

***BANK OF TUNISIA AND EMIRATES***  
***ANNUAL REPORT***  
***2017***

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## ***Composition of the Board of Directors***

### ***Directors representing the State of the United Arab Emirates***

**M. Jabr Zaâl Khelifa FALASI** ***Chairman of the Board of Directors***

**(From October 2013)**

M. Obeid Mourad AL SOWAIDI *Director*

M. Khalifa Ali Al QAMZI *Director*

M. Sakr Salem MEDEL AMRI *Director*

M. Nasser SHOTAIT AL KETBI *Director*

Mr Mohamed Mubarek EL HEJRI *Director*

### ***Directors Representing the Tunisian State***

**Mr Jelel Azouz** ***General Director***

Mr Hedi Damak *Director*

Mr Bacel HAMAID *Director*

Mr Fadhel BEN OTHMEN *Director*

Mr Mounir Romdhani instead of Mr Abderrahmen AL KHOCHTELI  
*Director*

Mr Rached BEN ROMDHANE *Director*

## ***THE STATUTORY AUDITORS***

Mr Ahmed BELAIFA ***Cabinet M.T.B.F***

Mr Mohamed Ali AOUANI CHERIF ***Cabinet ECC Mazar***

***FOREWAORD OF THE CHAIRMAN  
OF the BOARD OF DIRECTORS***

The international environment in 2017 was marked by economic growth compared to 2016, to reach **3.8%**, the highest level **since 2011**. In particular, the recovery was confirmed in advanced economies whose activity has been supported by continued accommodative monetary policies that allowed an easing of financial conditions for the recovery.

In this context, growth was robust in most emerging economies, benefiting from favorable external demand stimulated by the recovery of activity in the industrialized countries and by the rise in international commodity prices.

However, this recovery has only partially impacted the labor market; particularly in developed countries where the **unemployment rate** has fallen to **5.7% from 6.2% in 2016**, while there have been mixed developments in emerging and developing countries.

Overall, the unemployment rate in the world has registered a slight increase of **5.6% in 2017 against 5.5% in 2016**.

Regarding world trade in goods and services, there has been a sharp recovery, **4.9%** against **2.3%** in 2016, thanks to stronger trade flows in Asia and imports into North America.

For its part, international financial markets have shown resistance to political uncertainties, benefiting from strong economic growth, moderate inflation and large liquidity injections by central banks.

In the international exchange markets, 2017 was marked mainly by the strong appreciation of the **Euro** against the **Dollar**. This development is due in particular to the improvement of the economic situation and the renewed interest of foreign investors for the Euro Zone.

In this context, the **Euro** has appreciated by **2, 1%** against the US currency to settle at **1, 1297 Dollar in 2017**.

In advanced economies, growth was **2.3%** in 2017, up 0.6 percentage points compared to 2016.

This recovery in the pace of activity in this group of countries was helped by the good performance of domestic demand, as well as the improvement of the business and investment climate.

In the **United States**, the growth rate reached **2.3%** against **1.5%** in 2016. US growth was driven by the rise in domestic demand, **2.4%** against **1.7%** in 2016, and notably by the vivacity which marked the investment, or **3.3%** against **0.6%** in 2016 and the stability of the private consumption **2.8%** against **2.7%** a year before.

Indeed, business investment benefited from favorable financial conditions thanks to the depreciation of the Dollar and accommodative monetary policy, despite gradual increases in the Fed's key interest rate (The **US Federal Reserve**).

For the **United States**, the forecast for the growth rate for 2018 is based on its maintenance at its level achieved during the year 2017.

As for the **Euro Zone**, growth is further consolidated in 2017 in all member states. This growth was supported by an ultra-accommodative monetary policy and the strengthening of exports despite the appreciation of the Euro. Thus, the growth rate stood at **2.3%** in 2017 against **1.8%** in 2016.

Regarding **emerging and developing countries**, in 2017, they experienced some strengthening of their overall economic activity with a growth rate of **4.8%** compared to **4.4%** one year earlier. **The International Monetary Fund (IMF)** has kept its forecasts for this group of countries unchanged at **4.9%** for 2018 and **5%** for 2019.

For **China**, economic growth continued at a steady pace, **6.9%** against **6.7%** in 2016 as a result of the significant increase in exports that offset the slowdown in domestic demand, following reforms to rebalance private consumption and investment in service activities. This growth is expected to decelerate slightly to **6.6%** in 2018 and **6.4%** in 2019, according to **IMF** forecasts.

In particular, the easing of monetary policy and the increase in the volume of credit has made it possible to boost consumption and the resumption of public investment.

For its part, economic growth in the **Middle East and North Africa region** slowed sharply, falling from **4.9%** in 2016 to **2.2%** in 2017. This trend is

attributed to the decline in growth in oil-exporting countries and persistent geopolitical tensions.

Contrasting with the improvement that marked the main indicators of activity of the global economy, **foreign direct investment flows (FDI)** registered a decrease by **16%** in 2017, against a decline of **13%** in 2016 to return to 1.152 billion dollars. This decline mainly affected the economies of advanced and transition countries.

According to the recent estimates of the **International Monetary Fund (IMF)** the global economy is expected to continue during **2018**, to benefit from the business climate and the financial conditions conducive to investment. Thus, global **GDP** is expected to grow at a moderate pace to **3.9%**.

Nationally, economic activity in 2017 experienced a difficult year again characterized by persistent pressures on macroeconomic balances with a slight improvement in growth of **1.9% compared to 1% in 2016**.

At the sector level, growth in 2017 was driven by market activities, **2.5%** versus **0.4%** in 2016, unlike in previous years, where non-market services contributed significantly.

For the agricultural sector, production increased in most branches, particularly cereals, against a decline in oil olives.

Overall, the agricultural and fishing sector saw a recovery in its value added of **2.5%** after a regression of **8.5%** a year earlier.

On the demand side, the year 2017 was characterized by a slowdown in constant price consumption, which has been the main driver of growth in recent years. The slowdown affected both public (0.5% against 2.5% in 2016) and private (2.2% against 3.1%) consumption.

On the other hand, exports of goods and services were consolidated, registering a growth of **4.6%** against **0.2%** in 2016, at the same time as an acceleration of imports of **3.8%** against **2.7%** a year earlier.

In addition, **the unemployment rate** stagnated at its 2016 level, or **15.5%**, with a slight decrease in unemployment among higher education graduates, while remaining high (**29.9%** against **31.6%** in 2016).

On the other hand, **tourism sector** indicators improved after significant declines in the previous year, particularly in terms of overall tourist nights (**37.7%** against **7.1%** in 2016) and the flow of foreign tourists, which increased by **26.9%** compared to **7.7%** in 2016, covering about 5.7 million tourists.

On the other hand, the increase in **tourist receipts** by **19.3%** (+ 4.8% excluding currency effect) and the labor income of **16.9%** only partially covered the trade deficit, resulting in an increase in the current account deficit amounted to 9.9% billion dinars, or **10.2%** of GDP.

Inflation, which stood at **5.3%** in 2017 compared to **3.7%** in 2016, accelerated during the last months of the year to **6.4%**. In particular, underlying inflation (excluding fresh and administered products) stood at **6.3%** in 2017 compared with **5.2%** a year earlier.

In terms of stock market activity, the **TUNINDEX** stock exchange benchmark closed 2017 with an increase of **14.4%** from **8.9%** in 2016, thanks to positive expectations on the performance of listed companies.

As regards **public finances**, they saw a sharp increase in operating expenditure at the rate of **16.3%**. However, the tax measures taken and the improvement of tax revenue collection made it possible to keep the **budget deficit** in 2017 at the same level as in 2016, or **6.1%** of GDP.

This level puts pressure on both external and domestic financing and on public debt outstanding, which amounted to **69.9%** of **GDP**.

Economic growth in Tunisia improved slightly to reach **1.9% in 2017** compared with **1% in 2016**; with a prospect of a gradual recovery in economic growth for **2018** from **2.4% to 1.9% in 2017** on the basis of the strengthening of most key sectors.

This recovery of economic growth in Tunisia in 2017 remains fragile because of persistent vulnerabilities mainly related to the slippage of budget deficits and current payments, **6.1%** and **10.2%** of **GDP** respectively in 2017, coupled with an upsurge in inflationary pressures, or 6.4% in 2017 compared to **4.2%** in 2016 and **7.7%** at the end of May 2018.

These imbalances, which are mutually engineered from one year to the next, continue to affect economic activity as well as the monetary and financial situation of the country, further impacting the own resources of the State budget.

In this still unfavorable general context, the Bank of Tunisia and the Emirates consolidated its activities in the course of the **2018** financial year. The Bank has thus developed its business financing activities and especially individuals. At the same time, the sales network extended over the past year to **27** branches.

The total balance sheet stood at the end of 2017 at **1037.690 million dinars** against **980.730 million dinars** at the end of 2016.

The Net Banking Product recorded in 2017 an increase of 34% compared to 2016 to reach **44,371 million dinars** against **33,117 million dinars** in 2016.

In conclusion, I would like to thank the monetary authorities of Tunisia and the State of the United Arab Emirates for the encouragement they continue to give to the Bank of Tunisia and the Emirates.

My thanks also are addressed to all members of the Board of Directors for their unwavering support for the development of the Bank and all Bank staff for their Support.

**JABR ZAAL KHELIFA FELLALI**

## INTERNATIONAL ENVIRONMENT

The year 2017 was marked by a synchronized economic recovery between the world's major economies. In particular, the recovery has been confirmed in the advanced economies whose activity has been supported by the continuation of accommodative monetary policies and by the good performance of domestic demand, notably the rebound in **investment and employment**.

At the same time, growth has been robust in most emerging economies benefiting from favorable external demand stimulated by a rebound in activity in industrialized countries.

This recovery in global growth is in relation, mainly with the good performance of domestic demand in advanced countries and China, as well as with the dynamics of world trade, which recorded a sharp recovery of **4.9%** against **2, 3%** in particular in the first half of the year under review.

However, this recovery has only partially impacted the labor market, particularly in developed countries where the unemployment rate has fallen significantly (**5.7%** against **6.2%** in **2016**), particularly in Europe, while it has experienced mixed developments in emerging and developing countries. Globally the **unemployment rate** in the world has increased slightly (**5.6%** against **5.5%** in 2016).

As a result, the global economy gained strength in 2017, with a growth rate of **3.8%** compared to **3.2%** in **2016**, the highest level since 2011.

In the Euro Zone, the economic recovery strengthened further in 2017, thanks to stronger growth in all Member States, in relation to the rebound in private investment combined with robust consumption, which benefited from employment growth. Indeed, private companies have stepped up their investments in order to adjust their production capacities and respond to the growing demand in the European goods and services market.

In sum, the economic growth rate in the Euro Zone stood at **2.3%** in 2017 against **1.8%** a year earlier. This growth was supported by an ultra-accommodative monetary policy and the strengthening of exports despite the appreciation of the euro.

For the **United States**, the growth rate reached **2.3%** in 2017 compared to **1.5%** in 2016 and **2.8%** recorded in 2015. US growth was driven by the good performance of the domestic demand (**2.4%** against **1.7%** in 2016), notably the stability of private consumption (2.8% compared with 2.7% in 2016), despite the deceleration in public consumption (1% against 1% in 2016).

Indeed, business investment has benefited from favorable financial conditions thanks to the depreciation of dollars and accommodative monetary policy, despite gradual increases in the **Fed's** key rates (**The US Federal Reserve**).

For US foreign trade, it has strengthened thanks to the evolution of exports of goods and services, which reached 3.4% against -0.3% in 2016, as well as that of imports which accelerated by 3.9% against 1.3% a year earlier.

This consolidation of the growth of the US economy is expected to continue in the coming years according to the **IMF(the International Monetary Fund)**, in relation essentially, with tax reforms that have reduced the tax burden on US economic operators and by lowering taxes on corporate profits, which would allow, to sustain the pace of change in domestic demand.

As for the emerging and developing countries, they experienced in 2017, a certain strengthening of their economic activity with a growth rate of **4.8%** against **4.4%** in **2016**. In particular, the developing countries of Europe have realized a growth rate of **5.8%** against **3.2%** in 2016, in relation in particular with the strong growth in Turkey and Poland.

Regarding Chinese economic growth, it has maintained a steady pace of **6.9%** against **6.7%** in 2017 following the rise in exports. In addition, the level of

investment has remained high and the People's Bank of China has made selective easing to facilitate access to credit for small businesses and the agricultural sector.

Indeed, the structural reforms of the Chinese economy continued, aimed at rebalancing in favor of private consumption and investment in the economic activities of services.

For its part, economic activity in the **Middle East and North Africa MENA** region slowed sharply, falling from **4.9%** in 2016 to 2.2% in 2017. This trend is attributed to slower growth in oil-exporting countries, due to reduced production and persistent geopolitical tensions. Similarly, the fiscal consolidation process and the high level of inflation in the **MENA** region are behind this slowdown.

According to recent estimates by the **International Monetary Fund**, the global economy is expected to continue to benefit from financial conditions conducive to investment in 2018. Thus, the cyclical recovery of the global economy is expected to continue at a moderate pace with growth rates higher than that in 2017, **at 3.9%**.

Overall, in the United States, domestic demand would be supported by the tax reforms that came into force in early 2018, aimed at reducing corporate tax rates. For emerging and developing countries, the economic growth rates for 2018 will be close to those of 2017.

In terms of the **employment situation**, the global unemployment rate rose slightly by **5.6%** against **5.5%** in 2016. In particular, in emerging and developing countries, the labor market has undergone mixed changes.

On the contrary, **unemployment rates** continued to fall in most industrialized countries at levels close to full employment for some developed economies. thus, the unemployment rate in the United States stabilized at **4.1%** in December 2017, compared with **4.7%** in 2016, due to employment dynamics in the services sector.

Indeed, the **unemployment rate** in the Euro Zone continued its downward trend, to stand at **8.7%** in December 2017 against **9.7%** at the end of 2016. In Japan, the

unemployment rate was at **2.8%** in December 2017, compared to **3.1%** a year earlier, the lowest rate since May 2015.

As regards **international commodity prices**, there has been increasing pressure in relation to the recovery of the world economy, driven by the consolidation of domestic demand and the dynamics of foreign trade. For example, energy and metal prices rose **23.1%**, compared with a 16.5% drop in 2016, while the chemical fertilizer index fell by **5%**.

In this context, the global commodity price index, established by the **International Monetary Fund (IMF)**, rose by **15.3%** compared to a decline of **9.8%** a year earlier. Indeed, most commodity price indices have been on the rise in 2017. On the other hand, the food price index has slowed down by **0.7%** in 2017 compared with the previous year. **1.5%** in 2016.

By 2018, the **IMF** expects the global commodity index to increase by **12%** compared to 2017, in relation with the acceleration of oil, natural gas and food prices.

With respect to **inflation**, the deflationary pressures that have persisted in recent years in advanced countries have decreased in 2017, with the resumption of international commodity prices, mainly energy, and monetary policies that remained, generally accommodating.

For the advanced countries, the evolution in most of these economies made it possible to avoid the situation of deflation. Thus inflation reached **1.7%** in 2017 against **0.8%** in 2016 supported by the important increase of the prices of energy, while underlying inflation remains at levels below **2%**. As for inflation in Japan, it remained at a low level of **0.5%** against **0.1%** in 2016.

For emerging and developing countries, the inflation rate was down (**4% against 4.3% in 2016**), mainly in China, where prices returned to **1.6%** against **2%** in

2016. In the **Middle East and North Africa (MENA)** region, inflation accelerated to **6.6%** against **4.9%** in 2016

With regard to monetary policies, the **Federal Reserve (FED)** has raised **interest rates** three times (in March, May and December) from a range of **0.25%** to **0.75%** at the end of 2016 at a range of **1.25%** to **1.5%**. Thus, the **US Central Bank** is aiming for a return to normal after the exceptional measures that break the ultra-accommodative character of its monetary policy

Indeed, the continuous improvement of economic growth in the United States and the dynamics that marked the job market were the main factors that allowed the **FED** to continue the gradual tightening of its monetary policy. The fiscal and operational stimulus recorded at the beginning of 2018, should take over from this upward phase of the economic cycle, notably by strengthening domestic demand and essentially private investment.

For its part, the **European Central Bank (ECB)** has decided not to change its key rates which are close to **0%**, nor the deposit facility rate of **-0.4%**, and the marginal lending rate set at **0.25%**. The **ECB** began reducing the volume of its asset purchases to 60 billion euros, then to 30 billion euros at the meeting of 25 January 2018.

As for the Bank of Japan (**BOJ**), it has kept its ultra-accommodative monetary policy unchanged until a sustainable annual inflation of around **2%** is reached..

