



Building The Bank Foundations for Growth and Transformation

Annual Report 2021



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Board of Directors

Chairman	Mr. ABDULLA NASER AL KHALIFA	
Member	Mr. ALI ABDULLA DARWISH	Director representing QNB
Member	Mr. KHALIL AL ANSARI	Director representing QNB
Member	Mr. TAREK FAYED	Director representing QNB
Member	Mr. SALAH AL MADANI	Director representing QNB
Member	Mr. TALAL AL-MULLA	Director representing QNB
Member	Mr. HASSAN AL ASMAKH	Director representing QNB
Member	Ms. HOUDA MEKNI	Independent Director
Member	Ms. LOBNA FEKI	Independent Director

Chairman of the Board of Directors' statement



Mr. Abudullah Al Khalifa
Chairman of the Board of Directors

On behalf of the Board of Directors, it is my privilege to present the annual report and financial statements of QNB Tunisia for the fiscal year ended December 31st, 2021.

As expected, 2021 proved to be a tumultuous year, with the continuity of COVID-19 pandemic. Despite the challenging economic environment domestically and globally, our fundamentals showed evidence of resilience.

During this year, QNB Tunisia made progress in implementing its strategy focused on the way to building the bank foundations and preparing the bank for a sustainable growth phase, while enhancing its governance and internal control framework.

Thanks to indefinite support from QNB Group, QNB Tunisia worked tirelessly to accommodate to the new reality. This contributed to protect the bank from potential risks and service disruptions. At the same time, the Bank assumed its role in the market by supporting our customers and communities where we operate to overcome these challenges. Our robust governance framework ensured the continuation of our business as a going concern. QNB Tunisia focused on cementing the philosophy of corporate governance into all its practices and emphasised the key governance principles of accountability, transparency, independence and fairness. This has helped us ensure compliance on a Group-wide level with each of the requirements imposed by local regulators and authorities.

The Board of Directors and the management of the Bank are committed to governing and maintaining the Bank's operations effectively and efficiently within the regulatory environment. Corporate governance policies are regularly reviewed for possible improvement and are reinforced to strengthen the ability of the Board to effectively supervise management, enhance long-term shareholder value and protect the interests of depositors.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the Tunisian regulatory and other authorities, especially the Central Bank of Tunisia for their continued and valued support.

Finally, I would like to take this opportunity to pay tribute to the commitment and professionalism of our management and employees, and their positive attitude towards embracing change and implementing the Bank's ongoing strategic and cultural transformation in a particularly challenging year.

Chief Executive Officer's statement



Mr. Lotfi Debbabi
Chief Executive Officer

Undoubtedly, 2021 was another year of global turbulence. The impact of the COVID-19 global pandemic, in scale, scope and severity was unparalleled, but I am privileged to be part of a team that stood up, displayed its determination, and successfully rose to this immense challenge.

Despite the often-difficult nationwide circumstances, we made remarkable progress in directing the business. This included optimising capital allocation, strengthening asset quality, developing new products, services and digital solutions to ensure best-in-class customer experiences; adding new customers and establishing new partnerships; and further streamlining internal processes.

During 2021, we remained wholly committed to executing our 'Streamline, Focus, Grow' strategy. Therefore, we continued to build the Bank foundations while restructuring and reinforcing its capabilities as per a 3-years ambitious strategic plan. This plan is focused on a number of enablers, including in particular:

1. The capitalization of the bank by the infusion of 130 million dinars.
2. The consolidation of the recovery and restructuring policy through the preparation of an action plan based on the choice of the best and most effective means for the collection of debts and the restructuring of impaired loans.
3. The development of new policies in compliance to the requirements of Central Bank of Tunisia and the orientations of QNB Group in terms of: credit policy, risk management policy, ALM liquidity policy, commercial policy for individuals and companies, and the setting up of monitoring committees for all business lines.
4. The reinforcement of the bank's staff professional capabilities through devising a training program that reach the largest number of executives and employees.
5. The upgrade of the IT system and strengthening its capacity to meet the requirements of the phase and facilitating work through digitalisation and data analytics
6. The recruitment of executive staff to fill vacant positions (CCO, CRO, PMO, CFO, Compliance, Audit) and the promotion of some of the bank's executives to higher positions within the departments and branches.
7. The development of a restructuring plan for the branches network based on its performances, noting that three branches have been merged and three others transferred to areas with greater commercial potential.

8. The deletion of many frozen and low profitability accounts from the bank accounts register in accordance with the parent bank's policy.
9. The initiation of a program aiming to develop modern banking products focused on innovative technologies, such as Mobile & NFC Payment, Smart cards, Digital Trade Portal, etc.
10. The setup of new social culture across the organization, through Team Building sessions and collaborative approaches aiming at instilling a better social atmosphere within the Bank, bring employees closer and unify objectives.
11. Continue investing for the future through invigorating our responsibility towards environmental, social and corporate governance (ESG) matters.

All these achievements are considered as the first stream of our strategic plan and will help provide the basic conditions for setting up a bank endowed with good governance and able to yield better results and profits that are more substantial in the years to come.

In 2022, the bank will finalize some projects still in process in 2021, and develop its commercial policy through setting ambitious objectives such as increasing customers' deposits by 15% and loans by 13%, while continuing to strengthen the recovery process in order to decrease impaired assets rate by at least 10%.

On this occasion, we would like to thank all the executives of the parent bank for their unwavering support and all the members of the Board of Directors, in particular the Chairman of the Board, for the support and thoughtfulness we have found in him whenever we requested assistance or intervention.

The financial results, achievements, key figures and relevant indicators that are included in this report underscore, once again, our ability to work and make a difference under any circumstances, relying on the bank's strong financial position, our employees' dedication in delivering our strategy, and the business plan we put into action throughout the year.

Operating environment

Global economic developments

The persistent pandemic hampered a full recovery of the global economy as initially expected. Mobility restrictions coupled with raising commodities prices and supply disruption have resulted in higher and more broad-based inflation than expected, mainly in the United States and many developing economies.

Global growth is expected to decrease from 5.9 in 2021 to 4.4 percent in 2022 and to 3.8 percent in 2023. The forecast depends on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.

Elevated inflation is expected to persist for longer than initially estimated, with ongoing supply chain disruptions and high energy prices continuing in 2022. Inflation should gradually decrease as supply-demand balances resume in 2022 and monetary policy in major economies responds.

As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions—especially with debt levels having increased significantly in the past two years—may emerge.

Monetary policy in many countries will need to continue on a tightening path to curb inflation pressures, while fiscal policy will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

Economic prospects for Tunisia

During 2021, Tunisia started its economic recovery on the back of a reopening of the economy and a rebound in tourism following a 9.2% contraction in 2020.

In order to achieve a sustainable recovery, Tunisia must overcome a number of factors, including high unemployment, tighter fiscal policy and ongoing uncertainty among investors about the stability outlook.

GDP growth recorded a rate of 2.9% in 2021 and may reach 3.9% in 2022, and should catch up levels before Covid 19 crisis in the following years.

These results also highlight the relative recovery of some sectors, notably exporting manufacturing industries, in line with the ongoing improvement of demand from the Euro Zone.

In addition, the significant recovery of fuel production thanks to the contribution of “Nawara” and “Halk Menzel” gas fields and the progressive recovery of the phosphate sector have contributed to the recovery of the economy in 2021.

However, certain sectors continue to suffer the impacts of the Covid-19 health crisis, particularly the one of services.

Moreover, the continued reopening of the economy will support the export recovery. We should see a sharp rebound in tourism, which, so far, has been negatively affected by the global pandemic.

Considering that tourism accounted for 13.6% of Tunisia's total goods and service exports in 2019 before the pandemic outbreak, this will lead to an increase in the export sector. In fact, following an expansion of 16.7% in 2021 the real export growth rate will accelerate to 8.3% in 2022.

The domestic demand will be moderate in 2022 and the consumer spending will be refrained by high unemployment and tighter fiscal policy. The unemployment rate has surged to 18% in 2021, which will negatively affect the household consumption over the course of 2022.

Discussion and agreement of a new IMF financing package is crucial to fund the 2022 budget needs. The Government may commit to implement structural reforms including cutting down the subsidies and decreasing the public wages bill. These two measures will further trim the consumer spending.

Inflation started to raise reaching 6.8% in December, which will probably lead to interest rates hike as soon as Q2 2022 to keep real interest rates positive.

Strategic report

“We have formulated an effective strategy to leverage our operating environment, return to profitability and secure sustainable value.

QNB Tunisia at a glance

QNB Tunisia aims to develop its strategy as a strong player for Top-tiers customers in the Tunisian market.

This has come as a result of its strategy to remain a committed business partner to its clients during all times through an optimized countrywide coverage Network.

Our core business is focusing on:

- **Wholesale and Commercial Banking**

QNB Tunisia has capitalized on its experience to build a comprehensive suite of wholesale, commercial and Small and Medium Enterprise (SME) banking products and services. These include corporate banking structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

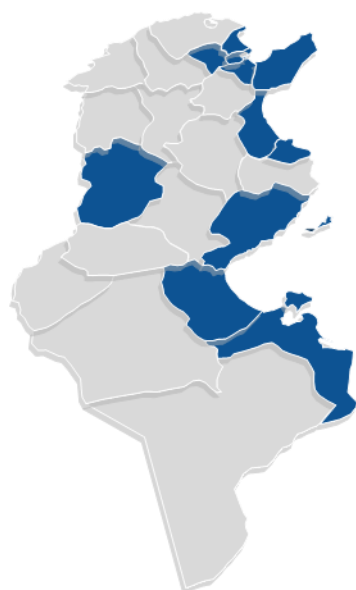
- **Retail Banking**

Our retail value proposition is underpinned by cutting-edge digital technology and innovation delivered with a human touch.

QNB Tunisia has managed to capitalize on its leading position as a pioneer in developing and industrializing a world-class retail banking service.

Our best achievement is to make QNB First a unique customer experience in Tunisian market through premium relationship management and wide tailored financial services.

QNB Tunisia countrywide coverage Network

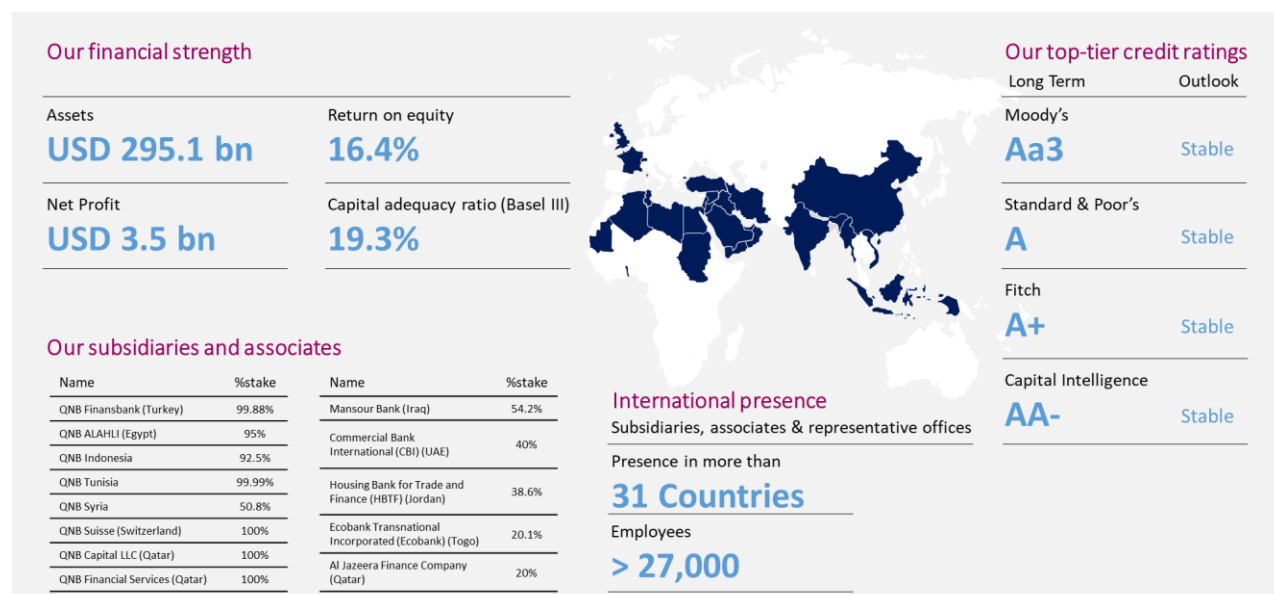


Governorate	# of branches
Tunis	10
Sousse	5
Sfax	4
Ben Arous	4
Ariana	2
Nabeul	2
Monastir	2
La Manouba	1
Siliana	1
Kasserine	1
Gabès	1
Medenine	1



Part of a highly rated Group with a significant international presence

As part of QNB Group, we, at QNB Tunisia, seek to contribute to the Group's aspiration to become a leading bank in Middle East, Africa & South East Asia. Building on our firm success, we are committed to our vision to become the first choice bank in Tunisia.



QNB Tunisia's Strategy

This year, we performed a review of our aspiration and strategy to create a new five-year plan that will help us navigate the increasing complexities of a post-pandemic world.

Our vision is to build the bank foundations for growth and transformation through the expansion of our products and services and the enhancement of our performance and profitability.



Moving forward, QNB Tunisia's strategic direction and priorities will be reinforced by the fulfilment of our vision and mission statements. As the trusted partner recognised for excellence, regional expertise and international reach, we will continue to build on our capabilities to provide tailored solutions by leveraging

our digital advantage and years of banking expertise. Today's world is all about creating agile solutions and smart products for clients, and that is where we aim to excel.

This strategy will be achieved by boosting our bank-wide capabilities and upgrading our wholesale and commercial banking services. At the same time, we will seek to recalibrate our business model to ensure the transition towards a more fee-rich business model with higher-margin businesses while focusing on our niche segments:

> Retail Banking: QNB First and Retail Plus

> Wholesale and Commercial Banking: Medium and Large Corporates

As such, we rely on our core as a wholesale bank and focus our strategic initiatives on further enhancing our value propositions as a solution-led wholesale bank. We aim to enrich our strategy by leveraging innovation as a strategic enabler to identify new business opportunities and cost-efficiency measures.

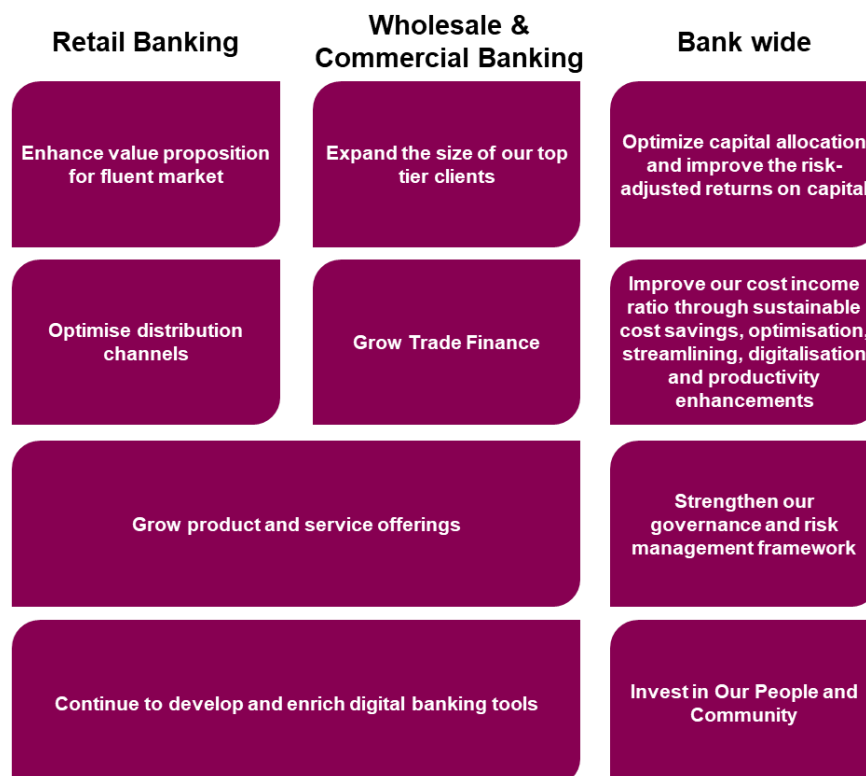
We believe that being innovative requires us to be more agile, dynamic, nimble and flexible, thus realising the need to adopt new behaviours. By capitalising on developments in areas such as Robotics Process Automation (RPA), Big Data and Analytics as well as digitalisation and automation, our innovation strategy will benefit to the Bank and all our stakeholders.

