

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**HRH Prince
Mohamad Bin Salman
Bin Abdulaziz Al-Saud**
Deputy Crown Prince

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

**HRH Prince
Mohamad Bin Naif
Bin Abdulaziz Al-Saud**
Crown Prince
First Deputy Premier

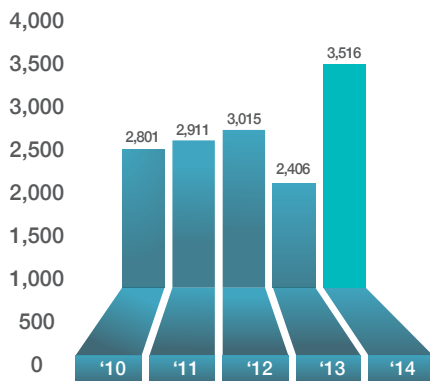
2014

Year at a Glance

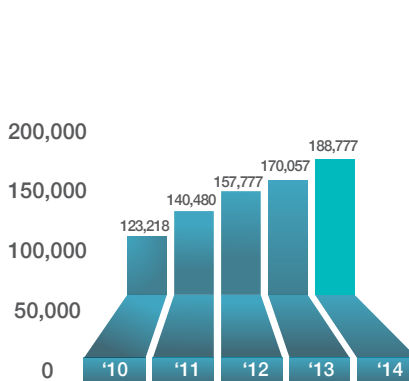
Performance

Net Income	SAR 3,516 million
Total Assets	SAR 188,777 million
Customers' Deposits	SAR 145,275 million
Loans & Advances, net	SAR 116,541 million
Total Equity	SAR 26,471 million
Total Liabilities	SAR 162,306 million

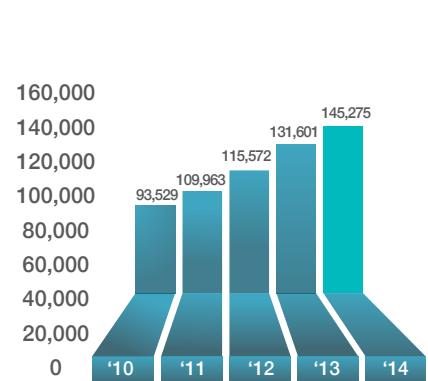
Net Income
(In Million SAR)



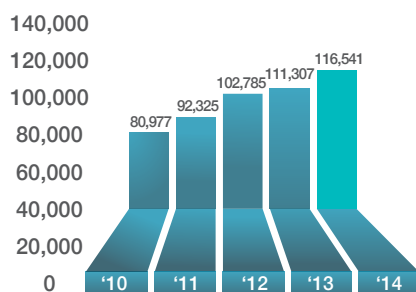
Total Assets
(In Million SAR)



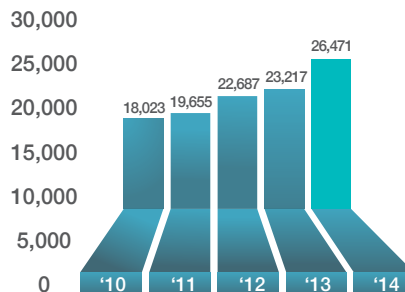
Customers' Deposits
(In Million SAR)



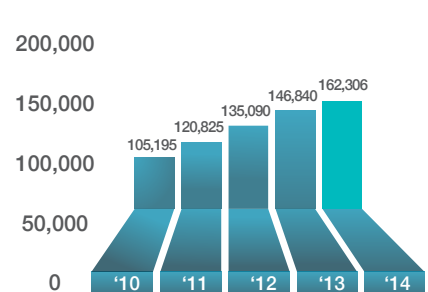
Loans and Advances, net
(In Million SAR)



Total Equity
(In Million SAR)




Total Liabilities
(In Million SAR)






Chairman's Statement





On behalf of my colleagues on the board of directors, I am pleased to present the annual report for the fiscal year 2014.

BSF has completed the strategic restructuring plan 2012/2016 and implemented the medium-term plan 2014/2016. Both plans have helped establish a robust criteria for decision-making and led to the success of the various bank sectors and units in translating the Bank of Excellence mission statement into a reality. This is evident in the unprecedented net profit achieved, and the diligent efforts exerted towards achievement of further positive results despite the highly competitive business environment. This has been achieved through maintaining close contact with all targeted retail and corporate segments of BSF clientèle including institutions, businessmen and individuals, with view to enhance their trust and confidence in BSF as their “Bank of Excellence”.



I would like to pay tribute to the bank for achieving, by the end of this year, a net profit in an unprecedented amount of SAR 3,516 million compared to SAR 2,406 million for the year 2013, an increase by 46.13%. The growth in profits was in line with the overall growth in the conventional bank services. Loan portfolio increased by 4.7% to SAR116,541 billion, deposits amounted to SAR145,275 billion, an increase of 10.39%, investments increased by 31.5% to SAR45,102 billion, assets increased by 01.11% to SAR188,777 billion, and share holders equity jumped to a total of SAR 26 billion consequent to the increase of BSFs capital in 2014 and the build-up of statutory reserves.

It also gives me pleasure to point out that, on 18/6/2014, BSF had successfully completed the transaction of special offering of secondary instruments (Sukuk) within the Kingdom of Saudi Arabia in the amount of SAR 2 billion. The offering will enhance the capital base of the Bank, as per Basil III requirements. Although the offering term is 10 years, the Bank may call the underlying Sukuk by the end of the 5th year. It is worthwhile noting that the SIBOR return on the instruments (Sukuk) is: (three months) + 1.40 %.

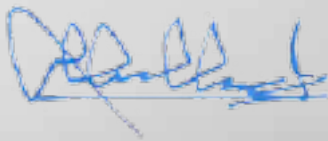
“Share holders equity jumped to a total of SAR 26 billion consequent to the increase of BSFs capital in 2014”

At this point, I would like to praise the positive and effective role of the BSF business lines and staff, who represent the cornerstone and pivotal point of contact with all the retail and corporate segments of BSF clients. It is with their dedication, close communications, encouragement and support of our various clients, including individuals, companies, businessmen, institutions and sponsors of small and medium size enterprises that sustainable customer loyalty and confidences could be established. Furthermore, I would be remiss if I did not mention that the Bank has always been very active in participating and supporting social responsibility contributions and initiatives to the public welfare of our community.

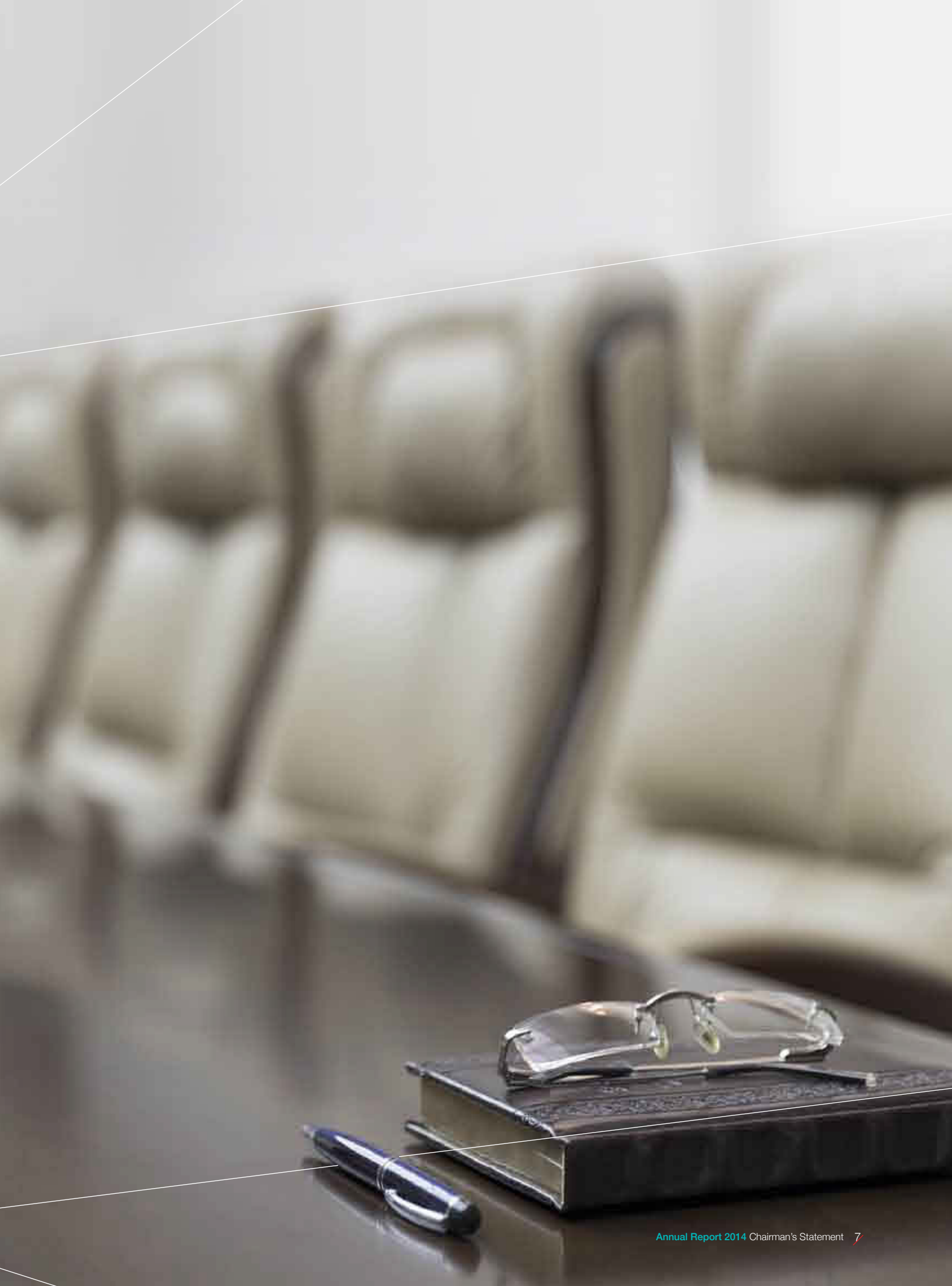
Finally, I and all my colleagues on the Board of Directors would like to express our gratitude to the Custodian of the Two Holy Mosques, the Crown Prince, Deputy Crown Prince and our wise government for their support of the banking sector. I would also like to thank all related government institutions, particularly the Ministry of Finance, the Ministry of Commerce & Industry, the Saudi Arabian Monetary Agency, the Capital Market Authority and the Saudi Arabian General Investment Authority (SAGIA) for their positive and effective role in supporting the Bank.

Last but not least, thanks are extended to our valuable customers and shareholders for their confidence and support, and to all employees of the Bank for their dedication and positive contribution without which such achievements would not have been possible.

May Almighty Allah guide our actions.



Sulaiman Abdulrahman Al Gwaiz
Chairman



Managing Director's Statement

BSF successfully launched its new Medium-Term Plan in 2014 exceeding its financial targets for the year while strengthening the financial standing of the Bank and continuing its in-depth transformation and modernization effort.

Net Income indeed reached a best-ever of SAR 3,516 million, an increase of 46% vs 2013, primarily on the back of solid revenues generation and low cost of risk.

Total Operating Income grew 14.5% compared with 2013 standing at SAR 5,786 million while at the same time loans and advances increased at a controlled pace of 4.7% in line with selective and prudent development policy.

Such growth in revenues is the direct outcome of cross-selling efforts standing at the heart of the Medium Term Plan 2014-2016. Its objective is to develop a sustainable and diversified business model ensuring optimization of the Bank's capital.

BSF is deploying a balanced strategy between its different business lines leveraging on its historical and strong position in the corporate sector to develop its offer across all banking segments and business lines.

The prudent risk policy strictly enforced by the Bank coupled with the sound economic backdrop in the Kingdom led to a significant decrease in the cost of risk which averaged a low 0.28% for the year.

At the same time, BSF continued to reinforce its collective impairment provisions reaching a protective SAR 1,210 million and capital position with Capital Adequacy Ratio (Tier I + Tier II) standing at 17.26% by December 2014.

“ The Bank achieved a net profit of 3,516 million Saudi Riyals during the fiscal year 2014 ”







Aside from Business development, BSF pursued major transformation projects in Support and Control areas which are integral part of the sustainable growth of BSF: in-depth review of Human Resources Group, important investments in Information Technology, reinforcement of the Risk function... are examples of such effort.

“Excellence at client service” is the motto of this Medium Term Plan. The client is at the center of the business model and all parts of the Bank strive toward excellence to serve it better.

BSF has made considerable progress over the past few years deploying a business model adjusted to the economic and regulatory environment, modernizing its processes and reinforcing its reserves and financial position. I am accordingly very confident that BSF will be well positioned to capture opportunities and continue playing a key role supporting the economic development of the Kingdom.

Once again, I would like to thank all of our clients who have placed trust in BSF and reiterate that all BSF staff are dedicated to their satisfaction.

I also take this opportunity to express my gratitude to the Chairman of the Board, H.E Suleiman Al Gwaiz, all Board Members, Executive Committee, Audit Committee and Remuneration & Compensation Committee Members for their strong involvement and continuous support.

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

Last, I also want to extend my appreciation to all BSF Staff for their personal commitment and their deep involvement in ensuring that the Bank continue to develop and put excellence at client service.

Patrice Couvignes

Managing Director





Board of Directors



Left to Right

Mousa Omran Al-Omran Member | **Dr. Khalid H. Mutabagani** Member |
Mr. Sulaiman Abdulrahman Al Gwaiz Chairman | **Patrice Couvignes** Managing Director |
Jean Yves Hocher Member | **Thierry Simon** Member | **Abdulrahman Rashed Al-Rashed** Member |
Ammar Abdulwahid AlKhudairy Member | **Ibrahim M. Al-Issa** Member | **Mazen Abdulrazaq AlRomaih** Member

Management Team





Patrice Couvignes
Managing Director

Mohamad M. Abdulhadi
Senior Executive Director Business

Abdulrahman AlSughayer
Chief of Governance, Compliance & Control

Riyadh AlSharikh
Assistant Senior Executive
Director Business

Aurel Lavedrine
Chief Risk Officer

Kamal A. Khodr
Corporate Banking Group

Amer M. Othman
Wealth Management Group

Mazen ElRayes
Islamic Banking Division

Robert Reynaud
Information System Group

Radhi K. Al-Radhi
Procurement Division

Regional Managers

Abdulaziz Al Molhem
Eastern Region Manager

Jean Pierre Pallard
Senior Executive Director COO

Julien Maze
Chief Financial Officer

Abdulaziz Y. Al-Oraifi
Assistant Senior Executive
Director RBG

Muneer Khayat
Human Resources Group

Abdulrahman Mutabagani
Business Banking Group

Ahmad Jawdat
High NetWorth Group

Saadoun Al-Saadoun
Corporate Operations Division

Shahid Tayyab Naseem
Accounting and Financial

Mazen Tamimi
Western Region Manager

Pierre Derajinski
Senior Executive Director RBG

Adel Mallawi
Global Markets Group

Khaled Al-Toukhi
Global Transaction Business

Osama Al-Bakri
Property Management Division

Sameh M. Abdulhadi
Corporate Communications Division



Financial Management



Overall Performance

For the 12 months ended 31 December 2014, Banque Saudi Fransi's Net Income reached SAR 3,516 million a best ever in terms of results and sharp increase of 46% against the SAR 2,406 million Net Income generated in 2013.

Along with this very solid set of results, BSF significantly reinforced all key financial indicators in capital, liquidity and risk areas demonstrating an overall healthy financial position.

Balance Sheet

Total Assets stood at SAR 188,776 Million corresponding to an increase of 11% over the year fed by a selective and controlled growth in Loans and advances (SAR 116,541 Million and +4.7%) and a jump in the Investments portfolio (SAR 45,102 Million / +31.5%) benefiting from large inflows of deposits invested primarily in secured Saudi Treasury Bills.

On the liabilities side, Customers' deposits reached SAR 145,275 Million, a significant increase vs 2013 (+10.4%) supported by very strong Demand deposits at SAR 102,369 Million (+23.4%) coming from good collection performance from all business lines in a supportive environment. Such deposits balances helped BSF decreasing its cost of funding across the year while maintaining a healthy loan to deposit ratio of 75.5%.

Operating Revenues

Operating Revenues amounted to SAR 5,786 Million for the period a yearly increase of 14.5%. This growth in revenues was equally driven by Net Special Commission Income (SAR 3,817 Million and +13.5%) and Non Special Commission Income (SAR 1,969 Million and +16.5%) with a particularly strong performance of Foreign Exchange and Trading activities supported by large client flows in a more volatile market.

As a matter of fact, Operating Revenues grew faster than Total Assets and Loans demonstrating the effect of the cross-selling strategy systematically implemented across the Bank. The positioning of BSF as a Relationship Bank and solution provider supporting its clients with all the spectrum of products is bearing fruits.

“ BSF significantly reinforced all key financial indicators in capital, liquidity and risk areas demonstrating an overall healthy financial position. ”



Risk Profile

After completion of restructuring exercise in 2013, BSF cost of risk went down sharply averaging 0.28% in 2014 as impairment charge for credit losses amounted to SAR 321 Million vs SAR 957 Million in 2013.

This low level of credit losses was a key driver in the solid financial results of BSF in 2014. It is the outcome of long-term prudent risk policy, selective loan growth and current favorable economic situation.

