

Maather Street - P.O.Box 56006 Riyadh 11554 - Tel: +966 1 289 9999 - Fax: +966 1 404 2311 - Kingdom of Saudi Arabia

Published by: Banque Saudi Fransi, Corporate Communications Department

To get a copy of this Report, please email to communications@alfransi.com.sa or contact: Corporate Communications Dept. at +966 1 289 1648

Concept and Design by: HORIZON DRAFTFCB

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



HRH Prince Nayef Bin
Abdulaziz Al-Saud
Second Deputy Premier



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



HRH Prince Sultan Bin
Abdulaziz Al-Saud
Crown Prince
First Deputy Premier

Table of Contents



Chairman's Statement	1
Managing Director's Statement	3
Board of Directors & Management Team	5
Financial Management	7
Accounting & Financial Control	11

Board of Directors' Report

Corporate Banking	17
Commercial Banking	21
Treasury	23
Retail Banking	25
Wealth Management	29
Risk Management	31
Information Technology	33
Corporate Operations	35
Services Management	37
Corporate Human Resources	39
Compliance	41
Internal Audit	43
Corporate Communications and Social Responsibility	45
Secretariat General	47

Specialized Subsidiaries and Joint-Venture Companies

Caam Saudi Fransi	49
Fransi Tadawul	51
Allianz Saudi Fransi	53
Calyon Saudi Fransi	57
Sofinco Saudi Fransi	59
Audit Committee	71
Independent Auditors' Report	73

Financial Statements	75
Basel II Pillar 3	135

Banque with a different style

800 124 2121 | www.alfransi.com.sa





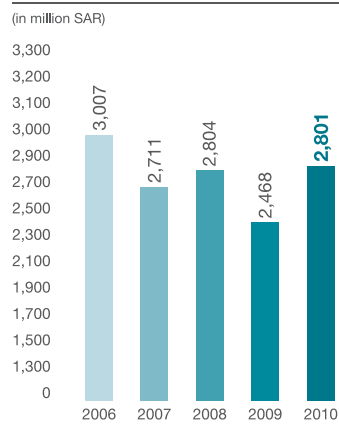
Performance in the year 2010

Net Income	SAR 2,801 million
Total Assets	SAR 123,218 million
Customers' Deposits	SAR 93,529 million
Loans & Advances, net	SAR 80,976 million
Total Equity	SAR 18,023 million

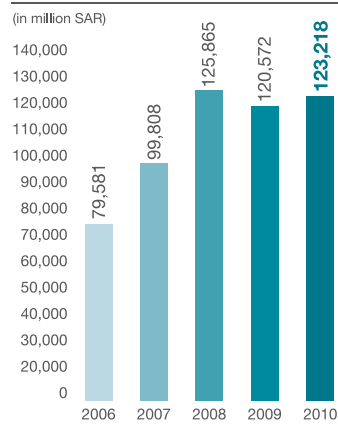


Year at a Glance

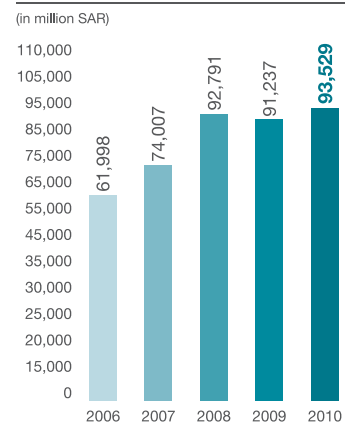
Net Income



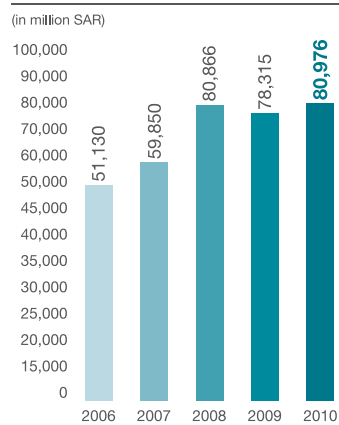
Total Assets



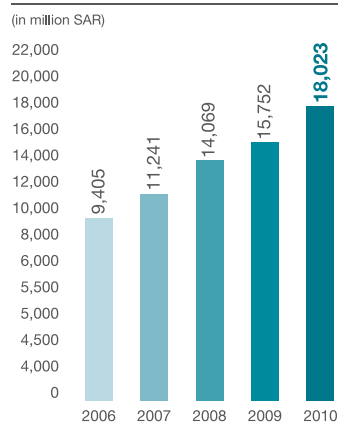
Customers' Deposits



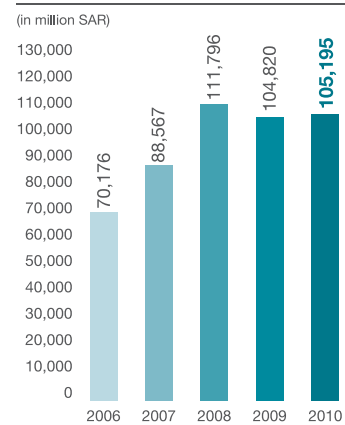
Loan & Advances, net



Total Equity



Total Liabilities





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 2010.

Work continued this year with vigorous efforts at all levels on the development of various BSF functions in our endeavor to overcome the global financial crisis which left less impact on Saudi Arabia's economy, thanks to the policy of our prudent government. However, as we live in a world of free economy, it is inevitable to be affected with world economic developments. Strenuous efforts have, therefore, been exerted by all employees and board members to keep abreast of such developments, pursue solutions, account for exigencies in a timely manner, facilitate the smooth flow of work, provide optimal services to customers at all levels, achieve the aspired growth and maintain the Bank's leading role of assuming a forefront position in the Saudi market as one of the effective national institutions eligible to face challenges of the future.

Under the above mentioned circumstances, the Bank achieved net profits of 2,801 million Saudi Riyals by the end of the financial year 2010, marking an increase of 13.50% over 2009. This increase was substantially achieved as a result of remarkable improvement in the Bank's conventional activities, whereby the loan portfolio increased to 81 billion Saudi Riyals in 2010 or 3.45% over 2009.

This increase, though marginal, was realized under unstable economic conditions which necessitated a rational expansion in lending operations. Customer deposits increased to 93.5 billion Saudi Riyals in 2010 or 2.52% over 2009. This increase is attributed to the marketing efforts, larger number of customers and providing distinct services.

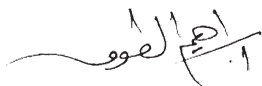
Total operating income reached 4.3 billion Saudi Riyals by the end of 2010 or 2.23% over last year, rendering the total income per share to be 3.87 Saudi Riyals compared to last year's 3.42 Saudi Riyals. Total operating expenses have decreased from 1,800 million Saudi Riyals in 2009 to 1,600 million Saudi Riyals in 2010. In this manner, the Bank has maintained a high level of effectiveness as manifested in cost to income ratio without any impact on the ongoing development operations in the field of technology and training of human resources. Total shareholders' equity increased to 18,023 million Saudi Riyals in 2010 from 15,575 million Saudi Riyals in 2009. Return on equity has increased by 32.60% in 2010 compared to last year's return of 17%. This explains that the Board of Directors has been keen to realize the highest possible return to shareholders.



The Board of Directors has been keen to realize the highest possible return to shareholders

As we look forward to 2011 with great optimism, in view of the Bank's efforts of laying down the foundations to guarantee the achievement of further growth, and to cope with the mammoth projects of the Government of the Custodian of the Two Holy Mosques that are underway in all parts of the Kingdom. On this occasion, I extend my sincere gratitude and appreciation to the Custodian of the Two Holy Mosques and his rightly-guided government for their continued support to the banking sector. I also extend my thanks to the esteemed customers of BSF for their nurtured trust and confidence. Gratitude and appreciation is also extended to our colleagues who participated with us in these achievements, including members of the Board of Directors, Executive Committee, Audit Committee, administrative and technical staff for their dedication and devotion to achieve these results for the Bank.

I ask God to help us in all our endeavors.



Ibrahim Al Touq
Chairman

The top of the page features two images. On the left is a stylized world map in a light grey color against a dark blue background. On the right is a photograph of a tree trunk with many branches, viewed from a low angle looking up, with sunlight filtering through the green leaves, creating a radial pattern of light rays.

Managing Director's Statement

I am pleased to present Banque Saudi Fransi's performance for the year 2010 showing net profits increasing by 13.5% compared to 2009.


With regards to market conditions, this performance must be viewed in the context of extremely low interest rate levels which dipped even further down compared to 2009 levels and penalized the return on our investments, the still slow Saudi Stock Market and the relatively shy demand for loans from the Corporate Market. However, after the contraction in the loan book that Banque Saudi Fransi experienced like the rest of the financial sector in 2009, the Bank was able to grow its loan portfolio by 3.5% in line with the market.

Moreover, deploying its Retail Banking oriented strategy, BSF saw its Retail Banking loan book growing by 30% in one year while the Corporate Banking Asset book grew by 1.7%. Combining the effects of extremely low interest rates levels, slow growth in the Corporate Banking Market and little activity on the stock market, BSF managed to grow its operating revenue by 2.3%.

All our business lines and support divisions have been involved, at the service of our clients, in order to overcome the difficult market conditions. This coordinated effort has resulted in strengthening our Balance Sheet while generating strong and recurring revenues. Our Net Special Commission increased by 1% due to notably the significant increase in volumes achieved by our Retail Banking Group while at the same time managing stringently our cost of funding.

Our non interest related income has grown up by 7% and when stripped from the brokerage activity, fee revenues increased by 15%, thanks to strong trade finance revenues (+19%) and loan fees (+40%). This combined effort of all businesses of the Bank resulted also in enhancing our Balance Sheet: our Non Commission Bearing Deposit Base increased by 29%, just above the market (22%) with a reduced interest rate mismatch and a stronger liquidity position. 2010 has been an important year for BSF as we witnessed our inaugural issue of a Bond in USD in the framework of BSF's EMTN Programme. It was the first bond issued by a Saudi Institution post worldwide financial crisis, and it proved successful as it was oversubscribed five times by the international capital market

On the risk side, the prudent measures taken in 2009 in terms of provisions proved to be right: The Bank's cost of risks decreased by 47% while the Non Performing Loan ratio has reduced to 1.23% and the Total Provisions to Non Performing Loan ratio is now close to 150% which also partakes in the enhancement of the Bank's credit worthiness and helped in the affirmation of its good credit ratings.



I am convinced that BSF is properly geared up at meeting all the challenges that will arise

With Capital ratios well above the 12% threshold, a strong Balance Sheet and the full commitment of all BSF's team, I am convinced that Banque Saudi Fransi is properly geared up at meeting all the challenges that will arise, be it at the regulatory level or at our loyal customers level whom we are always dedicated to.

I take this opportunity to extend my gratitude to the Chairman of the Board, all Board Members, Executive Committee and Audit Committee Members for their understanding and their continuous support.

I also wish to thank SAMA and the Capital Market Authority for their help and fruitful ongoing guidance and assistance.

I cannot contemplate the upcoming development of Banque Saudi Fransi without reiterating my grateful thanks to our clients for their confidence and trust into the Bank as well as to our loyal shareholders for their longstanding commitment.

Lastly, I also want to express my appreciation to all BSF Staff for their dedication and their deep involvement in enabling the bank to meet all these challenges.

Jean Marion
Managing Director

Board of Directors & Management Team

Board of Directors



Ibrahim Al-Touq, Chairman



Abdulaziz Al-Rashid



Ibrahim M. Al-Issa



Jean-Frederic de Leusse



Dr. Khaled H. Mutabagani



Mosa Omran Al-Omran



Abdulaziz Al-Habdan



Marc Oppenheim



Alain Massiera



Jean Marion



Abdul-Rahman A. Jawa

Nizar Al-Qannas, Secretary General



Senior Management Team

Head Office

Jean Marion
Managing Director

Abdul-Rahman A. Jawa
Deputy Managing Director

Philippe Touchard
Chief Financial Officer

Phillippe Enjalbal
Chief Operating Officer

Mohamad Abdulhadi
Head of Corporate
Banking

Naim Al Hussaini
Head of Retail Banking

Jean-Michel Castelnau
Chief Risk Officer

Walid Fatani
Head of Treasury

Omar Jazzar
Head of Wealth
Management

Abdulrahman S. Mutabagani
Head of Commercial Banking

Ahmad Al Kassim
Information Technology Manager

Saadoun Al Saadoun
Corporate Operations Manager

Abdul Qadeer Mirza
Accounting & Financial
Control Manager

Amr Al Taher
Corporate Human Resources
Manager

François Delagrange
Chief Internal Auditor

Abdulaziz Omar Osman
Chief Compliance Officer

Khalil Al Nami
Services Management Manager

Dr. John Sfakianakis
Chief Economist

Regional Management

Osama Bakhit
Central Regional Manager

Mazen Tamimi
Western Regional Manager

Abdulaziz Al Molhem
Eastern Regional Manager

Specialized Subsidiaries and Joint-Venture Companies

Fransi Tadawul
Patrick J. Duchesnes

Caam Saudi Fransi
Richard Lepere

Sofinco Saudi Fransi
Riyadh Al Sharikh

Allianz Saudi Fransi
Antoine Issa

Calyon Saudi Fransi
Firas Chakra



Banque Saudi Fransi continued to enhance its credit worthiness thanks to a very stringent risk management policy

For the 12 months ended 31 December 2010, Banque Saudi Fransi's net income established at SAR 2,801.0 million (Group Share) which represents an increase of 13.50% against the SAR 2,468 million net profit generated during the year 2009.