We will develop a solution-led retail banking approach, aiming to place a greater focus on offering client-centric solutions rather than taking a product-push approach. We will also seek to attract hundreds of new clients by expanding our team of experienced relationship managers and product specialists across the business.

In parallel, we will offer advanced solutions and analytics beyond traditional banking products with the help of strategic partnerships.







Delivering sustainable results

“Five key performance aspirations support our strategy and empower our growth, while focusing on Priority Customers and Segmentation”



Creating and delivering value

“By identifying and prioritising our material sustainability topics, we are able to focus on what matters most to our business and ecosystem”.

	Stakeholders	Needs and expectations	QNB Tunisia's engagement channels
	Customers QNB Tunisia	<ul style="list-style-type: none"> > Customer service and satisfaction > Easy-to-use digital channels > Competitive rates and fees 	<ul style="list-style-type: none"> > Annual customer satisfaction survey > Customer Care Centre > Mobile and online banking > Complaints management
	Investors QNB Tunisia is owned 99.99% by QNB Group	<ul style="list-style-type: none"> > Strong and stable returns > Robust corporate governance, risk management and ratings > Transparency and disclosure 	<ul style="list-style-type: none"> > Board of Directors' meetings > Public reports > Monthly Executive meetings with Key Stakeholders
	Employees More than 370 dedicated & talented professionals	<ul style="list-style-type: none"> > Competitive salaries, benefits and rewards > Professional development > Fairness and equal opportunities 	<ul style="list-style-type: none"> > Employee engagement survey > Learning and development programmes > Training needs analysis
	Regulators and government We adhere to local and international regulations and laws	<ul style="list-style-type: none"> > Compliance with all legal and regulatory requirements > Robust anti-corruption and bribery measures > Strong risk management and governance 	<ul style="list-style-type: none"> > Public disclosures (e.g., Annual and Corporate Governance Report) > Independence of Compliance and Internal Audit Functions
	Society We recognise the environmental, social and governance challenges facing society	<ul style="list-style-type: none"> > Creating employment opportunities > Making a positive contribution to the challenges facing society > Addressing climate change risks and opportunities 	<ul style="list-style-type: none"> > Integrated CSR policies > CSR activities > HR recruitment teams
	Suppliers We rely on our suppliers to support our business	<ul style="list-style-type: none"> > Timely payment > Fair and transparent tender process > New business opportunities 	<ul style="list-style-type: none"> > Bidding and tendering > Supplier audits

Operational performance

Treasury Activity

Treasury has been evolving in an adverse environment caused by a sluggish economy and a decrease in the loan activity of the bank. Despite these harsh conditions, the Bank succeeded to achieve good performance in its different fields of activities including the FX market, the money market and the financial market.

FX market

In order to improve its performance in the FX market and to overcome the low corporate activity, that constitutes commonly the main contributor to the FX income, the Bank has increased the share of the trading activity and of the non-domiciled transactions.

The following schedule shows the breakdown of FX transactions volumes

In '000 TND	Outward transfers	Import LC	Inward transfers	Import doc. collection	Foreign Ccy loans	Inter. A/C transfers	Trading	non dom	Others	Total
2021	300,320	158,650	122,497	27,283	17,201	111,028	3,461,403	332,205	29,384	4,559,971
2020	304,872	84,038	141,122	29,436	44,680	111,526	2,104,033	152,795	34,104	3,006,605

The following table shows the breakdown of FX income by type of transaction for 2021 (in TND):

Outward transfers	Import LC	Inward transfers	Import doc. collection	INT. Trans.	FI	MC/VISA/WU	Trading	Non dom Transactions	Bank Notes & Others	Total
745,228	307,215	359,355	70,580	399,450	95,580	864,829	3,457,656	414,794	741,711	7,456,000

Money market

At the beginning of the year, the Bank was net borrower from the money market to cover its liquidity need. Treasury secured loans from local banks on several months reaching for some deals as long tenors as one year keeping this way the LCR over the required level of 100%. Treasury has diversified the products used to raise funds from the money market, these deals varies from simple interbank loans to swaps and repos. After realizing the capital increase in May 2021, the Bank became a net lender in the money market and Treasury secured profitable placements with local banks at over acceptable tenors reaching six months.

Financial market

QNB Tunisia invested the proceeds of the capital increase totaling TND 130 M partially in Government bonds. As agreed by top management of the Bank TND 50 M should be invested in Government bonds, Treasury secured these investments on several auctions and got best yields.

In addition, thanks to important deposit increase especially from the Corporate segment coupled with a regression in the lending activity, the Bank invested part of the excess liquidity in Government bonds with an additional amount of TND 30 M.

Corporate & Institutional Banking Activity

The bank is aiming to deliver a better business performance and build strong footprint. A full road map was set to restructure and reorganize the bank in order to meet the Group standards in terms of profitability and performance.

Corporate team committed to enhance the quality of financial and non-financial offers and services, win back customer confidence, reinforce the bank's position, by developing its portfolio, and create new business opportunities.

In line with turnaround project, Corporate Banking completed major transformation in 2021 starting with the implementation of new corporate structure, the bank's portfolio clean up, team reinforcement, and the target sector identification.

New Corporate Structure

The new corporate structure includes the large and institutional corporate, commercial department, which manages 3 business centers fully dedicated to deal with SME Companies:

- Business Center Lac,
- Business Center Sousse,
- Business Center Rades.

Corporate portfolio review

As our first challenge was to restructure the portfolio, our focus was to operate a full check of the existing portfolio starting with:

- The assignment of a portfolio to each Relationship Manager.
- The processing of a complete review of the portfolio
- The setting of limits for the existing commitments
- The renew of the expired limits.

As part of corporate contribution in recovery efforts, the team succeeded to:

- Implement arrangement and restructuring loans
- Prevent Watch List client to migrate to NPLs
- Support customers facing difficulties due to Covid -19

In order to ensure smooth follow-up, it was decided to set a clear working strategy based on:

- Setting early warning system to review the facility limits and Medium Term Loan outstanding
- Follow up the overdues and take relevant action and decision to resolve them in a timely manner.

Corporate Strategy

- **RAC/MAC ¹ strategy implementation**

Aiming to have a clear and defined Corporate Strategy and in order to facilitate business development, Corporate Department contributed in setting up the new business strategy, including:

- Prior segments,
- Focus sectors,
- Target deals.

- **Orientation**

In order to reduce significant number of accounts with small exposures and small profits, the corporate business strategy is targeting the medium companies, institutional and large corporate approaching customer with minimum turnover of 1.5 MTND.

Financial Institution Correspondent Banking

In order to develop synergy with the Group, the Corporate Department have been reinforced by new resource dedicated to develop business relationships with correspondent banks and attract potential trade transactions.

In addition, the FI relationship manager provides support and assistance to all corporate entities for their trade transactions and succeeded to revive international banking partnership in order to catch potential transactions.

Retail Banking Activity

2021 was marked by a good performance in terms of deposits. Despite a lack of liquidity on the market, the Bank collected from Retail customers an additional deposit 60 MTND during 2021, with an increase of 12% compared to the year 2020.

Regarding the sale of products, an increase of 14% in terms of cards and 5% in terms of Internet Banking have been realised, resulting in a considerable increase in the customer penetration rate.

During 2021, the Bank targeted the high net worth customer category in order to be in line with the QNB Group's strategy, Retail Department updated the First offer in order to ensure greater success and sustainability of this concept by:

¹ RAC : Risk Acceptance Criteria, MAC : Minimum Acceptance Criteria

- An update of the First segmentation criteria, update of applied conditions, Offer of new products and advantages such as the inclusion of insurance in the cards and Automation of the segmentation at the system level.
- The Retail department also targeted the Retail Plus and First categories through the “Cross Border Account Opening” product intended for NRT² in Qatar.
- Through the cross border account opening, the online transfer services and a customer-centric approach based on customer satisfaction and active listening, the Bank collected additional 8 MTND deposits (mainly in foreign currencies) and attracted new customers with high potential during 2021.
- Concerned by the optimization of its network and the profitability of its branches, QNB Tunisia has transferred 3 branches (Sousse Trocadero, Sfax Chihia and Guebollat) to 3 new location (Msaken, Monastir and Seliana) in order to get closer to new customers and focus on proximity to better meet the needs and requirements of retail customers and thus better support and serve them with better services.

Payment and digital services

In order to maximize its turnover, diversify its product offering and meet the needs of its customers, the Bank has set up a system for accepting national and international visa cards on its ATM and POS network. Thus, QNB Tunisia succeeded to increase the volume of its operations, which rose from 57 MTND in 2020 to 75 MTND in 2021, i.e. an increase of 31%.

In order to reduce card production delay and satisfy its customers, the Bank has set up instant card printing, equipped with two printing machines at its head office. QNB Tunisia was able to issue them cards within 48 hours.

As part of the QNB Group and in order to comply with the international standards required by the Group in terms of security, QNB Tunisia updated the security system of its ATMs and replaced the old ATMs of 7 branches and deployed 3 new ATMs.

In order to strengthen the security of the online payment system, the Retail Banking department has also set up an ACS authentication server allowing strong authentication by SMS OTP (One Time Password).

In order to best meet the new requirements of its customers and adapt to the external transformations induced by digitalization and e-commerce, the Retail department has implemented an e-commerce solution QNB e-commerce which processes and accepts online transactions by cards. This is an integrated solution with the merchant sites of affiliated QNB customers.

The volume of POS activity in 2021 increased by 2,092 MTND, which represent an increase of 40%, compared to December 2020. A new dedicated unit within card department has been created. The new unit ensures the permanent monitoring of the POS activity, which has contributed to reduce complaints and the time of customer requests in terms of new installations and POS replacements.

² NRT : Non Resident Tunisians

Sustainability

Beyond banking corporate social responsibility

QNB CEO's Message

"Since its integration into the Tunisian market in 2013, QNB Tunisia and its talented employees are working tirelessly to respond effectively to the needs of our society. The bank has succeeded in implementing plans that aim to contribute to the development of our country.

Throughout 2021, QNB Tunisia continued to consolidate its social role through activities that instill pride and demonstrate its support for the society.

The CSR program, established for 2021, was large and diverse. We successfully realized events in various fields such as health, environment, economic, social and humanitarian areas."

QNB Group Strategy

QNB Group pursues a corporate social responsibility (CSR) policy that proactively responds to the needs of the communities where it is operating. Its dedication to an enriching CSR program is evident in the numerous causes it supports, which enhances the progress and welfare of the individuals and communities.

Throughout 2021, QNB continued to consolidate its community presence through activities that confirm its continued support for the society in six key areas, namely:

Economic and International Events

QNB Group's international subsidiaries are also supporting and taking part of CSR activities, as relevant opportunities are identified. Its overseas branches are eager to work with local communities in the countries where they are operating and proactively soliciting sponsorship opportunities and worthy community pursuits to align with what reflects the Group's goals and values.

QNB Tunisia's CSR Strategy

As a subsidiary of QNB Group, QNB Tunisia is pursuing the same CSR strategy by supporting social events and initiatives that put people at the heart of its actions.

QNB employees are the cornerstone for the success of its corporate responsibility program.

The bank actively encourages employees' volunteerism and participation in the bank's CSR activities, recognizing that such efforts facilitate personal growth and development in new and important directions.

Economic and International Events

QNB the Diamond sponsor of the 22nd International Forum of "Economiste Maghrebin" 16, 17 June 2021, Tunis.

Convinced of its proactive role as a financial institution and the impact that can bring the digital transition to the Tunisian economy, QNB Tunisia was present during the Economist's 22nd annual forum to support this initiative.

QNB's CEO, Mr Lotfi Debbabi, participated in the forum as a keynote speaker. His presentation was about the new role of banks and how they are tackling climate change risks as well as the importance of banks digitalisation.



Tunis- June 2021

Health and Environment

World Autism Awareness Day

In April, QNB lights up its HO in blue to mark World Autism Awareness Day and shows its support for children suffering from autism.



QNB HO April 2021



Social Media Activation- April 2021

Pink October

QNB lighted up its HO in pink to mark October and the awareness campaign on the importance of early detection to prevent breast cancer.



Social Media Activation: 7-14-21 October 2021



QNB HO October 2021

Education and Youth

School renovation project

QNB participated in the national campaign “School Maintenance 2021” in association with the Tunisian association of banks and the Ministry of Education.

Our action consisted in improving the sanitation and hygiene standards for Hammamet primary school “Al Amal”



*Ceremony of Agreement signing:
QNB – Ministry of Education
Tunis- February 2021*



*Ceremony of Renovation Works completion
Hammamet-November 2021*

QNB Hammamet and Nabeul Branch Managers initiated pupils from El Amal Hammamet primary school to “Finance and Banking”

QNB organized a visit to “Al Amal” primary school to present a simplified “Finance and Banking” lesson to the pupils. The goal of this initiative is to help them understand banking and finance basics at an early age.



Al Amal Primary School-November 2021

Doctoral Days (PhD)

QNB participated in the Doctoral (PhD) Days organized under the theme “Scientific research at the service of society”. The event was dedicated to doctoral students. QNB supports this kind of initiatives which encourages the scientific research that adds value to the society.



Hammamet-December 2021

Staff Engagement

Awards Ceremony :Top 3 QNB Branches

QNB CEO offered awards to the best performing branches as a recognition for the employees' efforts on top of an encouragement for them to realize even better results.



QNB HO March 2021

Team building

QNB organized team building days for all QNB employees, to encourage the development of their skills and collaboration for better communication, more productivity and higher motivation.



QNB Employees -Gammarth- June 2021

Women's Day

QNB celebrates Tunisian Women's Day as a recognition of women's important role for our banks.



QNB HO and Tunis Branches-August 2021

Welcome day for new QNB Employees

QNB organized a Welcome Day for new employees, in the presence of the CEO of the bank Mr Lotfi Debbabi.

New employees were invited to discover the various departments and services of the bank as well as the vision, missions, and values of QNB Group.



Father's Day

In Father's Day, QNB distributed keychain as a recognition of the invaluable importance and role fathers incarnate within the society structure.



QNB HO and Branches June 2021

Mother's Day

In Mother's Day, QNB distributed roses as a recognition of the invaluable importance and role Mothers incarnate within the society structure.



QNB HO and Branches June 2021

Corporate Governance

Corporate Governance Framework

QNB Tunisia strongly believes that good corporate governance complements and significantly helps its long-term business success. At QNB Tunisia, corporate governance is not simply an exercise in regulatory compliance, but a means to project robust implementation of sound governance practices in conformity with public interest on a sustainable basis.