BSF has continued to reinforced its risk ratios in 2014 as it built-up large provisioning reserves now reaching SAR 2,218 Million covering x1.95 the level of Non-Performing Loans while collective provisions alone amounts to more than 1% of the Loans and advances. Those very protective ratios allow BSF to confidently continue its development.

Capital Adequacy

As a result of the solid Net Income generation, Total Equity increased 14% to SAR 26,471 Million as of December 2014. In the meantime, Risk Weighted Assets grew 7.6% translating into an improvement of the Capital Adequacy Ratio standing at a very solid 17.26% (Tier I + Tier II ratio) and 14.78% (Tier I ratio).

Capital Adequacy Ratio was also supported by the successful issuance in June 2014 of a SAR 2,000 Million subordinated sukuk qualifying for Tier II capital.

This issuance reinforced further the capital position of the Bank providing additional capacity to pursue its development.

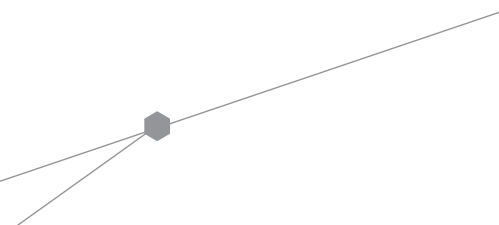
Ratings

Moody's (Aa3), Standard & Poors (A) and Fitch (A) all reaffirmed their investment grade long-term rating for BSF during the course of 2014.



A man wearing a white thobe and a red and white checkered ghutra with a black agal is sitting at a desk in an office. He is looking directly at the camera. On the desk in front of him are some papers and a pen. The background shows a wall with a large, patterned artwork and a wooden cabinet with framed photos.

Senior Executive Director Business' Statement




Corporate Banking continued to be instrumental in the overall growth of the Bank's assets and profitability. Leveraging the bank's strong corporate client base, extensive focus was directed towards cross selling of the bank's retail, treasury, corporate finance, and investment banking franchises.

On the Retail Banking front, the introduction of new incentive programs coupled with an optimized sales force have produced good outcome.

Business Banking completed yet another successful year, and are geared to achieve their ambitious budget targets for 2015 and beyond.

Global Markets enjoyed another strong and profitable year despite the continuation of global market challenges represented in low interest rates and downgrades in credit qualities.

“ We completed yet another successful year, & are geared to achieve an ambitious target for 2015 ”





Corporate Banking

“ Continued to play an important role in generating new business ”

The lending portfolio of Corporate Banking Group grew by 6 % and overall profitability by 5 % during the year. CBG remained vigilant on the quality of its lending portfolio and achieved this growth without compromising on strict risk parameters and controls, but through keen focus on optimizing revenue and overall RAROC from the major corporate relationships.

During 2014, the Structured Finance Division arranged and participated in transactions aggregating to circa SAR 10 billion, where BSF was involved as a top tier arranger in nearly all of the deals it participated in.

The Trade Finance department was re-positioned to become a “Sales & Solutions” impetus for trade activities, with renewed focus on marketing and soliciting trade finance business from existing as well as new clients. The Financial Institution Department continued to play an important role in generating businesses through its network of correspondent banks worldwide.





Retail Banking




NCBD deposits grew by as much as 14% over the preceding year, and credit card sales achievement was equally satisfying. The Priority Banking program was enhanced with additional benefits, and card products were deeply reviewed for a more competitive position. On the assets side, 2014 has been a challenging year in many ways due to slower than expected real estate growth and new regulatory constraints, however the output for Personal & Home Finance increased by double digits compared to 2013.

In 2015, new Credit Card related initiatives are expected to bring the product sales a notch higher. Furthermore, the launching of home financing related products and new partnerships with the real estate development companies will provide our clients with increased access to home finance, and expected to further increase sales.

Sakan for Real Estate Financing

In 2014 Sakan for Real Estate Financing, achieved the following: Modification of the form of undertaking, receiving purchases, power of attorney and acceptance of ownership transfer to legal attorneys, periodic review of all purchase powers of attorney issued by Sakan company to all employees for the purpose of renewal or cancellation of what is to be cancelled of them.

Follow up of customers applications in case of full payment with the relevant departments till owner transfer is completed, issuance of real estate authorizations for bank customers and employees, finalization of deeds maintenance program to include: A photograph of the real estate, coordination of the real estate, detailed report of one page on each real estate, issuance of the real estate authorization for the customer to visit government departments.



All that automatically through the program, follow up of notary public appointments through which the attorney may make his follow up processes, registration of all selling and purchasing powers of attorney and acceptance of ownership transfer, follow up of substitutive deeds of “Your house is in your name” and finalizing the same.

“ Personal & home finance increased by double digits compared to last year ”



Business Banking

“ Exceeded both the volume & profitability targets for yet another year ”

Business Banking, including Government Institutions, exceeded both the volume and profitability budgets for yet another year. In March 2014, the Small & Medium Enterprise (SME) was spun off from the three BBG regions and was made a stand-alone profit center under the umbrella of Business Banking Group.

The SME Division witnessed significant restructuring initiatives which included establishing new teams in the three regions, developing new frame work for risk acceptance criteria, in addition to the development of new sales tools. The Medium Term Plan (2016-2017) for BBG was put in place and includes ambitious plans for double digit growth in 2015 and beyond.



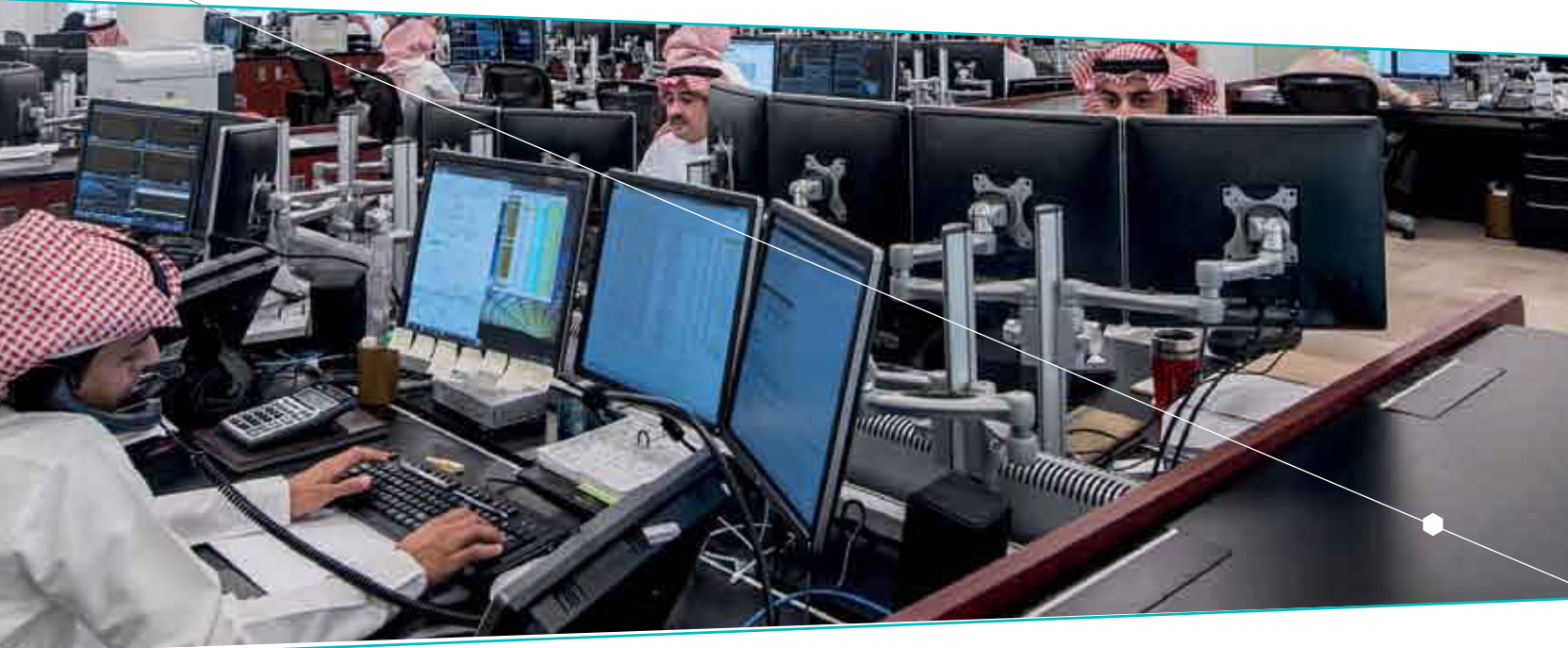
Global Markets

“Going forward GMG focus is to accommodate the rapid changes in the financial markets”



Balance sheet growth remained healthy with strong liquidity levels reflected in the low loan to deposit ratio. GMG undertook substantial organizational changes by re-aligning its product offering as well as traders and sales to better serve the needs of BSF's clients and enhance relationships with key customers.

Going forward GMG focus is to enhance the systems with state of the art tools to accommodate the rapid changes in the financial markets. With efficient cross selling efforts across the bank GMG managed to maintain its market dominance in the field of off-balance sheet and derivatives coverage.



Wealth Management & High Networth



The Wealth Management & High Networth Groups continuously thrived to remain the “Solution Provider” of choice for the local private banking clientele. A goal we believe BSF has achieved by providing its clients with solutions that are tailor made to individual clients’ risk/reward appetite and access to a wide array of sophisticated investment management tools across local, regional and international markets.

Testimonial to this success was BSF’s announcement as the winner of the Wealth Management Award for 2014 in Saudi Arabia by World Finance.



“ Winner of the best Wealth Management award 2014 from World Finance magazine ”





Risk Management

“ Credit Policy of the Bank was updated and includes the Bank’s Risk Appetite Statement ”

Risk Management Processes

Credit Risk Department (CRD): BSF's credit process is governed by established credit policies & procedures, rules and guidelines with an aim to maintain a well-diversified and healthy credit portfolio. Accordingly, CRD has initiated appropriate processes and functional structure.

Portfolio Risk Department: Effective 1 January 2014 the erstwhile Portfolio Review & Monitoring Unit has been expanded into a Department with additional functions of Credit Policy and Methodology. The union of credit monitoring, review of loan portfolios and credit policy formulation has contributed in strengthening the identification of crucial credit risk factors, detection of prospective problem credits for classification and timely initiation of corrective steps with an ultimate objective to avoid loan losses.

In 2014 the Credit Policy of the Bank was updated and includes the Bank's Risk Appetite Statement which lays down the "tone at the top". The approved credit policy also lays down key risk acceptance criteria for different segments of the loan book.

Name and Sector concentration in credit risk give rise to ancillary risks. During the year methodologies to assess name and sector concentration risk were reviewed and changed to better reflect the underlying risks as part of the assessment of Pillar II capital charge for the Bank's ICAAP process.


Operational Risk: In 2014, BSF undertook major initiatives towards the strengthening of its Operational Risk practice and achieving milestones in line with the bank's long term strategic vision as 'Banque of Excellence'. These included the induction of skilled and experienced staffing resources and formalization of roles and responsibilities belonging to the organizational units of Operational Risk & Permanent Control (ORPC) Department of the bank. ORPC continued to play an important role over the course of 2014 in the active follow up of all outstanding internal control gaps and ensured timely closure of noted control gaps via the Internal Control Committee (ICC) and Local Internal Control Committee (LICC) meetings.

During 2014, the ORPC also undertook an extensive market search of leading Operational Risk Management systems used by banks globally and undertook its internal assessment to evaluate the most suitable system based on the bank's requirements. Based on the evaluation undertaken the new system is expected to be brought onboard during Q1 2015.

Identification of Significant and/or major bank processes in context of BSF's operational risk oversight through the application of a risk based criteria was also established by the ORPC during 2014 which would form the foundation for bank wide operational risk assessments to be carried out over 2015 covering all bank business lines and support areas.

Market Risk

Concerning Market Risk monitoring, the Bank has clearly defined policies & procedures related to market risk activity, as well as a comprehensive set of market risk limits (together with loss alerts) which are reviewed at least annually, and independently monitored on a daily basis by a dedicated Market Risk department.



In order to manage the market risk in trading book, the Bank applies on a daily basis a VaR (Value-at-Risk) methodology in order to assess the market risk positions held and also uses Stress scenarios to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

In addition, BSF signed a Service Level Agreement with its Partner Credit Agricole CIB for reinforcing its assistance.

Credit Administration Department (CAD) has put in place several policies & procedures, and streamlined its work flow with Business Lines and Credit Risk Department. CAD collectively supports a proactive role in meeting the Business Lines' growing demands. During the year,

Basel II

BSF opted for a phased implementation of the Basel II accord. Since 2008, BSF has computed its Risk Weighted Assets (RWA) under the standardized approach for credit, market and operational risks in compliance with SAMA requirements.

BSF started under a phased roll-out the Internal Ratings Based (IRB) approach. A dedicated Rating system including internal rating methodologies developed with CA-CIB / Credit Agricole Banking Group named ANADEFI was implemented in 2011 for the Corporate portfolio. In 2012 a third party rating platform with internal rating models shared with CA-CIB named FACT started to be used systematically for Banks & Financial Institutions portfolio. In 2013 new version of retail credit cards scorecard based on internal data and Fair Isaac assistance in scoring methodologies moved to production fully integrated in the granting process of the Bank.

The guidance of the regulator (SAMA) has increased the focus not only on the preparation of the IRB approach for BASEL II, but also on the introduction of the concepts for BASEL III.

- BSF, as member of the SIMAH project, keeps submitting the consolidated data, which are required for the calibration of PD calculation.
- BSF Board of Directors validated within Medium Term Plan 2016 the objective to use IRB approach to compute Bank's RWA in the future. A shaping phase of this important Program was initiated in 2013 with the constitution of a dedicated project team to conduct gap analysis assessments and detailed roadmap to comply with all quantitative & qualitative SAMA requirements including regulatory Use Test of Internal Ratings Models and IRB Business & IT processes.
- BSF has started the implementation of BASEL II framework from September 2014 FIRB for Non Retail and IRB for Retail. For 2015 one of the major milestone the implementation of new rating platform for internal rating of Corporate , Business Banking, Bank & FI's portfolio.



Islamic Banking

To further strengthen BSF's competitive advantage we continued in 2014 along the course of a comprehensive review of the bank's legal and sharia compliant framework for Islamic products and services, an initiative which commenced in late 2013 and is scheduled for completion in mid-2015. Furthermore, we established new relationships with international broker's to diversify our institutional relationship base and enhance the bank's competitive advantage on structured Islamic investment & hedging deals, as well as large ticket corporate finance transactions.

In 2015, we endeavor to continue strengthening the Islamic product offering with innovative and market driven solutions across all banking segments, in addition to further enhance operational efficiencies and shariah governance.



“ In 2015, we endeavor to continue strengthening the Islamic product across all banking segments ”





Senior Executive Director COO's Statement



*“ Alignment to business objectives,
effective front and back collaboration ”*

Achieving excellence in Support Functions is one of the key lever for making BSF the Bank of excellence.

All support functions have contributed to this objective in 2014. Their actions and projects are guided by a few key principles; alignment to business objectives, effective front and back collaboration, front to end process efficiency, operations security and cost monitoring and savings.






Corporate Operations

“ COD continued with initiatives to reach maximum capacity, reduce turn-around-time ”





Driven by the bank's mission for service excellence, the year 2014 for Corporate Operations Division (COD) was flourished with cultivated products and services, implementation of key projects, cost savings on bank wide expenses, and conquering internal and external customer satisfaction through optimized operations and assets.

With diverse departmental structure, COD supports the bank activities for a number of products and services through Trade Finance Operations (TFOD), Capital Market Operations (CMO), Payment and Cheques (PYC), IPO and Brokerage Operations (IPO) and Services Development (SDD). This also includes Cards and POS Operations (CPOD), Cash Services (CSD), Cards Product Development and Control (CPDC) and ATM reconciliation, which were moved under COD management at the start of 2014, as part of BSF re-structuring.

COD has focused this year and continued with initiatives to reach maximum capacity, reduce turn-around-time (TAT), cost optimization, risk mitigation and improve services and deliverables that were deployed during the year. Trade Finance Operations successfully implanted across all regions this year the "Authorization Portal".

Successful implementation of real-time settlement into customers' accounts for treasury products, loans and deposits. Many projects have been accomplished successfully under Capital Market Operations , including the treasury platform system upgrade extensive testing exercise, and the implementation of a liquidity and cash-flow management system.

Information Systems

“ Communication links were upgraded to assure performance from end to end ”



New systems were commissioned to production and obsolete user PCs were replaced to complement the hosts' computing power. Communication links were upgraded to a higher bandwidth to assure performance from end to end. Head Office network backbone infrastructure was also upgraded to accommodate more server hosts arising from business directions and demand.

Even though the current capacity planning strategy works, ISG aims for excellence and is in the process of performing infrastructure and operations assessment, focusing on architecture, process automation, roles and responsibilities, as well as segregation of duties.

IP Telephony technology has also been implemented in regional offices and satellite buildings. Cost saving is being realized as BSF internal calls are facilitated through BSF communication links and network infrastructure instead of the local carriers. Implementation of IPT to remaining telephone extensions serviced through the old telephone legacy system shall continue on Q1 2015.



The new IT Governance process was fully functional from 1st of Jan 2014. It pioneered the transformation of IT into a more business oriented entity, focusing directly on the transparency and governance of the IT projects and processes. One of the main goals of this framework is also to align IT with the business priorities. To realize this goal new roles and responsibilities were established.

First phase of the Medium Term Plan started its course through its initial part of 2014 projects. The main idea and vision of the top management remained key goal for ISG with the motto "Banque of Excellence". The Security levels of the environments were kept up-to-date to protect the bank and its customers from any attempts of breach.