**For 2018**, monetary policies would gradually return to normal. Support for economic activity would require less neutral fiscal policies and structural reforms aimed at increasing potential output that has reached its upper limit in industrialized countries.

Regarding the **main international stock market indexes**, the year 2017 was a year of very good performance for the financial markets, especially the stock markets. In fact, the global recovery is well synchronized, and the very accommodative monetary policies in developed countries have supported stock

market values. Thus, the "**MSCI WORLD**" jumped **21.9%**, reaching its highest historical level.

In the United States, the three main indexes recorded the following changes compared to 2016: the **DOW JONES** index (+25.1%), the **S&P** index (+19.4%) and the **NASDAQ** composite index (+28.2%).

In Europe, the **CAC** index and the German **DAX** posted their best performances for 4 years and closed 2017 respectively at **9.3%** and **12.5%**.

In Asia, the **NIKKEI index** gained **19.1%** and the Shanghai stock market rose **6.6%** despite fears of a liquidity recovery. The **MSCI Emerging Market Index** managed to close the year 2017 up **34%**.

As for the international exchange markets, they were marked by the appreciation of the European currency against the **US dollar**, reaching **1,1677 dollars** at the end of June 2017. In the short and medium term, an opposite trend is expected given the increase in US rates.

For its part, the European currency benefited from the optimism and encouragement of the **ECB's** leaders to halve the pace of its asset purchases. The **Dollar** ended the year at **1,2005 USD** for one **Euro**.

## National Environment

Economic activity recorded a slight improvement in 2017 with a **Gross Domestic Product (GDP)** growth rate of **1.9%** against **1%** in 2016, while remaining below the potential of the economy and the level required for reducing the unemployment rate. Remaining low, it was however driven by the evolution of market activities (2.1% against 0.4% in 2016), against a deceleration in the growth of non-market services (0.4% against 2.5% in 2016).

In particular, economic growth in Tunisia has benefited from a generally growing agricultural season, the dynamism of market services, especially tourism and transport as well as good performance at the level of financial institutions and communications.

In addition, **the unemployment rate** witnessed a slight increase in the fourth quarter by **15.5%** in 2017 compared to **15.3%** in the third quarter. The unemployment rate among higher education graduates has decreased slightly but remained high **29.9%** against **30.6%** in 2016.

For the **agricultural and fishing sector**, it experienced a recovery in its value added of **2.5%** after a regression of **8.5%** in 2016, contributing of **0.2%** to economic growth against **0.9 %**, one year before.

In fact, production has increased in most branches, particularly **cereals**, where the updated estimates for the cereal season **2017-2018** cover a crop of **13.7 million quintals** compared with **16 million** in the previous season, decreasing to **14.3%**.

For the **arboriculture sector**, olive oil production for the crop year **2017-2018** is expected to be between 260 and 280 thousand tons, representing an increase of approximately **160%**. Consequently, olive oil exports, for the period from November 2017 to June 2018, increased by **169%** in value to reach **167.4 thousand tons** and **1.685 million dinars**.

In **the fishing sector**, production in 2017 recorded an increase by 2%, being likely 129.5 thousand tons.

As for **the food trade balance**, the gap amounted to **MTND1, 354** in 2017, representing an increase of **25.9%** compared to 2016. The widening of the deficit is due to imports (**22.1% against 3.2%**) at a faster rate than exports (**20.6% against 3.2%**), while imports of certain products, particularly sugar, Vegetable oils, maize and soft wheat were only partially offset by improved exports of olive oil, fishery products and dates.

For its part, the value-added of **manufacturing industries**, has recorded a slight increase by **0.8%** comparing to **0.5%** in 2016. This evolution is explained by the recovery recorded in the mechanical and electrical industries (**3.3% against 2.1%**), in relation to strengthening export demand as an impact of the Euro Zone activity. It can also be attributed to the recovery in the textile, clothing and leather industries (**0.8% against -0.3%**), as well as in the agro-food industries (**1.4% against -4.4%**) By contrast, the value-added of construction materials, ceramics and glass industries followed a declining trend line (**-4.5% against -1.8%**).

With regard to non-manufacturing industries, their value added continued its recent decline, falling by **3%** in 2017 compared to **-1.5%** in 2016. This trend connected particularly to the deepening downturn of business activities related to oil and natural gas extraction (**-11.1% against -7.2%**) due to social unrest. Indeed, the national production of crude oil fell by **15.6%** in 2017 to return to **1,831 thousand tons** against **3,663 thousand tons** in 2010.

On the other hand, **themining sector** experienced a recovery of **10.1%** against **6.4%** in 2016 despite social tensions and disruptions in the production and phosphate transport activity. In this respect, the quantities produced of crude phosphate increased by **13.3%** i.e. **4.150 thousand tons** against 8.131 thousand tons in 2010.

In total, the index of industrial production fell by **1%** in 2017 compared with **0.5%**, one year before, due to the decline in production in the energy products extraction industry (**-7%**) , which was partially offset by a moderate shift in manufacturing output.

At the sectorial level, market services experienced a slight growth in 2017 amounted to **4%** compared to **3.3%** in 2016. This trend was driven mainly by the positive outcome generated from tourism (**8.3%** compared with **2.7%**) and transport activities (**5%** compared with **4.7%**) in 2016. It should also be noted

that financial services and communications continue to grow at a **9.1%** and **3%** respectively.

For non-market services, their contribution to economic growth fell back to 0.1 percentage points from 0.5 percentage points in 2016 and an average of around 0.8 percentage points between 2011 and 2001-2015.

**For the year 2018**, the economic budget forecasts a growth rate of **2.4%** based on expected improvement in market activities, including agriculture, tourism, transportation and other activities, against a decline in non-market services.

At the **domestic demand level**, it remained the principal driver of economic growth (**1.8%** against **2.1%** in 2016) despite a slowdown in the pace of evolution in the main components, in constant prices, notably overall consumption and **Gross Fixed Capital Formation (GFCF)**.

At the **external demand level**, it benefited in particular from the improvement in activity in the Eurozone, resulting in an acceleration in exports and a relative improvement in the net contribution to growth, from **-1.3%** to **-0.1%** in 2017.

In terms of investments, **Gross Fixed Capital Formation (GFCF)** has slightly increased (**4.2%** compared to **3.1%**). The overall investment has increased by **15.8%** against a decrease of **2.1%** in 2016. The evolution of the GFCF reflects, in particular, the deceleration of State's capital expenditure. As a result, investment continued its decline, falling from **19.3%** in 2016 to **18.7%** in 2017.

Moreover, **exports of goods and services** increased in 2017 in constant pricing (**4.6%** as against **0.2%**) and current pricing to reach **17.2%** compared with **5.8%**, increasing the export's average propensity from **40%** to **43.5%**. Indeed, the increase in exports has affected the majority of sectors, namely mechanical and electrical industries, the agricultural sector and the agro-food industries.

The decline in exports reflects the drop in domestic **crude oil** production, as well as the instability of the regional security situation.

Indeed, the difficulties of economic recovery as revealed by low growth rates in recent years (+ 1.9% in 2017) contribute to impact the performance of certain strategic sectors related to the export of goods and services.

As for **imports of goods and services**, they recorded an increase in constant prices (**3.8%** against **2.7%** in 2016) and acceleration in current pricing (**18.8%** against **5.5%**), mainly reflecting the **depreciation** of the **DINAR** and the rise in international oil prices. This trend is attributable, in particular, to the purchases of raw materials and semi-finished products, correlatively to the improvement in the activity of manufacturing industries and the energy sector, whose consumption continues to grow against a decline in national production.

On the employment side, the measures that have been implemented to ease the pressures on the labor market and to speed up the pace of job creation remain insufficient and the unemployment rate remains more or less stable as of the year 2016, i.e. **15.5%** corresponding to **639** thousand unemployed.

Given the importance of employment challenges, the government has moved towards a new integrated approach based on strengthening economic opportunities to remove the social and economic barriers that prevent young graduates from gaining access to quality-based jobs.

In addition, a number of measures were taken during the year 2017, mainly in relation to facilitating the integration of higher education graduates into professional life, as in the case of the project on the social and cooperative economy.

In this context, net job creation recorded an increase by **24.8%** to **43.3 thousand** jobs created in **2017**, thanks to the recovery in the manufacturing sector which, after of around 7 thousand dinars in 2016, has created around **19 thousand** jobs in 2017.

On the other hand, the distribution of unemployment by region reveals disparities between the different governorates. The unemployment rate is higher in the southern and western regions than in the eastern and northern regions of the country.

Thus, unemployment rates by region were 24.3% in the Southeast, 10.4% in the Northeast, 9.7% in the Central East, 25.6% in the Southwest, 16.7% in the Northwest and 17.4% in the Central West.

For this purpose, the number of unemployed has increased by **1.1%**, i.e. from 632 thousand in 2016 to 639 thousand in 2017.

In 2018, a draft law governing the sector of the **Social and Solidarity Economy (SSE)** was finalized, bringing together governments, social partners and public bodies with the support of the International Labor Organization (**ILO**) . The main objective of the **SSE** is the promotion of inclusive growth through projects that meet the specificities of the regions, helping to create jobs and lead to a certain dynamic in the labor market.

In 2017, the **tourism** sector experienced a sustained change in its activity indicators, following the significant declines registered in 2015-2016, which were affected by security shocks. Both foreign tourist arrivals and total tourist overnight stays increased by **26.9%** and **23.1%**, compared with **7.7%** and **14.4%** in 2016, million tourists and 15.7 million overnight stays.

This development was characterized by a relative return to traditional markets thanks to the improvement of security, in addition to the continued influx of Maghreb tourists. Correlatively, tourism receipts rose by **19.3%** against **-1.7%** in 2016 to reach MTND 2,831.

In the same vein, passenger **air transport traffic** recovered **12.7%** in 2017, compared with **9.2%**, one year before, to reach 9 million passengers, most of them on scheduled international routes.

**Inflation** averaged **5.3%** in 2017, compared to **3.7%** a year earlier, and accelerated in the final months of the year to **6.4%** year-on-year December. This upward trend is attributed mainly to the acceleration that marked the pace of change in food prices (5.6% against 2.6% in 2016) and manufactured goods (5.9% against 3%). 6%), combined with the effect of the depreciation of the Dinar.

For its part, **core inflation** (excluding fresh and managed products) remained stable at 6.3% in 2017 compared with 5.2%, one year before, reflecting the persistence of inflation.

With regard to **foreign trade**, it should be noted that the pressure on the balance of payments continued to change, during the year 2017, in a difficult environment. This is due to the low level of investment and the unstable social climate that has significantly affected the export performance of the extractive industries sectors.

Indeed, the current account deficit remains high at **MTND 9,870**, or **10.2%** of GDP, against **MTND 7.935**, which represents 8.8% of GDP in 2016 following the deterioration of the trade balance; generating a deficit that has increased by 23.7%, or 3 billion dinars compared to 2016 to reach an exorbitant level of 15.6 billion dinars. This deterioration is due to the growth of imports at a rate exceeding that of exports (+ 19.8% and + 18.1% respectively).

Regarding the **balance of services**, it continued to evolve positively in 2017 (+ 7.6% against + 15.7% a year earlier), giving a surplus of 739 MTND against MTND 688 in 2016. This increase is due to the relief from the transport deficit (- 25%).

The **balance of capital and financial transactions** has increased particularly in 2017 to reach 9.2 billion dinars against 6.3 billion dinars in 2016, supported by the consolidation of net capital inflows under in the medium and long term, while the level of foreign investment flows remains low, despite its growth (+ 12.8%).

For its part, the level of **net assets in foreign currency** declined, from MTND 12,935 and 112 days of import at the end of 2016 to MTND 12,885 and 93 days in 2017. As for the reserve position at the **IMF**, it recorded an increase by 15.8% to MTND 401 in 2017. At the same time, gold holdings rose by 19% at the end of 2017 to MTND 424.

On the monetary side, the growth rate of the money supply, which increased from 5.3% in 2015 to 8.1% in 2016 and then to 11.4% in 2017, connects to the acceleration of the competitions to the economy (13.2% compared with 9.7% in 2016) and upwards although at a lower rate of net claims on the State (11.4% against 18.7% in 2016). Net claims on the outside have, instead, reduced their decline (MTND -1,484 against MTND -2,634 in 2016).

In addition, the monetary conditions were marked by the tightening of bank liquidity, as evidenced by the overall volume of refinancing of banks with the **Central Bank of Tunisia** which remains at high levels to end the year 2017 at MTND 10,962 against MTND 6.71 in 2016.

In this context, and to cope with the increased needs of banks in liquidity, the **Central Bank of Tunisia** has intensified its interventions using all the instruments at its disposal to fill the liquidity gap that has become structural.

Indeed, the analysis of liquidity in 2017 shows that the average need of banks in liquidity continues to increase from MTND 9,674 in the third quarter of 2017 to MTND 10,446 in the fourth quarter of the same year, with a record level of MTND 10,909, recorded in December 2017.

In contrast to the previous year during which issues pertaining to treasury bills exceeded those planned in the state budget, the total envelope in these bonds issued at the end of 2017, focused on a modest volume of MTND 1.952 for repayments in this respect of MTND 813 i.e. net subscriptions of MTND +1.139 against, respectively, MTND 3.884, MTND 1.615 and MTND 2.269 in 2016.

Indeed, aware of the negative impact of the resurgence of tensions on consumer prices with overall inflation reaching 5.3% on average, the Central Bank decided to tighten its monetary policy by: on two occasions, its **key interest rate** to 4.75% in April and **5%** in May 2017. Its action has been supplemented by a quantitative tightening, through the cap of the amount of the main refinancing operations to MTND 7,000.

Thus, and despite a key rate that has remained unchanged since the end of May 2017 (5%), the Money Market Average (**TMM**) rose from **4.94%** in June 2017 to **5.15%** in July, before stabilizing at the level of **5.23%** throughout the last quarter of 2017.

At another level and in terms of annual average, the exchange rate of the Tunisian Dinar recorded a depreciation of 12.8% against the euro, **11.3%** against the US Dollar, **7, 8%** vis-à-vis the Japanese yen and **11.9%** against **Moroccan dirham** in 2017.

Consequently, the pace of the **dinar** has declined, after having recorded an upward trend, especially during the second quarter of 2017. It should be noted that the depreciation in the value of the dinar is attributable mainly to following the policy of widening the trade deficit and the evolution of the **euro** on the international exchange market.

Regarding the stock market, the stock exchange rating was enriched in 2017 by the introduction of two new companies via a public fixed-price offer, in this case the company "**SANIMED**" on the alternative market and the company "**INTERIORS FURNITURE WORKSHOP** " on the main market. Thus, the number of listed companies was 81 units at the end of 2017.

Besides, the evolution of the stock market was marked by the good performance of the reference index "**TUNINDEX**" which increased by 14.5% for the year 2017 by closing the month of December to 6.281 , 83 points against a productivity rate of 8.9% in 2016.

The upward trend of the "**TUNINDEX**" index observed in 2017 continued during the first quarter of 2018. Thus, the reference closed the month of March at a record level of 7,142.65 points i.e. a performance of 13.7%.

For the year 2018, the forecasts outline a relative control of the current account deficit to reach 9.7% of Gross Domestic Product (**GDP**) on the basis of tourism growth and transport development.

Regarding the State's policies for the year 2018, they were based on the consolidation of the State's own resources mainly through, a set of new measures affecting, inter alia, the fight against tax evasion. This would limit the need for the use of borrowing resources and contain the budget deficit at 4.9% of GDP compared to 6.1% in 2017.

## **KEY FIGURES OF THE ACTIVITY OF BTE**

### **STOCKHOLDERS' EQUITY:**

The bank's Shareholders' Equity reached at the end of 2017 the amount of 130.025 million dinars against 129,151 millions dinars at end of 2016.

#### **Evolution of stockholders' equity (in millions DT)**

	<b>2017</b>	<b>2016</b>	<b>Growth rate (%)</b>
Share capital	90,000	90,000	-
Own shares	-840	-840	-
stocks	47,438	47,346	0,2
Reported results	-7,355	-8,293	-11,3
Net income for the year	782	938	-16,6
<b>Total</b>	<b>130,025</b>	<b>129,151</b>	<b>0,7</b>

### **INVESTMENT ACTIVITIES:**

### **APPROVALS:**

Approvals of investment activities have showed an improvement of 18.2% in 2017 to 135.187 million dinars against 114.719 million dinars in 2016.

