

# Chairman's Statement

*Dear Shareholders,*

ON BEHALF OF YOUR BOARD OF DIRECTORS, it is my honour and privilege as the Chairman, to present you the Annual Report of Tunis International Bank (TIB), for the financial year ended December 31<sup>st</sup>, 2016.

I am pleased to share with you this year's report as I am satisfied with the performance achieved by our Bank despite Tunisia's unprecedented and challenging economic conditions over the last year and the slow global economic recovery. Economic indicators are mainly negative as evidenced by the large and growing imbalances in public finances, the continuous decrease of the dinar; and the decline of foreign investments. This economic downturn was coupled with the growing competition due to the liberalisation of the local financial sector.

We are determined to prevent any temporary setbacks from slowing down the Bank's progress and growth. Indeed, the major cornerstones of our operating mode are to continuously improve our ability to deliver superior results in order to exceed our customers' expectations and optimize shareholders' value.

## BANK'S PERFORMANCE

Tunis International Bank is pleased to announce that its underlying performance continues to deliver steady value increases to its shareholders, maintaining the trend established over recent years. Tunis International Bank's Return on Equity (ROE) reached 9.94%, net Earnings per Share (EPS) work out at US\$ 2.51 and the Return on Assets (ROA) is 2.22 %. 2016 has been yet another year of progress for our Bank, underpinning our well established leading role in the Tunisian offshore banking sector.

This was achieved despite the decrease in net consolidated results whilst maintaining a backdrop of more than adequate equity levels, implementing rigorous internal control management policies, and continuing to build a solid customer base.

Tunis International Bank's consolidated profit reached US\$ 12.564 million in 2016 compared to US\$ 14.215 million in 2015. This consolidated figure was achieved despite narrowing revenue from subsidiaries, specifically in Algeria. This decrease is mainly due to the continuous depreciation of the Algerian Dinar.

The year 2016 was also marked by the introduction of a new banking and financial law as well as new regulatory requirements from the Central Bank of Tunisia (CBT). The new directives concern the set-up of new maximum exposure limits to related parties and the introduction of operational risk capital charge in the computation of the Capital Adequacy Ratio (CAR).

The Corporate Governance Policy of the Bank was amended accordingly to comply with the new banking regulations and provisions. The policy of the Bank has always focused on maintaining a good balance sheet structure and a strong capital base. The appropriate level of the Bank's equity minimized the impact of the revised CAR which stands at 36.16%.

The Bank has a low concentrated corporate loan portfolio with an adequate quality of assets reflected by a very low level of Non-Performing Loans (NPL's) and an excellent NPL ratio.

## Chairman's Statement

The new Anti-Money Laundering (AML) system is now firmly in place allowing a full compliance with the best practices and standards and providing enhancements to various functionalities and services.

Positive and meaningful synergies with Burgan Bank Group, as well as sister companies, were generated and developed throughout the year. Customer relationship management techniques, best practices in Anti-Money Laundering, risk and joint club deal participation, and advanced risk management tools were all successfully implemented. Business-wise, this synergy has provided the Bank with the opportunity to extend its activities internationally to its neighbouring countries and opening the door to larger markets with diversified placements and funding sources.

We aim to gain recognition from our clients and community to be amongst the best service providers in our industry. We reiterate that the executive team and your Board of Directors continue to be fully dedicated to achieving these objectives. Our intention is to ensure that these fundamentals are maintained, as they form the bedrock for future value accretion

### GRATITUDE

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

I also wish to extend my deep appreciation to our shareholders for their unrelenting support and to our customers for their continued trust and confidence. Last, and by no means least, I would like to acknowledge the loyalty, dedication, professionalism, and teamwork of our senior management and staff members, who have worked above and beyond to ensure positive results in 2016. I thank you all once again and I am confident that Tunis International Bank is well positioned for continued future success.

