

ANNUAL REPORT 2020



بنك تونس العالمي
Tunis International Bank



ANNUAL REPORT 2020



Libyo-Punic Mausoleum of Dougga

“The beautiful images presented in this report reflect seven Tunisian sites and monuments inscribed by UNESCO on the World Heritage List for their cultural value.

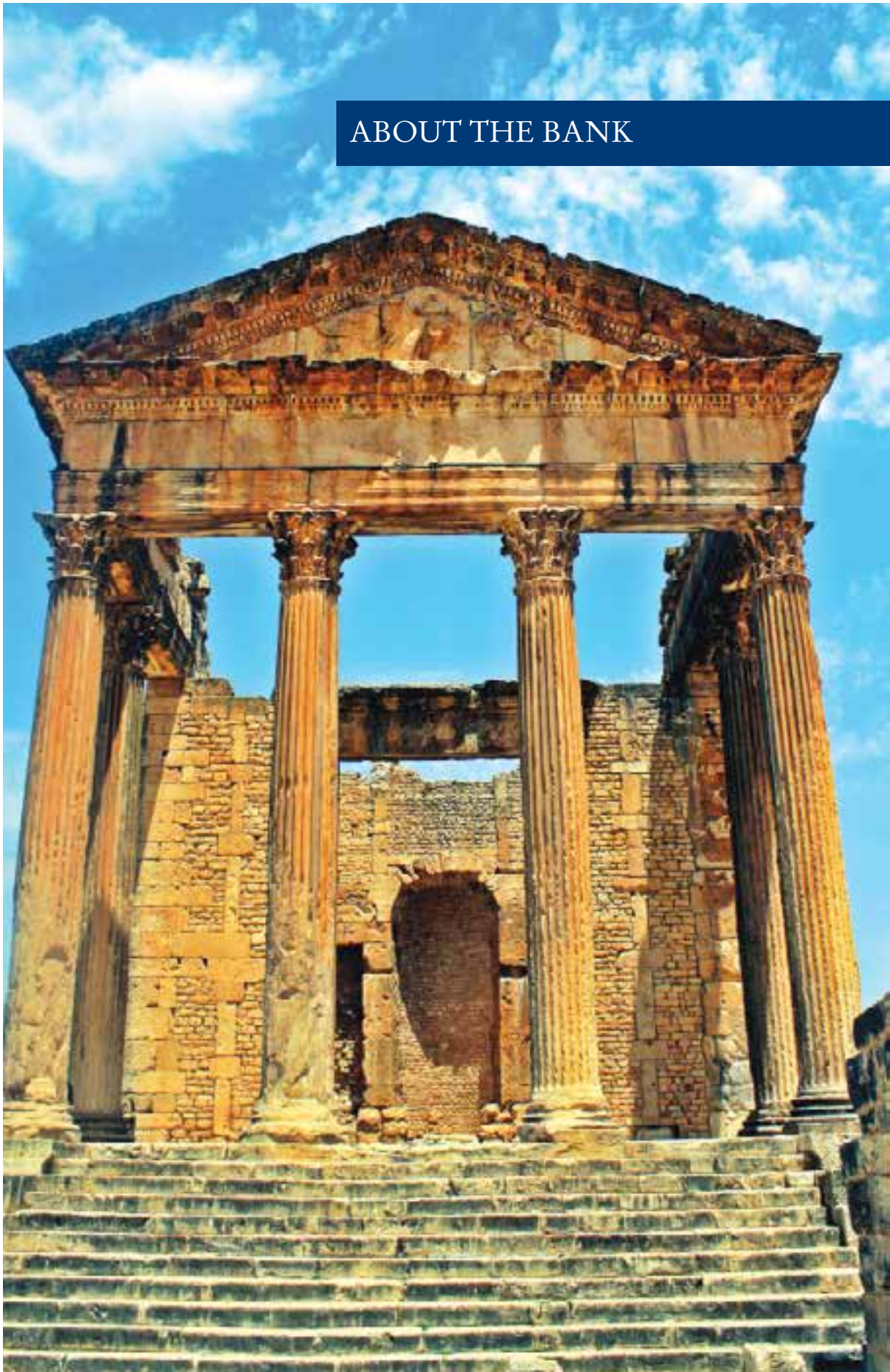
These are the sites of Carthage, Dougga, El jem and Kerkouane as well as the medinas of Tunis, Kairouan and Sousse.

Tunisia has achieved a synthesis of multiple influences.”

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ABOUT THE BANK



Capitol of Dougga

TUNIS INTERNATIONAL BANK



Tunis International Bank (TIB) was created in June 1982 and was the first bank established in Tunisia as a fully licensed banking corporation under the Tunisian Law of July 12th, 1976 replaced on August 12th, 2009. TIB operates under the supervision of the Central Bank of Tunisia (CBT) and is a member of Tunisia's Clearing House Association. TIB is a private non-resident commercial bank and its main shareholder is Burgan Bank, Kuwait, which is a subsidiary of the Kuwait Projects Company (Holding) K.S.C "KIPCO".

Our Bank's reputation has been fully established as a local provider of the highest quality products and services. TIB provides a comprehensive range of international financial services for corporations, financial institutions, governments and individuals both in Tunisia and abroad including the following: Foreign Exchange and Money Market operations in all convertible currencies including Tunisian dinars, International Trade Financing, Private Banking Facilities, Loan Syndications and Forfeiting, Commercial Banking, Investments, Visa Card and American Express Card. Our product range will be constantly reviewed to ensure that we are able, within our credit and procedural policies, to meet the range of needs in our local market base. This will include maximising the products and services that we are able to offer as a result of the synergies that we have and are further developing, with co-members of the KIPCO group.

The Bank continues to be an innovative institution both internationally and domestically and is dedicated to providing banking services of the highest standards. As a Tunisian bank based in Tunis, TIB's traditional and natural marketplace has been the Maghreb countries. The Maghreb countries will remain TIB's primary target market by maximising the opportunities available to us by working with our associated company Gulf Bank Algeria in Algiers, Algeria and also with our bank's representative office in Tripoli, Libya.

Looking ahead, TIB aims to play a key role in promoting business and partnerships between Gulf investors and the Maghreb. In addition to this region, business has also been developed involving Western European and other Mediterranean countries. The Bank's traditional and natural customer base in Tunisia has been non-resident companies, which are usually majority owned by foreigners, exporting most, if not all, of their manufactured products and able to deal freely in foreign currencies.

TIB's Website:
www.tib.com.tn

BURGAN BANK



Established in 1977, Burgan Bank is the youngest conventional Bank and second largest by assets in Kuwait, with a significant focus on the corporate and financial institutions sectors, as well as having a growing retail, and private bank customer base.

Burgan Bank has majority owned subsidiaries in the MENAT region supported by one of the largest regional branch networks, which include Gulf Bank Algeria - AGB (Algeria), Bank of Baghdad - BOB (Iraq & Lebanon), Tunis International Bank – TIB (Tunisia), and fully owned Burgan Bank – Turkey, (collectively known as the “Burgan Bank Group”). Furthermore, Burgan Bank has a presence in the UAE through its corporate office (“Burgan Financial Services Limited) which had helped the bank to participate in multiple financing opportunities in the UAE.

Burgan Bank’s Website:
www.burgan.com

KUWAIT PROJECTS COMPANY (HOLDING) K.S.C (KIPCO)



The KIPCO Group is one of the largest holding companies in the Middle East and North Africa, with consolidated assets of US\$ 34 billion. The Group has significant ownership interests in a portfolio of more than 60 companies operating across 24 countries. The Group's main business sectors are financial services, media, real estate, manufacturing and education.

KIPCO's financial service interests include holdings in commercial banks, asset management, investment banking and insurance companies. The Group's core operations in this sector include Burgan Bank, United Gulf Holding and Gulf Insurance Group. In the media sector, the Group holds a majority ownership of OSN, the leading pay-TV and on-demand video operator in the region.

KIPCO's Website:
www.kipco.com

BOARD OF DIRECTORS

The Board of Directors was elected on March 15th, 2018 for a mandate of three years.

- Masaud M.J. Hayat **Chairman of the Board**
Chairman of the Board Corporate Governance Committee
Vice-Chairman and Group Chief Executive Officer, Burgan Bank, Kuwait
Chairman of United Gulf Holding Co, Bahrain
Chairman of United Gulf Bank, Bahrain
Vice-Chairman of Gulf Bank Algeria, Algeria
Vice-Chairman Bank of Baghdad, Iraq
Vice-Chairman of FIMBank pl.c., Malta
Board Member of Jordan Kuwait Bank, Jordan
Board Member of KIPCO Asset Management Co (KAMCO), Kuwait
Board Member of North Africa Holding Company, Kuwait
Board Member Mashare'a Al- Khair Est, Kuwait
- Mr. Hayat has been appointed as Group Chief Executive Officer of Burgan Bank since April 2019 in addition to his capacity as Vice Chairman of the Board and has been Board Member of Burgan since 2013. Mr. Hayat brings to the board his extensive experience of 44 years in Banking, Commercial, investment and management industries.
- Mr. Hayat started his career in Al- Ahli Bank of Kuwait in 1974 where he worked in various fields such as operations, Local and International Credit until he reached the post of Deputy Chief General Manager and Acting CEO in 1992, and advisor to the Board of Directors in until 1996.
- Mr. Hayat has held key positions and Board memberships in the Kipco Group since 1997 in banking, telecommunications, investments and services, including his role as Chief Executive Officer – Banking (2010-2019).
- Mr. Hayat holds a Bachelor's Degree in Economics from Kuwait University since 1973 and a Diploma in Banking Science since 1975.
- Rabih Soukarieh **Member of the Board**
Member of the Board Nomination and Remuneration Committee
Member of the Board Corporate Governance Committee
Board, Executive and Credit Committee Member of FIMBank p.l.c., Malta
Chairman of the Board and Executive Committee of Syria Gulf Bank, Syria
Chief Executive Officer of Gulf Bank Algeria (AGB), Algeria, since August 2015.
- Mr. Soukarieh has over 25 years of experience in the financial services industry and has been an employee of the KIPCO Group for more than 15 years. Prior to joining AGB, he has served as CEO of United Gulf Bank, Bahrain,

BOARD OF DIRECTORS

between March 2012 and August 2015, Chairman and CEO of Millenium Private Equity, Dubai, and CEO of United Gulf Financial Services - Qatar. Mr. Soukarieh also served as Group Chief Financial Officer of Wataniya Telecom Group of companies between December 2004 and December 2007.

Mr. Soukarieh holds a Masters in Business Administration from Northeastern University and a Bachelor of Science in Finance from Indiana University, Bloomington, U.S.A.

Mohamed Louhab Independent Board Member
Chairman of the Board Audit Committee
Member of the Board Nomination and Remuneration Committee

Board Member and Chairman of the Board Audit Committee at L'Algérienne des Assurances (2A), Algeria

Mr. Louhab is a consultant in the financial sector since 2015. With over 40 years experience in his field, he served as General Manager for several reputable banks in Algeria, notably Gulf Bank Algeria's (AGB) and Trust Bank.

Mr. Louhab holds a Bachelor of Science in Economics and a Master's Degree in Management from l'Institut des Etudes Politiques in Algiers, Algeria. He also received a Banking Management Degree from l'Institut des Etudes Bancaires—CNAM in Paris, France as well as a Diploma in Banking and Finance (Cours supérieur d'économie bancaire) from FinAfrica in Milan, Italy.

Bader Al Awadhi Member of the Board
Member of the Board Audit Committee
Member of the Board Corporate Governance Committee

Investment and Financial Management Consultant and Representative for Private Companies

Independent Board Member, Member of the Board Audit Committee, and Member of the Nomination and Remuneration Committee at United Gulf Bank, Bahrain

Board Member of ManarInterholdings SL, Spain

Founder and ex-Board Member of MADA Real Estate Development Company, Saudi Arabia

Former Board Member of National International Investment Holding Company, Kuwait

Mr. Al Awadhi holds a Bachelor of Science in Industrial Engineering from the University of Miami, and has completed the General Manager Program and the Program for Management Development at Harvard Business school, USA. Mr. Al Awadhi has over 30 years of experience in the Banking sector and Investment Sectors.

BOARD OF DIRECTORS

Mohamed
Fethi Houidi

Member of the Board
Member of the Board Audit Committee
Chairman of the Board Nomination and Remuneration Committee

Former Chairman of the Board of Ooredoo, Tunisia

Mr. Houidi held high ranking duties in the Tunisian public sector. He was the Ambassador of Tunisia in Beirut from 2000 to 2002.

Mr. Houidi holds a Doctorate degree in the Science of Communication from the University of Paris II and a Bachelors degree in French Literature from the University of Paris Sorbonne, France.

Yacoub Algusane

Member of the Board
Member of the Board Risk Committee

Board Member, Chairman of Corporate Governance Committee, Member of Management Oversight Committee, SACEM Industries, Tunisia
Board Member of Hempel Marine Paints in Kuwait, Bahrain, Qatar and Saudi Arabia

Board Member of Sands Pharmaceutical, Canada

Board Member of Fujeira Investment Group, United Arab Emirates

Member of the Board of Kuwait Danish Dairy, Kuwait

Managing Director of Danish Saudi Dairy, Saudi Arabia

Chief Executive Officer of EPFM Management Training, Algeria

Mr. Algusane is owner and proprietor of Coubi Group, Ottawa, Canada. The company's main business sectors are financial services: Wealth Management, Trading and Investment.

Mr. Algusane held management positions in various companies in the United States of America, the United Kingdom and Kuwait. Mr. Algusane holds a Masters in Business Administration from Columbia Graduate School of Business, New York and a Bachelor of Arts from International Business Law Tokai University, Japan.

BOARD OF DIRECTORS

Khalid Al Zouman Member of the Board
Member of the Board Risk Committee

Board member of Burgan Bank Turkey, Turkey
Board member of Kuwait Clearing Company, Kuwait

Mr. Al Zouman is the Chief Financial Officer at Burgan Bank Group, Kuwait. Mr. Al Zouman joined Burgan in 2000. Prior to joining Burgan, Mr. Al Zouman was a Manager at Ernst & Young since 1988. During his experience in E&Y, Mr. Al Zouman was trained for two years in the Pittsburgh office, Pennsylvania, where he also passed his Certified Public Accountant (CPA) examination. Mr. Al Zouman holds a degree in Computer Science from Kuwait University.

Ahmed Benghazi Independent Board Member
Chairman of the Board Risk Committee

Managing partner of ABG, a consulting firm specialized in financial advisory.

Mr. Benghazi was CEO of Axis Capital (now BMCE Capital Tunisia) , a group of companies operating in brokerage, asset management and financial advisory , and managing Director of Fitch North Africa, first local rating company to operate in the region.

Mr. Benghazi held various responsibilities in the ministry of development economy. He, amongst other tasks, contributed to the elaboration of the Tunisian Privatization program in the early nineties.

Mr. Benghazi holds a Masters degree in public administration from Harvard University, J.F. Kennedy School of Government, a Masters degree from l'Ecole Nationale d'Administration, Tunis, and a Bachelors degree in Economics from the University of Economic Sciences of Tunisia.