Global Transaction Business

“ A significant increase in overall revenue by 55% ”



The year marked the full transformation of GTB into a business entity for electronic delivery channels. The results of this strategic realignment were realized in the significant increase in GTB's overall revenue by 55%, and 11% increase in all channel transactions compared to 2013. Some of the key initiatives underpinning this accomplishment included the intelligent management of the bank's ATM installation and distribution network, the aggressive growth in POS installations, and the effective mobilization and transformation of the Contact Center into a proactive sales force.

Finally, the end of 2014 witnessed the re-launch of BSF's flagship remote banking channels, FransiPlus and FransiMobile, which were completely re-designed and introduced with a fresh and innovative approach to clients' user experience.






Property Management

*“ Renovation of the treasury dealing room
and final completion and installation of
two additional power generators ”*

PMD completed numerous key projects Kingdom wide, which were initiated in 2014. The ongoing activities of maintenance, renovation and relocation of buildings and ATMs are part of our daily routine.

As well as the completion of the BSF Academy project, the Head Office is undergoing a phase of major renovation, upgrades and space allocation. All furnishings are being standardized including internal and external signage program. Completion of the HO Maathar branch renovation, renovation of the treasury dealing room and final completion and installation of two additional power generators for the HO Data Center.





Procurement

“Reduction of the cycle times to provide better control over the contracts”

Procurement Division (PD) has achieved a strong negotiation power with vendors which lead to reducing costs and obtaining quality products and services.

The implementation of the best procurement practices enabled thorough understanding and alignment to the needs of business and support lines.

Working together with the business lines, the comprehensive review and continuous monitoring of transversal expense lines including Real Estate Rental has produced excellent cost control and saving. As part of the strategic objective of reengineering and automating the business processes of PD, the first phase of an advanced newly-designed system has been implemented reducing the cycle times and providing better control over the contracts.





Business Continuity

“ Achieving several milestones toward implementing robust Kingdom wide business continuity practices ”

Following 2013 Program initiation and revamp, Business Continuity Department has achieved several milestones toward implementing robust kingdom wide business continuity practices and readiness in 2014 in order to sustain operations and services during major incidents or crisis. With its 3 regional site locations, Business Continuity can now host up to 400 staff in each shift with fully equipped recovery sites connecting to Tier III certified Data Center with dual electrical power, network and communication connectivity.

Awareness, Exercise, Training, Rehearsals, and Testing are part of business continuity annual activities and achievement providing the organization will the latest update and hand-on practice on recovery plans and crisis management procedure. Successful comprehensive test has been conducted along with the main 30 critical branches Kingdom-wide.

While putting staff and customer in its priority most valuable assets, Business Continuity have had actual implementation of the MERS-Corona Virus Pandemic plan.

The Business Continuity Management received The Crédit Agricole Corporate and Investment Bank award for 2013, as the best management in applying and practicing business continuity and crisis management.





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Saudi
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Finance & Strategy



Finance & Strategy Group gathers the Accounting & Financial Control Division (AFCD), the Financial Planning and Management Control Division (FPMCD), the Asset & Liability Management Department (ALMD) and the Corporate Communication Department (CCD).

AFCD ensures full compliance & maximum disclosure of information in the light of International Financial Reporting Standards (IFRS) and regulatory guidelines by SAMA. The Division contributed significantly in BSF sure position from Basel II to the Basel III capital accord notably with the implementation of the Pillar 3 disclosure requirements. It plays a key internal control function positioned as second level of control providing necessary assurance for key operations and processes of the bank.

FPMCD is primarily in charge of the budget preparation and follow-up, while ALMD is in charge of managing interest rate risk and long-term liquidity risk of the Bank. It applies strict guidelines ensuring that those 2 key risks for the Bank are in check and in line with the limits defined.

“ The Group applies strict guidelines ensuring that risks are in check and in line with the limits defined ”



Corporate Communications

Corporate Communications Division (CCD) continued its support to all departments in 2014. In the field of internal communication, a large number of outreach and advertising campaigns were implemented internally within the BSF network. CCD continues to issue its bimonthly “Perspectives” staff magazine.

Advertising and marketing campaigns have been implemented for a full range of products and services and many exhibitions and events have been organized for corporate and Retail Banking Group, particularly the Marketing Department, as manifested in providing full support in areas of exchange, development and proper implementation of ideas in compliance with BSF corporate identity to achieve its stated goals and plans.

In 2014 CCD focused on news releases and presence on a daily basis in the press and the media as part of external communications, which was enhanced with the launch of the bank pages on various social networking platforms.



 **Work Excellence**

 **Think Excellence**

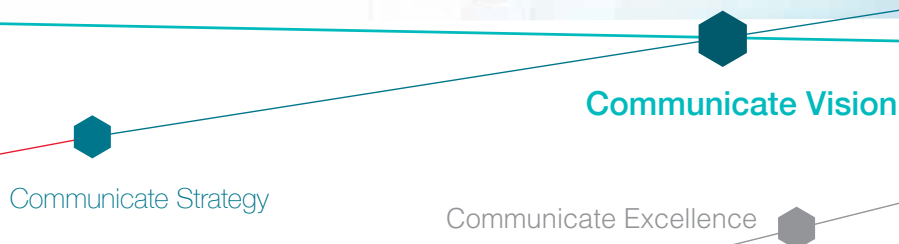
 **Play Excellence**

CCD's in-house creative design and production implemented several internal and external programs from different departments of the bank in providing support in the design, printing and on-time delivery. Numerous advertising campaigns have been completed successfully, especially for the Human Resources Group, such as "Your Voice" campaign and "The Banker" program.

In 2014, the Corporate Communications Division continues its support for the Social Responsibility Department by contributing effectively to the presentations and posts in several different places and activities Kingdom-wide.

Pursuant to its promise, CCD has successfully applied the concept of "Bank of Excellence", honored staff of excellence, and has been working hard to convey the vision of senior management to all employees for excellence in performance towards achieving the medium-term plan 2014-2016.

Banque Saudi Fransi receives five awards from "The Banker Middle East" through CPI Financial, the most famous publication in the financial and banking sector in the region. BSF won the Best Bank in KSA for 2015, Most Improved SMEs bank for 2015 and the best use of technology for the same year, this in addition to receiving two other awards for Best Corporate Account and Best Corporate Customer Service in the Middle East from the same magazine.



Human Resources





Human Resources Transformation

HR mission and vision statements, to become “Employer of Choice” were set in alignment with BSF’s strategic direction to be “Bank of Excellence”. The vision and mission statements were incorporated throughout HR’s structure, activities and programs. Highlights of HR’s annual achievements are listed below, with many more human capital programs planned for 2015.

As a start, the HR operating model was reviewed and rebuilt around four key pillars: Processes; Employment Brand; Infrastructure; and People. Key roles were identified and represented in a three legged model: HR Business Partners (Business Focused); Center of Expertise (Solution Provider); and Shared Services (Transactional/ Processing).

Employee Engagement

The Employee Engagement Survey (Your Voice), launched during 2014, had a high participation rate of 83%. The analysis of the results identified four main themes requiring attention.

The analysis of the results was followed by results sharing sessions with the Senior Management Committee, followed by 15 action planning workshops bank-wide. Four bank-wide actions were undertaken in 2014, and more are planned for 2015.

Talent Acquisition

In alignment with BSF’s strategic initiatives, the manpower planning exercise was reviewed and translated into hiring timelines. These activities were designed to ensure supplying the bank with the required Saudi talent in order to facilitate targeted growth.

Additionally, BSF implemented mandatory assessments for all candidates using globally renowned assessment providers. These assessments were designed to enable the selection of best-fit candidates for BSF’s growth ambitions.

Saudization Plan

In alignment with the Bank’s vision of becoming an “Employer of Choice”, HR designed and started implementing a Saudization plan designed to attract, develop, motivate, reward, and retain Saudi Nationals across all areas of the bank.

“ The vision and mission statements were incorporated throughout HR’s structure ”

The Saudization plan was integrated in all HR programs: Learning and Development Programs such as “The Banker” and other Management and Leadership Development Programs; Development-Based Succession Planning; Global Mobility Framework; and others.

Learning and Development

In alignment with HR transformation and the new launch of BSF Academy, a Learning and Development revamp was undertaken aiming to be positioned as the School of Banking in the Saudi Arabian Financial Industry.

Major Learning and Development achievements during 2014 include:

- The launch of “The Banker” which was built to attract, develop and retain Saudi talent. The Banker programs were segmented into four main categories: Associate Program for High Potential Saudi fresh graduates; Professional Program to develop Subject Matter Experts; Management Program to develop management and coaching skills; and Leadership Program to prepare the future leaders of the bank with the required strategic mindset.
- Global Mobility Framework design and development.
- Risk Culture Sessions designed and delivered with BSF international partner CA-CIB.
- SAMA mandated certification Retail Banking Professional Foundation Certification.
- Curriculum based training catalogues were developed identifying each position’s technical development needs.



Performance Management

As part of fostering a performance driven culture within BSF, HR has revamped the whole performance management model. The model was built in order to ensure the linkage and alignment of the Bank, Group/ Division and Employee performance levels.

The new performance management model started with an assessment of the business for each Group/Division using a “Business Assessment Fact Sheet”. Then, the Business Assessment results for each Group/Division were linked to the employees’ performance. Finally, HR introduced a performance calibration exercise where Senior Management reviewed and validated employee performance levels to ensure consistency and fairness.

Rewards Management

BSF continuously monitors market best-practices related to Rewards. Annually, the bank participates in market surveys conducted by leading organizations to identify its current positioning and ensure maintaining a competitive employee value proposition within the KSA and GCC financial sectors.

In alignment with BSF’s aims to foster a performance driven culture and ensure fairness and transparency, reward offerings (e.g., salary increments, promotions, annual performance bonus, etc.) were closely linked to the employees’ performance levels.



In addition, and as part of BSF's goals HR facilitated the review of the current Medical Insurance policy and Life/ Personal Accident policy, and negotiated with the top providers to offer BSF staff enhanced service levels and insurance coverage while maintaining competitive rates.

Talent Management and Development-Based Succession Planning

BSF reviewed its Talent Management practices and has revamped the offerings to be aligned with best market practices. Talent Management practices at BSF include the identification of High Potential Talent; identification and development of Successors through Development-Based Succession Planning; Executive and Leadership Development Programs; and international assignments through the Global Mobility Framework in partnership with BSF's international partners CA-CIB.

Ladies' Growth, Empowerment, and Recognition Events

BSF sponsored and hosted three regional events (Eastern, Central, and Western) which were catered to BSF female staff. The events were designed to recognize BSF female staff for their contribution and dedication to the bank's success. The events included speeches presented by the HR Business Partners on behalf of HR Head and Senior Management.



In addition, a key note speaker was invited to present female growth and development related programs. These programs revolved around self-development on both the personal and professional levels.

Saving Plan 2014

The Bank is keen to motivate its employees with programs and bonuses enhancing their confidence and loyalty, the following table shows staff saving plan for 2014:

SAVING PLAN – 2014- SAR

Description	Employee Contribution	Bank Contribution	Total Contribution
At January 2014	35,675,729	28,705,918	64,381,647
Contribution during 2014	5,530,415	3,586,557	9,116,972
Refund Contribution during 2014	(2,783,546)	(1,642,699)	(4,426,245)
December 2014 (EOY)	38,422,598	30,649,776	69,072,374



Governance, Compliance & Control

Governance & Compliance and Legal Control Group

Pursuant to the reorganization of the departments of the bank approved by the board of directors at the end of 2011, Governance, Compliance and Control Group was created in the second quarter of 2013 to bring together all regulatory affairs under one umbrella, at a time regulatory and legal affairs have gained critical importance, and also to merge some activities, if possible, simplify administrative processes and develop an infrastructure of compliance and control in a manner that meets BSF requirements and conforms with the directions of Saudi Arabian Monetary Agency and other regulatory authorities.

This group comprises the secretariat general (administrative affairs department at the secretariat general), compliance department, legal department, governance department, corporate security division, social responsibility department, organizational relationship department and properties assessment unit.

Secretariat General

The secretariat general shall provide administrative and technical support to all BSF departments in addition to the group of sister and affiliated companies and supervise arrangement and preparation for meetings of the boards of directors and their different committees, meetings of the general assembly, follow up of capital changes and formation of the members of boards of directors and boards of directors of sister companies. The Secretariat general shall also implement the official instructions issued by regulatory bodies and inform the chairman and members of the board of directors, audit committee, relevant departments and sister and affiliated companies of latest developments issued in this regard.

The secretariat general shall also announce the quarterly and annual financial results on Tadawul website in addition to announcement of effectual changes and developments as per instructions of the Capital Market Authority. The secretariat general shall supervise preparation of the board of directors' report immediately the bank finalizes preparation of its results of the fiscal year, and that is in coordination with all departments concerned with publication of this report in addition to the financial results in newspapers, in the Gazette and on Tadawul website.

Legal Division

"Legal division is an independent and specialized department within Governance, Compliance and Control group reporting directly to Secretary General and Chief Governance, Compliance and Control Group Officer.

Legal Division has continued to expand its capabilities base by adding 7 new lawyers and support staff with a current headcount of 14. In light of this recruitment, the division is now responsible for providing legal advice to the Bank and its subsidiaries, including but not limited to, negotiating, drafting and reviewing most agreements; instructing external counsel; managing all litigation in which the Bank is involved and representing the Bank in meetings involving legal issues.

*“ Governance, Compliance and Control Group
was created to bring together all regulatory affairs
under one umbrella ”*



Corporate Security Division

BSF senior management realizes that Security is a key business enabler that BSF must proactively manage in its continuous pursuit for excellence and strategic business objectives. It is with this vision that BSF security team last year has established and executed a comprehensive strategy that will enable BSF to achieve its business objectives while ensuring sound management of security risk.

To enhance efficiency of security controls, increase customers confidence in BSF while reducing overall cost of compliance to growing security regulations, BSF senior management centralized all security functions of BSF under one control entity named Corporate Security Division.

Corporate Security Division has achieved significant milestones in various fronts. Key enhancements include revamp of BSF security governance framework, enhancement of security monitoring and incident management processes improvement of BSF security risk management program to identify security risks and control gaps and ensure the implementation of sound security controls to manage the identified risks.

Corporate security has also conducted an independent security review for critical BFS systems to ensure BSF resilience against growing attacks.

In terms of Security compliance, BSF has been successful in maintaining the Payment Card Industry Data Security Standard 3.0 (PCI DSS) certification - the rigorous data security standards that BSF applies in protecting customers' information, reducing credit card fraud and thereby enhancing customer confidence. BSF was also successful in maintaining the ISO/IEC 27001:2005 certification which is the only auditable internationally recognized standard for Information Security Management Systems represents an unequivocal recognition and clear indication of BSF unyielding commitment to the highest standards of Information Security Management.

In terms of physical security and safety, BSF Corporate Security Division has enhanced the physical security of sensitive areas in BSF including branches, cash centers, ATM, and head office among other locations.

Corporate Governance Division

After establishing the Corporate Governance Division "CGD" and identifying its responsibilities and roles in BSF, CGD started several important activities that are in line with Board and Executive Management vision seeking to apply an ideal governance framework in BSF in accordance with the regulations of SAMA, CMA and Ministry of Commerce, as well as the best international standards.

The highlights of 2014 are as follows:

- Creation, development and update some of the major documents, charters, policies, and procedures (Charters of the BOD and its 5 Committees, Vice-Chairman of BOD election Policy, Dividends Policy, Shareholders Manual, and Policy Standards and Procedures for the Membership of the BOD) according to SAMA's latest update of the Corporate Governance Principles and best international practices (March 2014).
- Enhancement and development of the Code of Business Conduct and Ethics.
- Completion of the first phase of developing the Delegation of Authority Matrix (assessment of the current situation and preparing the gap analysis report).
- Starting the second phase of the Delegation of Authority Matrix (updating the DOA and closing gaps based on the recommendation of the BOD, and creation of the DOA Manual).



Organizational Relationship Department

Organizational relationship department was established in May 2014. This department assumes the responsibility of follow up of everything coming to the bank from the regulatory and supervisory bodies, the Ministry of Commerce and Industry and other concerned bodies. To ensure prompt and good preparation of responses to correspondence coming to the bank and to process them in a perfect manner, the department reviews the feedback of the departments concerned with such correspondence and subjects according to the time limit fixed by the department.

Property Assessment Unit

This unit (PAU) has been created in 26/5/2014, and the main purposes of this unit (PAU) is to secure an accurate assessment of Properties/Lands involving BSF, and to build a coherent strategy and procedures for the management's decisions., and to watch over the smooth and accurate progress of the assessment process. During the period from 1/6/2014 to 20/12/2014, PAU has transferred a number of 32 title deeds and issued a number of 104 POAs. PAU has concluded an agreements with the property appraisal companies instead of the previous practice (assign by quotation). This new practice has reduced more than 50% of the appraisal charges. Now property assessment requests from BBG,CBG,RGB,CHR,HNW,WMG,RMD and SAKAN are being conducted by the PAU.

Social Responsibility

Through activities of this unit, the board of directors of the bank has been keen to support the largest possible segment of the community in all fields. In the field of health, support was extended to Down Syndrome Charitable Association by supporting a group of children at the organization for a complete year. Support was also extended to Abdul Karim Bakr Medical Center (for assisting needy Kidney failure patients).