In a still very challenging economic environment where Interest rates came further down from 2009 (average 3 months Sibor established at 0.74% in 2010 compared to an average level of 0.92% in 2009; source Reuters), a slow Equity market where value traded reduced by 39.9% (source: Tadawul) and a low demand for loans from the corporate segment, Banque Saudi Fransi could maintain a healthy financial position as demonstrated by the key financial elements below:

SAR' 000	2007	2008	2009	2010
Balance Sheet				
Total Assets	99,808	125,865	120,572	123,218
Net Loans & Advances	59,850	80,866	78,315	80,976
Customer Deposits	74,007	92,791	91,237	93,529
Total Equity	11,241	14,069	15,752	18,023
Income Statement				
Operating Income	3,694	4,392	4,295	4,395
Net Profit	2,711	2,804	2,468	2,801
Key Ratios				
RoAA	3.00%	2.50%	2.00%	2.31%
Net Interest Margin	2.76%	2.74%	2.71%	2.80%
NPL / Gross Loans	0.72%	0.94%	1.27%	1.23%
Loan / Deposits	78.30%	82.80%	81.40%	82.30%
Total Capital Adequacy	12.20%	11.60%	13.72%	14.73%

Banque Saudi Fransi's operating revenue increased by SAR 100.3 million (+2.3%) which consists of Net Special Commission expenses growth of SAR 15,6 million (+0.50%) and non special commission related revenue increase of SAR 84,7 million (+6.8%).

Total assets increased by SAR 2,645 million (2.2%) to SAR 123,218 million as at 31 December 2010. The main drivers of this increase are the investment portfolio (+ SAR 2,359 million, mainly short Term T-bills), a decrease of SAR 1,766 million in the cash deposited at SAMA and an increase of the loan book by SAR 2,661 million (+3.4%).

It is worth mentioning that, out of this global increase of SAR 2,661 million in the loan book, SAR 1,795 million pertains to the growth of the Bank's Retail Banking customers asset book. This is consistent with the deployment of the Bank's strategy which gives a strong stress on the development of its retail activities.

On the liabilities side, Demand Deposits from customers increased by SAR 10,621 million while Commission Bearing Deposits decreased by SAR 8,329 million. Thanks to this situation, the Bank's cost of funding reduced by 54.7%.

With regards to the net special commission revenue, the combination of a higher contribution of Retail Banking assets to the total loan book and an enhanced mix between Commissions and Non commission bearing deposits on the liability side explain why the Net Special income could increase by 0.50% during the year in spite of the decrease in the interest rate levels.

Concerning the Non Special Commission related revenue, total increase of 6.8% has been penalized by the Brokerage activity which saw its revenue reducing by 27% while the whole market value traded reduced by 40%.

Excluding Brokerage activity, total Banking fee and commissions increased by 15% as a result of Higher Trade Finance revenues (+18.6%), Project Finance revenue and loan processing fees (+40%).

Risk Profile

Banque Saudi Fransi continued to enhance its credit worthiness thanks to a very stringent risk management policy.

At the end of 2010, the Non Performing to Total loan ratio has reduced from 1.27% (end of 2009) down to 1.23%. Indeed, the improvement of the ratio is due to the combination of the increase in the performing loans (+3.6%) coupled with a relatively small change in the Non Performing loans (+0.8%) and a recovery rate which increased by 9%.

Thanks to the provisioning effort made in 2009, new provisions that were created in 2010 were significantly less costly (-47%) while improving the coverage ratio (Total Provisions to Total Non Performing loans) from 127% end of 2009 to 147% end of 2010.

Liquidity Position

In order to enhance its liquidity profile in US Dollars and reduce the gap between the duration of its USD denominated assets and the duration of its stable sources of funds in USD, Banque Saudi Fransi launched its inaugural Bond in the ambit of its USD 2 billion Euro Medium Term Note Programme.

The issue happened in March 2010 and it was the first Bond issue from a Saudi Bank since October 2006, i.e post worldwide financial crisis.

Looking for USD 500 million, the Bank raised USD 650 million as the transaction attracted great interest from the region as well as international institutional investors culminating in a well-oversubscribed final book of US \$3.0 billion with 155 investors participating.

More over, the high quality orderbook enabled BSF to price inside equivalent transactions from peers in the GCC region (MS + 175).

The Bank has maintained throughout the year a loan to Deposit ratio which stayed inside 85% and a stock of liquid assets which accounts for 26% of total assets.

Capital Adequacy

Total Equity of the Bank changed from SAR 15,751 million to SAR 18,023 million (+14.4%) while our tier 1 Capital changed from SAR 15,441 million to SAR 17,825 million (+15.4%). This is due to the capitalization of 60% of our 2009 results and the 2010 net profit.

In the meantime, the higher contribution of Retail Loan in the total asset growth resulted in a growth of Risk weighted assets by 6.9%.

The combined effect of a larger diversification of our assets and the increase in the total equity of the Bank has resulted in an improvement of the Bank's capital ratios.

At the end of 2010, the Tier 1 ratio establishes at 14.18% (2009:13.13%) and the total Capital Ratio established at 14.73% (2009: 13.73%).

Ratings

With its risk profile and steps undertaken in order to reinforce its financial position, Banque Saudi Fransi has been able to maintain strong ratings from the three major rating agencies. As shown in the following table, BSF continues to qualify for "Investment Grade".

	Long Term Issuer	Issuer Outlook	Long Term Local Currency Issuer	Short Term Issuer	Short Term Local Currency Issuer		Date
Standard & Poor's	A	Stable	A	A-1	A-1		30 March 10

	Long Term Deposit	Deposit Outlook	Financial Strength	Short Term Issuer			Date
Moody's	Aa3	Stable	C+	P-1			30 March 10

	Long Term Issuer	Issuer Outlook	Long Term Issuer Default (IDR)	Short Term Issuer	Bank Individual Support	Bank Support	Date
Fitch	A	Stable	A	F1	B/C	1	13 Dec 10

Financial Planning

Banque Saudi Fransi elaborated its new medium term plan.

This plan covers the 2011-2013 period. It was presented to the Board of Directors for approval in September 2010 and aimed at reinforcing the Bank's strategy in term of expanding in the Retail Segment.



Accounting & Financial Control

Adopting a prudent approach without compromising we are committed to the economic growth of Kingdom of the Saudi Arabia

During 2010, International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have moved closer. As a result, the gaps between IFRSs/IASs and US GAAPs have shrunk giving rise to amendments made in both reporting frameworks. Under the umbrella of the Saudi Arabian Monetary Agency (SAMA), BSF's Accounting and Financial Control Division (AFCD) was mandated to coordinate with all banks in the Kingdom to develop a cohesive set of financial statements which is compliant with amendments made in IFRSs and IASs.

Dedicated support was extended for the introduction of new products. Capacity to integrate new product developments with existing systems increases BSF's confidence in uncompromised fulfillment of its strategic objectives.

Enhancing the control environment:

The implementation of bank-wide strict cost control mechanism, as envisaged by the management of the bank, resulted in containment of expenses which indirectly contributed to the bottom-line of the bank and thus the bank achieved increased efficiency.

- Reconciling transactions is a critical element of a bank's back-office operations. AFCD upgraded the reconciliation procedures as warranted by ever increased volume of transactions occurring in today's banking business.
- An early warning and correction approach was adopted by the formation of the second level of control framework (SLC), which resulted in an improved control environment. The aim of the SLC activities is to ensure that "respecting financial controls is a bank wide priority".

BSF's Accounting Division managed the affairs of the bank from tax/zakat planning point of view with an objective to meet all the regulatory obligations while at the same time ensuring that equitable tax/Zakat is incurred by bank's shareholders.

The division's expertise in assessing the risks faced by BSF ensured that adequate insurance coverage is available to mitigate uncertainties present in the evolving banking industry.



Board of Directors' Report

The Board of Directors is pleased to present its report for the Financial Year 2010

Banque Saudi Fransi, Saudi Joint Stock Company, was established in accordance with the Royal Decree No. m/ 32 dd 17 Jumada II 1397 (4 June 1977). Following the transfer to it 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 1397 (11 Dec 1977) under CR No. 1010073368 issued on 4 Safar 1410 (5 Sept 1989).

The objectives of Banque Saudi Fransi include the offer of banking products and services in addition to the offer of Islamic products approved by an independent legal panel.

According to the decision of the Saudi Capital Market Authority, BSF established several companies to undertake brokerage, asset management, and financial advisory activities. The companies that were established: Fransi Tadawul (BSF directly owns 99%, 1% indirectly owned by a director), CAAM Saudi Fransi (BSF owns 60%), and Calyon Saudi Fransi (BSF owns 45%). BSF also has share capital in Sofinco Saudi Fransi (BSF owns 50%). All companies were established and existing in Saudi Arabia to offer financing, advisory, leasing, investment and negotiation. BSF owns 20% of the share capital of Al-Amthal Co and it owns share capital with the Saudi Credit Information Co (Simah), Saudi Traveller Checks Co., and Saudi Financial Market Co., (Tadawul).

BSF also owns 27% of Banque Bemo Saudi Fransi, a joint stock company established in Syria, and 10% of Banque Bemo Lebanon. Effective 1 Jan 2008, BSF began consolidating the financial statements of the above mentioned affiliates. BSF owns 32.5% of Saudi Fransi Co for Cooperative Insurance (Allianz), a Saudi Joint Stock Company established in Saudi Arabia.

Over the years, BSF activities continued to develop, thus supporting its financial strength and leading position in the Saudi market and positioning it as one of the modern and effective institutions totally qualified to stand before future challenges. BSF kept working actively on developing shari'ah compliant branches, products and services in the areas of retail banking, investment services and treasury.

Over the years, BSF activities continued to develop, thus supporting its financial strength and leading position in the Saudi market

BSF net profit reached SAR 2,801 Millions for 12 months 2010 (compared to SAR 2,471 Million in 2009) with an increase of 13.35%. The total Operating Income amounted to SAR 4,395 Million in 2010 (SAR 4,295 Million in 2009, with the increase of 2.33%).

Net Operating Expenses decreased from SAR 1,800 Million in 2009 to SAR 1,598 Million in 2010, at 0.11%.

It is noteworthy that this drop in expenses did not affect neither the development of human resources as to quality or quantity nor in the development of technology or expansion in the network of branches or ATM's.

Loans portfolio increased from SAR 78.3 Billion in 2009 to SAR 81 Billion in 2010 (an increase of 3.45%). Customers' deposits increased from SAR 91.2 Billion in 2009 to SAR 93.5 Billion in 2010 (+2.52%).

Total Assets increased from SAR 120.6 Billion in 2009 to SAR 123.2 Billion in 2010 (+2.16%).

Investments increased from SAR 17.6 Billion in 2009 to SAR 20 Billion in 2010 (+13.64%).

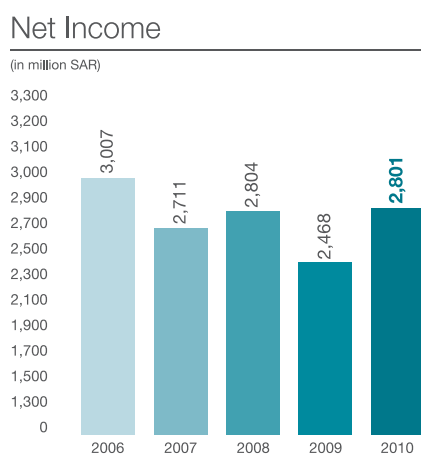
Earnings per share amounted to SAR 3.87 in 2010 compared to SAR 3.42 in 2009.