BOARD OF DIRECTORS

Samir Chebil

Independent Board Member
Member of the Board Risk Committee

Mr. Chebil held high ranking duties at the World Bank and IMF dealing with various strategic and financial sector issues as well as economic development topics and potential reforms notably those related to countries in the Arab World and Africa (1993-2013).

Mr. Chebil held teaching position as Distinguished Professional Lectures and Assistant Professor in the United States and Tunisia (George Washington University, Georgetown University, John Hopkins University, IHEC Tunis). Mr. Chebil taught both MBA and Executive Programs courses mainly in international finance, world economy, international banking, fundamentals of finance, currency and banking crises in emerging markets, managerial economics, and financial derivatives. He received several teaching awards.

Mr. Chebil holds a PhD and an MBA in the Finance field from the George Washington University. Mr. Chebil was awarded the prize of best economic dissertation by the Economic Club of Washington for his thesis on lessons of financial liberalization in developing countries.

Abdelmajid Karoui Board Advisor

SENIOR MANAGEMENT 2020

Mohamed Fekih	Chief Executive Officer
Ali Tebib	Chief Risk Officer
Sami Fezzani	Head of Trade Finance and Financial Institutions
Fehmi Ben Amar	Head of Corporate Banking
Moez Ayachi	Head of Internal Control
Ali Belarbi	Head of Operations
Anas Labidi	Chief Internal Auditor
Alim Ammar	Chief Financial Officer
Meriem Hassad	Head of Investment; Asset and Liability Management
Olfa Ben Aicha	Compliance Officer Money Laundering Reporting Officer
Riadh Mrayhi	Head of Human Resources
Anouar Aouled Ali	Head of Systems and Communication
Ibtissem Sahli	Head of Legal

FINANCIAL HIGHLIGHTS

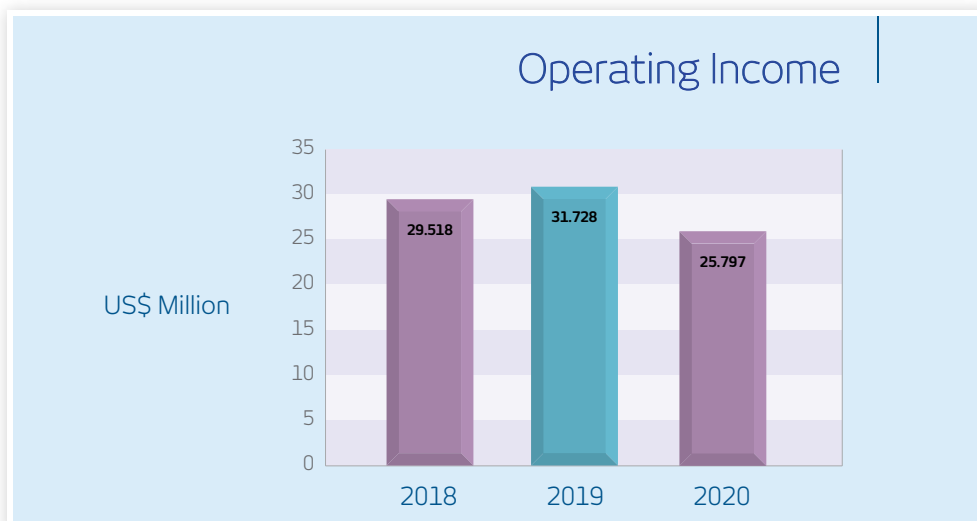
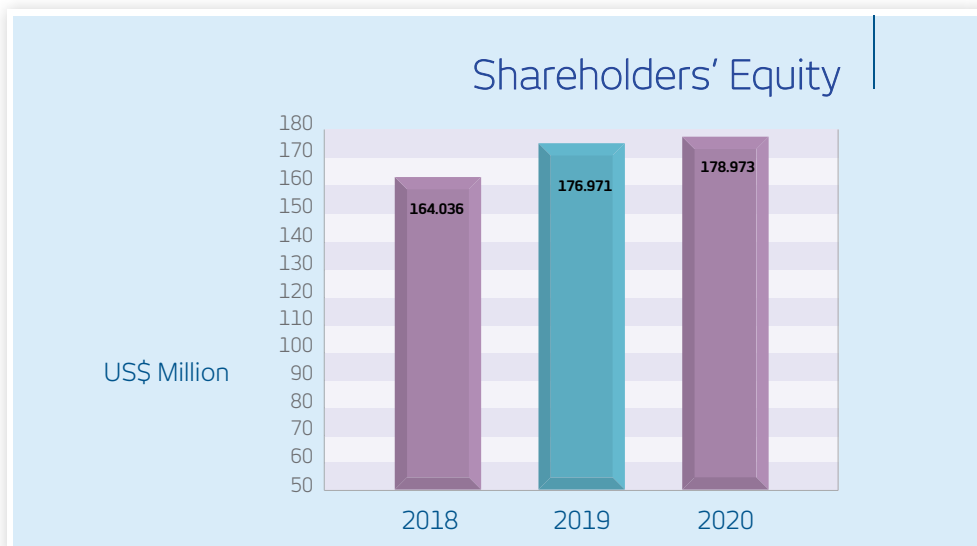
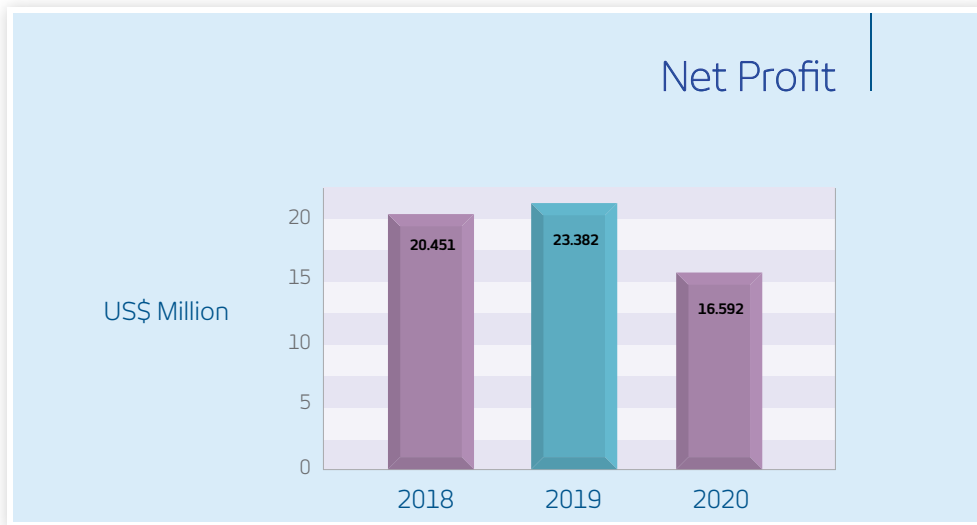
The following is selected consolidated financial information (in US\$ 000's) of Tunis International Bank as at December 31st of the years 2017 up to 2020.

Profit & Loss	2017	2018	2019	2020
Net Interest Income	4,295	6,405	6,573	6,130
Non Interest Income	20,926	23,114	25,155	19,667
Operating Costs	7,959	7,600	7,420	7,744
Operating Profit	17,263	21,918	24,308	18,053
Provisions	91	500	251	950
Net Profit	16,472	20,451	23,382	16,592
Dividend Proposed/Paid	4,000	5,000	5,000	4,000

Balance Sheet	2017	2018	2019	2020
Cash	51,656	80,540	109,629	58,979
Time Deposits	238,688	265,728	218,384	215,685
Investment	156,021	159,955	170,480	157,637
Loans and Advances	142,187	111,692	125,646	151,472
Other Assets	4,897	5,242	5,584	6,777
Total Assets	593,449	623,158	629,723	590,549
Deposits from Banks	163,835	171,381	168,893	168,788
Deposits from Customers	265,134	275,667	271,622	225,431
Other Liabilities	14,138	12,073	12,236	17,357
Total Liabilities	443,107	459,122	452,752	411,576
Shareholders' Funds	150,342	164,036	176,971	178,973

Capitalization	2017	2018	2019	2020
Share Capital	50,000	50,000	50,000	50,000
Reserves	3,293	2,800	4,251	-1,539
Retained Earnings	80,577	90,785	99,337	113,920
Net Profit	16,472	20,451	23,382	16,592
Shareholders' Equity	150,342	164,036	176,971	178,973
Total Capitalization	150,342	164,036	176,971	178,973

FINANCIAL HIGHLIGHTS



CHAIRMAN'S STATEMENT



Archaeological Site of Carthage

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, 2020.

I am pleased to share with you this year's report as I am satisfied with the performance achieved by our Bank despite the significant impact of the COVID-19, along with the low interest rate scenario which has a negative impact on the core banking profitability. Indeed, COVID-19 has generated significant instability and high volatility in global economy. The financial sector has been one of the most affected, with bank profitability dropping in all countries around the world.

Locally the situation is marked by 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 and the decline of foreign investments. This economic downturn was coupled with the growing competition due to the gradual 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

TIB is pleased to announce that its underlying performance continues to deliver steady value increases to its shareholders, maintaining the trend established over the years. Additionally, our performance indicators consistently exceeds those of the non resident financial sector. TIB's return on equity reached 10.22%, net earnings per share works out at US\$3.32 and the return on assets (ROA) is 2.81 %. The year 2020 has been yet another year of progress for our Bank, underpinning our well established leading role in the Tunisian non resident banking sector.

This was achieved despite the decrease in net consolidated results whilst maintaining a backdrop of more than adequate equity levels, implementation of rigorous internal control management policies and continues build up of a solid customer base. TIB's consolidated profit reached US\$ 16.592 million in 2020 compared to US\$ 23.382 million in 2019.

The policy of the Bank has always been to maintain a good balance sheet structure and a strong capital base. The appropriate level of the bank's equity allowed minimizing the impact of the revised CAR which stands at 44.85%.

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 and an excellent NPL ratio.

CHAIRMAN'S STATEMENT

Positive and meaningful synergies with its parent, as well as sister companies, were generated and developed during the year. Customer relationship management techniques, best practice in business disaster recoveries, risk and joint club deal participation, and advanced risk management tools were all successfully applied.

Through its international correspondent's network, TIB is regularly approached by prime international banks for international loan syndications, confirmations of letters of credit and guarantee transactions, forfeiting, and other business deals. Through these regular approaches, TIB is considered as one of the major funding banks in the market region.

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.

In addition to operating within international best practices, the Bank's policy is to strictly abide by the all laws and regulations of the jurisdictions in which it operates.

The bank has implemented strict Anti-Money Laundering (AML) policies and procedures that meet local regulatory requirements as well as international best practices. These AML policies include in addition to the existing Know-Your-Customer (KYC) procedures to control and identify both new and existing clients, a Screening for Negative News procedure to be applied before commencement of a relationship with any customer, prospects, suppliers, counterparties, and vendors to enable proper detection and reporting of suspicious activities and abnormal transactions. The relevant development and training took place both in-house and in external workshops for all staff members reinforcing the strict implementation of our AML policies.

The safety and health of our customers and employees is of the utmost importance and are being monitoring the COVID-19 concern closely and updating our policies as the need arises. In this regard the bank has established a robust COVID-19 operational risk-management framework, including setting up a COVID-19 Committee to identify, share and implement best practices including education to ensure health and safety environment to employee and customers.

The banking hardware environment and software are frequently reviewed and assessed to embrace the new technology and to ensure the efficiency of the bank's operational resilience and business continuity management. Simultaneously, this new technology will improve intrusion detection and physical security measures in order to increase the safety level of the local network and decrease the internal traffic and hackers' intrusion.

CHAIRMAN'S STATEMENT

GRATITUDE

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.

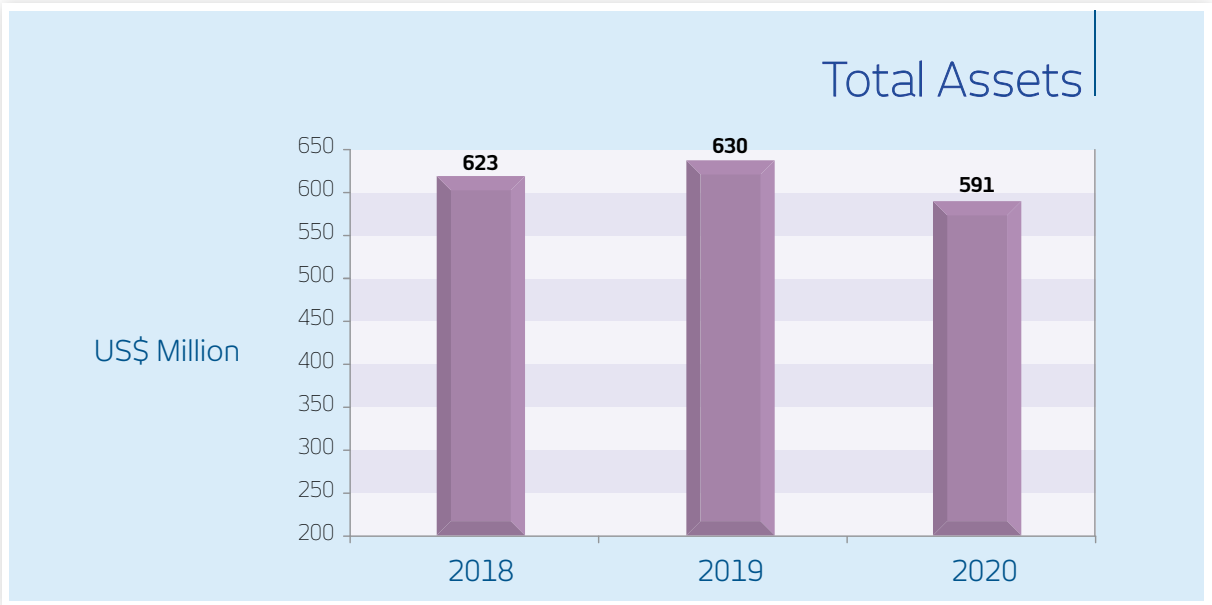
I also wish to extend my deep appreciation to our shareholders for their unrelenting support and to our customers for their continued trust and confidence. Last, and by no means least, I would like to acknowledge the loyalty, dedication, professionalism, and teamwork of our Senior Management and Staff Members, who have worked above and beyond to ensure the positive results in 2020. I thank you all once again and I am confident that TIB is well positioned for continued future success.



Ruins of Kerkouane

In 2020, TIB concluded yet another year of steady and sustained progress. The Bank generated an operating income of US\$25.797 million against US\$ 31.728 million in 2019. Net income stands at US\$ 16.592 million. TIB has been generating values to its shareholders since inception.

Despite the tight global and regional economic conditions, the Bank accomplished its performance strategy underpinning its well established leading role in the Tunisian non resident banking sector, with consolidated year-to-date total assets US\$ 590.549 million.



Earning assets on the balance sheet registered an increase on a year-on-year basis by US\$10 million or 2% compared to the previous year. This increase was due mainly to the loans portfolio by US\$25.825 million or 20.55%.