*Masaud Hayat*

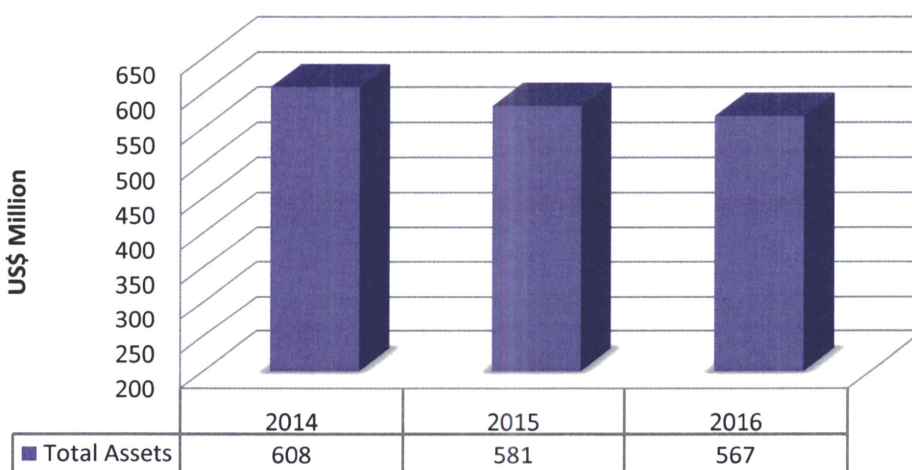
*Chairman of the Board of Directors*



In 2016, TIB concluded yet another year of steady and sustained progress. The Bank generated an operating income of US\$20.01 million against US\$ 21.9 million in 2015. Net income stands at US\$ 12.564 million. TIB has been generating values to its shareholders for more than 20 years now.

Despite the tight global and regional economic conditions, the Bank accomplished its performance strategy underpinning its well established leading role in the Tunisian offshore banking sector, with consolidated year-to-date total assets US\$ 566.9 million against US\$ 580.6 million in 2015. For consolidation purposes, average exchange rate at which foreign currencies crystallized into US\$ in our books depreciated by about 7.6%. Accordingly, consolidated total assets have been distorted by the exchange rate changes.

### Total Assets



Earning assets on the balance sheet registered a decrease on a year-on-year basis by US\$29 million or 5.55% compared to the previous year. This decrease was due mainly to the drop in Tunisian offshore activity and the stagnation of the major capital markets. Indeed, as prudent measure, the bank reduced its loan and investment portfolio to avoid possible potential increase of nonperforming and/or devaluated assets.

The funding of assets were made up essentially of US\$418 million in total deposits (74% of total assets) of which customers' deposits amounted to US\$253.7 million and interbank deposits US\$164.3 million. Customers' deposits represent almost 61% of total deposits and 45% of total assets. These deposits continue to remain relatively stable and as a permanent source of funding.

Shareholders' funds totaled US\$ 138.9 million registered an increase on a year-on-year basis by US\$9.94 million or 7.7% compared to the previous year. The Algerian Dinars devaluation impacted negatively on the consolidated equity of the Bank. Return on equity (ROE) is 9.94% and return on Assets (ROA) stands at 2.22%. At 37.32%, the Bank comfortably exceeds the minimum regulatory ratio of 10% as established by the Tunisian banking directives.

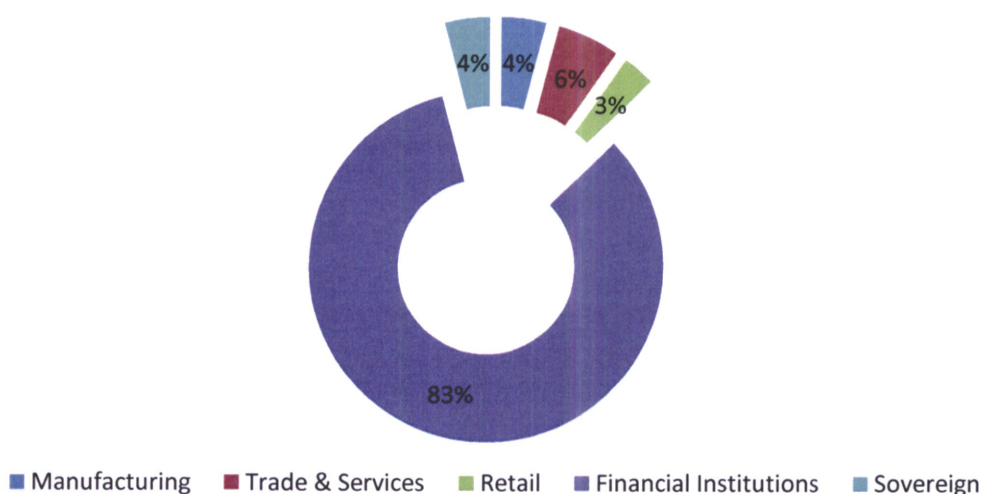
TIB's average liquidity ratio of 107.6% is significantly above the Central Bank of Tunisia and the internationally agreed standards minimum requirements of 100%. The Bank continues to maintain a liquid balance sheet by having a high proportion of liquid assets at all times.

Liquidity is actively managed through dealings in the major world markets through the Bank's extensive network of international and reputable counterparties.