QNB Tunisia have a robust set of corporate governance measures in place that combine all aspects of internal control, risk and compliance with effective monitoring systems for strategic business management. Hence, all necessary efforts were combined to create awareness of the importance of corporate governance within QNB Tunisia

Corporate governance practices are aimed at promoting overall transparency, explaining the rationale behind the decision-making processes and insights into the formation of the Board of Directors (BOD), their related committees, their powers and responsibilities, Executive Management and other key corporate governance components.

Commitment to Comply with Corporate Governance

The Board of Directors, the Executive Management and the employees of QNB Tunisia commit themselves to the governance principles and best practices. The Board ensures that functioning of QNB Tunisia complies with the principles of corporate governance and also promotes the institutional values, policies and other internal procedures that apply to all members of the Board, Executive Management and employees of QNB Tunisia.

Applying Corporate Governance Principles

Corporate governance standards in QNB Tunisia are naturally pursued in a manner consistent with the applicable national laws, regulations and codes. It also follows the regulations issued by Central Bank of Tunisia and the guidelines and international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organization for Economic Cooperation and Development (OECD) applied across the QNB Group.

QNB Tunisia follows a comprehensive set of corporate governance program that incorporates the application of wide-ranging measures of governance and contains the preparation of overall policies, procedures, manuals, organizational structure, key performance indicators, the determination of the authorities and responsibilities, the internal and external reporting requirements and the roles, responsibilities and the Board Charter, the Board's committees and the committees of the Executive Management.

This assures that vigilance is exerted by the Board and the Executive Management, as this is compatible with the legal and regulatory requirements and reflects the real orientation to comply with the international standards. The roles and responsibilities of the Board of Directors are segregated from the functions of the Executive Management. Whilst the Board assumes the overall supervision of the Bank and provides strategic direction through the approval of the strategic initiatives, key policies and objectives, the daily affairs of QNB Tunisia are carried out by the Bank's Chief Executive Officer (CEO) and the Executive Management Team.

QNB Tunisia achievements during 2021 to enhance corporate governance approach

The Bank is continuously working on developing the inbuilt corporate governance framework with a vision to maintain a healthy corporate governance environment and adopt best practices.

The below topics summarizes QNB Tunisia's 2021 key efforts with respect to the enhancement of the corporate governance framework:

Comprehensive and updated Board documentation

Since robust Board documentation is an essential component of good governance and the Bank's proper functioning, QNB Tunisia on an ongoing basis reviews and updates Board documentation as may be required. Furthermore, the statement of the roles and responsibilities of BOD members through the Board Charter and policy works to deter conflicts from arising between Directors, and facilitates cooperation between them during decision-making.

In 2021, QNB Tunisia set up and/or enhanced robust governance related policies and procedures, including (but not limited to) areas such as, 'Anti-Bribery and Corruption Policy', 'Conflict of Interest & Insider Dealing Policy', 'AML & CFT Policy', 'Know Your Customer (KYC) Policy', 'Fraud Control Policy', 'Code of Conduct (Ethics)', 'Whistleblowing Policy' and Risk Management policies.

Other policies are ongoing as part of the road map of enhancement of corporate governance framework including 'Management Succession Policy', 'Transparency and Disclosure Policy', 'Data Protection Policy' and 'Remuneration Policy' with a view to promote ethical and professional behavior, control, curb and report unethical behavior, including but not limited to fraud, corruption, embezzlement, bribery, insider trading, conflicts of interest, customer privacy violations, discrimination, harassment, violations of laws and misrepresentation of facts.

In addition to the documentation infrastructure in place, employees were also provided with tailored training courses on related aspects to drive the spirit of the code of ethics, which all employees are bound to comply with.

Board of Directors composition

According to the Articles of Association, nine (09) members of the BOD are elected or nominated for three years renewable for the same period.

The major shareholder in QNB Tunisia, which is the QNB Group, is entitled to appoint seven of these members while two members are independent as per Tunisian Regulations.

	Name	Date of Nomination	Date of last renewal of term	Mandate Period	Mandate Number	Title	Number of Attendance
I. Board of Directors							
Number of Meetings	4						
Chairman	ABDULLA NASER AL KHALIFA	08/03/2021	04/05/2021	3 Years	1		4
Member	ALI DARWISH ABDULLA	09/03/2015	04/05/2021	3 Years	3	Director representing shareholder (QNB) a	4
Member	KHALIL AL ANSARI	04/02/2013	04/05/2021	3 Years	4	Director representing shareholder (QNB) a	4
Member	TAREK FAYED	22/07/2019	04/05/2021	3 Years	2	Director representing shareholder (QNB) a	4
Member	SALAH AL MADANI	08/03/2021	04/05/2021	3 Years	1	Director representing shareholder (QNB) a	4
Member	TALAL AL-MULLA	22/07/2019	04/05/2021	3 Years	2	Director representing shareholder (QNB) a	4
Member	HASSAN AL ASMAKH	09/03/2015	04/05/2021	3 Years	3	Director representing shareholder (QNB) a	3
Member	HOUDA MEKNI	31/01/2021	04/05/2021	3 Years	1	Independent Director	4
Member	LOBNA FEKI	05/08/2018	04/05/2021	3 Years	2	Independent Director	4

Members of the Board must have the necessary expertise and skills that qualify them to conduct their duties towards QNB Tunisia's best interests. They are also committed to spending the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure.

The Board's roles and responsibilities

The Board of Directors have a vital role of overseeing the bank's management and business strategies to achieve long-term value creation. Selecting a well-qualified Chief Executive Officer to lead the bank, monitoring and evaluating the CEO's performance, and overseeing the CEO succession planning process are some of the most important functions of the Board. The BOD is responsible for the leadership, oversight, control, development and long-term success of the Bank. They are also responsible for instilling the appropriate culture, values and behavior throughout the organization and entrusted by the shareholders. Each Board Member owes QNB Tunisia the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations. Board Members act on an informed basis, in good faith, with due diligence and in the best interests of QNB Tunisia and all shareholders and act effectively to fulfil their responsibilities towards the Bank.

The Chairman is responsible for heading the Board Meetings and ensuring the proper functioning of the Board in an appropriate and effective manner, including timely receipt by the Board Members of complete and accurate information. He approves the agenda of every meeting of the Board taking into consideration any matter proposed by any other Board Member. In addition, the chairman endeavors to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board for ensuring that the Board is working in the best interest of QNB Tunisia.

Board Committee primary responsibilities

- The definition of the institution's development strategy based on a formalized risk appetite policy, and the approval of annual business plans and budgets;
- The development of a governance framework appropriate to the size, complexity and nature of the business and the risk profile of the Bank and the QNB Group;
- The establishment of a genuine corporate culture that values responsible and ethical behavior and respect for the principles of social and environmental responsibility;
- The definition and implementation of the regulatory corporate governance policies as defined by CBT circular N°2021-05.
- Embedding a genuine risk culture in the management of the institution and monitoring the effectiveness and independence of the control functions
- The Monitoring the effective implementation of the institution's strategy by the management body and the relevant policies.

Board committees

As per corporate governance practices and regulatory requirements, the BOD of QNB Tunisia has established committees to assist in carrying out its supervisory responsibilities. Each BOD committee is assigned to handle one or more of the tasks of the BOD. The responsibilities of the BOD committees are duly documented in the terms of reference, which are approved by the BOD. QNB Tunisia's BOD committees are as follows:

1. Board Nomination, Remuneration Committee,
2. Board Risk Committee,
3. Board Audit and Compliance Committee.

Board Nomination, Remuneration Committee primary responsibilities

Assist the Board of Directors in fulfilling its responsibilities for overseeing the institution's appointment and remuneration policy for the Chairman of the Board of Directors and its members, the committees, the management body, the heads of key functions:

- Design the succession policy for the members of the Board of Directors, committees, the management body, the heads of key functions,
- Appoint the members of the Board and committees as well as the management body and control functions,
- Design the methodology for evaluating the work of the Board and its committees,
- Monitor the induction, training and continuous professional development of Directors pertaining to corporate governance matters,

- Identify and report to the Board of Directors any conflicts of interest arising from the nomination process.

Board Risk Committee primary responsibilities

Assist the Board of Directors in fulfilling its responsibilities for overseeing the institution's risk management system:

- Design and updating of a risk management policy and the setting of exposure limits and operational ceilings,
- Approve the risk measurement and monitoring systems,
- Monitor the management body's compliance with the risk appetite policy,
- Assess the Bank's risk exposure and review any changes in risk strategy/risk appetite arising;
- Approve the risk frameworks, policies and in accordance with the approved strategy and oversee implementation of policies pertaining to the bank's internal control system;
- Evaluate the monitoring process in the identification of operational, credit, market, strategic, legal and reputational risks and action plans implemented to monitor and manage these risks.

Board Audit and Compliance Committee primary responsibilities

Assist the Board of Directors in the areas of financial reporting and internal control, including internal audit.

- Review and endorse the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting standards and principles before submission to the BOD for final approval,
- Review with management and the external auditors all matters required to be communicated or disclosed under generally accepted auditing standards or regulatory requirements,
- Oversee the implementation of the institution's accounting principles and practices,
- Monitor the organization and efficiency of the internal control system, examine the insufficiencies of the functioning of this system noted by the various structures of the establishment, the external audit and the Central Bank of Tunisia,
- Define audit and financial reporting and compliance policies,
- Follow up on the implementation of action plans aiming at regularizing the deficiencies raised in the internal and external audit reports and the inspection reports of the Central Bank of Tunisia and the other control authorities.

	Number of Meetings	Name	Date of Nomination	Date of last renewal of term	Mandate Period	Mandate Number	Title	Number of Attendance
II. Audit & Compliance Committee								
Number of Meetings	6							
Chairman		LOBNA FEKI	05/08/2018	04/05/2021	3 Year	2		6
Member		ALI ABDULLA DARWISH	09/03/2015	04/05/2021	3 Year	3	Director representing QNB	6
Member		TALAL AL-MULLA	22/07/2019	04/05/2021	3 Year	2	Director representing QNB	6
Secretary		Zied Boudriga					Executive	6
III. Risk Committee (RC)								
Number of Meetings	4							
Chairman		HOUDA MEKNI	31/01/2021	04/05/2021	3 Year	1		4
Member		KHALIL AL ANSARI	04/02/2013	04/05/2021	3 Year	4	Director representing QNB	2
Member		HASSAN AL ASMAKH	09/03/2015	04/05/2021	3 Year	3	Director representing QNB	2

	Number of Meetings	Name	Date of Nomination	Date of last renewal of term	Mandate Period	Mandate Number	Title	Number of Attendance
Member		Tarek FAYED	22/07/2019	04/05/2021	3 Year	2	Director representing QNB	4
Member		SALAH AL MADANI	08/03/2021	04/05/2021	3 Year	1	Director representing QNB	4
Secretary		RADHOUE GOUJA					Executive	4
IV. Nomination & Remuneration Committee								
Number of Meetings	0							
Chairman		KHALIL AL ANSARI	04/02/2013	04/05/2021	3 Year	4	Director representing QNB	0
Member		TALAL AL-MULLA	22/07/2019	04/05/2021	3 Year	2	Director representing QNB	0
Member		HASSAN AL ASMAKH	09/03/2015	04/05/2021	3 Year	3	Director representing QNB	0
Secretary		Nabil CHAIRAT					Executive	0

Board meetings In 2021

The BOD held 4 meetings. According to the Bank's Articles of Association, the Board should hold at least 4 meetings during the year. The meetings are held regularly or when called for by the Chairman or by two Board members. The invitation for the Board meeting should be communicated to all members at least one week prior to the meeting. In this regard, any member can add a subject to the meeting's agenda. The QNB Tunisia's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements.

A Board member cannot represent more than one member. The Board should periodically meet in order to ensure that it is adequately fulfilling its roles and responsibilities.

Board of Directors and Executive Management members' remuneration

The remuneration system within the Bank forms a key component of the governance and incentive structure through which the Board and Executive Management promote good performance, convey acceptable risk-taking behavior and reinforce the Bank's operating and risk culture.

The BOD will follow regulatory guidelines and leading practices on compensation and remuneration by defining the mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels including that of the Board, through the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Bank.

The Board, through its Board Nomination and Remuneration Committee is responsible for the overall oversight of management's implementation of the remuneration system for the entire bank and will regularly monitors and reviews outcomes to assess whether the bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity. The Board reviews the remuneration plans, processes and outcomes on an annual basis.

The remuneration for QNB Tunisia's BOD members is duly acknowledged to be in line with CBT instructions and the market practices.

Executive management

The CEO is assisted in his duties by a specialized and highly qualified team from the Executive Management.

QNB Tunisia's Executive Management is fully aware of its role in terms of corporate governance through its commitment to implement the legislative requirements and the Board's instructions in a way that strengthens the control environment in the various processes and banking activities; this includes determining the deviations from the objectives, ensuring the convergence of operations to achieve the desired goals, and implementing corrective actions when required. Executive Management is also

committed to assessing the behavior of individuals and organizational units through the development of effective internal controls, which enhance the monitoring of business performance and risk measurement. There are a number of management committees attended by Executive Management in order to effectively and efficiently handle the responsibilities and run the day-to-day activities of the Bank. Management committees are endowed with full executive powers to take decisions and actions related to their field, scope and structured hierarchy. Currently, the management committees established at QNB Tunisia are chaired by the CEO and represented by the top-level management. The committees discuss the critical topics and strategic matters related to QNB Tunisia activities; oversees and monitors the ongoing activities; support the decision making/preparation of Board decisions by collecting facts from related committees and providing opinions; monitors the capital and operating expenditure budget assigned to IT projects and services; reviews yearly the strategy of the related Departments. The Management Committees is organized as following:



Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve a QNB Tunisia's operations. It helps the bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Role and responsibility

The Internal Audit Department helps the Board of Directors through the Audit & Compliance Committee (ACC) in the effective discharge of their responsibilities to serve the best interest of the shareholders.

The Internal Audit Department is established to examine that QNB Tunisia operations in all business lines and jurisdictions are conducted according to the highest standards; and to provide independent, objective assurance and consulting activity designed to add value and improve the QNB Tunisia's operations; and to advise on best practices.

The Internal Audit Department has responsibility to identify and report on issues, deficiencies or weaknesses in QNB Tunisia's systems and processes for controlling its activities and managing risks, through risk-focused examination and assessment of systems, processes, and controls covering:

- ✓ The adequacy and reliability of systems (including the relevant technology) and procedures.
- ✓ Compliance with corporate objectives, strategies and control guidelines issued by the management ; as well as with laws and regulations of Tunisia, CBT, and other regulatory bodies, as may be applicable to the business of QNB Tunisia in all operational jurisdictions.
- ✓ Evaluating the effectiveness of the organization's internal control, risk management and governance processes.
- ✓ Performing consulting and advisory services related to governance, risk management and control as appropriate for QNB Tunisia including ongoing collaboration with Compliance, Risk Management, IT and Information Security, and other functions, to ensure that risks are appropriately identified and managed.
- ✓ Evaluating specific operations at the request of the ACC / Board of Directors or management, as appropriate.