The funding of assets were made up essentially of US\$394.219 million in total deposits (66.8% of total assets) of which customers’ deposits amounted to US\$225.431 million and interbank deposits US\$168.788 million. Customers’ deposits represent almost 57.2% of total deposits and 38.2% of total assets. These deposits continue to remain relatively stable and as a permanent source of funding.

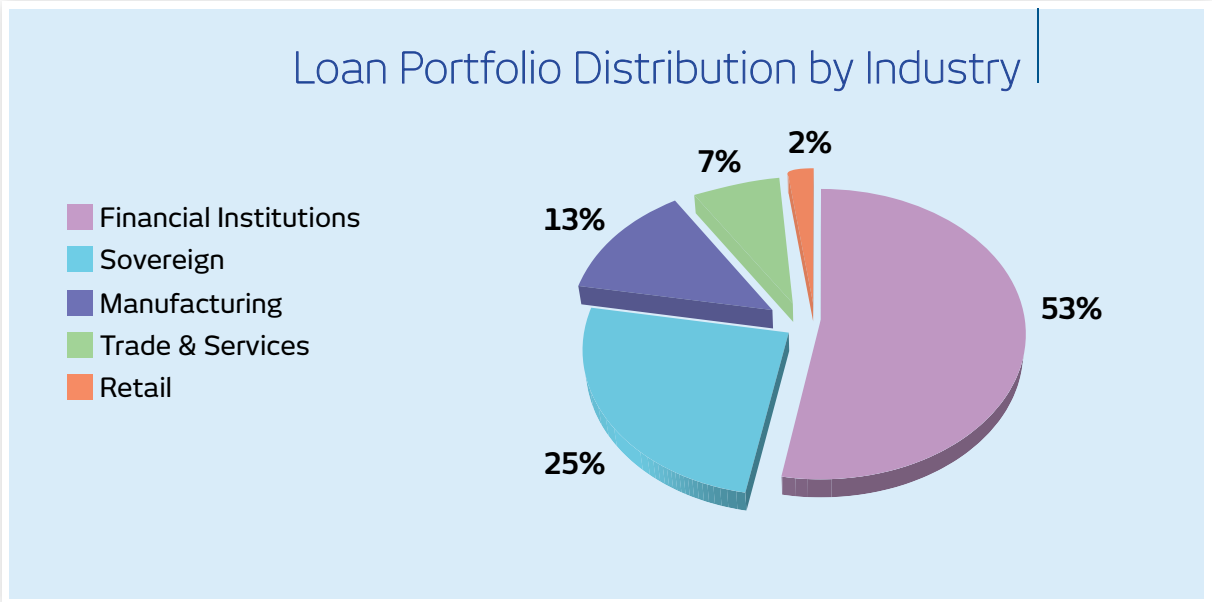
Shareholders’ funds totaled US\$ 178.973 million registered an increase on a year-on-year basis by US\$ 2 million. Return on equity (ROE) is 10.22% and return on assets (ROA) stands at 2.81%. At 44.85%, the Bank comfortably exceeds the minimum regulatory ratio of 10% as established by the Tunisian banking directives.

PERFORMANCE ANNUAL REVIEW 2020

TIB's average liquidity ratio of 112% 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

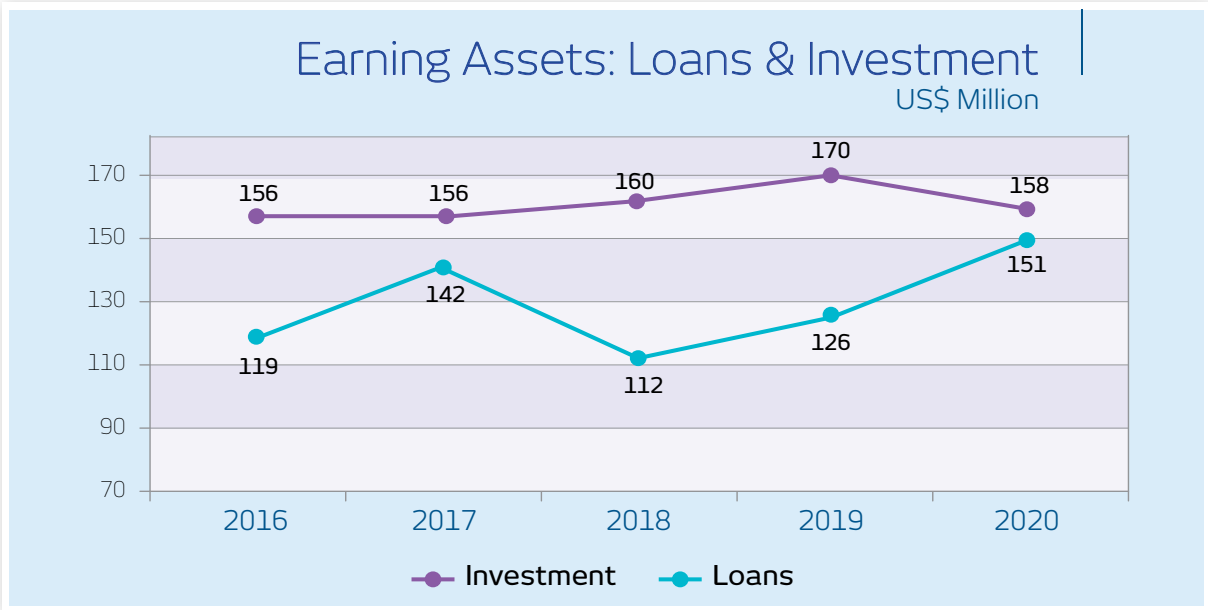
Over the years, TIB has developed a broadly diversified loan portfolio in line with sound risk management principles. With the exception of exposures on financial institutions, the loan book remains diversified, with the largest sector, manufacturing, accounting for 13.3% of total loans and advances. About 41.4% of the portfolio is within MENA region, although there is no significant concentration in any single country and 27.4% lies within OECD countries.



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 IFRS 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.

PERFORMANCE ANNUAL REVIEW 2020



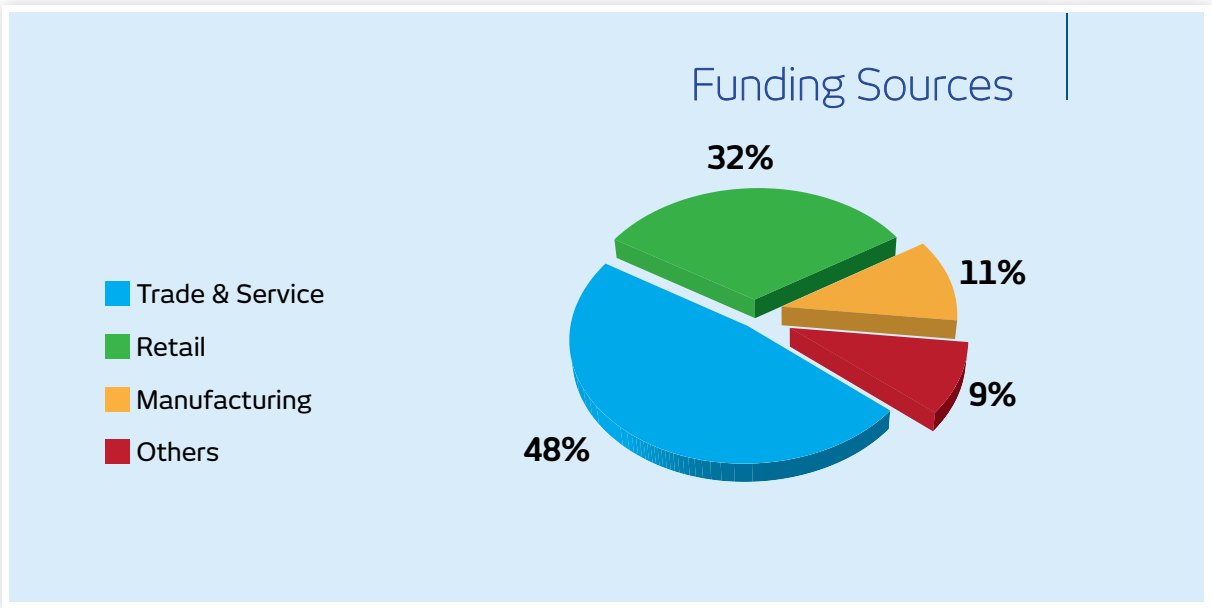
Based on a maturity profile analysis, 56% of TIB’s loan portfolio or US\$87.3 million is due to mature within one year. The remaining facilities have a maturity greater than one year but less than 5 years. Some of these loan facilities are syndicated loans for banks established in OECD countries.

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

PERFORMANCE ANNUAL REVIEW 2020

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 32.17% of the Bank's core customer deposits followed by services with 30.68% and trade with 17.28% the remaining 19.87% is ensured by manufacturing and other sectors.

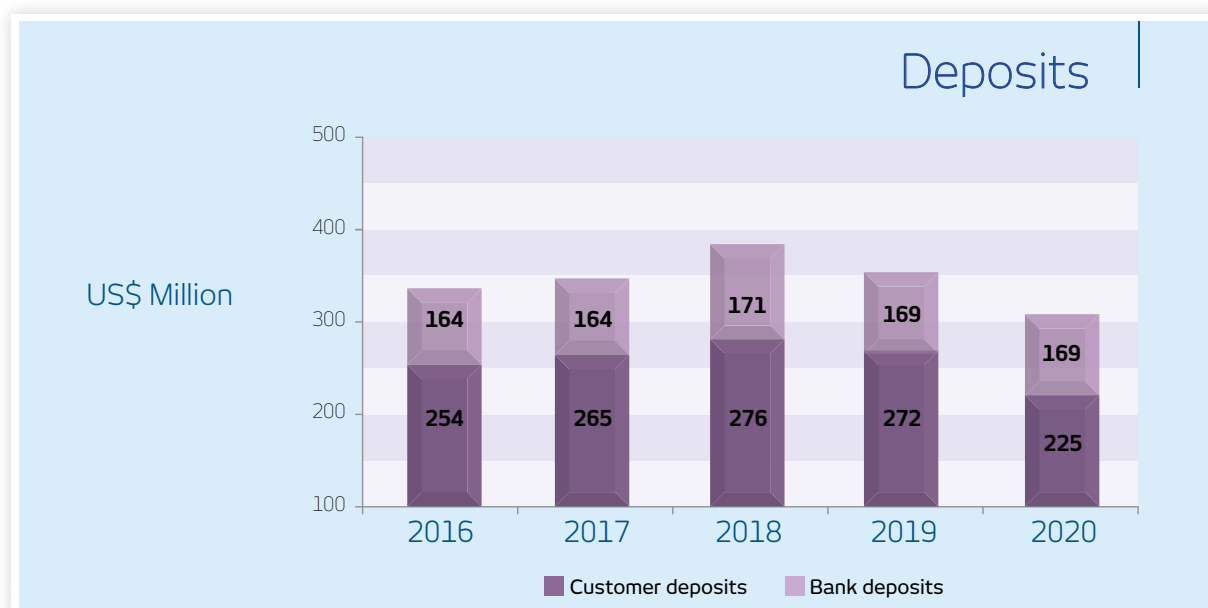


TIB has always had a large customer deposit base. The maintained historically low interest rates of major currencies with negative interest rates on Euro, required the Bank to offer low deposit rates and customers, because of the COVID 19 pandemic, have to use their excess of liquidity. Consequently, customer deposits decrease by US\$46 million or 17.01 %.

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.

PERFORMANCE ANNUAL REVIEW 2020

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 58% of total deposits; the US dollar ranks second to the Euro representing about 33% of deposits.



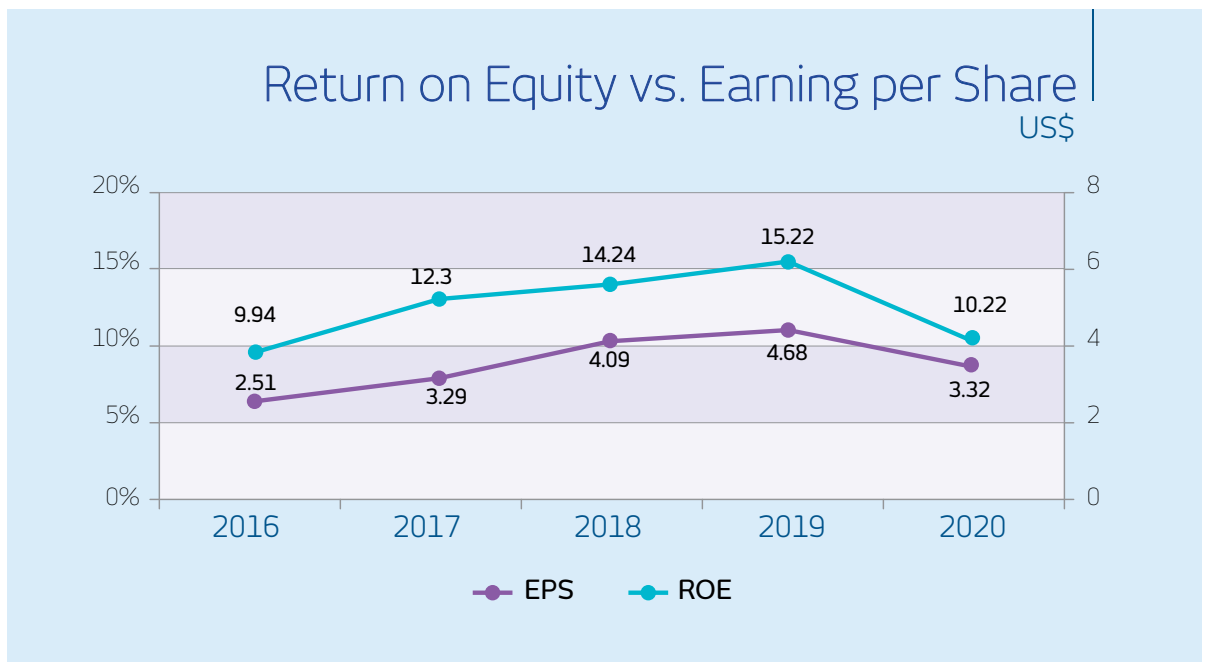
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NET INCOME

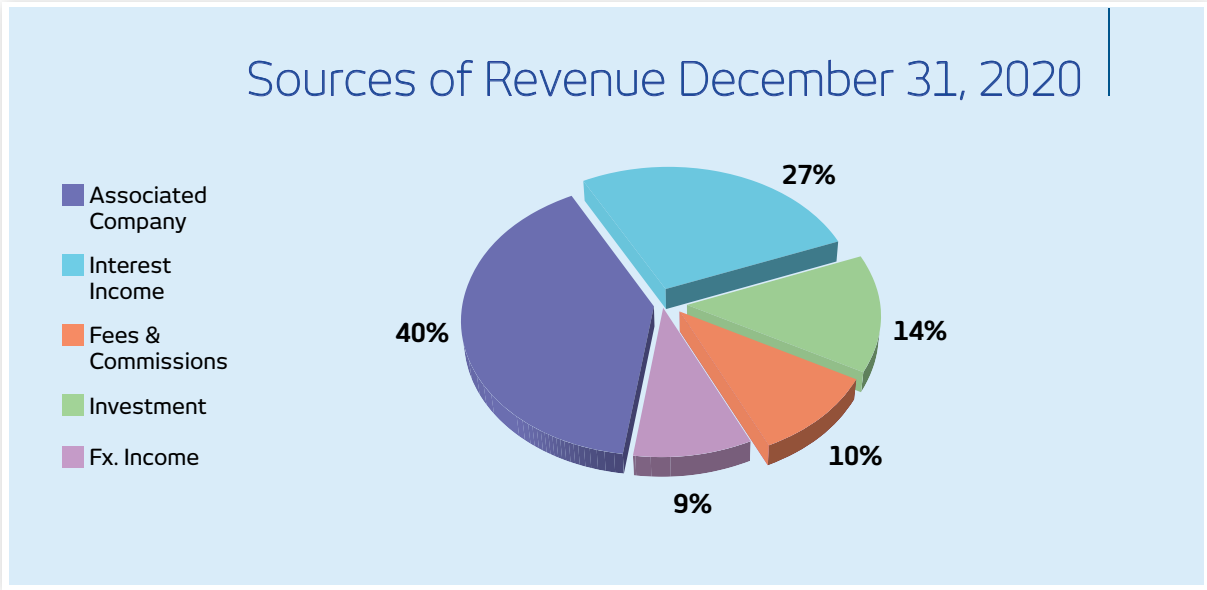
TIB generated interest income of US\$ 7.479 million and noninterest income of US\$ 19.667 million in 2020. Income from subsidiaries provided US\$ 10.850 million compared to US\$ 15.116 million in 2019. Despite this decrease, income from subsidiaries maintained its contribution to the Bank's revenue at about 40% down from 45% in 2019.

