127,849 | 19,097,138 |
| Loans and advances, net                 | 80,866,457  | 59,849,952 | 51,130,195 | 42,978,702 | 34,463,424 |
| Total liabilities                       | 111,795,625 | 88,567,475 | 70,176,229 | 60,316,480 | 53,597,925 |
| Customer deposits                       | 92,791,281  | 74,007,251 | 61,998,107 | 51,093,385 | 47,704,152 |
| Shareholders' equity                    | 14,047,219  | 11,240,635 | 9,404,781  | 7,184,900  | 6,071,558  |
| Total operating income                  | 4,391,641   | 3,694,465  | 3,938,832  | 3,093,630  | 2,260,827  |
| Total operating expenses                | 1,600,148   | 990,046    | 931,884    | 878,029    | 724,896    |
| Net income                              | 2,805,659   | 2,711,110  | 3,006,948  | 2,215,601  | 1,535,931  |
| Net special commission income           | 2,820,590   | 2,289,398  | 2,016,867  | 1,705,768  | 1,590,096  |
| Fees from banking services              | 834,480     | 897,234    | 1,571,961  | 1,110,375  | 465,428    |
| Provision for possible loan losses      | 94,265      | 42,011     | 90,484     | 134,858    | 67,596     |
| Salaries and employees related expenses | 642,223     | 543,322    | 462,924    | 394,900    | 350,124    |
| Number of employees                     | 2,345       | 2,226      | 1,998      | 1,733      | 1,555      |

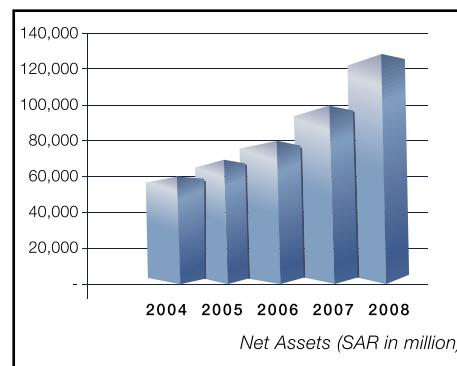


## Board of Director's Report (continued)

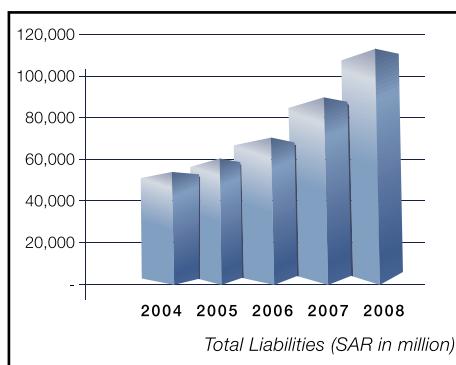
**Net Income 2004-08**



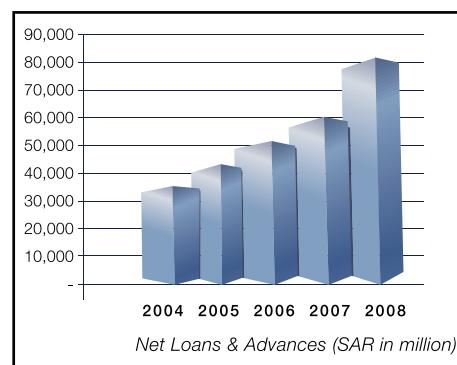
**Net Assets 2004-08**



**Total Liabilities 2004-08**



**Net Loans & Advances 2004-08**



The following table shows the distribution of income per region in 2008:

| SAR' 000          | Eastern | Western | Central | HO   | BSF   |
|-------------------|---------|---------|---------|------|-------|
| Revenue           | 721     | 861     | 1159    | 1598 | 4339  |
| Expense           | -84     | -123    | -109    | -727 | -1043 |
| Operating Revenue | 637     | 738     | 1050    | 871  | 3296  |
| Provisions and PL | -12     | -26     | -13     | -442 | -493  |
| Net Income        | 625     | 712     | 1037    | 429  | 2803  |

### Bank's Major Business Lines

The business lines are the main sector according to which BSF reports its results. It is a group of assets and operations that offer a group of services and products. Its profits and losses are different from other business lines.

Transactions between various sectors are done according to the normal commercial practices. Normally funds are re-allocated within the sectors and accordingly the fund costs are re-allocated. Special commission is charged to these funds according to the interbank rates. Transactions between business segments are reported according to the Bank's internal transfer pricing policy.

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, 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.

**Brokerage & Investment:** incorporates investments, assets, dealing, arrangements, advises, securities safekeeping, investment funds, local and international share negotiation, and insurance (brokerage).

The following table represents the balance sheet and statement of income details for the past 2 years

| SAR' 000                                       | Retail<br>Banking | Corporate<br>Banking | Treasury<br>Banking | Brokerage<br>and<br>Investment | Total       |
|--|-------------------|----------------------|---------------------|--------------------------------|-------------|
| <b>2008</b>                                    |                   |                      |                     |                                |             |
| Total assets                                   | 15,537,809        | 70,738,897           | 39,301,714          | 286,341                        | 125,864,761 |
| Total liabilities                              | 42,392,826        | 49,714,393           | 19,674,758          | 13,648                         | 111,795,625 |
| Total operating income                         | 1,450,168         | 1,497,177            | 1,203,430           | 240,866                        | 4,391,641   |
| Total operating expenses                       | 832,933           | 145,257              | 138,052             | 73,906                         | 1,190,148   |
| Provision for the drop in investment value net | -                 | -                    | 410,000             | -                              | 410,000     |
| Share in the affiliates profits net            | -                 | -                    | 12,443              | -                              | 12,443      |
| Net income                                     | 617,235           | 1,351,920            | 667,821             | 166,960                        | 2,803,936   |
| Provision for the drop in credit losses net    | 138,365           | (48,100)             | 4,000               | -                              | 94,265      |
| <b>2007</b>                                    |                   |                      |                     |                                |             |
| Total assets                                   | 12,144,566        | 51,928,414           | 35,625,240          | 109,890                        | 99,808,110  |
| Total liabilities                              | 40,715,474        | 33,983,140           | 13,850,672          | 18,189                         | 88,567,475  |
| Total operating income                         | 1,196,319         | 1,194,152            | 824,220             | 479,774                        | 3,694,465   |
| Total operating expenses                       | 704,219           | 75,185               | 124,153             | 86,489                         | 990,046     |
| Provision for the drop in investment value net | -                 | -                    | -                   | -                              | -           |
| Share in the affiliates profits net            | -                 | -                    | 6,691               | -                              | 6,691       |
| Net income                                     | 492,100           | 1,118,967            | 706,758             | 393,285                        | 2,711,110   |
| Provision for the drop in credit losses net    | 103,333           | (61,322)             | -                   | -                              | 42,011      |

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

## Corporate Banking

Corporate Banking has continued to play a major role in the overall growth of the bank's loans, deposits, trade finance business and overall profit.

The Corporate loans and advances increased by 36% during 2008 mainly due to strengthening of the relationship with strong existing customer base, financing major contracts / projects in the Kingdom, as well as successfully marketing of a number of new and important relationships.

Additionally, it provided a very strong client base to the Group Treasury and other business lines, joint ventures and subsidiaries for the growth of forex, treasury, investment banking, insurance, brokerage, and other products and services, to generate substantial fee income.

Bank's strategy to promote ancillary business continued successfully and ratio of fee-based income from trade, contract and project finance has grown substantially during 2008.

### Corporate Islamic Banking

We continued our growth in Shariah compliant finance to corporate customers, which once again have shown an excellent growth of 53% during 2008, after 40% growth in 2007. BSF is now in a position to provide complete Shariah compliant solutions to our major corporate customers for their working capital, trade, contract and project finance needs. We also support large number of our customers in placing their funds under Murabaha investment through our Islamic Commodity trade unit.

The Islamic project financing solutions developed and proposed by the Bank have been very successfully implemented. The focus on Shariah compliant structured and project finance transactions have been very well received by the market and bank expects more success in this area in future.

We wish to convey our gratitude to members of our Shariah Committee; Sh. Abdullah Al Mania, Dr. Mohammad Ali Elgari and Dr. Abdul Sattar Abu Ghuddah, for their continuous guidance and support in the development and approval of Shariah compliant products and services.



## Corporate Banking (continued)

### Institutional Banking

With continued and strong relationship with the international and local banks and support from the international network of its partner, Calyon, BSF managed to play an important role in the Kingdom's international trade and financing of important contracts, undertaken by international companies in the Kingdom.

BSF continue to be a leading bank to provide clearing bank services to investment / brokerage companies formed under the new CMA regulations.

### Structured Finance Division

We have successfully structured and syndicated number of deals, including the largest project and structured financing closed during 2008 in Saudi Arabia. Thus the Bank continued to hold its position as the leading project financing bank in the Kingdom and the region.

The Bank was the main Arranger, Book-runner, the Structuring Bank and the Facility Agent for the SAR 8.2 billion contract financing facility for Arabian Bemco Contracting Company.