#### GROWTH OF APPROVALS (in million DT)

	Approvals 2017	Approvals 2016	Growth rate in (%)
medium and long term credit participation	26,863	14,735	82,%
leasing	-	-	-
	22,588	32,113	42,2%
<b>Total companies approvals</b>	<b>58,976</b>	<b>37,323</b>	<b>58%</b>
<b>Total special approvals</b>	<b>76,211</b>	<b>77,096</b>	<b>-1,1%</b>
<b>Total</b>	<b>135,187</b>	<b>114,719</b>	<b>18 ,2%</b>

For the 2017 budget, the bank's approvals showed an improvement of 15 million dinars, which essentially resulted in the increase in leasing credits, which reached 32 million dinars in 2017 against 23 million dinars in over the past year, this also exceeded the budget estimates for the year 2017.

In addition, the approvals on appropriations to individuals reached the established estimates in December 2017 (76.211 million dinars, compared with 70 million dinars).

In view of these circumstances, and to achieve the objectives of the budget there is still a need to stimulate interventions, particularly in the area of retail and leasing financing, which are considered among the most important on which the bank's **five-year plan** for the period (2017-2020) is based.

#### DISBURSEMENT

Disbursements decreased by -15.7% in 2017, amounting to 22 million dinars. This is mainly due to the downgrading of **medium and long-term** credit commitments by companies, which recorded a decline of 18 million dinars compared to 2016, following the slowdown in economic growth as well as the pressures which are exercised on the Bank's treasury. As a result, a large part of the Bank's financial resources have been allocated to lending to individuals.

**GROWTH DISBURSEMENTS (millions TD)**

	<b>Réalisations 2017</b>	<b>Réalisations 2016</b>	<b>Growth rate in (%)</b>
Medium and long term credits	25,927	44 ,398	-41,6%
Holdings	-	50	-
Leasing	16,571	19,226	-13,8%
<b>Total disbursements companies</b>	<b>42,498</b>	<b>63 ,674</b>	<b>-33,3%</b>
<b>Total special disbursements</b>	<b>77 ,096</b>	<b>76,211</b>	<b>-1,1%</b>
<b>Total credits</b>	<b>118,709</b>	<b>140 ,770</b>	<b>-15,7%</b>

Regarding disbursements, the bank exceeded the 2017 budget estimates of 109.8%.

The Bank is still required to activate its interventions in the form of **medium and long-term loans** to individuals and leasing in order to optimize the profitability of its resources.

**ACTIVITES COMMERCIALES:****SHORT-TERM CREDIT EVOLUTION:**

Outstanding short-term loans grew by 5.2 million dinars in 2017, a 2.1% increase compared to 2016, from 248.453 million dinars in 2016 to 253.695 million dinars in 2017, in line with the growth of management credits in dinars of 15.3%.

**COMMERCIAL ACTIVITIES (in millions TD)**

	<b>2017</b>	<b>2016</b>	<b>Growth rate in (%)</b>
Management credits in dinars	133,352	115 ,624	15,3
Overdraft facility	41,222	40,937	0,7
Foreign currency management credit	88,493	77,518	-12,4
Advance / deposit	3,399	1,603	-17,96
<b>Total</b>	<b>253,695</b>	<b>248,453</b>	<b>2,1</b>

Compared to the 2017 forecast, the Bank's business activity grew by 32 million dinars, mainly due to growth in management credits.

## TRANSACTIONS WITH FOREIGN COUNTRIES: DOCUMENTARY CREDITS

Transactions with foreign countries registered a drop of -16.8% in 2017 compared to 2016, from 31.9 million dinars to 26.5 million dinars, in relation to the difficult economic situation in the country (particularly at the level of imports).

### OPERATIONS WITH THE FOREIGNER (in TD million)

	2017	2016	Growth rate in (%)
Opening of credoc import	25,707	28,244	-9%
Opening of credoc export	0,820	3,633	77,2%
<b>Total</b>	<b>26,536</b>	<b>31,877</b>	<b>-16,8</b>

Indeed, and despite the fragile economic situation, the Bank should stimulate its interventions in this area, especially since they do not require the mobilization of financial resources while this activity attracts large commissions in favor of the Bank.

## PLEDGES AND GUARANTEES:

Pledges and guarantees given to customers reached 78 million dinars in December 2017, registering a decrease of 31 million dinars, or -28, 9% compared to December 2016.

### PLEDGES AND GUARANTEES TO CUSTOMERS (in TD million)

	2017	2016	Growth rate in (%)
Pledges of market	57,723	53,370	8,2
Other pledges and guarantees	10,746	10,526	2,1
Guarantees on leasing	5,493	418	1214,2
Customer Pledges	73,962	64,314	15,
Bank Pledges	4,010	45,298	-91,1
<b>Total</b>	<b>77,972</b>	<b>109,612</b>	<b>-28,9</b>

## BANK RESOURCES :

The Bank's resources reached 1008.426 million dinars at the end of 2017 against 954.091 million dinars at the end of 2016, recording an increase of 54 million dinars.

The nature of the resources is as follows:

- Equity : 130,025million dinars.
- Loans: 338,512million de dinars.
- Customer deposits: 539,889million dinars.

### EVOLUTION OF THE BANK'S RESOURCES (in TD million)

	December 2017	December 2016	Growth rate in (%)
Equity	130,025	129,151	0,7
Borrowings	338,512	231,788	46
Customer deposits	539,889	593,152	-9
	<b>1008,426</b>	<b>954,091</b>	<b>5,7</b>

The Bank's own funds reached 130.025 million dinars in 2017 against 129.151 million dinars in 2016, registering an increase of 0.7%.

## BORROWINGS AND EXTERNAL RESOURCES

External and internal borrowings reached 338.512 million dinars at the end of 2017 against 231.788 million dinars at the end of December 2016, an increase of 106.7 million dinars.

### LOAN EVOLUTION (in TD million)

	December 2017	December 2016	Difference Dec. 2016/2017	
			Value	%
External lines	4,631	6,363	-1,732	27,2%
Bond issues	103,750	110,195	-6,445	-5,8%
Interbank loans	-	19,000	-19,000	-100%
Money market borrowing in foreign currencies	169,131	41,230	127,901	310,2%
Money market loans in dinars	61,000	55,000	6,000	10,9%
<b>Total borrowing</b>	<b>338,512</b>	<b>231,788</b>	<b>106,724</b>	<b>46%</b>

It should be noted that the Bank has used money market dinars and interbank loans during 2017. These borrowings reached 127.4 million dinars, mainly due to the continuous pressure on the Bank treasury.

In addition, and in order to keep the same pace of activities while achieving the objectives set, it was necessary to ensure the mobilization of additional financial resources in the medium term in order to maintain the Bank's financial equilibrium, including the completion of the Bank's financial procedures of the 2017 bond issue.

As per financial estimates, borrowings increased by 9.7 million dinars as of December 31, 2017. This was mainly due to the increase in the money market borrowings base of 9.7 million dinars.

### DEPOSITS:

Customer deposits reached 539.9 million dinars at December 31<sup>st</sup>2017 against 593.1 million dinars in 2016, a decrease of 53.2 million dinars (-9%).

### EVOLUTION OF RESOURCES FROM DEPOSITS (in TD million)

	2017		2016		Growth rate in (%)
	value	%	value	%	
Savings accounts	66,987	12,4	62,055	10,5	7,9
Term Accounts	197,584	36,6	256,013	43,7	23,75
<b>Total term deposits</b>	<b>264,571</b>	<b>49</b>	<b>318,068</b>	<b>53,6</b>	<b>-17,6</b>
Current accounts	275,318	51	118,349	20	1,2
<b>Total deposit in dinars</b>	<b>458.550</b>	<b>73,6</b>	<b>436.417</b>	<b>73,6</b>	<b>-9</b>
Term Accounts	6,876	0,5	3,101	0,5	121,7
Current accounts	74,463	25,9	153,634	25,9	-51,5
<b>Total currency deposit</b>	<b>81,339</b>	<b>26,4</b>	<b>156,735</b>	<b>26,4</b>	<b>48,1</b>
<b>Total deposit</b>	<b>539,889</b>	<b>100</b>	<b>593,152</b>	<b>100</b>	<b>-9</b>

The Bank's resources from deposits decreased by 53.2 million dinars compared to 539.889 million dinars in 2016. Nevertheless, they have not reached the budget estimates planned for the year 2017. The difference is estimated at 38.6 million dinars due, in particular, to the reduction of term deposits, which are the most expensive deposits, with an amount of 37.2 million dinars including the deterioration of current accounts which recorded a decrease of 0.2 million dinars in 2017.

Regarding the 2017 budget, the achievements are below 93.1% compared to the forecast for total deposits in dinars.

On the other hand, during 2017, the Bank has recorded a growth in savings accounts, from 62.055 million dinars in 2016 to 66.987 million dinars for 2017, and this in the goal of controlling the average costs of resources.

## RESULTS OF THE BANK :

The net product of the Bank reached 44,546 million dinars in December 2017 against 39,097 million dinars at the end 2016, an increase of 13,9%.

### EVOLUTION OF RESULTS (in TD 1,000)

	Achievements 2017	Achievements 2016*	Growth rate in (%)
Interest and similar income	54.78914.586	50.20313.2831	9,1
Commission	3.489	.3514.825	9,8
Gain / Portfolio Title	6.390		158,4
Income / portfolio			31,6
<b>Total bank operating Incomes</b>	<b>79.508</b>	<b>70.031</b>	<b>13,8</b>
Incurred interest and similar Expenses incurred Commissions	34.732405	30.554360	13,712,5
<b>Total Bank operating expenses</b>	<b>35.137</b>	<b>30.914</b>	<b>13,7</b>
<b>Net Banking income</b>	<b>44.371</b>	<b>39.117</b>	<b>13,9</b>
Personnel costs	-22.350	-18.692	14
Other charges	16-2.176	18-1.972	-11,1
Amortization			10,3
<b>Gross operating result</b>	<b>12.386</b>	<b>10.837</b>	<b>14,3</b>
Subsidies in reserves	-8431-324	-8.833	-3,9361,6
Earnings resulting from other ordinary Elements		-1.777	
<b>Result</b>	<b>2.118</b>	<b>1.619</b>	<b>30,8</b>
Income tax	-1.336	-681	96,2
<b>Net profit</b>	<b>782</b>	<b>938</b>	<b>-16,6</b>

Compared to the results recorded at December 31, 2016, banking operating income increased by 13.8% in December 2017, mainly due to the evolution of interest income by 21.9%.

On the other hand, bank operating expenses recorded a growth rate of 13.7%, due to the increase in outstanding financial resources to reach 647 million dinars in December 2017 against 631.7 million dinars in December 2016.

### **EVOLUTION OF BANKING PRODUCTS:**

Banking products recorded an increase of 13.8%, from 70.011 million dinars in 2016 to 79.683 million dinars in 2017, thanks to the increase in revenues from long, medium and short-term loans to individuals (**credit consumption**) of nearly 3.6 million dinars, and at a rate of 21.9% and short-term business credit revenues which reached an increase of 16.3 million dinars in December 2017 against 13.9 million dinars of dinars at the end of 2016, an increase of 17.7%.

Regarding income on short-term loans to companies, they reached an increase of 16.333 million dinars in December 2017 against 13.9 million dinars in 2016, a rate of 17.7%.

### **EVOLUTION OF BANKING CHARGES:**

Banking operating expenses registered an increase of 13.7% during the 2017 fiscal year, reaching 35.137 million dinars against 30.914 million dinars in 2016.

This growth is mainly due to the increase in interest on customer deposits from 631.7 million dinars in December 2016 to 647 million dinars in 2017.

### **RESULT:**

The result of the Bank recorded at the end of December 2017a profit of **782 mille dinars** million dinars against a profit of **938million dinars** in 2016, a decrease of 16, 6%.

***BANK OF TUNISIA & THE EMIRATES***

***1. FINANCIAL STATEMENTS ENDED DECEMBER 31s, 2017***

***Balance sheet ended on December 31st, 2017***  
***Unit: (in one thousand dinars)***

<b>ASSETS</b>	<b>Notes</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
AC1 Fund & assets with the BCT, CCP & TGT	<b>1</b>	18 360	22 006
AC2 Claims on Banking and financial institutions	<b>2</b>	153 815	107 998
AC3 Receivables from customers	<b>3</b>	722 072	705 412
AC4 Commercial Title Portfolio	<b>4</b>	96 193	96 484
AC5 Investment portfolio	<b>5</b>	18 519	18 444
AC6 Fixed assets	<b>6</b>	16 469	17 200
AC7 Other assets	<b>7</b>	12 262	13 186
<b>TOTAL ASSETS</b>		<b>1 037 690</b>	<b>980 730</b>
<b>LIABILITIES</b>			
PA2 Deposit & holdings of Banking & financial institutions	<b>8</b>	232 608	117 004
PA3 Deposits & customer deposits	<b>9</b>	537 520	592 445
PA4 Borrowing & Special Resources	<b>10</b>	120 242	126 947
PA5 Other liabilities	<b>11</b>	17 293	15 183
<b>TOTAL LIABILITIES</b>		<b>907 663</b>	<b>851 579</b>
<b>SHAREHOLDERS 'EQUITY</b>			
CP1 Capital		90 000	90 000
CP2 Reserves		47 440	47 346
CP3 Treasury shares		(840)	(840)
CP5 Reported results		(7 355)	(8 293)
CP6 Result of the period		782	938
<b>TOTAL EQUITY</b>	<b>12</b>	<b>130 027</b>	<b>129 151</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>1 037 690</b>	<b>980 730</b>

***Statement of off-balance -sheet commitments***  
***Ended December 31st, 2017***  
**(Unit: in thousands of dinars)**

Notes 31/12/2017 31/12/2016

**POSSIBLE LIABILITIES**

HB 1	Guarantees, endorsements and other given guarantees	<b>13</b>	77 971	68 788
HB 2	Documentary credits		26 536	31 877

**TOTAL POSSIBLE LIABILITIES** **104 507** **100 665**

**GIVEN COMMITMENTS**

HB 4	Financing given commitments	<b>14</b>	59 516	53 218
HB 5	Securities commitments		20 550	15 600

**TOTAL GIVEN COMMITMENTS** **80 066** **68 818**

**COMMITMENTS RECEIVED**

HB 6	Received financing commitments		-	-
HB 7	Received Guarantees	<b>15</b>	638 963	531 114

**TOTAL RECEIVED COMMITMENTS** **638 963** **531 114**

**Income Statement**  
**Period from January 1st to December 31st, 2017**  
*(Unit: in thousands of dinars)*

	<i>Notes</i>	<b>Exercice 2017</b>	<b>Exercice(*) 2016</b>
<b><i>Banking operating income</i></b>			
PR1	Interest and similar income	54 789	50 203
PR2	Commissions	14 586	13 283
	Earnings on foreign exchange transactions	3 489	1 351
PR3	Earnings on commercial securities portfolio and financial transactions	6 390	4 825
PR4	Income from the investment portfolio	254	369
	<b>Total banking income</b>	<b>79 508</b>	<b>70 031</b>
<b>Bank operating expenses</b>			
CH1	Interest incurred and similar expenses	(34 732)	(30 554)
CH2	Commissions incurred	(405)	(360)
	<b>Total bank operating expenses</b>	<b>(35 137)</b>	<b>(30 914)</b>
	<b>NET BANKING INCOME</b>	<b>44 371</b>	<b>39 117</b>
CH4	Allocations to provisions and result corrections of value on receivables, off –balance-sheet & liabilities	(10 016)	(8 946)
CH5	Allocations to provisions and result corrections Values on investment portfolio	129	(831)
CH6	Personnel costs	(22 350)	(18 692)
CH7	General charges of exploitation	(7 974)	(6 911)
CH8	Depreciation on fixed assets	(2 176)	(1 972)
	<b>OPERATING RESULT</b>	<b>1 984</b>	<b>1 765</b>
CH9	Balance in gain / loss from other ordinary items	324	-
CH11	Society taxes	(1 335)	(681)
	<b>INCOME FROM ORDINARY ACTIVITIES</b>	<b>973</b>	<b>1 084</b>
CH10	Extraordinary elements	(191)	(146)
	<b>NET RESULT OF THE FINANCIAL YEAR</b>	<b>782</b>	<b>938</b>
	<b>Earnings per share (DT)</b>	<b>0,022</b>	<b>0,027</b>
	(*) Restated for comparability needs		

***Income Statement***  
***Period from January 1st to December 31st, 2017***  
***(Unit: in thousands of dinars)***

	<i>Notes</i>	<b>Year 2017</b>	<b>Year 2016</b>
<b>OPERATING ACTIVITY</b>			
Bank cash incomes		77 179	66 504
Bank operating expenses disbursed		(29 527)	(14 804)
Loans and advances / repayments loans & advances granted to clients		(19 177)	9 236
Deposits / withdrawals from customer deposits		(49 289)	19 186
Payments to Staff and C. Miscellaneous		(29 720)	(25 976)
Other operating cash flows		(967)	(79 054)
Company Taxes		(798)	(204)
<b>Net cash flows used in operating activities of operation</b>		<b>(52 299)</b>	<b>(25 112)</b>
<b>INVESTMENT ACTIVITIES</b>			
Interest and dividends received on investment portfolio		463	386
Acquisitions / transfers on investment portfolio		(1 366)	(1 438)
Acquisitions / transfers on fixed assets		(6 198)	(4 447)
<b>Net cash used in investing activities</b>		<b>(7 101)</b>	<b>(5 499)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of borrowings		10 805	39 195
Repayment of borrowings			
Increase / decrease in special resources		(17 250)	(17 250)
Issuance of borrowings / Repayment of borrowings		(20 899)	1 888
<b>Net cash flow for financing activities</b>		<b>(27 344)</b>	<b>(23 833)</b>
Impact of changes in value on cash and cash equivalents			
Net change in cash and cash equivalents during the period		(86 744)	(6 778)
<b>Cash and cash equivalents at beginning of period</b>		<b>(1 709)</b>	<b>5 069</b>
<b>Cash and cash equivalents at end of period</b>	25	<b>(88 453)</b>	<b>(1 709)</b>

*Notes in the annual financial statements on December 31st, 2017  
(Figures are expressed in KDT: thousand Dinars)*

## **1- Repository for developing and presenting financial statements**

The financial statements of the BTE are prepared and presented according to accounting principles generally admitted in Tunisia, in particular in the general accounting standard n° 01 of December 30th, 1996 and to Banking accounting standards NC 21/25 of March 25th 1999 and to the rules of the Central Bank of Tunisia Promulgated by circular N ° 91-24 of December 17th, 1991 such as modified by the subsequent texts.

