Etats financiers consolidés

TUNIS INTERNATIONAL BANK

SIEGE : 18, AVENUE DES ETATS D'AMERIQUE
1002 TUNIS-BELVEDERE

La Tunis International Bank - publie ci-dessous, ses états financiers consolidés arrêtés au **31 décembre 2012**. Ces états sont accompagnés du rapport des Commissaires Aux Comptes, M. Fehmi LAOURINE et M. Mourad GUELLATY.

CONSOLIDATED BALANCE SHEET
As at December 31, 2012
(Amounts in US Dollars)

	Notes	2012	2011
ASSETS			
Bank demand and call deposits	**3**	72 793 033	14 765 898
Time deposits	**4**	252 974 719	279 126 226
Financial assets designated at fair value through P&L		2 036 455	2 042 874
Financial assets at fair value through other comprehensive income	**5**	28 523 594	29 148 834
Financial assets measured at amortized cost	**6**	35 385 118	32 213 206
Investments in associated companies	**7**	68 616 231	61 610 962
Loans and advances, net	**8**	98 784 462	105 964 367
Accrued interest and other assets	**9**	1 136 192	1 828 631
Property and equipment, net	**10**	2 918 640	2 816 606
TOTAL ASSETS		**563 168 444**	**529 517 604**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES		**456 767 150**	**433 366 158**
Deposits from banks and financial institutions	**11**	188 471 616	178 432 345
Deposits from customers	**12**	258 757 346	244 815 552
Accrued interest and other liabilities	**13**	9 538 188	10 118 261
SHAREHOLDERS' EQUITY	**14**	**106 401 294**	**96 151 446**
Share capital		50 000 000	50 000 000
Reserves		21 280 547	17 456 272
Foreign currency translation reserve		-1 398 820	-253 725
Retained earnings		36 519 567	28 948 899
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**563 168 444**	**529 517 604**

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2012
(Amounts in US Dollars)

	Notes	2012	2011
TOTAL INCOME		**30 640 291**	**28 092 941**
Interest income	**15**	4 751 499	6 351 963
Other income, net	**16**	10 324 876	11 145 115
Share of results of associated companies		15 563 916	10 595 863
INTEREST EXPENSES		**2 322 992**	**2 676 639**
Interest expenses	**17**	2 322 992	2 676 639
OPERATING INCOME		**28 317 299**	**25 416 302**
Salaries and benefits	**18**	4 266 294	4 314 875
General and administrative expenses	**19**	2 958 637	2 643 672
NET OPERATING INCOME (BEFORE WRITE DOWN AND PROVISIONS)		**21 092 368**	**18 457 755**
Allowance for doubtful loans		2 500 000	2 774 984
NET INCOME FOR THE YEAR		**18 592 368**	**15 682 771**
Number of shares		5 000 000	5 000 000
Earning per share	**20**	**3,72**	**3,14**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the year ended December 31, 2012
(Amounts in US Dollars)

	2012	2011
PROFIT FOR THE YEAR	**18 592 368**	**15 682 771**
Net fair value (loss) gain from financial assets at fair value through other comprehensive income	-206 486	-5 180 503
Other comprehensive (loss) income for the year	**-206 486**	**-5 180 503**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18 385 882**	**10 502 268**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31, 2012
(Amounts in US Dollars)