This financing was for the construction of the 2,400 MW PP-10 power project of Saudi Electricity Company in Riyadh. BSF acted as the MLA, Bookrunner and Islamic Facility Agent for the USD 5.5 billion Phosphate project of Ma'aden and SABIC.

We were also the Bookrunner and coordinating bank for SAR 6.0 billion syndicated Islamic corporate deal for Saudi Electricity Company which was not only the largest syndicated corporate deal executed in the region in 2008 but also the largest Shariah compliant corporate deal ever done in the Kingdom.

The bank is working on number of key mandates including key financial advisory mandates in oil, gas, petrochemical sectors, leveraged acquisition financing deals and corporate syndicated deals.

We continue to be in sectors where the Kingdom has global competitive advantage and power & infra-structure projects. These sectors will continue to be relatively insulated from the global downturn and are still economically and financially viable.

2008 can be characterized as the year of the Treasury. Capital market activities and products sales generated revenues which increased by 80% over last year, representing 30% of the bank's net income.

Extraordinary market volatility and inefficiencies were well exploited by the trading teams, while the sales teams, with the support of the various business lines, pressed forward to capture market share.

Market dysfunctions on the back of tight liquidity and increased speculation on GCC currencies have resulted in the creation of vast yield differentials across the various SAR instruments. Equipped with necessary liquidity and the patience to use it at the optimal time, the trading teams have worked exceptionally well in exploiting the various market opportunities whilst ensuring the availability of liquidity for the funding needs of the other business lines.

The close coordination between Group Treasury and Corporate Banking Group was more crucial than ever. As the demand for liquidity by our customers increased, so was the cost in ensuring the availability of this liquidity in the midst of the global financial crises. Through continuously updated cash flow forecasts to ensure that funding is available as and when needed, we have succeeded in providing our customers their funding needs at market competitive levels.

Our structured products platform has played an important role in diversifying our product and customer base. Our leading position in this field is a result of stronger capabilities at the business lines level. Our corporate and private relationship managers can now manage and deliver a variety of products to our customer base. Either investments or hedging, from commodities to weather derivatives, from plain to structured, our product specialists work together with relationship managers to tailor make products suitable for a variety of needs.





## Retail Banking

We sustained our efforts at building our Retail Banking business in 2008, supported by a combination of products and services introductions. Timely execution of plans, a concerted focus on expanding from single product to multi-product relationships have enabled us to continue increasing revenues in 2008 and achieve gains with excellent asset quality.

As a result, and despite volatile financial conditions, Retail Banking group could achieve a 16% growth in operating revenue while total assets could grow by 38% and total deposits increased by 19.3%.

Our branch network continues to demonstrate renewed energy and competitiveness, delivering exemplary performance in generating low-cost deposits, consumer loans and cross-sales of Banque Saudi Fransi subsidiary products.

While deposit taking is still the key business of Retail Banking, we steadily forged ahead in other retail businesses like housing and personal loans, commercial loans for SMEs, Bancassurance and credit cards. The Out Door Sales Team (ODST) network, our selling arm for personal loans and credit cards complementing the Branches, is being rationalized to generate the desired contribution.

Meanwhile, we continued to expand our credit card base, growing the number of cards in force by 20% over the past year. The growth in credit card portfolio and increase in the number of cards were the results of Campaigns launched during the year, such as the -Need a Car...Just make a wish- Campaign, Dubai Shopping Festival Credit Cards Usage Campaign, launch of National Credit Card and agreements with external firms to acquire cards for a limited period of time.

Retail Banking's Commercial Banking unit has again shown strong and well balanced growth in 2008. Actual growth in facilities extended established at 71% compared to 2007. Our Commercial Banking unit maintained its selective stance of retaining quality loans that met our target yields.



## Retail Banking (continued)

We began an intensified focus in building our consumer finance efforts in the early part of 2008 in line with our plans. Retail Banking's venture into the mortgage market via the setting-up of the SAKAN Company is meant to feed the pipeline in 2009 for Retail mortgages. On Personal Loans, through cross-selling with Corporate, our Corporate Staff Loan Package schemes reached 342 or 58 new Programs in 2008.

Retail Banking took significant steps to enhance our competitive strengths by concentrating our resources and efforts in developing a multi-channel delivery, which includes bringing our branch network closer to our customers and introducing new technologies. The continued expansion of Branch, ATM and FransiConnection networks forms part of the Bank's strategy to grow retail customers and provide better service. Prime branch sites have been identified in strategic locations with rapid commercial and industrial development to better serve the Bank's fast growing commercial and retail customers comprised of middle market businesses, top level enterprises and high net worth individuals.

Currently, we have 75 Branches and we plan to continue expanding the network throughout 2009. The relocation of Madina Main and Suleimania Branches within the year resulted in commendable improvement to the business of these branches. RBG's Branch network has seven Islamic Banking Branches and this will be expanded with additional four Branches in 2009. We have also launched a project called "Branch Fusion" to enhance the internal appearance and awareness of the Branches in terms of visuals and message reach.

From 246 at the end of December 2007, BSF's ATM network expanded to 273 in 166 offsite and 107 onsite locations and 73 Cash Acceptance Machines.



Total merchants grew to 3,818 while terminals reached 4,367 an increase of 470 merchants and 508 terminals, respectively against 2007 levels.

The focus on our customers, knowing and satisfying their needs, has encouraged the patronage of an increasing number of loyal clients. Thus, we are generating substantial balances from our Priority Banking customers. During the year, we forged agreement with CA Egypt (CAE) and Banque Bemo-Lebanon to provide services to Priority Banking, Private Banking and High Networth clients while they are abroad during the summer months of July, August and September. We are also developing the largely untapped mass market segment to build an even stronger base of recurring earnings in the years ahead.

We are re-engineering our processes and introducing new technologies for greater efficiency. Initial spadework for credit card processes has commenced. TransiMobile, Admerex Collection System, Contact Center enhancements and new currency notes on Cash Acceptance Machines were deployed during the year. Again, major projects in 2009 are geared towards employing processes and technologies to enhance the customer experience and more importantly, increase sales and revenues.

Aside from job-related training, RBG has undertaken specialized courses with IFCAM (the Training arm of Credit Agricole Group) called “Developing the Sales Culture” for our Branch personnel. A Development Program for ODST has been implemented as well. The roll-out of these sales effectiveness programs will help transform all Branches into sales-driven brick-and-mortar outlets.



# Wealth Management

2008 will be remembered for years to come as one of the most difficult for the world economy in general and for financial markets in particular. Major indices thawed by 40%, regional markets lost over 50%, liquidity all but disappeared, and volatility climbed to unprecedented levels.

Yet Banque Saudi Fransi Wealth Management Group (WMG) witnessed an exceptionally positive year. Client net deposits increased by over 12%, the large majority of tailor-made solutions delivered on their targeted returns, and the Group's income exceeded budget growth targets by 20% finishing the year by 41% above 2007. Direct costs increased by less than the budgeted 10%, which allowed WMG's cost to income ratio to improve from 16.50% in 2007 to 13.25% in 2008. WMGs' 2008 ROA exceeded our forward 3 year target.

Working closely with BSF divisions, subsidiaries and affiliates, realizing client's return objectives in the most strenuous of financial years, is how WMG established the quality and strength of its teams and differentiated itself from its competitors. Credit for this exceptional year also goes to the tightly knit team of dedicated Group, Regional and Unit managers supporting their teams in every possible way.

Improving the quality and prompt delivery of services commensurate to a High Net Worth client's expectations remains one of our primary objectives. To realize this, WMG has had to innovate and reduce its reliance on traditional Retail Banking services and operations, developing its own client driven model.

In 2009, we look forward to our clients' feedback on the first of a series of such solutions BSF will be launching.

Financial markets will start 2009 with probable weakening corporate results, continued pessimism, lack of confidence, and directionless markets. The uncertainty is expected to last for at least the first 6 months of the year. Although we expect World recession to deepen and all Governments to continue injecting more liquidity into the financial systems, we believe the first positive anticipations and marginal improvements in risk appetite to appear in Q3. As in 2008, we look forward to get an even better understanding of our client's environment and needs, identifying clear trends, and extending the most suitable of solutions through BSF and its subsidiaries and affiliates.

We hereby extend our gratitude and recognition to all our clients who, in the worst financial year since the great depression, continued to entrust their wealth and renewed their confidence to BSF group. We equally express our appreciation to all our colleagues across the BSF spectrum for their valuable and valued support and partnership. Finally, we deeply thank senior management and the shareholders for their understanding of and commitment to Wealth Management.



# Risk Management

## Growth of BSF Credit Portfolio

Growth of BSF credit portfolio was very dynamic during 2008. Total limits grew from SAR 138.8 billion in December 2007 to SAR 184.4 billion end 2008 and utilizations from SAR 104.5 billion to SAR 138.7 Billion (+ 32.7%). Funded exposure represents 61.3% of total exposure. The utilization ratio (utilization/limits) is at 75.2%.