In coordination with the Social Responsibility Club at King Saud University, Winter Clothes Program was supported by provision of winter requirements to poor and needy categories. The program covered 350 households in its first phase.

BSF has had also a cultural role to play. It supported Prince Salman bin Abdulaziz Chair for Historical and Civilization Studies of Arabian Peninsula.

Regarding bank sponsorship of conferences and forums, the bank sponsored several activities that left substantial impact on the society as far as economic and cultural aspects are concerned. The Saudi French Bank sponsored the following:

- First Forum (Social Responsibility in Saudi Organizations).
- Third and fourth national exhibition and gathering for productive families. (Towards establishment of the concept "Made in Saudi Arabia").
- A Gulf Arabian Conference titled "Small and Medium Projects as a major supporter of development and eradication of unemployment – role of the public and private sectors in supporting and assisting them.
- Madinah Forum on Labor Market and Employment.
- "Young Entrepreneur" program.
- International Day against Drugs Abuse.
- Annual charitable race.
- Third Forum on Internal Audit in Saudi Arabia.

Compliance Division (CPD)

Compliance Division is an independent function that identifies, assesses and provides advice, monitors and reports on risks of a BSF's non-compliance related to its exposure to legal and administrative penalties, financial loss, or what may undermine the bank's reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice.

Compliance aims at maintaining reputation, credibility, and interests of owners and depositors, protection against penalties and fostering best practices of BSF's operations in the Kingdom through complying with laws, instructions and regulations that would be reflected on work quality.

Compliance is at the core of BSF's culture and is a key component of Governance, Compliance and Control Group discipline.

Compliance is responsible for driving a culture of compliance; establishing compliance program requirements and related policies; executing the monitoring and testing of business controls; performing risk assessments on the businesses' adherence to laws, rules and regulations in line with SAMA and other regulatory entities directives, as well as the effectiveness of business controls; overseeing remediation of compliance risks and



issues executed by the businesses and supporting the identification, escalation and reporting of current, emerging and reputational compliance risk matters to senior management and the Board (or appropriate committee). Compliance is also responsible for facilitating processes to effectively manage regulatory changes and maintain constructive relationships with regulators.

Services Quality Department

Customers complaints that were dealt with in 2014 amounted to about 5,479 complaints, 92% of them were solved within BSF measurement of time for solving them (5 working days), and 99% were solved within the Saudi Arabian Monetary Agency measurement (10 working days).

In cooperation with the Corporate Communication Division, retail banking group and Global Transaction Business department, customers care campaign for 2014 was executed on all automatic teller machines' screens. In addition, the customers care campaign for 2014 was sent by electronic mail to all customers of retail banking and mobile short messages were sent to all individual customers during the campaign executed by customers care department for the year 2014.

Moreover, 250 thousand panel boards were prepared for the customers care initiative and installed at the branches network and 60 thousand booklets were printed for the same purpose and distributed over all BSF branches.








Anti-Financial Crimes Department

Anti-Financial Crimes Department was established in 2014 and it administratively belongs to the Governance and Legal and Regulatory Oversight Group. It comprises three independent units, including Fighting Money Laundering, Fighting Fraud, and Self-Oversight.

The department was established to keep up with the developments, challenges and local and international standards that are concerned with encountering all forms of financial crimes. The intention is to consolidate efforts and capabilities and to achieve the set objectives in the best possible manner in fighting and preventing financial crimes in the banking sector.



Since first launched, Anti-Financial Crimes Department succeeded in overseeing all banking operations, applying instructions issued by the overseeing authorities and international organization in terms of all types of penalties; training, qualifying and educating staff of various bank sectors; setting up the necessary policies and procedures to curb money laundering, terrorism financing, fraudulent operations and other financial crimes. The Department also implemented many programs, including training and evaluation of risks related to money laundering and terrorism financing. Programs also included sanctions programs and local and international embargo lists, reporting dubious operations program, accepting high-risk clients programs and “know your client” program.

Anti-Fraud

The Anti-Fraud & Investigation Department will receive all reports on fraudulent banking attempts and cases directly from BSF divisions and branches . Also it is responsible to raise awareness about banking frauds among customers & employees, to protect the bank’s reputation, its financial and human resources. The Anti-Fraud & Investigation also, sends alerts to all BSF staff on a quarterly basis to let everyone understand the seriousness of the situation and how it is very important to combat fraud. The Anti-Fraud & Investigation responsible to increase the employees knowledge of anti-fraud measures. The Department is holding these sessions on a regularly basis during the year in each region.



Audit

“ Audit Division has continued to perform services to various function for implementation of their recommendation ”

During 2014 Audit Division has been re-organized into specialized audit areas in order to effectively utilize relevant skill set of personnel to help business improve the control environment. In addition, as per the requirements of Institute of Internal Audit (IIA), Quality Assurance Department has been established to enhance audit processes, standardization of working papers, to perform quality review.

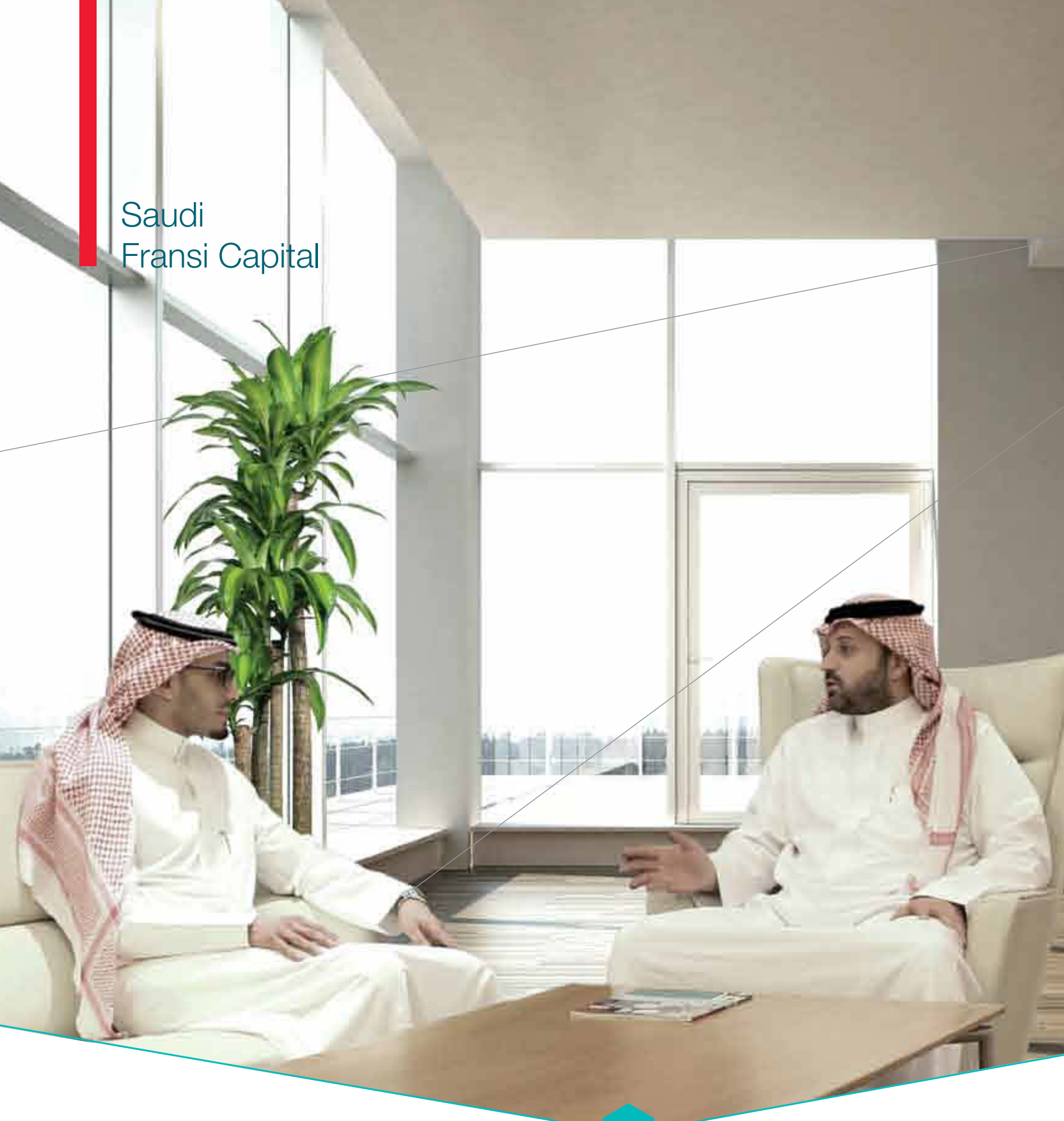
Audit Division has initiated a high level bank wide risk assessment for the purpose of development of a medium term strategic internal audit plan. This exercise includes obtaining feedback from business/support functions and senior management on risks and aligning the internal audit plan with the Banks Strategic objective.

Audit Division has continued to perform follow-up on SAMA recommendations and provided consulting services to various function for implementation of their recommendation.





Saudi
Fransi Capital





“ In 2014, Saudi Fransi Capital continued its success following its major achievements in 2013 ”

Saudi Fransi Capital stands today as one of the leading investment firms in Saudi Arabia with a significant share of local brokerage activities, a unique and award-winning asset management offering and a major presence within the investment banking field.

Our in house team is managing our product range with a focus on the local & global markets and Sharia compliant products and will continue launching new products to bring the latest innovations to the financial markets.

Saudi Fransi Capital exerts the best possible efforts to deliver the best services, strengthen the long-term relationship with its clients, and enhance their role in the investment process and its role as a financial advisor, and it will strive and continue to deliver good investment performance and quality of services to the clients.

Fransi Finance

In 2014, Saudi Fransi Capital continued its success following its major achievements in 2013. SFC acted as the sole financial advisor, sole lead manager and sole underwriter for Initial Public Offering (“IPO”) of Al Hokair Group, with a value of SAR 825 million.

On the debt capital markets side, SFC also continued to expand its market share by acting as the lead manager and book runner for two Sukuks and a bond for Saudi Electricity Company, Banque Saudi Fransi and Gulf International Bank; the deals had an aggregate value of SAR 8.5 billion. SFC also advised SASCO on the acquisition of a 100% stake in Zaiti Petroleum Services, subject to shareholder approval.

In addition to closing transactions, 2014 was also a year during which SFC won the mandates for the most prestigious deals in the KSA due to be closed in the coming years.

SFC remains a dominant force in the market and continues to provide best in class advice and execution service to its clients. SFC has now established itself as a leading force in the KSA investment banking market. It has arranged some of the largest and most complex transactions in KSA for some of the largest clients in the region.



SFC Asset Management (SFCAM)

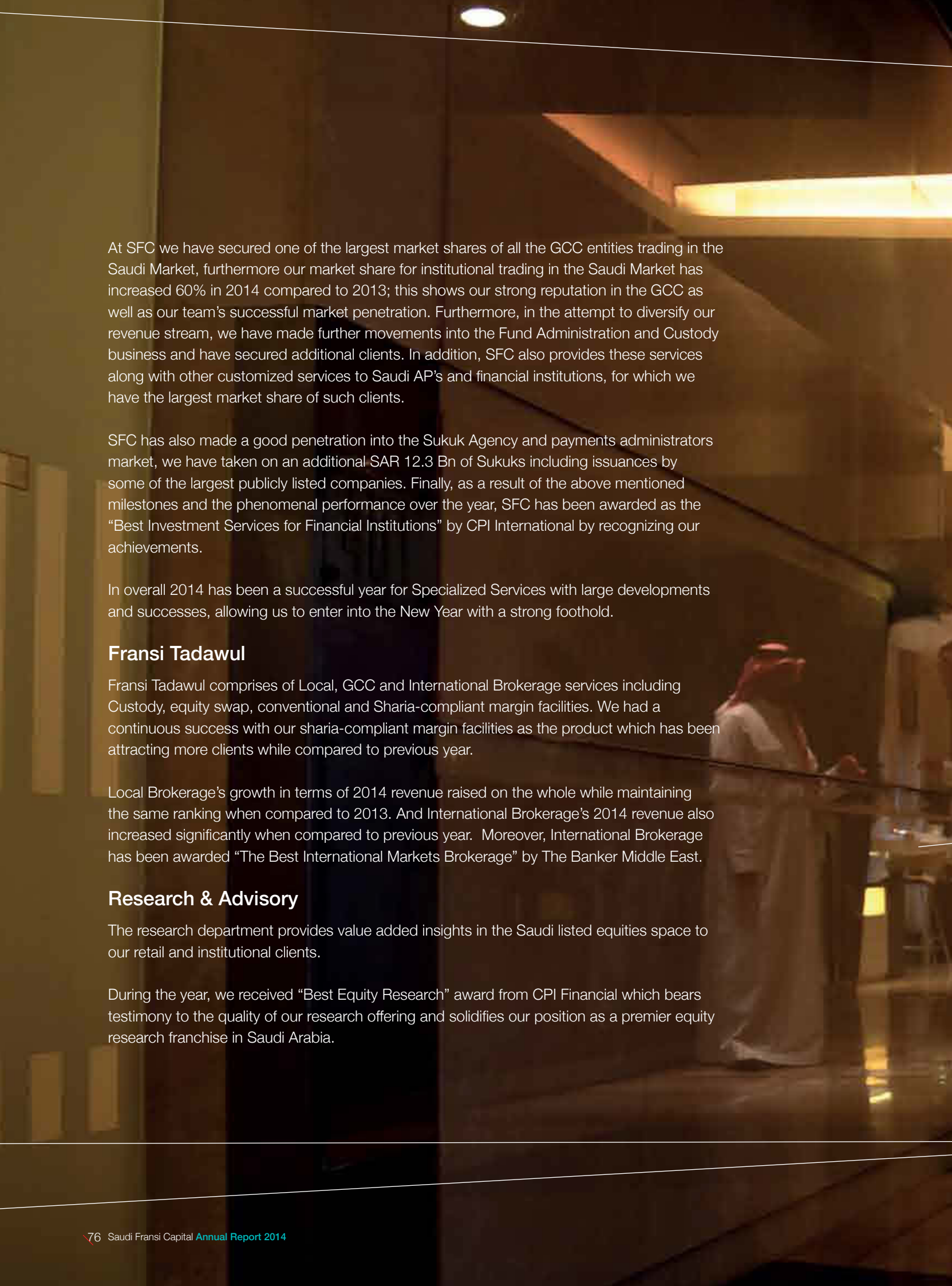
In Q1 SFC launched Saudi Fransi Saudi Equity Fund which gathered a total of SAR 160 Million in the offering period. Total investment funds provided by SFCAM were 53 across all asset classes.

Specialized Services Division

The Specialized Services Division covers institutional investor sales and relationship management, in addition to its responsibilities of developing new profitable services based on market demand. Furthermore we facilitate access via swap agreements related to Saudi equities for foreign institutional clients wishing to enter the Saudi Market. Finally, we are also conducting market-making activity Exchange Traded Funds (ETF) traded in the Saudi equities market, for which we are the only company that covers all ETF's in the market .

Institutional Sales this year has performed well and has increased the number of relationships both in the region and internationally (via SWAP). Under our new services development objective we have made significant progress in 2014 and have attained major milestones.





At SFC we have secured one of the largest market shares of all the GCC entities trading in the Saudi Market, furthermore our market share for institutional trading in the Saudi Market has increased 60% in 2014 compared to 2013; this shows our strong reputation in the GCC as well as our team's successful market penetration. Furthermore, in the attempt to diversify our revenue stream, we have made further movements into the Fund Administration and Custody business and have secured additional clients. In addition, SFC also provides these services along with other customized services to Saudi AP's and financial institutions, for which we have the largest market share of such clients.

SFC has also made a good penetration into the Sukuk Agency and payments administrators market, we have taken on an additional SAR 12.3 Bn of Sukuks including issuances by some of the largest publicly listed companies. Finally, as a result of the above mentioned milestones and the phenomenal performance over the year, SFC has been awarded as the "Best Investment Services for Financial Institutions" by CPI International by recognizing our achievements.

In overall 2014 has been a successful year for Specialized Services with large developments and successes, allowing us to enter into the New Year with a strong foothold.

Fransi Tadawul

Fransi Tadawul comprises of Local, GCC and International Brokerage services including Custody, equity swap, conventional and Sharia-compliant margin facilities. We had a continuous success with our sharia-compliant margin facilities as the product which has been attracting more clients while compared to previous year.

Local Brokerage's growth in terms of 2014 revenue raised on the whole while maintaining the same ranking when compared to 2013. And International Brokerage's 2014 revenue also increased significantly when compared to previous year. Moreover, International Brokerage has been awarded "The Best International Markets Brokerage" by The Banker Middle East.

Research & Advisory

The research department provides value added insights in the Saudi listed equities space to our retail and institutional clients.

During the year, we received "Best Equity Research" award from CPI Financial which bears testimony to the quality of our research offering and solidifies our position as a premier equity research franchise in Saudi Arabia.



Allianz Saudi Fransi

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

During 2014, the Saudi insurance market witnessed intense competition among the market players and pricing factors were influential for the business activities. Market developments have also been affected by a number of other factors such as important inflation of the costs especially with respect to Medical Service Providers and Motor Vehicles repair costs. In that situation, Allianz Saudi Fransi focused on profitable developments and succeeded in achieving the highest level of profitability in the history of the company.

Allianz Saudi Fransi was entrusted as one of the Riyadh Metro Project insurers. The company covers Phase 1 and 2 of the project. This demonstrates the trust of our local capabilities combined with the strength of renowned brands such as Allianz and Banque Saudi Fransi.