	2012	2011
OPERATING ACTIVITIES		
Net income of the year	**18 592 368**	**15 682 771**
Adjustments for :		
Depreciation	451 612	390 679
Social fund	-200 000	-200 000
Share of profit from associates companies	-9 941 299	-5 375 114
Operating profit before changes in operating assets and liabilities	**8 902 681**	**10 498 336**
Changes in operating assets and liabilities		
Time deposits	26 151 507	-17 055 998
Loans and advances	7 179 905	13 870 394
Accrued interest and other assets	692 439	565 250
Deposits from banks and financial institutions	10 039 271	-2 324 134
Deposits from customers	13 941 794	-7 749 166
Accrued interest and other liabilities	-580 074	1 675 157
Net cash provided by operating activities	**66 327 523**	**-520 161**
INVESTING ACTIVITIES		
Purchase of financial assets designated at fair value through P&L	-	-1 214 955
Sales of financial assets designated at fair value through P&L	6 419	-
Purchase of financial assets at fair value through other comprehensive income	-406 186	-
Sales of financial assets at fair value through other comprehensive income	824 939	8 717 141
Purchase of financial assets measured at amoertized cost	-6 851 709	-4 712 064
Sale of financial assets measured at amoetized cost	3 679 797	9 890 521
Purchase of fixed assets net	-553 647	-176 350
Net cash used by investing activities	**-3 300 387**	**12 504 293**
FINANCING ACTIVITIES		
Dividends paid	-5 000 000	-5 000 000
Net cash used by financing activities	**-5 000 000**	**-5 000 000**
Increase / Decrease in cash and cash equivalents	58 027 136	6 984 132
Cash and cash equivalents as of 1st January	14 765 898	7 781 767
Cash and cash equivalents as of 31 December	**72 793 033**	**14 765 898**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2012
(Amounts in US Dollars)

	Share Capital	Statutory Reserve	General Reserve	Revaluation Reserve	Investment FV reserve	Foreign Currency reserve	Retained Earnings	Total
Balance at December 31, 2010	**50 000 000**	**5 000 000**	**15 500 000**	**1 000 000**	**168 139**	**1 253 906**	**21 866 467**	**94 788 512**
Net income for the period							15 682 771	15 682 771
Other comprehensive income					-5 180 503			-5 180 503
Total comprehensive income					***-5 180 503***		***15 682 771***	***10 502 268***
Transfer to statutory reserve		660 556					-660 556	-
Transfer to general reserve			900 000				-900 000	-
Transfer to general reserve (Others)			2 000 000				-2 000 000	-
Dividends distributed							-5 000 000	-5 000 000
Transfer to social fund							-200 000	-200 000
Change in accounting policies					-2 591 920		1 011 153	-1 580 767
Share of changes recognised directly in associate's equity						-1 507 631	-850 936	-2 358 567
Balance at December 31, 2011	**50 000 000**	**5 660 556**	**18 400 000**	**1 000 000**	**-7 604 284**	**-253 725**	**28 948 899**	**96 151 446**
Net income for the period							18 592 368	18 592 368
Other comprehensive income					-206 486			-206 486
Resorption investment revaluation reserve			-7 604 288		7 604 284			-4
Total comprehensive income			***-7 604 288***		***7 397 798***		***18 592 368***	***18 385 878***
Transfer to statutory reserve		1 030 765					-1 030 765	-
Transfer to general reserve			1 000 000				-1 000 000	-
Transfer to general reserve (Others)			2 000 000				-2 000 000	-
Dividends distributed							-5 000 000	-5 000 000
Transfer to social fund							-200 000	-200 000
Share of changes recognised directly in associate's equity						-1 145 095	-1 790 935	-2 936 030
Balance at December 31, 2012	**50 000 000**	**6 691 321**	**13 795 712**	**1 000 000**	**-206 486**	**-1 398 820**	**36 519 567**	**106 401 294**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Tunis International Bank for the year ended December 31, 2012 were authorised for issue in accordance with resolution of the Board of Directors on February 2013.

Tunis International Bank S.A. (TIB) was established in June 1982 in Tunisia as a fully licensed Bank operating mainly with non residents under the current Tunisian law 2009-64 of August 12th, 2009 and under the supervision of the Central Bank of Tunisia. The main activity of the Bank is corporate and private banking and Money Market operations. The Bank is exempted from corporate tax for activities with non residents. The Bank's registered address is 18, avenue des Etats Unis d'Amerique P.O. Box 81 – Le Belvedere 1002, Tunis, Tunisia.

TIB is a subsidiary of Burgan Bank (Kuwait), member of KIPCO Group (Kuwait).

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value and financial assets measured at amortized cost.

The consolidated financial statements have been presented in US Dollars being the functional currency of the Bank.