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

Credit control was stringently 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 in 2008 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.

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 has been initiated during 2008 and should be completed in 2009 and will allow the bank to improve controls, enhance process efficiencies, and aide the longer term goal of adopting the IRB methodology.



## Non Performing Loans And Provisions

Non Performing Loans and advances net of accumulated special commission in suspense (net NPLs) are at SAR 764 million end December 2008.

Ratio of net NPLs / Loans & Advances net is at 0.95 % only end 2008. During 2008, net credit provisions amounted to SAR 94 million giving a very low net cost of credit for the year representing only 0.13 % of the average performing loans.

## Basel II and Risk Management

BSF opted for a phased implementation of the Basel II accord.

By the end of 2007, BSF complied with SAMA requirements under the standardized approach for credit, market and operational risks.

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. Operational risk and permanent control function is now fully in place following the constitution of an “Internal Control Committee” early 2008 with the objective to improve the overall control organization.

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.

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



# Information Technology

“Service Centric IT” was the theme ITD adopted for 2008. ITD pivoted itself as a technology service provider to the BSF group to enable them reach their goals. ITD ensured high availability of the systems by continuous monitoring of services, enabling disaster recovery capability, optimized use of infrastructure and increasing communication bandwidth besides developing / implementing / supporting business solutions.

Two new delivery channels were added during the year viz., “FransiMobile” and “FransiConnection”. These channels are available 24x7 and have high technology contents. FransiMobile application enabled the customers to transact business from their mobile phones and to experience the feeling of banking on the move. More features would be added in the coming year. FransiConnection is a new experience to the customers in the Kingdom wherein they can walk into the unmanned branch and transact their business round the clock, through the self guiding kiosks. This service is currently available in 3 locations in Riyadh and 3 more are under construction. Additional locations would be added in 2009.

New product development under housing advance was done in the name of “SAKAN” for Retail banking, in line with the bank’s strategy for tapping more retail business. Contact center system was enhanced with more features and to cater to the increased number of agents employed. The phone banking started to serve the customers of FransiTadawul also.

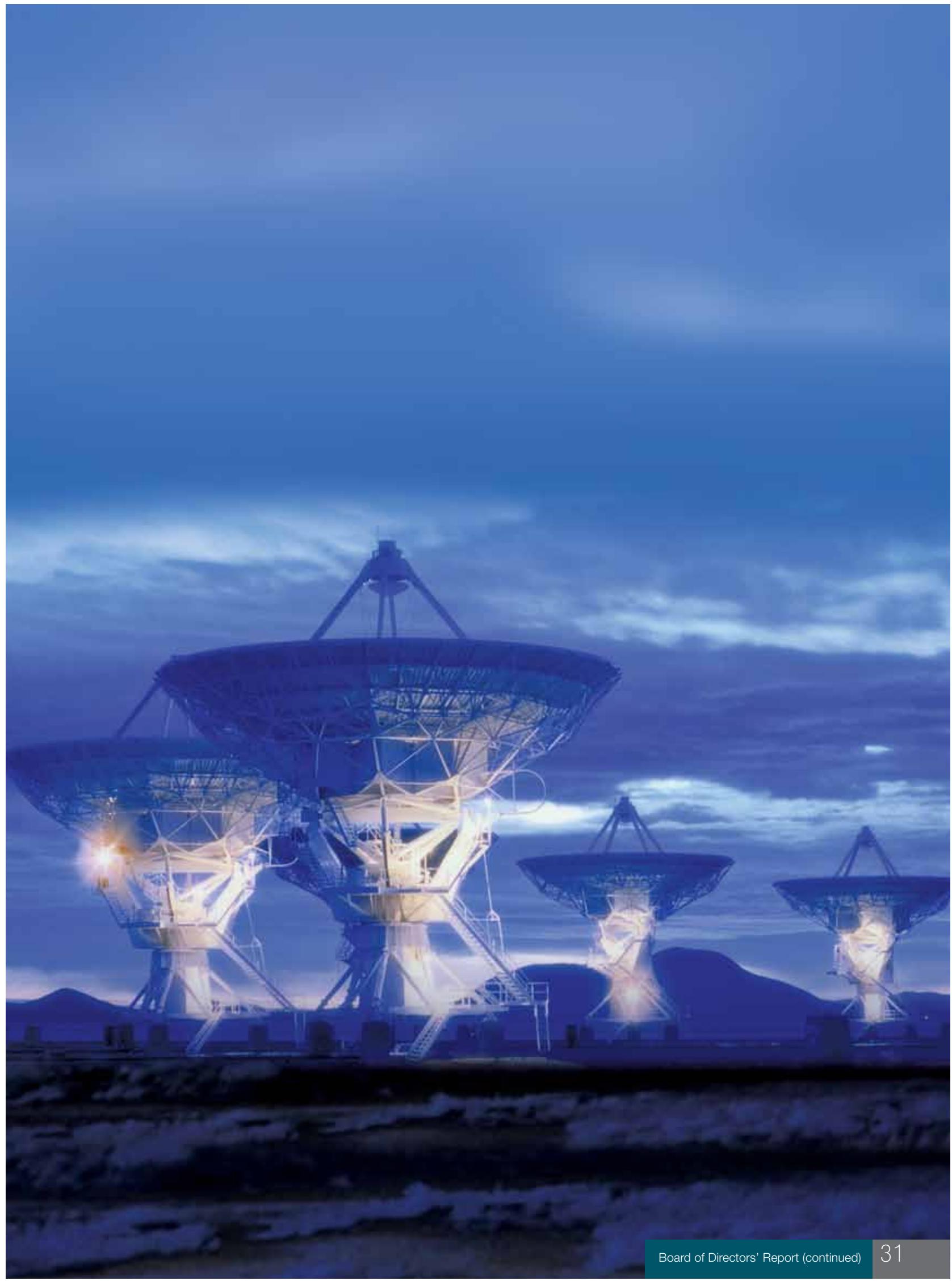
SADAD was under continuous improvement with inclusion of more billers. The latest addition is the Ministry of Interior. Analysing the behavior and needs of the customer is very essential to design new services and offer services and products to meet their needs. Customer relationship management systems are the appropriate tools to achieve this and ITD deployed the models that would help the bank to improve the services offered to the Corporate, Commercial and High Net worth customers.

As part of process re-engineering, Card-pin tracking system was revamped with additional features for Retail Banking, an integrated web based recruitment portal was launched for Human Resources and an automated procurement system deployed for Services Management.

Compliance requirements demanded replacement of the existing Anti Money Laundering system, which was completed in the 2nd quarter. Awareness training in the Anti Money Laundering was completed for all the ITD staff.

The International Bank Account Number (IBAN) has been mandated by SAMA to be implemented by all the banks. ITD has enabled this standard for all the incoming payments. In accordance with the regulatory guidelines, the services and infrastructure provided to the joint venture and subsidiary companies were separated and made independent. Technology adoption was one of the strong points of ITD. The technology deployment provided the leverage to ITD to offer optimized use of processing power, handle higher volume of data at the same cost and to create redundancy to act as back up in case of failure of primary service.

To meet the exigencies, mission critical and critical applications were set up as part of the Disaster Recovery Plan. These applications were regularly tested to ensure their updated nature and the readiness for operation. Following from the test conducted in December last year, 2 more exercises were done this year in May and October, involving business lines. ITD would continue to strive to provide reliable services to the business, in their quest to conquer new heights.



# Corporate Operations

2008 was a year of great change for Corporate Operations Division which saw the actual implementation of the new organizational structure take effect.

As we aspire to provide the highest quality of service, we have introduced organizational changes that reflect our focus on customer needs whilst laying greater emphasis on electronic delivery channels and straight through processing.

Numerous automation initiatives started as major projects in order to enhance internal services to the Bank and its customers.

## Trade Finance Operations Department

Trade Finance took the initiative to focus internally on streamlining the existing processes in addition to ensuring greater utility of the newly upgraded Bank Trade system .This included the review of the procedural aspect of risk approval which resulted in minimizing the turnaround time of approval for our customers.

Trade Finance's success with the "e-Doc" functionality for ARAMCO's LC notification was a driving force to expand this service to other major customers. These services are being considered for focused marketing campaigns planned for 2009. Additionally, specialized consultancy services were obtained to help us apply best market practice methodologies.

## Payments & Cheques Department

2008 saw the Payments and Cheques Department focusing on staff specialization with a view to building the right skill set in order to improve payment services. By bulking our outgoing payment messages, we could reduce costs by 25%.

Such specialization proved to be beneficial in preventing losses related to errors and frauds in the transfers' process and also in cheques. It also added value in enhancing the risk identification and mitigation techniques currently in place.

## Operations Support and Control Department

Operations Support and Control Department is the safety valve for operations. Our aim is to take care of the corporate customer support unit and in providing the expertise to review, evaluate, follow up and re-negotiate agreements with partner banks and corporate customers for e-services to ensure compliance to BSF standards whilst meeting customer satisfaction levels.