Profit after tax for the year 2020 was US\$ 16.592 million which rounds up to US\$ 3.32 per share of US\$10.00. TIB is committed to constantly enhancing value to its shareholders.

PERFORMANCE ANNUAL REVIEW 2020



The sum of the net interest Income and the non interest income decreased in 2020 to US\$ 25.797 million from US\$ 31.728 million in the previous year. The Bank maintained its tight control over noninterest expenses. Indeed, noninterest expenses slightly increased by about US\$ 324 k reaching a total of US\$ 7.744 million in 2020 (including COVID 19 donation amounting to USD 1.4 million).



CAPITALISATION

Consolidated shareholders’ funds before appropriation totaled US\$ 178.973 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 44.85% 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.

AUDITORS' REPORT



Medina of Tunis

Independent Auditor's Report

To the Shareholders of Tunis International Bank,

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Tunis International Bank which comprise the consolidated balance sheet as at December 31st, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity for the year then ended, a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tunis International Bank as at December 31st, 2020 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* sections of our report. We are independent of the Group in accordance with the requirements of the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Bank and our auditor's report thereon.

AUDITORS' REPORT

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

AUDITORS' REPORT

- 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 Group'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 the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 the Board of Directors or its relevant committee 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.

Tunis, March 10th, 2021

Walid MOUSSA



Foued AMIRI



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH IFRS AS AT DECEMBER 31, 2020



Medina of Sousse

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Amounts in US Dollars)

	Notes	2020	2019
ASSETS			
Bank demand and call deposits	3	58 978 761	109 629 387
Time deposits	4	215 685 448	218 383 738
Financial assets designated at fair value through P&L		895 245	826 670
Financial assets at fair value through other comprehensive income	5	33 377 001	34 123 735
Financial assets measured at amortized cost	6	42 418 019	46 941 866
Investments in associated companies	7	80 946 409	88 587 658
Loans and advances, net	8	151 471 540	125 646 139
Accrued interest and other assets	9	4 757 416	3 303 877
Property and equipment, net	10	2 019 211	2 279 798
TOTAL ASSETS		590 549 050	629 722 868
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks and financial institutions	11	168 787 990	168 893 262
Deposits from customers	12	225 431 255	271 622 224
Accrued interest and other liabilities	13	17 356 763	12 236 098
SHAREHOLDERS' EQUITY	14	178 973 042	176 971 284
Share capital		50 000 000	50 000 000
Reserves		32 215 226	30 852 312
Foreign currency translation reserve		-33 754 418	-26 599 952
Retained earnings		130 512 234	122 718 924
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		590 549 050	629 722 868

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

(Amounts in US Dollars)

	Notes	2020	2019
TOTAL INCOME		27 145 308	33 531 649
Interest income	15	7 478 667	8 376 785
Other income, net	16	8 816 672	10 039 195
Share of results of associated companies		10 849 969	15 115 669
INTEREST EXPENSES		1 348 489	1 803 857
Interest expenses	17	1 348 489	1 803 857
OPERATING INCOME		25 796 819	31 727 792
Salaries and benefits	18	3 717 654	3 809 256
General and administrative expenses	19	4 026 415	3 610 855
NET OPERATING INCOME (BEFORE WRITE DOWN AND PROVISIONS)		18 052 750	24 307 681
Allowance for doubtful loans		950 000	250 693
NET INCOME FOR THE YEAR BEFORE TAX		17 102 750	24 056 988
Tax expenses		510 395	675 267
NET INCOME FOR THE YEAR		16 592 356	23 381 721
Number of shares		5 000 000	5 000 000
Earning per share	20	3,32	4,68

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

For the year ended December 31, 2020

(Amounts in US Dollars)

	2020	2019
PROFIT FOR THE YEAR	16 592 356	23 381 721
Net fair value (loss) gain from financial assets at fair value through other comprehensive income	362 913	820 709
Other comprehensive (loss) income for the year	362 913	820 709
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16 955 269	24 202 430

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

(Amounts in US Dollars)

	2020	2019
OPERATING ACTIVITIES		
Net income of the year	16 592 356	23 381 721
Adjustments for :		
Depreciation	393 258	369 752
Social fund	-240 000	-240 000
Share of profit from associates companies	-2 072 263	-10 249 896
Operating profit before changes in operating assets and liabilities	14 673 351	13 261 577
Changes in operating assets and liabilities		
Time deposits	2 698 290	47 344 465
Loans and advances	-24 993 895	-13 940 514
Accrued interest and other assets	-1 453 538	-456 466
Deposits from banks and financial institutions	-105 272	-2 487 943
Deposits from customers	-46 190 969	-4 045 024
Accrued interest and other liabilities	120 666	162 783
Net cash provided by operating activities	-55 251 367	39 838 878
INVESTING ACTIVITIES		
Sales of financial assets designated at fair value through P&L	0	0
Purchase of financial assets at fair value through other comprehensive income	-3 695 300	-2 716 763
Sales of financial assets at fair value through other comprehensive income	4 926 123	206 644
Purchase of financial assets measured at amortized cost	-8 000 000	-2 984 400
Sale of financial assets measured at amortized cost	11 502 589	0
Purchase of fixed assets net	-132 671	-254 746
Net cash used by investing activities	4 600 741	-5 749 265
FINANCING ACTIVITIES		
Dividends paid	0	-5 000 000
Net cash used by financing activities	0	-5 000 000
Increase / Decrease in cash and cash equivalents	-50 650 626	29 089 612
Cash and cash equivalents as of 1st January	109 629 387	80 539 775
Cash and cash equivalents as of 31 December	58 978 761	109 629 387

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2020

(Amounts in US Dollars)

	Share Capital	Statutory Reserve	General Reserve
Balance at December 31, 2018	50 000 000	7 556 427	19 658 734
Net income for the period			
Other comprehensive income			
<i>Total comprehensive income</i>			
Transfer to general reserve			1 000 000
Dividends distributed			
Transfer to social fund			
Share of changes recognised directly in associate's equity			
Balance at December 31, 2019	50 000 000	7 556 427	20 658 734
Net income for the period			
Other comprehensive income			
<i>Total comprehensive income</i>			
Transfer to general reserve			1 000 000
Dividends distributed			
Transfer to social fund			
Share of changes recognised directly in associate's equity			
Balance at December 31, 2020	50 000 000	7 556 427	21 658 734

CONSOLIDATED FINANCIAL STATEMENTS

Revaluation Reserve	Investment FV reserve	Foreign Currency reserve	Retained Earnings	Total
1 000 000	816 443	-26 231 828	111 236 143	164 035 919
			23 381 721	23 381 721
	820 709			820 709
	820 709		23 381 721	24 202 430
			-1 000 000	0
			-5 000 000	-5 000 000
			-240 000	-240 000
		-368 124	-5 658 943	-6 027 067
1 000 000	1 637 151	-26 599 952	122 718 921	176 971 283
			16 592 356	16 592 356
	362 913			362 913
	362 913		16 592 356	16 955 269
			-1 000 000	0
			-5 000 000	-5 000 000
			-240 000	-240 000
		-7 154 466	-2 559 045	-9 713 511
1 000 000	2 000 064	-33 754 418	130 512 232	178 973 042

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Tunis International Bank for the year ended December 31, 2020 were authorised for issue in accordance with resolution of the Board of Directors on February 2021.

Tunis International Bank S.A. (TIB) was established in June 1982 in Tunisia as a fully licensed Bank operating mainly with non residents under the current Tunisian law 2009-64 of August 12th, 2009 and under the supervision of the Central Bank of Tunisia. The main activity of the Bank is corporate and private banking and Money Market operations. The Bank is subject to 10% corporate tax for activities with non residents. The Bank's registered address is 18, avenue des Etats Unis d'Amerique P.O. Box 81 – Le Belvedere 1002, Tunis, Tunisia.

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

2. ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

2.2. Principles of consolidation

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

The associated company included in the consolidated financial statements of TIB is the following:

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

An associated company is one in which the Bank exercises significant influence (but not control) over its operations, generally accompanying, directly or indirectly, a shareholding of between 20% and 50% of the equity share capital.

Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the investee. The Bank recognises in the consolidated statement of income its share of the total recognised profit

CONSOLIDATED FINANCIAL STATEMENTS

or loss of the associate from the date that influence or ownership effectively commences until the date that it effectively ceases.

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

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

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

2.3. Significant accounting judgments and estimates

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

Impairment allowances on loans and advances

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

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

Impairment of financial assets at amortised cost

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

CONSOLIDATED FINANCIAL STATEMENTS

in the income statement. The carrying amount of the asset is reduced directly only upon write-off. The criteria that the Bank uses to determine that there is objective evidence of impairment loss include:

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

2.4. Summary of significant accounting policies

(a) Foreign currency translation

Translation of foreign currency transactions

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

Translation of financial statements of foreign operations

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

(b) Investments

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

Financial assets designated at fair value through P&L:

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

Financial assets at fair value through other comprehensive income:

Investments have been presented in financial assets at fair value through other comprehensive income in accordance with IFRS 9 to better reflect the Bank's business model for managing such assets.

CONSOLIDATED FINANCIAL STATEMENTS

Investments classified as “Financial assets at fair value through other comprehensive income” are measured at fair value. Fair value of investments listed on active markets is determined by reference to quoted bid prices. Fair value of investments listed on inactive markets and unlisted investments are determined using other generally accepted methods such as discounted cash flows or adjusted prices of similar investments. Investments whose fair value cannot be reliably measured are booked at cost. All fair value gain or losses are recognised in the statement of comprehensive income and not recycled through the income statement. Dividend income is recognized in the income statement.

The derecognition of the financial assets at fair value through other comprehensive income is recognised in profit or loss for the difference between:

- (a) The carrying amount (measured at the date of derecognition) and
- (b) The consideration received.

Financial assets measured at amortized cost:

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

(c) Deposits with banks and other financial institutions

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

(d) Allowance for possible losses on income earning assets

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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

(e) Cash and cash equivalents

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

(f) Offsetting

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

(g) Trade and settlement date accounting

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

(h) Interest income and expenses

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

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

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

(i) Fixed assets and depreciation

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

2.5. Sanitary crisis: COVID-19

The year 2020 was characterized by the outbreak of a health crisis related to the spread of the pandemic of the coronavirus (COVID-19) both nationally and internationally, and which has had negative repercussions on the entire global economy and monetary and financial markets. In Tunisia, and in order to mitigate the economic and financial impacts of this pandemic, several measures

CONSOLIDATED FINANCIAL STATEMENTS

have been taken by the public authorities, including the authorization of the postponement, under certain conditions, of the maturities of financing granted and meeting certain eligibility criteria for the postponement of maturities in principal and interest.

Apart from the impact of the COVID-19 pandemic on TIB's consolidated financial statements for the year ended December 31, 2020, as presented above, it should be noted that the virus prevention measures that may be further strengthened and last over time, as well as the lack of visibility on the economic and social impact of this epidemic, constitute risk factors that may have an unfavorable impact on the bank's activities, its operating results and the structure of its uses and resources.

However, at the present time and on the basis of available information, the final impact of the COVID-19 pandemic cannot be reliably estimated; the bank's forecasts will be updated as the situation develops. In addition, given the strength of its current financial position and the unconditional support of its reference shareholders, TIB now has significant resilience factors to face this crisis and ensure the continuity of its activities.

2.6. Post-closing events

The financial statements were approved and authorized for issue by the Board of Directors on February 11, 2021. Accordingly, they do not reflect events subsequent to that date.

However, except for the impact of the COVID-19 pandemic on the Bank's financial statements for the year ended December 31, 2020, as disclosed in note 2.5 to these financial statements, the risk of a downward adjustment to the economic outlook due to the evolution of the pandemic remains significant. The risk of impacting the bank's future activities still remains.

As things currently stand, and based on the information available, the possible impact of the COVID-19 pandemic on the bank's future business and financial condition cannot be reliably estimated.