### Loans and Investment

Over the years, TIB has developed a broadly diversified loan portfolio in line with sound risk management principles. With the exception of exposures on financial institutions, the loan book remains diversified, with the largest sector, the trade and services sector, accounting for 5.77% of total loans and advances. About 18.79% of the portfolio is within MENA region, although there is no significant concentration in any single country and 60% lies within OECD countries.

**Loan Portfolio Distribution  
by Industry**



All exposures pertaining to non-performing loans that are over 90 days past due, or in a nonaccrual status have been provided for in compliance with the local regulatory requirements and IAS regulations. Consistent with its policy of prudent provisioning, allowances for loan losses of the Bank fully covers adequately all nonperforming loans.

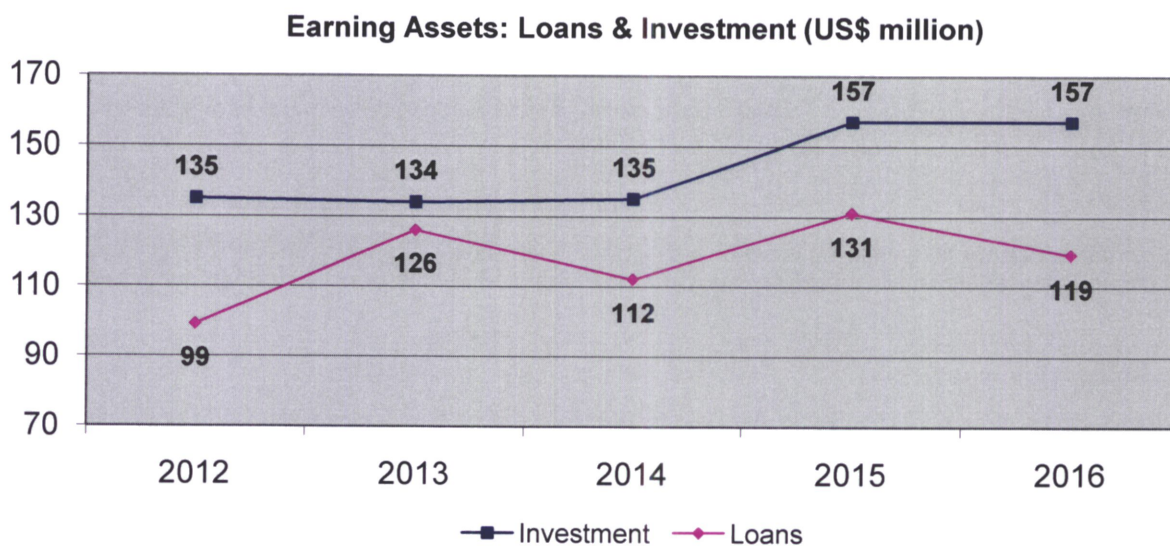
Lending strategy remains unchanged with the core portfolio comprising short-term related discounting and refinancing facilities and participation in international syndication market to well reputable banks. SME's financing are conducted on a very selective and prudent basis in order to maintain a low insolvency risk and to preserve the value of the Bank. The Bank aims to excel in providing a comprehensive service to its corporate, commercial and retail customers.

Based on a maturity profile analysis, 52% of TIB's loan portfolio or US\$68.78 million is due to mature within one year. The remaining facilities have a maturity greater than one year but less than 5 years. Some of these loan facilities are syndicated loans for banks established in OECD countries.



In US\$ terms, commercial lending decreased by US\$ 11.7 million while at US\$156.5 million investment portfolio remained stable. However, more than half of the loan book is denominated in Euro. The current year witnessed foreign exchange volatility, particularly in €/US\$ where the Euro fell almost 3.47% from the beginning of the year to finish just below 1.06 at year end. Accordingly, loan and investment amounts have been distorted by exchange rate changes.

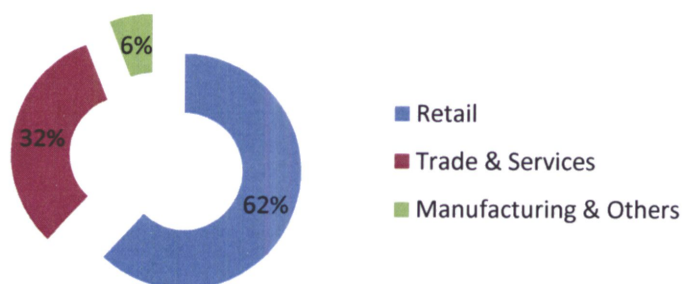
The level of provisioning reflects a combination of very low levels of problem loans within TIB thanks to the Bank’s prudent lending policy.