Thanks to the support of Banque Saudi Fransi, our Corporate Bancassurance channel showed important developments in terms of business and in terms of regional expansion. Such development allowed Allianz Saudi Fransi to strengthen the service provided to the bank's customers.

“ Double digit growth was recorded in Credit Insurance thanks to the improvement of our sales capacities ”



أليانز السعوديه الفرنسيه
Allianz Saudi Fransi



With respect to specialty business, the company focused on developing its capabilities in terms of Credit Insurance. Double digit growth was recorded in that line of business thanks to the improvement of our sales capacities especially in Easter and Western regions.

In 2015 the company will focus more on developing its distribution channels including digital services in order to further expand its capabilities to expand its customer base. The first step of this approach was materialized by revamping the company's website with new features and product information.

For 2015 and the subsequent years, we have established plans focusing on profitable growth development with the aim to be amongst one of the leading Insurance companies in the Kingdom fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business and through easy access to customers by various channels of distribution and highly motivated employees.



Saudi Fransi for Finance Leasing

In its third year, Saudi Fransi for Finance Leasing continues to serve the country with 3 offices in three main regions.

Jeddah and Dammam Branches were fully operational. It has expanded its Auto Dealer relationships by representing the authorized auto dealers for all popular Auto Brands in the Kingdom.

Ijara Leasing product was launched for the Commercial & Corporate segments, facilitating this segment to lease Passenger Vehicles, Commercial Vehicles & Heavy vehicles. Saudi Fransi for Finance Leasing website was also launched giving detail on our products offered and providing our prospective customers the “Finance Lease Calculator” to simulate the monthly installment amount.

SFL over the year achieved its business targets in terms of new business volume which represents a considerable market share for the car financing market in the Kingdom.

“ SFFL over the year achieved its business targets in terms of new business volume ”



Board of Directors' Report



The Board of Directors is pleased to present its report for the FY 2014

1. Establishment

Banque Saudi Fransi (BSF), a Saudi Joint Stock Company, was incorporated by Royal Decree No. M/23 dated 17 Jumada II 1397H (June 4, 1977). Following the transfer of “Banque de l’Indochine et de Suez” operations in Saudi Arabia, Banque Saudi Fransi officially commenced its operations on 4 Safar 1410 (September 5, 1989) under CR No. 1010073368. Banque Saudi Fransi has a network of 82 branches (83 in 2013). The Bank’s employees number is 2,783 (2988 in 2013). The objectives of Banque Saudi Fransi include the offer of banking products and services, in addition to the offer of Islamic products approved and supervised by an independent Shariah Board. Head office of the Bank is located at: King Saud Road (Ex. Al Maather Street), Al Muraba District P. O. Box 56006, Riyadh 11554, KSA.

2. BSF’S Affiliates

BSF has the following affiliates:

Name of Company	Capital	Ownership %	Activity
Saudi Fransi Capital (SFC)	SAR 500 million	100%	Dealing in the capacity of principal and agent, underwriting and managing, arranging, advising and custody in securities, according to CMA license.
Saudi Fransi Financing and Leasing	SAR 100 million	100%	Lease financing of cars and home appliances to consumers
Sakan Real Estate Financing Company	SAR 500,000.00	100%	Home Financing
Saudi Fransi Insurance Agency	SAR 500,000.00	100%	Insurance products

BSF also owns 32.5% of the share capital (SAR 200 million) of Allianz Saudi Fransi. BSF also owns 10.9% of the share capital (SAR 20 million) of Saudi Credit Information Co. (Simah) and acquired 50% of Sofinco Saudi Fransi’s shares (previously BSF’s subsidiary with 50% capital share) to achieve 100% of the company’s ownership and transferred its consumer financing activities and net assets to Saudi Fransi Leasing Co, and Sofinco’s shareholders accepted to liquidate the company after its assets and liabilities are transferred.

In addition BSF owns certain shares in the capital of Saudi Travelers Cheque Co. and the Saudi Stock Registration Company currently under liquidation after having been transferred with all its assets and liabilities to the Capital Market Authority and Tadawul. All the above-mentioned companies exist and established in KSA.

The Bank owns 27% of the share capital of “Banque Bemo Saudi Fransi” a joint stock company incorporated in Syria with a capital of 105 million Saudi Riyals (5 Billion Syrian pounds). The Bank commenced business on 01/04/2004. From 01/08/2003, BSF also owns 10% of the share capital of “Banque Bemo Lebanon” duly incorporated in Beirut, Lebanon with a capital of 157.2 million Saudi Riyals. Currently, all regulatory and contractual formalities are being followed to conclude the sale of BSF share in BBSF - Syria- and “Banque Bemo Lebanon” as announced on 26/11/2011 through Tadawul, which stated that the Board of Directors of BSF had unanimously adopted a resolution to sell its 27% shareholdings in “Banque Bemo Saudi Fransi” - Syria-, and its

10% shareholdings in “Banque Bemo Lebanon”. BSF has not been represented in the Board of Directors of both BBSF - Syria and “Banque Bemo Lebanon” effective 26/11/2011. BSF major partners, “Banque Bemo Lebanon”, have been duly informed of this decision. BSF also owns 100% of the share capital of BSF Sukuk Company Limited currently operating in the Cayman Islands.

3. Growth

Over the years, BSF has achieved consistent growth, which contributed to the support of its forefront financial position in the Saudi market, and positioning it as one of the modern and effective financial institutions, fully qualified to meet the challenges of the future. BSF has also made considerable progress in the development of Shariah compliant branches, products and services in the areas of retail banking, investment services and treasury.

4. During the twelve months ended 31/12/2014 BSF achieved the following

Description	31/12/2014 (Million SAR)	31/12/2013 (Million SAR)	%
Net Income	3,516	2,406	46.13%
Total Operating Income	5,786	5,053	14.51%
Net Special Commission Income	3,817	3,363	13.50%
Assets	188,777	170,057	11.01%
Investments	45,102	34,299	31.50%
Loans and Advances Portfolio	116,541	111,307	4.70%
Customer Deposits	145,275	131,601	10.39%
Earnings per share	2.92	2.00	-

Earnings per share for year ended December 31, 2013 was recalculated to reflect the increase in the Bank share capital from 904.02 million shares to 1,205.36 million shares, which was approved during the Extraordinary General Assembly Meeting on April 16, 2014.

5. Consolidated Statement of Financial Position

As At December 31, 2014 And 2013

SAR' 000	2014	2013
ASSETS		
Cash and balances with SAMA	20,013,841	18,139,603
Due from banks and other financial institutions	2,008,673	1,545,091
Investments, net	45,102,281	34,298,873
Loans and advances, net	116,540,684	111,306,904
Investment in associates	99,069	166,270
Property and equipment, net	605,076	619,918
Other assets	4,407,279	3,980,015
Total Assets	188,776,903	170,056,674
LIABILITIES AND EQUITY		
Liabilities		
Due to banks and other financial institutions	3,863,482	3,667,893
Customers' deposits	145,275,245	131,601,187
Debt securities and Sukuks	9,131,067	7,130,101
Other liabilities	4,035,772	4,440,862
Total Liabilities	162,305,566	146,840,043
Equity		
Share capital	12,053,572	9,040,179
Statutory reserve	9,919,264	9,040,179
General reserve	982,857	982,857
Other reserves	592,944	268,668
Retained earnings	2,251,660	3,884,748
Proposed dividend	671,040	-
Total Equity	26,471,337	23,216,631
Total liabilities and equity	188,776,903	170,056,674

6. Consolidated Statement of Income

For the years ended December 31, 2014 and 2013

SAR' 000	2014	2013
Special commission income	4,565,415	4,257,050
Special commission expense	748,439	893,747
Net special commission income	3,816,976	3,363,303
Fees and commission income, net	1,291,650	1,149,565
Exchange income, net	354,005	281,839
Trading income, net	202,587	105,712
Dividend income	16,007	21,423
Gains on non- trading investments , net	35,273	80,184
Other operating income	69,538	50,509
Total operating income	5,786,036	5,052,535
Salaries and employee related expenses	1,062,105	952,546
Rent and premises related expenses	156,173	165,707
Depreciation and amortization	125,056	128,483
Other general and administrative expenses	504,004	422,521
Impairment charge for credit losses, net	320,934	957,420
Impairment charge for investment, net	45,500	8,529
Other operating expenses	56,722	15,077
Total operating expenses	2,270,494	2,650,283
Net operating income	3,515,542	2,402,252
Share in earnings of associates, net	799	3,323
Net income for the year	3,516,341	2,405,575
Basic and diluted earnings per share (in SAR)	2.92	2.00

6-1. Consolidated Statement of Comprehensive Income

For the years ended December 31, 2014 and 2013

SAR' 000	2014	2013
Net income for the year	3,516,341	2,405,575
Other Comprehensive Income (Loss):		
Items that can be recycled back to consolidated statement of income in subsequent periods		
Available for Sale Investments		
Net change in the fair value	168,685	71,286
Net amount transferred to consolidated statement of income	(35,913)	(74,034)
Cash Flow Hedge		
Effective portion of change in the fair value	848,868	(77,233)
Net amount transferred to consolidated statement of income	(657,364)	(543,729)
Total comprehensive income for the year	3,840,617	1,781,865

7. Financial Highlights for the Last 5 Years

SAR' 000	2014	2013	2012	2011	2010
Total assets	188,776,903	170,056,674	157,777,302	140,479,958	123,218,330
Investments and investments in associates, net	45,201,350	34,465,143	27,669,947	16,840,066	20,026,343
Loans and advances, net	116,540,684	111,306,904	102,785,372	92,325,042	80,976,587
Total liabilities	162,305,566	146,840,043	135,090,484	120,824,631	105,195,282
Customers' deposits	145,275,245	131,601,187	115,571,767	109,963,411	93,529,251
Total equity	26,471,337	23,216,631	22,686,818	19,655,327	18,023,048
Total operating income	5,786,036	5,052,535	5,009,551	4,584,774	4,395,229
Total operating expenses	2,270,494	2,650,283	1,996,216	1,657,484	1,597,900
Share in earnings/(losses) of associates, net	799	3,323	1,801	(16,348)	3,958
Net income	3,516,341	2,405,575	3,015,136	2,910,942	2,801,287
Net special commission income	3,816,976	3,363,303	3,305,777	3,137,071	3,065,857
Fees from banking services, net	1,291,650	1,149,565	1,173,483	1,050,052	887,043
Impairment charge for credit losses, net	320,934	957,420	455,175	157,908	339,344
Salaries and employees related expenses	1,062,105	952,546	875,686	828,111	708,633
Number of employees	3,085	2,988	2,677	2,788	2,594

8. The Bank's Major Business Lines

The Business Segment presented are defined as follows:

8-1. Retail Banking

Incorporates private and small establishment customers' demand accounts, overdrafts, loans, savings accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

8-2. Corporate Banking

Incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

8-3. Treasury (Global Markets)

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

8-4. Investment Banking and Brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investment products, corporate finance and international and local shares brokerage services through BSF's affiliate (Saudi Fransi Capital).

8-5. The Bank's Total Assets and Liabilities

As at December 31, 2014 and 2013, its total operating income and expenses, share in earnings / (losses) of associates and its net income attributable to equity holders of the Bank for the years then ended by operating segments, are as follows:

SAR' 000	Retail Banking	Corporate Banking	Treasury Global Market	Investment Banking and Brokerage	Total
2014					
Total assets	14,190,365	105,680,567	66,824,672	2,081,299	188,776,903
Investment in associates	-	-	99,069	-	99,069
Total liabilities	70,327,832	75,836,737	14,301,294	1,839,703	162,305,566
Total operating income	1,419,493	2,740,813	1,263,336	362,394	5,786,036
Share in earnings of associates, net	-	-	799	-	799
Total operating expenses	1,249,599	577,286	257,821	185,788	2,270,494
Net income for the year	169,894	2,163,527	1,006,314	176,606	3,516,341
Results					
Net special commission income	1,093,793	1,960,513	709,040	53,630	3,816,976
Fees and commission income, net	211,257	777,068	(5,438)	308,763	1,291,650
Exchange income, net	54,144	-	299,861	-	354,005
Trading income, net	-	-	202,587	-	202,587
Impairment charges for credit losses, net	211,650	109,284	-	-	320,934
Depreciation and amortization	79,795	25,643	10,320	9,298	125,056
2013					
Total assets	14,343,939	100,396,037	53,413,201	1,903,497	170,056,674
Investment in associates	-	-	166,270	-	166,270
Total liabilities	66,101,013	65,806,674	13,230,948	1,701,408	146,840,043
Total operating income	1,450,363	2,518,980	806,201	276,991	5,052,535
Share in earnings of associates, net	-	-	3,323	-	3,323
Total operating expenses	1,193,618	1,115,353	177,096	164,216	2,650,283
Net income for the year	256,745	1,403,627	632,428	112,775	2,405,575
Results					
Net special commission income	1,166,997	1,780,745	375,797	39,764	3,363,303
Fees and commission income, net	193,184	732,538	(13,384)	237,227	1,149,565
Exchange income, net	46,399	-	235,440	-	281,839
Trading income, net	-	-	105,712	-	105,712
Impairment charges for credit losses, net	234,883	722,537	-	-	957,420
Depreciation and amortization	89,738	17,074	12,047	9,624	128,483

8-6. Geographical Distribution

Following is a table showing income per province (Eastern, Western, Central, HO and affiliates) for 2014.

BSF and Affiliates (excluding SFC)

SR 000/ 2014	Eastern	Western	Central	HO	Bank
Total Income	957,604	1,143,850	1,579,045	1,743,942	5,424,441
Total Expenses (before provisions)	(155,054)	(202,886)	(200,085)	(1,160,247)	(1,718,272)
Provisions	(45,879)	149,050	(110,199)	(359,406)	(366,434)
Net Income	756,671	1,090,014	1,268,761	224,289	3,339,735

SFC

SR 000/ 2014	Eastern	Western	Central	HO	SFC
Total Income	75,243	89,664	197,487	-	362,394
Total Expenses	-	-	-	(185,788)	(185,788)
Net Income	75,243	89,664	197,487	(185,788)	176,606

BSF Group

SR 000/ 2014	Eastern	Western	Central	HO	Bank
Total Income	1,032,847	1,233,514	1,776,532	1,743,942	5,786,835
Total Expenses (before provisions)	(155,054)	(202,886)	(200,085)	(1,346,035)	(1,904,060)
Provisions	(45,879)	149,050	(110,199)	(359,406)	(366,434)
Net Income	831,914	1,179,678	1,466,248	38,501	3,516,341

9. The assets, liabilities and issued share capital of subsidiaries are as follows

SAR' 000	Saudi Fransi Capital (100%)			Saudi Fransi Leasing (100%)		
	2014	2013	%	2014	2013	%
Total assets	2,884,328	2,588,856	11%	366,196	135,062	171%
Total liabilities	1,839,703	1,721,058	7%	266,452	38,788	587%
Equity	1,044,625	867,798	20%	99,744	96,274	4%
Total operating income	362,393	289,140	25%	16,107	6,385	152%
Total operating expenses	(185,787)	(176,365)	5%	(12,638)	(5,698)	122%
Net Income	176,606	112,775	57%	3,469	687	405%
Issued and paid up Share Capital	500,000	500,000	-	100,000	100,000	-

The paid up share Capital of Sofinco Saudi Fransi and SAFIA is 100 Million and 0.5 Million respectively. The assets and liabilities of the other subsidiaries are not material.

The financial results of Saudi Fransi Co., SAFIA & Sakan are not substantial and have not been disclosed; The same applies to BSF subsidiaries such as SIMAH and Saudi Traveller Cheques.

9-1. Debt instruments of subsidiaries

There is no debt instruments issued by the subsidiaries i.e. Saudi Fransi Capital, Saudi Fransi Leasing, Sonfico and SAFIA

9-2. The following table shows the outstanding loans and advances as of 31-12-2014 provided by BSF to its subsidiaries

Name of the subsidiary	SAR 000
Saudi Fransi Capital	1,791,587
Saudi Fransi Leasing	250,000

9-3. Investment in associates

SAR' 000	2014	2013
Opening balance	166,270	171,948
Sale / transfer of investments	-	24,999
Impairment provision	(68,000)	(34,000)
Share of earnings	799	3,323
Closing balance	99,069	166,270

Investment in associates represents 27% shareholding in interest in the Banque BEMO Saudi Fransi (2013: 27%) and 32.5% shareholding in Saudi Fransi Cooperative Insurance Company (Allianz Saudi Fransi) (2013: 32.5%) incorporated in the Kingdom of Saudi Arabia. The quoted price of the Bank's investment in Saudi Fransi Cooperative Insurance Company (Allianz Saudi Fransi) as at December 31, 2014 was SAR 222 million (2013 :SAR 520 million).