3. BANK DEMAND AND CALL DEPOSITS

	2020	2019
Cash	802 786	900 622
Due from Banks	58 175 975	108 728 766
	58 978 761	109 629 387

4. TIME DEPOSITS

	2020	2019
Up to 3 months	195 685 448	218 383 738
From 3 months to 1 year	20 000 000	-
	215 685 448	218 383 738

CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A - By nature	2020	2019
Listed securities	13 264 342	13 129 352
Unlisted securities	20 112 659	20 994 383
	33 377 001	34 123 735

B - By currency	2020	2019
US Dollars	22 160 607	20 009 740
Tunisian Dinars	3 995 621	3 578 428
Kuwaiti Dinars	3 320 916	3 400 212
Bahrain Dinars	3 135 797	3 133 302
Pound Sterling	763 425	4 001 418
Jordanian Dinars	635	635
	33 377 001	34 123 735

6. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A - By nature	2020	2019
Government bonds and debt securities	26 526 771	25 053 486
Other bonds and debts securities	15 891 248	21 888 380
	42 418 019	46 941 866

B - By currency	2020	2019
USD	28 932 573	27 014 349
EUR	8 554 804	10 023 258
KWD	4 930 642	9 904 259
	42 418 019	46 941 866

C - By maturity	2020	2019
Up to 3 months	2 000 453	-
From 3 months to 1 year	4 930 642	5 209 365
Over 1 year	35 486 924	41 732 501
	42 418 019	46 941 866

CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS IN ASSOCIATED COMPANIES

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

Summarised financial information of AGB is set out below:

	2020	2019
Total assets	2 023 460 323	2 114 140 446
Total liabilities	-1 781 655 158	-1 846 864 450
Net assets	241 805 165	267 275 996
Revenues	151 563 691	174 163 319
Profit for the year	36 166 563	50 385 564

8. LOANS AND ADVANCES, NET

	2020	2019
Bank and financial institutions	123 037 562	106 393 065
Corporate businesses, private and others	33 614 094	23 483 190
	156 651 656	129 876 255
Allowances for loan losses	(5 180 116)	(4 230 116)
	151 471 540	125 646 139

8.1 Geographical analysis

	2020	2019
Middle East/Africa	151 471 540	125 646 139
	151 471 540	125 646 139

8.2 Maturity analysis

	2020	2019
Up to 3 months	17 100 664	10 783 472
From 3 months to 1 year	60 940 858	60 161 321
Over 1 year	73 430 018	54 701 346
	151 471 540	125 646 139

CONSOLIDATED FINANCIAL STATEMENTS

8.3 Allowances for loan losses

The movements of allowance for loan losses are as follows:

	Specific allowance	General allowance	Total
Balance at 31 December 2019	3 315 996	914 120	4 230 116
Allowances of the year	700 000	250 000	950 000
Balance at 31 December 2020	4 015 996	1 164 120	5 180 116

In line with Central Bank instruction addressed to all banks in order to build up collective provision to cover potential risks arising from the ongoing, local as well as international, economic and financial environment. TIB has made a collective provision allocation amounting to 914 KUS\$. This amount has been calculated using, as a minimum, the model indicated in the CBT circular N°2012-02 of January 11th, 2012 followed by the circular N°2012-8 of March 2nd, 2012 and the circular N°2012-20 of December 6th, 2012 and the circular N°2021-01 of January 11th, 2021.

8.4 Non-performing loans

	Loans and advances	Interest suspended	Provisions	Collateral held against NPL
Bank and financial institutions	3 951 458	234 797	3 515 303	-
Corporate businesses, private and others	500 693	-	500 693	500 693
	4 452 151	234 797	4 015 996	500 693

9. ACCRUED INTEREST AND OTHER ASSETS

	2020	2019
Accrued interest receivable	2 152 441	1 891 109
Prepayments	868 265	909 671
Deferred tax assets	1 736 710	503 097
	4 757 416	3 303 877

CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY AND EQUIPMENT

	Net value 2020	Net value 2019
Land	700 000	700 000
Building	478 157	579 816
Office furniture and other fixed assets	841 054	999 982
Total net	2 019 211	2 279 798

11. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	2020	2019
Repayable on demand	83 917	250 576
Up to 3 months	144 170 073	168 642 686
From 3 months to 1 year	24 534 000	-
	168 787 990	168 893 262

12. DEPOSITS FROM CUSTOMERS

	2020	2019
Up to 3 months	214 412 604	268 356 775
From 3 months to 1 year	11 018 651	3 265 449
	225 431 255	271 622 224

13. ACCRUED INTEREST AND OTHER LIABILITIES

	2020	2019
Accrued interest payable	62 488	139 235
Waiting for settlement	1 644 654	1 303 791
Accrued expenses	3 145 740	4 096 918
Retirement benefits provision	4 570 288	4 573 609
Deferred tax liabilities	1 408 805	343 896
Other liabilities	6 524 788	1 778 649
	17 356 763	12 236 098

CONSOLIDATED FINANCIAL STATEMENTS

14. SHAREHOLDERS' EQUITY

	2020	2019
Share capital	50 000 000	50 000 000
Reserves (a)	32 215 226	30 852 312
Foreign currency translation reserve (b)	-33 754 418	-26 599 952
Retained earnings	113 919 878	99 337 203
<i>Part of reserve in associated company</i>	<i>54 695 707</i>	<i>50 916 790</i>
Net profit of the period	16 592 356	23 381 721
	178 973 042	176 971 284

a- Reserves are detailed as follows :

	2020	2019
Statutory Reserves	7 556 427	7 556 427
General reserve	21 658 734	20 658 734
Revaluation reserve	1 000 000	1 000 000
Fair value Reserve	2 000 065	1 637 151
	32 215 226	30 852 312

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

15. INTEREST INCOME

	2020	2019
Interest on interbank placements	1 868 889	2 767 041
Interest on loans and advances	5 609 778	5 609 744
	7 478 667	8 376 785

16. OTHER INCOME

	2020	2019
Investment income (16.1)	3 753 569	3 625 831
Foreign exchange	2 354 227	2 520 076
Fees and commissions	2 708 876	3 893 288
	8 816 672	10 039 195

CONSOLIDATED FINANCIAL STATEMENTS

16.1 Investment income

	2020
Interest on financial assets at amortized cost	2 686 595
Dividends from financial assets at fair value through OCI	1 088 246
Losses on financial assets designated at fair value through P&L	23 597
Investment fees	-44 869
	3 753 569

17. INTEREST EXPENSES

	2020	2019
Interest expenses on deposits and collaterals	144 716	294 312
Interest expenses on interbank deposits	1 203 773	1 509 545
	1 348 489	1 803 857

18. SALARIES AND BENEFITS

	2020	2019
Wages and salaries	2 833 294	2 766 768
Social security costs	577 610	556 203
Pension costs	300 000	480 000
Other	6 750	6 285
	3 717 654	3 809 256

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Depreciation	393 258	369 752
Premises costs	298 656	313 911
IT costs	309 356	277 749
Communication	250 948	272 906
Marketing & Advertising costs	59 022	83 963
Government donation COVID-19	1 382 890	-
Board fees	213 000	273 000
Tax	21 744	22 795
Administration costs	1 097 541	1 996 780
	4 026 415	3 610 855

CONSOLIDATED FINANCIAL STATEMENTS

20. EARNINGS PER SHARE

	2020	2019
Net profit attributable to ordinary equity holders	16 592 356	23 381 721
Weighted average number of ordinary shares	5 000 000	5 000 000
Basic earnings per share	3,32	4,68

21. COMMITMENTS AND CONTINGENCIES

	2020	2019
Forward exchange contracts purchases	12 027 532	2 643 340
Forward exchange contracts sales	11 989 544	2 631 097
Letters of credit, guarantees and acceptances	11 124 742	17 806 851
	35 141 818	23 081 288

22. FAIR VALUE HIERARCHY

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

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

CONSOLIDATED FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	TOTAL
Financial assets designated at fair value through P&L				
Equity Securities	895 245	-	-	895 245
Debt Securities	-	-	-	-
Financial assets at fair value through other comprehensive income				
Equity Securities	13 264 342	20 112 659	-	33 377 001
Debt Securities	-	-	-	-
Financial assets measured at amortized cost				
Equity Securities	-	-	-	-
Debt Securities	42 418 019	-	-	42 418 019
Investments in associated companies				
Equity Securities	-	80 946 409	-	80 946 409
Debt Securities	-	-	-	-
	56 577 606	101 059 068	-	157 636 674

23. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Bank's interest sensitivity position is based on maturity dates and contractual repricing arrangements. As at **31 December 2020** it was as follows:

CONSOLIDATED FINANCIAL STATEMENTS

	Up to 3 months	3 month to 1 year	Over 1 year	Non interest bearing items	TOTAL
Bank demand and call deposits	58 175 975	-	-	802 786	58 978 761
Time deposits	195 685 448	20 000 000	-	-	215 685 448
Financial assets designated at fair value through P&L	-	-	-	895 245	895 245
Financial assets at fair value through other comprehensive income	-	-	10 191 875	23 185 126	33 377 001
Financial assets measured at amortized cost	2 000 453	4 930 642	35 486 924	-	42 418 019
Investments in associated companies	-	-	-	80 946 409	80 946 409
Loans and advances, net	17 100 663	60 940 858	73 430 019	-	151 471 540
Accrued interest and other assets	-	-	-	4 757 416	4 757 416
Property and equipment	-	-	-	2 019 211	2 019 211
Total assets	272 962 539	85 871 500	119 108 818	112 606 193	590 549 050
Deposits from Banks and financial institutions	144 253 990	24 534 000	-	-	168 787 990
Deposits from customers	214 412 604	11 018 651	-	-	225 431 255
Accrued interest and other liabilities	-	-	-	17 356 763	17 356 763
Shareholders' equity	-	-	-	178 973 042	178 973 042
Total liabilities and shareholders' equity	358 666 594	35 552 651	-	196 329 805	590 549 050

CONSOLIDATED FINANCIAL STATEMENTS

Currency wise interest rates are as follows:

US Dollars	2020	2019
	%	%
Assets	0.02 - 10.50	0.10 - 10.50
Liabilities	0.06 - 2.95	0.06 - 3.35
Kuwaiti Dinars		
Assets	-	-
Liabilities	2.63 - 3.25	3.25 - 3.25
Tunisian Dinars		
Assets	7.10 - 14.00	7.25 - 14.00
Liabilities	3.00 - 10.50	3.00 - 10.25
Euros		
Assets	0.10 - 6.35	0.10 - 6.35
Liabilities	0.02 - 1.25	0.01 - 1.30
British Pounds		
Assets	-	0.50 - 0.72
Liabilities	0.25 - 0.25	0.25 - 0.25

24. CURRENCY RISK

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

The Bank had the following net exposures denominated in foreign currencies as of 31 December 2020:

	2020 - 000'USD	
	Long position	Short position
Euros	-	-83
Tunisian Dinar	290	-
Saudi Riyals	67	-
Canadian Dollar	34	-
Kuwaiti Dinar	189	-
Bahraini Dinar	-	-230
Danish Kroner	11	-
Libyan Dinar	19	-
Algerian Dinar	4	-
Swiss Francs	-	-115
Arab Emirate Dirham	54	-
Japanese Yen	65	-
Pound Sterling	-	-350
Other	21	-
	754	-778

CONSOLIDATED FINANCIAL STATEMENTS

25. LIQUIDITY RISK

The maturity profile of the assets and liabilities at **31 December 2020** was as follows:

	Up to 3 months	3 month to 1 year	1 year to 5 years	Undated	TOTAL
Bank demand and call deposits	58 978 761	-	-	-	58 978 761
Time deposits	195 685 448	20 000 000	-	-	215 685 448
Financial assets designated at fair value through P&L	895 245	-	-	-	895 245
Financial assets at fair value through other comprehensive income	-	-	10 191 875	23 185 126	33 377 001
Financial assets measured at amortized cost	2 000 453	4 930 642	35 486 924	-	42 418 019
Investments in associated companies	-	-	-	80 946 409	80 946 409
Loans and advances, net	17 100 663	60 940 858	73 430 019	-	151 471 540
Accrued interest and other assets	-	-	-	4 757 416	4 757 416
Property and equipment	-	-	-	2 019 211	2 019 211
Total assets	274 660 570	85 871 500	119 108 818	110 908 162	590 549 050
Deposits from Banks and financial institutions	144 253 990	24 534 000	-	-	168 787 990
Deposits from customers	214 412 604	11 018 651	-	-	225 431 255
Accrued interest and other liabilities	-	-	-	17 356 763	17 356 763
Shareholders' equity	-	-	-	178 973 042	178 973 042
Total liabilities and shareholders' equity	358 666 594	35 552 651	-	196 329 805	590 549 050

CONSOLIDATED FINANCIAL STATEMENTS

26. RELATED PARTY BALANCES & TRANSACTIONS

Assets	December 2020				Total
	Major shareholder "BB"	Associated companies "AGB"	Key management	Others Related Parties	
Bank demand and call deposits	58 102	-	-	114 524	172 626
Time deposits	-	-	-	68 534 000	68 534 000
Financial assets designated at fair value through P&L	-	-	-	202 617	202 617
Financial assets at fair value through other comprehensive income	-	-	-	1 207 967	1 207 967
Financial assets measured at amortized cost	-	-	-	3 000 000	3 000 000
Investment managed by a related party	-	-	-	324 086	324 086
Investments in Associated Companies	-	80 946 409	-	-	80 946 409
Loans and advances, net	-	243	1 717 380	5 000 000	6 717 623
Accrued Interest receivable	-	-	191	309 776	309 967
	58 102	80 946 652	1 717 571	78 692 970	161 415 295
Liabilities					
Deposits from Banks and financial institutions	8 097 940	-	-	52 951 434	61 049 374
Deposits from customers				6 502	6 502
Accrued Interest payable	13 376	-	-	2 976	16 352
	8 111 316	-	-	52 960 912	61 072 228
Off-Balance sheet					
Letters of credit, guarantees and acceptances	-	351 879	-	-	351 879
	-	351 879	-	-	351 879

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement	December 2020				Total
	Major shareholder "BB"	Associated companies "AGB"	Key management	Others Related Parties	
Interest Income	1 130	-	39 882	1 437 764	1 478 776
Other Income, net	-	10 849 969	-	178 596	11 028 565
Interest Expense	-349 373	-	-	-147 928	-497 301
General & Administrative expenses	-	-	-	-600 000	-600 000
	-348 243	10 849 969	39 882	868 432	11 410 040

Key management compensation

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

	2020	2019
Short term employee benefits - including salary & bonus	686 273	703 387
Accrual for end of services indemnity	34 000	63 784
	720 273	767 171

27. SEGMENTAL INFORMATION

	2020	2019
Assets		
North America	41 294 349	13 041 824
Europe	83 815 396	184 394 361
Middle East/ Africa	465 439 305	432 286 683
	590 549 050	629 722 868
Liabilities		
Europe	49 534 000	25 177 295
Middle East/ Africa	362 042 008	427 574 289
	411 576 008	452 751 584
Investment Income		
Middle East/ Africa	2 768 825	3 040 205
North America	524 214	319 640
Europe	460 530	265 986
	3 753 569	3 625 831
Interest Income		
Europe	827 681	1 308 522
Middle East/ Africa	6 650 986	7 068 263
	7 478 667	8 376 785
Other Income		
Middle East/ Africa	5 063 104	6 413 364
	5 063 104	6 413 364

CONSOLIDATED FINANCIAL STATEMENTS

28. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual counterparties, and groups of counterparties and for geographical and industry segments. The Bank also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

For details of the composition of the assets by geographic segment refer to note 27.

Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

29. CONCENTRATIONS

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

The distribution of assets and liabilities by geographic region is disclosed in note 27.

30. MARKET RISK

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

CORPORATE GOVERNANCE REPORT



Amphitheatre of El Jem

Tunis International Bank is subject to Banking regulations and provisions of the Corporate Governance principles which are applicable to Tunisian Banks according to the Central Bank Legislation. Throughout the year, activities particularly with regard to developing Corporate Governance Principles structure that the Bank is subject to have been performed.

Corporate governance specifies the framework through which the banks' goals and strategies are placed, daily operations processing, how to achieve goals and performance monitoring. It also specifies responsibilities, specialties, and decision-making in a way that achieves the principle of accountability, while noting the protection of shareholders' rights, the rights of related parties, and depositors' rights. In addition, it defines what it requires in terms of the necessity of constant development of strong systems to manage overall risks and the security of the banks' business to enhance general trust in the banking system and maintaining financial stability.