### **1- Basis of measurements**

The financial statements of BTE are prepared on the basis of the measurement of assets at historical cost. Thus, the Bank's assets are not subject to any revaluation margin.

## **2- Applied relevant Accounting principles**

### **3.1. Accounting for M.L.T loans and related income**

Financing commitments are recorded as off-balance sheet items as they are incurred and are transferred to the balance sheet according to the releasing of fund for the nominal value.

The study or management commission is taken into account in full among the result at the end of the first release.

The income from discount loans taken out by the Bank is taken into account at the agreed maturity in an adjusted debit balance account and is recognized in profit or loss on a pro rata temporal basis at each balance sheet date.

The income from post-interest loans is included in the income statement as incurred.

The Bank does not incorporate in its products reserved unpaid interest or having been the subject of arrangement, rescheduling or consolidation regardless of the classification of commitments to which they are attached. Only the portion actually received is included in the income statement for the year as defined in BCT Circular No. 91-24. Interest accrued or not yet received on loans classified as uncertain assets (class 2), assets (Class 3) or of the compromised assets (Class 4), as defined in BCT Circular No. 91-24, are recorded as a subtractive asset under " reserved agios". These interests are taken into account in the income statement when they are actually cashed.

### **3.2. Accounting for C.T loans and related income**

C.T credits are recorded off-balance-sheet as committed and transferred to the balance sheet on the basis of utilization. The Interest is taken into account as it is incurred.

### **3.3. Accounting of the properties given in leasing**

The Bank recognizes in its balance sheet the assets held under a finance lease under the economic approach and presents them as receivables for an amount equal to the net investment in the lease.

The net investment in the lease agreement is the gross investment in the discounted lease at the implicit interest rate of the lease contract.

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The gross investment in the lease agreement is the total of the minimum lease payments received by the lessor under a finance lease.

The minimal payments in conformance with the rent are the payments which the lessee has to make during the duration of the contract of rent.

The unearned financial products are the difference between:

- a- The sum of the minimum lease payments; and
- b- The discounted value of (a) above, at the implicit interest rate of the lease.

At the level of the BTE and according to the contractual clauses of the leasing agreements, it is not negotiated with the lessee an unsecured residual value, nor conditional rent. In fact, all our leasing contracts and their corresponding schedules take into account only a purchase value at the end of the contract, usually 1 DT, which is rightly considered as a residual guaranteed value.

The residual value of the properties given in leasing is recorded except balance sheet in the heading of the given commitments.

### **3.4. Accounting for the securities portfolio and related income**

The securities portfolio held by the Bank consists entirely of investment securities. These securities are held with the intention of selling them in the medium and long term. Are classified as equity securities:

- The securities whose sustainable ownership is considered strategic to the activity of the Bank;
- Titles representing shareholdings that have been subject to a retrocession agreement but are not yet permanently assigned.

Subscribed and unliberalized shareholdings are recorded as an off-balance sheet commitment for their issue value and transferred to the balance sheet at the date of release.

Securities are recorded at the acquisition price, excluding expenses and expenses. The sale of equity securities is recorded on the date of transfer of ownership of the securities.

Dividends on securities obtained by the bank are counted as income from the moment their distribution has been officially approved.

### **3.5. Accounting for resources and related charges**

The received commitments of financing are carried except balance sheet there as they are contracted and are transferred to the balance sheet according to the made editions.

The interests and the committees of currency hedging on loans are counted in the result as they are accrued.

### **3.6. Risk Assessment and commitment coverage**

#### ***3.6.1 Individual provisions***

The provision for loan risk is determined in accordance with the risk coverage division and follow-up of the commitments in BCT Circular N ° 91-24, which provides for the following risk classes:

- Class 0: Current assets;
- Class 1: Assets requiring special monitoring;
- Class 2: Uncertain assets;
- Class 3: Worrisome assets;
- Class 4: Compromised assets.

The provisioning rate used corresponds to the minimum rate per risk class applied to the hedged risk, the amount of the commitment Deduction made by the reserved agios and by the value of the obtained guarantees.

The provisioning applied rates by risk class are as follows:

- Uncertain assets (class 2): 20%
- Worrisome assets (Class 3): 50%
- Compromised assets (class 4): 100%

#### ***3.6.2 Collective provision***

Credit institutions have to establish by taking on the results of general provisions known as "collective provisions" to cover latent risks on current commitments and commitments requiring special monitoring (class 1) within the meaning of Article 8 of Circular 91-24. In assessing the amount of these provisions, the Bank used the referential methodology adopted by the BCT for this purpose.

As such, the BTE estimated the provision in accordance with the referential methodology enacted by the BCT. The provisions made by the Bank at the end of 2017 amounted to 5,638 KTD, of which KTD 625 in respect of the 2017 financial year.

### ***3.6.3 Additional provisions***

As of December 30, 2013, the BCT issued Circular No. 2014-21 requiring Banks to set up additional provisions to cover the net risks incurred on assets having Class 4 seniority of 3 years or more and In accordance with the following minimum requirements:

- 40% of the net risk for assets with seniority in Class 4 from 3 to 5 years;
- 70% of the net risk for assets with seniority in Class 4 from 6 to 7 years;
- 100% of net risk for assets with seniority greater than or equal to 8 years.

Net risk is the value of the asset after deduction:

- reserved agios;
- Guarantees received from the State, insurance institutions and credit institutions;
- Guarantees in the form of deposits or financial assets that can be liquidated without affecting their value;
- Provisions established in accordance with Article 10 of the Circular to Credit Institutions No 91-24.

As such, the provisions set up in accordance with the BCT 2013-21 circular of December 30, 2013 totaled at 31/12/2016 an amount of 13,757 KTD.

On July 22nd, 2015, the BCT published the circular N°2015-12 planning exceptional measures to support to support companies in the tourism sector, which can be summarized as follows:

- ✓ ✓ Credit institutions may maintain the risk class as at 31 December 2014 for companies that have benefited from exceptional measures and freeze seniority within the meaning of Article 10c of Circular 91-24 of 17 December 1991 for tourism businesses that have benefited from the measures under Article 1 and Article 2 of the BCT Circular No. 2015-12.
- ✓ Credit institutions can reschedule the deadlines of the 2015s and 2016 of the credits granted to the tourist companies. The repayment of these deadlines could start from the year 2017.

- ✓ The benefit of these measures is subordinated to the presentation, by the company in question, of a request in the subject accompanied by proof of the decrease of the turnover of at least 30% compared to the same period of the 'last year.

In 2015, 16 companies operating in the tourism sector applied to the Bank to benefit from the advantages of Circular No. 2015-12.

Nevertheless, the Bank proceeded to the classification of such relationships in accordance with provisions of circular 91-24

### ***3.6.4 Provision on participations***

The valuation of the equity at the closing date is made by reference to the value in use and gives rise to the constitution of provisions to cover any capital losses that may be released and which are of a lasting nature.

For unlisted equity, the valuation is made by reference to the corrected mathematical value (taking into account the present value of the assets of the issuing company) at the most recent date the possible cleared depreciations having a long-lasting nature are covered by provisions.

### **3.7. 3.7 foreign currency transactions**

Transactions carried out by the Bank in foreign currencies are treated in accordance with the provisions of sectoral accounting standard n ° 23 relating to foreign currency transactions in Banking institutions:

- Transactions carried out in foreign currencies are recorded in separate accounts by holding an independent accounting system in each of the used currencies. This accounting allows the periodic determination of the exchange position.
- Currency denominated expenses and income affect the foreign exchange position, shall be recorded in the accounts opened for each currency concerned as soon as the conditions for their inclusion are met, and then converted into the accounting system in the reference currency, and this, based on the spot exchange rate prevailing on the date of their inclusion in the accounts kept in foreign currency.
- Expenses and income denominated in accrued and unaccrued currencies on the accounting decree date shall be converted on the basis of the cash exchange rate in force on the date of the accounting decree

- At each accounting decree, the assets, liabilities and non-balance sheet items in each foreign currency accounting are converted and returned to the reference currency accounting on the basis of the exchange rate at the Account in force at the date of decree.
- Differences between the revalued assets, liabilities and non-balance sheet items and the corresponding amounts in the exchange position counter-value accounts are taken into account in profit or loss for the considered period.
- The overall foreign exchange position of the bank at the end of the year is creditor of 7,475 KTD.
- The Amount of unresolved foreign exchange transactions as of 31/12/2017

Nature of the operations	31/12/2017	31/12/2016
purchase	5 519	3 078
sales	5 519	1 850

### 3.8. Fixed assets and other non-current assets

Capital assets are accounted for their acquisition cost and are amortized on a straight-line basis.

The depreciation rates applied are as follows:

-Operating property	:	2, 5 %
- Office furniture	:	20 %
- Office equipment	:	10 %
- Transport equipment	:	20 %
- A. A. and installation	:	10 %
- Computer Hardware	:	15 %
- Software	:	33 %

The postponed charges are registered among the other assets as far as they have a beneficial impact on the later exercises. They are reduced over three years.

#### **4- Explanatory Notes (Figures are in KDT: thousands of Dinars)**

##### **4.1 Assets**

###### **Note 1 : Cash and assets with the BCT, CCP and TGT**

The balance of this heading is as follows:

<b>Libels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Cash register) agencies dinars and IBS	3 155	3 613
Fund Currency agencies	1 303	1 062
Central Bank of Tunisia in dinars	684	429
Central Bank of Tunisia in foreign currencies	13 218	16 902
<b>TOTAL</b>	<b>18 360</b>	<b>22 006</b>

###### **Note 2 : Créances sur les établissements bancaires et financiers**

On December 31st, 20, the claims on the Banking and financial institutions evolved as follows:

<b>Libels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Claims on Banking institutions	123 294	72 518
Claims on financial institutions	30 521	35 480
<b>TOTAL</b>	<b>153 815</b>	<b>107 998</b>

##### **2.1. Claims on banking institutions:**

The claims on banks are detailed as follows :

<b>Libels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Interbank loans in foreign currencies	19 619	2 843
Swap currency loans	96 578	41 408
Assets at local correspondents	63	65
Foreign Correspondents Assets	6 995	28 202
Related receivables	39	-
<b>TOTAL</b>	<b>123 294</b>	<b>72 518</b>

- This column does not include claims on the related companies.
- This column does not include doubtful claims
- All the connected interests are paid on a monthly basis and noticed among products.
-

**Note 3: Claims on customers****3.1. Gross claims on customers**

On December 31st, 2017, the Gross claims on customers evolved as follows:

Labels	31/12/2017	31/12/2016
Receivable Accounts from customers	39 206	37 916
Other customer competitions	762 071	732 235
Special Resources Credits	3 167	6 519
<b>Total Gross</b>	<b>804 444</b>	<b>776 670</b>

**3.2. Net claims on customers**

On December 31st, 2017, the Net claims on customers are evolved as follows:

Labels	31/12/2017	31/12/2016
Overdrafts CT (1)	215 912	211 440
Overdrafts M.L.T. (2)	505 632	485 714
Leasing (3)	43 694	41 557
Customer accounts in debit	39 206	37 916
Values in covering	-	43
<b>Gross total</b>	<b>804 444</b>	<b>776 670</b>
Reserved agios	(22 653)	(19 478)
Individual provisions (*)	(53 925)	(46 142)
Collective provisions	(5 794)	(5 638)
<b>Net total</b>	<b>722 072</b>	<b>705 412</b>

(\*)The item included 168 KTND as a use of provision as a result of the recovery of receivables and an amount of 479 KTND for provisions reclassified on reserved agios

**(1)- Short-term loans and related accounts are detailed as follows:**

Libels	31/12/2017	31/12/2016
Outstanding Amounts	210 921	203 481
Advance on term deposit	1 603	3 399
Outstanding principal	5 604	6 436
Interests and fees received in advance	-2 246	-1 965
Related Receivables	29	89
<b>Total</b>	<b>215 912</b>	<b>211 440</b>

**(2)- Medium and long-term loans and related accounts are detailed as follows:**

Libels	31/12/2017	31/12/2016
--------	------------	------------

Outstanding Amounts	466 068	444 723
Outstanding principal	26 134	28 817
Outstanding interests and fees	7 928	8 341
Interests to be received	5 333	3 657
Advance in current accounts	169	186
Interest received in advance	-	(10)
<b>Total</b>	<b>505 632</b>	<b>485 714</b>

(3)- The liabilities in the form of leasing are detailed as follows:

Libels	31/12/2017	31/12/2016
Outstanding	42 228	40 437
Unpaid principal	630	438
Unpaid interests	493	394
Accrued interests	141	137
Other receivables	202	151
<b>Total</b>	<b>43 694</b>	<b>41 557</b>

The distribution of liabilities between classified and unclassified assets is as follows:

Nature of the commitment	Unclassified assets		Classified assets		Total	
	2017	2016	2017	2016	2017	2016
Overdrafts MLT	404 141	391 747	101 491	93 967	505 632	485 714
Overdrafts CT	187 535	180 941	28 377	30 499	215 912	211 440
Leasing	35 594	24 294	8 100	17 263	43 694	41 557
Debtor current accounts	32 542	37 354	6 664	562	39 206	37 916
<b>Gross TOTAL</b>	<b>659 812</b>	<b>634 336</b>	<b>144 632</b>	<b>142 291</b>	<b>804 444</b>	<b>776 627</b>
Values in covering	-	43	-	-	-	43
<b>Gross TOTAL</b>	<b>659 812</b>	<b>634 379</b>	<b>144 632</b>	<b>142 291</b>	<b>804 444</b>	<b>776 670</b>

Total commitments to customers distributed according to the sector of activities as follows:

Nature of the commitment	companies				Individuals	TOTAL
	Agriculture	Industry	Services	Tourism		
Overdrafts MLT	3 033	79 498	79 724	80 311	263 066	505 632
Overdrafts CT	5 058	85 771	121 721	330	3 032	215 912
Leasing	534	9 130	33 909	121	-	43 694
Debtor current accounts	805	10 322	21 764	378	5 937	39 206
<b>GROSS TOTAL</b>	<b>9 430</b>	<b>184 721</b>	<b>257 118</b>	<b>81 140</b>	<b>272 035</b>	<b>804 444</b>

### 3.4. Movements on classified claims

Classified claims	Assets classified 2016	Increases / Decreases	Assets classified 2017
Debtor current accounts	17 263	453	6 664
Other customer competitions	125 028	5 890	137 968
<b>TOTAL ASSETS</b>	<b>142 291</b>	<b>6 343</b>	<b>144 632</b>
Reserved Agios	(19 478)	(3 175)	(22 653)
Provisions	(46 142)	(7 783)	(53 925)
Collective provisions	(5 638)	(156)	(5 794)
<b>TOTAL PROVISIONS AND RESERVED AGIOS</b>	<b>(71 258)</b>	<b>(11 114)</b>	<b>(82 372)</b>

#### Note 4 : Commercial portfolio

The evolution of the equity position is as follows:

Labels	31/12/2017	31/12/2016
<b>Fixed Income Investment Securities</b>	<b>81 062</b>	<b>80 075</b>
BTA	55 625	54 225
Obligations	28 099	28 364
Acquisition premiums BTA	(1 801)	(1 616)
Losses BTA	(861)	(898)
<b>variable income securities (BTE SICAR Managed Funds)</b>	<b>14 792</b>	<b>16 102</b>
Managed funds	14 792	16 102
Related receivables	3 136	2 996
<b>Gross total</b>	<b>98 990</b>	<b>99 173</b>
Supplies	2 797	2 689
<b>Net total</b>	<b>96 193</b>	<b>96 484</b>

Below is the statement of short-term investments

	Nominal value	Acquisition prime	Acquisition cost	Market value	Loss
<b>BTA</b>	55 625	-1 801	53 824	52 963	-861

The movements in provisions on BTE SICAR managed funds are detailed as follows:

	provisions 2016	Provisions recovery	Provisions credits	provisions 2017
movements in provisions on managed funds	2 689	0	108	2 797

Label	31/12/2016	ACQUISITION /TERMINATION	31/12/2017
<b>Fixed Income Investment Securities</b>	<b>82 589</b>	<b>1 135</b>	<b>83 724</b>
BTA	54 225	1 400	55 625
Obligations	28 364	-265	28 099
<b>unfixed Income Investment Securities (FG BTE SICAR)</b>	<b>16 102</b>	<b>-1 310</b>	<b>14 792</b>
managed funds	16 102	-1 310	14 792
<b>Net Total</b>	<b>98 691</b>	<b>-175</b>	<b>98 516</b>

#### Note 5: Investment Portfolio

Label	31/12/2017	31/12/2016
Equity securities of associates	11 054	8 943
Other Equity Securities	9 331	11 355
Related receivables	600	850
<b>Net Total</b>	<b>20 985</b>	<b>21 148</b>
Provisions	-2 466	-2 704
<b>Net Total</b>	<b>18 519</b>	<b>18 444</b>

Equity securities are detailed as follows:

	31/12/2017	31/12/2016
<b>Equity securities</b>	<b>20 385</b>	<b>20 298</b>
Listed securities	7 288	7 288
Unlisted securities	13 097	13 010
<b>Related receivables</b>	<b>600</b>	<b>850</b>
<b>Net Total</b>	<b>20 985</b>	<b>21 148</b>
Provisions	2 466	2 704
<b>Net Total</b>	<b>18 519</b>	<b>18 444</b>

Movements in the financial year on equity securities are as follows:

Libels	31/12/2016	Acquisitions / Disposals	31/12/2017
<b>Equity security</b>	<b>20 298</b>	<b>87</b>	<b>20 385</b>
Relative receivables	850	-250	600
<b>GROSS TOTAL</b>	<b>21 148</b>	<b>-163</b>	<b>20 985</b>
Provisions	-2 704	238	-2 466
<b>Net TOTAL</b>	<b>18 444</b>	<b>75</b>	<b>18 519</b>

### 5.1. List of subsidiaries:

COMPANY	Headquarters	Equity	%	2017 Results
T.E.P (C.T.E.I)	Ennour building-5th floor North Tunis urban center	2 989	99,99%	77
Rapid Recouvrement	Ennour building-5th floor North Tunis urban center	3 199	99,73%	259
BTE – SICAR	5 bis med Badra street 1002 Tunis	3 140	75,00%	303
Tuniso Émiratie Sicav (TES)	5 bis med Badra street 1002 Tunis	66 112	1,92%	3 204

### 5.2. Cost of equity investments acquisition and ownership percentage:

PARTICIPATIONS	Acquisition Cost	%	Provision 31/12/2017
BTE SICAR	2 250	75,00%	-
TEP – Tuniso-Emirati of participations	5 000	99,99%	1 732
Rapid recouvrement	299	99,73%	-
TES	1 483	1,92%	-
Djerba Aghir	2 022	43,62%	-
<b>Related companies</b>	<b>11 054</b>		<b>1 732</b>
NATIONAL AGRICULTURAL BANK	7 288	3,83%	-
TUNISIAN COMPANY OF GUARANTEE	30	1,00%	-
INB - Company Industry of New Bricks	300	4,62%	300
SPPI - Participation and Promotion of Investments Company	50	6,58%	50
La Maison du Banquier	134	1,50%	51
ABF – Academy of Banks and Finances	0.1	0,1%	-
SIBTEL – InterBank Offset Company	52	0,67%	-
Bizerte Competitiveness Cluster	1 000	6,67%	59
United General Partners UGP	100	50%	-
FCPR	375	0.75%	272
BACOFIL	2	0.00%	2
<b>Other Investments</b>	<b>9 331</b>		<b>734</b>
<b>TOTAL</b>	<b>20 385</b>		<b>2 466</b>

### Note 6 : Fixed assets

The evolution of the position of fixed assets is as follows:

Libel	Gross Value 2016	Acquisitions /disposals	Gross Value 2017	Amortization 2016	Net Value 2016	Endowment 2017	Recovery 2017	Amortization 2017	Net Value 2017
Ground	4 002	0	4 002	-	4 002	0		0	4 002
Constructions	6 831	610	7 441	1 768	5 063	173		1 941	5 500
Office Furniture & Equipment	1 674	168	1 842	1 170	504	129		1298	544
Computer Hardware	6 511	337	6 848	4 297	2 214	701		4 997	1 851
Transport equipment	395		395	279	116	42		322	73
A, A & Installations	10 764	447	11 211	5 463	5 301	1 248		6 712	4 499
<b>Total</b>	<b>30 177</b>	<b>1 562</b>	<b>31 739</b>	<b>12 977</b>	<b>17 200</b>	<b>2 293</b>		<b>15 270</b>	<b>16 469</b>

### **Note 7 : Other Assets**

On December 31<sup>st</sup> 2017, the other assets are detailed as follows :

Labels	31/12/2017	31/12/2016
Staff	4 634	4 586
State and local communities	1 645	1 165
Other debtors	3 584	3 800
Deferred charges	100	301
Monetary transactions	162	334
Claims assumed by the State	2 137	3 000
<b>Total</b>	<b>12 262</b>	<b>13 186</b>

#### 4.2. LIABILITIES

### **Note 8 : Deposits and holdings of Banks and financial institutions**

This heading is detailed as follows :

Label	31/12/2017	31/12/2016
Deposits of Banking institutions	230 239	116 298
Deposits of specialized financial institutions	2 369	706
<b>Total</b>	<b>232 608</b>	<b>117 004</b>

Deposits and assets of Banking institutions are detailed as follows:

Labels	31/12/2017	31/12/2016
Borrowing and refinancing in foreign currencies BCT	61 000	55 000

Borrowing and refinancing in currencies of the interBank market	169 131	41 233
Borrowing and refinancing in dinars of the interBank market	-	19 000
Holdings of foreign correspondents	108	161
Relative receivables		904
<b>Total</b>	230 239	116 298

## **Note 9: Deposits and assets of the customers**

### **9.1. Deposits and assets of the customers by nature**

<b>Libels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Demand deposits	379 936	406 331
Term deposits	157 584	186 114
<b>Total</b>	<b>537 520</b>	<b>592 445</b>

This heading is detailed as follows :

<b>Labels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Fixed-term deposits in dinars	150 708	183 013
Fixed-term deposits in foreign currencies	6 876	3 101
Current accounts natural persons	33 319	28 314
Current accounts legal persons	79 841	48 639
Savings accounts	64 464	62 055
Professional accounts in foreign currencies	5 902	4 730
Deposits in convertible dinars	4 804	6 170
Deposit Certificates	40 000	73 000
Currencies service providers accounts	451	1 016
International Trade Accounts	59	546
Non-resident persons	63 247	141 169
Customers' other due amounts	87 849	40 692
<b>Total</b>	<b>537 520</b>	<b>592 445</b>

### **9.2. Deposits of related companies:**

<b>Labels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Term deposits related companies	7 900	7 000

<b>Total</b>	<b>7 900</b>	<b>7 000</b>
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### 9.3. Distribution of term deposits by maturity:

<b>Libel</b>	<b>&lt; 3MONTH</b>	<b>3 MONTH &lt; D &gt; 1YEAR</b>	<b>1 YEAR &lt;D &gt; 5 YEARS</b>	<b>Total</b>
Term deposits	24 306	89 883	43 395	157 584
<b>Total</b>	<b>24 306</b>	<b>89 883</b>	<b>43 395</b>	<b>157 584</b>

#### Note 10 : Loans and special resources

This heading is detailed as follows:

<b>Labels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
External loans	4 631	6 364
Other loans	115 611	120 583
<b>Total</b>	<b>120 242</b>	<b>126 947</b>
<b>Loans</b>	114 897	124 639
Financial fees / External borrowings	10	35
Financial fees / Bond loans	5 335	2 273
<b>Related Financial fees</b>	<b>5 345</b>	<b>2 308</b>
<b>Total</b>	<b>120 242</b>	<b>126 947</b>

The external borrowings are evolved as follows:

<b>Labels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
European Investment Bank 2	-	1 183
Bird Line 34.8 M€	2 211	2 637
Italian Line 73 million Euros	578	578
Spanish Line	1 842	1 842
Line PME/EMIT	-	124
<b>TOTAL</b>	<b>4 631</b>	<b>6 364</b>

#### Note 11 : Other liabilities

<b>Labels</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Social agencies	1 272	2 079
Staff	4 118	2 591
Government and local communities	3 355	2 057
Other creditors	7 094	5 729
Due values after collection (1)	1 458	2 727
<b>Total</b>	<b>17 297</b>	<b>15 183</b>

(1) The due values after collection show the net balance between the values remitted by customers for encashment and due values after collection.

## **Note 12: Shareholders' equity**

	Share capital	Treasury shares	Legal reserves	Special regime reserves	Social fund	Reserves for Banking risks	Other reserves	ADP Purchased dividends	Accounting changes	Reported results off redeemed ADP Dividends	Net profit for the year	TOTAL
Balances on 31/12/2016	90 000	(840)	7 372	22 344	4 300	130	13 200	834	-	(9127)	938	129 151
Assignment of legal reserves												-
Assignment of special regime reserves												-
Transactions/ social funds					94							94
Profits distributions												
Distributions of purchased ADP profits												
Reported results										938	(938)	-
Assignment of other reserves												
Reserves for tax-exempted reinvestments												
Net profit for the year 2017											782	782
Balances on 31/12/2017	90 000	(840)	7 372	22 344	4 394	130	13 200	834	(8 189)	782	130 027	

### **12.1 Priority dividend shares are detailed as follows:**

	Nominal amount	Shares number	Amount in DT	Percentage	Voting right %
Priority dividend shares (ADP) held by the bank	20	46 348	926 960	1.02%	0%

### **12.2 Social fund movements**

Social fund movements in respect of the year 2017 are detailed as follows:

Labels	Amount
Balance on 01/01/2017	4 300
Interests	94
<b>Net TOTAL</b>	<b>4 394</b>

### 12.3. Breakdown of share capital:

Breakdown of share capital	Nominal amount	Number of actions	Amount in DT	Percentage	Voting rights in%
Tunisian shareholders (Tunisian state)	20	1 750 000	35 000 000	38,9%	50%
Foreign Shareholders Abu Dhabi Investment Authority (ADIA)	20	1 750 000	35 000 000	38,9%	50%
Shareholders holding Priority Dividend Shares (ADP)	20	1 000 000	20 000 000	22,2%	0,00%
<b>Total</b>		<b>4 500 000</b>	<b>90 000 000</b>	<b>100%</b>	<b>100%</b>

## **4.4 OFF BALANCE SHEET COMMITMENTS**

### **Note 13: Guarantees, endorsements and other given guarantees**

This heading is detailed as follows:

Libels	31/12/2017	31/12/2016
Cautions for customers	66 829	61 596
Residual value and acceptance to pay Leasing	5 493	452
Cautions in favor of Banks	5 649	6 740
<b>Total</b>	<b>77 971</b>	<b>68 788</b>

### **Note 14: Commitments of received financing**

This heading is detailed as follows:

Libels	31/12/2017	31/12/2016
Customer favor	59 516	53 218
<b>Total</b>	<b>59 516</b>	<b>53 218</b>

**Note 15: Guarantees received**

Guarantees received in the form of mortgages or pledges amount to 638 963 thousand dinars.

Libels	31/12/2017	31/12/2016
Guarantees received from customers	638 963	531 114
<b>Total</b>	<b>638 963</b>	<b>531 114</b>

**4.5 RESULT STATEMENT****Note 16 : Interests and assimilated income**

Labels	31/12/2017	31/12/2016
Transactions with Banks and financial institutions	1 097	216
Customer Operations	53 692	49 987
<b>Total</b>	<b>54 789</b>	<b>50 203</b>

This heading is detailed as follows:

Interest on customer transactions is detailed as follows:

Labels	31/12/2017	31/12/2016
Treasury and interbank transactions	1 097	216
Interest on loans	50 511	46 690
Leasing revenue	3 006	3 066
Commission on commitments	175	231
<b>Total</b>	<b>54 789</b>	<b>50 203</b>

Customer transactions are detailed as follows:

Label	31/12/2017	31/12/2016
Interest on loans	50 511	46 690
Leasing revenue	3 006	3 066
Commission on commitments	175	231
<b>Total</b>	<b>53 692</b>	<b>49 987</b>

**Note 17 : Income of the investment portfolio**

Labels	31/12/2017	31/12/2016
Gains on foreign exchange transactions	3 489	1 351
<b>Total</b>	<b>3 489</b>	<b>1 351</b>

**Note 18 : Commercial portfolio revenues**

Labels	31/12/2017	31/12/2016
BTA revenues	3 707	2 328
Obligations revenues	2 091	1 826
Managed fund revenue	592	671
<b>Total</b>	<b>6 390</b>	<b>4 825</b>

**Note 19: investment portfolio revenues**

Labels	31/12/2017	31/12/2016
Revenue from associates and joint-ventures	254	369
<b>Total</b>	<b>254</b>	<b>369</b>

This note is detailed as follows:

Labels	31/12/2017	31/12/2016
Dividends	455	304
Loss on securities	-201	65
<b>Total</b>	<b>254</b>	<b>369</b>

**Note 20: Interest incurred and similar expenses**

Labels	31/12/2017	31/12/2016
Transactions with banking institutions	7 784	6 448
Customer Operations	19 509	19 369
Operations on Loans and Special Resources	192	428
Other expenses on loans	7 247	4 309
<b>Total</b>	<b>34 732</b>	<b>30 554</b>

This heading is detailed as follows:

Labels	31/12/2017	31/12/2016
Treasury and interbank transactions	7 784	6 448
Customer Operations	19 509	19 369

Bond expenses	7 247	4 309
Operations on Foreign Loans	185	364
Commissions on External Loans	7	64
<b>Total</b>	<b>34 732</b>	<b>30 554</b>

**Note 21: Provisions and result of value adjustments on off-balance sheet & liability receivables**

This section is detailed as follows:

Labels	31/12/2017	31/12/2016
Resumption of provisions on loans (*)	3 489	1942
Provisions for loans	- 11 055	-9 931
Off-balance sheet provisions	- 53	-163
Leasing provisions	- 1 252	-336
Leasing provisions recovery	169	483
Provisions for various accounts receivable off balance sheet	- 1 606	-941
	292	
<b>Total</b>	<b>- 10 016</b>	<b>- 8 946</b>

(\*) retreated by deduction of 230 MTND for accrued interest losses.

**Note 22: Provisions and result of value adjustments on investment portfolio**

This section is detailed as follows:

Labels	31/12/2017	31/12/2016
Provisions for provisions on securities	(213)	(831)
Resumption of provisions on securities	342	
<b>Total</b>	<b>129</b>	<b>(831)</b>

**Note 23: Staff costs**

Labels	31/12/2017	31/12/2016
Salaries and wages	16 851	13 755
Additional benefits	895	621
Social charges	3 971	3 412
Other staff costs	584	464
Staff Provisions	49	440
<b>Total</b>	<b>22 350</b>	<b>18 692</b>

**Note 24: General charges of exploitation**

Labels	31/12/2017	31/12/2016
Non-banking operating expenses	4 723	4 598
Other general operating expenses	3 251	2 313
<b>Total</b>	<b>7 974</b>	<b>6 911</b>

Labels	31/12/2017	31/12/2016
Dues and taxes	801	563
Remuneration of the external services	3 870	3 982
Transportation and Travel	52	53
Other general operating expenses	3 251	2 313
<b>Total</b>	<b>7 974</b>	<b>6 911</b>

The result per share thus determined corresponds to both basic result per share and diluted result per share, as it is defined by the accounting standards. It is calculated by dividing the net income attributable to ordinary shares by the balanced average number of outstanding shares during period.