Independence and Objectivity

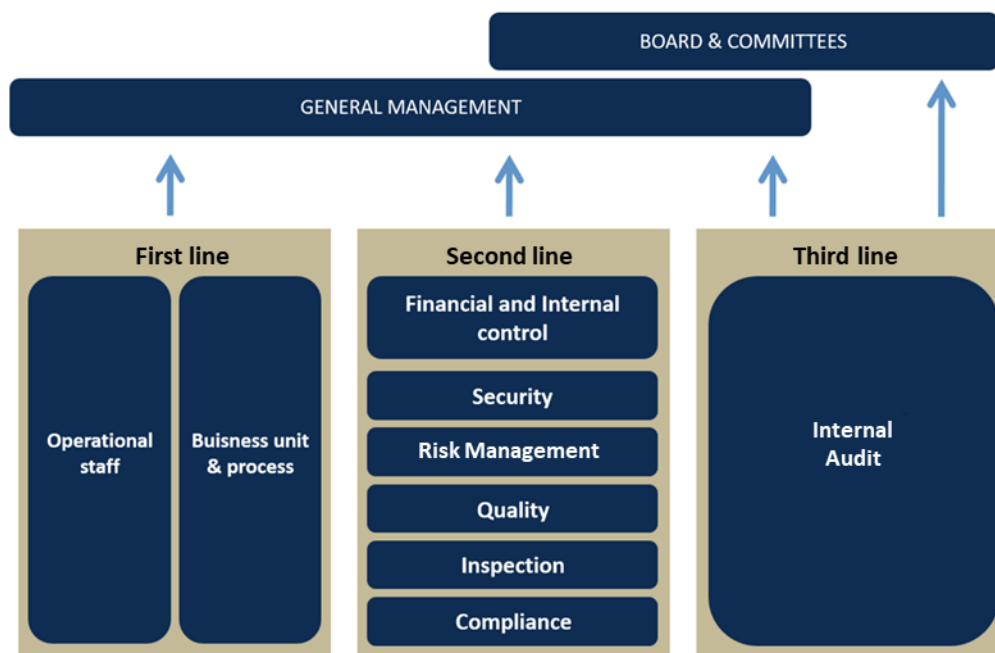
Internal Audit has adopted the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors (IIA) as well as Basel Committee recommendations and other leading best practices.

The Internal Audit Department is free from any interference by any party in QNB Tunisia, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary independent and objective standing.

The Internal Audit Department does not have direct operational responsibility or authority over any of the activities audited. Accordingly, it will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Audit Department's judgment.

Three Lines of Control Mode

In line with Basel guidelines and the Group's business and process units, QNB Tunisia has adopted the "Three Lines of Defense" model.



- The business and process units are the first line of control as they are expected to undertake risks within assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling the risks of their business.
- The second line of control includes the control functions, such as risk management, security, compliance, quality, inspection, and financial control, which ensure that the risks in the business and process units have been appropriately identified and managed.
- The third line of control is the internal audit function that independently assesses the effectiveness of the processes created in the first and second lines of control and provides assurance on these processes ; as well as value addition recommendations to improve the process and promote best practice.
- The governance bodies (Board / Committees and General Management) are responsible for :
 - Definition of the Bank's objectives ;
 - Defining the strategies to be adopted to achieve these objectives;
 - Implementing of governance and processes to ensure the effectiveness and efficiency of the risk management and internal control process.

Internal audit universe and coverage

All processes, activities, departments and branches of QNB Tunisia are part of the Internal audit universe. The audit universe is carefully monitored and progressively refined to consider and reflect QNB Tunisia's business strategy, growth and emerging risks.

Internal Audit Department prepares an audit plan covering all processes, activities, departments, branches and business lines based on the identified risks and relevant accounting and governance documents. To this end, Internal Audit Department maintains detailed audit universe document.

The audit plan is developed using best practice risk-based assessment of all the QNB Tunisia's Departments and Branches. This is supplemented with additional focus on regulatory requirements, as well as management areas of concern and emerging risks.

The audit plan is developed for three years and is continually reviewed and adjusted, as necessary through the year, in response to changes in the QNB Tunisia's business activities, operations, systems and controls that change the risk structure of the bank.

The presentation to the ACC has been refined to focus on critical data and information that would enable effective monitoring and oversight of performance in various activities.

Promoting transparency

Final audit reports incorporating audit issues, management action plans and target dates for implementation, are regularly issued to the Management, CEO, ACC and Group. In addition, a quarterly report summarizing Internal audit activities and outcomes is also issued to, and discussed with, the ACC and the BOD.

Follow-up on Audit Issues

Follow-up is a process by which Internal Audit Department evaluate the adequacy, effectiveness and timeliness of actions taken by management on reported issues and recommendations, including those by external auditors and others.

As part of the audit cycle, the Internal Audit Department established in 2021 the follow-up process to monitor the issues identified by internal or external audit. The follow-up monitoring process covers High Medium and Low risk findings.

The purposes of this Follow-up process are:

- Establish mechanisms that enable Internal Audit Department to monitor the implementation of the agreed action plan to address audit issues.
- Define the role and responsibilities of all stakeholders within the QNB Tunisia.
- Determine contents and frequency of dashboards and reports.
-

To enhance the efficiency of follow-up process, there is "Audit Coordinator" nominated in each Department / Division within the bank. The Coordinator is responsible to coordinate with Internal Audit Follow-up Section and he / she is responsible to establish the monthly reporting the issues identified by Internal Audit team and External Auditors concerning their respective Department.

Looking ahead

It is crucial for the Internal Audit Department to adapt to changing expectations, remain relevant and align with the bank's objectives. For this reason, the Internal Audit Department has developed during 2021, the 2021 - 2025 roadmap to define how internal audit can provide an adequate level of assurance while taking into account resource limitations.

The implementation of the Roadmap is expected to further strengthen and contribute to the following objectives:

- Enable the Internal Audit Department to meet the expectations of its key stakeholders in accordance with its mission.
- Provide an adequate level of insurance as a third line of defense.
- Maintain transparency and accountability in the delivery of effective internal audit services.
- Contribute to the overall governance, risk management and internal control framework of the organization.
- Conduct an internal audit according to international standards and best practices.
- Strengthen the capacity of the IAD using various tools.
- Improve the efficiency and effectiveness of the Bank's internal audit activity.
- Increase awareness of the internal audit activity through various outreach activities.

The following systematic and structured process was used to develop the internal audit strategic plan:

- Understand the objectives of the services provided by internal audit;
- Consider the International Professional Practices Framework (IPPF);
- Understand stakeholder expectations;
- Update the internal audit assignment;
- Conduct a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

A detailed action plan has been developed and is periodically monitored by CEO and Audit & Compliance Committee.

Compliance

During 2021, we optimized the Company's compliance organizational structures policies, operating mechanisms and guidelines for major compliance areas to reduce relevant risks, risk assessment, and culture development. The bank continued its efforts to strengthen the compliance framework across the compliance resources, systems and controls to enhance the implementation of the principles of Corporate Governance and Institutional Compliance, along with supporting the Executive Management and Board in the consolidation of Corporate Governance concepts and to meet legal and regulatory requirements and QNB Group expectations.

Major highlights/accomplishments for 2021:

The spirit of compliance and ethical behavior

Instilling a strong compliance culture is a priority in the agenda for the Board of Directors and the Executive Management through various initiatives such as policies and procedures, circulars, staff trainings, awareness sessions, brochures, etc.

A Code of Ethics and Conduct that sets the expectations from all QNB Tunisia Employees has been put in place.

In 2021, Compliance practices have been revitalised and efforts were spent to promote bolder and more efficient internal controls measures, well-structured risk management policies, and governance framework.

Healthy Relationship with Regulators

Considering that openness is a Key Element of Transparency, the Bank continued to strengthen and improve the communication channels with its regulators, to ensure providing the regulatory authorities with accurate, clear and transparent information.

Enriched framework and tools to strengthen the financial crime compliance

QNB Tunisia maintains an Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) framework to fend off financial crimes in its many forms. The framework outlines all the proper detection systems and controls designed to deter illicit funds from flowing into the bank's system. In line with the New AML/CTF Law of 2019 and related instructions issued by CBT in 2018, QNB Tunisia's Compliance Division uses the framework to identify QNB Tunisia customers, conduct regular reviews of their accounts and to monitor and report any suspicious transactions made using a QNB Tunisia's account. Furthermore, guidance has been developed and training conducted to ensure the embedding of the requirements of the AML/CTF regulations.

The risk-based approach is a fundamental pillar in ensuring a robust and effective AML/CTF programme. Therefore, QNB Tunisia ensures that identifying, assessing and understanding money laundering and terrorist financing (ML/TF) risks forms an integral part of the ML/TF risk management.

Money laundering and terrorist financing risk assessments assist the Bank in implementing appropriate and efficient control measures in order to protect the Bank from being exposed to the ML/TF risks as well as all QNB Group entities. Hence, the Compliance Division collaborate with the Group's compliance function concerning the implementation of the global KYC platform to ensure an accurate view of the quality of the customers' KYC information and to enhance the profiling and monitoring processes.

The COVID-19 pandemic presented unique and unparalleled challenges, however, in order to ensure that our employees are equipped to deal with the latest and sophisticated money laundering schemes, we ensured that relevant trainings continued and were delivered via online channels in partnership with QNB Group Compliance.

Strengthening the sanctions compliance framework

QNBT continuously maintained efforts to enhance its robust Sanctions Compliance Program to meet the growing sanctions regulations and challenges, without disrupting customer service and ensuring the bank's reputation.

An integrated Sanctions Compliance Program includes rigorous and cost effective controls that satisfy the needs of both regulators and customers and ensures effective prevention and timely detection of business risk exposure to terrorism and proliferation financing, while achieving full compliance with major global sanctions programs imposed by the United Nations (UN), European Union (EU), United States of America (USA) and National Counterterrorism Commission.

Using technology tools

Considering technology as an essential factor in establishing a strong and sustainable Sanctions Compliance Programme, QNBT assessed and adopted additional sanctions related systems, to help prevent any potential sanction exposure to the business and thus help us to stay compliant with rigorous requirements in terms of customer and transactions screening against global watch lists.

IN partnership with QNB Group Compliance Division QNBT utilised remote platforms (eLearning) and making training assessments mandatory as part of the sanctions training. In addition, training materials were tailored and customised to clearly address different sanctions risk exposures by different business lines and for a more comprehensive understanding of the related risks.

Enforcement of a robust fraud control framework

The Bank has established a comprehensive fraud control framework, and put in place a program demonstrating the expectations of the Board of Directors and Executive Management and their commitment towards high integrity and ethical values regarding fraud risk management.

QNB Tunisia rolled out Anti-Fraud Policy during 2021 with the support of the Group Fraud Control Unit which give the guidance to build the fraud control framework to ensure alignment and consistency with Group Fraud Policy framework and standards.

The Fraud Control Unit will be able to perform ongoing monitoring and investigation of alerts, referrals and exception reports to mitigate the risk of fraud events occurring or not being detected in a timely manner.

In addition, the Fraud Control Unit has an established process for receiving, evaluating, and treating alerts and whistle blowing concerns relating to potential fraud and unethical conduct and rolled out e-learning fraud awareness trainings for all the employees of QNB Tunisia.

Tax reporting: enabling transparent and effective tax information exchange

Non-compliance to Customer tax transparency requirements could expose the Bank to financial losses, penalties and/or reputational damage caused by failing to comply with tax related regulatory requirements. In this regard, Compliance Division continues to strengthen the Bank's processes to help ensure that QNB Tunisia's banking services are not associated with any arrangements known or suspected to facilitate tax evasion. The Tax Compliance Unit at QNB Tunisia applies global initiatives to improve tax transparency and compliance requirements especially the US Foreign Account Tax Compliance Act (FATCA).

Global data protection and privacy program

At QNB Tunisia, there is a strong commitment starting from the top to protect personal data, which is fundamental to QNB Tunisia in achieving its long-term vision. The Data Protection Team within Group Compliance Division at QNB who are responsible for the overall data privacy activities and compliance of information processed leads this process.

The local Data Protection Framework is based on international best practices. key regulations such as General Data Protection Regulation (GDPR) and Tunisian Law No. 2004-63 .

Compliance monitoring program (CMP)

Due to the increased regulatory scrutiny and enhanced oversight by the regulators worldwide in recent times, it is imperative that the Bank maintains a robust mechanism in order to ensure compliance with the ever changing and complex regulatory landscape. In this regard, in 2021, the bank enhanced its compliance monitoring program. The program serves a dual role; warranting proper oversight, and being a proficient tool to address and comply with all new regulatory requirements. The CMP aids in the effective monitoring of compliance risks and in developing a strong compliance culture by holistically assessing where the key risks are, and what mitigating actions are undertaken.

Compliance training and awareness programs to QNB employees

QNB is highly committed towards the implementation of a robust compliance training program, which has been rolled out across QNB Group. The compliance trainings help employees stay abreast of latest requirements and increases their productivity with less supervision, whilst ensuring that they are aware of their roles and responsibilities taking into account all the relevant laws, regulations and internal policies. In 2021, mandatory e-learning were rolled out in favor of all Bank's employees concerning financial crime topics.

Core governance and compliance initiatives

QNB witnessed a substantial increase in regulatory oversight during 2021 coupled with the ever changing and extremely complex regulatory landscape. Nonetheless, the Bank adapted to the new regulatory environment whilst ensuring that the compliance risks faced by the Bank are below the maximum acceptable threshold levels.

QNB Tunisia's Compliance Division has worked closely with its stakeholders to provide support to the business from a compliance standpoint, especially in these challenging times.

In 2021, the Bank launched a number of new initiatives and monitoring tools directed towards enhancing the monitoring and proper governance over the compliance activities and ensure the proper application of the regulatory requirements. QNB Tunisia will continue to develop initiatives and monitoring tools to meet the ever changing needs, and of the regulatory requirements.

Building capabilities and skillsets within compliance

In order to provide a better working environment for its employees, QNB Tunisia places significant importance on enhancing the skillsets and capabilities of its workforce. Hence, the compliance function employees are provided with continuous learning opportunities in the form of in-house and external compliance related international courses which ensures increased morale in the workforce, coupled with enhanced productivity. The Bank fosters and promotes a continuous learning environment for its employees. In this regard, QNB Tunisia ensured that all its employees possess the necessary skills and experience to perform their duties effectively.

Risk

Internal Control System

The internal control system at QNB Tunisia is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting, and
- compliance with applicable laws and regulations

The Bank recognizes that a sound internal control process is critical to its ability to meet its established goals and maintain its financial viability. In order to achieve the Bank's objective which is adequate liquidity position, profitability, and increase of shareholders' value, the internal control system lies on the following five elements:

- management oversight and control;
- risk recognition and assessment;
- control activities and segregation of duties;
- information and communication; and
- Monitoring activities and correcting deficiencies.

Any breaches to these elements are being reported promptly to senior management and the Board of Directors for follow up of approved corrective actions. All elements of the internal control system of the bank reports on a regular basis to the Board of Directors and all its relevant committees.

The Internal control System complies with the principles of independence, vertical integration, and decentralization.

Risk Management System

Risk Management System at QNB Tunisia seeks to have in place management policies and procedures that are designed to help ensure an awareness of, and accountability for, the risk taken throughout the bank, and to develop the tools needed to address those risks. The Bank has set up a Risk Management Structure (RMS) split into Credit headed by Executive Management and Risk Management Department headed by Executive Management. The head of risk Management acts as secretary of the Board Risk Committee. The RMS does not have any business targets in terms of either levels of business or income/profits to be achieved, with a view to ensuring its objectivity in analyzing the various risks. The mission of the RMS is to identify, measure and control various risks and report to the top management of the Bank on the effects and, where possible, mitigations.