OSCD has taken a leading role in identifying, mitigating and preventing possible losses that could have potentially resulted in a substantial financial impact on the bank.



## Corporate Operations (continued)

### Treasury Operations Department

Despite this period of change, TOD managed to continuously meet the ever increasing Group Treasury processing workload efficiently and effectively whilst working on the implementation of the Treasury Back Office automation project, which is a major initiative undertaken by the Bank in order to streamline and automate treasury processing.

### Services Development Department

Services Development Department focused on ensuring the implementation of COD major projects and setting up and implementing standard project management practices. It plays a role in assisting other departments in re-engineering projects and in defining their requirements. In 2008, SDD has achieved significant progress on key projects for the division, such as IBAN compliance project for SAMA, SARIE migration to MT103, Treasury Back Office, and Document Management System.

### IPO Department

IPO Department automation made all IPO implementations smooth and easy throughout the year. BSF was able to handle several IPO's at the same time as Floatation Manager and Receiving Bank. The department is also handling Brokerage operations activity. Monitoring the brokerage cash limits and executing the daily clearing settlement on the BSF Nostro account.



## Services Management

Services Management Division kept focusing on enhancing the infrastructure of BSF. Operating under the umbrella of the Chief Operating officer, its mission is to bring more efficiency in all business processes of the Bank, to improve the infrastructure of the Bank (non IT) and provide support for the Bank's Staff in order to better serve the needs of our valued customers.

During 2008, SMD deployed 4 new operational branches and expanded 3 existing, relocated 1 branch while Implementing 3 self service Branches (fully automated, operating 24 hours a day, 7 days a week) and 3 new Ladies Sections. It is noteworthy that within the current network of Branches, 17 branches have been restructured in order to create dedicated spaces for "My Family" clients segment and "Privilege" program.

In addition, SMD could deliver 30 new Automated Teller Machines and 5 Cash Acceptance Machines. In the meantime, 61 ATM were replaced, upgraded and relocated.

Moreover, SMD renovated the Offices space for our Private Banking Group, delivered 2 Regional Offices for Sofinco Saudi Fransi and created one Office space for our Outdoor Sales Team.



# Corporate Human Resources

Key to growing and deepening our client relationships and accelerating growth is the quality of our talents who work with our clients. CHR keeps on focusing on managing that talent even more effectively by building infrastructures to: evaluate and reward demonstrated performance; put the right people in the right jobs; and keep people happy in their jobs. By doing that, we are confident that BSF will remain an employer of choice.

## Performance Management

To create a more demanding culture of performance, a key performance indicator or KPI-based system was developed and adopted. To empower the business leaders, this project development begins and ends with high-level workshops and meetings focused on defining key strategic objectives and how to measure them.

## Job Classification System

Aimed to make career path more transparent and instill meritocracy at every level, a new Jobs qualification System, after over two years of study has been implemented. This includes the introduction of the job family and corporate title concepts of job classifications and the use of Hay method to evaluate jobs.

## Staff Satisfaction

To encourage respect, teamwork, and a supportive culture that drives excellence in performance, following the conduct of Staff Satisfaction Survey in 2007, regular engagement health checks and work outs were adopted as a way of life at BSF. High level 'Engagement Steering Committee' and 'Engagement Sub-Committees' in each Group were created to measure, oversee and address staff job satisfaction issues.

## Fransi Careers

A state-of-the-art career portal that allows hiring managers to be fully integrated into the recruitment process through: Communication - access at any time check current status of a hire; Screening / presenting CVs – automated interviews scheduling.

## Welcome Kit

Includes a website designed to ensure excellent first impressions of BSF by all new employees from day one. Upon signing the offer letter, a candidate will be invited to a website that provides information he or she needs to know before even reporting for work.

## Staff Career Program Initiation

Developed, proto-typed and piloted at CHR a competency-based career development system. This enabled costing of skills gaps and prioritization of training based on the demands of business goals and strategies.

## Joint Venture Operation Support

CHR played vital role in putting newly formed joint venture companies into operation. Services ranges from rendering full HR services to helping them organize their own HR units.

## Staff Activities

Involved in the well being of BSF Staff, CHR organized social activities such as Staff Talent Exhibition, leisure and sport activities.



# Compliance

The annual Compliance Policy Statement issued by the Senior Management of the Bank emphasized on the importance of compliance in every aspect of the Bank's activities. It also stressed that compliance is everyone's responsibility and that each employee is accountable to understand and follow all the rules, regulations and policies applicable to their position.

The ever changing regulatory environment in the Kingdom and around the world requires that the compliance be part of our day-to-day business. Because of the changes in the regulations or business practices, CPD issued new policies and updated existing policies and procedures to guide the Business Lines.

Compliance Division conducted Anti Money Laundering & Counter Terrorist Financing and Fraud Awareness training sessions throughout the Kingdom during the year In line with the Policy Statement, Compliance Division provided support and guidance to the various Business Lines to further enhance and strengthen the compliance culture. CPD also collaborated with the joint ventures to implement and deliver regulatory requirements.

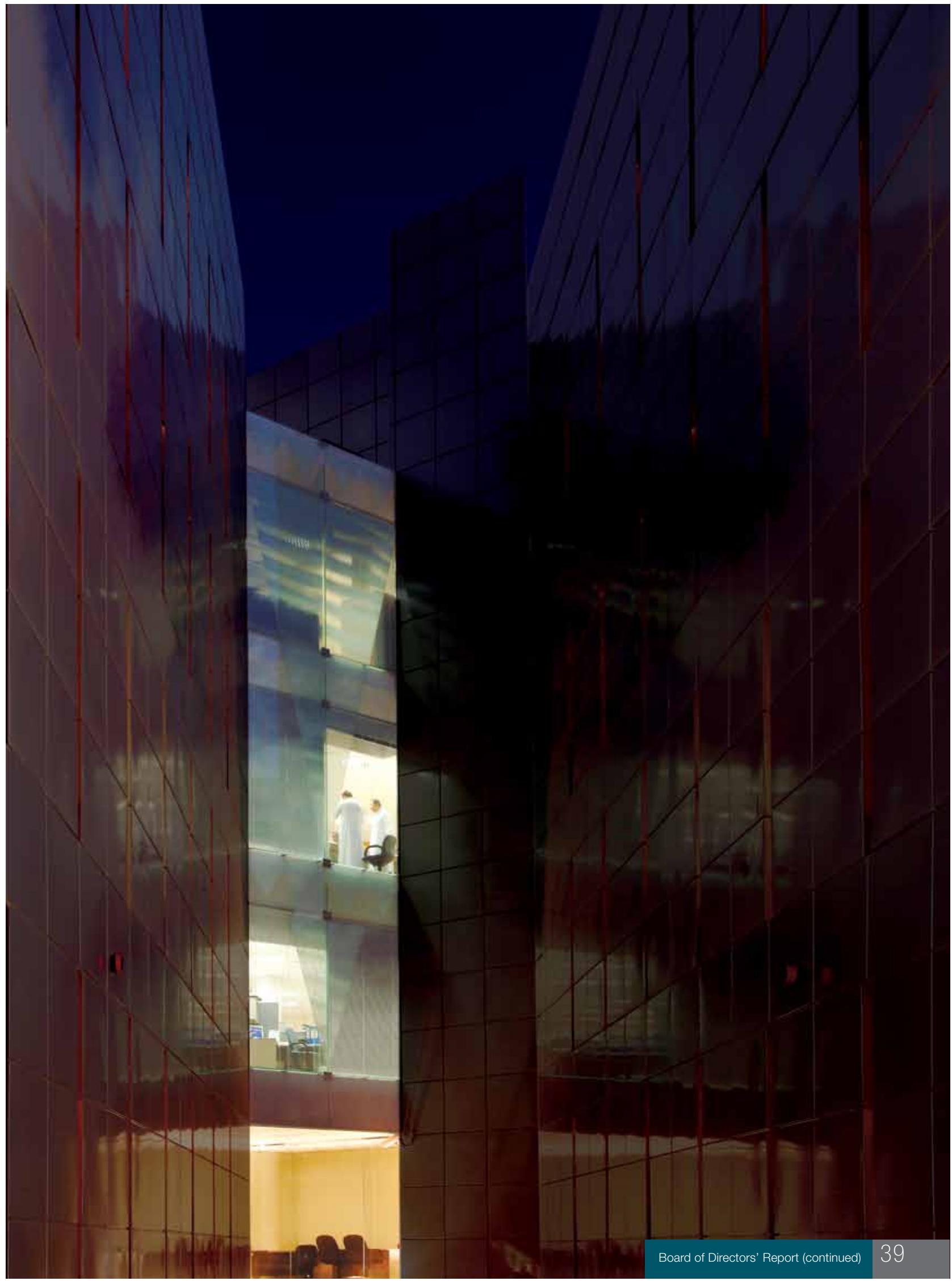
During the year, CPD reviewed many financial transactions as part of its anti money laundering and counter terrorist financing monitoring activities and conducted various compliance reviews.