Effective Corporate Governance is an important part of our identity. The essential framework for this, is provided first and foremost by the Central Bank of Tunisia and the Tunisian banking law N° 2016-48, was last amended in July 2016. The bank adhered also in April 3rd, 2017 to the Subsidiaries Governance Manual (SGM), which provides guidelines for maintaining a strong communication, monitoring, and coordination of activities between Burgan Bank and its Subsidiaries.

The Corporate Governance system adopted ensures the responsible, value-driven management and control of the bank. It has the following four key elements: good relations with shareholders, effective cooperation between the Management Board and Supervisory Board, a system of performance related compensation, and transparent and timely reporting.

CORPORATE GOVERNANCE MANUAL

The Corporate Governance Manual provides the legal, institutional, and regulatory framework for the enterprise risk management activity of the Bank and includes:

- ✓ The Corporate Governance, which provides the structure through which the objectives of the Bank are set, the means of attaining those objectives, and monitoring performance. The Structure consists of the Board of Directors and its sub-committees along with the management committees.
- ✓ Insider Trading, Code of Ethics, Related Party Transactions and Segregation of Duties.

The Risk Management Infrastructure and System at TIB is managed through the Risk Policies and Guidelines. These principles, guidelines and procedures reflect the risks inherent in TIB's businesses. They are reviewed periodically and amended when necessary and ratified by the Board.

THE FOUNDATION OF THE CORPORATE GOVERNANCE

The foundation of TIB's corporate governance policy is to protect its shareholders' and depositors' interests through exercising prudent credit and risk control measures. The Bank's policy is also to obtain yields that are commensurate with the risks taken. TIB at all times actively monitors

CORPORATE GOVERNANCE REPORT

its loans and advances book and strives to conduct extensive due diligence on its counterparties prior to extending funded or unfunded facilities.

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 incorporating best practice 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. It is also the Bank's policy to strictly abide by the all laws and regulations of the jurisdictions in which it operates. The adopted Code of Conduct applies to all employees, officers, trainees, part-time staff and other Bank representatives, and includes members of the Board of Directors.

TIB's Senior Management regularly revisits the Bank's organizational and managerial structures, the technological platform, the operational procedures and control mechanisms, in order to adopt the most appropriate and efficient management and business practices as well as systems.

The control and management of the Bank is undertaken through the following bodies:

- ◆ The General Assembly of the Bank;
- ◆ The Board of Directors;
- ◆ Committees of the Board of Directors, which assist the Board in the discharge of its duties, include:
 - The Board Audit Committee,
 - The Board Risk Committee,
 - The Board Nomination and Remuneration Committee, and
 - The Board Corporate Governance Committee.
- ◆ The Management Committees, include:
 - The Management Committee,
 - The Credit Committee,
 - The Assets and Liabilities Management Committee,
 - The Management Audit Committee,
 - The Investment Committee,
 - The Information Technology Security Committee,
 - Investigation & Antifraud Committee,
 - Management Product & Pricing Committee,
 - Provision Assessment Committee, and
 - The Data Protection Committee (DPC).

The Board holds six regular meetings each year, as well as additional meetings as may be required. Board meetings are usually held at the Bank's premises or at any other place that is deemed appropriate by the Board members. With the exception of the Board Nomination and Remuneration Committee and the Board Corporate Governance Committee, that should meet annually and bi-annually respectively, all other Board Committees meet at least six times a year. The Board Audit Committee and the Board Risk Committee are headed by independent Directors.

CORPORATE GOVERNANCE REPORT

Shareholders

Our shareholders are involved in decisions that are of material importance to the Bank, as is legally required, including amendments to the Articles of Association, the appropriation of profit, the authorization to issue new shares and important structural changes.

VOTING AND MINORITY RIGHTS

TIB has only one class of share, with each share carrying the same voting right. There are explanations on the Bank's capital structure, qualifications of shares and the rights on shares in the Articles of Incorporation.

DIVIDEND RIGHTS

Dividend distribution is a regular item on the agenda of the General Shareholders' Meeting and is presented for the approval of shareholders and implemented after the approval at General Shareholders' meeting. The distribution of 2019 operating profit was made in line with the decisions taken at Ordinary General Shareholders' Meeting held in 2020.

TRANSFER OF SHARES

Transfer of shares can be done in accordance with the related legislation and TIB's Articles of Incorporation.

Board of Directors

The Board of Directors is responsible for managing the company and exercises control over TIB.

It ensures that all provisions of law and company internal policies are abided by. The Board heads leads and controls the Bank. The Board is collectively responsible and ultimately accountable for the affairs and performance of the Bank. All Board members must objectively take decisions in the interest of the Bank.

The Board holds six regular meetings each year, as well as additional meetings as may be required. Board meetings are usually held at the Bank's premises or at any other place that is deemed appropriate by the Board members. Meeting agendas are prepared in accordance with the proposals of the Chairman of the Board and the Chief Executive Officer. Moreover, various reports requested by the Board of Directors and off the agenda topics put forward by the Board members and discussed during the meetings. Meeting agenda and related documents are delivered to the Board members before the meetings according to the principles determined by the Board. The Board held seven meetings during 2020 (six by circulation and one by attendance).

In the event of the non availability of one or more Board members, a meeting via telephone and/or videoconference may take place.

To ensure that the financial and human resources are in place for the Bank to meet the planned objectives, the Board shall work with the Chief Executive Officer of the Bank who remains accountable to the Board.

CORPORATE GOVERNANCE REPORT

The responsibilities of the Board's Chairman include ensuring that the Board functions effectively and independently of management and that it meets its obligations and responsibilities. The Board shall ensure that financial disclosures made by the Bank are fair, transparent and comprehensive.

The Board is ultimately responsible for ensuring that the Bank is in compliance with relevant laws and regulations that it is subject to. These laws involve the Tunisian Banking Law, Central bank of Tunisia regulations, the Commercial Code, the Labor Law, occupational health and safety etc.

All Board members, as well as senior management, are bound to observe the following best practice:

1. Board members *should not* :

- ✓ Enter into competition with the Bank;
- ✓ Use company privileged information or take advantage of business opportunities for himself or any relatives;
- ✓ Misuse the Bank's assets.

2. Board members *should* :

- ✓ Report to the Board any conflict of interest arising from their other activities or commitments to other organizations;
- ✓ Declare in writing all of their directorship positions and/or interests above 5% in other enterprises to the Board on an annual basis or immediately after becoming so.

As stipulated by CBT circular N°2011-06 of May 20, 2011 and law n°48 of July 11, 2016 there are three Independent Directors on the Board. The rules and regulations of the Board include the definition of Independent Director established in the Corporate Governance Manual, according to which those non-executive directors that have been appointed based on their personal or professional status, and who perform unconditioned by relationships with the Bank, its shareholders or its officers, will be considered Independent Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is the highest ranking officer of the Bank and accordingly, all the powers that may be delegated by the Law, the by-laws and the rules and regulations of the Board have been delegated to him. He is responsible for directing the Bank's management team, always in accordance with the decisions and standards set by the shareholders acting at a general shareholders' meeting and by the Board within their respective purview.

To ensure an appropriate balance of power increased accountability and greater capacity of the Board for independent decision-making, the functions of the Board Chairman and Chief Executive Officer should be assumed by separate persons.

CORPORATE GOVERNANCE REPORT

The Chief Executive Officer, acting by delegation from and reporting to the Board of Directors and the Chairman, as the highest ranking officer of the Bank, is in charge of the conduct of the business and highest executive duties. There is a clear separation of duties between the Chairman, the Chief Executive Officer, the Board and the committees thereof, as well as various checks and balances that assure proper equilibrium in the corporate governance structure of the Bank. The powers delegated to the Chief Executive Officer and those delegated to the Chairman do not include, in either case, those reserved by the Board to itself.

NUMBER, STRUCTURE AND INDEPENDENCY OF THE COMMITTEES ESTABLISHED WITHIN THE BOARD

The administrative and organizational structuring required by the Banking Law (Law n°48 of July 11, 2016 & CBT Circular n°2011-06 dated May 20th, 2011) and related legislation, exists in TIB. Within the framework of the related regulation, a member of the Board can't be appointed to more than of the following two committees:

- Board Risk Committee (BRC),
- Board Audit Committee (BAC),

In reference to these banking regulations, the Board is composed of 9 members including the Chairman. Also, there are three strong and independent and nonexecutive elements on the Board to exercise objective judgment on the Bank's affairs independently. Two independent members sit on the BRC including the chairman of the committee.

The Board has constituted the required sub-committees of the Board: the Audit, Risk, Corporate Governance, and Nomination and Remuneration committees with supervisory, information, advisory and proposal powers.

All of the Board of Directors are non-executive members. The election of TIB's Board members is implemented according to the Articles of Incorporation and the Banking Law. As per the Banking Law, the Chief Executive Officer of the Bank and the deputy Chief Executive Officer must not be Board member. TIB's Board of Directors backgrounds, terms of office, and the committees in which they take charge are presented in the Annual Report.

The Board reserves for itself, and likewise cannot delegate, the following matters, among others:

- Decisions regarding the acquisition and disposition of substantial assets (except when the decisions come within the purview of the shareholders at a general shareholders' meeting);
- The appointment, remuneration, general policies and strategies and, in particular, strategic plans, management objectives and the annual budget, corporate governance, and dividend and treasury share policies, the general risk policy, and the policies for the provision of information and for communication with the shareholders, the markets and the public opinion.

CORPORATE GOVERNANCE REPORT

PERFORMANCE-RELATED COMPENSATION

The compensation of members of the Board is primarily aligned to their contribution to business performance and international industry standards. Part of the Management Board's compensation is equity-based, and this is driven by the performance of the Bank.

BOARD AUDIT COMMITTEE

The Audit Committee has three members and is chaired by an independent Board member. The Audit Committee is obliged to hold meetings at least six times a year. The Head of the Internal Audit Department is appointed as secretary of the committee. The Board Committees' Charter contains the duties and responsibilities of the committee. In 2020, Audit Committee held six meetings. One by attendance and five by circulation due to pandemic situation.

The Audit Committee's duties, among others, comprise of:

- Reviewing the Bank's financial information and its internal control and risk management systems;
- Serving as a communication channel between the Board and the auditors, ensuring the independent exercise of the latter's duty;
- Supervising work regarding the internal audit function;
- Ensuring that the Bank's financial reports are prepared in line with the related legislation, regulations and standards;
- Fulfilling other responsibilities determined by related legislations in effect and duties assigned by the Board within this framework.

BOARD RISK COMMITTEE

The Board Risk Committee is responsible for formulating the risk management strategies and policies. The Risk Committee is the common communication platform with the Board in terms of assessing the risk the Bank is exposed to, making suggestions about the measures to be taken and methods to be followed. The Committee's principal duties are published in the Board Committees' Charter. The Risk Committee has four members and is chaired by an independent Board member. As per supervisory requirements, the Committee should hold at least 6 meeting a year. The head of the Risk Department is appointed as secretary of the committee.

The Committee's principal duties are the following:

- Recommending the risk profile and risk appetite of the Bank, for approval by the Board;
- Approving principles, strategies, policies and processes for managing risk;
- Overseeing the process developed by management to identify principal risks, evaluating their potential impact, and implementing appropriate strategies to manage those risks;

CORPORATE GOVERNANCE REPORT

- Reviewing the provisioning policy and the permanent adequacy of the Bank's net worth and risk exposures;
- Receiving and reviewing reports from management regarding resolution of significant risk exposures and risk events including credit, market, operational and liquidity risks;
- Assessing risks arising from the Board strategic decision, reviewing and monitoring the risk implications of new and emerging risks, changes in the banking environment (i.e. rules regulations, competition, etc.), regulatory change and major initiatives.

These matters are not exhaustive and may change from time to time. In 2020, six meetings were held of which four by video conferences one by attendance and one by circulation due to Covid19 health precaution.

BOARD NOMINATION AND REMUNERATION COMMITTEE

Nomination and Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration policies of the Bank on behalf of Board of Directors. The Committee carries out its activities regarding remuneration policies within the framework of related banking regulations.

The Committee has three members. The Committee holds a meeting at least once a year and informs the Board of Directors on the results of its own activities and its opinions on any important related issues.

The BNRC had one meeting during 2020.

BOARD CORPORATE GOVERNANCE COMMITTEE

In its October 2014 meeting, and to comply with the parent company, the Board of Directors has approved the constitution of a new Corporate Governance Committee. The Committee has three members and is headed by the Chairman of the Board. The Committee carries out its activities within the framework of the related banking regulation in Tunisia and Kuwait. Tunis International Bank should comply with all Tunisian laws and regulation and comply with corporate governance guidance issued by the parent company unless it contravenes local Tunisian laws and regulations.

During 2020, Two BCGC meetings were held, one by attendance and one by circulation due to pandemic situation. The Head of Compliance is appointed as secretary of the committee.

Board Activities

FINANCIAL INFORMATION PERIODICALLY PUBLISHED BY THE BANK

The Board approved the quarterly financial information, the annual accounts, and the management report for 2020. In addition, the Board has approved other documents such as: the annual report; the annual corporate governance report; the audit, risk, and compliance reports; and the Nomination and Remuneration committee's reports.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING ACCORDING TO INTERNATIONAL STANDARDS

Shareholders and the public are regularly kept up-to-date, mostly, through the Annual Report, which includes the Consolidated Financial Statements. TIB's consolidated reporting is in accordance with International Financial Reporting Standards (IFRS 9). This provides for a high degree of transparency and facilitates comparability with Burgan Bank's financial statements.

CHANGES IN THE COMPOSITION AND SIZE OF THE BOARD

No changes occurred in 2020.

Duties of Directors, Related-Party Transactions and Conflicts of Interest

DUTIES OF DIRECTORS

The duties of the Directors are governed by the rules and regulations of the Board, which conform both to the provisions of current Tunisian law and the Bank's Governance Code. The rules and regulations expressly provide for the duties of diligent management, loyalty, secrecy and inactivity in the event of knowledge of confidential information.

The duty of diligent management includes the Directors' duty to keep themselves adequately informed of the Bank's progress and to dedicate the time and effort needed to carry out their duties effectively. The Directors must inform the Nomination and Remuneration Committee of their other professional obligations and the maximum number of Boards of Directors on which they may sit, as governed by the provisions of Law n°48 of July 11, 2016.

RELATED-PARTY TRANSACTIONS

To the best of the Bank's knowledge, no member of the Board of Directors, no person represented by a director and no company of which such persons, or persons acting in concert with them or through nominees therein, are directors, members of senior management or significant shareholders, has made any unusual transaction with the Bank during the financial year 2020 and through the date of publication of this report. All related party exposures are reported on a quarterly basis to the Central Bank of Tunisia and are followed on a permanent basis by the Risk Management Department.

CONTROL MECHANISMS

As provided in the rules and regulations of the board, Directors must inform the Board of any direct or indirect conflict of interest with the interests of the Bank in which they may be involved. If the conflict relates to a transaction, the director should not carry it out. The Director involved must refrain from participating in the discussion on the transaction to which the conflict refers.