9-4. The Bank's share of associates' financial statements:

SAR' 000	Banque Bemo Saudi Fransi - Syria		Allianz Saudi Fransi	
	2014	2013	2014	2013
Total assets	771,559	832,176	527,893	479,547
Total liabilities	707,711	768,327	467,840	423,365
Total equity	63,848	63,849	60,053	56,182
Total income	32,297	40,198	149,530	131,387
Total expenses	19,357	26,134	144,367	127,222

10. Investments, net

10-1. These comprise the following

SAR' 000	2014			2013		
	Domestic	International	Total	Domestic	International	Total
i) Held as FVIS						
Fixed rate securities	2,085,050	57,302	2,142,352	155,158	164,354	319,512
Floating rate securities	-	-	-	1,530	-	1,530
Other	8,920	-	8,920	5,130	-	5,130
Held as FVIS	2,093,970	57,302	2,151,272	161,818	164,354	326,172
ii) Available for Sale (AFS)						
Fixed rate securities	405,592	1,113,631	1,519,223	53,624	491,011	544,635
Floating rate securities	3,170,274	94,287	3,264,561	2,617,852	131,489	2,749,341
Equities	508,371	34,385	542,756	490,434	56,833	547,267
Other	3,513,520	-	3,513,520	4,025,936	-	4,025,936
Available for sale	7,597,757	1,242,303	8,840,060	7,187,846	679,333	7,867,179
iii) Held to Maturity						
Fixed rate securities	2,271	-	2,271	3,639	-	3,639
Other	10,000	-	10,000	10,000	-	10,000
Held to maturity	12,271	-	12,271	13,639	-	13,639
iv) Other Investments Held at Amortized Cost, net						
Fixed rate securities	34,013,678	-	34,013,678	26,006,883	-	26,006,883
Fixed rate securities	85,000	243,750	328,750	85,000	266,250	351,250
Other investments held at amortized cost, gross	34,098,678	243,750	34,342,428	26,091,883	266,250	26,358,133
Allowance for impairment	-	(243,750)	(243,750)	-	(266,250)	(266,250)
Other investments held at amortized cost, net	34,098,678	-	34,098,678	26,091,883	-	26,091,883
Investments, net	43,802,676	1,299,605	45,102,281	33,455,186	843,687	34,298,873

10-2. The analysis of investments by counterparty is as follows:

SAR' 000	2014	2013
Government and quasi government	37,021,254	26,809,053
Corporate	5,796,743	5,999,570
Banks and other financial institutions	2,212,150	1,404,300
Other	72,134	85,950
Total	45,102,281	34,298,873

10-3. Credit risk exposure on investments

SAR' 000	2014	2013
Saudi government bonds	36,267,919	26,133,231
Investment grade	2,754,788	1,764,084
Unrated	6,079,574	6,401,558
Total	45,102,281	34,298,873

Saudi government bonds comprise Saudi government development bonds and treasury bills. 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, funds and Mudarabah SAR 4,075 million (2013: SAR 4,244 million).

Investments held as FVIS represent investments held for trading and include Islamic securities (Sukuk) of SAR 12 million (2013: SAR 40 million).

Available for sale investments include Islamic securities (Sukuk) of SAR 3,159 million (2013: SAR 2,207 million). Unquoted investments include Saudi Government Bonds and treasury bills of SAR 33,600 million (2013: SAR 26,133 million).

11. Debt securities and Sukuks

In 2010, the Bank issued USD 650 million in 5 year non-convertible and unsecured fixed rate bonds, under its USD 2 Billion Euro Medium Term Note programme which is listed on the London Stock Exchange. The bonds pay a semi-annual coupon of 4.25% and are to be used for general banking purposes. The Bank also raised funds through medium term Sharia compliant sukuk of USD 750 million for 5 years in May 2012, under a USD 2 Billion programme listed on the London Stock Exchange. In addition, the Bank issued a privately placed SAR 1,900 million unsecured subordinated sukuk in December 2012 for a period of 7 years. The sukuk is settled through the Tadawul depository system. However, the Bank has an option to repay the unsecured subordinated sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the agreement.

In addition to the above, the Bank also issued a private placed SAR 2,000 million unsecured subordinated sukuk in June 2014 for a period of 10 years. The sukuk is settled through Tadawul depository system. However, the Bank has an option to repay the unsecured subordinated sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the agreement.

12. Term Loans

BOD confirm that there is no Term Loans on BSF

13. Capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum of 8%.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, calculated under the Basel III framework. The RWAs, total capital and related ratios as at December 31, 2014 and 2013 are calculated using the framework and the methodologies defined under the Basel III framework.

SAR' 000	2014	2013
Credit Risk RWA	163,526,870	153,855,918
Operational Risk RWA	9,825,237	8,979,637
Market Risk RWA	5,138,115	3,048,275
Total RWA	178,490,222	165,883,830
Tier I Capital	26,373,178	23,056,227
Tier II Capital	4,425,556	2,793,813
Total Tier I & II Capital	30,798,734	25,850,040
Capital Adequacy Ratio %		
Tier I ratio	14.78%	13.90%
Tier I + Tier II ratio	17.26%	15.58%

14. Basel III: Capital Structure

Certain qualitative and quantitative disclosures have to be made. These disclosures are available on BSF website www.alfransi.com.sa and in the annual report as per SAMA requirements.

15. Doubtful Debts

The allowance for impairment of credit losses has reached to SAR. 2,303 Million at the end of 2014 with coverage ratio of 194.8% The net charge to income (provision net of recoveries) of SAR 321 million (2013: SAR 957 million) in respect of impairment charge for credit losses for the year is net of recoveries of SAR 393 million (2013: SAR 146 million). The allowance for impairment includes SAR 1,210 million (2013: SAR 923 million) evaluated on a collective impairment basis.

16. Future Plans

A Medium Term Plan covering 2014~2016 has been elaborated by Senior Management and endorsed by Board of Directors in September 2013. This Medium Term Plan takes into account the evolution of the market and regulation and aims at ensuring a sustainable development of the Bank on the medium and long-run.

Banque Saudi Fransi 2014 results and achievements have been overall in line or exceeding the targets set for the first year of the Medium Term Plan 2014~2016. The strategic directions set by this Plan remains in place while figures have been fine-tuned as part of the 2015 Budget exercise to take into account 2014 results and expected change in economic environment.

17. Economic environment

Despite the collapse in oil price witnessed since the second half of 2014, the government of Saudi Arabia unveiled in December 2014 an expansionary budget for the year 2015 projecting expenditure at a record high despite running a first deficit since 2011 as revenues from hydrocarbon sales fall. This counter-cyclical economic policy in the 2015 fiscal budget highlights the government intention to stimulate the economy. With USD 740 billion of foreign reserves as of November 2014 and a very low level of debt to GDP, Saudi Arabia's economy has the capacity to sustain a weaker oil-price environment.

The Bank's Management considers that the economic environment remains overall supportive to develop the businesses of the Bank at a slower path. In terms of economic environment, overall GDP growth reached 3.6% in 2014 with GDP for non-oil sector growing at a solid 5.7%. Consensus analysis published in January 2015 projects a GDP growth of 1.7% to 2.8% in 2015. High government spending will continue to feed the economy, supported by bank lending and domestic consumption demand. The non-oil private sector remains also well orientated with a 5% growth expected in 2015.

Despite an expected progressive slowdown, BSF believes that those government expenditures will continue to trickle down into the economy providing a sound environment to develop the Bank's activities. The focus on the infrastructure development shall benefit BSF's Corporates clients while the Bank can also leverage on its recognized expertise in the project finance area to support those infrastructure programs. Interest rates levels are expected to increase by late 2015 and should progressively help improving the yield of the bank's investment portfolio.

18. Strategy

BSF has developed a client-centered strategy aiming at ensuring a well-balanced contribution to the net profit of the Bank from its different business lines.

BSF has been historically geared toward Corporates holding a leading position in the Corporate Banking sector. The Bank's objective is to strengthen this position through relationship excellence and systematic cross-selling.

Corporate Banking will maintain its strong market share in terms of assets and further increase its presence in the project finance sector.

Corporate Banking will also be a key driver in the effort to develop a comprehensive and mutually beneficial relationship with BSF's Corporate Clients offering large scope of products and services.

BSF is also committed to continue developing its Retail Banking activities and growing Wealth Management franchise to position as a reference Bank on the middle and upper segments.

Retail Banking's asset remained flat in 2014. After several years of very rapid expansion, Retail's business has indeed focused on market positioning and operational efficiency to consolidate its position.

Leveraging on this sound base, we expect Retail Banking to continue its development in 2015 benefiting from positive market momentum.

Specific effort has been put in place to significantly accelerate level of activity in capital markets, treasury and investment banking areas which are a natural complement to the Corporate Banking business.

In a continuing low interest rate environment, BSF is giving strong emphasis on the deployment of its assets and a higher contribution of its fee based businesses through systematic cross-selling implementation.

Finally, BSF maintains a tight risk management developing its risk culture across the Bank. This approach has helped BSF maintaining a low cost of risk over the years. Such principles remain at the heart of BSF model.

19. BSF Credit ratings

Ratings	Standard & Poor's	Moody's Investors Services	Fitch Ratings
Long-term ratings	A	Aa3	A
Short-term ratings	A-1	P-1	F1
Outlook / Review	Stable	Stable	Stable
Last published credit opinion	17/12/2014	11/01/2015	26/11/2014

20. General Rights of Shareholders

Articles of Association of the BSF set forth the following rights to the shareholders:

- Get their share of dividend distribution.
- Attend shareholders general assembly meetings, participate in their deliberations and vote on decisions to be taken.
- Shares disposal right.
- The right to monitor board of directors activities and initiate a liability suit against the directors.
- Access to information (but not to the detriment of the company's interests and not inconsistently with CMA Act and Regulations).
- In the event of expiry of the company's duration or in case of earlier termination, the extraordinary general assembly, upon the suggestion of the board of directors, will decide the method of liquidation, appoint one or more liquidators and determine their powers and fees.
- The powers of the board shall cease upon winding up of the company. However the board will continue to manage the affairs of the company till the appointment of liquidators and the company's departments shall remain operational to an extent not inconsistent with the liquidators' jurisdiction.

BSF affirms that it did not receive from the certified public accountants any request to hold a meeting of the shareholders during the past financial year and that such meeting was not held; BSF also affirms that it did not receive from shareholders holding 5% or more share capital any request to hold a meeting of the shareholders during the past financial year and that such meeting was not held; Pursuant to the Articles of Association of the BSF, announcements confirming dates, venues and the agendas of the shareholders meetings held during the year were published on Tadawul on 05/03/2014 and 13/04/2014 respectively, the official gazette and local newspapers of Riyadh and Okaz and AlYaum.

BSF shall give the shareholders access to the minutes of the General Assembly Meeting by submitting a request to SEG. BSF also shall inform the market media of the results of the general assembly meeting soon after its closing. BSF endeavors to comply with the regulators' directives.

Para (b), Article 33, BSF Articles of Association, stipulates that the directors are elected according to the cumulative voting method. BSF also points out that Article 3, Corporate Governance, included several requirements related to the shareholders rights including the right to the company's assets upon liquidation. BSF states that this clause does not apply to BSF due to the absence of an explicit clause in the Articles of Association. However, Article 45, BSF Articles of Association, included matters related to liquidation and related procedures according to Companies Act.

21. Dividend Policy

Dividend

Cash distribution of dividends by the Bank depends on several factors, including disposition and recommendation of the Board of Directors, based on the following:

- Financial position of the Bank.
- Results of the Bank's operations.
- Current capital adequacy and prospective financial position of the Bank.
- Liquidity requirements in the short and medium term, given the Bank's expansion plans and projects.

In accordance with Article 42 of the Articles of Association of the Bank, the distribution of the annual net profit, after deducting all expenses and other costs, and formation of the required provisions for doubtful debts, investment losses and contingent liabilities that the Board deems necessary in accordance with the provisions of the Banking Control Law, will be as follows:

- 1) Zakat payable by Saudi shareholders and tax payable by the foreign shareholders will be calculated following the rules and regulations in force in the Kingdom of Saudi Arabia. The Bank will pay such amount to competent authorities from the net income distributed to these parties.
 - 2) A minimum of 25% of net profits after deduction of Zakat and tax as stated in the foregoing paragraph (1) will be transferred to the statutory reserve until this reserve becomes at least equal to the paid up capital of the Bank.
 - 3) After the deduction of Zakat and income tax, the Board of Directors shall calculate the amount that must be distributed to the shareholders of the remaining profits with due consideration to the capital adequacy ratio centers (current and future) and regulatory requirements to ensure the Bank's capital adequacy over the short and medium terms. In the case of recommendation to distribute cash dividends, an amount of the profits equivalent to no less than 5% of the paid-up capital shall be allocated for the distribution of cash dividends to Saudi and non-Saudi shareholders pro rate to their shareholdings of the paid-up capital as recommended by the Board of Directors and approved by the General Assembly. If the amount of the remaining profits are insufficient to pay dividends due to eligible Saudi or non-Saudi shareholders, the shareholders shall not demand to be paid such dividends for the following year or years. The General Assembly shall not be entitled to decide the distribution of profits in excess of the rate proposed by the Board of Directors.
 - 4) After the allocation of the amounts set forth in foregoing paragraphs (1) and (2) and (3), the balance shall be used as proposed by the Board of Directors and decided by the General Assembly.
 - 5) In calculating statutory reserve and other provisions from net profits (after Zakat and tax), the share capital ratio of the Saudi and non-Saudi shareholders must be maintained. The two groups of shareholders must contribute to these provisions proportionate to their share capital ratios, provided that their contributions shall be deducted from their respective shares in net profits.
- Cash dividends shall be distributed to shareholders at the place and time determined by the Board of Directors in accordance with applicable regulations.
 - Board may decide not to distribute cash dividends and in lieu whereof use such dividends in the settlement of debts, obligations.
 - Commitments of shareholders to the Bank Shareholders must be informed of this policy during the General Assembly meeting and must be stated in the report of the Board of Directors.

22. Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the years ended December 31, 2014 and 2013 are calculated by dividing the net income for the year attributable to equity holders' of the Bank by 1,205 million shares.

23. Gross dividend

The Board of Directors has proposed final net dividend of SAR 0.50 (2013: SAR Nil) per share for the year which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies. The Board of Directors has declared interim gross dividend of SAR 586 million (SAR 0.45 net per share). Total gross dividend to Saudi shareholders was SAR 866 million and total dividend to foreign shareholders was SAR 391 million.

SAR' 000	2014	2013
Interim dividend	585,911	397,810
Final proposed gross dividend	671,040	-
Total	1,256,951	397,810

24. Zakat

Zakat attributable to the Saudi shareholders for the year amounted approximately to SAR 77 million (2013: SAR 56 million) which will be deducted from their share of dividend.

The Bank has filed its Zakat returns for the financial years up to and including the year 2013 with the Department of Zakat and Income Tax (the "DZIT"). The Bank has received Zakat assessments for the years up to 2009 raising additional demands aggregating to SAR 156 Million. The above additional exposure is mainly on account of disallowance of certain long-term investments and addition of term borrowings by the DZIT. The basis for this additional aggregate Zakat liability is being contested by the Bank in conjunction with all the Banks in Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from DZIT. The zakat assessment for the years 2010 to 2013 have not been finalized by the DZIT and the Bank may not be able to determine reliably the impact of such assessments.

25. Income tax

Income tax payable in respect of foreign shareholder – CA-CIB's current year's share of income tax is approximately SAR 227 million (2013: SAR 154 million) which will be deducted from their share of dividend.

The Zakat and incomes tax due on the shareholders are as follows:

SAR' 000	2014	2013
Zakat due by the Saudi shareholders	77,000	56,000
Income tax due by the non- Saudi shareholders (CA- CIB)	227,000	154,000
Total	304,000	210,000

26. Other Payments

2014 SAR' 000				
TYPE OF SERVICE	Saudi Offices	Resident Offices	Non Resident	TOTAL
Administrative	1,889	368	10,837	13,094
Financial	600	-	2,529	3,129
Economic	-	-	-	-
Grand Total	2,489	368	13,366	16,223

2013 SAR' 000				
TYPE OF SERVICE	Saudi Offices	Resident Offices	Non Resident	TOTAL
Administrative	2,436	21	10,008	12,465
Financial	650	-	10,469	11,119
Economic	-	-	-	-
Grand Total	3,086	21	20,477	23,584

25-1. Fines Paid

SAR' 000	2014
Delay fines paid to GOSI	119
CMA fines	150
Fines (ATM and others)	482

27. Members of the Board of Directors

The Board of Directors of BSF consists of ten (10) directors. According to the Articles of Association of the BSF, the Saudi directors are selected by the shareholders for a term of three years. Clear-cut policies, standards, procedures and charter are in place and being implemented for membership in the Board of Directors.

The standards set forth in the Articles of Association and governance regulations of the Bank and those set forth by the Saudi Arabian Monetary Agency, the Corporate Act and Corporate Governance Regulations are being complied with. Term in office of the current Board of Directors started from 01/01/2013 till 31/12/2015. Voting was conducted on the current Board elections (by cumulative voting) in accordance with paragraph (b) of Article 33 of the Bank's Articles of Association.

Currently, the Board of Directors has four independent members, representing more than one-third of the board members. According to applicable regulations, 1000 shares have been withheld as security for the membership of each board director.

Additionally, BSF shall immediately advise the Capital Market Authority and the Market of the termination from office of any of the members of the Board of Directors setting out the reasons for such termination. It is to be noted here that there was a change in the structure of the current Board of Directors the term of which expires on 31.12.2015.