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

SAR' 000	2010	2009	2008	2007	2006
Total assets	123,218,330	120,572,438	125,864,761	99,808,110	79,581,010
Investments, net and investments in affiliates	20,026,343	17,625,570	27,886,882	22,500,744	16,012,954
Loans and advances, net	80,976,587	78,315,196	80,866,457	59,849,952	51,130,195
Total liabilities	105,195,282	104,820,658	111,795,625	88,567,475	70,176,229
Customer deposits	93,529,251	91,237,118	92,791,281	74,007,251	61,998,107
Shareholders' equity	18,003,661	15,732,673	14,047,219	11,240,635	9,404,781
Total operating income	4,395,229	4,294,907	4,391,641	3,694,465	3,938,832
Total operating expenses	1,597,900	1,799,663	1,600,148	990,046	931,884
Share in the (Losses) Profits of Affiliates, net	3,958	(27,439)	12,443	6,691	-
Net annual income	2,801,287	2,467,805	2,803,936	2,711,110	3,006,948
Net special commission income	3,065,857	3,050,289	2,820,590	2,289,398	2,016,867
Fees from banking services, net	887,043	840,254	834,480	897,234	1,571,961
Provision for possible loan losses, net	339,344	574,621	94,265	42,011	90,484
Salaries and employees related expenses	708,633	642,589	642,223	543,322	462,923
Number of employees	2,594	2,460	2,345	2,226	1,998

Board of Director's Report (continued)

Total Net Income 2006-2010



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 services and products that are subject to risk. Its profits and losses are different from other business lines.

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

The Bank is organized in the following main business lines

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

Commercial Banking - deals with small, medium and large sized emerging corporate companies. Furthermore, a department in Commercial Banking is dedicated to serve the Government Institutions. The activities of Commercial Banking include offering credit facilities and other banking services such as treasury, trade finance and cash management activities etc.

Retail Banking - incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, and certain forex products.

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

Investment Banking and Brokerage - investment and management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investment products, and international and local shares brokerage services and insurance.

The Bank's total assets and liabilities as at December 31, 2010 and 2009, its total operating income and expenses, and its net income for the years then ended by business segments are as follows:

SAR' 000	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	Total
2010					
Total assets	14,203,918	71,821,358	37,111,709	81,345	123,218,330
Investment in associates	-	-	185,628	-	185,628
Total liabilities	40,584,924	53,587,463	11,005,484	17,411	105,195,282
Total operating income	1,349,510	2,037,008	891,039	117,672	4,395,229
Share in earnings of associates, net	-	-	3,958	-	3,958
Total operating expenses	922,782	452,996	125,739	96,383	1,597,900
Net income for the year	426,728	1,584,012	769,258	21,289	2,801,287
Non controlling interest (income)	-	-	-	(280)	(280)
Results					
Net special commission income	1,078,171	1,506,989	480,697	-	3,065,857
Fee and commission income, net	232,494	528,343	8,534	117,672	887,043
Exchange income, net	21,499	-	178,910	-	200,409
Trading income, net	-	-	202,007	-	202,007
Gains on non trading investments, net	-	-	2,349	-	2,349
Impairment charges for credit losses, net	183,437	156,956	(1,049)	-	339,344
Depreciation and amortization	92,273	24,273	8,200	1,495	126,241
2009					
Total assets	12,340,398	70,625,354	37,592,809	13,877	120,572,438
Investment in associates	-	-	144,344	-	144,344
Total liabilities	39,418,862	52,530,684	12,851,008	20,104	104,820,658
Total operating income	1,310,394	1,980,768	828,303	175,442	4,294,907
Share in losses of associates, net	-	-	(27,439)	-	(27,439)
Total operating expenses	833,858	685,136	183,606	97,063	1,799,663
Net income for the year	476,536	1,295,632	617,258	78,379	2,467,805
Non controlling interest loss	-	-	-	2,810	2,810
Results					
Net special commission income	1,102,651	1,505,590	442,048	-	3,050,289
Fee and commission income, net	185,183	469,684	9,945	175,442	840,254
Exchange income, net	13,188	2,386	170,521	-	186,095
Trading income, net	-	-	209,746	-	209,746
(Loss) on non trading investments, net	-	-	(1,894)	-	(1,894)
Impairment charges for credit losses, net	152,196	418,677	3,748	-	574,621
Impairment charge for other financial assets	-	-	67,000	-	67,000
Depreciation and amortization	79,046	22,333	11,653	949	113,981

Various business sectors receive support from various other department, following is an account of the functions of these sectors and the supporting departments.



Corporate Banking

Corporate Banking, with its strong and diversified client base, continued to play its pivotal role in the overall growth of the Bank's profitability.

Bank continued its cautious approach on lending and actual loan outstanding have remained more or less constant. However, we managed to increase our revenue mainly due to higher trade finance business of Letters of Credit and Guarantees, resulting in growth of fee income. Moreover, in spite of stiff competition on pricing we managed to increase our spread on loans and earned higher commission income.

We are committed to the impressive growth plan of the Government of Kingdom of Saudi Arabia, and are in close contact with the key players engaged in the expansion of industrial, infrastructure, contracting, trading and service sectors of the economy.

The structured finance sector enjoyed one of the better years with a number of very large transaction reaching successful closing. The year was thus a true reflection of the excellent policies and strategies implemented by the Saudi Government in the wake of the financial crisis and the global downturn.

BSF took the top rank in Arranging and Advising on Project & Structured financing in the Kingdom, with the successful closure of the USD 8.3 billion loan for the Saudi Aramco Total Refinery. BSF has the unique record of being the financial advisor to this single largest limited recourse financing, ever done, globally.

The bank also played a key role in the other major deals closed during the year. It was the Mandated Lead Arranger and the Documentation lead bank for Maaden Alcoa USD 7.5 billion Aluminum Smelter and Rolling Mill Project and also for the USD 2.2 billion IPP which was lead developed and sponsored GDF Suez.

An aerial photograph of an offshore oil rig in the middle of the ocean. The rig is a complex of steel structures with a tall derrick. A long, narrow platform extends from the main rig to another smaller platform further out. A supply vessel is docked at the main rig. The water is a deep blue color.

We are committed to the impressive growth plan of the Government of KSA

The year also marked the return of stiff competition amongst the leading banks in the Kingdom with the growth in liquidity and the pent-up demand for quality assets. Larger banks started committing huge amounts of liquidity to the project and structured financing sector based on its unblemished long standing track record.

The competition for assets resulted in contraction of credit margins, which will impact the overall spread once drawdown against these large commitments takes place in coming years.

Another phenomenon which was clearly witnessed was the support to projects provided by Government financing bodies like PIF and SIDF, which took increasingly larger chunks of financing for the major deals.

This resulted in lower levels of commercial bank financing and which further increased competition in the banking sector.

The effect of government spending is expected to positively impact the business of project and structured finance through to next few years. It would directly and indirectly help in investments in industrial, power and infra-structure projects, which would be required with the growth in the Saudi economy.

The oil and gas sector is also expected to witness significant activity across the entire value chain. Saudi Aramco has announced a number of critical and highly visible projects which will source the market for debt in 2011 for financing on limited recourse basis globally.

The key to our structured and project finance proposition is our constant endeavor to add value to projects through financial structuring to ensure bankability.

These services are backed by our expertise in power, oil and gas, petrochemical and infra-structure sectors and sound due diligence techniques.

The Bank will continue to work on all major deals in all sectors of the economy and is expected to be part of most of the new major financing carried out in the coming years.

Bank continued to maintain its strong position in Islamic Financing and most of the high profile transactions have been signed under Shariah compliant structures.

We continue to notice substantial interest from most of our major corporate customers, and expect to see growth in the Islamic finance for both working capital and project finance needs of large number of our corporate customers.

BSF continued to have support from our foreign partner, CA-CIB, and international network of major international banks and financial institutions.

This strong international relationship was mainly instrumental in BSF's providing most efficient trade and other international banking services to our important corporate customers.

Moreover, it led to our bank playing an important role in the Kingdom's international trade and issuance of major guarantees and financing of important contracts / projects.



The key to our structured and project finance proposition is our constant endeavor to add value to projects



Commercial Banking

Following its spin off from Retail Banking Group in 2009 Commercial Banking has taken various initiatives and changes to improve its efficiency since January 2010 till date. Some of the major initiatives taken in 2010 are mentioned as below.

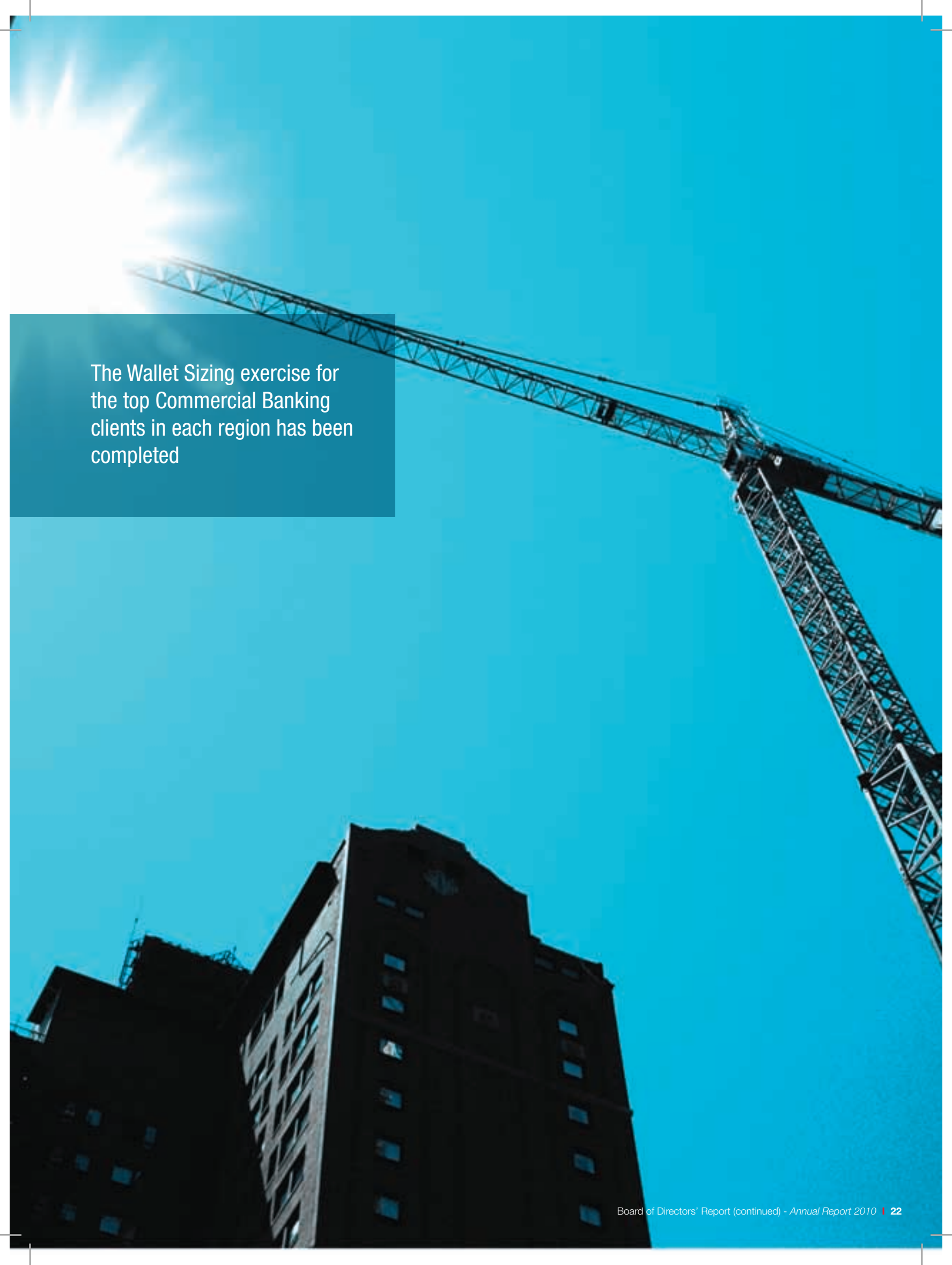
During the year 2010, Commercial Banking in line with the Senior Management's and the Board's directive has submitted its full blown Medium Term Plan (MTP) from 2010 to 2013 detailing the expected performance and expected profitability of Commercial Banking from its different business segments during the coming three years.

The Wallet Sizing exercise for the top Commercial Banking clients in each region has been completed.

The Government Unit, established in Head Office in mid 2009 responsible for all Government and Semi Government accounts, has done well along with the three Regional Commercial Banking in achieving the budgeted targets for the year 2010.

Following the success of Government unit in the Head Office, Commercial Banking has plans for 2011 to introduce Government unit in Western Region.

Commercial Banking Head office is also working on enhancing the existing Customer Relationship Management system, which would be available to the Regional Commercial Banking units by the end of December 2010.



The Wallet Sizing exercise for the top Commercial Banking clients in each region has been completed



10:20

2200

12.7

BSF capital markets team remain attuned to the changing landscape and consistency in maintaining a leading market share

The challenges of 2010 was to sustain the growth of capital markets activities during a period of stagnant market volatility and lackluster balance sheet growth.