**4.6 STATEMENT OF CASH FLOWS****Note 25 : Liquidity and cash equivalents**

Liquidity and cash equivalents reached on December 31<sup>st</sup> 2017 a balance of -88 453 thousand dinars against -1 709 thousand dinars on December 31<sup>st</sup> 2016 :

Labels	31/12/2017	31/12/2016
Fund agencies dinars	3 155	2 965
Fund agencies currencies and IBS	1 303	1 710
Central Bank of Tunisia in dinars	684	429
Central Bank of Tunisia in currencies	13 218	16 902
Day-to-day loans to Banks	-	-
loans in foreign currency BCT	116 197	44 251
Holdings of local correspondents	63	62
Holdings of foreign correspondents	6 995	28 202
Loans and refinancing in currencies of the interBank market	-61 000	-55 000
Fund agencies dinars	-169 068	-41 230
<b>Total</b>	<b>(88 453)</b>	<b>(1 709)</b>

### **Note 26: Extraordinary items**

In accordance with the law n ° 2017-66 in its article 52 dated December 18, 2017; the bank has allocated 191 ktd corresponding to 5% of the taxable profit on the companies under the cyclical contribution and this to the benefit of the state budget for the year 2018.

### **4.7: Note on Transactions with related parties**

The transactions with related parties have effects on the accounts for the years closed on 31/12/2017 are as follows:

1- During the financial year 2017, dividends received from BTE SICAR (a company in which the Bank holds 75% of the capital) are 225 KTD.

In addition, the BTE SICAR benefits from preferential conditions of remuneration of its credit current account. Aging creditors resulting from these conditions for the 2017 financial year amounted to 1 796 DT.

2- The BTE has entrusted BTE SICAR, a subsidiary of the Bank, with various amounts in the form of managed funds. These amounts totaled until December 31, 2017 the sum of 14 792 KDT. In return for these funds managed, BTE received in 2017 investment interest of 123 KDT as well as capital gains on retrocession for an amount of 383 KDT. In addition, the Bank paid BTE SICAR a management commission of around 229KDT.

3- During the financial year 2017, BTE received dividends from the investment company with variable capital: Tuniso Emiratie SICAV (TES) in the amount of 292 KTD.

4- The fees collected by BTE in this respect amounted to 245 KTD for the year ended 31 December 2017.

This agreement was authorized by the Board of Directors meeting on December 16, 2009.

5- A lease agreement on a 30 m<sup>2</sup> office located in the bank's premises has been signed between BTE and TES. The annual rent is KDT 1.5. This lease is granted and accepted for a period of three years beginning November 1, 2006 and renewable by tacit agreement.

6- The TES SICAV benefits from preferential conditions of remuneration of its current account. Aging creditors resulting from these conditions for the financial year 2017 amount to KTD 38.

7- The BTE signed in 2004 with the Company "JerbaAghir", in which it holds 43.62% of the capital, a memorandum of agreement setting up a new schedule for the repayment of unpaid installments in the amount of total of 1,451 KDT and relating to the bond issue of 3,250 KTD endorsed by BTE. The schedule extends from 01-03-2005 to 01-12-2013. This schedule shows an annual interest rate equal to the average monthly money market rate plus 3%.

This agreement was authorized by the Board of Directors from April 27<sup>th</sup>, 2004.

To 31/12/2017, the commitments of Jerba Aghir are detailed as follows:

<b>Commitment</b>	<b>Amount</b>
Principal unpaid MLT	<b>1 966</b>
Unpaid interests and commissions	
	<b>292</b>
<b>Total</b>	<b>2 258</b>

8- In 2003, BTE entrusted the company "Rapid Recovery", in which it holds a 99.73% of the capital, to a recovery order for its account relating to certain receivables. In remuneration for his services, the agent will receive a commission calculated according to the scale annexed to the agreement concluded between the two parties. This agreement was authorized by the Ordinary General Meeting of April 27, 2004.

In addition, it should be noted that as of December 31, 2017, an amount of 600 KTD is included in BTE's balance sheet assets. This amount corresponds to dividends receivable.

Furthermore, the company "Rapid Recovery" benefits from preferential conditions of remuneration of its debtor current account. Accounts payable in respect of the financial year 2017 is estimated at TD 7,130.

9- The remuneration of the Chief Executive Officer is set by the decree of the Minister of Finance dated December 15, 2010. It includes, in addition to

salary and allowances, the provision of a company car with the assumption of expenses utility. This remuneration amounted in 2017 to a gross amount of 126 KTD including employer's contributions.

10- The members of Board of Directors are remunerated by attendance fees set by the Ordinary General Meeting of June 1, 2017. These directors' fees for the financial year 2017 amounted to a gross amount of KTD 43. In addition, the directors sitting at the level of the permanent internal audit committee, the risk committee and the credit executive committee benefited from gross remuneration for the financial year 2017 of KTD 101.

**STATUTORY GENERAL REPORT ON THE FINANCIAL  
STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED ON DECEMBER 31st  
2017**

***Ladies and gentlemen, the shareholders of Bank of Tunisia and the Emirates  
"BTE"  
Financial Statements Audit Report***

***Opinion***

As an enforcement of the auditing mission we were entrusted with, by your General Meeting, we are honored to present our report on auditing financial statements of the Bank of Tunisia and the Emirates "BTE" under the financial year. We have audited the balance sheet as of 31<sup>st</sup> December, 2017, as well as the off-balance commitment statement, the income statement, the cash flow statement for the year then ended and notes containing a summary of the main accounting methods and other explanatory notes.

The financial statements, attached herewith, show a total balance sheet of 1 037 690 KDT and a net profit of 782 KDT.

In our opinion, the financial statements of Bank of Tunisia and the Emirates "BTE" are regular and present fairly, in all material respects, the financial position of the Bank as of December 31st, 2017, as well as the result of its transactions, and the cash flow under the financial year, ended on that date, in accordance with the corporate accounting system into force in Tunisia.

**Basis for opinion**

We have conducted our audit based on auditing international standards applicable in Tunisia. Our responsibilities under these standards are more fully described in the "Auditors' Responsibilities for Auditing Financial Statements" section of this report.

Our responsibility is to express an opinion on these financial statements based on our audit which we have conducted according to the applicable professional standards in Tunisia. These standards require that we comply with the ethical rules. We estimate that the evidence elements we have collected are enough and appropriate to issue our audit opinion.

**Key Audit Issues**

According to our professional judgment, the key Audit issues have been addressed most prominently in the audit of the financial statements for the reporting period. These issues have been addressed in the context of our audit of the financial statements as a whole and for the purpose of forming our opinion on them, and we do not express a remote opinion on these matters.

We have determined that what follows is the key Audit issue to be communicated in our report.

### ***Evolution of depreciation provisions on customers commitments***

The bank is exposed to counterparty risk both on its portfolio of direct commitments and on signature commitments given to customers.

This risk, which is inherent in the banking business, is a major area of attention because of the large amount of customer receivables in the bank's balance sheet (69.6%) and the associated cost of risk (Allocation of 12,360 KDT) in the result of the financial statements.

Accounting rules and methods relating to the measurement and recognition of past due receivables and their impairments. As well as additional information on these items in the financial statements are presented in the note to the financial statements no. 3-6, as well as in the explanatory notes n ° 3 and n ° 21.

In response, we obtained an understanding of the procedures implemented by your bank, and assessed the suitable implementation of key controls, as well as their ability to prevent and / or significant misstatements by focusing on:

- The supervision mechanism implemented regarding the process of depreciation of customers commitments.
- The reliability of the information provided by the bank concerning customers whose current situation shows indicators of impairment,
- The procedures and controls defined by the bank to manage the counterparty risk, to identify the customers to be downgraded and funded and to determine the minimum level of provision required by the banking regulation.
- Control mechanisms and calculation of collective and additional provisions implemented by the bank.

Furthermore, we have verified through extensive sampling that commitments with indicators of impairment have been identified in accordance with the provisions of the Central Bank Circular of Tunisia no. 91-24 on the division, opening of risks and monitoring of commitments.

### **Board of Directors Report**

The Board of Directors holds the responsibility of preparing a Board of Directors' report. Our opinion on the financial statements does not extend to cover this report and we do not express any form of assurance whatsoever on this report.

Our responsibility is to verify the accuracy of the information given on the bank's accounts in Board of Directors Report with reference to the data provided for by the financial statements.

Our mission consists in reading the report of Board of Directors' report and then assess whether there is a significant inconsistency between it and the financial statements or the knowledge that we acquired during the audit, or if the board's report otherwise contains a material misstatement, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the management and governance officials in the preparation of financial statements**

The management is responsible for the drawing up, preparation and fair presentation of these financial statements, in accordance with the provisions of the companies' accounting systems. This responsibility includes internal control necessary for the preparation of financial statements that are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, it is management's responsibility to assess the bank's ability to continue as a going concern, to disclose, as appropriate, business continuity and contingency issues and to apply the going concern accounting principle, unless management intends to liquidate the Bank or cease trading or if no other realistic alternative is available to it.

The governance in-charge entities assume the responsibility for monitoring the bank financial information process.

### **Responsibilities of the Auditor for the Audit of Financial Statements**

The financial statements have been approved by your board of directors. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor report containing our opinion. Reasonable assurance means a high level of assurance, which does not guarantee that an audit performed in accordance with ISAs will still detect any material misstatement that may exist. Anomalies may be the result of fraud or error and are considered material when it is reasonable to expect that, individually or collectively, it may affect the economic decisions that users of the financial statements make on the basis of these.

As part of an ISA audit, we exercise professional judgment using critical thinking throughout this audit. Furthermore,

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, the design and implementation of audit procedures in response to such risks, and the collection of sufficient audit evidence. The risk of not detecting a material misstatement resulting from fraud is greater than the risk of a material

misstatement resulting from an error, since fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumvention of internal control.

- We gain an understanding of the internal control elements relevant to the audit in order to design appropriate audit procedures in the circumstances.
- We assess the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as related information provided by the same.
- We draw a conclusion as to the appropriateness of management's use of the going concern accounting principle and, based on the evidence collected, whether or not there is significant uncertainty related to events or situations likely to cast significant doubt on the bank's ability to continue as a going concern. If we find material uncertainty, then we are required to draw the attention of report's readers to the information provided in the financial statements about this uncertainty or, if this information is not adequate express a modified opinion. Our conclusions are based on the evidence collected up to the date of our report. Future events or situations might otherwise cause it to stop its operation.
- We evaluate the overall presentation, the form and content of the financial statements, including the information provided in the notes and assess whether the financial statements represent the underlying transactions and events in a manner that conveys a fair representation.
- We communicate to senior governance officials, in particular, the expected scope and timing of the Audit work and our significant findings, including any significant internal control weaknesses we may have identified during our audit.
- We also provide governance officers with a statement that we have complied with the relevant ethical rules regarding independence, and disclose to them all correlations and other factors that may reasonably be expected to affect our independence and related safeguards, where applicable.

Among the questions communicated to governance officials, we determine which were the most important in the Audit of the financial statements of the concerned period.

These were the key questions of the Audit. We describe these issues in our report unless legal or regulatory texts prevent publication, or if under extremely rare circumstances we determine that we should not disclose an issue in our report because one can reasonably expect that the negative consequences of this disclosure outweigh the benefits for the public interest.

### **Report on legal and regulatory obligations**

As part of our statutory audit mission, we also carried out the specific verifications required by the standards published by the Tunisian Board of Chartered Accountants and by the regulatory texts in force in this area.

### **Effectiveness of the internal control system**

Pursuant to the provisions of article 3 of the law no. 94-117, dated November 14, 1994 relating to the reorganization of the financial market, we carried out a general evaluation

concerning the effectiveness of the bank internal control system and that our remarks were contained in our internal control reports, which form an integral part of this report.

In this regard, we recall that the responsibility for the design and implementation of an internal control system as well as the periodic monitoring of its effectiveness and efficiency lies with management and the Board of Directors. Based on our review, we have not identified any substantive shortcomings in internal control likely to have potential impact on our opinion concerning the financial statements, as expressed here above.

### **Conformity of keeping movable accounts with the applicable regulation**

Pursuant to the provisions of article 19 of decree n ° 2001-2728, dated November 20<sup>th</sup>, 2001, we carried out verifications concerning the conformity of keeping movable accounts issued by the bank with the applicable regulation.

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

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

**Tunis on April 06th, 2018**

**Statutory auditors**

**ECC MAZARS**

**Statutory auditors Associates M.T.B.F**

**Ahmed BELAIFA**

**Mohamed Ali ELAOUANI CHERIF**

**THE AUDITORS' SPECIAL REPORT  
FOR THE YEAR ENDED IN DECEMBER 31<sup>st</sup>, 2017**

*Dear Shareholders of  
Of the Bank of Tunisia and Emirates*

With our abilities as auditors of your Bank and in application of the provisions of article 62 of the law n ° 2016-48 of July 11<sup>th</sup>, 2016 relative to the Banks and to the financial institutions; article 200 and the following ones, and the article 475 of the Commercial Companies Code, we present to you our report on regulated agreements.

Our responsibility is to ensure compliance with the legal procedures for authorization and approval of these agreements or transactions and their correct translation, eventually, in the financial statements. It is not our responsibility to specifically and extensively investigate the existence of such agreements or transactions but to report to you, on the basis of the information given to us and those obtained through our audit procedures, its characteristics and its main modalities without having to decide on their usefulness and their validity. It is your responsibility to assess the interest involved due to these agreements and carrying out these transactions for the purpose of their approval.

***A. Newly implemented Conventions and transactions***

We inform you that your Board of Directors has not informed us of the existence of newly regulated agreements during the 2016 financial year.

***B. Implemented transactions pertaining to previous agreements***

We inform you that the execution of the following agreements, approved in previous years, has been pursued during the past financial year:

1- BTE has entrusted BTE SICAR, a subsidiary of the Bank, with various amounts in the form of managed assets. These amounts have totaled the sum of 16,102 KTD until December 31<sup>st</sup>, 2016.

In return for these managed assets, BTE has received in 2016, investment interests of 123 KTD as well as capital gains on retrocession for an amount of 423 KTD.

In addition to that, the Bank paid BTE SICAR a management fee of around 254 KTD.

2- BTE SICAR benefits from preferential conditions of remuneration of its current account creditor and the franchise of the expenses of account maintenance. Agio creditors resulting from these conditions for 2016 financial year increased to 2 225 TD.

3- On January 31st, 2007, BTE and Tunisian-Emirati SICAV TES entered into a depositary agreement at the end of which BTE acts as custodian of the securities and funds belonging to this SICAV. In return for its services, BTE receives a fee of 1 KTD excluding VAT, paid in arrears.

In addition to that, this agreement is the subject of an amendment dated on January 5<sup>th</sup>, 2009 having modified the remuneration to be collected by the Bank. In fact, the remuneration of the depositary has been raised to 5 KTD including tax, which will be paid by TES annually and in arrears.

This amendment was authorized by the Board of Directors meeting on December 16<sup>th</sup>, 2009.

4- On 06/01/2010, BTE and TES have concluded a distribution agreement in return for this service; BTE receives from the TES a distribution commission of 0.4% including all taxes per year calculated on the net assets base of TES. The calculation of these fees will be made daily and will be deducted from the net assets of SICAV. This commission will be regulated and paid quarterly by TES in arrears upon presentation of invoice.

The fees collected by BTE due to this amounted to 219 KTD for the year ended 31<sup>st</sup> December 2016.

This agreement was authorized by the Board of Directors meeting on December 16<sup>th</sup>, 2009.

5- A rental convention covering a 30 m<sup>2</sup> office located in the Bank's premises has been signed between BTE and TES. The annual rent has been set at 1.5 KTD. This lease is granted and accepted for a period of three years beginning from November 1<sup>st</sup>, 2006 and renewable by tacit agreement.

6- TES benefits from preferential conditions of remuneration of its current account and from the franchise for account maintenance fees. Agio creditors resulting from these conditions amount to 27,137 TD.

7- In 2004, BTE signed an agreement protocol with the company "JerbaAghir", in which it holds a 43.62% of capital, establishing a new repayment schedule for the reimbursement of unpaid maturities of a total amount of 1,451 KTD related to the bond issue of 3,250 KTD approved by BTE. This schedule shows an annual interest rate equal to the monthly average money market rate increased by 3%. This agreement was authorized by the Board of Directors on April 27<sup>th</sup>, 2004.

8- In 2003, BTE has entrusted the company "Rapid Recouvrement" with a recovery warrant for certain receivables. In remuneration for its services, the agent will receive a commission calculated according to the scale annexed to the agreement settled between the two parties. This agreement was authorized by the Ordinary General Meeting of April 27<sup>th</sup>, 2004.