27-1. The Saudi Directors

1. Suliman Bin Abdulrahman Al-Gwaiz	Chairman	(non-executive), representative of GOSI
2. Abdulrahman Bin Rashed Al-Rashed	Vice-chairman	(non-executive)
3. Ibrahim Mohammed Al Issa	member	(Independent)
4. Mosa Omran Al Omran	member	(Independent)
5. Ammar Abdul Wahid Al Khudhairi	member	(Independent)
6. Khaled Hamed Mutabagani	member	(Independent)
7. Vacant	-	-

27-2. Board Members Representatives of the Foreign Partner (Credit Agricole Corporate and Investment Bank)

8. Patrice Couvegnès	member	(executive) Managing Director
9. Thierry Paul Michel Simon	member	(non-executive)
10. Jean-Yves Hocher	member	(non-executive)

27-3. The Board of Directors held four (4) meetings this year, with an attendance rate of 87%. Following is the attendance record of these meetings:

Name	Capacity	1st Meeting 04/02/2014	2nd Meeting 16/04/2014	3rd Meeting 16/07/2014	4th Meeting 25/09/2014
Saleh Abdulaziz Al-Omair*	Independent	-	attend	-	-
Suliman Abdulrahman Al-Gwaiz**	Non-Executive	-	attend	attend	attend
Abdulrahman Rashed Al-Rashed	Non-Executive	attend	attend	attend	attend
Ibrahim bin Mohammed Al-Issa	independent	attend	attend	attend	attend
Mosa Omran Al-Omran	independent	attend	attend	attend	attend
Abdulaziz Habdan Al-Habdan*	Non-Executive	attend	-	-	-
Khaled Hamed Mutabagani	independent	attend	attend	attend	attend
Ammar Abdulwahid Al-Khudhairi**	independent	-	-	attend	attend
Abdulrahman Amin Jawa*	Non-Executive	attend	attend	-	-
Thierry Simon	Non-Executive	attend	attend	attend	attend
Marc Oppenheim *	Non-Executive	attend	-	-	-
Jean-Yves Hocher **	Non-Executive	-	attend	attend	attend
Patrice Couvegnès	Executive	attend	attend	attend	attend

* Resigned from the membership of the Board in 2014

** Appointed members of the Board in 2014

27-4. Acknowledgement

The bank acknowledges that there is no change in interest securities and contractual rights offering belonging to members of the board of Directors or a senior executives and their relatives in the shares ,the source religion or any of its subsidiaries tools , and there is no change in that interest or those rights during the fiscal year 2014.

27-5. The Board approved the following in 2014

- 1) Approved the balance sheet of the Bank for the year 2013, profit and loss statement, statement of dividend distribution after approval by the Assembly, the Board of Directors Report and call for General Assembly meeting for the second quarter of 2014.
- 2) Recommended the adoption of the Bank's senior management proposal to raise BSF capital to SAR 12,053,571,670 through capitalization of SAR 3,013,392,917 from retained earnings, and increasing the number of shares by granting one bonus share to each shareholder of three outstanding shares duly registered in the shareholders records of the Bank as at the date of the Extraordinary General Assembly meeting on 16/04/2014.
- 3) Change the status of the Saudi Fransi Lease Financing Company from a limited liability company to an unlisted joint stock company.
- 4) Restructuring the memberships of the Boards of Managers of the Saudi Fransi Insurance Brokerage Company and Saudi Fransi Lease Financing Company.
- 5) Liquidation of Saudi Fransi Sofinco.
- 6) Nomination of a member to the Board of Directors of Saudi Fransi Capital.
- 7) Private placement of Sharia-compliant subordinated sukuk within Saudi Arabia worth two billion Saudi Riyals for a term of 10 years with the eligibility of the Bank to redeem these sukuk at the end of the fifth year.
- 8) Acceptance of the resignation, appointment and replacement of certain members of the Board of Directors, executive officers and members of Board committees.
- 9) Selection and adoption of the re-formation of members of the Executive Committee, Audit Committee, Remuneration and Nominations Committee, Social Contributions Committee and Board Risk Committee whose terms shall expire with the completion of term of the Board of Directors on 12/31/2015.
- 10) Amendment of paragraph (a), Article (23) 'Board Meetings' of the Bank's Articles of Association to comply with the second principle, paragraph (29) of the main principles of corporate governance duly issued by the Saudi Arabian Monetary Agency stipulating that the number of annual meetings of the Board shall be a minimum of four rather than two meetings and present such amendment to the Extraordinary General Assembly to be held on 16/04/2014.
- 11) Restructuring of the Bank's representatives to the Saudi Capital Market Authority.
- 12) Adoption of the revised policy of the Remuneration and Nomination Committee and its presentation to the Extraordinary General Assembly meeting on 16/04/2014.
- 13) Adoption of the cash dividend distribution policy (additional notes to those already stated in the Bank's Articles of Association) and its presentation to the Extraordinary General Assembly meeting on 16/04/2014.
- 14) Adoption of policies, standards and procedures for membership of the Board of Directors and the Charter of the Board of Directors and their presentation to the Extraordinary General Assembly meeting on 16/04/2014.
- 15) Adoption of the Charter of the Audit Committee and its presentation to the Extraordinary General Assembly meeting on 16/04/2014.
- 16) Follow-up administrative reorganization project duly presented to the Board on 14/12/2011.
- 17) Approval of dividend distribution to BSF shareholders for the first half of fiscal year 2014.

27-6. Bonuses and allowances of the Board of Directors

Bonuses and allowances of the Board of Directors or members from outside the Board is accordance with frameworks set by the instructions by the supervisory authorities, and governed in general the main principles for the governance of banks operating in Saudi and controls the compensation issued by the SAMA and a list of corporate governance issued by the CMA, and the provisions of the corporate system and the Statute of the BSF and BSF governance as well as the compensation policy.

The following table shows the total remuneration of the Board of Directors in 2014 (bonuses and allowances) SAR 000

Name	Independent Directors	Executive Directors	Non-executive Directors
Saleh Abdulaziz Al-Omair* (resigned with effect from 01/05/2014)	123	-	-
Suliman Abdulrahman Al-Gwaiz** (started membership on 9/4/2014)	-	-	291
Ibrahim Mohammed Al Issa	387	-	-
Mosa Omran Al-Omran	387	-	-
Abdulaziz Habdan Al-Habdan* (resigned with effect from 09/04/2014)	-	-	117
Abdulrahman Rashed Al-Rashed	-	-	390
Khalid Hamid Mutabagani	372	-	-
Ammar Abdulwahid Al Khudhairi (started membership on 29/5/2014)	225	-	-
Thierry Simon	-	-	390
Marc Oppenheim (resigned with effect from 16/04/2014)	-	-	108
Jean-Yves Hocher (started membership on 16/04/2014)	-	-	264
Patrice Couvegnès	-	390	-
Abdulrahman Amin Jawa (resigned with effect from 17.07.2014)	-	-	207
Total	1,494	390	1,767

27-7. Membership of BSF directors in the boards of directors of other companies

Names of Board Directors	Other Companies	Capacity
Suleiman Abdulrahman Gwaiz	Saudi Investment Group	Director
	Maaden	Director
	Mobily	Director
Abdulrahman Rashed Al-Rashed	-	-
Ibrahim Mohammed Al Issa	Tiba Holding Company	Chairman
	Almarai	Director
	Yanbu Cement Company	Director
	Savola Group	Director
Ammar Abdul Wahid Al Khudhairi	Allianz Saudi Fransi Cooperative Insurance Company (Allianz SF)	Chairman
	Hukair company	Director
	Tayyar Travel Company	Director
	Morgan Stanley Saudi Arabia	Director
	National Public Motor Company (NAT)	Vice-chairman
	Sports Clubs Co. (Body Master)	Director
	Reef Flowers Co.	Director
	Gulf Funds Commercial Investment Co., Ltd.	Managing Director
Khaled Hamed Mutabagani	-	-
Mosa Omran Al-Omran	Almarai	Director
Patrice Couvignes	Allianz Saudi Fransi (representative of the Bank)	Director
Jean-Yves Hocher	-	-
Thierry Simon	-	-

27-8. Shareholdings of Directors, Senior Executives, Spouses and Minor Children in BSF as of 12/31/2014

Directors

Name	Shares owned at the start of 2014	Ownership percentage at the start of the year	Net change in the number of shares	Percentage of change during the year	Shares owned at the end of 2014	Ownership percentage at the end of the year
Ibrahim Mohammed Al-Issa	3,750	0.00%	1250 bonus 2833 buy	-	7,833	0.00%
Abdulrahman Rashed Al-Rashed	2,000	0.00%	666 bonus	-	2,666	0.00%
Khaled Hamed Mutabagani	44,718	0.00%	14,906 bonus	-	59,624	0.00%
Mosa Omran Al-Omran and family	781,089	0.08%	395,194 –family 131,731 bonus 385,895 128,631 bonus 133,364 buy	0.02%	1,174,815	0.10%
Ammar Abdul Wahid Al Khudhairi	-	-	1000	-	1000	0.00%

Senior Executives

Name	Shares owned at the start of 2014	Ownership percentage at the start of the year	Net change in the number of shares	Percentage of change during the year	Shares owned at the end of 2014	Ownership percentage at the end of the year
Mazen Hani Tamimi and family	944,288	0.08%	314,762	0.02%	1,259,050	0.10%

The difference in share holdings between the start and end of the year 2014, represents increase in the number of shares on 17/04/2014 as a result of raising the Bank's capital. The rate of change during the year is a result of dealing on the market.

28. Share Ownership

Shareholdings of the major shareholders of the Banque Saudi Fransi as at 31/12/2014 are as follows:

Major Shareholders other than Directors and Senior Executives holding 1% or more:

Name	Shares owned at the start of 2014	Ownership percentage at the start of the year	Net change in the number of shares	Percentage of change during the year	Shares owned at the end of 2014	Ownership percentage at the end of the year
CACIB	281,250,000	31.11%	93,750,000	33%	375,000,000	31.11%
GOSI	120,146,521	13.29%	40,048,840	33%	160,195,361	13.29%
Rashed Alabdulrahman Al-Rashed & Sons	88,866,401	9.83%	29,622,142	33%	118,488,543	9.83%
Masek Holding Company	40,000,000	4.42%	13,333,333	33%	53,333,333	4.42%
SAMBA Private Investment Fund 1	18,174,507	2.01%	6,058,169	33%	24,232,676	2.01%
PPA	16,595,701	1.84%	5,531,900	33%	22,127,601	1.84%
Omran Mohammed Abdulrahman Al-Omran	16,482,853	1.82%	5,494,284	33%	21,977,137	1.82%
Adnan Hamza Mohammed Suleiman Bogari	13,644,045	1.51%	4,548,015	33%	18,192,060	1.51%
Ibrahim bin Abdulaziz Al-Toug	12,493,740	1.38%	4,164,580	33%	16,658,320	1.38%
Hamed Hamed Mutabugani	12,473,415	1.38%	4,157,805	33%	16,631,220	1.38%
Olayan Saudi Investment Company Limited	9,269,793	1.03%	3,089,931 bonus 1,322,649 buy	48%	13,682,373	1.14%

The difference in shares between the start and the end of the year 2014 and the rate of change during the year represents increase in the number of shares on 17/04/2014, resulting from raising the Bank's capital through granting one bonus share for each three shareholdings. With respect to Saudi Olayan Co., raise represents the increase in the number of shares over 33% resulting from dealing on the market.

28-1.

None of a special interest in any of the eligibility to vote the stock category, told the bank of any change in the rights during the financial year 2014.

29. Assignment of Interests by BSF Directors, Senior Executives or Shareholders

The Bank does not have information on any arrangements or agreements under which any of the directors, senior executives or shareholders have assigned any interests or rights to dividends.

30. Transactions with BSF Directors

Transactions with related parties, including members of the Board of Directors, are carried out on an arm's length basis. Transactions with related parties are subject to the criteria set out in the Banking Control Law issued by the Saudi Arabian Monetary Agency.

All facilities are provided to related parties after having adequate securities in accordance with Bank's strict credit policy. All related party balances and transactions are properly recorded and, where appropriate, adequately disclosed in the financial statements. BSF senior management affirms that no BSF director or any of their relatives of the first degree of kinship or the management senior officers have any relationship with the companies that carry out any business for or have contracts with the BSF.

Other than the information contained in the Auditor's Report of the Consolidated Financial Statements, BSF has not entered into any significant contracts during the year involving material interests for any Directors or with the executive management or any party related therewith.

31. Related party transactions and balances

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of the management and the Board, the related party transactions are carried out on an arm's length basis. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA.

The balances as at December 31, 2014 and 2013 resulting from such transactions included in the consolidated financial statements are as follows:

SAR' 000	2014	2013
CA-CIB Group		
Due from banks and other financial institutions	155,678	53,858
Due to banks and other financial institutions	18,636	119,504
Derivatives at fair value, net	64,116	47,675
Commitments and contingencies	3,296,579	3,051,105
Associates		
Investments	99,069	166,270
Due to banks and other financial institutions	67,403	75,760
Directors, auditors, other major shareholders' and their affiliates		
Loans and advances	2,543,586	2,323,046
Customers' deposits	6,595,563	3,991,011
Derivatives at fair value, net	29,424	-
Commitments and contingencies	593,864	561,650
Bank's mutual funds		
Investments	-	70,819
Derivatives at fair value, net	1,377	-
Customers' deposits	207,038	234,779

Other major shareholders represent shareholdings (excluding the foreign shareholder) of more than 5% of the Bank's share capital.

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

SAR' 000	2014	2013
Total Special commission Income	52,935	49,337
Total Special commission expense	39,578	49,077
Fees ,commission income and others, net	33,232	13,985
Directors' fees	3,651	3,852
Other general and administrative expenses	1,489	1,108

The total amount of short term benefits paid to key management personnel during the year was SAR 105 million (2013: SAR 113 million). The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

32. Five Top Executives including MD and Financial Manager

Description	SAR' 000
Salaries and remuneration	8,012
Allowances	4,987
Annual and periodical bonus	17,800
Total	30,799

33. Board of Directors' Committees

Banque Saudi Fransi's Board of Directors' Committees are: Executive Committee, Audit Committee, Nomination and Compensation Committee, Donation and Social Contribution Committee and Risk Committee. Each such committee operates under its own charter, as follows:

33-1. Executive Committee

The Executive Committee is formed by the Board of Directors and exercises the powers of the Board in follow-up and management of business affairs of the Bank, this committee is composed of 7 members and was formed for a term of three years from (01/01/2013) through (12/31/2015 m), as follows:

1. Mr. Patrice Couveignes	Chairman
2. Mr. Suliman Abdulrahman Al-Gwaiz	Member
3. Mr. Abdulrahman Rashed Al-Rashed	Member
4. Ibrahim Mohammed Al-Issa	Member
5. Mosa Omran Al-Omran	Member
6. Ammar Abdulwahid Al-Khudhairi	Member
7. Thierry Paul Simon	Member

The Executive Committee held six (6) meetings in 2014 with an attendance rate of 87%. The secretary general of the Bank assumes the functions of the secretary of this Committee.

Its main responsibilities include but not limited to

- Taking timely decisions on issues on which a delay may have an adverse impact on the reputation and working of BSF. Decisions requiring Board's approval or approval of the other committees will not be made by this Committee.
- Identifying and monitoring the key risks of BSF and evaluate their management.
- Overseeing the bank-wide risk management framework and governance; approving risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk.
- Monitoring the parameters of risk appetite, as determined and approved by the Board.
- Implementing risk strategy, monitoring key indicators and obtaining reasonable assurances that bank's risk management policies for significant risks are being adhered to.
- Giving advice to the Board on the risk impact of any strategic decision that the Board may be contemplating.
- Reviewing on annual basis, the results of Internal Capital Adequacy Assessment Process (ICAAP), results of stress testing and Capital at Risk (CaR) reporting.
- Satisfying itself that policies are in place to manage the risks to which BSF is exposed to including market, operational, liquidity, credit, insurance, regulatory, legal, and reputational risk.
- Critically assessing business strategies and plans.
- Regularly monitoring and measuring the long term objectives set by the Board.
- Reviewing and making recommendations to the Board with respect to the governance documents, such as the Bylaws and Articles of Association.
- Reviewing budget and spending as proposed by the Business Lines and Support Divisions and sending it to the Board for its review and approval.
- Reviewing general management, legal, and personnel matters. In fulfilling this responsibility, the Committee shall review legislative, regulatory, and legal matters that may affect BSF. Review current or pending litigation involving BSF, and review other matters that may materially affect BSF's operations.
- Reviewing and submitting the write offs of the loans to the Board for their approval.
- Assessing initiatives, taken by the business, with reference to their performance and risk.
- Assessing the adequacy and effectiveness of business continuity and disaster recovery plan.

33-2. Nomination and Compensation Committee

The Nomination and Compensation Committee (NCCOM) consists of four (4) non-executive members of the Board and prominent specialists.

The Executive Members of the Board attend NCCOM meetings on a permanent basis as observers. The NCCOM is governed by an action plan that organizes the submission of recommendations to the BOD with regard to appointment of BOD members; evaluation of skills of BOD members and senior executives on a periodic basis; reviews the structure or composition of the BOD; ensures the independence of independent BOD members; supervises the process of drafting a succession plan; identifies an incentives and rewards system for members of the BOD and its committees and executive management officers.

The term of the NCCOM is three (3) years. By a decision of the BOD, term in office of the members of this Committee can be extended or other members may be nominated for another 3-year term. NCCOM members do not receive any remuneration.

Members of the NCCOM

1. Mr. Mosa Omran Al-Omran	Chairman
2. Dr. Khalid Hamid Mutabghani	Member
3. Mr. Jean-Yves Hocher	Member
4. Ms. Ivana Bonnet	Member

The NCCOM held four (4) meetings in 2014, with an attendance rate of 100%. The secretary general of the Bank assumes the functions of the secretary of this Committee.