SPECIFIC SITUATIONS OF CONFLICT

In the financial year 2020, there were no cases in which directors, including those who are members of senior management, abstained from participating and voting in the discussions of the Board of Directors or of the committees thereof.

CORPORATE GOVERNANCE REPORT

LENDING TO BOARD OF DIRECTORS MEMBERS

BoD approved in 2019; new rules related to lending to BoD Members:

Insider lending occurs when the bank makes a loan to one or more of its directors. The provisions of these loans should be granted on arm length basis i.e. match those given to comparable bank customers. This is done to ensure fairness and limit the access to bank funds by insiders. Insiders should not get any special treatment, incentive rates, or other benefits not offered to regular bank customers. In addition, acceptable proposed securities should cover 120% of the loan amount.

General Information

EXTERNAL AUDIT

TIB is regularly audited by two independent external auditors within the framework of the Banking Law in Tunisia and the international related standards.

GENERAL SHAREHOLDERS' MEETINGS

The General Shareholders' Meetings regulations are stated in the Articles of Incorporation and Corporate Governance in conformity with the Tunisian Commercial Law.

STRATEGIC GOALS OF THE BANK

The vision and objectives of TIB were approved by the Board of Directors. In this context, TIB's vision is to be the preferred non-resident Bank in Tunisia by customers, shareholders and employees by maintaining its leading, pioneering and reliable position. TIB's mission, in general, is meeting the needs of its customers with fast, efficient and high standard solutions, increasing the value it created for its shareholders constantly and encouraging employees to reach their best performance. The Board of Directors regularly monitors and supervises the performance of the Bank in terms of achieving the strategic goals. The Business Program which includes the yearly objectives formed according to the general strategic goals comes into effect after approval by the Board of Directors. The quarterly performance of the Bank in comparison with the objectives is reported comprehensively to the Board of Directors.

Public Disclosure and Transparency

PUBLIC INFORMATION POLICY

TIB has designated the Head of Financial Control Department to submit the required information and disclosures, except for trade secrets, to the shareholders, investors, clients, creditors and other related parties within the framework of related regulations. Public disclosures are under the authority and responsibility of the Board of Directors. The Head Investment; Asset and Liabilities Management Department have been assigned to coordinate with the Head of Financial Control Department disclosure function.

CORPORATE GOVERNANCE REPORT

ANNUAL REPORT

TIB publishes each year an Annual Report that includes the necessary information and data required by the regulator and is prepared in the English language.

TIB WEBSITE (WWW.TIB.COM.TN)

TIB's website is actively and intensely used for public disclosures and informing activities. The website will include information and data required by the Corporate Governance Principles and regulatory authorities. Utmost care is given to keep the website updated. Information provided is in the English language.

ETHICAL PRINCIPLES AND SOCIAL RESPONSIBILITY

TIB has adopted its proper Code of Ethics in conformity with the Tunisian Banking Law and best practice. The Code of Ethics needs to be disclosed to board members, and all of Bank's employees.

In addition, Board members as well as employees are required to sign a statement that he or she has read this Code of Conduct and understand its provisions and agree to abide by them. As required by law, all Board members have stated on one's honor that they have no legal restrictions to perform their duties.

CODE OF CONDUCT

The Board believes that the Board, executive officers and the entire Bank's staff must endorse a culture of strong corporate governance and ethical business conduct. The Code of Conduct addresses many areas of business such as good faith, integrity, compliance, quality and respect. These principles apply equally in dealings with clients, counterparties, regulatory authorities, and business colleagues and towards the Bank itself. The Board took the lead by endorsing these values for itself, senior management and all employees.

Any activities and relationships that diminish a proper conduct of corporate governance should be prohibited. Examples of such activities are:

- Conflict of interest;
- Lending to officers (except on an arm's length basis) and other forms of self dealing;
- Providing preferential treatment to related parties and other favored entities (lending on highly favorable terms, covering trading losses, waiving commission, etc.); and
- Insider trading.

The Board of Directors ensures that senior management implements policies that prohibit such conduct and ensures that deviations are reported and establishes processes that allow monitoring compliance with these policies. The adopted Code of Conduct applies to all employees, officers, trainees, part-time staff and other Bank representatives, including members of the Board of Directors.

CORPORATE GOVERNANCE REPORT

INSIDER TRADING

By his/her position in the Bank, an employee may have access to “material non-public information”. This non-public information includes information that is not available to the public at large, which would be important to an investor in making a decision to buy, sell or retain a security. This non-public information includes but is not limited to: projections of future earnings or losses or dividend payment; tender offer or exchange offer; news of a significant sale of assets or the disposition of a subsidiary; significant changes in management or shareholdings; significant new products or discoveries; or impending financial liquidity problems. It should be noted that both positive and negative information might be considered material.

Insiders in a position of trust must not pass that information on to others, and shall not purchase or sell a security or recommend a security transaction of the employee’s own account, the account of a family member, the account of any customer of the Bank, or any other person. In addition to disciplinary procedures which may lead to dismissal, the use or disclosure of such information can result in civil or criminal penalties under Tunisian law.

ANTI-MONEY LAUNDERING (AML) AND COUNTER TERRORIST FINANCING (CTF)

The Bank has implemented strict Anti-Money Laundering (AML) policies and procedures that meet local regulatory requirements as well as international best practices. These AML policies include Know Your Customer (KYC) procedures to control and identify both new and existing clients, and detailed measures to enable proper detection and reporting of suspicious activities and abnormal transactions and Ultimate Beneficial Owner (UBO) identification policy.

The education and training, both internally and externally, of all of the Bank’s staff forms an integral part of our AML policies.

Several policies and procedures related to the AML area were developed and approved by the Board: Sanctions and freezing assets policy, AML and counter Terrorism Financing policy, AML/CFT Strategy Framework and Ultimate Beneficial owner procedure.

In addition to the before mentioned “AML/CFT policies and procedures Manuals”, the bank also developed the “Customer Risk Assessment Methodology” In order to comply with CBT requirements bounding financial institutions to adopt a Risk Based Approach (RBA) to manage Money Laundering (ML) and Terrorism Financing (FT) risk exposure. TIB conducted an ML/FT risk assessment over it’s customers to identify, understand and assess the potential exposure of ML and FT risk.

Internal Audit conducts periodic reviews of the responsibilities of key personnel to minimise areas of potential conflict of interest and ensure that independent checks are in place.

The Bank’s Head of Compliance Department also acts as the Money Laundering Reporting Officer (MLRO) and is responsible for ensuring that adequate Anti-Money Laundering procedures

CORPORATE GOVERNANCE REPORT

are in place and ensuring effective compliance with the organic law, Central Bank of Tunisia circulars and Financial Action Task Force recommendations.

The Bank's AML Unit is using a system that allows:

- Customers and accounts profiling
- Real time filtering customers and transactions
- Monitoring all accounts' movements and generating alerts
- Detailing of all one customers' related accounts
- Politically Exposed Persons screening

The system is under the supervision of the MLRO.

The bank is compliant with the organic law N°2015-26 issued on August, 7th, 2015, regarding Prevention of Money Laundering and Combating Terrorism Financing, CTAF guidelines 2017-01;2017-02;2017-03 (as amended by new CTAF guidelines n°2018-10) and CBT circular 2017-08 of September 19th 2017 (as amended by CBT circular 2018-09 of October 2018) and the governmental decree N°2018-01 published in January 2018 regarding the implementation of the United Nations Resolutions in their fight against Terrorism Financing.

RISK MANAGEMENT AND INTERNAL CONTROL

As per the Tunisian Banking Law n°48 of July 11, 2016 & 2009-64 and CBT regulations (circulars n° 2006-19 & 2011-06), banks are obliged to establish and operate adequate and efficient internal control system. TIB's internal control systems have been established in accordance with the principles and organization structures as required by domestic regulations in parallel with the best international practices. The units constituting the internal control systems are Internal Control, Risk Management Internal Audit and Compliance unit. Except Internal control Department, all other units constituting the internal control systems work under the Board of Directors and Board Committees.

Risk management, compliance and internal audit, which work together as internal control systems that are in harmony with the scope and structure of their activities, that can respond to changing conditions and that cover all their branches in order to monitor and control the risks that they encounter. Internal control activities carried out by the Bank's employees with the awareness of responsibility are controlled and monitored by the Internal Control Division who reports to the Chief Executive Officer. Risk management activities are performed by the Risk Management Division who reports to the Board Risk Committees. Furthermore, banks have to establish internal audit systems that involve all their branches. In this context, Compliance Unit investigates the conformity of the banking activities to the legislation, articles of association, internal regulations and banking principles.

The basic objective of internal control division is to make the maximum contribution to ensure the Bank's operations are carried out constantly in accordance with the rules, regulations and standards. In addition, the Internal Control Division, which also works under the Board of Directors on issues regarding the regulation and compliance on prevention of laundering of criminal proceeds and finance of terror, has a mutual communication and cooperation with other related divisions and employees.

CORPORATE GOVERNANCE REPORT

ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2020

Attendance rate of 100% was recorded for Board of Directors' meetings in the financial year 2020. (Only one meeting was performed by the Board and its committees by attendance due to the pandemic situation).

Committees				
	Board	BRC	BAC	BNRC
Average Attendance	100%	100%	100%	100%
Individual Attendance				
MASAUD M.J. HAYAT	7/7			
RABIH SOUKARIEH	7/7			1/1
MOHAMED FETHI HOUIDI	7/7		6/6	1/1
MOHAMED LOUHAB	7/7		6/6	1/1
BADER AL AWADHI	7/7		6/6	
AHMED BENGHAZI	7/7	6/6		
YACOUB ALGUSANE	7/7	6/6		
SAMIR CHEBIL	7/7	6/6		
KHALID AL ZOUMAN	7/7	6/6		

TRAINING OF DIRECTORS AND INFORMATION PROGRAM

Board members have attended a training program as stipulated by the Bank's Corporate Governance regarding on-going director training for directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS		
Directors' Name	Title	Representing
MASAUD M.J. HAYAT	CHAIRMAN	BURGAN BANK GROUP CEO
RABIH SOUKARIEH	DIRECTOR	CEO, AGB
MOHAMED FETHI HOUIDI	DIRECTOR	-
BADER AL AWADHI	DIRECTOR	-
MOHAMED LOUHAB	DIRECTOR	INDEPENDENT
AHMED BENGHAZI	DIRECTOR	INDEPENDENT
YACOUB ALGUSANE	DIRECTOR	-
SAMIR CHEBIL	DIRECTOR	INDEPENDENT
KHALID AL ZOUMAN	DIRECTOR	Burgan Bank GCFO
BOARD SECRETARY	Head of Legal Department	

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD			
Audit	Nomination & Remuneration	Risk	Corporate Governance
			BCGC CHAIRMAN
	BNRC		BCGC
BAC	BNRC CHAIRMAN		
BAC			BCGC
BAC - CHAIRMAN	BNRC		
		BRC - CHAIRMAN	
		BRC	
		BRC	
		BRC	
Head of Internal Audit Department	Board Member	Head of Risk Department	Head of Compliance Department

RISK MANAGEMENT REPORT



Kairouan - the Great Mosque

1 - INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

1.1. INTERNAL CONTROL SYSTEM

The internal audit, operational controls, compliance & AML and risk management controls, and systems collectively refer to “internal control system”. The Board shall ensure an independent and adequate internal control system in the Bank and review its effectiveness. The internal control system at Tunis International Bank 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 shareholder’ 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 must be reported promptly to senior management and the Board of Directors for them to take immediate corrective action. To ensure coverage of all deficiency areas of the internal controls system, the management has established a basis for tracking possible breakdown in internal controls system and actions taken to rectify them.

The Internal control System is all of the control activities which are performed under the governance and organizational structure established by the bank’s Board of Directors and senior management. Each individual within the organization participates in order to ensure proper, efficient and effective performing of the bank’s activities in accordance with the management strategy and policies, and applicable laws and regulations and to ensure the integrity and reliability of accounting system and timeliness and accessibility of information in the data system. All elements of the internal control system of the bank reports on a regular basis to the Board of Directors and its relevant committees.

These control activities are ensured by:

- Internal control
- Risk management
- Compliance & AML
- Internal audit.

RISK MANAGEMENT REPORT

Responsibility of the Board of Directors in Performing the Internal Control Function

As stipulated by the Corporate Governance of the Bank, the board of directors develops and approves significant strategies and policies concerning the control activities of the Bank, and periodically review their implementation, and take measures to establish and maintain an efficient internal supervision (audit/control) system and risk management system in accordance with the institutional structure within the Bank.

In compliance with provisions set out by the Central Bank of Tunisia (CBT), the board of directors ensures that the Bank's organizational structure explicitly embodies the internal supervision (audit/control) system and risk management system and defines principles and procedures concerning the administrative structure, personnel and quality of these systems.

The board of directors is responsible for ensuring that these units carry out their tasks impartially and independent of the Bank's primary activities.

1.2 RISK MANAGEMENT SYSTEM

The Risk Management System at TIB 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 also to develop the tools needed to address those risks. The Bank has set up a Risk Management Structure (RMS) headed by the Chief Risk Officer (CRO) who reports directly to 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 a well documented 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:

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

The RMS is responsible for ensuring 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 RWA's can be made appropriately.

RISK MANAGEMENT REPORT

2 - CREDIT RISK

2.1 CREDITS RISK MANAGEMENT

TIB always ensures to meet the prudential rules and limits set by the Central Bank of Tunisia (CBT) to restrict loan exposures to single borrowers or groups of connected borrowers. It is the Banks policy to have minimum stipulated coverage and top up clause for each of the secured loans. In addition the collateral should also be adequately liquid and diversified. These policies coupled with the credit selective basis reduce considerably the amount of provision required when there is a payment default.

Credit risk includes besides loans, acceptances, interbank transactions, trade financing, foreign exchange transactions, bonds, equities, etc....

2.1.1 CREDIT PROCESS

i. Strategies and Processes

A thorough credit risk assessment is done before granting a loan. The credit risk assessment includes borrower risk analysis, industry risk analysis, historical financial analysis, projected financial performance, the conduct of the account, and security of proposed loan. The assessment originates from relationship manager/account officer and approved by Credit Review Committee. The Credit Committee under elevated authority approves the credit proposals. The Board approves the proposal beyond the authority limit of the management.

ii. Structure and Organization

The Credit Analysis function is responsible for making independent financial analysis and appraisal of credit proposals that are marketed by the business groups. There are detailed guidelines for financial analysis that are followed which gives its independent views/recommendations on credit proposals brought to it by the Relationship Managers of the various business groups. These proposals are then further processed in accordance with the delegation of powers approved by the Board.

iii. Scope and Nature of Reporting Systems

After the approval of the credit proposal, the Credit Control Unit (Credit Administration) entrusted with the responsibility of checking that the conditions precedent for the draw-down of the credit facilities as approved are fulfilled before the facilities are made available to the client/counterparty.

Credit Administration under the supervision of Head of RMS checks the accuracy and completeness of requested documentation.

The Credit Control Unit is independent of the Credit Analysis unit of the Department. It also follows up on the conduct of the accounts by the client/counterparty in accordance with the terms of approval and reports any irregularities for necessary corrective action.