Besides, the company "Rapid Recouvrement" benefits from preferential conditions of remuneration of its current account. Agios resulting from these conditions amount to 7,130 TD.

### ***C. Company's Obligations and Commitments towards Executives***

The obligations and commitments towards the executives as referred to in Article 200 new II

5 of the Commercial Companies Code are as follows:

- The remuneration of the Chief Executive Officer is set by the decree of the Minister of Finance on December 15<sup>th</sup>, 2010. It includes, other than salary and allowances, the provision of a company car with the assumption of the utility costs. This compensation amounted in 2016 to a gross amount of 121 KTD, including employer contributions.
- The Board of Directors members are remunerated by attendance fees set by the Ordinary General Meeting of June 1<sup>st</sup>, 2016. These directors' fees amounted for the 2016 financial year to a gross amount of 47 KTD. In addition, the directors sitting at the level of the permanent internal audit committee, the risk committee and the credit executive committee benefited from gross remuneration for the 2016 financial year of 115 KTD.

Furthermore, and apart from these transactions, we inform you that we have not been given notice of any other agreement settled during the financial year, and  
**Rapport Annuel Exercice 2017**

our work has not revealed the existence of any other transactions taking place under the provisions of Article 62 of Law No. 2016-48 of July 11<sup>th</sup>, 2016 related to Banks and financial institutions, Article 200 and following and Article 475 of the Commercial Companies Code.

**Tunis, May 5<sup>th</sup>, 2017**

**Auditors**

**ECC MAZARS**

**Associated auditors M.T.B.F**

**Ahmed BELAIFA**

**Mohamed Ali ELAOUANI CHERIF**

***Bank of Tunisia and the Emirates Group***

***II- CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31<sup>ST</sup>, 2017***

**Consolidated balance sheet**  
**Closed on 31<sup>st</sup>/12/2017**  
**(Unit: in thousands of dinars)**

	NOTES	31/12/2017	31/12/2016
AC1 CASH AND ASSETS ALONGSIDE WITH THE BCT, CCP AND TGT	1	19 486	22 006
AC2 RECEIVABLES ON BANKING AND FINANCIAL INSTITUTIONS	2	153 890	108 111
AC3 LOANS AND ADVANCES TO CUSTOMERS	3	724 486	708 028
AC4 TRADE SECURITIES- PORTFOLIO	4	160 894	135 962
AC5 INVESTMENT PORTFOLIO SECURITIES	5	11 077	27 224
AC6 FIXED ASSETS	6	16 932	17 707
AC7 OTHER ASSETS	7	14 817	15 421
<b>TOTAL ASSETS</b>		<b>1 101 582</b>	<b>1 034 459</b>
PA2 DEPOSITS AND ASSETS OF BANKING AND FINANCIAL INSTITUTIONS	8	232 437	117 067
PA3 DEPOSITS AND ASSETS OF CUSTOMERS	9	522 989	579 710
PA4 BORROWINGS AND SPECIAL RESOURCES	10	115 845	122 557
PA5 OTHER LIABILITIES	11	21 205	18 814
<b>TOTAL LIABILITIES</b>		<b>892 476</b>	<b>838 148</b>
CP1 CAPITAL	12	90 000	90 000
CP2 RESERVES	13	54 976	58 838
CP3 SHARES TRESORY		-840	-840
CP5 ACCUMULATED EARNINGS	14	-7 355	-8 293
CP6 THE RESULT FOR THE FINANCIAL YEAR	15	649	1 886
<b>SHAREHOLDERS' EQUITY - GROUP SHARE</b>		<b>137 430</b>	<b>141 591</b>
<b>SHAREHOLDERS' EQUITY - MINORITY SHARE</b>	16	<b>71 676</b>	<b>54 720</b>

**Statement of commitment of the consolidated  
ledger**

**Closed on 31<sup>st</sup>/12/2017**

**(Unit: in thousands of dinars)**

<b>SHAREHOLDER EQUITY</b>		<b>209 106</b>	<b>196 311</b>
<b>TOTAL CAPITALS AND LIABILITIES</b>		<b>1 101 582</b>	<b>1 034 459</b>
		<b>31/12/2017</b>	<b>31/12/2016</b>
<b>CONTINGENT LIABILITIES</b>			
<b>HB1</b>	Guarantees, endorsements and other guarantees given	77 971	68
<b>HB2</b>	Documentary credits	26 536	31
<b>TOTAL CONTINGENT LIABILITIES</b>		<b>104 507</b>	<b>100</b>
<b>COMMITMENTS GIVEN</b>			
<b>HB4</b>	Financing given commitments	59 516	53
<b>HB5</b>	Securities commitments	20 550	15
<b>TOTAL COMMITMENTS GIVEN</b>		<b>80 066</b>	<b>68 818</b>
<b>COMMITMENTS RECEIVED</b>			
<b>HB6</b>	Funding commitments received	-	-
<b>HB7</b>	Guarantees received	638 963	531
<b>TOTAL COMMITMENTS RECEIVED</b>		<b>638 963</b>	<b>531 114</b>

*Bank of Tunisia and the Emirates*  
**Consolidated income statement Year ended December 31th, 2017**  
**(Unit: in thousands of dinars)**

	Notes	Financial Year 2017	Financial year 2016
<b>TOTAL BANKING PROCEEDS</b>			
		<b>83 538</b>	<b>75 010</b>
PR1	INTEREST AND ASSIMILATED INCOME	17	54 264
PR2	COMMISSIONS (on Product)	18	15 312
	GAINS ON COMMERCIAL INVESTMENT PORTFOLIO AND FINANCIAL OPERATIONS		3 489
PR3	INCOME FROM INVESTMENT PORTFOLIO	19	9 646
PR4		20	827
<b>TOTAL BANKING EXPENSE</b>			
	INTEREST RATES AND ASSIMILATED CHARGES COMMISSIONS ENCOURAGES		<b>35 153</b>
CH1	LOSSES ON PORTFOLIO- TRADEMARK AND FINANCIAL OPERATIONS	21	34 717
CH2	NET BANKING INCOME		187
CH3	<b>TOTAL BANKING EXPENSE</b>		<b>249</b>
			<b>48 385</b>
	DEPRECIATION PROVISION & CORRECTION OF VALUE ON RECEIVABLE, OFF-BALANCE SHEET AND LIABILITIES		
PR5/CH4	DEPRECIATION PROVISION & RESERVES OF VALUATION ADJUSTMENT / INVESTMENT PORTFOLIOS.		-9 314
PR6/CH5			-859
PR7	OTHER EXPLOITATION PRODUCTS		123
CH6	PERSONNEL COSTS	22	-22 780
CH7	GENERAL CHARGES OF EXPLOITATION	23	-8 838
CH8	DEPRECIATION AND AMMORTISATION AND PROVISION OF ASSETS	24	-2 632
<b>TOTAL OPERATING RESULT</b>			<b>4 085</b>
PR8/CH9	SOLDE EN GAINS / PERTES PROVENANT D'AUTRES ÉLÉMENTS ORDINAIRES		1 352
CH11	IMPÔT SUR LES BÉNÉFICES		-1 413
<b>RESULT OF ORDINARY ACTIVITIES</b>			<b>4 024</b>
PR9/CH10	EXTRAORDINARY ELEMENTS		-406
<b>NET PROFIT</b>			<b>3 618</b>
<b>MINORITY SHARES</b>			<b>2 969</b>
<b>NET RESULT OF THE FINANCIAL YEAR</b>			<b>649</b>
			<b>1 886</b>

**Consolidated cash flow statement**  
**Year ended December 31<sup>st</sup>, 2017**  
**(Unit: in thousands of dinars)**

<b>ACTIVITÉ D'EXPLOITATION</b>	<b>Notes</b>	<b>Year 2017</b>	<b>Year 2016</b>
Income from Banking operations		82 354	70 876
Expenses on Banking activities		-31 166	-16 666
Loans and advances / repayments Loans & advances made to customers		-19 177	9 236
Deposits / withdrawal of customer deposits		-47 117	16 488
Payments to Staff and miscellaneous debts		-30 314	-27 175
Other operating flows		-828	-78 891
corporate taxes		-880	-328
<b>Net cash flow from operating activities</b>		<b>-47 128</b>	<b>-26 460</b>
<b>INVESTMENT ACTIVITIES</b>			
Interest and dividends received on investment portfolio		-84	2 732
Acquisitions / transfers on investment portfolio		-12 867	-7 682
Acquisitions / disposals of fixed assets		-4 653	-4 519
<b>Net cash flow from investing activities</b>		<b>-17 604</b>	<b>-9 469</b>
<b>ACTIVITÉS DE FINANCEMENT</b>			
Issuing loans (*)		9 687	5 025
Issuing of loans in the money market		10 805	-
repayment of loans in the money market		-20 918	-
Investments		-2 685	-1 035
Increase / decrease special resources		-15 944	23 194
Dividends paid / cashed		-	-1 324
<b>Net cash flows used / from financing activities</b>		<b>-19 055</b>	<b>25 860</b>
Net change in cash and cash equivalents during the period		-83 787	-10 069
Cash and cash equivalents at the beginning of the period		-3 425	6 644
<b>Cash and cash equivalents at end of period</b>	<b>25</b>	<b>-87 212</b>	<b>-3 425</b>

(\*): data of 2016 are reconsidered for comparison needs

***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
ON DECEMBER 31<sup>ST</sup>, 2017***

## **FRAME OF REFERENCES FOR THE DEVELOPMENT AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of BTE Group are prepared and presented in accordance with generally accepted accounting principles in Tunisia, including:

- The general accounting standard n 01;
- Bank accounting standards (NCT 21 to 25);
- Consolidation accounting standards (NCT 35 to 37);
- The accounting standard for business combinations (NCT 38); and
- The rules of the Central Bank of Tunisia enacted by Circular No. 91-24 of December 17<sup>th</sup>, 1991 as amended by Circulars No. 99-04 and No. 2001-12 as amended by subsequent texts.

### **CLOSING DATE**

The consolidated financial statements are based on the financial statements of the companies included in the scope of consolidation ended at December 31<sup>st</sup>, 2017.

### **BASIS OF MEASUREMENT**

The financial statements of BTE Group are prepared on the basis of the measurement of patrimony assets at historical cost.

### **PERIMETER AND METHODS OF CONSOLIDATION**

The consolidation perimeter of BTE Group includes:

- The parent company: BTE
- Subsidiaries: companies over which BTE exercises exclusive control; and
- Associated companies: companies over which BTE exercises significant influence.

The methods used to consolidate the companies included in the perimeter are as follows:

- Global integration

This method requires the acquisition cost of equity securities held in subsidiaries to be substituted for all of their assets and liabilities while at the same time allocating minority interests to equity and income.

- Equity method

According to this method, the investment is initially recorded at cost and is subsequently adjusted to take into account changes subsequent to the acquisition of the investor's share in the net assets of the consolidated company.

This method is applied to companies in which the Group exercises significant influence. In accordance with paragraph 28 of the NCT 35 standard, subsidiaries that are not financial sector companies are consolidated from the 2005 financial year by the global consolidation method.

The following table summarizes the consolidation perimeter and methods used to prepare the BTE Group's consolidated financial statements:

companies	Sector	Controlling percentage	Qualification	consolidation method	Percentage of interest
Banque de Tunisie et des Émirats	financial	100%	parent	Total integration	100%
T.E.P (C.T.E.I)	financial	100%	Subsidiary	Total integration	100%
Rapid Recouvrement	financial	99,73%	Subsidiary	Total integration	99,73%
BTE – SICAR	financial	100%	Subsidiary	Total integration	100%
Tuniso Émiratie Sicav (TES)	financial	7,36%	Subsidiary	Total integration	7,36%

## 5. ACCOUNTING PRINCIPLES OF PRESENTATION AND EVALUATION

### 5.1- Loans accounting and Revenues related to it

Financing commitments are recorded off-balance sheet as long as they are contracted and are transferred to the balance sheet as when the nominal value is released.

Downstream commissions are recognized in the income statement to the extent that they are incurred over the life of the commitment.

Revenues from interest-free loans contracted by the Group are taken into account, at the agreed expiry date, in a related accruals receivable account and are recognized in the “prorata temporis” income statement at the end of each accounting period.

Revenues from post-count interest loans are recognized in income as they are accrued.

Lending institutions must not include in their products unpaid or reserved interest which has been the subject of an arrangement, rescheduling or consolidation whatever the classification of the commitments to which they are attached. Only the portion effectively cashed is included in the result of the financial year, within the meaning of BCT Circular N ° 91-24. Interest accrued or expired and not yet collected on loans classified as uncertain assets (class 2), assets of concern (class 3) or among impaired assets (class 4), within the meaning of BCT circular N ° 91-24, are registered as subtractive assets under the item "Reserved agios". These interests are taken into account in the income statement throughout their actual receipts.

### 5.2-Accounting for leasing operations

Assets under leasing are recorded as assets in the balance sheet at their acquisition cost excluding VAT. They are assimilated to customer loans according to the economic and non-property approach and are therefore recorded under "receivables from customers".

The invoiced rents are divided between the fraction of the capital and the fraction of interest.

The residual value of leased assets is recorded off-balance sheet under the heading of commitments given.

Companies receiving leasing financing recognize the asset acquired in capital assets and depreciate it over its estimated useful life. In return, they recognize a liability. Royalties are broken down into principal and financial charges.

Intra-group leasing financing is restated so that loans and borrowings, reciprocal expenses and revenues recorded in the individual financial statements are canceled. Thus, only the property acquired as part of the leasing financing will be included in the consolidated balance sheet of the group and will be amortized on the basis of the rate retained at the group level.

### **5.3-Accounting for the securities portfolio and related revenues**

The securities portfolio held by the Group comprises:

- The commercial securities portfolio;
- And the equity interests.

Investments in associates are also identified on the assets part of the consolidated balance sheet under a separate heading.

- **Commercial Securities Portfolio**

The commercial portfolio held by the Group is classified in two categories:

- Trading securities: securities characterized by their liquidity and whose holding period does not exceed three months.
- Investment securities: Securities acquired with the intention of holding them within a time horizon not exceeding one year.

- **Equity securities**

Are classified as equity securities:

- Securities whose sustainable ownership is considered strategic to the Group's business;
- Securities representing equity investments that have been the subject of a retrocession agreement but have not yet been definitively sold.

Subscribed and non-paid-up interests are recorded as off-balance sheet commitments at their issue value and transferred to the balance sheet at the date of release.

The securities are stated at acquisition cost, expenses and charges excluded. The sale of equity securities is recognized on the date of transfer of ownership of the securities.

Dividends on securities obtained by the Group are recognized in the income statement as soon as their distribution has been formally approved.

Capital gains on retroceded securities are recognized in the income statement as long as they are accrued and to the extent that reasonable assurance of collection exists.

- **Investments in associates**

Changes in the Group's share in the net position of companies accounted for using the equity method are entered in the consolidated balance sheet under the heading "Equity-accounted investments" and among consolidated equity under the heading "Consolidated income". These variations form part of the Group's operating income and are included in the consolidated statement of income under the heading "Share in results of equity-accounted investments".

In the event that the Group's share in the loss-making results of equity-accounted companies is equal to or greater than the book value of the securities, the Group usually ceases to take into account its share of future losses. The investments in associates are then presented to zero.

#### **5.4-Accounting for resources and related charges**

Financing commitments received are recognized as off-balance sheet as they are contracted and are transferred to the balance sheet as the drawings are made.

Interest and foreign currency hedging commissions are recognized as an expense as incurred.

#### **5.5- Risk assessment and commitment coverage**

##### **5.5.1- Risk provision on loans**

The provision for loan risk is determined by the division, the risk coverage and commitment monitoring standards of BCT Circular 91-24, which provides for the following risk classes:

- Class 0: Current assets;
- Class 1: Assets requiring special monitoring;
- Class 2: Uncertain assets;
- Class 3: Assets of concern;
- Class 4: Compromised assets.

The rate of provisioning retained corresponds to the minimum rate per class of applied risk to the covered risk, or the amount of the commitment done from reserved agios and from the value of the obtained guarantees.

The provision rates per applied risk class are as follows:

- Uncertain assets (class 2): 20%
- Assets of concern (Class 3): 50%
- Compromised assets (class 4): 100%

##### **5.5.2-Provision on participations**

The evaluation of the equity securities at the closing date is made by reference to the value in use and gives rise to the provisions constitution to cover any capital losses that may be released and which are of a lasting nature.

For unlisted securities, the evaluation is made by reference to the mathematically corrected value (taking into account the discounted value of the assets of the issuing company) at the most recent date. Any depreciation that may have been made and is of a lasting nature is covered by provisions.