The increase in the number of compliance reviews achieved was made possible thanks to the successful deployment of new Anti Money Laundering Software which further strengthened our ability to monitor and investigate suspicious transactions effectively and efficiently.

With the cooperation of the business lines and support divisions, the existing policies and procedures were stored on BSF's Policy and Procedure Manager. It serves as a database of all the BSF's policies and procedures and provides support and guidance to the business lines.

CPD is involved in an ongoing dialogue with the regulators in terms of providing support and feedback in establishing various rules and guidelines that contribute to the development of sound financial system.





It is noteworthy that the year 2008 was difficult from various standpoints, nevertheless, efforts were made to ensure that critical audit missions were carried out so that high risk areas are not left uncovered.

## Internal Activities

In 2008, the risk-based audit methodology was again applied: review of all areas of the bank, update of the audit universe accordingly (a task of particular importance given the rapid growth of certain activities and the creation of new joint ventures), definition of 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 2008, the Division performed a full scope audit of the newly created joint ventures (Caam Saudi Fransi, Sofinco Saudi Fransi) together with auditors sent by our French partner. It actively interacted with the Inspection Générale of Calyon in Paris, in order to obtain their support whenever necessary and follow best practices.

In addition to the approved audit plan, the Audit Division performed some unplanned missions at the request of management or upon its own decision whenever the need has arisen to ensure that the internal controls are effectively functioning and risks properly monitored and controlled. The Audit Division also kept a close monitoring on the status of implementation of the recommendations of the internal control task force that was set-up earlier by the Bank. The Internal Audit Charter has been updated and approved by the Audit Committee in its meeting of 30 November 2008.

## Interaction with Regulatory Authorities

After the comprehensive SAMA Inspection of the Bank in July 2008, the Audit Division together with the Compliance Division was actively involved in following up their recommendations with all entities of the Bank. In line with SAMA's directives, the Bank has set-up a committee to report the status of implementation of SAMA's recommendations on a quarterly basis. The Audit Division is now a part of this committee as well.

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

## Activities related to the Audit Committee

The Chief Internal Auditor, 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 function as intended. The Audit Division also endeavors to coordinate with regulatory authorities to ensure that new regulations are properly understood and implemented in the Bank.



## Corporate Communications & Social Responsibilities

As a responsible corporate citizen and an active supporter to community development, Banque Saudi Fransi is continuously supporting various private and government agencies in the Kingdom and had made many contributions to social, educational, charitable, health and sports activities.

A few of these beneficiaries are Al Nahda Philanthropic Society for Women, King Faisal Specialized Hospital and Research Center, National Home Health Care Foundation and the Ministry of Culture and Information for organizing the Saudi Arabian Cultural Night during the Arab Media Campaign which was held in Cairo.

Similar to the previous years, BSF sponsored the 29th Tennis Tournament this year organized by the Riyadh InterContinental Hotel.

Furthermore, Corporate Communications Department (CCD) continued its role, year after year, in enhancing the bank's image, supported all communications strategies of joint venture companies and at the same time promoting their new products and services; and ensuring that any related applications are in accordance with the bank's corporate standards.



## Secretary General

Secretary General plays a central role in ensuring coordination of all the regulatory meetings at the highest level of BSF. In 2008, 4 Boards of Directors meeting were held. To this end, Secretary General prepared the necessary reports, the minutes and the management of registers and proper administrative issues.

More over, the gathering of the Executive committee was properly ensured as well as the organization of the meetings of the Boards of Directors for each joint-venture companies and subsidiaries of the Bank.

All decisions such as capital increase, changes in their board membership were properly followed and implemented.

Secretary General remains also the point of contact for all external regulatory bodies and sees to it that the directives received from official authorities are properly circulated within the Bank and official requests are timely answered.



We readily succeeded on May 15th 2008, corresponding 10 Jumada'l 1429H, in the transfer and separation of all functions and transactions of the Financial Brokerage Services (local and international) from Banque Saudi Fransi to Fransi Tadawul LLC.

Notwithstanding the global financial crisis and slowdown of brokerage businesses in the area of stocks trading, locally and internationally, not to mention that there are 30 brokerage companies in the Saudi market, yet the Fransi Tadawul LLC has proceeded in making progress, encountered huge challenges and maintained its position among the major 5 companies in terms of its market share in local stock exchange.

The Fransi Tadawul LLC pursued its policy in training its staff during 2008 and oversaw the implementation of orientation programs for employees of Banque Saudi Fransi in all regions on functions of the company and operations of the bank after the transfer and separation of financial brokerage services from the bank to the company.

During 2008, Fransi Tadawul LLC pursued its strategic policy in the development and employment of technology so as to meet the customers' needs. The website of Fransi Tadawil was enhanced to cover a variety of functions of value to the customers.

A number of agreements were signed with licensed companies by Fransi Tadawul to broadcast the prices and news on local stocks, which gave the customers the option of navigating among three companies to go over the stocks prices.

On the other hand, the first phase of the International Stocks Management system was launched, the results of which will be seen in 2009 when all phases will have been concluded.

The Fransi Tadawul phone service was also launched, which enables the customers to enquire on their accounts and investment portfolios in an easy manner, whether they were inside the Kingdom of Saudi Arabia or abroad.





The asset management activities of BSF were spun-off in January 2008 into the new legal entity by Caam Saudi Fransi a joint venture company between Banque Saudi Fransi (60%) and Credit Agricole Asset Management (CAAM Group) of France (40%).

CAAM Group is the leading asset manager in France and ranks among the top 10 in Europe with €460 billion under management as of September 2008.

During 2008, besides successfully completing its spin-off, Caam Saudi Fransi has managed to consolidate its business activities servicing the clients of BSF. Despite the poor performance of financial markets and the aftermath of the global financial crisis, CAAM SF has mobilized its assets under management as well as its client base, thanks to conservative product approach.

As a consequence, Caam SF has moved from 8th to 6th rank in the industry (source CMA ranking of Mutual Fund managers) and its market share stood at 4.14% at the end of 2008.

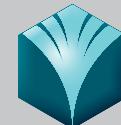
In addition to our offices in Riyadh, Jeddah and Al Khobar we have opened a presence in Hofuf to complement our Eastern Region coverage. Our product range has been resilient and we won for our Al Fursan Fund 2\* GCC regional awards in 2008 for its performance from Lipper and Failaka.

A communication campaign was launched kingdom wide to promote our corporate identity and products in May and June 2008.

Our marketing documentation has been entirely redesigned to give our clients more frequent information about their investment with us. It is available on our internet site at [www.caamsf.com.sa](http://www.caamsf.com.sa)

We will continue our efforts to propose investment products well suited to the current difficult financial environment and will be launching a new fund in 2009.

\*Al Fursan is a BRIC equity fund investing in Brazil, Russia, India and China, the awards were for the 2007 performance as best emerging market equity fund.





## Sofinco Saudi Fransi

In its second year of existence Sofinco Saudi Fransi a joint venture between Banque Saudi Fransi & Sofinco Co., has developed its presence in the country with 10 offices in 10 cities.