The Bank has developed Risk and Disclosure Policy that classifies the risks faced by it in its day-to-day activities into certain families of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified families of risks. Among the families of risks are:

- Credit Risk which includes default risk of clients and counterparties,
- Market Risk which includes interest rate, foreign exchange, equity
- Liquidity risk,
- Operational Risk which includes risks due to operational failures,
- IT Risk which includes information security & cyber-attacks in addition to business continuity plan, disaster recovery,
- Monitoring which includes Stress Testing (credit, market & liquidity), Risk Appetite Framework.

The RMS is responsible to ensure that the relevant details for measurement of the risk and allocation of the appropriate risk weights to the exposures, so that the computation of the RWAs can be made appropriately. The bank's Risk Management Report Dashboard provides management with all risks faced by the bank: credit, strategic, market, liquidity operational, oty risk, etc. Uses and sources of funds are managed in order to:

- Comply with prudential rules and bank's internal limits,
- Maintain good balance sheet structure,
- Maintain good liquidity position,
- Maintain diversified and stable funding sources,

- Ensure that IT Architecture is optimized,
- Follow up on Operational incidents.

Top & Emerging Risks

The identification and monitoring of top and emerging risks are central to QNB. These risks are identified, analysed and managed by the RISK Function. These risks are frequently reported to the concerned committees and give rise to actions such as:

- Follow-up of macroeconomic and financial conditions and their consequences for QNB portfolio.
- Market and liquidity risk decisions made by ALM Committee;
- Forward-looking discussions on emerging risks and their impacts on the Bank's risk profile;
- Analysis of changes to the regulatory framework and their consequences on the Bank's capital and liquidity management as well as on its activities.

Risk Culture

QNB has a strong risk and compliance culture. QNB believes that a strong risk culture is vital to the sustainability of its activity. Executive Management has chosen to include the risk culture in four principles:

- Enforcing robust risk governance
- Ensuring accountability for all risk based decisions
- Encouraging risk awareness.

Risk management framework

The Bank's risk management framework is based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring.

Market Risk

Most banks' principal market risk is interest rate risk. Interest rate risk is the exposure of the bank's financial condition to adverse movements in interest rates. It results from differences in the maturity timing of coupon adjustments of the bank's assets, liabilities and off balance sheet instruments.

Market Risk Management provides a comprehensive and dynamic framework for measuring, monitoring and managing liquidity, interest rate and foreign exchange as well as equity risk of a bank that needs to be closely integrated with the bank's business strategy.

- Investment portfolio structure,
- Investment and money market portfolio analysis,
- Repricing gap analysis,
- Earning at Risk (EaR),
- Economic value of Equity (EVE),
- Value at Risk (FX, equity),
- Back testing,
- Interest rate risk spread (Asset yields, liability costs),
- FX positions limits,
- Equity portfolio valuation.

Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income (NII) and it refers to the vulnerability of an institution's financial condition to the movement in interest rates.

IRR arises mainly from the following 3 sources: Repricing risk, Yield Curve risk and Basis risk.

QNB Tunisia manages interest rate risk as an inherent part of its business. Almost all the pricing of the facilities granted is indexed on the reference rate of the currency. Furthermore, most of the facilities granted are on the currency of the source of payments to avoid exchange risk factor.

Earnings perspective involves analyzing the impact of changes in interest rates on reported earnings in the near term (Earning at Risk). Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the bank (Economic Value of Equity). The traditional Gap analysis is used as method to measure the Interest Rate Risk.

Foreign Exchange Risk

In addition to the FX prudential limit, by setting appropriate internal limits-open position and gaps, stop-loss limits, Day Light as well as overnight limits for each currency, Individual Gap Limits and Aggregate Gap Limits, clear cut and well defined division of responsibilities between front and back office. The element in foreign exchange risk is being managed and monitored adequately. The VAR is used to measure the bank's EUR/USD FX risk. FX prudential limits are always observed.

Equity Price Risk

Price risk arises from the fluctuation in equity prices that can affect the value of the financial instruments. Values of individual security fluctuate in response to variety of factors, other than movements in the interest or exchange rates.

The VAR is used to measure and quantifies the level of financial risk within a firm, portfolio or position over a specific period.

COMPLIANCE WITH CIRCULAR 2018-06

The bank complies with the circular 2018-06 which introduced market risk in the calculation of Risk Weighted Assets.

Liquidity Risk

Liquidity and capital adequacy ratios are viewed by bank regulatory and credit analysts as one of the key indicators of a bank's financial conditions. It indicates the margin of protection available to both depositors and creditors against unanticipated financial difficulties that may be experienced by a bank. The bank's liquidity coverage ratio stands at 833 % as of end of Dec. 2021 compared 100% required by CBT. The liquidity of the bank is managed through the following:

- Ongoing basis: Liquidity CF statement,
- Balance sheet structure,
- CBT prudential ratio,
- Liquidity Ratios including early warning indicators (EWI).

Liquidity Indicators

As of December. 31st, 2021, all the liquidity parameters comply with the bank's internal policy and the regulatory requirements. All liquidity indicators are satisfactory. The bank has comfortable liquidity position with high quality of liquid assets. Overall, there is no major Liquidity Risk. Liquidity indicators cover the following:

- Liquidity coverage ratio,
- Loan to deposit ratio,
- Funding analysis (by maturity, by currency, by depositor nationality/residence,...),
- Liquidity contingency ratios/triggers,
- Liquidity mismatch,
- Funding concentration (top depositors, funding concentration by currency,...),
- Customer deposits trend and behaviors.

Credit Risk

In order to improve credit risk management and governance, many tasks and activities has been conducted during 2021 to build risk management foundation and frameworks to assess, manage and monitor credit risk.

In fact, our credit exposure limits are approved within a set credit approval and authority framework. Policies and procedures for the approval and review of credit facilities are reviewed and updated during 2021. The related process is covering credit initiation, rating validation, analytics, approvals, credit administration, documentation, collateral management and limits monitoring at multiple levels.

The effort was concentrated on the main following areas:

- Implementing of wholesales and FI credit policy and Retail Credit policy.
- Implementing of Risk appetite policy and Credit Risk Acceptance Criteria project.
- Reviewing the existing credit portfolio based on the assessment of the credit risk level and the reviewing of credit physical files.

- Improving the credit lending end to end process.
- Defining the NPL reduction plan for the next four years.
- Assessment of guarantees and collaterals physical documents and input accurate value on system.
- Implementing IFRS 9.
- Redefining the collection process from the first missed payment until the litigation process.

Implementation of Credit retail policy and wholesales policy

The bank has established a process to promote the appropriate alignment of risk with its appetite. The banks has defined a set of qualitative statements and quantitative metrics as follows:

- Qualitative manner through establishment of Credit retail and wholesale policies. The policies set clear principles and defined guidelines to have framed and mitigated risks. The policies highlighted the following points: the terms and conditions for loans, credit standards, and clear documentation.
- Quantitative manner through a risk management system using group level triggers and thresholds.

Risk appetite policy and Credit Risk Acceptance Criteria

In 2021, QNB Tunisia has approved the risk appetite policy including all major risk definition acceptance level and appetite limit.

Portfolio diversification is a good way to mitigate the risk and remains an important concern in credit policy. Actually, a Credit concentration risk measures was established to assess concentration areas and identify elevated ones.

In 2021, the Credit Department, in collaboration with other stakeholders, has set various ratios and aggregates that promote the appropriate alignment of risk with its appetite.

The framework established allows to:

- Control the concentration risk against the sector thresholds
- Detect promptly any exceedances
- Implement corrective measures to mitigate identified risk exposure

This framework consists in credit risk criteria metrics establishment including sector caps and RAC/MAC criteria. Actually and in addition to regulatory exposure limits, the Bank will imposes its own internal limits on obligor groups and Individual obligors, reinforced by portfolio limits, which are categorized mainly in terms of sector, and rating buckets.

Review of the existing Credit portfolio

Since the end of 2019, the bank has begun the review of the corporate customers with highest level of exposure. This exercise that has ended in 2021 has covered the groups and customers major exposure. This has allowed the review of companies' financial situation, the regularization of excesses or overdue and the exam of companies needs following updated data provided.

The review has also enabled to assign the right counterparties risk level regarding CBT rules and Head Office guidelines and frameworks.

The reviewing of credit portfolio allowed bank to perform all needed documentations to implement properly all Credit decisions.

Improve the credit lending end to end process

• Exposure follow up

Besides the annual review and renewal of limits, Credit Department has been involved in the close monitoring of daily operations. In fact, many improvements to daily payment platform was implemented to have better overview about the customer's account.

- **Credit Risk assessment and quantification**
- **Internal rating for corporate customers**

An internal rating system enables the bank to make efficient lending decision. This process is based on guiding principles as assignment of a unique ORR for each obligor (the rating is generated from Credit Lens) and using it as a making decision tool, reviewing at least one time per year each ORR, follow up the rating changes and use it as an early warning signal for Credit deterioration.

In 2021, the Bank has approved the credit risk rating procedure starting input data on rating tool by business, review and approve of rating by Credit department and Credit Committee to its implementation on system.

- **Retail Scoring tool Lending workflow:**

For retail customers, loans are treated via the new scoring tool. The settings of this tool have been defined in 2021. In addition, a new workflow related to Retail Credit lending was set in order to automate all Credit retail steps.

Define the NPL reduction plan for the next four years

In order to be compliant with CBT CAR ratios starting from 2022 and to decrease NPL ratio to around 15% by 2025, the Bank has defined a NPL reduction plan based on:

- **The reinforce Recovery & Write-off compromised loans**
 - Accelerate cash collection
 - Boost restructuring volumes
 - Apply for compromised loans write-off
- **The increase new Business**
 - Further develop new business
 - Focus on big tickets
 - Enhance customers' deposits targets
- **The inject new Capital**

Assessment of guarantees and collaterals

In 2021, Guarantees and contract department launched preparation of pre-requisites needed for implementing IFRS9. In fact, this process consisted on the assessment of all collateral values and input them on the system.

IFRS project

Following the decisions taken by the Central Bank of Tunisia in 2018 for the adoption of international financial reporting standards by banks, QNB Tunisia has made a good progress on IFRS implementation. In fact, IFRS impairment policy was drafted and discussed. In addition QNB Tunisia Technical Interpretation including all models and parameters to be used on Expected Credit Loss tool was reviewed and approved.

Redefine the collection process from the first missed payment until the litigation process

A new collection process from the first missed payment until the litigation process was defined and approved.

By this procedure, QNB Tunisia aimed to set a clear process for handling Non-Performing Loans.

In fact, the remedial activity is divided into three phases: the Business phase, the amicable phase, and the litigation phase. Each phase is recognized by the designation of responsible, set of actions, standard letters and a standardized timetable.

Operational Risk

Banks' activities are becoming more diverse and complex. Thus banking practices require that risks other than credit, interest rate and market risk can be substantial and should be carefully and properly managed. These risks are headed under the operational risk and include the risk of loss resulting from poor internal process, inadequate people and systems as well as legal risk, reputation and systemic risk.

Risk Control Self-Assessment

Risk assessment allows the business to consider how potential events might affect the achievement of objectives. Management assesses events from two perspectives: likelihood and impact. Likelihood represents the possibility that a given event will occur, while impact represents its effect should it occur. External data are also useful, as factors influencing events may change over time.

Risk Control Self-Assessments (RCSAs), lay an essential role in an effective operational risk framework. The goal of RCSAs is to enable the Bank to be proactively and efficiently:

- Identify key threats to business objectives
- Determine the effectiveness of controls

- Mitigate outstanding gaps

RCSA is used for tracking important or materialistic risk only. If there are risks which are identified by a unit as “not important or not materialistic”, they must be documented and reviewed periodically. Managers of units reporting the RCSA are fully responsible for identifying risks, tracking incidents, associating loss value, linking them to risks, implementing controls to mitigate risks and report data in specified formats.

During the year 2021, a review of all RCSA workshops conducted in the previous years, new inherent risks were identified the assessment allowed raising some anomalies, consequently recommendations & suggestions were formulated. Corrective action plans are put in place for most of them.

Key Risk Indicators (KRIs)

KRIs are the measures summarizing the frequency, severity and impact of Operational risk events or corporate actions occurred in the bank during a reporting period. KRIs are critical predictors of unfavorable events that can adversely impact organizations. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable organizations to report risks, prevent crises and mitigate them in time.

KRIs - independently or in conjunction with other risk environment related data, such as, loss events, assessment outcomes, and issues -- offer considerable insights into the weaknesses within the risk and control environments. They act as metrics of changes in an organization's risk profile, but given the changing risk landscape.

KRIs are not analyzed alone but with others pillar of Operational risk: loss events (already happen) in addition to RCSA workshops data information performed within the concerned business unit. All data are aggregated to formulate an objective point of view on the event that can impact organization.

Business Continuity Plan & DR (BCP)

A back up site was installed at 20 km away from our head office site as part of a contingency plan whereby, in the event of a major business disruption, the bank will have the ability to quickly re-establish its computerised operations. Although ideally, the back up site should be 60 km far from the HO, the current back up site is believed conform to the norms.

Business impact analyses (BIA) were conducted to all functional areas; in order to ascertain their needs to continue the activity in case headquarter is not operational. The backup of all banking operations is conducted through two different ways, a physical storage data at end of day and on line data saving at back up site with slight delay (about 10 mn).

The BCP stands on to have the following four steps:

- Business Impact Analysis (BIA);
- Risk assessment;
- Risk management; and
- Risk monitoring and testing.

Cybersecurity

To comply with the Tunisian law, an audit mission was done by external party to cover all the bank security infrastructure. Almost resolved vulnerabilities are technical and configuration flows, which could be fixed by the bank internal team in collaboration with external parties and the bank partners.

All attacks were blocked by the Bank's security solution and analysed by the risk department to identify attack root cause.

Human resources and training

To enhance the bank security culture, security bulletins were shared regularly for all staff.

A phishing test was done by sending a malicious email usurping the HR head department address. According to test results, the Risk department decide to plan training sessions for all the staff to increase employees vigilance against phishing attack.

Threat intelligence

To face cyber-attack and avoid vulnerabilities exploitation, the risk department flows all security news and vulnerabilities information via providers website and from Computer emergency response teams (CERT).

IT security bulletins are being shared on monthly basis for the IT department contain all vulnerabilities, which could affect the bank information system.

Cyber resilience

Since the worldwide outbreak of Covid-19, there has been an increase in malware using the virus itself as the bait. Cybercriminals try to take advantage of global uncertainty and disruption with additional phishing, online scams and malware installed via Covid-19 heatmaps and social media campaigns.

In light of these insights, the Bank assessed its operational resilience with a focus on the Bank's cyber resilience in order to assess its ability to adapt rapidly to changing environment.

Risk Management in the aftermath of COVID-19

From the very beginning of the dramatic health and social emergency, that has swept Tunisia and the World, QNB Tunisia has been fully committed to tackling the situation effectively, whilst ensuring the continuity of its processes and services.

In view of the worsening risk scenario and to strengthen its preventive countermeasures, QNB Tunisia immediately set up its own Emergency Response Team to identify specific mitigation strategies and related lines of action, as well as ensuring ongoing monitoring of the situation.

The Bank has set up two operational task forces focused on two specific areas: security and communications and business continuity

- **Security and communications**

This task force has been set up to take all necessary actions to ensure the protection of personnel, customers and suppliers, as well as communications to internal and external stakeholders.

It has regularly collected information on the development of the situation, both through external sources, which are used to produce forecast scenarios of the evolution of the pandemic, and from internal sources. The safety of personnel is pursued not only by providing personal protective equipment where necessary, but also through preventative actions such as limiting travel, encouraging smart working, and distancing measures.