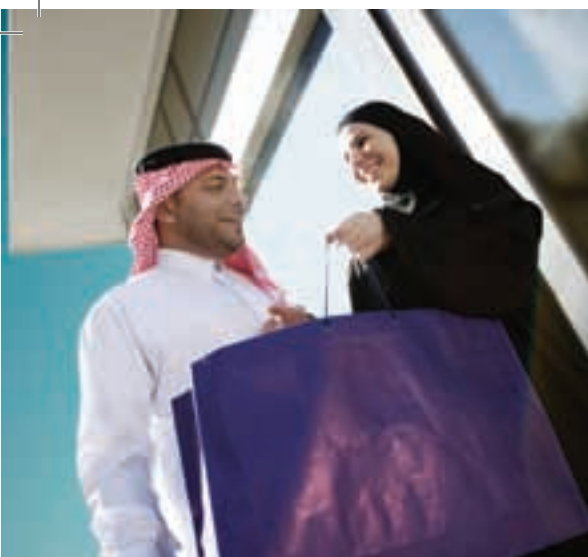
Hedging activities were dampened by expectations of continued low short term interest rate levels and the persistence of a steep yield curve.

Despite such market difficulties, enhanced synergies between product lines and business lines contributed to increased results from client activities through wider scope of products offering and closer interactions with customers to tailor to specific needs.

The expansion of our risk appetite and trading activity of regional papers during the beginning of 2010 served us well throughout the year contributing to an all time high results for this activity.

Off balance sheet volumes remain at strong levels highlighting our continued market dominance in this field.

Backed by strong management commitment, a robust front to end risk management approach and the flexibility and freedom to create, BSF capital markets team remain attuned to the changing landscape and consistency in maintaining a leading market share.



Retail Banking

We kept our focus on improving the execution of the following key drivers:

- Turn the business into a sales organization
- Focus on products with highest expected growth
- Increase capacity and industrialize process to cope with anticipated volumes
- Increase distribution footprint to match all key traffic areas
- Drive the business to customer perception and feedback

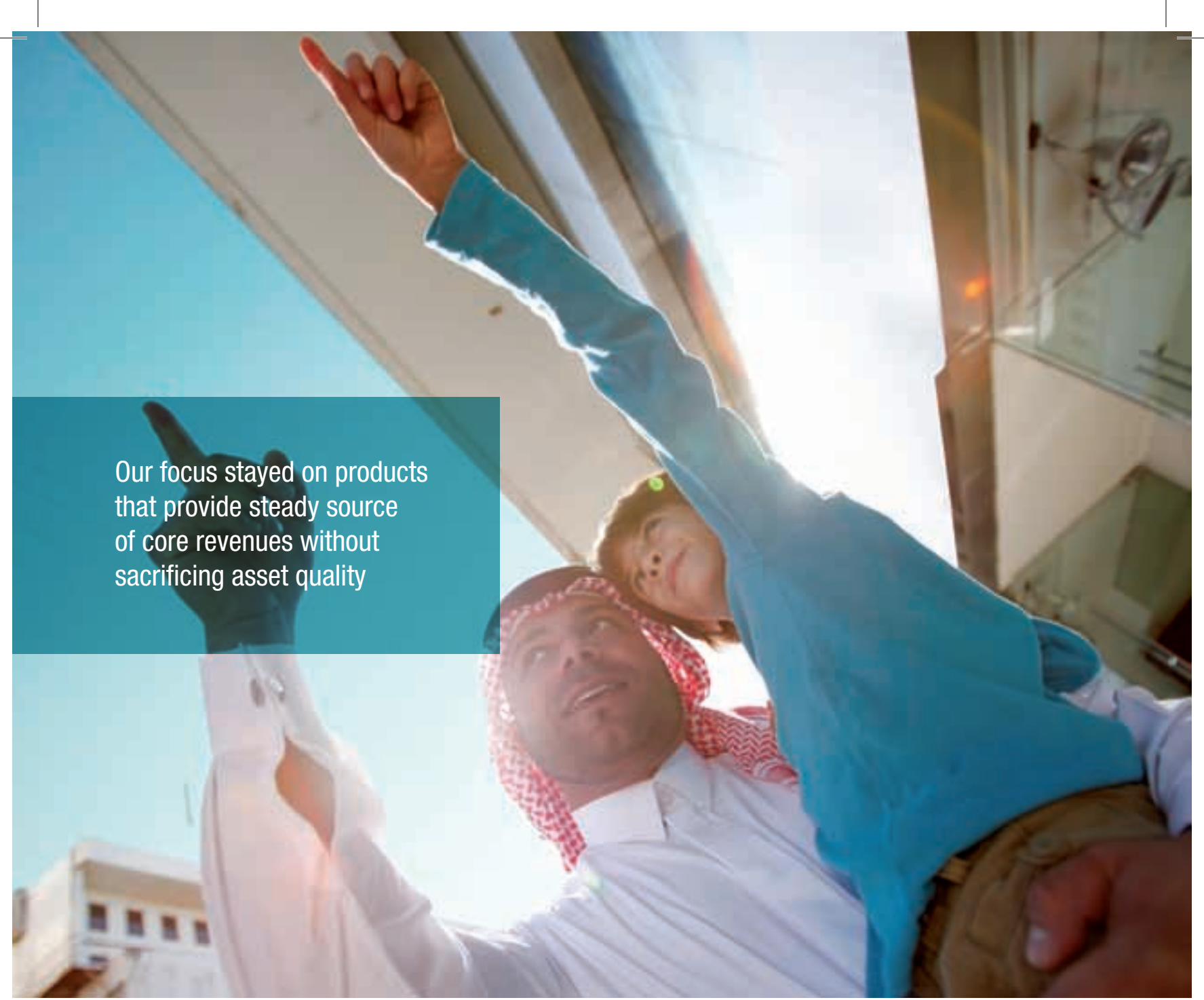
To meet these objectives, Banque Saudi Fransi's Retail Banking Group invested in the development of its officers and staff, infrastructure, products and services setting the stage for sustainable growth in the future.

Turn the business into a sales organization

Following a challenging 2009 year, Retail Banking continued to emphasize on its transformation from a service to a sales (S2S) organization with the launch of many sales campaigns in line with our 2010 Sales Action Plan (SAP). Other initiatives were taken in order to increase product equipment such as the Current Account Opening Sales Sequence Project.

On the training front, seminars and training sessions such as the Leadership Development Program and the Area Sales Managers training in France were organized towards improving our sales capabilities.

The objective of the exchange program is for our Area Sales Managers to be exposed to the Credit Agricole Group retail banking environment (in Caisse Regionale and LCL) and acquire knowledge and best practices on sales organization and management.



Our focus stayed on products that provide steady source of core revenues without sacrificing asset quality

Focus on Products with Highest Expected Growth

Our focus stayed on products that provide steady source of core revenues without sacrificing asset quality. Product development, competitive packaging and streamlining of our workflow fueled the growth in our asset base (+30% in one year).

We have grown our sales of personal loans and home loans substantially. In addition to the development of our Home Loan product through bundled packages distributed through large Corporate, Retail Banking Group also introduced a tailor-made home loan product for professionals like teachers, engineers and doctors. Several programs are also in the pipeline to increase usage and further enlarge our card base.

On the other hand, provisions are about the same level as last year despite the growth in retail assets, a healthy sign of our strong collection and controlled risk.

Increase capacity and industrialize process to cope with anticipated volumes

As part of our efforts to further improve customer service and increase sales effectiveness, we embarked on systematic evaluation of processes. This resulted in deployment of new technologies and enhancement of support infrastructures to grow the business in coordination with the Bank's other support units.

To illustrate this move towards more automation, investments have been made in major systems which will help to improve, at the branch level, the quality of service and the turn around time delivered to our customers: Asset Sales Acquisition Tool (ASAT), which is a powerful marketing tool and covers among other functionalities the arabization and acceptance of Priority Banking applications and the new Branch Delivery System (BDS).

The Incident Management (IM) and Currency Management (CM), integral components of our ATM roadmap are now fully deployed in all of our machines. These systems improve the operability of our ATMs at lower costs.

Increase distribution footprint to match all key areas

Under our continuous branch expansion program, we have situated additional Branches in more accessible locations to broaden the reach of our Kingdomwide sales distribution network.

This was complemented with the installation of more ATMs in strategic locations.

Our physical sales distribution network totaling 104 is composed of 81 full-pledged Branches, 5 FransiConnection or self-service Branches and 18 Ladies Sections.

Four new Branches (Makkah Road Kilo 3 in Jeddah, Sweidi and AlYarmouk in Riyadh and Mohammadiyah in Dammam) were opened in 2010 year. Makkah Road Kilo 3 and Sweidi are Islamic Branches.

Our Branch network has 11 Islamic Banking Branches.

Banque Saudi Fransi's Retail Banking Group also opened new Ladies Sections in Makkah Azizia and AISweidi Branches and completed the relocation of AlJouf Branch.

On the ATM side, 55 new ATMs were activated from beginning of the year thus expanding our total ATM network to 385 in 134 onsite and 251 offsite locations, matching the growth of last year. We also have 94 Cash Acceptance Machines (or CAMs) installed in Branches and FransiConnections. Total POS merchants grew to 4,463 while terminals reached 5,092.

Drive the business to customer perception and feedback

We are continuously looking at ways to improve the customer experience through the enhancement of our products and services. We also wanted to tap the business potential of our corporate and commercial banking clients by designing and launching products tailor-made for their clients.



Our retail to corporate sales program leveraged customer relationships with Corporate and Commercial. Part of this effort is the creation of new segments called Executive and Executive Plus catering to professionals and executives in Corporate with assigned limits, charges and rates. A new ATM card design for these segments has been developed as well.

Today, there is a major shift taking place in the country with more and more consumers using the internet. RBG in coordination with ITD is revamping the look and feel of the site in line with our strategy to increase sales via the internet as well as migrate customers to e-channels.

Our commitment to diversify our assets and earnings base coupled with strict adherence to prudent risk management enabled us to achieve growth in our core business. We have no doubt that the well-calculated business initiatives, new products, and infrastructure improvements undertaken will result in even better performance in the coming years.



Wealth Management

BSF Wealth Management Group continued its healthy growth in 2010. Client assets grew by 14% while revenues increased by 6%.

Our goal is to build onshore banking services and solutions commensurate with what all wealthy individuals have been accustomed to and are entitled to expect.

Despite lower interest revenues, Wealth Management devoted officers were able to provide well thought, timely, suitable and successful solutions to an increasing number of clients.

2010 will be a milestone for BSF Wealth Management. One of our divisions managed to generate commissions and fees in excess of interest related revenues.

Thanks to our officers' understanding of the difficult economic environment, and a close cooperation with BSF's asset manager, BSF WMG clients were represented well over two thirds of all AUM net subscriptions.

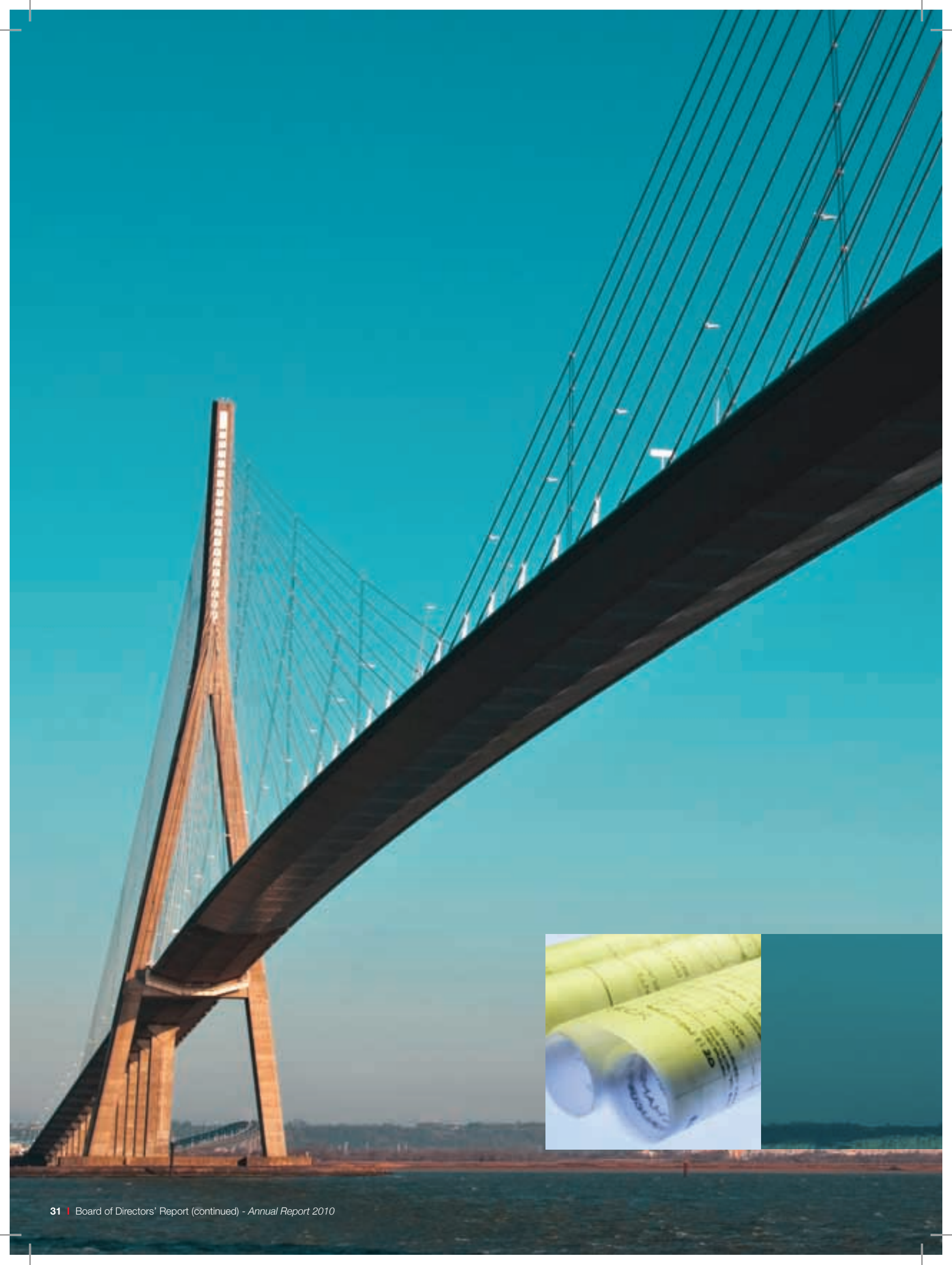
Wealth Management Group's activity with treasury has increased by 35% against 2009, however, revenues more than doubled.