2.2. Principles of consolidation

TIB has an associated company located in Algeria. For the preparation of the consolidated financial statement of the Bank, TIB has consolidated its shares in AGB using equity method.
The associated company included in the consolidated financial statements of TIB is the following:

Name of associated company	Country	Year of incorporation
Algeria Gulf Bank	Algeria	2003

An associated company is one in which the Bank exercises significant influence (but not control) over its operations, generally accompanying, directly or indirectly, a shareholding of between 20% and 50% of the equity share capital.
Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the investee. The Bank recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commences until the date that it effectively ceases.

Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Bank's share in the associate arising from changes in its equity that have not been recognised in the associate's profit or loss. The Bank's share of those changes is recognised directly in equity.

Whenever impairment requirements of IAS 36 indicate that investment in an associate may be impaired, the entire carrying amount of the investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in an associate and, therefore, is not separately tested for impairment.

Unrealised gains on transactions with an associate are eliminated to the extent of the Bank's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment of an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

2.3. Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgment and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgment and estimates are as follows:

Impairment allowances on loans and advances

The Bank reviews its non performing portfolio at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individual significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a collectively risk of default.

Impairment of financial assets at amortised cost

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognised in the income statement. Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the asset's original effective interest rate where applicable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The carrying amount of the asset is reduced directly only upon write-off.
The criteria that the Bank uses to determine that there is objective evidence of impairment loss include:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration in the borrower's competitive position
- Deterioration in the value of collateral.

2.4. Summary of significant accounting policies

(a) Foreign currency translation

Translation of foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised in the income statement. Income and expenses items incurred in foreign currencies are translated, into the functional currency monthly using the functional currency rate of exchange prevailing at that date.

Translation of financial statements of foreign operations

Assets and liabilities of foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at average exchange rates for the relevant period. All resulting exchange differences are taken directly to a ***foreign currency translation reserve*** the consolidated statement of changes in equity table.

(b) Investments

All investments are initially recognised at cost being the fair value of consideration given and including acquisition charges associated with the investments. After the initial recognition, investments, other than investments in associated companies, are measured as follows:

Financial assets designated at fair value through P&L :

Investments classified as *"Financial assets designated at fair value through P&L"* are measured at fair value. Fair value is determined by reference to quoted bid prices. Fair value of investments listed on inactive markets and unlisted investments are determined using other generally accepted methods such as discounted cash flows or adjusted prices of similar investments. Realised and unrealised gains and losses on "*Financial assets at fair value through P&L* " are included in the income statement .

Financial assets at fair value through other comprehensive income :

Investments have been presented in financial assets at fair value through other comprehensive income in accordance with IFRS 9 to better reflect the Bank's business model for managing such assets.
Investments classified as *"Financial assets at fair value through other comprehensive income"* are measured at fair value. Fair value of investments listed on active markets is determined by reference to quoted bid prices. Fair value of investments listed on inactive markets and unlisted investments are determined using other generally accepted methods such as discounted cash flows or adjusted prices of similar investments. Investments whose fair value cannot be reliably measured are booked at cost. All fair value gain or losses are recognised in the statement of comprehensive income and not recycled through the income statement. Dividend income is recognized in the income statement.

Financial assets measured at amortized cost:

Financial assets which held within a business model whose objective is to hold assets in order to collect contractual cash flow and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are carried at amortised cost, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the income statement.

(c) Deposits with banks and other financial institutions

Deposits with banks and other financial institutions are stated net of any amounts written off and allowance for impairment.

(d) Allowance for possible losses on income earning assets

The Bank provides for possible losses on its income earning assets based upon a review and evaluation of its exposures, taking into consideration the applicable regulations of Central Bank of Tunisia. Income earning assets include placements with other banks, loans and advances, marketable securities investments and commitments and contingencies arising from off balance sheet items.

The Bank has estimated the allowance for possible losses on income earning assets based upon all the circumstances and events known at the date of these financial statements. The allowance for loan losses comprises specific allowances against loans and advances and a collective impairment allowances.

Specific allowances are calculated based on the borrowers' debt servicing ability and adequacy of security. Specific allowances are made as soon as the debt servicing of the loan has been identified as doubtful and when management considers the estimated repayment realisable from the borrower is likely to fall short of the amount of principal and interest outstanding. These are treated as non-performing loans.