In terms of internal communications, the Management sent many e-mails to all staff providing updates and operational instructions, particularly at critical times.

- **Business continuity**

The main solutions adopted to deal with the emergency, mitigate the risk, and ensure continuity of service, related to remote working, measures adopted at the branches and process digitization.

Statutory Auditors' General Report on the Annual Financial Statements for the year ended December 31, 2021

To the Shareholders of Qatar National Bank

General report

I- Report on the Audit of the Financial Statements

Opinion

In execution of the statutory audit mandate entrusted to us by your General Meeting, we have audited the financial statements of Qatar National Bank, which comprise the balance sheet as well as the statement of off-balance sheet commitments as of December 31, 2021, the income statement and the cash flow statement for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

These financial statements, annexed to this report, show a total balance sheet of TND 49 447 million and a net loss of TND 105 200 million.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Qatar National Bank as at December 31, 2021, as well as the results of its operations and its cash flows for the year ended on that date in accordance with Tunisian General Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) applicable in Tunisia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent from the bank in accordance with the rules of ethics that apply to the audit of financial statements in Tunisia and we have fulfilled the other ethical responsibilities incumbent on us under these rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We consider it useful to draw your attention to the following points:

- Note to the financial statements n° 3.2 "Distribution of commitments according to risk" which indicates that the bank obtained a guarantee issued by the parent bank on May 30th, 2019, covering the risks of a group of customers, for a total amount of TND 49,130 thousand. It should be noted that had it not been for this guarantee, the bank would have had to create additional provisions of TND 27 883 thousand (without taking into account the impact on collective provisions).
- Considering the carry-over losses and the loss for the year, the bank no longer respects the solvency ratios and coverage measures stipulated in the Central Bank Circular No. 06-2018. The bank has also violated the provisions of Chapter 388 of the Commercial Companies Code, since its own funds are less than half of its capital. Consequently, according to the aforementioned chapter, the board of directors must, during the four months following the date of approval of the accounts, call the extraordinary plenary session to consider this matter. In this context, the extraordinary plenary session meeting on february 15th, 2022 decided to consider raise the capital by an amount of TND 240 million.

Our opinion is not modified in respect of these matters.

Report of the Board of Directors

The responsibility for the report of the board of directors rests with the board of directors. Our opinion on the financial statements does not extend to the report of the board of directors and we express no assurance whatsoever thereon.

Our responsibility is to verify the accuracy of the information given on the bank's accounts in the report of the board of directors by reference to the data appearing in the financial statements. Our work consists of reading the report of the board of directors and, in doing so, of assessing whether there is a significant inconsistency between it and the financial statements or the knowledge we have acquired during the audit, or if the Board of Directors' report otherwise appears to contain a material misstatement. If, in light of the work we have performed, we conclude that there is a material misstatement in the Board of Directors' report, we are required to report this fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Tunisian accounting system, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The financial statements have been approved by your board of directors. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II- Report on other legal and regulatory requirements

As part of our statutory audit mission, we have also carried out the specific verifications provided for by the standards published by the Tunisian Order of Chartered Accountants and by the relevant regulatory texts.

Effectiveness of the internal control system

In application of the clauses of Article 3 of Law 94-117 issued November 14th, 1994 on the reorganization of the financial market, we carried out a general assessment of the effectiveness of the internal control system of the bank. In this regard, we recall that the responsibility for the design and implementation of an internal control system as well as the periodic monitoring of its effectiveness and efficiency rests with management and the board of directors.

Based on our review, we have not identified any material deficiencies in internal control that could impact our opinion on the financial statements as expressed above.

A report dealing with the weaknesses and shortcomings identified during our audit was submitted to the bank's management.

Compliance of securities accounts with the regulations applicable

In application of the clauses of Article 19 of Decree No. 2001-2728 issued November 20th, 2001, we carried out checks on the compliance of the account keeping of securities issued by the bank with the regulations in force.

The responsibility for ensuring compliance with the requirements of the regulations in force lies with the management.

Based on the due diligence that we deemed necessary to implement, we did not detect any irregularity related to the compliance of the bank's accounts with the regulations in force.

The Statutory Auditors

Les commissaires aux comptes associés
MTBF

Orga Audit

Mohamed Lassaad Borji

Monoom Ben Ahmed

Special Report

STATUTORY AUDITORS' SPECIAL REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

To the Shareholders of Qatar National Bank

As auditors of the bank accounts and in application of the provisions of Article 62 of Law No. 2016-48 relating to banks and financial institutions, as well as the Article 200 and following and Article 475 of the Commercial Companies Code, we have the honor to inform you of the elaborate agreements below.

Our responsibility is to ensure that we comply with the legal procedures for authorizing and approving these agreements or operations and that they are ultimately correctly translated into the financial statements. It is not our responsibility to specifically and extensively investigate the possible existence of such agreements or operations but to communicate to you, on the basis of the information given to us and that obtained through our audit procedures, their characteristics and essential modalities, without having to comment on their usefulness and merits. It is up to you to assess the interest attached to entering into these agreements and carrying out these transactions with a view to their approval.

a- Newly completed agreements and transactions

We inform you that we have not been notified of any new agreements or transactions concluded during the fiscal year 2021 that fall within the scope of the above-mentioned chapters.

In addition, our work enable us to identify the following operation:

The intangible fixed assets in progress account includes an amount of 1 150 thousand Tunisian dinars, which was billed by the parent bank. This amount represents the cost of providing external human resources for the implementation of some projects in progress.

b- Transactions carried out relating to previous agreements

The following agreements and processes, which were signed and ratified over the past years, have been continued.

Operations carried out with the parent bank:

- The Qatar National Bank Doha rescheduled on the 24th of June 2019 short term loans into a medium term loan amounting 120 million USD over a 5 -year period. The financial costs of this loan for 2021 year amounted 1 546 Thousand USD and the loan outstanding as of 31st December 2021 amounted 60 million USD
- The Qatar National Bank DOHA issued a banking guarantee to cover the loan granted by the European Bank for Reconstruction and Development (EBRD) at an interest rate equal to 0,75%. The financial cost related to the guarantee amounted 159 Thousand euros during 2021 year
- The Qatar National Bank Tunisia received a guarantee issued by the parent Bank on May 31st, 2019, which concerns a group of customers, amounting 49.130 thousand Tunisian dinars without interest.

The concluded bank guarantees are detailed as follows :

Operation	31/12/2021
Mother company guarantee to the benefit of the EBRD	17 143 EUR thousand
Mother company guarantee to cover risks	49 130 TND thousand

- The Qatar National Bank Doha opened a current account deposit amounting to 1.476 thousand USD as of December 31st 2021 held at QNB Tunisia. This account bears interest at the rate of 0,5% and received 6,2 thousand USD as interest related to 2021 year.
- QNB-TUN carried out investment transactions in foreign currencies (EURO-USD) which has generated interest amounting to 7 074 TND. The list of investment transactions carried out by the parent bank with QNB-TUN amounts to 83,416,575 Tunisian dinars, which corresponds to investment transactions estimated at 7 500 thousand US dollars, with an interest rate of 0,25%, and investment transactions estimated at 19,000 thousand euros, with an interest rate of 0%.
- The value of technical services and consultations provided by Qatar National Bank Doha and billed to QNB Tunisia during 2021 year amounted 3 633 thousand Tunisian dinars without considering the related taxes carried by Qatar National Bank Tunisia. The value of the liabilities related to these expenses amounted to TND 1 658 thousand as of December 31, 2021.

Operations carried out with related parties:

- TQR carried out term placement operations at QNB Tunisia during the year 2021, with a duration between 90 days and 180 days. Those operations amounted to TND 4 150 thousand on December 31, 2021. The related interests amounted to TND 197 thousand TND including 39 thousand accrued interest not yet due.
- On December 1st, 2015, QNB Tunisia has granted a long-term loan to TQR for an amount of TND 11 000 thousand at an interest rate of 4,55%. The interest during the year 2021 amounted to TND 381 thousand
- On December 1st, 2015, QNB Tunisia has subscribed share certificates issued by TQR for an amount of TND 6,000 thousand. The benefits obtained from these certificates amounted to TND 420 thousand during the year 2021.
- Qatar National Bank of Tunisia provided the TQR, with its headquarters for free.

The following table summarizes other operations that the bank has carried out with subsidiary companies:

Subsidiary Company	Operation	Ownership ratio	Compensation
TQR	Application of banking operations to the bank account of TQR	%99,98	Free of charge
TQR	QNB Tunisia provided TQR with two offices as its headquarters, free of charge ,starting April 01, 2018	%99,98	Free of charge
TQF	Application of banking operations to the bank account of TQF	%99,98	Free of charge

c- Wages and benefits for managers and board members

According to the provisions of paragraph 5 of Article 200 (new) of the Commercial Companies Code, the bank's obligations and commitments towards the directors are divided as follows:

- The entitlements of the current general manager were determined according to a contract concluded on August 24, 2020, and these dues include basic salary, housing allowance, and transportation allowance. He also enjoys sickness and life insurance.
- Members of the Board of Directors enjoy a net attendance grant for \$ 1 500 for each meeting of the Board of Directors or the committees derived from it (the Audit Committee and the Risk Committee). The Ordinary Plenary Meeting held on September 29, 2020 approved the principle of granting attendance allowance net of all taxes retroactively, starting from the fiscal year 2019.

The following table shows the bank's obligations and commitments towards the managers as stated in the financial statements on December 31, 2021:

(In TND)	General Manager		Board members and members of audit and risk committee	
	General Manager benefits	Liabilities on December 31, 2021	Year's Benefits	Liabilities on December 31, 2021
Short Term Benefits	1 769 768	-	459 897	326 686
Long Term Benefits	-	-	-	-
Total	1 769 768	-	459 897	326 686

With the exception of the aforementioned operations, our audit work did not result in the existence of other agreements or transactions that fall within the scope of Article 62 of Law No. 2016-48 relating to credit institutions, Article 200 and following, and Article 475 of the Commercial Companies Code. The Board of Directors of Qatar National Bank Tunisia has not informed us of any other agreements or contracts that fall within the scope of the aforementioned articles.

Tunis, Mai 19th, 2022

The Statutory Auditors

Les commissaires aux comptes associés
MTBF

Orga Audit

Mohamed Lassaad Borji

Monoom Ben Ahmed

Financial statements as of December 31, 2021

- Balance sheet ;
- Off-balance sheet ;
- Income statement ;
- Cash flows statement ;
- Explanatory notes.

BALANCE SHEET**Year ended on December 31, 2021****(Unit : 1000 Tunisian dinars)**

ASSETS	Notes	31/12/2021	31/12/2020
Cash and balances with Tunisian Central Bank, Post Office Accounts and General Treasury	1	52 774	13 614
Loans to banks and financial institutions	2	330 683	153 686
Loans to customers	3	835 993	1 012 144
Trading securities portfolio	4	4 751	4 581
Investment portfolio	5	202 587	122 136
Fixed assets	6	20 353	17 995
Other assets	7	47 111	39 429
TOTAL ASSETS		1 494 252	1 363 585
LIABILITIES			
Deposits and balances at the Central Bank of Tunisia	8	-	1 040
Deposits and balances of banking and financial institutions	9	60 031	148 427
Customers deposits	10	1 096 638	806 479
Borrowings and special resources	11	236 946	337 906
Other liabilities	12	51 190	45 086
TOTAL LIABILITIES		1 444 805	1 338 938
SHAREHOLDER'S EQUITY			
Capital		154 000	260 000
Carry forward losses		-	(124 633)
Legal reserves		647	647
Net income of the year		(105 200)	(111 367)
TOTAL SHAREHOLDER'S EQUITY	13	49 447	24 647
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1 494 252	1 363 585

OFF-BALANCE SHEET**Year ended on December 31, 2021****(Unit : 1000 Tunisian dinars)**

	Notes	31/12/2021	31/12/2020
CONTINGENT LIABILITIES			
Guarantees, warranties and other granted guarantees		56 147	66 397
Documentary credits		72 559	51 188
TOTAL OF CONTINGENT LIABILITIES		128 706	117 585
FINANCING COMMITMENTS			
Financing commitments granted to customers	14	5 536	16 184
TOTAL OF FINANCING COMMITMENTS		5 536	16 184
RECEIVED COMMITMENTS			
Financing commitments received from Banks	15	65 121	65 836
Guaranties received from customers	16	589 652	627 864
Guaranties received from Banks and SOTUGAR	17	114 300	153 098
TOTAL RECEIVED COMMITMENTS		769 073	846 798

INCOME STATEMENT

Year from January 1st to December 31st, 2021
(Unit : 1000 Tunisian dinars)

	Notes	From 01/01/2021 to 31/12/2021	From 01/01 /2020 to 31/12/2020
BANKING OPERATING PRODUCTS			
Interests and similar income	18	73 204	85 197
Commissions	19	8 161	6 165
Profit on trading securities portfolio and financial operations	20	7 627	3 910
Income of investment portfolio	21	12 726	9 077
TOTAL BANKING OPERATING PRODUCTS		101 718	104 349
Incurred interest and similar expenses	22	(72 543)	(93 963)
Incurred commissions		(1 618)	(979)
Loss on trading securities portfolio and financial transactions	23	(1 637)	(4 534)
TOTAL BANKING OPERATING EXPENSES		(75 798)	(99 477)
NET BANKING INCOME		25 920	4 872
Allocations to provisions and value corrections income loans on loans, off-balance sheet items and liabilities	24	(70 411)	(64 186)
Allocations to provisions and value corrections income on investment portfolio	25	-	(4)
Other operating products		8	1
Payroll expenses	26	(36 347)	(32 448)
General operating expenses ⁽³⁾	27	(20 458)	(15 475)
Allocations to depreciation of fixed assets	6	(3 326)	(3 786)
OPERATING RESULT		(104 614)	(111 026)
Corporate tax	28	(317)	(341)
RESULT ON ORDINARY ACTIVITIES		(104 931)	(111 367)
Profit/loss on extraordinary elements		(269)	-
Net result		(105 200)	(111 367)
Result per share	30	(4,682)	(4,283)

³ 2020 year data restated for comparison purpose

CASH FLOWS STATEMENT

Year from January 1st to December 31st, 2021
(Unit : 1000 Tunisian dinars)

	Notes	From 01/01/2021 to 31/12/2021	From 01/01 /2020 to 31/12/2020
OPERATING ACTIVITIES			
Collected banking operating products		137 645	121 086
Disbursed banking operating expenses		(82 795)	(91 623)
Deposits/withdrawals on customers deposits		343 705	(50 837)
Granted loans/ customers' loans reimbursement		49 581	57 424
Acquisitions/disposals of trading securities		(218)	(116)
Payments to personnel and other accounts payables		(33 843)	(29 979)
Other cash flows from operating activities		(21 010)	(17 415)
Corporate tax paid		(166)	(378)
Net cash flow from operating activities		392 899	(11 838)
INVESTMENT ACTIVITIES			
Collected products on investment portfolio		6 873	9 457
Acquisition/disposals on investment portfolio		(79 291)	2 578
Acquisition/disposals on fixed assets		(409)	(2 165)
Net cash flow from investment activities		(72 827)	9 870
FINANCING ACTIVITIES			
Capital increase		130 000	-
Increase/Repayment of borrowings		(99 728)	(84 310)
Net cash flow from financing activities		30 272	(84 310)
Effect of exchange rate changes on cash and cash equivalent		-	-
Net changes in cash and cash equivalent during the year		350 344	(86 278)
Cash and cash equivalent at the beginning of the year		16 643	102 921
Cash and cash equivalent at the end of the year	29	366 987	16 643

NOTES TO THE FINANCIAL STATEMENTS

1. Framework of financial statements preparation

The financial statements as of December 31, 2021 are based on the generally accepted accounting principles in Tunisia and particularly the accounting standards (TAS 21 to TAS 25) related to banking institutions and which became effective as from the 1st of January 1999.