These same evaluation rules are applied to the securities sold by BTE to the T.E.P.

#### **5.6. Foreign currency transactions**

Transactions carried out in foreign currencies are recorded separately in accounting by keeping an independent accounting system in each of the currencies used. The records kept by the system called double entry allow the periodic determination of the foreign exchange position.

Foreign currency expenses and revenues affect the foreign exchange position. They are recorded in the open accounts for each relevant currency as soon as the conditions for their inclusion are met, and then converted into Tunisian dinars.

#### **5.7 Fixed assets and other non-current assets**

Capital assets are recorded at their acquisition cost and are amortized on a straight-line basis. The depreciation rates applied are as follows:

- Operating property:	2.5%
- Office furniture:	20%
- Office equipment:	10%
- Transport equipment:	20%
- Fixtures and fittings:	10%
- Computer Hardware:	15%
- Software:	33 %

Deferred charges are recorded as other assets to the extent that they have a beneficial impact on subsequent years. They are resolved over a period of 3 years.

## **6. SPECIFIC METHODS OF CONSOLIDATING**

### **6.1- Treatment of first consolidation differences**

The first consolidation differences correspond to the difference between the purchase price of the shares and the corresponding share in the net assets of the consolidated company at the date of acquisition. This difference is allocated to the valuation difference and goodwill as follows:

- **The valuation difference**

The valuation difference is the difference between the fair value of the identifiable assets and liabilities of the consolidated companies and their net book values at the date of each acquisition

- **Goodwill**

Goodwill is the difference between the first consolidation differences and the valuation differences identified. Goodwill is recorded as an asset in the consolidated balance sheet. It is amortized over its estimated useful life. This duration can in no case exceed 20 years.

### **6.2. Balances and reciprocal transactions**

Reciprocal balances and income and expenses resulting from internal Group operations are eliminated when they relate to fully consolidated subsidiaries.

### **6.3. Tax treatment**

The consolidated financial statements are prepared using the deferred tax method. According to this method, future tax impacts, certain or probable, active or passive, of past or current events and transactions are taken into account.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deductible temporary differences can be applied.

A deferred tax liability is recognized for all taxable temporary differences.

## **7. MAIN WITHDRAWALS MADE IN THE CONSOLIDATED ANNUAL ACCOUNTS.**

### **7.1- Homogenization of accounting methods**

The accounting methods used to settle the accounts of companies included in the scope of consolidation have been aligned with those used for the Group's consolidated financial statements. It was so:

- Depreciation methods for property, plant and equipment;
- The recognition of goods received and leased using the only economic approach;
- Failure to take into account special revaluation reserves.

## **7.2- Elimination of intra-group balances and transactions**

Internal operations and transactions are eliminated to neutralize their effects. These operated eliminations mainly focused on:

- Current accounts between the group companies,
- Commissions between group companies,
- Provisions made on the shares of the companies of the group,
- Dividends paid by consolidated companies to BTE,
- Assignments of receivables by BTE to Rapid Recouvrement,
- Transfers of securities by BTE to T E P,
- The endowments in managed funds operated by BTE and Rapid Recouvrement with BTE-SICAR

**8. EXPLANATORY NOTES****(All amounts are presented in thousands of dinars)****NOTE 1: FUNDING AND DUES FOR BCT, CCP ET TGT**

This item presents a balance at 31/12/2017 of 19.486 against 22.006 KDT KDT to 31/12/2016 and is detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Fund agencies	5 584	5 032
Central Bank of Tunisia in dinars	13 902	16 974
<b>Total</b>	<b>19 486</b>	<b>22 006</b>

**NOTE 2: RECEIVABLES ON BANKING AND FINANCIAL INSTITUTIONS**

This item presents at 31/12/2017 a balance of KTD 153 890 against KTD 108 111 at 31/12/2016 and is detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Debts on Banking institutions	123 369	72 631
Debts on financial institutions	30 521	35 480
<b>Total</b>	<b>153 890</b>	<b>108 111</b>

**NOTE 3: LOANS TO CUSTOMERS**

On 31/12/2017, the customer loans have a net balance of provisions 724 486 against KDT 708 028 at 31/12/2016 and is detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Debtors accounts	39 206	37 916
Other customer loans	682 113	663 593
Special Resource Credits	3 167	6 519
<b>Total</b>	<b>724 486</b>	<b>708 028</b>

**NOTE 4: TRADE SECURITIES- PORTFOLIO**

The commercial securities portfolio has a balance of KTD 160 894 at the end of 2017 and is detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Investment securities	160 894	135 962
<b>Total</b>	<b>160 894</b>	<b>135 962</b>

## NOTE 5: INVESTMENT SECURITIES PORTFOLIO

The portfolio of investment securities has a net balance of KTD 11 077 at 31/12/2017 and is detailed as follows:

Label	31/12/2017	31/12/2016
Equity interests	11 077	27 224
<b>TOTAL</b>	<b>11 077</b>	<b>27 224</b>

## NOTE 6: FIXED ASSETS

The fixed assets show a net balance of KDT 16.932 at 31/12/2017 and are detailed as follows:

Label	31/12/2017	31/12/2016
Intangible assets	445	448
tangible assets	16 487	17 259
<b>Total</b>	<b>16 932</b>	<b>17 707</b>

## NOTE 7: OTHER ASSETS

This item has a balance of KTD 14.817 against KDT 15 421 at 31/12/2017 and is detailed as follows:

Label	31/12/2017	31/12/2016
Suspense Account and regularization	11 476	5 285
Others	3 341	10 136
<b>Total</b>	<b>14 817</b>	<b>15 421</b>

## NOTE 8: DEPOSITS AND ASSETS OF BANKING AND FINANCIAL INSTITUTIONS

Deposits and assets of the Banking and financial institutions of the BTE Group in 2016 and 2017 are as follows:

Label	31/12/2017	31/12/2016
Deposits and assets of Banking and financial institutions	230 067	117 067
Related debts	2 370	-
<b>Total</b>	<b>232 437</b>	<b>117 067</b>

## NOTE 9: DEPOSITS AND ASSETS OF CUSTOMERS

The deposits and assets of the group's customers in 2016 and 2017 are as follows:

Label	31/12/2017	31/12/2016
Demand deposits	323 743	403 633
Other deposits and assets	199 246	176 077
<b>Total</b>	<b>522 989</b>	<b>579 710</b>

#### NOTE 10 : BORROWINGS AND SPECIAL RESOURCES

The BTE Group's borrowings and special resources between 2016 and 2017 are as follows:

Label	31/12/2017	31/12/2016
Borrowings and special resources	2 241	6 364
Other borrowings	113 604	116 193
<b>Total</b>	<b>115 845</b>	<b>122 557</b>

#### NOTE 11 : OTHER LIABILITIES

Label	31/12/2017	31/12/2016
Provisions for liabilities and charges	2 510	1 316
Suspense and regularization accounts	8 624	10 483
Other	10 071	7 015
<b>Total</b>	<b>21 205</b>	<b>18 814</b>

#### NOTE 12: CAPITAL

As at 31/12/2017, the capital of the BTE group has a balance of 90 000 KDT:

Label	31/12/2017	31/12/2016
Capital	90 000	90 000
<b>Total</b>	<b>90 000</b>	<b>90 000</b>

#### NOTE 13: RESERVES

The reserves of the BTE group are detailed as follows:

Label	31/12/2017	31/12/2016
Consolidated reserves	54 976	58 838
<b>Total</b>	<b>54 976</b>	<b>58 838</b>

#### NOTE 14: REPORTED RESULTS

The reported results of the BTE Group are detailed as follows:

Label	31/12/2017	31/12/2016
BTE	-7 355	-8 293
<b>Total</b>	<b>-7 355</b>	<b>-8 293</b>

**NOTE 15: THE RESULT FOR THE FINANCIAL YEAR**

The result for the financial year of the BTE group is detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Majority interests	649	1 886
Minority interests	2 969	2 812
<b>Total</b>	<b>3 618</b>	<b>4 698</b>

**NOTE 16: SHAREHOLDERS EQUITY-MINORITY INTERESTS**

The minority interests are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Minority reserves	68 707	51 908
Minority results	2 969	2 812
<b>Total</b>	<b>71 676</b>	<b>54 720</b>

**NOTE 17: RELATED INTERESTS AND INCOMES**

Related interests and incomes of the group are detailed as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Transactions with banking institutions	1 208	570
Transactions with customers	52 872	49 062
Other incomes	184	231
<b>Total</b>	<b>54 264</b>	<b>49 863</b>

**NOTE 18 : COMMISSIONS (IN PRODUCTS)**

The commissions recognized in products of the group are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Banking commissions	15 312	13 589
<b>Total</b>	<b>15 312</b>	<b>13 589</b>

**NOTE 19: GAINS ON PORTFOLIO COMMERCIAL AND FINANCIAL TRANSACTIONS**

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Net gains on transaction securities	9 122	7 106
Net gains on investment securities (*)	524	1 896
<b>Total</b>	<b>9 646</b>	<b>9 002</b>

\*data of 2016 are retreated.

**NOTE 20: REVENUES FROM INVESTMENT PORTFOLIO**

The revenues of the investment portfolio in 2016 and 2017 are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Interest and similar income on investment securities	508	535
Dividends and related income on affiliated enterprises	319	782
<b>Total</b>	<b>827</b>	<b>1 317</b>

**NOTE 21: INTEREST INCURRED AND SIMILAR CHARGES**

Interest incurred and similar charges of the BTE Group are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Transactions with Banking institutions	6 997	4 016
Customer transactions	19 480	18 796
Loans and special resources	8 016	4 948
Other interests and charges	224	2 281
<b>Total</b>	<b>34 717</b>	<b>30 041</b>

**NOTE 22 : STAFF COSTS**

The BTE group's staff costs in 2016 and 2017 are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Salaries and treatments	18 898	16 115
Social charges	3 882	3 369
<b>Total</b>	<b>22 780</b>	<b>19 484</b>

**NOTE 23: GENERAL OPERATING CHARGES**

The general operating charges of the BTE Group in 2016 and 2017 are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Non-Banking operating expenses	2 674	2 686
Other general operating expenses	6 164	4 801
<b>Total</b>	<b>8 838</b>	<b>7 487</b>

**NOTE 24: DEPRECIATION, AMORTIZATION AND PROVISIONS ON FIXED ASSETS**

Depreciation, amortization and provisions for fixed assets of the BTE Group in 2016 and 2017 are as follows:

<b>Label</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Depreciation and amortization	2 632	2 043
<b>Total</b>	<b>2 632</b>	<b>2 043</b>

## NOTE 25: CASH AND CASH EQUIVALENTS

Cash and cash equivalents reached a balance of -87 212 thousand dinars as of December 31, 2017 against -3,425 thousand dinars as of December 31, 2016

Label	31/12/2017	31/12/2016
Fund agencies in dinars	4 281	3 970
Central Bank of Tunisia in dinars	684	72
Loans to Banks	123 369	72 631
Other loans	-230 067	-98 062
<b>Total</b>	<b>-87 212</b>	<b>-3 425</b>

### Additional note

#### 2.1: Country of residence of the group companies

companies	Sector	Country of registration	Percentage of control	Qualification	Consolidation method	Percentage of interest
Banque de Tunisie et des Émirats	Financial	Tunisia	100%	Parent	total integration	100%
T.E.P (C.T.E.I)	Financial	Tunisia	100%	Subsidiary	total integration	100%
Rapid Recoverement	Financial	Tunisia	99,73%	Subsidiary	total integration	99,73%
BTE – SICAR	Financial	Tunisia	100%	Subsidiary	total integration	100%
Tuniso Émiratie Sicav (TES)	Financial	Tunisia	7,36%	Subsidiary	total integration	7,36%

#### 2.2: The relationship nature between the parent company BTE and SICAV TES

Tunisian-Emirati SICAV is an investment company with a variable capital governed by the law n ° 2001- 83 of July 24<sup>th</sup>, 2001 promulgating the code of companies for collective investment. It was created on January 29<sup>th</sup>, 2007 at the initiative of the "Bank of Tunisia and the Emirates", the "Bank of Tunisia and the Emirates " acts as a distributor and a depository of funds and securities.

The majority of the SICAV's board of directors is made up of representatives of the BTE group, and the management of SICAV is therefore under the exclusive control of the group.

#### 2.3: Legal form and purpose of subsidiaries

	Legal form	Social object
BTE	Corporations	Bank
RR	Corporations	Recovery of Bank debts

SICAR	Corporations	Participation or investment in companies' own funds
TES	Corporations	The management of a portfolio of fixed-income securities through the use of its own funds and excluding all other resources.

## 2. Commercial securities portfolio

The commercial portfolio held by the Group is classified into two categories:

- Transaction securities: securities characterized by their liquidity and whose holding period does not exceed three months.
- Investment securities: Securities acquired with the intention of holding them within a period that does not exceed one year.

## 3. Earnings per share of the group

Label	31/12/2017	31/12/2016
Net income (KDT)	649	1 886
Shares attributable to ADP (in KDT)	-	-
Net income attributable to ordinary shares (in KDT)	649	1 886
Average number of common shares (including ADP)	3 500	3 500
<b>Earnings per share (in DT)</b>	<b>0,185</b>	<b>0,539</b>

## 3. Equity movements:

	Share capital	Treasury shares	Consolidated reserves	Retained earnings	Net income for the year	TOTAL
Sales at 31/12/2016	90 000	-840	58 838	-8 293	1 886	141 591
Change in consolidated reserves	-	-	-3 862	-	-	-3 862
Assignment of Results for Year n-1	-	-	-	938	-1 886	-948
Group share in the result	-	-	-	-	649	649
<b>Sales at 31/12/2017</b>	<b>90 000</b>	<b>-840</b>	<b>54 976</b>	<b>-7 355</b>	<b>649</b>	<b>137 430</b>

**RESOLUTIONS ADOPTED BY THE ORDINARY GENERAL  
ASSEMBLY OF APRIL 25<sup>TH</sup> 2018**

**Resolution 1**

The Ordinary General Meeting after having viewed :

Board of Directors' reports on the financial statements of BTE and consolidated financial statements of the BTE group at December 31<sup>st</sup>2017

Reports of auditors on the financial statements of the BTE and the consolidated financial statements of the BTE group at December 31<sup>st</sup>2017, approves without reservation the reports of the Board of Directors as well as the financial statements of the BTE and the consolidated financial statements of the BTE Group as at December 31<sup>st</sup>2017

This resolution was adopted unanimously.

**Resolution 2**

The Ordinary General Meeting after having taken note of the Special Report of the Statutory Auditor concerning the agreements governed by Article 62 of Law No. 48-2016 of 11 July 2016 on Banks and financial institutions and Articles 200 and following, as well as article 475 of the code of commercial companies approves the said conventions.

This resolution was adopted unanimously.

**Resolution 3**

With regard to the results of the financial year 2017, The Ordinary Shareholders' Meeting gives full and complete discharge to all the directors for their management of the 2016 financial year.

This resolution was adopted unanimously.

**Resolution 4**

The Ordinary General Meeting decides to allocate the result of the financial year 2016 as follows:

**In Dinars**

- |                           |                 |
|---------------------------|-----------------|
| • Retained earnings 2016: | - 8.190.729,219 |
| • Net income of 2017 :    | 782.461,844     |
| • Out-turn to be delayed: | -7.408 267,380  |

**Rapport Annuel Exercice 2017**

This resolution was adopted unanimously.

### **Resolution 5**

The Ordinary General Meeting sets the attendance fees at the amount of 1000 dinars for the benefit of each director, at the end of each meeting held by the board of directors.

This resolution was adopted unanimously.

### **Resolution 6**

The Ordinary General Assembly decides to appoint two new statutory auditors offices for the period 2018-2019-2020:

1. The office of Mrs Nour EL Houda HNEN who benefits from the annual fees in accordance with the remuneration scale of the auditors, increased if necessary by an amount of 17 thousand dinars for special missions.
2. The office of Mr Hichem CHEKIR which benefits from the annual fees in accordance with the remuneration scale of the auditors, increased if necessary by an amount of 20 thousand dinars relating to the special missions.

This resolution was adopted unanimously.

### **Resolution 7**

The Ordinary General Assembly decides the appointment of Mr Mokhtar EL HAJI as Administrator representing the Tunisian State, replacing Mr Mohamed Tahar BELASOUED on June 22<sup>nd</sup>, 2017 and the appointment of Mr Mounir RAMATHANI, replacing Mr Mokhtar EL HAJI dated February 05<sup>th</sup> 2018 during the remaining periods of their mandates.

This resolution was adopted unanimously.