Functions of NCCOM include but are not limited to

- 1) Oversee the design and operation of the BSF compensation system and policy on behalf of the Board of Directors, and their regular review and presentation to the Board of Directors for final approval.
- 2) Evaluate the practices under which compensation is disbursed for potential revenues, whose timing or likelihood of occurrence remain uncertain.
- 3) Present recommendations to the Board on the level and structure of compensation of key executives of the Bank, featuring, to this end, executives whose appointment is subject to obtaining 'No Objection' from SAMA.
- 4) Determine the total value of bonuses depending on the risk-adjusted earnings of the Bank for payment of performance bonuses.
- 5) Review the compliance of the compensation policy with the regulatory rules and with the principles and standards of the Financial Stability Board (FSB).
- 6) Identify weaknesses and strengths of the BOD and make recommendations regarding changes that can be made in this respect.
- 7) Review candidate files for membership to the BOD to assess their competence and ability to serve as members of the BOD and the extent of their independence, and make recommendations to the BOD through the Secretariat General for final approval prior to presentation to competent authorities.

8) Study of applications to run for leadership positions and determine their relevance to the actual needs of the Bank in this regard in collaboration with the Human Resources Department. The Committee shall also review the contracts of senior staff before their termination and recommend their renewal or replacement to the Board of Directors, which in turn authorizes the senior management to take a final decision thereto.

33-3. Risk Committee

Based on SAMA directives to banks operating in the Kingdom of Saudi Arabia, BSF Board of Directors approved the creation and formation of a BOD committee to be named Risk Committee, the quality of which and number of its members and their responsibilities to be determined according to the instructions received from regulators. Then a Risk Committee was formed consisting of five (5) members from the Board of Directors or other competent persons, as follows:

1. Mr. Abdulrahman Rashed Al Rashed	Member of the Board of Directors	chairman
2. Mr. Mosa Omran Al-Omran	Member of the Board of Directors	member
3. Mr. Thierry Paul Simon	Member of the Board of Directors	member
4. Mr. Daniel Puyo	Chief Risk Officer at Credit Agricole CIB	member
5. Mr. Patrice Couveignes	Managing Director	member

The Risk Committee held three (3) meetings with an attendance rate of 100%. The Committee operates under a charter that sets out its responsibilities, functions and number of meetings.

Major duties and responsibilities of the Risk Committee include the following

Make recommendations on public policies and general guidelines on the extent of BSF ability to take risk to enable the administration to develop specific plans for each business unit / risk category; review and follow-up risks encountered by the BSF within the context of ability to take risks as approved by the Board; ensure the safety of the process of internal capital adequacy; review, deliberate and make recommendations on the practices of risk management and guidance on the strategies adopted by the Risk Department.

Ensure the adequacy and effectiveness of risk levels at the BSF, in terms of collecting information on risks, analysis and assessment of risks; benefit from the results of competitive advantages of the BSF; set up risk measurement methodologies at the enterprise level in order to measure and evaluate risk management strategy and to ensure that it copes with regulatory, operational and legal updates as well as the stated business objectives of BSF; consider and provide responses to the proposals of the Managing Director and make notes thereon, if needed, regarding the impact of the risks associated with any strategic decision which may be considered by the BSF; and reporting to the BOD when strategies being considered by the Managing Director involve a possibility (though weak) that the BSF would go beyond acceptable risk limits; ensure approval of all changes to the risk policies as stated in the BSF delegation of authorities system; provide appropriate advice to BSF management about fulfilling its responsibilities with respect to risk management; submit periodic (semi-annual) reports to the BOD regarding the following matters or if the threat reaches an unacceptable level: Reporting to the Board of Directors on risks that exceeded acceptable levels even after they are reinstated to acceptable levels. The Risk Committee is also responsible for monitoring credit risk activities in addition to the function of credit risk management in general.

The Committee is also in charge of the following tasks related to credit risk management to ensure the implementation of credit risk policies and strategies by the Board and the Executive Committee; to follow-up the credit risk of the Bank in general, and to ensure compliance with the limits of the approved risk by a committee of the Council and the Executive Committee; provide information for the formulation of credit policy of the Bank, especially those related to credit risk, including, for example, the development of standards for the provision of credit proposals, financial rules, and classification criteria and standards; make recommendations to the Executive Committee on matters related to delegating authority to approve the credit, and the hedging limits on large credit operations, criteria for loan guarantees, portfolio management, mechanism of loan review, risk concentrations, monitoring and evaluation of the risks and prices of loans, and earmarking of provisions as needed; handling any other issues related to credit risk management; review the Committee's charter on a periodic basis, at least once a year, and recommend to the BOD regarding any amendments as necessary; lay down an annual plan and timetable for the Committee's activities for next year, including periodic meetings of the Committee and meetings with the management, and other activities in light of the Committee's roles and responsibilities as specified in its charter.

33-4. Donations and Social Contribution Committee

This Committee convenes to lay down an appropriate mechanism for donations and social contributions in which the Bank is involved. The committee consists of three (3) members, as follows:

1. Mr. Abdulrahman Rashed Al-Rashed	Chairman
2. Mr. Ibrahim Mohammed Al-Issa	Member
3. Mr. Patrice Couveignes	Member

Secretary General of the Bank acts as secretary of this Committee

The committee held two (2) meetings in 2014 with an attendance rate of 100%.

The primary task of the Donations and Social Contribution Committee is to represent and assist the Board in overseeing the review of recommendations and the credentials of the contributions made by the members for consideration; the selection of charities with which the Bank is interested to set up partnerships on an annual basis; objectively identifying the needs of charitable partnerships; provide means of communication between members of the BOD and selected charities concerning the actions of the Committee; Contribute to the BSF vision and strategic plan by ensuring the optimal implementation of BSF social contribution strategy in support of the goals of social contribution at the highest level; protect, enhance and develop the status of the BSF with related parties; follow up the performance of BSF social contributions.

Through this Committee, BSF Board of Directors is keen to focus on the support of the largest possible segment of society in all areas. In the field of health, BSF has been supporting the Down syndrome charity (by sponsoring a group of children at the charity for one full year). BSF also supported Abdulkarim Bakr Medical Center (to help the needy patients with renal failure). In coordination with the Social Responsibility Club at King Saud University, BSF supported the winter clothing program through providing winter supplies to the poor and needy, covering 350 families in the first phase and 350 families in the second phase of the program.

The Bank has also contributed to the support of King Abdullah Bin Abdulaziz Foundation for Developmental Housing programs provided to beneficiaries at the level of regions and provinces of the Kingdom.

The Bank also played a socio-cultural role as manifested in supporting Prince Salman bin Abdulaziz chair for historical and cultural studies in the Arabian Peninsula.

In the field of sponsoring conferences and forums, the Bank sponsored several events that had a significant effect on the economic and cultural aspects of the community. BSF sponsored the first Forum (Social Responsibility in Saudi Organizations), third and fourth Forum and the National Gallery for Productive Families "toward promoting the slogan of (made in Saudi Arabia) during the Producers Gallery, Arab Gulf Conference on small and medium-size enterprises as an essential tributary for development and the elimination of unemployment - supportive role of the public and private sectors, Medina Forum on the labor market and employment (the small merchant), World Day to Combat drugs, annual charity marathon, third forum on internal audit in the Kingdom of Saudi Arabia.

In collaboration with Naqaa Society, BSF launched an anti-smoking campaign, which is an awareness and treatment campaign for the Bank's staff that included lectures followed by an in-clinic treatment program for a period of five days for those who are interested to quit smoking.

The campaign covered Riyadh, Eastern and Western regions. Success of the campaign culminated in 68 persons of the Bank's staff quitting smoking.

For all of these contributions and effective role, the Bank was awarded the Golden Medal of Merit in the field of social responsibility at the level of the Arab region at the ceremony held in the United Arab Emirates, under the patronage of His Excellency Sultan Bin Saeed Al Mansouri, Minister of Economy of the UAE.

33-5. Audit Committee

The Audit Committee consists of five (5) members, chaired by a member of the Board of Directors of the Bank and four (4) independent members, all of whom with high academic qualifications and professional experience, including knowledge of accounting standards and the ability to read financial reports and understand the rules and regulations issued by competent authorities.

The Saudi Arabian Monetary Agency approved the nomination by the BSF Board of Directors of members of the Internal Audit Committee of the Bank for a three-year term from 01/01/2013 to the end of 2015, as follows:

1. Mr. Abdulrahman Rashed Al-Rashed	Chairman, member of Board of Directors, BSF
2. Mr. Jean-Pierre Tremenbert	Member, Head of Inspection Generale of CA-CIB
3. Mr. Eid Faleh Seif Al-Shammari	Member, extensive experience in finance business
4. Dr. Abdullah Al-Muneef	Member, independent
5. Dr. Mohammad Ikhwan	Member, independent

The Committee represents and assists the Board of Directors of the Bank and assumes responsibility of overseeing the following:

- Validity and integrity of the financial reports.
- The overall process of financial reporting and controls of disclosure.

- Internal accounting systems and financial records.
- System of internal controls on the Bank's operations.
- Implementation and follow-up of internal audit process.
- Internal Audit functions in the Bank, including: (Internal Audit Charter, plans, activities and reports).
- Audit by the external auditors of the Bank's annual financial reports.
- Bank's compliance with legal and regulatory requirements.
- Follow up on high risks in the Bank and steps taken to mitigate them.
- Supervise and evaluate the performance of the independent auditors of the Bank, including the preparation of the report and an assessment of the qualifications and the independence of external auditors, associated partner and collaborating partner.
- Responsibility for providing free and open communication between the independent auditors, internal auditors and management of the Bank.
- Review the extent of compliance with applicable regulations, rules and laws.
- Review the activities of subsidiaries.
- Review legal procedures and lawsuits, related party and other transactions.
- Review and evaluate insurance coverage.
- Review and evaluate the extent of relevance of regulations on a periodic basis.
- Make recommendations to the Nomination and Compensation Committee for the candidates to assume leadership positions at the Internal Audit Department of the Bank.

The Head of Internal Audit Department acts as Secretary of this Committee, and the Compliance Officer of Banque Saudi Fransi attends meetings of this Committee as an observer on a permanent basis.

The Audit Committee held four (4) meetings during the year covering all important matters with an attendance rate of 95%.

Results of Audit Committee Activities:

- The Audit Committee also reviews the financial statements of the Bank quarterly and annually with the external auditors and submits its recommendations to the Board of Directors in line with the requirements of SAMA and the Capital Market Authority.
- Deliberations during meetings are recorded and forwarded to the Board of Directors, and matters contained therein are followed up with the Secretary of the Audit Committee and BSF Management.
- The Committee was also involved in the assessment of the performance of internal and external auditors of the Bank and reviewed the main risks relating to the quality and adequacy of internal controls of the Bank on a regular basis.
- Members of the Audit Committee are informed of the course of events by the Senior Internal Auditor, managers of business lines and supporting departments, subsidiaries and external auditors.
- The Audit Committee also reviews fraud cases in collaboration with the head of CPD, as well as new regulations and guidelines, compliance-related violations and other matters.
- It also reviews risk management, internal control and the deliberations of BSF internal control committee.
- The Audit Committee provided support to the Audit Department (INA) for the verification of the annual audit plan and followed the activities of the Audit Department, audit's unimplemented recommendations and other unplanned activities.

34. Certified Public Accountants

The general assembly of shareholders held on 16/04/2014 appointed Messrs. KPMG Al Fozan and Al Sadhan and Messrs. Pricewaterhouse Coopers as the Bank's certified public accountants for the fiscal year 2014 and for one year.

35. Accounting Standards

The BSF consolidated financial statements were prepared according to the accounting standards for financial institutions issued by the Saudi Arabian Monetary Agency and the International Financial Reporting Standards.

The BSF also prepares its consolidated financial statements in line with the Banking Control Law and Corporate Act of Saudi Arabia and Articles of Association of the Bank. There are no substantial deviations in the accounting standards applied by the Bank from the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

We also confirm that there are no significant differences in the operating results for the previous year's results or expectations announced by the bank.

With the exception of changes in the accounting policies set out in Note 3 (a) financial statement, accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used last year.

The Board of Directors affirms to the shareholders and other related parties to the best of its knowledge, that: Article Forty-third of the Listing Rules (23 - a - b - c)

A - Accounting records were prepared correctly.

B - Internal control system was prepared according to sound principles and implemented effectively.

C - There is no doubt as to the Bank's ability to continue its activities.

36. Disclosure

The Bank's management believes that it has in place a suitable control system that permits it to prepare interim financial statements consistent with the financial and accounting standards duly issued by the Saudi Arabian Monetary Agency as well as International Accounting and Reporting Standards.

The present financial statements have been prepared on the basis of this system. Directors have been briefed of all information covering a period not exceeding one year from the ending date of last year. The Bank prepared the Governance Regulations which was also presented to and approved by the Board of Directors.

BSF announces all material developments and changes on Tadawul website due to the importance of disclosure of such information to the shareholders. Disclosure is also made according to BSF Disclosure Charter and its regulations, CMA's/SAMA's Governance Regulations and BSF Compliance Regulations. The responsibility for disclosure was entrusted to two (2) representatives of the BSF: a director and a senior executive.

37. Corporate Governance

BSF operates under its own corporate governance regulations duly approved by the BOD in addition to SAMA policies and directives. BSF also continues to comply with the principles, provisions and guidelines of Corporate Governance Regulations issued by the Capital Market Authority.

In addition, directors are continuously updated by the chairman regarding matters received from the competent authorities. BSF Governance Regulations are being updated from time to time in line with the directives of relevant regulatory authorities. BSF complied with the Corporate Governance clauses which are consistent with the Bank’s articles of association in addition to the obligatory clauses referred to under CMA decisions excluding Article Three, clause (d), Article Sixth and clause (d), Article Six of the same regulations, as follows:

Article Number	Requirements	Reasons for Non-application
Three	It includes a number of requirements related to the shareholders including the shareholder’s proportionate right to the company’s assets upon liquidation	This requirement does not apply to BSF due to the absence of an explicit clause stipulating such requirement under BSF’s articles of association. However, Article 45 of the articles of association included matters and procedures related to liquidation of the Bank that are consistent with the provisions of the Corporate Act.
Six, Para (d)	Investors, who are judicial persons acting on behalf of others, such as investment funds, must disclose their policies in voting and actual voting in their annual reports. They must also disclose the way by which they deal with any significant conflict of interest that might impact the exercise of the basic interests in their investments.	BSF has no legal capacity to bind judicial investors acting on behalf of others, such as investment funds, to disclose their policies in voting

In conclusion, the Board of Directors extends its deepest gratitude, first and foremost, to Almighty Allah and then to the Custodian of the Two Holy Mosques and the Crown Prince for their continuous support of the banking sector.

The Board would also like to thank the Ministry of Finance and National Economy, Saudi Arabian Monetary Agency, Capital Market Authority and Ministry of Commerce and Industry for their support of the Bank’s initiatives of enhancing the level of banking services to make them easily accessible to the public.

The BOD would also thank the distinguished customers of the Bank for their nurtured and highly appreciated confidence. Appreciation and gratitude is also extended to our colleagues who have contributed to these achievements.

Audit Committee

Chairman Mr. AbdulRahman AlRashed,
Member Board of Directors of BSF

Members Mr. Jean-Pierre Tremenbert
Head of Inspection Generale of CA-CIB
Mr. Eid Alshamri
CEO of Ithraa Capital
Dr. Abdullah Al-Muneef
Member of Shura Council
Dr. Mohammad Ikhwan
Advisor to H. E. Minister of Labor


Secretary Mr. Abdulrahman AlSughayer
Acting Chief Internal Auditor of BSF

Saudi Arabian Monetary Agency (SAMA) approved nomination by BSF Board of Directors of above members of Audit Committee for a three-year term beginning on 01/01/2013. BSF Audit Committee includes independent members with broad business knowledge and acumen and is operating under a Charter approved by the Board of Directors.

BSF Audit Committee met four times in the year 2014 in order to adequately cover all significant topics of BSF requiring its close monitoring. It reviews Quarterly and Annual Financial Statements of BSF with External Auditors and recommends their approval to BSF Board as required by SAMA and CMA.

Main items of Audit Committee activity are documented and reported to BSF Board of Directors and are adequately followed up by Secretary of Audit Committee (Chief Internal Auditor) with BSF Management.





Audit Committee is actively involved in risk assessment used for defining Internal Audit Plan and evaluation of performance of Internal Audit as well as External Auditors.

It regularly reviews main risks related to BSF activities and quality and adequacy of Internal Controls. Audit Committee is informed and briefed not only by Chief Internal Auditor and External Auditors but also directly by relevant functions of BSF as well as subsidiaries or joint venture companies when required.

Audit Committee is involved in selecting External Auditors and recommending them for approval to Board.

Audit Committee is regularly updated by on fraud cases, new regulations and pronouncements as well as significant breaches of compliance.

Audit Committee continuously supported Internal Audit by providing it with adequate organization, staffing, tools and means for independence. It also followed activities of Audit very closely as well as rate of implementation of recommendations raised by SAMA and Internal Audit.





Independent Auditors' Report



KPMG Al Fozan & Al Sadhan



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

We have audited the accompanying consolidated financial statement of Banque Saudi Fransi (the "Bank") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes from (1) to (42). We have not audited note (39), and the information related to Basel III – Capital Structure and 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 (SAMA), 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. In addition, management is responsible for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about whether the consolidated financial statements are free from material misstatement.

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

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

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

- Present fairly, in all material respects, financial position of the Bank and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by SAMA and with International Financial Reporting Standards; and
- Comply with the requirements of the Regulation 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.

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February 22, 2015
Jumada Al-Awal 3, 1436

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بنك الإمتياز

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