2. Adopted accounting methods

The financial statements of Qatar National Bank Tunisia have been prepared on the historical cost basis. The main accounting methods adopted are summarized as follows:

2-1 Loans and related income

The financing commitments are considered as part of the off-balance sheet commitments at concluding the contract and are recorded on the balance sheet during the release of the loan.

The management fee will be declared within the income at the first use of the loan.

The income related to loans billed in advance are taken into account at maturity in accruals.

They are included in the result at the recovery date according to the cut-off principle at every accounting year ending.

Except for the interest and similar incomes related to non-classified assets, the interests due and not yet collected related to loans listed under "Substandard Assets" (Grade B2) or in the "Doubtful Assets" (Grade B3) or the "Compromised assets" (Grade B4) in accordance with the circular of the Central Bank of Tunisia n°91-24 are recorded in a suspended interest account.

Such interest will be declared in the income at their effective recovery.

2-2 Securities portfolio and related revenues

The securities portfolio includes trading securities and investment securities.

Are classified as trading securities, those which the Bank is intending to sell in the short term. This category will be listed under "Trading securities portfolio".

Investment securities recorded under the caption "investment portfolio" include :

- Securities owned to be kept for medium or long terms and considered to be useful for the Bank's activity ;
- Investments which have been subject of repurchase agreement and have not been sold.

The subscribed investment securities not yet released will be identified as part of the off-balance commitments at their issuance value.

Investment securities are recorded at the date of acquisition at their cost price without considering the acquisition fees and expenses. Investment securities are considered as sold at the date of the ownership transfer which corresponds to the date of the registration of the sale operation at the Stock Exchange of Tunisia.

The investment securities contract's that were sold gradually (in return of bills) will be recorded in the Stock Exchange of Tunisia at effective recovery of bills of exchange.

The added value will be declared once in the income at the effective recovery of bills.

Dividends on the securities held by the bank are recorded into income once approved by the General Assembly.

2-3 Recording of resources and related costs

The received financing commitments will be accepted as off-balance sheet commitments at contracting and will be recorded on the balance sheet at withdrawal.

Interest and release commissions are recorded into expenses pro rata temporis in consideration.

2-4 Provisions on loans and securities portfolio

- **Provisions on loans to customers**

Provisions for credit risk will be determined according to the criteria of classification and risk coverage and monitoring of commitments under the Central Bank of Tunisia circular n°91-24 which specified the grades of risks as follows :

- a- Normal assets
- b- Classified assets

B1- Assets that needs specific follow-up

B2- Substandard assets

B3- Doubtful assets

B4- Compromised assets

The rates of provisions on loans correspond to minimum rates per risk grade applied to the uncovered risk, which is the net commitment after related guarantees deduction. The guarantees are valued for the financed projects based on an external evaluation by a valuation expert based on the mortgages held by the bank.

The minimum rates of provisions for each risk class are as follows: 20% for Grade B2, 50% for Grade B3 and 100% for Grade B4.

According to appendix 3 of the Central Bank circular n°91-24 amended by the circular n°2012-20, the bank must record additional provisions with general character to cover credit risk released to normal assets and assets that need specific follow-up. This provision is calculated according to the requirements of this appendix.

According to the Central Bank circular n°2013-21 which amended the Central Bank circular n°91-24 related to risk sharing, risk coverage and commitments monitoring, the bank must record additional provisions on commitments which have been classified in Grade B4 for a period of 3 years or more. The mentioned circular determines the rules of computing the provision.

- **Provisions on investment securities portfolio**

Investments securities are valued at their value in use which correspond to the quoted value at the Tunisian Stock Exchange for listed securities and the adjusted net booking value (which considers the updated value of the assets of the company) at the most recent date (usually the ending date of the last year) for the other securities.

Investment securities impairment is covered by provisions.

2-5 Foreign currency transactions

Foreign currency transactions include mainly foreign borrowings and international trade transactions.

- **Foreign Borrowings**

Borrowings in foreign currencies are translated into Tunisian dinar in the financial statements at the historical exchange rate.

“Tunis Ré” insurance system covers changes in exchange rate at the date of borrowings repayments since 2019.

- **International Trade**

Balance sheet and off-balance sheet items denominated in foreign currencies are translated on the basis of the exchange rate at the end of the accounting year.

Monetary assets and liabilities, spot exchange and swaps are translated at the average bid or ask spot or forward exchange rate.

Forward exchange commitments are translated at the forward exchange rate.

The difference between the foreign exchange position and the counter value of the foreign exchange position is a foreign exchange result.

2-6 Fixed assets provided for financial lease

Fixed assets provided for financial lease are recorded at their purchase cost excluding the added value tax in the “Loans to customers “ caption as the other credits granted to customers.

Invoiced rents are divided into capital and interest. The paid capital is deducted from the principal debt and the paid interest is recorded in products at the date of effective recovery.

2-7 Fixed assets provided for financial lease

Fixed assets are recorded at the acquisition cost and amortized under the linear spread method.

The following depreciation rates are adopted :

Description	Amortization rates
Buildings	2,5%
Office furniture and equipment	10% or 20%
Equipment and computer hardware	15%
Transport equipment	20%
Development and installation	10%
Software	33%
Goodwill	5%

2-8 Modifications

The 2020 year registered amendments at some captions level detailed as follows :

Description	31/12/2020	amendments	31/12/2020 amended
TOTAL BANKING OPERATING EXPENSES	(98 299)	(1 178)	(99 477)
Incurred interest and similar expenses	(93 057)	(907)	(93 963)
Commissions	(708)	(271)	(979)

Description	31/12/2020	amendments	31/12/2020 amended
General operating expenses	(16 653)	1 178	(15 475)
<i>Other expenses</i>	(3 276)	(1 178)	(2 098)

3. Explanatory notes on financial statements

Note 1 : Cash and balances with Tunisian Central Bank, Post Office accounts and General treasury

This item on December 31, 2021 represents a balance of 52 774 thousand Tunisian dinars compared to 13 614 thousand Tunisian dinars on December 31, 2020, detailed as follows:

Description	31/12/2021	31/12/2020
Cash	5 067	5 310
IBS cash	1 550	1 550
Other accruals on investments	3	-
Investments with Central Bank of Tunisia	24 000	-
Central Bank of Tunisia	22 154	6 754
Total	52 774	13 614

Note 2 : Loans to banking and financial institutions

This item on December 31, 2021 represents a balance of 330 683 thousand Tunisian dinars compared to 153 686 thousand Tunisian dinars on December 31, 2020, detailed as follows :

Description	31/12/2021	31/12/2020
Foreign banks	13 413	7 996
Investments in Foreign Banks	83 416	-
Financial institutions	10 000	5 392
Investments in money market	223 000	139 669
Other receivables	854	629
Total	330 683	153 686

The dues are distributed to banking and financial institutions according to the type of clients as follows:

Description	Related companies	Associated companies	Other companies	Total
Foreign banks	-	-	13 413	13 413
Financial institutions	-	-	83 417	83 417
Investments in Foreign Banks	-	-	10 000	10 000
Investments in money market	-	-	223 000	223 000
Other receivables	-	-	853	853
Total	-	-	330 683	330 683

Note 3 : Loans to customers

Note 3.1 : This item on December 31, 2021 represents a net debit balance of 835 993 thousand Tunisian dinars compared to 1 012 144 thousand Tunisian dinars on December 31, 2020, detailed as follows :

Description	Gross total 31/12/2021	Interests collected in advance	Suspended interest 31/12/2021	Provisions 31/12/2021	Additional provisions	General character provisions	Net total 31/12/2021	Net total 31/12/2020
Long and medium term loans	420 375	-	(44 046)					
Short term loans	605 542	(2 941)	(86 670)					
Loans to individuals	94 633	-	(4 551)					
Lease loans	22 570	(366)	(2 485)					
TOTAL	1 143 120	(3 307)	(137 752)	(106 845)	(40 405)	(18 818)	835 993	1 012 144

Note 3.2 : Commitments breakdown per risks

As at 31 December 2021, the customers' commitments (including off-balance sheet items) are classified as follows:

Description	Year	Normal assets	Assets with specific follow-up	Substandard assets	Doubtful assets	Compromised assets	Total
Commitments	2021	376 944	164 206	51 863	28 967	640 732	1 262 712
	2020	382 279	231 672	83 917	93 210	657 499	1 448 594
Suspended interests	2021	(101)	(152)	(4 189)	(3 219)	(130 091)	(137 752)
	2020	(18)	(161)	(6 695)	(9 150)	(120 263)	(136 287)
Interests collected in advance	2021	(3 307)					(3 307)
	2020	(5 135)					(5 135)
Provisions	2021	(18 818)		(152 607)			(171 425)
	2020	(18 296)		(174 085)			(192 381)

The provisions were calculated based on a guarantee issued by the parent bank, amounting to 49 130 thousand Tunisian dinars. This guarantee was elaborated through SWIFT on May 30th, 2019. It should be noted that this guarantee extends its effectiveness until June 30th, 2023. Without this guarantee, the bank would have made provisions amounting to 27 883 thousand Tunisian dinars.

The Bank wrote-off customers' portfolio amounting 131 086 thousand Tunisian dinars after Board approval held on the 19th of October 2021.

The customers' portfolio mainly consists in classified assets B4 class (compromised assets for more than one year) and B5 (assets under litigation). The customers' portfolio is covered by provisions amounting 86 466 thousand Tunisian dinars and by suspended interests amounting 44 620 thousand Tunisian dinars.

The aim of the write-off is to improve the non-performant loans rate.

Note 4 : Trading securities portfolio

This item on December 31, 2021 represents a balance of 4 751 thousand Tunisian dinars compared to 4 581 thousand Tunisian dinars on December 31, 2020, detailed as follows:

Description	31/12/2021	31/12/2020
Trading securities listed in the Stock Exchange	5 091	4 873
Provisions / Investment securities	(340)	(292)
Total	4 751	4 581

Note 5 : Investment securities portfolio

This item on December 31, 2021 represents a balance of 202 587 thousand Tunisian dinars compared to 122 136 thousand Tunisian dinars on December 31, 2020, detailed as follows:

Description	31/12/2021	31/12/2020
Investment securities	2 246	2 246
Investment certificates (TQR)	6 000	6 000
Treasury bonds and trading securities	193 114	113 827
Other receivables / Treasury bonds and trading securities	3 169	2 005
Dividends receivables	10	10
Provisions / investment securities	(1 952)	(1 952)
Total	202 587	122 136

The investment securities related to subsidiaries or joint ventures are detailed as follows:

Description	Sector	Control rate	Bank contribution
TQR	Financial	100%	300
TQF	Financial	100%	500
Total			800

The investment portfolio is divided according to the type of link with the company as follows:

Description	Related companies	Associated companies	Other companies	Total
Investment securities	-	800	1 446	2 246
Investment certificates (TQR)	-	6 000	-	6 000
Treasury bonds and trading securities	-	-	193 114	193 114
other receivables / Treasury bonds and trading securities	-	-	3 169	3 169
Dividends receivables	-	-	10	10
Provisions / investment securities	-	(678)	(1 274)	(1 952)
Total	-	6 122	196 465	202 587

The recorded operations related to investment securities and treasury bonds during the year are summarized as follows:

Gross Amount at the beginning of the period	113 827
Current year acquisitions	80 296
Amortization of Bond Discount	1 891
Bond loan reimbursement	(2 900)
Gross Amount at the end of the period	193 114

Note 6 : Fixed assets

This item on December 31, 2021 represents a balance of 20 353 thousand Tunisian dinars compared to 17 995 thousand Tunisian dinars on December 31, 2020. The transactions recorded during the year related to fixed assets are detailed as follows:

Properties	Improvements	Equip. & computer hardware	Vehicles	Total	Properties
Opening balance 31-12-2020	15 111	19 837	14 089	557	49 594
Cancellations	-	(319)	-	-	(319)
Disposal	(39)	(61)	(587)	(1)	(688)
Acquisitions	-	1 906	4 097	-	(6 003)
Sales	-	-	-	-	-
Closing balance 31-12-2021	15 072	21 363	17 599	556	54 590
Opening balance of amortizations 31-12-2020	(4 801)	(16 357)	(9 937)	(504)	(31 599)
Amortization Allowances	(422)	(1 228)	(1 675)	(1)	(3 326)
Amortizations of scrapped assets	39	61	587	1	688
Sales	-	-	-	-	-
Opening balance of amortizations 31-12-2021	(5 184)	(17 524)	(11 025)	(504)	(34 237)
Closing balance at 31-12-2021	9 888	3 839	6 574	52	20 353

Note 7 : Other assets

This item on December 31, 2021 represents a balance of 47 111 thousand Tunisian dinars compared to 39 429 thousand Tunisian dinars on December 31, 2020.

Description	31/12/2021	31/12/2020
Other receivables	1 044	2 942
Staff loans	38 622	32 309
Accruals related to clearing	4 426	1 736
Receivables taken over by Tunisian state	3 019	2 442
Total	47 111	39 429

Note 8 : Deposits and balances at the Central Bank of Tunisia

This item on December 31, 2021 represents a balance of 0 thousand Tunisian dinars compared to 1 040 thousand Tunisian dinars on December 31, 2020.

Description	31/12/2021	31/12/2020
Central Bank	-	1 040
Total	-	1 040

Note 9 : Deposits and balances of financial and banking institutions

This item on December 31, 2021 represents a balance of 60 031 thousand Tunisian dinars compared to 148 427 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Tunisian banks	-	138 018
Foreign banks	5 613	5 578
Financial institutions	53 820	843
Accrued interests not yet due	598	5 297
Revaluation result related to SWAPS transactions	-	(1 309)
Total	60 031	148 427

The deposits and balances of financial and banking institutions are divided according to the nature of the counterparty as follows :

Description	Related companies	Associated companies	Other companies	Total
Foreign banks	-	-	5 613	5 613
Financial institutions	-	-	53 820	53 820
Accrued interests not yet due	-	-	598	598
Total			60 031	60 031

Note 10 : Customers deposits

This item on December 31, 2021 represents a debit balance of 1 096 638 thousand Tunisian dinars compared to 806 479 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Deposits on demand	306 068	367 669
Term deposits	506 346	261 294

Description	31/12/2021	31/12/2020
Savings accounts	107 279	96 184
Deposits certificates	153 000	40 500
Accrued interests not yet due	1 183	1 754
Other payables	22 762	39 078
Total	1 096 638	806 479

The Customer deposits are divided according to the nature of customer as follows :

Description	Related companies	Associated companies	Other companies	Total
Savings accounts	-	-	306 068	306 068
Deposits on demand	-	464	505 882	506 346
Term deposits	-	4 150	103 129	107 279
Deposits certificates	-	-	153 000	153 000
Accrued interests not yet due	-	39	1 144	1 183
Other payables	-	-	22 762	22 762
Total	-	4 653	1 091 985	1 096 638

Note 11 : Borrowings and special resources

This item on December 31, 2021 represents a balance of 236 946 thousand Tunisian dinars compared to 337 906 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Borrowings from EBRD	60 343	90 514
Borrowings from QNB DOHA	172 050	240 870
Italian line	3 033	3 612
Accrued interests not yet due	1 520	2 909
Total	236 946	337 906

The recorded operations related to borrowings and special resources during the year are summarized as follows :

Description	Italian funding	QNB borrowings	EBRD borrowings
Gross Amount at the beginning of the period	3 612	240 870	90 514
Current year borrowings	-	-	-
Borrowings reimbursements	(579)	(68 820)	(30 171)
Gross Amount at the end of the period	3 033	172 050	60 343

Note 12 : Other liabilities

This item on December 31, 2021 represents a balance of 51 190 thousand Tunisian dinars compared to 45 086 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Tax and social security charges	6 571	5 908
Accruals accounts	11 737	10 508

Description	31/12/2021	31/12/2020
Other payables	6 691	3 784
Other payables/ Accruals related to clearing accounts	5 711	4 928
Other payables Tunis Ré	4 083	7 151
Interests related to SWAPS transactions	-	340
Other provisions	16 397	12 467
Total	51 190	45 086

Note 13 : Shareholders' equity

This item on December 31, 2021 represents a balance of 49 447 thousand Tunisian dinars compared to 24 647 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	Balance 31/12/2020	Income allocation 2020	Capital decrease	Capital increase	Net Income	Balance 31/12/2021
Subscribed capital	260 000	-	(236 000)	130 000	-	154 000
Other reserves	-	-	-	-	-	-
Legal reserves	647	-	-	-	-	647
Carry forward balance	(124 633)	(111 367)	236 000	-	-	-
Net income of the year	(111 367)	(111 367)	-	-	(105 200)	(105 200)
Total	24 647	-	-	130 000	(105 200)	49 447

At the end of the fiscal year ended on December 31, 2020, the bank recorded an accumulation of losses of 236 million dinars, and therefore its own funds became within the amount of 24.647 million dinars, less than half of the estimated capital of 260 million dinars.