A collective impairment allowance is maintained for losses that are not yet identified but can reasonably be expected to arise, based on historical experience, from the existing overall credit portfolio over its remaining life. In determining the level of the collective impairment allowances, management also refers to the composition of the portfolio, industry and the Tunisian Central Bank requirements.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and those balances of the demand and call deposits with banks including Central Banks and financial institutions.

(f) Offsetting

Consolidated financial assets and consolidated financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Trade and settlement date accounting

All purchases and sales of consolidated financial assets including "regular way" ones are recognised on settlement date.

(h) Interest income and expenses

The Bank recognises interest income and expenses on an accrual basis. The Bank does not recognise interest income on loans or other income earning assets which are classified as non-performing.

Loans and other income earning assets are classified as non-performing when these are classified as doubtful or loss, respectively class 2, 3 and 4 following the regulations issued by Central Bank of Tunisia, or when in the opinion of management, collection of interest and/or principal is doubtful.

When a loan is classified as non-performing, any interest income previously recognised but not yet collected is reversed. Interest on non-performing loans and other income earning assets under Central Bank of Tunisia guidelines is recognised in the statement of income only to the extent of cash received.

(i) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Expenditures which extend the future useful life of assets or provide further economic benefits are capitalised and depreciated. Fixed assets are depreciated using the straight line method over their estimated useful life.

3. BANK DEMAND AND CALL DEPOSITS

	2012	2011
Cash	943 955	1 358 232
Due from Banks	71 849 078	13 407 666
	72 793 033	**14 765 898**

4. TIME DEPOSITS

	2012	2011
Up to 3 months	248 397 566	273 806 664
From 3 months to 1 year	4 577 153	5 319 562
	252 974 719	**279 126 226**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A - By nature	**2012**	**2011**
Listed securities	12 619 771	12 511 912
Unlisted securities	15 903 823	16 636 922
	28 523 594	**29 148 834**

B - By currency	**2012**	**2011**
Kuwaiti Dinars	22 090 301	21 912 310
US Dollars	1 720 390	1 628 311
Bahrain Dinars	3 133 289	3 133 289
United Arab Emirate Dirhams	824 939	1 649 922
Tunisian Dinars	754 675	825 002
	28 523 594	**29 148 834**

6. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A - By nature	2012	2011
Government bonds and debt securities	4 133 646	7 281 598
Other bonds and debts securities	31 251 472	24 931 608
	35 385 118	**32 213 206**

B - By currency	2012	2011
Euros	3 183 646	2 753 250
USD	26 860 923	24 076 086
KWD	5 340 549	5 383 870
	35 385 118	**32 213 206**

C - By maturity	2012	2011
Up to 3 months	3 183 646	-
From 3 months to 1 year	5 340 549	3 595 491
Over 1 year	26 860 923	28 617 715
	35 385 118	**32 213 206**

7. INVESTMENTS IN ASSOCIATED COMPANIES

The Bank has a participation in Algeria Gulf Bank (AGB), a Bank incorporated in Algeria. The shares of AGB are not listed in any public exchange.

Summarised financial information of AGB is set out below:

	2012	2011
Total assets	1 345 762 048	989 245 922
Total liabilities	(1 145 057 474)	(811 892 246)
Net assets	**200 704 574**	**177 353 676**
Revenues	**135 955 550**	**92 636 119**
Profit for the year	**51 879 721**	**35 319 542**

8. Loans and advances, net

	2012	2011
Bank and financial institutions	84 793 034	96 462 306
Corporate businesses, private and others	20 127 840	26 622 288
	104 920 874	**123 084 594**
Allowances for loan losses	(6 136 412)	(17 120 227)
	98 784 462	**105 964 367**

8.1 Geographical analysis

	2012	2011
Middle East/Africa	98 784 462	105 964 367
	98 784 462	**105 964 367**

8.2 Maturity analysis

	2012	2011
Up to 3 months	13 461 201	16 041 303
From 3 months to 1 year	70 609 198	69 374 678
Over 1 year	14 714 063	20 548 386
	98 784 462	**105 964 367**