We are grateful to those clients who have continued to extend their trust and confidence to BSF, its subsidiaries, its affiliates and to Wealth Management Group.

We stay highly committed and dedicated to the Clients of Banque Saudi Fransi as we value their loyalty.



We stay highly committed
and dedicated to the Clients
of Banque Saudi Fransi as we
value their loyalty



Risk Management

The implementation of a new credit risk work-flow system has started in 2010, which will allow the bank to improve controls.

After a 2009 year showing a contraction of the activity, BSF portfolio redeveloped during 2010. Hence, total utilizations increased from SAR 127 billion to SAR 136 billion (+7.1%) Funded exposure represents 62.7% of total exposure (vs.64.8%). Portfolio growth has concerned all Business Lines, Retail financing continuing its development (+20.1%).

Consequence of world crisis on quality of credit portfolio and provisions

Since end of 2008, priority was to monitor evolution of loan portfolio and identify potential problem situations triggered by the world crisis in order to take as soon as possible all required corrective actions. Defaults of some troubled family groups in 2008 affected negatively the Saudi banking sector. However, for BSF, the number of default situations remained limited and the overall quality of the credit portfolio remained good. These very specific files were well provisioned in 2009 and 2010 as a complement.

Gross non performing loans (NPLs) established at 1,227 million end December 2010 compared to SR 1,175 million end of December 2009 and NPL ratio decreased from 0.92% to 0.90% during the same period. Decision was taken to set provisions at very conservative level during the second half of 2010, allowing the Bank to increase its covering ratio (coverage of net NPLs by total provisions) from 124% to a healthy 147%. Provisions required by Consumer Finance remain stable during the year despite the growth of its portfolio.

Risk Management Process Enhancement

In line with BSF broader objectives of improving the risk management process, the implementation of a new credit risk work-flow system has started in 2010, and shall be completed in 2011. This system will allow the bank to improve controls, enhance process efficiencies, and aide the goal of adopting the IRB methodology. Operational risk and permanent control function is now fully in place and the "Internal Control Committee" ICC constituted in early 2008 is promoting an ongoing improvement of the overall control organization. Furthermore, the set-up of local ICC within each Business Line and Support Division is under finalization.

BASEL II

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 order to improve substantially the procedure of the Rating evaluation of BSF's Assets, the implementation of the last version of the Rating system and methodologies of CA-CIB has been initiated and is under validation by the Credit Risk Division of BSF. This new tool will be deployed across the BSF organization (Relationship manager, Credit analysts) during 2011.

The guidance of the local regulator (SAMA) has increased the focus on the preparation of the IRB approach for BASEL II, and the introduction of the concepts for BASEL III.

- BSF, as member of the national initiative for this preparation (SIMAH project) has submitted the consolidated data, which were required for the calibration of selected IRB models (PD calculation).
- Also a phased planning for the IRB project is prepared involving the internal teams and external resources (i.e. consulting support and systems providers).



Information Technology

'Looking beyond' was the theme of year 2010 for the Information Technology Division. The Medium term plan for the year 2011-2013, describing the strategic moves that ITD proposed to take and the alignment that would be made in the functioning of the technology to support the business, was finalized.

Another planned move was the migration of the core system running in mainframe to the modern systems that will provide leverage to the business to fulfill its expansion plans through technology driven opportunities. The activities will span over 2010 to 2011 and will start realizing benefits from 2012 onwards.

Business Support

Retail Banking

The retail sales and marketing activities got a boost with the implementation of the new tool. More features are being added to provide the sales force a single window to offer different types of products to the customers according to the respective profile.

Our flagship internet banking products 'FransiPlus' and 'FransiMobile' were enriched with more features to make the banking easier.

Customers of the bank will enjoy higher availability of ATMs which was made possible by the implementation of proactive monitoring systems. This will be further improved in 2011 with the behavioral analysis of the ATMs and the 24 * 7 monitoring system set in place. The bank is all set to launch the Smart cards.

The infrastructure has been set in place and pilot testing of the cards are ongoing for the customer launch in 2011.

Customers of the bank will enjoy higher availability of ATMs which was made possible by the implementation of proactive monitoring systems

Tellers at the branches will have a new experience from April 2011, with the introduction of the new re-engineered relationship servicing model. The new system has been developed and undergoing extensive testing by the retail banking users.

Wealth Management

Another innovative step towards tapping the burgeoning local market, a new E-banking portal 'FransiWealth' has been piloted recently.

This portal will go a long way in accommodating Private Banking customers' requirements by bringing several new functionalities for the specific clientele.

Corporate Banking

The corporate web site was redesigned with a new look and feel. The site provides a lot of information to the prospective customers about the details of the products and facilities available and information by way of Survey results, Economic research papers etc.,.

Business Continuity

To provide an assurance of uninterrupted service to the customers, the disaster recovery set up was created for more systems. Frequent testing were undertaken to ensure the robustness of the setup.

Technology Upgrade

Business service management, a model for aligning IT services to the business processes has started. This model ensures high availability of systems through alerts at the critical points to avoid the systems going down, timely escalation of incidents to the response hierarchy, monitoring of abnormal behavior of the systems etc.,

To ensure faster response time, bandwidths were increased wherever necessary. Optimum use of processing power of the computer systems and storage were achieved through virtualization and consolidation.

Compliance

The bank completed the logical spin off of the CMA regulated subsidiaries (Fransi Tadawul, Caam Saudi Fransi, Calyon Saudi Fransi).

Much effort and time was spent during the year in that direction. Emphasis was made to comply with requirements of the regulatory authority, compliance and Audit. Systems were enabled to provide an edge to compliance authorities in detecting fraudulent transactions.



Corporate Operations

COD has consistently endeavored in ensuring that superior service levels are provided to BSF customers, other business lines and support divisions through continuously offering unparalleled support services, increasing levels of automation, enhancing business processes, decreasing risks through implementation of mitigation measures and reducing costs.

A key factor was the re-alignment of the Corporate Operations Divisions strategic goals with those of other business lines and support areas of the Bank. This saw the Division's focus expanded from being a service provider to that of a business enabler.

Enhancing further the automation level of Business Processes

Endeavors initiated in prior years started to bear fruits in the form of increased STP levels, reduction in the levels of manual interventions required in areas such as payments, trade finance, treasury back office and so on.

Payment systems

Resultantly, Phase I of the Integrated Payment Platform went live in 2010 resulting in the complete revamp of the old non-integrated payment modules. Many enhancements have become achievable due to the availability of a dedicated in-house technical team and due to the modern, modular, and tailor-made system. The next phase will comprise of a message hub and a business activity monitoring infrastructure. 2010 also saw the introduction of a new service to manage incoming payments. This allowed COD to process a record number of transactions during the year taking only 10% of the time required in the past

Innovative Forex solutions for BSF's customers

On another hand, BSF successfully completed the cross currency electronic payment system (Auto FX). This new service will allow the customers to send cross-currency payments electronically with a high degree of STP. For better currency cash flow management, this system was integrated with the Treasury systems with updated rates being advised to clients on a daily basis by Treasury and through their new Bulletin Board system.

COD exemplified BSF's market reputation as being a major player in conducting IPO's

This innovative system was a major achievement for COD as it placed BSF as the 1st Bank in the region to offer such a service to their customers.

IPO system

In order to cater to increasing customer demands, additional features were developed and rolled out in the IPO system which is now equipped with a facility allowing the clients to select the brokerage company in which they would like to deposit their IPO shares.

COD exemplified BSF's market reputation as being a major player in conducting IPO's. 2010 saw COD involved in no less than 5 IPO's in addition to other value added services such as assisting local companies in their dividend distributions.

Trade Finance

Reacting to customer needs, business process re-engineering was successfully done for the printing of L/G's. Now customers can avail the new facility whereby their L/G's can now be printed at remote branches. This new service has greatly facilitated in the reduction in time to market for the issuance of the L/G's.

More over, Trade Finance department could reduce substantially their costs through the implementation of automatically advising their customers through electronic means for the trade finance products and services.

Compliance & Risk

In order to counter the risks associated with the increased levels of transactions and products offered by the Bank, COD implemented various measures to ensure that such risks were controlled, monitored and kept to acceptable levels. This included spot checks, risk assessment questionnaires, staff risk awareness programs and so on.

In a clear reflection of COD's commitment to risk mitigation, Trade Finance developed a new tool for Letter of Guarantee beneficiaries to validate the L/G in order to minimize the associated risks with the use of L/G's. The Signature Verification System was enhanced with the deployment of the SAMA compliance utility.

Cost Management

Success in enhanced productivity and cost management is a source of considerable pride for the Division. 2010 saw an exponential growth in business both in terms of transactional volumes as well as products and services offered to the Bank's customers. COD achieved this through effective cost monitoring and oversight measures being implemented not only through systematic means but also through the process owners being directly accountable for their expenses.

Cost awareness campaigns were run within the Division to ensure that staff were familiar with 'what' and the 'how' costs were impacting their daily activities.



Services Management

SMD is responsible for the development and the deployment of the Bank's infrastructure.

In 2010, the following projects (Kingdom-wide) were successfully completed:

- 5 New Branches completed
- 1 Branch Relocation completed
- 55 New ATMs installed
- 12 Cash Acceptance Machines installed
- 8 ATMs Replacement Project replaced
- 1 Fransi Connection Renovation completed
- 3 New SAKAN Section (KW) completed

Major Achievements Included:

- Completed ATM signage upgrade for all Central Regional Branches.
- Completed Archive Centralization Project & transfer of Western Region warehouse to a new location. Creation of a new centralized archive warehouse in Al Kharj (Central Region) was completed during the year.
- On-going centralization of Security Command Center to monitor all BSF Buildings, Branches and ATMs network.
- Completed A/C Enhancement Project at Regional Management Buildings at the Eastern and Western regions.



Creation of a new centralized archive warehouse in Al Kharj (Central Region) was completed during the year



Corporate Human Resources

Structural changes leading to full Human Capital (HC) focused organization in 2011 were implemented in 2010

SAMA Rules on Compensation Practices

To comply with the new Saudi Arabian Monetary Agency (SAMA) rules and Financial Stability Board (FSB) guidelines on compensation practices, the year saw the review and revision of the BSF Compensation Policy by the Nomination and Compensation Committee (NCCOM) and its subsequent approval by the Board of Directors.

Likewise, through an NCCOM-created Working Group composed of representatives from Corporate Human Resources Division, Compliance Division and an independent third party consultancy firm, BSF has fully addressed, with independent view, the SAMA concerns, as follows:

1. That variable pay is performance-driven and in no case contractually guaranteed;
2. That BSF compensation policy conforms to the structure laid down by SAMA; and
3. That framework of reporting and disclosure to provide SAMA's semi-annual reporting requirements is in place.

Performance Management System (PMS)

To complement the effort to comply with the SAMA Rules on Compensation Practices and the BSF policy that provides for performance-based reward system, PMS has taken another leap in 2010 through the implementation of KPI-based performance review at all staff levels. With the early campaign starting at mid-year, prior to the October year end performance review, PMS added more value to the year end allocation of the variable pay in a manner that complies with SAMA rules.