**Funding**

The Bank continues to attract deposits on a selective basis and to focus on high net worth individuals and corporate clients with stable resources. Customer deposits constitute a core and cheaper source of funding for the Bank. Funding sources analysis shows that retail activity ensures about 62 % of the Bank’s core customer deposits followed by trade and services with 32% and the remaining 6% is ensured by manufacturing and other industry sectors.

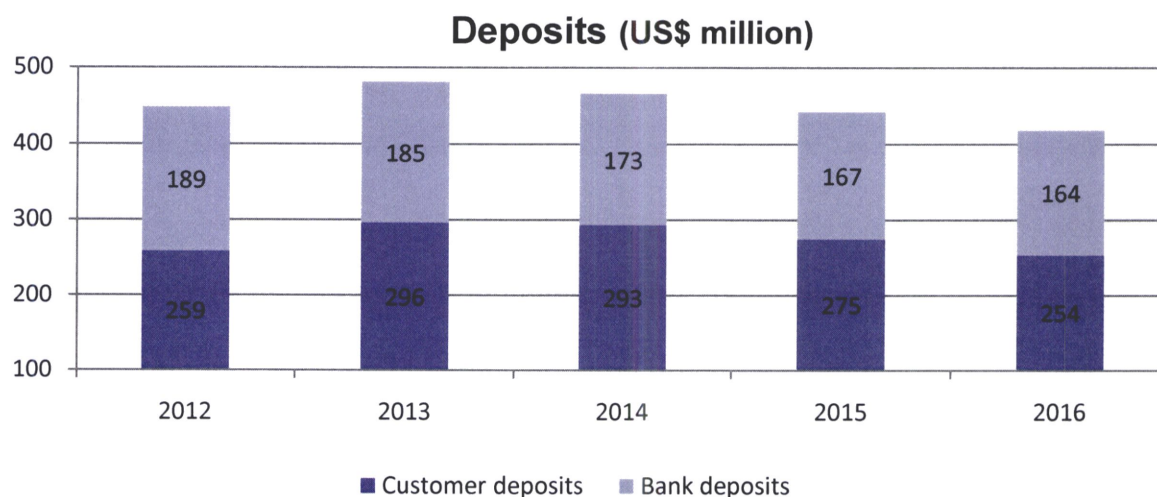
**Funding Sources**



TIB has always had a large customer deposit base. The maintained historically low interest rates of major currencies with negative interest rates on Euro, required the Bank to offer low deposit rates and customers to seek better and alternative avenues of higher return to their money. Consequently, customer deposits decrease by US\$21 million or 7.61 %. The fall of the Euro against US\$ contributed partly the decrease of customer deposits.

The Bank is however cognizant of the importance of building up customer loyalty and continues to emphasize its exceptional customer service. This focus was maintained throughout the year and is an integral principle in our core banking activities. The Bank is confident that in the long run, the loyalty of its customers will ensure a stable and lower cost funding base.

The Bank manages its excess of liquidity by financing on selective basis profitable commercial and business opportunities. Based on a maturity profile analysis, deposits with a tenor of less than a month comprise the majority of TIB's customer deposits. These deposits are rolled over regularly and make up the main source of funding for the Bank. An analysis of the customer deposits by currency indicates that the composition of Euro-denominated deposits represent roughly 65% of total deposits; the US dollar ranks second to the Euro representing about 29 % of deposits.