8.3 Allowances for loan losses

The movements of allowance for loan losses are as follows :

	Specific allowance	General allowance	Total
Balance at 31 December 2011	**15 811 544**	**1 308 683**	**17 120 227**
Allowances of the year	2 500 000	-	2 500 000
Amounts written off	-13 500 000	-	-13 500 000
Reclassification	646 034	-646 034	-
Exchange adjustment	16 185	-	16 185
Balance at 31 December 2012	**5 473 763**	**662 649**	**6 136 412**

In line with Central Bank instruction addressed to all banks in order to build up collective provision to cover potential risks arising from the ongoing, local as well as international, economic and financial environment. TIB has made a collective provision allocation amounting to 663 KUS$. This amount has been calculated using the model as indicated in the CBT circular N°2012-20 of December 6th, 2012.

8.4 Non-performing loans

	Loans and advances	Interest suspended	Provisions	Collateral held against NPL
Bank and financial institutions	20 259 320	441 486	4 401 663	4 000 000
Corporate businesses, private and others	3 994 335	735 885	1 072 100	2 181 621
	24 253 655	**1 177 371**	**5 473 763**	**6 181 621**

9. ACCRUED INTEREST AND OTHER ASSETS

	2012	2011
Accrued interest receivable	486 783	420 665
Prepayments	649 409	1 407 966
	1 136 192	**1 828 631**

10. PROPERTY AND EQUIPMENT

	Net value 2012	Net value 2011
Land	700 000	700 000
Building	1 342 593	1 487 832
Office furniture and other fixed assets	876 047	628 774
Total net	**2 918 640**	**2 816 606**

11. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	2012	2011
Repayable on demand	1 887 427	1 039 481
Up to 3 months	182 561 648	157 654 144
From 3 months to 1 year	4 022 541	19 738 720
	188 471 616	**178 432 345**

12. DEPOSITS FROM CUSTOMERS

	2012	2011
Up to 3 months	253 561 048	238 989 840
From 3 months to 1 year	5 196 298	5 825 712
	258 757 346	**244 815 552**

13. ACCRUED INTEREST AND OTHER LIABILITIES

	2012	2011
Accrued interest payable	273 644	404 052
Waiting for settlement	834 910	1 042 701
Accrued expenses	2 352 995	2 151 743
Retirement benefits provision	2 896 596	2 830 623
Other liabilities	3 180 042	3 689 142
	9 538 187	**10 118 261**

14. SHAREHOLDERS' EQUITY

		2012	2011
Share capital		50 000 000	50 000 000
Reserves	(a)	21 280 547	17 456 272
Foreign currency translation reserve	(b)	-1 398 820	-253 725
Retained earnings		17 927 199	13 266 128
Part of reserve in associated company		*5 295 984*	*2 113 673*
Net profit of the period		18 592 368	15 682 771
		106 401 294	**96 151 446**

a- Reserves are detailed as follows :

	2012	2011
Statutory Reserves	6 691 321	5 660 556
General reserve	13 795 712	18 400 000
Revaluation reserve	1 000 000	1 000 000
Fair value Reserve	-206 486	-7 604 284
	21 280 547	**17 456 272**

b- The foreign currency translation reserve represents the net foreign exchange gain (loss) arising from translating the financial statements of the associated companies from their functional currencies into United States Dollars.

15. INTEREST INCOME

	2012	2011
Interest on interbank placements	2 241 983	3 081 027
Interest on loans and advances	2 509 517	3 270 936
	4 751 499	**6 351 963**

16. OTHER INCOME

	2012	2011
Investment income (16.1)	2 843 387	2 791 740
Foreign exchange	2 602 913	3 648 825
Fees and commissions	4 878 576	4 704 550
	10 324 876	**11 145 115**

16.1 Investment income

	2012
Interest on financial assets at amortized cost	2 496 755
Dividends from financial assets at fair value through other comprehensive income	504 482
Dividends from financial assets designated at fair value through P&L	24 691
Losses on financial assets designated at fair value through P&L	-114 686
Fees on financial assets	-67 856
	2 843 387