Organization

Structural changes leading to full Human Capital (HC) focused organization in 2011 were implemented in 2010. These include the set up of operations, the call center and the generation of various reports. The HC set up consists of the following main areas, or center of excellence, namely: Manpower Planning & Talent Management; Leadership & Development; Rewards & Retention; Operations; HRMS; and Business Partner. The Business Partner concept started with Compliance Division and Corporate Communications Department as pilot areas and now covers bigger group, including the Corporate Operations Division.

Talent Management

Successfully implemented Phase 1 of global best practice talent management methodologies and processes across all 12 divisions of the organization. This includes the development and design of career development process to support leadership and management development and talent management and the repositioning of the training function. Through this process, 680 executives were evaluated, leading to the identification of 49 high potentials (HIPO) and 93 emerging HIPO.



Compliance

We commit all our available resources to support the vision of the Board and the management, achieve the goals set for the year and minimize the compliance risk

Compliance risk is the risk posed by the failure to manage regulatory and ethical issues that could result in monetary damages, losses or harm to our reputation or image.

We commit all our available resources to support the vision of the Board and the management, achieve the goals set for the year and minimize the compliance risk.

The Compliance Control, Anti Money Laundering, Customer Complaint, Fraud Investigation and Treasury & Joint Venture Support Departments of Compliance Division establish the framework for the compliance programs that are applied across BSF to manage compliance risk.

This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, training, and reporting.

We approach compliance risk management on both at BSF and Business line level. The Compliance Management Committee provides oversight of significant compliance risk issues at BSF level. Financial Crime and Anti Money Laundering and other committees Compliance Division manages focus on specific issues related to the activities these committees were established to discuss and resolve. Compliance Division develops and guides the strategies, policies, and practices for assessing and managing compliance risks across the organization. We also mitigate compliance risk through a broad-based approach to process management and improvement.

The Business lines and Support divisions are responsible for all the risks within their respective areas, including compliance risks. Compliance Division, working in conjunction with Business lines and Support Divisions has developed processes to address compliance risk and to manage the issues relating to the compliance with laws and regulations.

Through training, awareness, and communication efforts, a culture of compliance is highlighted across the organization. The annual Compliance Policy Statement issued by the Senior Management sets the tone and emphasizes on the importance of compliance in every aspect of BSF's activity.

We work closely with the regulators and represent BSF in a number of committees established by the regulators for better communication and addressing the issues the industry may be facing. CPD provides its full support and services to the regulator and contributes in the development of a regulatory environment that promotes sustainable growth and investor friendly economy.

65

66



67

Internal Audit

we had to adjust our plan not only to cater for some unplanned missions but also due to the changing environment in the Bank

The Audit Division worked diligently to ensure that its audit plan is achieved well above the benchmark level. Additionally we had to adjust our plan not only to cater for some unplanned missions but also due to the changing environment in the Bank, especially in the information technology sector. To this end, we had the full support of the Audit Committee and the Bank's management.

Internal Activities

Like last year, the Audit Division continued to use the risk-based auditing methodology of Credit Agricole Corporate & Investment Bank (CA-CIB), Paris by reviewing the audit universe of the Bank including the new products and services. The main purpose of this exercise was to ensure continuous coverage of high risk areas and associated controls in various departments of the Bank and in some important products or services where inherent risks are considered high and where bank-wide audits are considered more useful.

Like last year, the Audit Division allocated a lot of resources to the follow-up of recommendations it raised, in addition to issues raised in the management letter by the external auditors. The Managing Director was actively involved in ensuring that all business lines/support divisions take the necessary action in closing out audit recommendations. The remaining ones are regularly followed up as this is an ongoing exercise.

As part of its Service Level Agreement, the Audit Division also covered joint venture companies. It followed up all the pending audit recommendations which Fransi Tadawul (a 100% subsidiary of BSF) has largely addressed, and some other joint venture companies.

Interaction with Regulatory Authorities/External Auditors

After the comprehensive SAMA Inspection of the Bank in July 2008, the Audit Division was actively involved in following up the regulator's recommendations with all entities of the Bank. Similarly, recommendations made by CMA were reviewed and validated by AD. The result of the follow up indicated that most of the regulatory recommendations have been addressed by the concerned departments of the Bank or its subsidiaries. As customary, 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.

Activities related to Audit Committees

The Chief Internal Auditor, who is also the Secretary to the Audit Committee, made sure that all deliberations of the Audit Committee were properly addressed by the executive management. The Audit Committee met six times during 2010 to ensure that good governance processes were followed up in the Bank and function as intended. The Chief Internal Auditor reported regularly to the Audit Committee about the status of the 2010 audit plan, the implementation of audit recommendations and submitted the Audit Division's audit plan for 2011. The Chief Internal Auditor also assisted the Audit committee in selecting the external auditors for the following year.



Corporate Communications and Social Responsibility

Corporate Communications Department (CCD) continued its role 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.

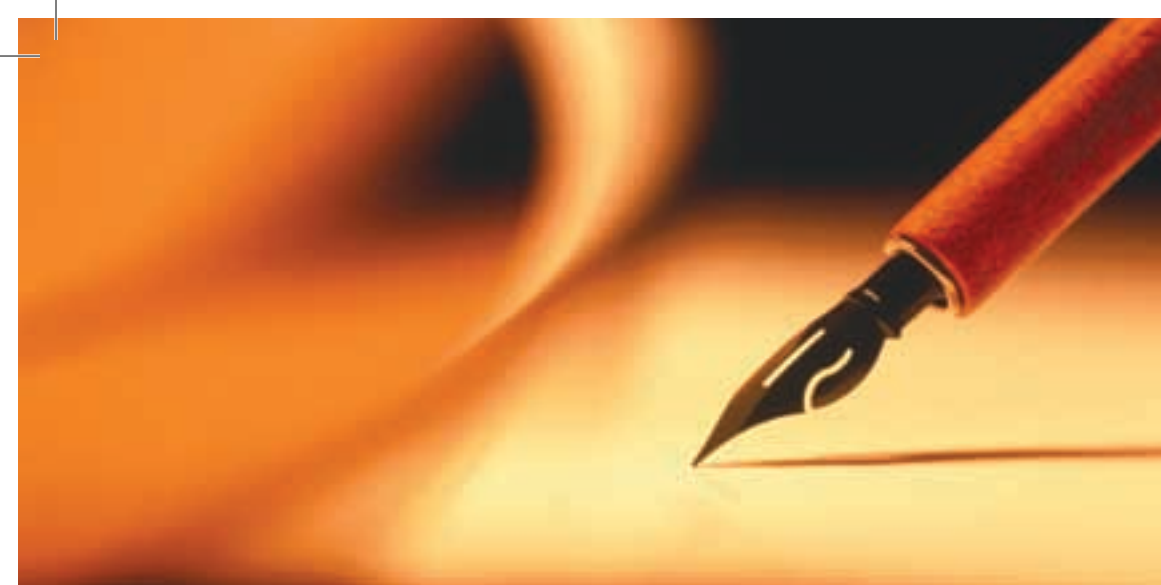
BSF has been actively supporting various community development projects in both private and government agencies in the Kingdom and had made many contributions to social, educational and cultural activities which is manifested by our sponsorship to the Janadriyah Festivals; and charitable and health services through our perpetual support to Al Nahda Philanthropic Society for Women, National Home Healthcare Foundation, Down Syndrome Charitable Association and other charitable institutions registered by the Ministry of Social Affairs.

As part of the deep-rooted bilateral relations between the Kingdom of Saudi Arabia and the Republic of France, and the endeavors of the Saudi Commission for Tourism and Antiquities to promote cultural exchanges, this year BSF sponsored the book entitled "Archeological Treasures of Saudi Arabia" whose photographs were exhibited in the Louvre Museum in Paris, France.

Other major beneficiaries are Children's Cancer Center of Lebanon, King Faisal Specialist Hospital and Research Center on the occasion of an International Pediatric Emergencies Conference and the Saudi Institute for Health Services.



BSF has been actively supporting various community development projects in both private & government agencies in KSA




Secretariat General

BSF Secretariat General participates in organizing and preparation for meetings of boards of directors and various board committees, updating information with the competent authorities, follow up changes related to capital and the formation of memberships of the boards of directors and the boards of managers of sister companies and affiliates of the Bank.

In coordination with the Department of Regulatory Control, the Secretariat General provides the required support for this department and other departments in their relations with all governmental bodies and official authorities with regard to the implementation of corporate governance regulations and follow-up of inquiries and complaints received from customers.

The Secretariat General is in charge of implementing official directives received from regulatory authorities and is keen to keep the chairman and members of the Board of Directors, the Internal Audit Committee, relevant departments, sister companies and affiliates of the Bank abreast of the latest developments in this regard.



The Secretariat General is in charge of implementing official directives received from regulatory authorities



Caam SF continued to focus on developing its sales and advisory capabilities, product platform and money management resources



Caam Saudi Fransi

2010 was a very successful year for our asset management business, which saw a significant “year on year” growth in asset management revenues, with assets under management also growing strongly, although more modestly compared to revenues.


This was largely achieved by leveraging on the wide choice of funds available to us for private placements, across a range of asset classes.

In the domestically domiciled mutual funds segment, CaamSF’s market share towards the year end was 5.15%*, ranking it as the 6th largest asset manager in this segment.

Our domestically managed fund performance in the key segments of Saudi equities, murabaha and money markets was extremely strong with all funds in these categories beating their respective benchmarks and our Shar’iah compliant Saudi equity fund (Al Saffa Saudi Equity Trading Fund) being provisionally ranked in the top 3 performing Shar’iah compliant Saudi equity funds in the Kingdom for 2010.

Over the year, Caam SF continued to focus on developing its sales and advisory capabilities, product platform and money management resources.

As investor sentiment shows ongoing improvement in the year ahead, this will allow the business to be well positioned for further growth that typically tends to be highly correlated to investor sentiment.

A low-angle photograph of two men in white thobes shaking hands in front of a modern, glass-clad building. The sky is a clear, bright blue. The man on the left is looking towards the right, and the man on the right is looking towards the left. The building's facade is made of reflective glass panels.

Even in the difficult situations,
we have successfully managed
to retain our market share




Fransi Tadawul

Year 2010 also witnessed drop in transaction value with a drop of around 40% in the transaction value compared to year 2009.

Even in the difficult situations and strong competition in the market especially from the new Brokerage Firms, we have successfully managed to retain our market share.

Fransi Tadawul has taken initiatives in:

- Re-organizing the Margin Trading facilities.
- Launching a new financial portal to act as a main window for customers in gaining the market news and research.
- Introducing SWAP transactions and developing customer base for Institutional clients from GCC and within Kingdom.
- FransiTadawul in the year ahead is firm to strengthen its marketing plan in its continuous efforts to develop customer base and gain more market share.



The descriptors define ways in which the core Values, consistent with our Mission and Vision statements, get demonstrated



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, a prominent financial institution in Saudi Arabia.

Year 2010 has seen a slew of initiatives in Allianz Saudi Fransi strengthening the fledgling organization and embarking upon journey from Good to Great.

In September 2010, the Regulatory Authorities allowed the Company to change its legal name to "Allianz Saudi Fransi Cooperative Insurance Company". The new name is a major milestone and adds value to our Brand.

With the aim to converge towards a Customer centric organization in a competitive environment and to align with Allianz Group Target Operating Model (TOM), the Company effected changes in the structure from 1st Jan, 2010 and ran an "I Value" campaign which resulted in the adoption of the three dominant Values: Expertise, Integrity and Sustainability.

The descriptors define ways in which the core Values, consistent with our Mission and Vision statements, get demonstrated.

The success of Ladies section in Riyadh encouraged the Company to open a Ladies Section in Jeddah in June, 2010. As a year of consolidation, 2010 saw an improved and bigger distribution network which has helped Allianz Saudi Fransi Cooperative Insurance Company move forward in fulfilling its pledge to provide customers with world class quality products and services.

In order for Allianz Saudi Fransi Cooperative Insurance Company to further strengthen its financial position and enable the deployment of its strategy, the Company successfully launched a Rights issue to increase the total Paid Up capital to SAR 200 million. The subscriptions period for the rights issue was open from 10th April 2010 until close of the market on 19th April 2010.



All Allianz Saudi Fransi Cooperative Insurance Company registered shareholders as of the close of trading on 3rd April 2010 were eligible to participate in the rights issue.

The existing shareholders were offered 10 million shares at a price of SR 12.5 each.

As per regulations, a new Board of Directors was elected and constituted for 3 years period from Aug 2010 to Aug 2013. Dr. Abdullah Al Abdilqader has been elected the Chairman with the other Board members being Mr. Al Waleed Al Driaan, Mr. Jean Marion, Mr. Abdulaziz Al Habdan, Mr. Hugues de Roquette-Buisson and Mr. Heinz Dollberg.

In November 2010, Allianz Saudi Fransi Cooperative Insurance Company has completed the transfer of Bancassurance portfolio written by Banque Saudi Fransi since 2000.


All the necessary IT infrastructure and Organizational structures have been put in place to further bolster the sales of Bancassurance products (Education and Retirement Solutions).