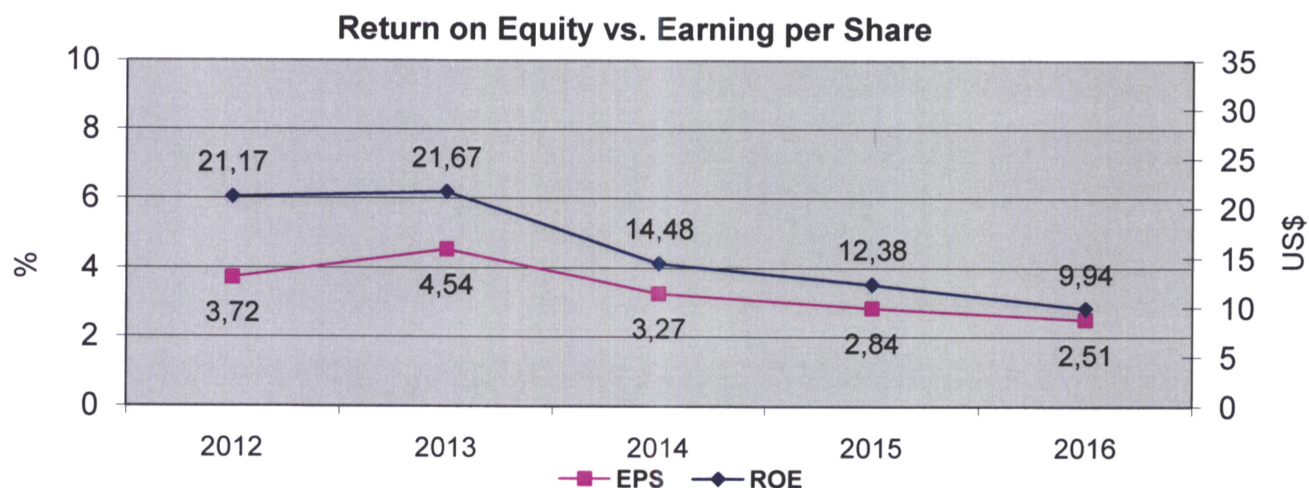


## Net Income

TIB generated interest income of US\$ 4.9 million and noninterest income of US\$ 16.5 million in 2016. Income from subsidiaries provided US\$ 7.19 million compared to US\$ 10.7 million in 2015. This consolidated figure was achieved despite the depreciation of the Algerian Dinars by 7.6% coupled with the changing of foreign exchange regulation in Algeria. Despite this decrease, income from subsidiaries maintained its contribution to the Bank's revenue at about 33.7% down from 53% in 2014 and 55.3% in 2013.

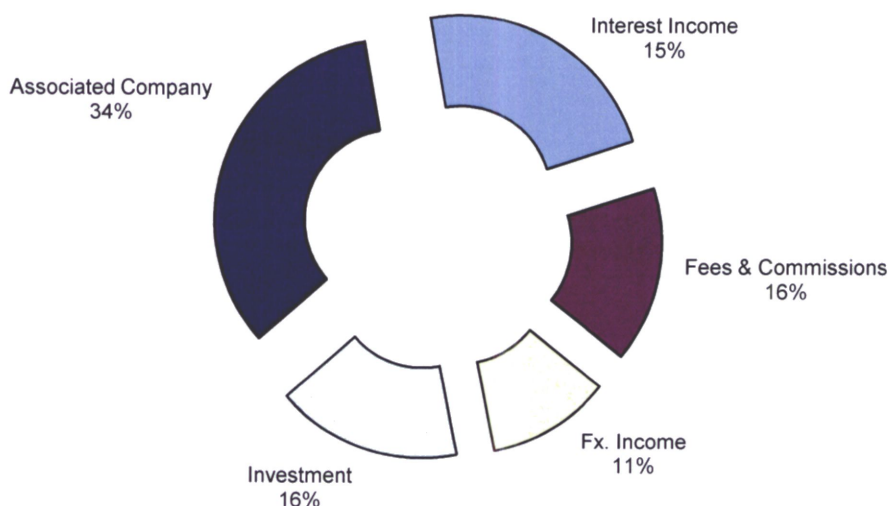
Since the accounting books of the Bank is denominated in US dollars and given the Bank's balance sheet structure and revenues are almost equally split between US dollars and Euros, the decrease in Euro against US dollar negatively affects both the Bank's balance sheet and income statement.

Profit after tax for the year 2016 was US\$ 12.56 million which rounds up to US\$ 2.51 per share of US\$10.00. TIB is committed to constantly enhancing value to its shareholders.



The fall in Euros against the US dollar had a significant drag on the bank’s operating results. Consequently, net banking products decreased in 2016 to US\$ 20.01 million from US\$ 21.9 million in the previous year. The Bank maintained its tight control over noninterest expenses, succeeding to keep figures almost at the same level as last year. Indeed, noninterest expenses slightly increased by about US\$ 117 k reaching a total of US\$ 7.47 million in 2016.

### Sources of Revenue December 31, 2016





## Capitalisation

Consolidated shareholders' funds before appropriation totaled US\$ 139 million. The policy of the Bank has always been to maintain a good balance sheet structure and a strong capital base. It is supervised by the Central Bank of Tunisia (CBT) and is required to maintain a minimum capital ratio of 10% known as the risk asset ratio (RAR). TIB's capital adequacy ratio of about 36.16% is significantly above the CBT's and the internationally agreed threshold. TIB is ranked among the top banks in Tunisia when classified by risk asset ratio. Net recovery of credit losses and interest collected on loans that were impaired contributed to the equity improvement of the bank.

**Consolidated Shareholders' Fund (US\$ million)**