17. INTEREST EXPENSES

	2012	2011
Interest expenses on deposits and collaterals	490 644	723 300
Interest expenses on interbank deposits	1 832 347	1 953 339
	2 322 992	**2 676 639**

18. SALARIES AND BENEFITS

	2012	2011
Wages and salaries	3 325 934	3 154 118
Social security costs	596 950	614 728
Pension costs	332 800	537 426
Other	10 610	8 603
	4 266 294	**4 314 875**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Depreciation	451 612	390 679
Premises costs	357 911	336 150
IT costs	167 423	159 933
Communication	330 179	339 516
Marketing & Advertising costs	168 878	157 937
Board fees	273 000	273 000
Tax	82 493	38 617
Administration costs	1 127 141	947 840
	2 958 637	**2 643 672**

20. EARNINGS PER SHARE

	2012	2011
Net profit attribualble to ordinary equity holders	18 592 368	15 682 771
Weighted average number of ordinary shares	5 000 000	5 000 000
Basic earnings per share	**3,72**	**3,14**

21. COMMITMENTS AND CONTINGENCIES

	2012	2011
Forward exchange contracts purchases	16 918 948	11 155 034
Forward exchange contracts sales	16 927 485	11 163 038
Letters of credit, guarantees and acceptances	18 047 718	22 782 324
	51 894 151	**45 100 396**

22. FAIR VALUE HIERARCHY

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

• **Level 1** – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

• **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

• **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3	TOTAL
Financial assets designated at fair value through P&L				
Equity Securities	2 036 455	-	-	**2 036 455**
Debt Securities	-	-	-	**-**
Financial assets at fair value through other comprehensive income				
Equity Securities	12 619 771	15 903 823	-	**28 523 594**
Debt Securities	-	-	-	**-**
Financial assets measured at amortized cost				
Equity Securities	-	-	-	**-**
Debt Securities	35 385 118	-	-	**35 385 118**
Investments in associated companies				
Equity Securities	-	68 616 231	-	**68 616 231**
Debt Securities	-	-	-	**-**
	50 041 344	**84 520 054**	**-**	**134 561 398**

23. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.
The Bank's interest sensitivity position is based on maturity dates and contractual repricing arrangements. As at **31 December 2012** it was as follows:

	Up to 3 months	3 month to 1 year	Over 1 year	Non interest bearing items	TOTAL
Bank demand and call deposits	71 849 078	-	-	943 955	**72 793 033**
Time deposits	248 397 566	4 577 153	-	-	**252 974 719**
Securities held for trading	-	-	-	2 036 455	**2 036 455**
Investments held at fair value through equity	-	-	-	28 523 594	**28 523 594**
Held to maturity investments	3 183 646	5 340 549	26 860 923	-	**35 385 118**
Investments in associated companies	-	-	-	68 616 231	**68 616 231**
Loans and advances, net	13 461 201	70 609 198	14 714 063	-	**98 784 462**
Accrued interest and other assets	-	-	-	1 136 192	**1 136 192**
Property and equipment	-	-	-	2 918 640	**2 918 640**
Total assets	**336 891 491**	**80 526 900**	**41 574 986**	**104 175 067**	**563 168 444**
Deposits from Banks and financial institutions	184 449 075	4 022 541	-	-	**188 471 616**
Deposits from customers	253 561 048	5 196 298	-	-	**258 757 346**
Accrued interest and other liabilities	-	-	-	9 538 188	**9 538 188**
Shareholders' equity	-	-	-	106 401 294	**106 401 294**
Total liabilities and shareholders' equity	**438 010 123**	**9 218 839**	**-**	**115 939 482**	**563 168 444**

Currency wise interest rates are as follows:

	2012	2011
US Dollars	%	%
Assets	0.05 - 8.60	0.20 - 6.53
Liabilities	0.06 – 1.25	0.13 – 1.10
Kuwaiti Dinars		
Assets	2.37 – 2.5	-
Liabilities	2.00 – 2.50	2.50
Tunisian Dinars		
Assets	3.30 – 6.25	4.00 – 6.00
Liabilities	2.25 - 5.00	5.50 - 5.00
Euros		
Assets	0.01 - 7.00	0.25 - 7.75
Liabilities	0.06 - 2.30	0.38- 1.90
British Pounds		
Assets	0.40 – 1.45	0.40 – 0.47
Liabilities	0.25 – 0.50	0.25 – 0.38

24. CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank considers the US Dollar as its functional currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.
The Bank had the following net exposures denominated in foreign currencies as of 31 December 2012:

	2012 - 000'USD	
	Long position	**Short position**
Euros	-	-163
Tunisian Dinar	-	-39
Saudi Riyals	17	-
British Pounds	-	-1
Japanese Yen	13	-
Moroccan Dirham	13	-
Canadian Dollar	56	-
Kuwaiti Dinar	-	-14
Bahraini Dinar	-	-74
Danish Kroner	72	-
Libyan Dinar	16	-
Algerian Dinar	3	-
Swiss Francs	2	-
Arab Emirate Dirham	93	-
Other	2	-7
	287	**-298**

25. LIQUIDITY RISK

The maturity profile of the assets and liabilities at **31 December 2012** was as follows :

	Up to 3 months	3 month to 1 year	1 year to 5 years	Undated	TOTAL
Bank demand and call deposits	72 793 033	-	-	-	**72 793 033**
Time deposits	248 397 566	4 577 153	-	-	**252 974 719**
Securities held for trading	2 036 455	-	-	-	**2 036 455**
Investments held at fair value through equity	-	-	-	28 523 594	**28 523 594**
Held to maturity investments	3 183 646	5 340 549	26 860 923	-	**35 385 118**
Investments in associated companies	-	-	-	68 616 231	**68 616 231**
Loans and advances, net	13 461 201	70 609 198	14 714 063	-	**98 784 462**
Accrued interest and other assets	-	-	-	1 136 192	**1 136 192**
Property and equipment	-	-	-	2 918 640	**2 918 640**
Total assets	**339 871 901**	**80 526 900**	**41 574 986**	**101 194 657**	**563 168 444**
Deposits from Banks and financial institutions	184 449 075	4 022 541	-	-	**188 471 616**
Deposits from customers	253 561 048	5 196 298	-	-	**258 757 346**
Accrued interest and other liabilities	-	-	-	9 538 188	**9 538 188**
Shareholders' equity	-	-	-	106 401 294	**106 401 294**
Total liabilities and shareholders' equity	**438 010 123**	**9 218 839**	**-**	**115 939 482**	**563 168 444**

26. RELATED PARTY BALANCES & TRANSACTIONS

December 2012

Assets	Major shareholder "BB"	Associated companies "AGB"	Key management	Others Related Parties	Total
Bank demand and call deposits	10 922	2 550	-	-	13 472
Time deposits	49 845 400	-	-	20 000 000	69 845 400
Financial assets designated at fair value through P&L	-	-	-	210 448	210 448
Financial assets at fair value through other comprehensive income	-	-	-	5 766 727	5 766 727
Financial assets measured at amortized cost	-	-	-	15 252 772	15 252 772
Investment managed by a related party	-	-	-	13 124 774	13 124 774
Investments in Associated Companies	-	68 616 231	-	-	68 616 231
Loans and advances, net	-	-	1 243 440	-	1 243 440
Accrued Interest receivable	1 196	-	-	34 521	35 717
	49 857 518	**68 618 781**	**1 243 440**	**54 389 242**	**174 108 981**
Liabilities					
Deposits from Banks and financial institutions	55 706 504	-	-	4 022 164	59 728 668
Accrued Interest payable	47 429	-	-	22 486	69 915
	55 753 933	**-**	**-**	**4 044 650**	**59 798 583**
Off-Balance sheet					
Letters of credit, guarantees and acceptances	-	4 855 704	-	-	4 855 704
	-	**4 855 704**		**-**	**4 855 704**