RISK MANAGEMENT REPORT

iv. Hedges and Mitigants

The Credit Policy of the Bank outlines guidelines for mitigating risks in terms of availability of credit enhancements and/or collaterals to support the exposure, the coverage ratio of collateral value to the loan to be granted, the threshold levels for top-up of security and liquidation. The policy and procedures of the Bank also lay down the required methods and intervals for valuation of the different collaterals so as to determine the necessity for top-up by the client and/or procedure for liquidation.

The collaterals accepted by the Bank mainly consist of cash in the form of deposits with the Bank, shares, bonds, insurance and bank guarantees. Other various forms of real estate and equipment are also considered. For the purposes of credit risk mitigation, only such of the collaterals that are permitted by the CBT and where the conditions stipulated are fully met are considered.

As for shares, bonds etc., the Bank fulfils the stipulated regulatory requirements for their periodic valuation, etc. In regard to real estate assets, the Bank accepts only valuation from, professional and government recognized valuers, who are required to assess the value of the collateral before they are accepted as security. The periodicity of the valuation is again in line with the regulatory requirements.

2.1.2 LENDING AUTHORITIES

The various authorities involved in the credit approval process are as follows:

- ☐ Board of Directors (BOD);
- ☐ Management Credit Committee (MCC).

It is understood, that no delegated authority can approve a credit that has been declined in the past by a higher authority, even if the credit lies within his delegated authority levels.

2.1.3 ANALYSIS OF FINANCIAL STATEMENTS

Credit Analysis follows a uniform standard structure which answers the key relevant issues focusing on the relevant risk elements of the facility, including financial analysis, management and assessment market conditions. The financial statement of the customer for the previous three years should be analysed.

2.1.4 RISK RATING MODEL

Comprehensive risk rating model covers both obligor rating and facility rating. The obligor risk rating scoring system on ten point scale was implemented and functional. Annual review of the rating model was implemented.

The facility grades were assigned according to the severity of the expected losses in case of default, keeping in view relevant factors such as the type of the facility and the nature of the collaterals.

RISK MANAGEMENT REPORT

All facility grades have a score varying between 1 and 9 depending on facility type and the quality of collaterals. Scores was assigned to each factor, with each factor weighted on relative importance.

The risk rating method is an internally constructed model based on expert ratings. The applicability of the model to our customers has been validated through set of statistical methods. The data used in validating these primary indicators are the entire loan portfolio of the bank's actual obligors and exposures and its long-term experience.

2.1.5 LOAN REVIEW MECHANISM (LRM)

All credits receive a formal review at least annually to ensure that risk ratings are accurate and up-to-date. Large credits, new credits, higher risk rating and problem credits, concentration (by group of counterparties or by sector) and complex credits are being reviewed twice a year. This is done to bring about qualitative improvement in credit management.

2.1.6 CREDIT STRESS TESTING

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables.

The stress test is undertaken on a quarterly basis, according to different scenarios. The objectives and desired outcomes of the credit stress testing programme, is to consider in the context of TIB how the equity capital and Capital Adequacy Ratio (CAR) of the Bank are affected by the stress scenarios.

2.1.7 CREDIT AUDIT

This is done independent of credit operations. Credit audit is conducted on site by the Internal Audit Department.

2.2 COUNTRY RISK MANAGEMENT

2.2.1 Country Limits:

Country limits are established on the basis of bank transactions in countries where customers are active and for which Tunis International Bank expects to have a certain business volume. These countries are studied internally and approved on the credit committee's level then submitted to the Board to be approved on a yearly basis.

The Country exposure should not exceed at any time the country limit ceiling without special approval. Country risk limits are established only when business opportunities either exist or will exist.

2.2.2 Bank Limits:

These limits are extended to banks on an undisclosed basis in order to enable our Bank to realize transactions with banks with which Tunis International Bank maintains or has a potential business.

RISK MANAGEMENT REPORT

3- MARKET RISK

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.

3.1 INTEREST RATE RISK

TIB manages interest rate risk as an inherent part of its business. Almost all the pricing of the facilities granted is indexed on the two world major currencies i.e. US\$ and Euro which account for more than 90% of our portfolio. Furthermore all the facilities granted are on the currency of the source of payments to avoid exchange risk factor.

The policy of the Bank is not to fund long term assets with short term liabilities or to fund long term fixed rate with short term variable resources. Also the Bank's assets and liabilities floating rate are tied to the same index rate generally the interbank rate such as Libor or Euribor, etc. to avoid any unexpected divergence resulting from the difference in the various floating rates.

The traditional Gap Analysis is used as method to measure the Interest Rate Risk. Gap Analysis measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions).

3.2 CONCENTRATION RISK

In order to dilute the risk and to avoid dealing with a single security firm, the portfolio of TIB is managed through three well reputed Brokers and Asset Management Companies. At the end of the year 2020, TIB's investment portfolio complies with the Bank's internal policy.

As it is the case with the bank's loan portfolio, no concentration was recorded neither by geographic distribution nor by industry sector nor by single counterparty.

3.3 FOREIGN EXCHANGE RISK

In addition to the Foreign Exchange 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 risk element in foreign exchange risk is being managed and monitored adequately. The VAR is used to measure the bank's EUR/USD FX risk. Foreign Exchange prudential limits are always observed.

3.4 MARKET STRESS TESTING

Market risk arises out of changes in financial market prices and their impact on the value of an asset. For TIB, it typically consists of two main market risk factors namely: interest rate and stock prices.

RISK MANAGEMENT REPORT

4- LIQUIDITY RISK

Bank deposits generally have a much shorter contractual maturity than loans and liquidity management needs to provide a cushion to cover anticipated deposit withdrawals. Liquidity is the ability to efficiently accommodate deposit as also reduction in liabilities and to fund the loan growth and possible funding of the off-balance sheet claims. The cash flows are placed in different time buckets based on future likely behavior of assets, liabilities and off-balance sheet items. Tolerance levels on mismatches for various maturities are being applied.

Liquidity indicates the margin of protection available to both depositors and creditors against un-anticipated financial difficulties that may be experienced by a bank. The bank's average liquidity ratio stands at 112% significantly above the Central Bank of Tunisia and the internationally agreed standards minimum requirements of 100%.

4.1 LIQUIDITY STRESS TESTING

The liquidity stress testing policy was reviewed in 2019.

The new stress test applies various scenarios (three main scenarios with different level of severity) on the liquidity cash flows in order to test the sensitivity of the bank's net liquidity position.

The stress testing aims to test the sensitivity of the bank's net liquidity position under the following scenarios:

- A scenario reflecting adverse market conditions;
- A scenario reflecting an idiosyncratic stress event; and
- A scenario reflecting combined market and idiosyncratic stresses.

As of December 31st 2020, the bank is resilient at every shocks/scenarios conducted as the regulatory liquidity ratio is well above the min requirement ratio.

4.2 CONTINGENCY FUNDING PLAN

The scope of this plan is to allow the bank managing its liquidity during a disaster. A disaster is defined as any adverse event that could result in significant damage to the brand value, image and the revenue generating capability of the organization and could result in inability to service its customers for a long period of time. These events are generally of such intensity that it casts doubts over the ability of the organization to continue operating if the event is not well managed.

5 - OPERATIONAL RISK / BUSINESS CONTINUITY PLAN

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 MANAGEMENT REPORT

5.1 INCIDENT REPORTING SYSTEM

An Incident Reporting System has been established at the Bank, where, all employees take adequate steps to identify and report such incidents with sufficient details. Whether the incident generates a loss or even a profit or have no material incidence on the banks' net income should be reported. This will enable the Bank not only to take corrective action as and when necessary to prevent recurrence of such incidents but also institute adequate systems and procedures to quantify the operational loss that the bank may be exposed to, in its various departments, functions and the provision of its services.

Incidents were conforming to a banking activity with wider categories of incidents concerning all banking areas. Efforts should be made to remedy to these near miss events and apply corrective action in order to avoid any potential loss to the bank, prevent recurrence of such incidents or to vehicle a bad image or service by the client. Proper follow-up and control should be envisaged with periodic reporting to the management.

As per BIS (Bank of International Settlements) classification, most of these incidents were attributed to lack of execution, delivery and process management.

5.2 KEY RISK INDICATORS (KRIS)

Key Risk Indicators (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, given the changing risk landscape. KRIs are not analyzed alone but with others pillar of Operational risk.

5.3 RISK CONTROL SELF-ASSESSMENT

The objective of the RCSA (Risk Control Self-Assessment) is to establish a consistent framework for assessing the effectiveness of the internal control environment across the bank. While RCSA data can be used to compute capital charge for operational risk.

RCSA is used for tracking important or materialistic risks 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.

RISK MANAGEMENT REPORT

5.4 BUSINESS CONTINUITY PLAN

A back-up site was installed at the Bizerte branch, a location 60 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. Business impact analyses (BIA) were conducted to all functional areas; in order to ascertain their needs to continue the activity in case the headquarters 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 Bizerte branch with a slight delay.

The bank has approved a new BCP which stands on to have the following four steps:

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

6 - ANTI-MONEY LAUNDERING PROCEDURES

Parallel to the regular reviewing and updating of our anti-money laundering procedures and controls, the Bank has adopted a whistle blowing and antifraud policies and also a new FATCA policy. These policies were adopted with a view to maintaining standards which conform to the best practices.

The Bank attaches great importance to combating money laundering, bribery, corruption and funding of terrorism. It therefore expects every employee to be vigilant in ensuring that the Bank is not unwittingly used by any criminal entity or individual or his representatives / advisors as a conduit in his / their money laundering operations.

It is important that ALL EMPLOYEES understand and fully comply with these responsibilities. It should be understood that the Bank's license to do business, its owners and its employees would be at risk should the Bank be found to have assisted in the act of money laundering.

The management of the bank is aware that continuous and ongoing training program in the acquisition and the use of knowledge, skills, techniques and qualifications to facilitate personal development helps in combating money laundering and the financing of terrorism. Therefore, when available, all the concerned staff, especially the new recruits, participate in training sessions.

We have judged not adequate to develop a KYC system applicable to the securities portfolio. The IOSCO (International Organisation of Securities Commissions) adopted a high level principle that requires market intermediaries to have in place policies and procedures designed to minimize the risk of the use of an intermediary's business as a vehicle for money laundering. In addition our portfolio is managed through three worldwide and well reputed Brokers and Asset Management Companies.

RISK MANAGEMENT REPORT

For detecting suspicious transactions and unusual customer behaviours, the existing AML system has been framed to develop a strong mechanism for achieving the following objectives:

- ✓ Profiling customer behavior to prevent Bank from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities. KYC procedures also enable the Bank to know/understand their customers and their financial dealings better, which in turn helps them to manage the associated risks prudently.
- ✓ To enable the Bank to comply with all the legal and regulatory obligations in respect of KYC / AML / CFT measures / Obligation of Bank under to cooperate with various government bodies dealing with related issues.
- ✓ To filter in a real time all incoming and outgoing messages and detect black listed clients (UN, EU, OFAC).

Also, all cash transactions superior to TND 10 k (or foreign currency equivalent) made by non-bank customers are subjects to comprehensive due diligence.

In addition to the existing bank's due diligence procedures, the bank set up a procedure for screening for negative news as part of KYC to get better understanding of the potential risks that the bank may face. Using information provided by the media is being part of the business decision making process and guides its approach to doing business.

Internal Audit conducts periodic reviews of the responsibilities of key personnel to minimise areas of potential conflict of interest and ensure that independent checks are in place. TIB has in place an independent Internal Control Department. It is responsible for verifying, checking and controlling all of the Bank's operating transactions. The Bank's Head of Compliance Department also acts as the Money Laundering Reporting Officer (MLRO) and is responsible for ensuring that adequate Anti-Money Laundering procedures are in place and ensuring effective compliance with the Central Bank of Tunisia regulations and Financial Action Task Force recommendations. The Bank has a system that gives details of potential suspicious transactions. The system is under the supervision of the MLRO.

RISK MANAGEMENT REPORT

7 - COMPLIANCE REPORT: CIRCULAR N° 2013-21

Reference to Circular n°2013-21 of December 30th, 2013, additional provisions are required on the net exposure for assets booked as class 4 or as lost assets. As of December 31st, 2020, outstanding provision amount complies with regulatory requirements.

8 - RISK APPETITE

Risk appetite defines the level and types of risk that the Bank is willing to accept in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate.

Besides being used in running the bank business, the adopted metrics address the concerns of all the relevant stakeholders, i.e. stockholders, depositors, customers and supervisors. The proposed categories of metrics provide a clear target setting to support business activities and meet the stakeholders' expectations.

These metrics are:

- Capital adequacy
- Earning variability
- Liquidity Metrics
- Business & Credit Risk
- Market Risk
- Operational risk
- Reputation & Strategic risk.



Ruins of roman villas in Carthage

Burgan Bank

Burgan Tower, Sharq,
Abdullah Al Ahmed Street,
P.O. Box 5389, Al Safat
12170, Kuwait
Tel: +(965) 2298 8000
Fax: +(965) 2298 8419
Email: info@burgan.com
Website: www.burgan.com

United Gulf Bank B.S.C.

P.O. Box 5964,
Diplomatic Area UGB Tower,
Manama, Kingdom of Bahrain
Tel: +(973) 17 533 233
Fax: +(973) 17 533 137
Email: info@ugbbh.com
Website: www.ugbbh.com

Jordan Kuwait Bank

62 Ummaya Bin Abed Shams
Street Abdali, Amman
P.O. Box 9776, Amman
11191, Jordan
Tel: +(962) 6 562 9400
Fax: +(962) 6 569 5604
Email: info@jkbank.com.jo
Website: www.jkb.com

FIMBank p.l.c

Mercury Tower, The Exchange
Financial & Business Centre
Elia Zammit Street,
St. Julian's STJ 3155, Malta
Tel: +(356) 21 322 100
Fax: +(356) 21 322 122
Email: info@fimbank.com
Website: www.fimbank.com

Gulf Bank Algeria

Haouche Kaouche N°50
Route de Cheraga, BP 26
Dely Ibrahim
Alger, Algeria
Tel: +(213) 21 984 904
Fax: +(213) 21 91 02 64
Email: avotreecoute@agb.dz
Website: www.agb.dz

Syria Gulf Bank

P.O. Box 373 29 Ayyar Street
Damascus, Syria
Tel: +(963) 11 232 6111
Fax: +(963) 11 232 6112
Email: info@sgbsy.com
Website: www.sgbsy.com

Bank of Baghdad

Baghdad, Alwiya
Karada Kharij,
P.O. Box 3192
Iraq
Tel: +(964) 782 8893173
Fax: +(964) 171 750 06
Email: info@bankofbaghdad.com.iq
Website: www.bankofbaghdad.com.iq

Burgan Bank Turkey

Maslak Mah
Eski Buyukdere cad.
N°13 PK 34485 Sariyer
Istanbul, Turkey
Tel: +(90) 212 371 3737
Fax: +(90) 212 371 4242
Email: bizeulasin@burgan.com.tr
Website: www.burgan.com.tr

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