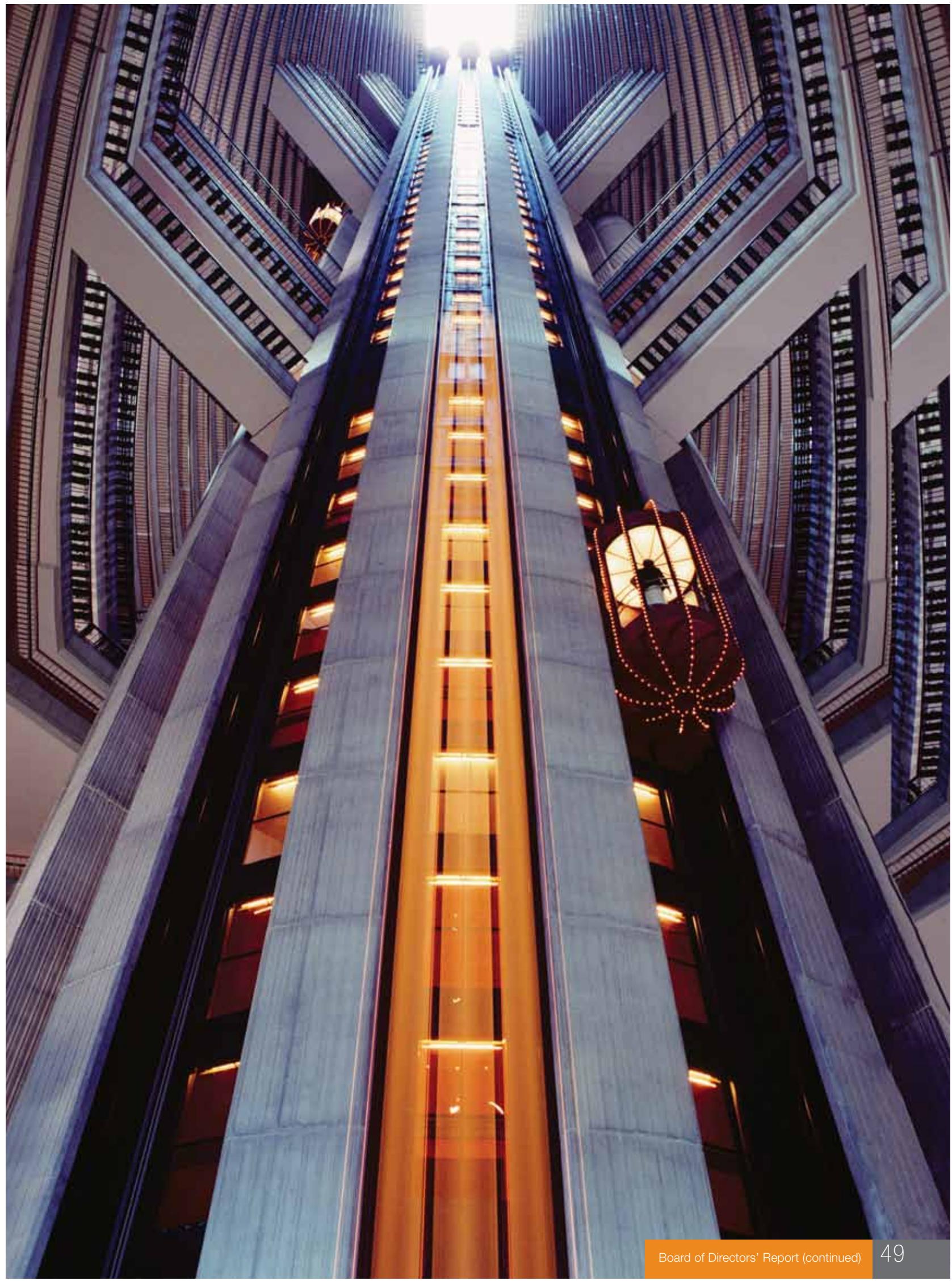
Sofinco Saudi Fransi has started to develop in the car financing activity.

The company is using an indirect marketing strategy through Car Dealers.all over the country and distribute Islamic products (Murabaha, Ijara) to individual customers.

As at the end of 2008, Sofinco Saudi Fransi has already setup partnership with 500 points of sales.

Sofinco could attract new volume of business during 2008, for an amount of SAR 350 Million, which represents around 3% of market share of the car financing activity in the Kingdom.





## Allianz Saudi Fransi

Allianz Saudi Fransi was established in 2007 as a joint venture between Allianz Group, one of today's leading global financial services providers and Banque Saudi Fransi.

Allianz Group founded in Germany in 1890, today is one of the leading global financial services providers. With over 180,000 employees worldwide, Allianz Group serves more than 80 million customers in more than 70 countries. On the insurance side, Allianz is the market leader in Europe and the third worldwide.

Allianz Saudi Fransi is committed to provide comprehensive insurance services and Shariah compliant products to Saudi market for corporate and individual customers with the best of local know-how coupled with extensive international expertise and experience. At Allianz Saudi Fransi, we are proud of a very successful year. We have exceeded our quantitative and qualitative objectives.

In March 2008 we got our operational license in the Kingdom of Saudi Arabia; we were among the pioneers in The Kingdom of Saudi Arabia to receive the license to start operations. In June 2008 we got approval for our range of products from SAMA, and the board of directors approved the transfer of the portfolio from Insaudi Insurance (our former affiliate) to Allianz Saudi Fransi.

We have moved to new Head Office in August 2008 at a prime location in Riyadh, and we successfully opened new branches all over the Kingdom, now we have a wide network of eight branches in all major cities in the Kingdom of Saudi Arabia including Riyadh, Jeddah, Medinah, Dammam, Khobar, and Al Hasa.

With regards to 2009, and in line with our objectives, a capital increase of SAR100 million to reach a capital of SAR 200 million has been approved in order to support our development plan and ambitions considering the high potential which is lying with the Saudi Market.

At Allianz Saudi Fransi, our guiding principles are integrity and customer focus. In 2009 our efforts will be more focused on enhancing customer satisfaction for better long term relationship.





The first year of operation of Calyon Saudi Fransi Limited (CSFL) as an independent CMA-licensed entity saw the company achieving impressive results in terms of revenue generation, market share gains and league table rankings.

This vote of confidence by our clients, which are our most valuable asset, is a direct result of the firm's unique market position as a true and deep-rooted partnership between Banque Saudi Fransi and Calyon, the investment banking arm of Credit Agricole. This partnership has allowed CSFL to leverage on BSF's excellent corporate relationships to deliver Calyon's world-class investment banking advisory and execution expertise to our clients in Saudi Arabia.

### The company's achievements are noteworthy

In equity capital markets, CSFL has raised approximately SAR 7.5 billion for its clients through IPOs and private placements, such as acting as the financial advisor, lead manager and lead underwriter of the SAR 7 billion IPO of Zain Saudi Arabia. This IPO, to which 8.5 million investors subscribed, is the third largest IPO ever launched in Saudi Arabia, and was 2.83 times oversubscribed despite adverse market conditions.

In debt capital markets, CSFL has developed and put at our clients' disposal full structuring, execution and distribution capabilities as evidenced by the successful execution of SAR 5 billion, 5-year sukuk for SABIC, where we acted as the Joint Lead Manager and Joint Book-runner.

Despite volatile conditions in global capital markets, the issue was over subscribed by 30% with significant demand emanating from diversified institutional investor base. By working closely with Calyon's global product and distribution network, CSFL is in a unique position to provide to its clients world-class debt capital markets advice for both onshore and offshore offerings, and ready access to a large pool of international investors.

In Mergers and Acquisitions, CSFL was also able to take advantage of its shareholders' strengths and its strong sector, product and execution capabilities to win significant and high profile mandates.



## Calyon Saudi Fransi (continued)

As an example, CSFL recently advised and successfully executed the advisory mandate for Al Marai on the acquisition of 75% Teeba Investment for Developed Food Processing, a Jordan based dairy company, where the transaction is expected to close imminently.

The significance of this transaction for CSFL, our shareholders and our clients, is that it establishes CSFL as a leader in a relatively new M&A space of cross-border transactions.

Looking into 2009, and with the backdrop of significant global markets volatility and uncertainties, we aim to be in-step with our clients in addressing their investment banking needs, be it in capital markets access and advisory, or in taking advantage of opportunities for a strategic expansion of their businesses both within the kingdom as well as for cross-border transactions.

We are confident that the combination of the support by our shareholders, the dedication and expertise of our team and the valuable trust of our clients position us solidly to capture new opportunities and to build upon recent successes going forward.



# Board of Director's Report (continued)

## Shares and Debt Instruments issued per affiliate

| Name   | Amount (SAR)            | Description   |
|--|-------------------------|---|
| Sofinco Saudi Fransi                         | 182,500,000             | Subordinated Loan   |
| Al-Amthal Leasing Ltd                        | 26,000,000              | Loan from the partners at SAR 130,000,000<br>of which BSF share is SAR 26,000,000   |
|  | 4,000,000               | Subordinated Loan   |
| Insaudi (Closed Joint Stock Company) Bahrain | 3,750,000<br>25,000,000 | Subordinated Loan<br>L/G F/o Health Insurance Commission<br>These obligations will expire at the cessation of company during Q1, 2009 |

## Future plans and expectations

BSF plans to expand internally with 11 more branches and 40 ATM's underway covering all parts of the Kingdom. BSF has also secured an approval from the authorities to open a company that specializes in real estate funding consistent with Shariah. The company will begin to offer its services in all parts of the Kingdom. BSF has also laid down a comprehensive plan for future expansion of its activities including branch network, retail services, corporate services and treasury.

## Profits

The annual net profits are distributed after the deduction of costs and expenses, the creation of doubtful debts, investment losses, Zakat and income. 25% of the net profits have been transferred to the statutory reserve.

After the deduction of the reserve, Zakat and tax, an amount is allocated for final dividend payment, which is done 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 per share as a total share dividend in 2008 and the grant of 2 bonus shares per 7 existing shares subject to securing the necessary approvals and after the approval of the extra ordinary shareholders meeting scheduled for March 2009.



## Board of Director's Report (continued)

### Zakat

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

| SAR' 000                                  | 2008    | 2007    |
|---|---------|---------|
| Zakat – Saudi shareholders                | 142,000 | 47,000  |
| Income Tax – Foreign shareholder (CALYON) | 202,000 | 171,000 |
| Total                                     | 344,000 | 218,000 |

### Board of Directors

BSF's BOD consists of 10 directors. According to BSF's Articles of Association, the Saudi directors are selected by the shareholders for 3 years. The present BOD duration extends from 1.1.2007 till 31.12.2009. According to the regulations, the membership shares (1000 shares per director) were duly booked.