Considering that this situation, if it continues, would constitute a violation of the provisions of the Tunisian Commercial Companies Code, given the lack of balance between the bank's own funds and the capital, in addition to its failure to respect the precautionary standards stipulated in the circulars (brochures) of the Central Bank of Tunisia, so it included the bank's business plan for the period 2021- 2023 and approved by the Board of Directors held on April 6, 2021, many corrective measures, including the year 2021, a restructuring of the bank's capital as follows: Reducing it by absorbing the entire value of the accumulated losses estimated at 236 million dinars, then increasing it simultaneously by 130 million dinars .

Note 14 : Financing commitments granted to customers

This item on December 31, 2021 represents a balance of 5 536 thousand Tunisian dinars related to unused long and medium-term loans compared to 16 184 thousand Tunisian dinars on December 31, 2020.

Note 15 : Financing commitments received from Banks

This item represents the unreleased part of the EBRD loan amounting 20 million euros.

Note 16 : Guaranties received from customers

This item consists of audited guarantees (mortgages and financial) related to classified loans on December 31, 2021 represents a balance of 589 652 thousand Tunisian dinars compared to 627 864 thousand Tunisian dinars on December 31, 2020 detailed as follows:

Description	31/12/2021	31/12/2020
Guarantees in kind	538 968	599 726
Pledged term deposits and saving accounts	40 873	11 664
Pledged other customers' receivables	9 811	16 475
Total	589 652	627 864

Note 17 : Guaranties received from Banks and financial institutions

This item consists of the banking guarantee issued by the parent Bank and the received guarantees from SOTUGAR. This item on December 31, 2021 represents a balance of 114 300 thousand Tunisian dinars compared to 153 098 thousand Tunisian dinars on December 31, 2020.

Description	31/12/2021	31/12/2020
SOTUGAR and Insurance companies	24 400	19 322
Banking guarantee issued by parent bank to the benefit of EBRD	55 818	84 646
Banking guarantee issued by parent bank for risks coverage	34 082	49 130
Total	114 300	153 098

Note 18 : Interests and similar income

This item on December 31, 2021 represents a balance of 73 204 thousand Tunisian dinars compared to 85 197 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Interests on investments	9 935	10 339
Interests on medium and long term loans	20 327	20 646
Interests on medium and long term loans to individuals	9 704	9 862
Interests on short term loans and prefinancing loans	15 460	22 079
Interests on discounted bills	1 856	3 576
interests on current accounts	11 630	13 967
Commissions on documentary credits	1 297	510
Commissions on warranties and guarantees	1 558	2 010
Commissions on commitments	44	66
Interests on leasing loans	1 393	2 142
Total	73 204	85 197

Note 19 : Commissions

This item on December 31, 2021 represents a balance of 8 161 thousand Tunisian dinars compared to 6 165 thousand Tunisian dinars on December 31, 2020 detailed as follows:

Description	31/12/2021	31/12/2020
Commissions on current accounts	1 629	1 526
Commissions on cheques, transfers, letter of credits and other commissions	3 359	2 384
management commissions on medium and long term loans	2 141	1 525
Commissions on cash	892	581
Commissions on financial transactions	87	84
Commissions on commitments by signature	53	65
Total	8 161	6 165

Note 20 : Profit on trading securities portfolio and financial operations

This item on December 31, 2021 represents a balance of 7 627 thousand Tunisian dinars compared to 3 910 thousand Tunisian dinars on December 31, 2020 detailed as follows:

Description	31/12/2021	31/12/2020
Net profit related to trading securities portfolio	171	(174)
Paid dividends	218	118
Year's Allocation / Trading securities listed in the Stock Exchange	(47)	(292)
Net profits from financial transactions	7 456	4 084
Net profits on exchange transactions	7 456	4 084
Total	7 627	3 910

Note 21 : Income of investment portfolio

This item on December 31, 2021 represents a balance of 12 726 thousand Tunisian dinars compared to 9 077 thousand Tunisian dinars on December 31, 2020. This item consists of paid dividends related to investment securities as follows:

Description	31/12/2021	31/12/2020
Interests on treasury bonds	12 726	9 077
Total	12 726	9 077

Note 22 : Incurred interest and similar expenses

This item on December 31, 2021 represents a balance of 72 543 thousand Tunisian dinars compared to 93 963 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Interests on money market borrowings	(2 870)	(12 518)
Commission on exchange risks hedging	(19 162)	(26 188)
Interests on foreign borrowings	(5 914)	(10 411)
Interests on customers' deposits	(44 597)	(44 846)
Total	(72 543)	(93 963)

Note 23 : Loss on trading securities portfolio and financial transactions

The amount of interests on SWAP transaction on December 31, 2021 represents a balance of 1 637 thousand Tunisian dinars compared to 4 534 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Interests on SWAP transaction with Central Bank	(1 637)	(4 534)
Total	(1 637)	(4 534)

Note 24 : Allocations to provisions and value corrections income loans on loans, off-balance sheet items and liabilities

This item on December 31, 2021 represents a balance of 70 411 thousand Tunisian dinars compared to 64 186 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Provision allocations of the year	(41 802)	(44 547)
Net allocations on additional provisions	(35 230)	(20 072)
Collective provisions (with general character)	(518)	967
Provision reversals of the year on Non-performing loans	11 527	2 945
Write-off	(86 466)	
Provision reversals on write-off portfolio	86 466	
Loss on loans portfolio covered by provision	(537)	-
Provision reversals on Non-performing loans	537	
Loss on loans portfolio covered by provision	(2 851)	(760)
Provision on Other assets	(945)	
Allocation on other risks	(705)	(2 719)
reversals on other risks	113	-
Total	(70 411)	(64 186)

Note 25 : Allocations to provisions and value corrections income on investment portfolio

This item shows a null balance on December 31, 2021 against a total expense of 4 thousand in 2020 yearend.

Description	31/12/2021	31/12/2020
Provisions allocations on Securities portfolio	-	(4)
Total	-	(4)

Note 26 : Payroll expenses

This item on December 31, 2021 represents a balance of 36 347 thousand Tunisian dinars compared to 32 448 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Pensions	(25 813)	(25 287)
Social security and fiscal charges	(6 492)	(6 064)
Other receivables	(786)	(760)
Paid vacation leaves	(284)	(26)
Provision for retirement indemnities	(2 972)	(311)
Total	(36 347)	(32 448)

Note 27 : General operating expenses

This item on December 31, 2021 represents a balance of 20 458 thousand Tunisian dinars compared to 15 475 thousand Tunisian dinars on December 31, 2020 detailed as follows :

Description	31/12/2021	31/12/2020
Branches rents	(1 628)	(1 478)
Presents and reception expenses	(267)	(158)
Professional training expenses	(417)	(86)
Telecommunication subscriptions	(7 387)	(4 855)
Publishing and advertising expenses	(692)	(811)
Head office and branches insurances	(133)	(136)
Other insurances "BGF"	(2 579)	(2 262)
Bonuses and fees	(2 914)	(1 967)
Maintenance and repair	(1 159)	(837)
Office furniture and prints	(817)	(787)
Other expenses	(2 465)	(2 098)
Total	(20 458)	(15 475)

Note 28 : Corporate tax

The Bank is subject as from 2003 to the corporate tax at the public rate equal to 35% on the taxable profit. The corporate tax for 2021 year is the legal minimum amount (according to the law n°2005-106 dated 19th December 2005) is equal to 317 Tunisian thousands dinars compared to 341 Tunisian thousands dinars as of December 2020.

The amount of the tax result related to the year 2021 is 270 861 thousand Tunisian dinars including a differed amortization by an amount of 49 492 thousand Tunisian dinars and differed losses by an amount of 221 369 thousand Tunisian dinars.

The tax result us as follows:

Year	Differed losses	Differed amortization
2016	2 932	-
2017	-	34 325
2018	-	4 101
2019	30 511	3 953
2020	99 343	3 786
2021	88 583	3 327
Total	221 369	49 492

Note 29 : Cash and cash equivalent

This item on December 31, 2021 represents a balance of 366 987 thousand Tunisian dinars compared to 16 643 thousand Tunisian dinars on December 31, 2020 detailed as follows:

Description	31/12/2021	31/12/2020
Cash	6 617	6 860
Central Bank of Tunisia	22 154	6 754
Foreign Banks	13 413	7 996
Investments on money market	223 000	139 669
Investment with Central Bank of Tunisia	24 000	-
Investment in foreign Banks	83 416	-
Borrowings from money market	-	(138 018)
Foreign Borrowings	-	(1 040)
Foreign banks	(5 613)	(5 578)
Total	366 987	16 643

Note 30 : Earnings per share

The earnings per share on December 31, 2021 amounted 4.682 Tunisian dinars compared to 4.283 Tunisian dinars on December 31, 2020.

Description	31/12/2021	31/12/2020
Net income of the year (Tunisian dinars)	(105 200 066)	(111 366 802)
Number of shares	22 466 667	26 000 000
Earnings per share	(4.682)	(4.283)

4. Transactions with related parties :

Transactions with TQR

- TQR carried out term placement operations at QNB Tunisia during the year 2021, with a duration between 90 days and 180 days. Those operations amounted to TND 4 150 thousand on December 31, 2021. The related interests amounted to TND 197 thousand TND including 39 thousand accrued interest not yet due.
- On December 1st, 2015, QNB Tunisia has granted a long-term loan to TQR for an amount of TND 11 000 thousand at an interest rate of 4,55%. The interest during the year 2021 amounted to TND 381 thousand

- On December 1st, 2015, QNB Tunisia has subscribed share certificates issued by TQR for an amount of TND 6,000 thousand. The benefits obtained from these certificates amounted to TND 420 thousand during the year 2021.
- Qatar National Bank of Tunisia provided the TQR, with its headquarters for free.

Transactions with QNB DOHA (Mother Company)

- The intangible fixed assets in progress account includes an amount of 1 150 thousand Tunisian dinars, which was billed by the parent bank. This amount represents the cost of providing external human resources for the implementation of some projects in progress.
- The Qatar National Bank Doha rescheduled on the 24th of June 2019 short term loans into a medium term loan amounting 120 million USD over a 5 -year period. The financial costs of this loan for 2021 year amounted 1 546 Thousand USD and the loan outstanding as of 31st December 2021 amounted 60 million USD
- The Qatar National Bank DOHA issued a banking guarantee to cover the loan granted by the European Bank for Reconstruction and Development (EBRD) at an interest rate equal to 0,75%. The financial cost related to the guarantee amounted 159 Thousand euros during 2021 year
- The Qatar National Bank Tunisia received a guarantee issued by the parent Bank on May 31st, 2019, which concerns a group of customers, amounting 49.130 thousand Tunisian dinars without interest.

The concluded bank guarantees are detailed as follows :

Operation	31/12/2021
Mother company guarantee to the benefit of the EBRD	EUR 17 143 thousand
Mother company guarantee to cover risks	TND 49 130 thousand

- The Qatar National Bank Doha opened a current account deposit amounting to 1.476 thousand USD as of December 31st, 2021 held at QNB Tunisia. This account bears interest at the rate of 0,5% and received 6,2 thousand USD as interest related to 2021 year.
- QNB-TUN carried out investment transactions in foreign currencies (EURO-USD) which has generated interest amounting to 7 074 TND. The list of investment transactions carried out by the parent bank with QNB-TUN amounts to 83,416,575 Tunisian dinars, which corresponds to investment transactions estimated at 7 500 thousand US dollars, with an interest rate of 0,25%, and investment transactions estimated at 19,000 thousand euros, with an interest rate of 0%.
- The value of technical services and consultations provided by Qatar National Bank Doha and billed to QNB Tunisia during 2021 year amounted 3 633 thousand Tunisian dinars without considering the related taxes carried by Qatar National Bank Tunisia. The value of the liabilities related to these expenses amounted to TND 1 658 thousand as of December 31, 2021.

5. Distribution of pledges by sectors:

The pledges are distributed according to sectors between loans and contributions as follows:

Sector	Loans	Participations
Real estate sector	85 619	643
Services sector	199 264	1 041
Tourism sector	58 969	374

Sector	Loans	Participations
Industrial sector	469 000	188
Agricultural sector	52 006	-
Trade sector	285 207	-
Loans to individuals	175 196	-
Total	1 325 261	2 246

6. Balance sheet item breakdown per maturity

ASSETS	Less than 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 2 years	From 2 years to 5 years	From 5 years to 7 years	More than 7 years	Total
Cash and balances with Tunisian Central Bank,	52 774	-	-	-	-	-	-	52 744
Due to banks and financial institutions	321 183	500	1 000	4 000	4 000	-	-	330 683
Loans and advances	223 851	51 904	35 500	54 838	92 546	20 884	356 470	835 993
Trading securities portfolio			4 751	-	-	-	-	4 751
Investment portfolio	-	400	31 068	58 431	41 347	71 036	305	202 587
Property & Equipment	-	-	138	284	5 378	3 573	10 980	20 353
Other assets	8 583	2 334	2 441	3 791	8 957	4 743	16 262	47 111
TOTAL ASSETS	606 391	55 138	74 898	121 344	152 228	100 236	384 017	1 494 252
Due from Central Bank of Tunisia	-	-	-	-	-	-	-	-
Due from banks and financial institutions	39 031	10 000	11 000	-	-	-	-	60 031
Customers deposits	688 762	94 898	136 854	24 950	151 174	-	-	1 096 638
Borrowings and special resources	33 811	17 507	49 797	99 595	36 220	16	-	236 946
Other liabilities	40 150	-	-	-	-	-	11 040	51 190
Shareholder's Equity	-	-	-	-	-	-	49 447	49 447
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	801 754	122 405	197 651	124 545	187 394	16	60 487	1 494 252