December 2012

Income Statement	Major shareholder "BB"	Associated companies "AGB"	Key management	Others Related Parties	Total
Interest Income	121 113	-	37 748	984 248	1 143 109
Other Income	-		-	1 510 314	1 510 314
Share of profit of associates		15 563 916			15 563 916
Interest Expense	-1 188 300	-	-	-123 774	-1 312 074
General & Administrative expenses	-		-	-227 500	-227 500
	-1 067 187	**15 563 916**	**37 748**	**2 143 288**	**16 677 765**

Key management compensation

Remuneration paid or accrued in relation to key management, including Directors and other Senior Officers was as follows:

	2012	2011
Short term employee benefits - including salary & bonus	892 030	1 046 412
Accrual for end of services indemnity	64 364	130 802
	956 394	**1 177 214**

27. SEGMENTAL INFORMATION

	2012	2011
Assets		
North America	12 622 000	10 392 455
Europe	138 680 000	137 835 000
Middle East/ Africa	411 866 444	381 290 149
	563 168 444	**529 517 604**
Liabilities		
Europe	43 842 000	12 903 000
Middle East/ Africa	412 925 150	420 463 158
	456 767 150	**433 366 158**

	2012	2011
Investment Income		
Middle East/ Africa	2 130 410	2 188 286
North America	399 957	302 659
Europe	313 020	300 795
	2 843 387	**2 791 740**
Interest Income		
Europe	493 044	1 263 685
Middle East/ Africa	4 258 455	5 088 278
	4 751 499	**6 351 963**
Other Income		
Middle East/ Africa	7 481 489	8 353 375
	7 481 489	**8 353 375**

28. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual counterparties, and groups of counterparties and for geographical and industry segments. The Bank also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.
For details of the composition of the assets by geographic segment refer to note 27.
Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

29. CONCENTRATIONS

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.
The distribution of assets and liabilities by geographic region is disclosed in note 27.

30. MARKET RISK

Market risk is defined as the risk of loss in the value of on or off balance sheet financial instruments caused by a change in market.

AMC Ernst & Young
Société inscrite au tableau de l'OECT
Boulevard de la terre - Centre Urbain Nord
1003 Tunis - Tunisie
Tél : 70 749 111 Fax : 70 749 045

Mourad Guellaty
Résidence Raoudha Esc 4 – Les Berges du Lac
Po. Box 1 - Tunisie
Téléphone : + 216 71 960 098 / + 216 71 960 176
Fax : + 216 71 960 589
E-mail : contact@cabinetguellaty.com

TUNIS INTERNATIONAL BANK
STATUTORY AUDITORS' REPORT

Consolidated financial statements as at December 31st, 2012

To the Shareholders of Tunis International Bank,

In compliance with the assignment entrusted to us by your General Meeting held in in March 26, 2010, we present below our report on the consolidated financial statements of Tunis International Bank for the year ended December 31st, 2012 and on the specific procedures as prescribed by law and professional standards.

I. Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tunis International Bank which comprise the consolidated balance sheet as at December 31st, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements present positive equities of USD 106 401 294, including a net income of USD 18 592 368.

1. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, the implementation and the monitoring of such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for making accounting estimates that are reasonable in the circumstances.

2. Statutory Auditor's Responsibility

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

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

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

AMC Ernst & Young
Société inscrite au tableau de l'OECT
Boulevard de la terre - Centre Urbain Nord
1003 Tunis - Tunisie
Tél : 70 749 111 Fax : 70 749 045

Mourad Guellaty
Résidence Raoudha Esc 4 – Les Berges du Lac Po. Box 1 - Tunisie
Téléphone : + 216 71 960 098 / + 216 71 960 176
Fax : + 216 71 960 589
E-mail : contact@cabinetguellaty.com

3. Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tunis International Bank as at December 31st, 2012 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

II. Specific examinations

We have also carried out the specific procedures prescribed by law and professional standards.

We have nothing to report on with respect to the consistency of the financial information included in the Board of Directors' report with the financial statements.

Tunis, March 7th, 2013

AMC Ernst & Young
Fehmi LAOURINE

Cabinet Mourad GUELLATY
Mourad GUELLATY