### The Saudi Directors

|                         |                                 |                           |
|-------------------------|---------------------------------|---------------------------|
| Mr. Ibrahim Al-Touq     | Chairman                        | (independent)             |
| Mr. Abdulaziz Al-Rashid | Member                          | (independent)             |
| Mr. Ibrahim Al-Issa     | Member                          | (independent)             |
| Mr. Abdulaziz Al-Habdan | Member                          | (representing GOSI)       |
| Dr. Khaled Mutabagani   | Member                          | (independent)             |
| Mr. Mousa Al-Omran      | Member                          | (independent)             |
| Mr. Abdulrahman A. Jawa | Deputy Managing Director Member | (executive - independent) |

### The Non-Saudi Directors

|                             |                          |                                   |
|-----------------------------|--------------------------|-----------------------------------|
| Mr. Jean Marion             | Managing Director Member | (executive - representing Calyon) |
| Mr. Jean-Frederic de Leusse | Member                   | (representing Calyon)             |
| Mr. Alain Massiera          | Member                   | (representing Calyon)             |

Mr. Allain Massiera was appointed as director on 5.7.2008 as replacement to Mr. Edward Esparbes.

BOD held 4 meetings in 2008. An attendance rate was recorded at 95%. Following is the attendance record of the subject meetings:

|            |   |
|------------|---|
| 8.3.2008   | Ibrahim Al-Touq, Abdulaziz Al-Rashid, Ibrahim Al-Issa, Mosa Al-Omran, Abdulaziz Al-Habdan, Khaled Mutabagani, Abdulrahman A. Jawa, Jean Marion, Edouard Esparbes, Jean-Frederic de Leusse |
| 5.7.2008   | Ibrahim Al-Touq, Abdulaziz Al-Rashid, Ibrahim Al-Issa, Abdulaziz Al-Habdan, Abdulrahman A. Jawa, Jean Marion, Edouard Esparbes, Jean-Frederic de Leusse, Alain Massiera                   |
| 25.10.2008 | Ibrahim Al-Touq, Abdulaziz Al-Rashid, Ibrahim Al-Issa, Mousa Al-Omran, Abdulaziz Al-Habdan, Khaled Mutabagani, Abdulrahman A. Jawa, Jean Marion, Jean-Frederic de Leusse, Alain Massiera  |
| 14.12.2008 | Ibrahim Al-Touq, Abdulaziz Al-Rashid, Ibrahim Al-Issa, Mousa Al-Omran, Abdulaziz Al-Habdan, Khaled Mutabagani, Abdulrahman A. Jawa, Jean Marion, Alain Massiera                           |

Names of the other companies where BSF directors have board membership:

|                         |   |  |
|-------------------------|---|--|
| Mr. Ibrahim Al-Touq     | Calyon Saudi Fransi<br>CAAM Saudi Fransi<br>Fransi Tadawul<br>Sofinco Saudi Fransi<br>Al-Touq Company<br>Steel Products Co (STEPCO)<br>Saudi Metal Packing Co (SACO)<br>Al-Helal Electronic Printing Press<br>Saudi Ind Investment Co | Chairman<br>Chairman<br>Chairman<br>Chairman<br>Chairman<br>Chairman<br>Board Member<br>Board Member<br>Board Member                 |
| Mr. Abdulaziz Al-Rashid | R A Al-Rashid and Sons Co<br>Al-Shefa Medical Syringes Manufacturing Co<br>Al-Khaleej and Education Co (Joint Stock)<br>Al-Falak Electronic Supplies Co   | Chairman<br>Board Member<br>Board Member<br>Board Member   |
| Mr. Ibrahim Al-Issa     | Taiba Holding<br>Al-Maraie Co<br>Yanbu Cement<br>Savola   | Chairman<br>Board Member<br>Board Member<br>Board Member   |
| Mr. Abdulaziz Al-Abdan  | STC   | Board Member   |
| Dr. Khaled Mutabagani   | Al-Madina Hajj Transport Co<br>Al-Arabia Hajj Transport Co<br>Themar Al-Haditha Holding<br>New Horizon<br>National Co<br>Jeddah National Hospital   | Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member   |
| Mr. Mousa Al-Omran      | Savola<br>Afia International<br>Al-Maraie Co<br>Arabian Cement  | Board Member<br>Board Member<br>Board Member<br>Board Member   |
| Mr. Abdulrahman A. Jawa | Saudi Travellers Cheques<br>Bemo Saudi Fransi Syria<br>Saudi Fransi Insurance Co<br>Bemo European Bank Middle East Beirut<br>InSuadi Insurance Bahrain<br>Calyon Saudi Fransi<br>CAAM Saudi Fransi<br>Fransi Tadawul<br>Al-Amthal     | Chairman<br>Chairman<br>Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member |
| Mr. Jean Marion         | Saudi Fransi for Coop Insurance<br>Bemo Saudi Fransi Syria<br>Calyon Saudi Fransi<br>CAAM Saudi Fransi<br>Sofinco Saudi Fransi<br>Fransi Tadawul  | Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member<br>Board Member   |

## Board of Director's Report (continued)

BSF Board of Directors / Executives, their wives and minor children have shares with BSF as at 31.12.2008 as per the following:

### 1. BSF Board of Directors

| Name                          | Shares    | Percentage to total shares (%) |
|-------------------------------|-----------|--------------------------------|
| Ibrahim Al-Touq               | 7,773,883 | 1.38%                          |
| Ibrahim Al-Issa               | 2,500     | 0%                             |
| Abdulaziz Al-Rashid           | 2,500     | 0%                             |
| Abdulaziz Al-Habdan           | 8,000     | 0%                             |
| Abdulrahman A. Jawa           | 13,058    | 0%                             |
| Khalid Mutabagani             | 27,825    | 0%                             |
| Mousa Al-Omran and his family | 372,796   | 0.06%                          |

### 2. BSF Executives

| Name                        | Shares | Percentage to total shares (%) |
|-----------------------------|--------|--------------------------------|
| Abdulaziz Omar Osman        | 3,000  | 0%                             |
| Ahmad Jawdat and his family | 988    | 0%                             |
| Mazen Tamimi                | 1,375  | 0%                             |
| Omar Jazza                  | 1000   | 0%                             |
| Yousef Laban                | 100    | 0%                             |

According to Article 30, Listing Rules, issued by CMA, BSF 10 top shareholders as of 31.12.2008 are as follows:

| Name (ownerships in excess of 1%) | Shares      | Percentage to total shares (%) |
|-----------------------------------|-------------|--------------------------------|
| Calyon                            | 175,000,000 | 31.11%                         |
| GOSI                              | 72,230,408  | 12.84%                         |
| Rashed Al-Rashid Co               | 55,294,650  | 9.83%                          |
| Mohammad I Al-Issa                | 30,013,050  | 5.34%                          |
| Omran Al-Omran                    | 10,255,998  | 1.82%                          |
| Maan Al-Sani                      | 9,017,896   | 1.60%                          |
| Adnan Bouqari                     | 8,489,628   | 1.51%                          |
| Al-Olayan Saudi Investment Ltd    | 7,877,000   | 1.40%                          |
| Hamed Mutabaqani                  | 7,761,236   | 1.38%                          |
| General Organization for Pension  | 7,275,352   | 1.29%                          |

## Assignment of interest by BSF Directors / Executives

There is no information in the possession of BSF of any arrangements or agreements whereby any director/ executive/ shareholder/ has assigned any interest of right to dividends.

### 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. BSF higher management affirms that no BSF director or any of their relatives of the first degree or the management senior officers have any relationship with the companies have contracts with or are doing certain works for BSF.

Mr. A Al-Rashid has partnership relationships with Mr. Ahmad Al-Sari, Head Audit Committee, in Al-Falak Electronic Supplies. Both are founders in Al-Khaleej and Education Joint Stock Company.

Aside from the information provided in the Auditor's Report attached with BSF Consolidated Account Statements, BSF did not conclude any significant contracts involving significant interest for any of the directors or with the executive management or any party connected therewith.

## Board of Director's Report (continued)

### Board of directors remuneration

Total remuneration paid to the directors amounted to SAR. 2,878,113 (SAR. 2,724,000 in 2007) including the attendance fee as follows:

| Description                            | SAR              |
|--|------------------|
| 1. Annual remuneration, Chairman       | 360,000          |
| 2. Annual remuneration, Boards Members | 2,160,000        |
| 3. Attendance fee, Board of Directors  | 117,000          |
| 4. Attendance fee, Executive Committee | 96,000           |
| 5. Traveling expenses                  | 54,113           |
| <b>Total</b>                           | <b>2,878,113</b> |

Remuneration paid to the directors as BSF employees including salaries, allowance, monthly / annual performance bonuses, short / long incentive plans and other incentives in kind amounted to SAR. 9,219,793 (SAR. 8,000,000 in 2007).

### Remuneration paid to the Executives

Remuneration paid to 5 BSF executives including the financial manager including salaries, allowance, monthly / annual performance bonuses, short / long incentive plans and other incentives in kind amounted to SAR. 9,562,518.