On the marketing front, it is noteworthy that Allianz Saudi Fransi Cooperative Insurance Company signed a sponsorship agreement with REEM International Circuit in Riyadh.

It is the first venue of Motorsports in the Kingdom designed to the international standards.

The agreement is initially scheduled to run for a period of two years, until the end of 2010 / 11 racing season. It will give Allianz Saudi Fransi Cooperative Insurance Company the benefits of using branded Pit Lane, Trackside advertising, branded Safety Car and permanent booth to have direct interaction with the visitors.

In 2011 the Company will continue its rapid expansion plan with the aim to be amongst one of the top Insurance companies in the Kingdom fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business through easy access to customers by various channels of distribution and highly motivated employees.



With trusted & time tested investment team, CSFL was able to see the light of the day by wining new mandates and closing the existing ones



Calyon Saudi Fransi

The impact of lackluster capital market activities in Saudi Arabia and around the world continued to have a dismal effect on the local and overseas markets. However, with the help of a multipronged strategy of its shareholders, especially BSF, with a trusted and time-tested investment team, CSFL was able to see the light of the day by winning new mandates and closing the existing ones.

CSFL was honored to have successfully advised National Handling Services on its merger with Saudia Ground Handling and Attar Ground Handling.

This was the largest and most complex domestic M&A deal to have been completed in Saudi Arabia for some time. This transaction took over three years to agree and complete.


On the capital markets front, CSFL successfully completed the rights issue of Allianz Saudi Fransi Cooperative Insurance Company.

In Debt Capital Markets (DCM), we have also played key roles as joint book runners for the BSF Bond, the GIB Sukuks and Apircorp's Bond issue during 2010.

The year 2011 looks more positive for Investment Banking activities due to a strong pipeline of mandates for landmark IPOs and rights issues, which will be mostly executed in 2011 and 2012.

Moreover, our deal pipeline and prospects for M&A and DCM also look quite healthy.

In addition to existing mandates, we are actively pursuing new mandates with most of the important prospects in the market place and we are confident that more mandates will be signed during 2011.



Sofinco offers small loans for the purchase of cars and household items. Loans are offered to the borrowers on easy instalments



Sofinco Saudi Fransi & Al Amthal

Sofinco Saudi Fransi

The company began its activities in the mid 2007 with focus on small loans for the purchase of cars and household items. Loans are offered to the borrowers under Shariah-compliant regulations..

The capital of Sofinco Saudi Fransi is SAR. 100 Million of which Banque Saudi Fransi owns 50%. The company offers small loans for the purchase of cars and household items. Loans are offered to the borrowers on easy instalments.

Al Amthal

The bank holds 20% of the total 20 Million paid up capital of the company. Al Amthal Company is in the field of car leasing business.

After the restructuring of the administration, the company had started to bear fruit by generating profit.

Board of Director's Report (continued)

The Investment Portfolio

Investments consist of the following:

SAR' 000	2010			2009		
	Domestic	International	Total	Domestic	International	Total
i) Held as FVIS						
Fixed rate securities	849,600	228,251	1,077,851	347,695	172,709	520,404
Floating rate securities	155,472	37,735	193,207	183,730	48,574	232,304
Other	-	-	-	-	7,106	7,106
Held as FVIS	1,005,072	265,986	1,271,058	531,425	228,389	759,814
ii) Available for sale (AFS)						
Fixed rate securities	168,759	214,749	383,508	-	511,363	511,363
Floating rate securities	1,172,761	553,812	1,726,573	728,374	382,280	1,110,654
Equities	713,934	257,378	971,312	624,060	75,106	699,166
Other	3,633,004	7,106	3,640,110	3,102,380	-	3,102,380
Available for sale, net	5,688,458	1,033,045	6,721,503	4,454,814	968,749	5,423,563
iii) Held to maturity						
Fixed rate securities	1,423,179	-	1,423,179	2,353,657	188,936	2,542,593
Held to maturity	1,423,179	-	1,423,179	2,353,657	188,936	2,542,593
iv) Other investments held at amortized cost						
Fixed rate securities	9,565,889	-	9,565,889	7,228,694	-	7,228,694
Floating rate notes	859,086	375,000	1,234,086	1,526,562	375,000	1,901,562
Other investments held at amortized cost, gross	10,424,975	375,000	10,799,975	8,755,256	375,000	9,130,256
Allowance for impairment	-	(375,000)	(375,000)	-	(375,000)	(375,000)
Other investments held at amortized cost, net	10,424,975	-	10,424,975	8,755,256	-	8,755,256
Total Investments, net	18,541,684	1,299,031	19,840,715	16,095,152	1,386,074	17,481,226

Breakdown of investments per parties

SAR' 000	2010	2009
Government and quasi government	13,292,873	12,111,363
Corporate	4,314,648	3,874,644
Banks and other financial institutions	1,997,125	1,444,389
Others	236,069	50,830
Total	19,840,715	17,481,226

Credit Risk Related to Investments

SAR' 000	2010	2009
Saudi government bonds	12,675,524	11,456,608
Investment grade	2,428,828	2,207,809
Non investment grade	107,813	-
Unrated	4,628,550	3,816,809
Total	19,840,715	17,481,226

Saudi government bonds comprise of Saudi government development bonds, treasury bills and floating rate notes. Investment grade includes investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Unrated investments include local equities, foreign equities, Musharakah and Mudarabah SAR 3,633 million (2009: SAR 3,102 million).

Investments held as FVIS represent investments held for trading and include Islamic securities of SAR 152 million (2009: SAR 155 million).

Available for sale investments include Islamic securities (sukuk) of SAR 965 million (2009: SAR 753 million). Other AFS represents Musharaka investments of SAR 0.5 million (2009: SAR 255 million) and Mudarabah investments of SAR 1,699 million (2009: SAR 1,726 million) which are hedged and measured at fair value to the extent of the risk being hedged.

Unquoted investments basically include Saudi government bonds for SAR 12,676 Million (SAR 11,457 Million in 2009).

Term Loans

On 25 June 2008, BSF signed a 5 years long term loan for Euro 100 Million to mature in 2013 for general banking purposes. BSF signed another term loan agreement on 22 Sept 2008 for USD 525 Million which was fully withdrawn. The third year tranche of the loan amounts to USD 183 Million and the fifth year tranche amounts to USD 342 Million for general banking purposes. BSF is entitled to repay these loans prior to their maturity dates and subject to the terms and conditions under the respective loan agreements.

External expansion

1. Banque BEMO Saudi Fransi:

BSF owns 27% of Banque Bemo Saudi Fransi (BBSF) a joint stock company established in Syria on 4.1.2004. BBSF continued to operate successfully reflecting on the expansion of its branch network from 27 branches in 2009 to 33 branches in 2010 with more expansion plans underway. The bank's capital also increased which contributed to the increase of BSF's share capital from 27% to 33.06%.

2. Banque Bemo Lebanon:

BSF owns 10% of the share capital of Banque Bemo Lebanon, a company established in Lebanon, since 1.8.2003. The bank's board of directors approved a capital increase during Q4, 2010 and the increase will be implemented in 2011.

3. In 2009, the activities and net assets of Insaudi Company, Bahrain, was transferred to Allianz following the approval of SAMA. After the completion of the transfer of the assets/liabilities and the discharge of all legal obligations, the partners of Insaudi approved its liquidation.

Future plans

The development plan devised by the senior management of the Bank and endorsed by the Board of Directors relies on the following elements.

Board of Director's Report (continued)

Economic Perspective

Macro economic perspective, we think that the economic growth which slowed down between 2008 and 2009 (from +4.2% down to 0.6%) should recover in the years to come based on signs already visible in 2010. As per our Economic research office, we can expect growth of the Saudi GDP to range between 4% and 4.5% in the years to come.

Moreover, we expect the private sector to grow by 4.2% in 2011 relieving some of state's burden. Indeed, in 2010 the government predominantly shouldered the burden for financing projects and we think that the private sector is likely to become progressively more engaged in the recovery process this year and the following years.

Since the onset of the financial crisis, the state has been proactive in taking steps in order to keep the economy in motion. In 2010, the government sector expanded at its fastest pace in 13 years of 5.9%, far outpacing private sector growth of 3.7%.

Even if the 2011 Saudi Budget shows another high level of planned expenditures, the government has slowed down the pace of growth in spending in order to reduce overspending and encourage the contribution of the private businesses.

The private sector's growth rate will be motivated by higher oil price environment, increased demand for petrochemicals and continued state stimulatory spending.

That will certainly imply that they claim funding from banks or from equity and bond markets. We expect a certain turnaround in credit growth this year. It is noteworthy that where Bank's extension of credits to the private sector reduced by 0.3% in 2009, the granting of loans to the private sector increased by 4.75% in 2010.

Strategy

The strategy consists of capitalizing on BSF's strengths and competitive advantages and the action plan stresses on areas where profitability can be enhanced due to our existing market shares:

Retail Banking shall capitalize on investments in people, infrastructure and systems to improve its contribution to the Bank's bottom line. In fact, Retail Banking will have to maintain the same rate of growth shown in the retail assets product during 2010.

Wealth Management will grow through acquisition of new clients and cross Marketing in coordination with Corporate Banking/Commercial Banking.

Corporate Banking will continue to grow its market share in terms of Assets and presence in the project and bilateral lending sector, with a special push in the trade finance area.

Commercial Banking will develop its market share in the SME's business segment and provide new opportunities through the newly established Government & semi-Government Unit.

Treasury/ Capital Market activities of the Bank will capitalize on BSF's strong position in the derivatives products and will continue to expand its range of products, risk advisory solutions, and foster the development of cross selling activities through business lines and subsidiaries.

Management of Basel II Risks

BSF chose the method of phase execution of Basel II agreement. At the end of 2007, BSF was able to achieve compliance with SAMA requirements in terms of the standard credit method and the market and operational risks. SAMA directives included a strict approach towards the implementation of IRB related to Basel II and introducing Basel III. BSF is working on the implementation of these requirements.

Doubtful Debts

Doubtful debts amounted to SR 1,157,188,000 at the end of 2010. Provision for doubtful debts amounted to SR 1,492,917,000 at coverage rate of 129%. The coverage of all working provisions for all performing loans and doubtful debts increased from 1.55% in 2009 to 1.75%. This comes as a translation of the importance BSF gives in making the necessary provisions to cover these debts.

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 1.1.2010 till 31.12.2012. According to the regulations, the membership shares (1000 shares per director) were booked.

The Saudi Directors

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

The Non-Saudi Directors (representing CA-CIB)

Mr. Jean Marion	Managing Director Member (executive)
Mr. Allain Massiera	Member (non-executive)
Mr. Marc Oppenheim	Member (non-executive) replacing Mr. F. de Leusse
Mr. Frederick de Leusse	Member (non-executive) resigned during Q1 2010

Board of Director's Report (continued)

In 2009, BOD held 4 meetings, at an attendance rate of 92%. Following is the attendance record of the subject meetings:

Name	Status	1st meeting 7.3.2010	2nd meeting 6.6.2010	3rd meeting 19.9.2010	4th meeting 19.12.2010
Ibrahim Al-Touq	independent	Attended	Attended	Attended	Attended
Khalid Mutabagani	independent	Attended	Attended	-	Attended
Mousa Al-Omran	independent	Attended	Attended	Attended	Attended
Abdulaziz Al-Rashid	Non-executive	Attended	Attended	Attended	Attended
Ibrahim Al-Issa	Non-executive	Attended	Attended	Attended	Attended
Abdulaziz Al-Habdan	Non-executive	Attended	Attended	Attended	Attended
Allain Massiera	Non-executive	Attended	Attended	Attended	Attended
Marc Oppenheim	Non-executive	-	-	Attended	Attended
Jean F de Louse	Non-executive	Attended	-	-	-
A Jawa	Executive	Attended	-	Attended	Attended
Jean Marion	Executive	Attended	Attended	Attended	Attended

Names of the other company boards where BSF directors are also directors:

Director's Name	Name of other company	Capacity
Ibrahim Al-Touq	- Steel Products Co (STEPCO)	Chairman
	- Saudi Ind Investment Co	Director
Abdulaziz Al-Rashid	- Al-Khaleej and Education Co (Joint Stock)	Director
Ibrahim Al-Issa	- Taiba Holding	Chairman
	- Al-Marai	Director
	- Yanbu Cement	Director
	- Savola	Director
	- Bemo Beirut	Director
Abdulaziz Al-Habdan	- STC	Director
	- Allianz SF (representing BSF)	Director
Khaled Mutabagani	-	-
Mousa Al-Omran	- Savola	Director
	- Al-Marai Co	Director
	- Arabian Cement	Director
Abdulrahman A. Jawa	- Banque Bemo Saudi Fransi Syria till May 2010	Director
Jean Marion	- Allianz SF (representing BSF)	Director
	- Banque Bemo Saudi Fransi Syria (representing BSF)	Director

BSF BOD directors/senior executives, their wives and minor children have shares with BSF as at 31.12.2010 according to the following table:

BSF Directors

Name	Shares owned at the start of the year 2010	Ownership percentage at the beginning of the year	Change Number of shares	Change %	Shares owned at year end 2010	Shares owned at year end percentage
Ibrahim Al-Touq	9,994,992	1.38%	-	-	9,994,992	1.38%
Ibrahim AL-Issa	3,000	0%	-	-	3,000	0%
Abdulaziz Al-Rashid	3,214	0%	-	-	3,214	0%
Abdulrahman A. Jawa	16,788	0%	-	-	16,788	0%
Abdulaziz Al-Habdan	00	00	2,000	0%	2,000	0%
Khalid Mutabagani	35,775	0%	-	-	35,775	0%
Mousa Al-Omran and his family	479,308	0.06%	-	-	479,308	0.06%

Share Ownership

According to Article 30, Listing Rules, issued by CMA, BSF top shareholders as at 31.12.2010 are as follows:

The major shareholders, not directors or senior executives, holding 1% or more:

Name	Shares owned at the start of the year	Ownership percentage	Change Number of shares	Change %	Shares owned at year end	Shares owned at year end percentage
CA-CIB	225,000,000	31.11%	-	-	225,000,000	31.11%
GOSI	92,867,667	12.84%	-	-	92,867,667	12.84%
Rashed Al-Rashid Co	71,093,121	9.83%	-	-	71,093,121	9.83%
Mohammad I Al-Issa	36,335,000	5.02%	-	-	36,335,000	5.02%
SAMBA Private Investment Fund 1	11,790,107	1.63%	2,749,499	0,38%	14,539,606	2,01%*
Omran Al-Omran	13,186,283	1.82%	-	-	13,186,283	1.82%
Adnan Bouqari	10,915,236	1.51%	-	-	10,915,236	1.51%
Public Pension Agency	9,979,398	1.38%	-	-	9,979,398	1,38%
Hamed Mutabaqani	9,978,732	1.38%	-	-	9,978,732	1,38%
Al-Olayan Saudi Investment Ltd	8,453,600	1.20%	(563,900)	-0,11%	7,889,700	1,09%*

- SAMBA Private Investment Fund 1 represents changes in number of shares owing to purchases in 2010.
- Al-Olayan Saudi Investment Ltd represents changes in number of shares owing to sales in 2010.

Committees created under BOD

In Banque Saudi Fransi ("BSF"), several committees were created under the Board of Directors: Executive Committee, Audit Committee, Nomination and Compensation Committee, and the Donation and Social Contribution Committee. Each committee operates under a written charter or operating policy and procedure. Below is the summary of the key responsibilities of each committee.

Board of Director's Report (continued)

1. Executive Committee

Executive Committee supervises the management of risk of BSF and is responsible for establishing long-term goal and succession planning:

- Identify and monitor the key risks of BSF and evaluate their management;
- Approve risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk;
- Satisfy itself that policies are in place to manage the risks to which BSF is exposed, including market, operational, liquidity, credit, insurance, regulatory and legal risks, and reputational risks;
- Critically assess business strategies and plans;
- Recommend to the Board long-term objectives and regularly monitor and measure those objectives;

It consists of 7 members and its term runs for 3 years starting from 1.1.2010 to 31.12.2012 Members in the Executive Committee are as follows:

Mr. Jean Marion	Chairman
Mr. Abdulaziz Al-Rashid	Member
Mr. Ibrahim Al-Issa	Member
Mr. Mousa Al-Omran	Member
Mr. Abdulaziz Al-Habdan	Member
Mr. Abdulrahman A. Jawa	Member
Mr. Allain Massiera	Member

In 2010, EC held 8 meetings at an attendance rate of 80%.

2. Nomination and Compensation Committee (NCCOM)

Mandate:

- Considering the suitability of candidates for membership of the Board in accordance with the Articles of Association and approved policies and standards;
- Undertaking an annual review of the requirement of suitable skills and qualifications for the membership of the Board;
- Recommending to the Board criteria for the composition of the Board and its Committees, including the number of Board members, and independence of directors;
- Conducting an annual evaluation of the independent status of each candidate proposed for election at the General Assembly meeting and reporting the results of such evaluation to the Board;
- Satisfying itself to the Board and its committees, as applicable, are in compliance with all regulatory requirements, including its composition;
- Assisting to the Board in reviewing the adequacy of the succession planning process and oversee its implementation;
- Reviewing the performance and making recommendations to the Board regarding the compensation of the Senior Management of BSF;
- Reviewing and assessing the adequacy of this Charter every three years and submitting this Charter and any amendments to the Board for approval;
- Conducting self-evaluation to assess the Committee's contribution and effectiveness in fulfilling its mandate and present it to the Board every three years.

Salient Features of BSF Compensation Policy:

As a bank in Saudi Arabia, the sole nation in the Middle East represented in the G20, BSF follows a strict governance-orientated compensation practices as mandated by the Saudi Arabian Monetary Agency (SAMA). BSF compensation system promotes meritocracy and effective risk management.

The policy as recently amended by the Nomination and Compensation Committee (NCCOM) and approved by the Board, conforms to compensation related corporate governance and supports the SAMA rules and Financial Stability Board (FSB) guidelines. It is structured to meet challenges i.e. attracting, retaining and motivating highly skilled staff, recognizing:

- a) That BSF success heavily depends on the talents and efforts of highly skilled individuals;
- b) That competition within the Kingdom and the Gulf's financial services industry for qualified talents has often been intense.

In line with the Saudi banking industry practices, BSF uses a mix of fixed and variable compensation. The former is driven by job size, responsibility, supply and jobs' relative worth in the market. The latter is driven by performance thus payment is based on meeting pre-agreed targets.

The fixed compensation package is composed of base salary, allowances and fringe benefits. As a standard practice in the Kingdom, the fixed income is driven by a base pay that is regularly benchmarked and compared with competition to ensure competitiveness.

Per Saudi banking industry practice, BSF pays a Performance Bonus, the variable component. As a form of incentive, the Bonus Pool is set by Management and NCCOM working closely with Chief Risk Officer, Chief Finance Officer and Human Resources Manager based on the year's performance or net profit adjusted to the full range of identifiable risks, inclusive of SAMA-mandated risk provisions.

In order not to adversely affect BSF's ability to hire and retain qualified staff, due to the still prevailing market practice of paying in cash, BSF does not currently defer payment of bonus. However, it commits to do so, on a level playing field i.e. if deferral becomes a standard practice in the Kingdom and the Gulf region, and when certain payments, due to inherent risks, need to be adjusted to time horizons.

Allocation of Bonus to Groups and Divisions is based on Key Performance Indicator (KPI) target achievements. Distribution of bonus to individual employees is based on review of performance by respective supervisors measured in terms of meeting the KPI target. BSF fully implements KPI-based Performance Management System in 2010.

General Conditions

The committee work term is 3 years. According to the board of directors' decision, the term for each committee member is determined or others maybe nominated for a new term of 3 years. The committee members do not receive any bonuses. The committee consists of the non-executive directors of the board and the executive directors permanently attend the committee meetings as observers.

The committee appoints a secretary from the midst of members or a suitable person from the higher management. The present secretary of the committee is the secretary to the board of directors.

The committee consists of the following:

Mr. Abdulaziz Al-Habdan	Chairman
Mr. Abdulaziz Al-Rashid	Member
Mr. Mousa Al-Omran	Member
Mr. Allain Massiera	Member

In 2010, the committee held 3 meetings at an attendance rate of 100%.

Mr. Mousa Al-Omran assumed the chairmanship of this committee with effect from 19.12.2010. No other changes were made to memberships.

Board of Director's Report (continued)

3. Donation and Social Contribution Committee

The Donation and Social Contribution Committee meets to lay down the appropriate mechanism for donations and social contributions.

It consists of 4 members as follows

Mr. Ibrahim Al-Touq	Chairman
Mr. Abdulaziz Al-Rashid	Member
Mr. Abdulrahman Jawa	Member
Mr. Jean Marion	Member

In 2010, the committee held 3 meeting at an attendance rate of 100%.

According to the committee's recommendations, BSF made generous donations to a variety of causes. BSF entered into a partnership with the Ministry of Social Affairs as the ministry is considered the best entity to know the actual needs for donations. BSF adopted several educational events and many health, social and cultural conferences in the Kingdom. In the event of disasters, the committee holds meetings by deliberation in order to determine the amount to be urgently paid.

Certified Public Accountants

The shareholders meeting held on 7.3.2010 appointed Messrs. Ernest and Young and Messrs. KPMG Al-Fouzan and Al-Sadhan, as the Bank's certified public accountants for the FY 2010 and for one year.

Accounting Standards

The financial statements were prepared according to the accounting standards issued by SAMA as well as the international recognized standards. BSF prepares 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 applied during the FY ended 31.12.2010, except in the application of the international standard No. 8 related to financial reporting. BSF applied the subject standard with retroactive effect without an impact on the Bank's financial position or performance.

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

1. BSF keeps correct accounting records,
2. BSF has in place 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 regarding the Bank's ability to continue to operate successfully.

Disclosure

BSF believes that it has in place suitable control system that permits it to prepare interim financial statements consistent with SAMA's accounting and financial standards as well as the international accounting and reporting standards. The present statements were prepared on the basis of this system. The directors were given access to the information covering a period not exceeding one year from the ending date of last year. BSF prepared the Governance Regulations and presented it to the board and it was duly approved.

BSF announces all fundamental changes and development on the Tadawul website. Due to its importance, the matter was entrusted to the DMD and SEG of the Bank and disclosure is made according to CMA Act.

Corporate Governance

BSF operates under its Corporate Governance Regulations which were approved by BOD and under SAMA rules and directives. BSF continues to comply with CMA's Governance Regulations. BSF directors and members of the senior management participated in specialized seminars to learn about their responsibilities towards the Bank. In addition, the directors are always updated by the chairman regarding matters received from the competent authorities.

BSF complied with clauses under Governance which are consistent with the Bank's articles of association in addition to the obligatory clauses referred under CMA decision No. 1-36-2008 dd 12.11.1429 (10.11.2008) and Decision No. 1-10-1010 dd 30.3.1431 (16.3.2010).

In conclusion, the Board of Directors wishes to express deepest gratitude, first and foremost, to the Almighty Allah and then to King Abdullah Ben Abdulaziz and his Crown Prince and Second Deputy Premier for their continuous support of banking sector. The Board would like also to thank the Ministry of Finance and to the Saudi Arabian Monetary Agency, the Ministry of Commerce and Industry as well as the Bank customers, staff, committees' members, and correspondents, praying Almighty Allah for continued security and prosperity.



Audit Committee

The Audit Committee met six times a year in order to adequately cover all critical risk areas in the Bank

Chairman	Dr. Khalid Mutabagani, Member of the Board of Banque Saudi Fransi
Members	Mr. Régis Monfront Head of Credit Agricole Corporate & Investment Bank's Internal Audit and Inspection Mr. Ammar Al-Khudairy Managing Director and founding shareholder, Amwal AlKhaleej Mr. Khalid AlSolai Chief Internal Auditor, Saudi Telecommunication Company (STC)
Secretary:	Mr. François Delagrangé 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 (SAMA) approved the nomination by the Board of Directors of BSF of the above members of the Audit Committee for a three-year term beginning on 01/01/2010.

The Audit Committee met six times a year in order to adequately cover all critical risk areas in the Bank. It now quarterly and annually reviews the financial statements of the Bank with the external auditors and recommends their approval to the Board as required by the Capital Market Authority and SAMA. The deliberations of each meeting were properly recorded 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, including joint venture companies, and by the external auditors. The Audit Committee is fully involved in the selection of the external auditors and recommending them to the Board for their approval.

The Audit Committee regularly reviewed the status of all fraud cases with the Chief Compliance Officer, new regulations and pronouncements, breach of any significant compliance issues, etc. It also discussed internal control issues with the Operational Risk and Permanent Control Department and reviewed the deliberations of the Internal Control Committee of the Bank.

Independent Auditors' Report



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 statement of financial position as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from (1) to (43), other than note (40), and the information related to «Basel II Pillar 3 disclosures» cross-referenced 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

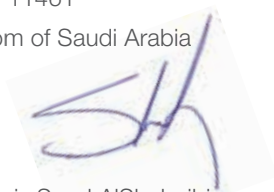
Opinion

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

- present fairly, in all material respects, the financial position of the Bank and its subsidiaries as at 31 December 2010, and their 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 in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young

P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Abdulaziz Saud AlShubaibi
Certified Public Accountant
Registration No. 339



KPMG Al Fozan & Al Sadhan

P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Abdullah H Al Fozan
Certified Public Accountant
Registration No. 348



22 Safar 1432H
(26 January 2011)