### The following committees were created under BOD:

#### Executive Committee

It consists of 7 members and is formed for 3 years duration from 1.1.2007 to 31.12.2009

|                             |          |
|-----------------------------|----------|
| Mr. Jean Marion             | Chairman |
| Mr. Abdulaziz Al-Rashid     | Member   |
| Mr. Ibrahim Al-Issa         | Member   |
| Mr. Abdulaziz Al-Habdan     | Member   |
| Mr. Mousa Al-Omran          | Member   |
| Mr. Abdulrahman A. Jawa     | Member   |
| Mr. Jean-Frederic de Leusse | Member   |

In 2008, Executive Committee held 5 meetings with the attendance rate of 89%.

## Donation and Social Contribution Committee

It consists of 3 members as follows

|                         |          |
|-------------------------|----------|
| Mr. Ibrahim Al-Touq     | Chairman |
| Mr. Abdulaziz Al-Rashid | Member   |
| Mr. Abdulrahman A. Jawa | Member   |

The Donation and Social Contribution Committee meets to lay down the appropriate mechanism for donations and social contributions. Several donations and contributions were made by BSF in several events and won several letters of appreciation.

## Nomination and Rewards Committee

BOD recommended that the number of members on Nomination and Rewards Committee to be 4 and it approved its work method. BOD's recommendations will be presented to the extra ordinary meeting scheduled for March 2009 for approval. The committee was created recently and accordingly it held one meeting in Nov 2008.



## Audit Committee

Chairman

: **Sh. Ahmad Al-Sari**

Executive Partner, Malaz Group

Members

: **Mr. Ammar Al-Khudairy**

Managing Director and founding shareholder, Amwal AlKhaleej

**Mr. Michel Le Masson**

Inspector General of Calyon, France

**Dr. Khaled Mutabagani**

Member of the Board of Banque Saudi Fransi

Secretary

: **Mr. François 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 meets six times a year in order to adequately cover all critical risk areas in the Bank. 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.

Based upon its risk-based three year work plan, the Committee was extensively involved in assessing 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. 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 reviewing the status of recommendations made by the internal control task force that was set up by the management to ensure improvement in the internal control system of the Bank. It also monitored and ensured the strict compliance with SAMA rules and guidelines and was 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 provided a permanent support to the Audit Division in terms of supporting its organization and achievement of the annual audit plan. To this end, it very closely followed the activities and achievements of the Audit Division, the follow-up of unimplemented audit recommendations, and other unplanned involvements.

## Certified Public Accountants

The shareholders meeting held on 30.3.2008 (22.3.1429) appointed Messrs. Ernest and Young and Messrs. KPMG Al-Fouzan and Al-Sadhan, as the Bank's certified public accountants for the FY 2009.

## Accounting standards

The financial statements were prepared according to the accounting standards issued by SAMA as well as the international recognized standards. BSF prepared its financial statements consistently with Banking Act and Corporate Act of SA as well as BSF Articles of Association. There has been no major deviation in the accounting standards being applied at BSF against SOCPA's accounting standards.

BSF BOD, to the best of its knowledge, and other parties of interest affirm that:

1. BSF has kept correct accounting records,
2. BSF has a sound internal audit system and that such system was audited by BSF Internal Audit who reports to BSF Audit Committee, and
3. the Board has no doubt about the ability of the Bank to continue to operate successfully.

## Disclosure

BSF believes that BSF has in place a suitable control system that permits the preparation of interim financial statements consistent with SAMA's accounting and financial standards as well as the international accounting and reporting standards. The present accounting statements have been prepared according to this system. The directors were given an access to the information pertinent to a period of no more than one year from the ending date of the last year.

## Corporate Governance

BSF works according to the regulations and directives under CMA's Corporate Governance. BSF directors and members of the higher management participated in specialized seminars for the purpose of informing them about their responsibilities towards the Bank. The directors are being informed by the chairman in connection with updates regarding this matter. The following were duly reported:

1. The creation of Nomination and Rewards Committee
2. The approval of the outsourcing policy
3. BSF Long Term Plans
4. The Policy for the Creation of BOD Committees
5. BOD Regulations
6. Job Placement Plans
7. The approval of the manual for BSF activities and the directives and procedures followed for the new director.

## Board of Director's Report (continued)

BSF acts according to the directives and regulations under CMA Corporate Governance in all matters except the following:

| Article    | Requirements  | Reasons for no applying:   |
|------------|---|--|
| Article 6: | Voting Rights   |  |
| B          | The method of accumulative voting must be followed when voting in the shareholders meetings for the selection of the directors.   | BSF Articles of Association stipulate the normal voting rights   |
| C          | The investors, the judicial persons, acting on behalf of others, such as investment funds, must disclose their policies in voting and their actual voting in their annual reports. They must also disclose the way by which they deal with any significant conflict of interest that might impact the exercise of the basic interests of their investments. | BSF has no jurisdiction to obligate investors, the judicial persons, acting on behalf of others, such as investment funds, to disclose their policies in voting. |

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

# Board of Directors & Management Team



## Board of Directors

Sitting from left: **Abdulaziz Al-Habdan**, **Jean-Frederic de Leusse**, **Ibrahim Al-Touq** Chairman, **Abdulaziz Al-Rashid**  
Standing from left: **Dr. Khaled Mutabagani**, **Alain Massiera**, **Mosa Omran Al-Omran**, **Jean Marion**, **Abdul-Rahman A. Jawa**  
Not in the picture: **Ibrahim M. Al-Issa**  
**Nizar Al-Qannas** Secretary General

## Management Team

### Head Office

**Jean Marion**  
Managing Director  
  
**Abdul-Rahman A. Jawa**  
Deputy Managing Director  
  
**Youssef Laban**  
Chief Operating Officer  
  
**Philippe Touchard**  
Chief Financial Officer  
  
**Mohamad Abdulhadi**  
Head of Corporate Banking  
  
**Naim Al Hussaini**  
Head of Retail Banking  
  
**François Rivier**  
Chief Risk Officer  
  
**Walid Fatani**  
Head of Treasury  
  
**Omar Jazzar**  
Head of Private Banking Group

### Regional Management

Western  
**Mazen Tamimi**  
Central  
**Osama Bakhit**  
Eastern  
**Abdulaziz Al Molhem**

### Regional Presence

Banque Bemo Saudi Fransi  
**Riad Obegi**

### Specialized Subsidiaries and Joint-Venture Companies

Fransi Tadawul  
**Riyadh Al-Sharikh**  
Caam Saudi Fransi  
**Richard Lepere**  
Sofinco Saudi Fransi  
**Shehryar Ali Shah**  
Allianz Saudi Fransi  
**Antoine Issa**  
Calyon Saudi Fransi  
**Firas Chakra**

# Independent Auditors' Report



KPMG Al Fozan & Al Sadhan

**To: The Shareholders of Banque Saudi Fransi**

(A Saudi Joint Stock Company)

We have audited the accompanying consolidated financial statements of Banque Saudi Fransi (the "bank") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from (1) to (41) for the year then ended, other than note (36), and the information related to "Basel II disclosures" cross reference therein, which is not required to be within the scope of our audit.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2008, and of its consolidated financial performance and 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 consolidates financials statements.

### Ernst & Young

P O Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia



Fahad M. Al-Toaimi  
Registration No. 354



23 Muhamarram 1430H  
20 January 2009

### KPMG Al Fozan & Al Sadhan

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Kingdom of Saudi Arabia



Tareq A. Al Sadhan  
Registration No. 352



# Contents

|  |         |
|--|---------|
| The Year at a Glance                                 | 2-3     |
| The Chairman's Statement                             | 4-5     |
| The Managing Director's Statement                    | 6-7     |
| Financial Management                                 | 8-10    |
| Accounting and Financial Control                     | 11      |
| Board of Directors' Report                           | 12-64   |
| Corporate Banking                                    | 16-19   |
| Treasury   | 20-21   |
| Retail Banking                                       | 22-25   |
| Wealth Management                                    | 26-27   |
| Risk Management                                      | 28-29   |
| Information Technology                               | 30-31   |
| Corporate Operations                                 | 32-34   |
| Services Management                                  | 35      |
| Corporate Human Resources                            | 36-37   |
| Compliance   | 38-39   |
| Internal Audit                                       | 40-41   |
| Corporate Communications & Social Responsibilities   | 42      |
| Secretary General                                    | 43      |
| Specialized Subsidiaries and Joint-Venture Companies |         |
| Fransi Tadawul                                       | 44-45   |
| Caam Saudi Fransi                                    | 46-47   |
| Sofinco Saudi Fransi                                 | 48-49   |
| Allianz Saudi Fransi                                 | 50-51   |
| Calyon Saudi Fransi                                  | 52-54   |
| Board of Directors & Management Team                 | 65      |
| Auditor's Report                                     | 66-67   |
| Financial Statements                                 | 68-128  |
| Basel II Framework                                   | 129-136 |

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