



ANNUAL REPORT

2017

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A LIMITED LIABILITY COMPANY

with capital of 776,875,000 dinars

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Trade register: B 182331996

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Code: Peterson 4th Edition Acme

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- Electronic commerce: ecom.stb.com.tn
- Online banking: stbnet.stb.com.tn
- Facebook: STB BANK-authorized page



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THE BOARD OF DIRECTORS



Mme Nejia GHARBI

Chairman of the Board,
representing the State



M. M'hamed AYED

Representing the State



M. Jameledine CHICHTI

Representing the State



M. Abdelaziz MAHFOUDHI

Representing the State



M. Ghazi BOULILA

Representing the State



M. Abdelkader HAMROUNI

Representing private
stockholders



M. Mohamed Salah KHALFALLAH

Representing private stockholders



M. Mohamed ZARROUK

Representing minority
stockholders



Mme Olfa BEN OUDA SIOUD

Independent



M. Abderrazek LOUATI

Independent



M. Hassen FEKI

STAR represented

COMMITTEES ANSWERING TO THE BOARD OF DIRECTORS

Standing committee on internal audit The basic mission of this committee is to ensure the establishment and proper functioning of the internal control committee as well as monitoring and supervision thereof.

Risk committee This committee is mandated to help the Board of Directors carry out its responsibilities relating to management and monitoring of risk along with respecting regulations and policy in these areas.

Committee for appointments and remuneration Its mission is to assist the Board of Directors in determining remuneration policy in line with the Bank's medium and long term performance.

The strategic committee Its role is to assist the Board of Directors to monitor implementation of strategy and of the Bank's business plan.

AUDITORS

CFA represented by M. Fathi SAIDI



M. Fethi Saidi

The CSL – CNH Group: represented by
CSL represented by M. Samir LABIDI
CNH represented by Mrs. Nour El Houda HANAN



M. Samir Laabidi



Mrs. Nour El Houda HANAN

Their role is to ascertain the reliability and integrity of financial statements and their conformity to Tunisian accounting standards and to regulations issued by the financial authorities (Central bank, Capital Market Council (CMF), Tax Authorities...). They also assess the effectiveness of the bank's internal control system.



GENERAL DIRECTORATE

Director General



M. Samir SAIED

Deputy Director General



M. Mourad BACCAR

STATE CONTROLLER



M. Anès EL HANI

CONDITIONS FOR ATTENDING ASSEMBLIES

In line with the terms of article 40 of its statutes, only those holding at least ten shares, paid up in full, can attend the General Assembly or be represented by another stockholder by means of a power of attorney remitted to a proxy or submitted at least three days prior to the meeting to the directorate for equity, stock

exchange and asset management, patrimony and institutional assets, located on rue Hedi Nouira 1001 Tunis. Those holding less than ten shares can band together to reach this number and be represented by one of them or by a member of the assembly.



Structure of STB capital at the end of 2017

Stockholders	Number of shares	Amount (in thousand TND)	%
Tunisian stockholders	153 375 774	765 927	98,71%
Corporate entities	140 617 157	703 086	90,5%
Public corporate entities	129 568 465	647 842	83,4%
Private corporate entities	11 048 692	55 243	7,1%
Private individuals	12 758 617	62 841	8,21%
Foreign stockholders	1 999 226	9 996	1,29%
Corporate entities	1 312 724	6 564	0,84%
Private individuals	686 502	3 433	0,44%
Total	155 375 000	775 923	100,0%





MESSAGE FROM THE CHAIRMAN OF THE BOARD

For the second straight year, the Société Tunisienne de Banque (STB) has implemented its strategic orientations and met the objectives set in the programme contract signed with the Tunisian government for the period 2016-2020. The new strategy is based on clear and transparent governance backed up by reorganisation at the Bank as per seven areas of expertise or activity, designed to facilitate implementation of commercial policy based on proper segmentation and sound understanding of clients' needs, providing products and services that meet their requirements and expectations.

The main measures of activity and performance thus improved significantly compared to the end of 2016. Resources in 2017 grew on the strength of a higher increase in client deposits. As for uses, STB continued its efforts to further stimulate national growth despite difficult economic conditions, with particular attention to clearing up and covering the portfolio of non-performing loans. This improvement was mirrored in indicators of results. Net proceeds from banking activities, gross operating results and net results all posted figures higher than projections, with subsequent increases in return on assets and return on equity.

To boost business and provide greater proximity to clients, STB in 2017 expanded its network by opening 10 new branches in Tunis, Bizerte, Gafsa, Medenine, Monastir, Nabeul and Sousse. This greater coverage was further enhanced by the use of new information technologies and by assigning account managers to service various market segments, with greater attention to the small and medium size businesses that make up the greater part of the country's economy and which are the lever for recovery.

Similarly, and in addition to the new information system that started up in December 2013, STB has acquired from the same supplier two applications: Agence for all branches and Engagements for commitments, operational in 2017 at all branches,

regional offices and HQs departments. 2017 also saw start-up of digital transformation at the Bank, notably digitalisation of a number of processes and banking transactions, thus putting the Bank in sync with decision making based on data analysis.

As for human resource management, corporate restructuring has begun and manpower is being overhauled as per the Bank's strategic plan, using voluntary departure on retirement and implementation of targeted recruitment, which will yield a considerable improvement in the supervisory rate and thus facilitate the Bank's transformation process. The Bank has also introduced a system to boost staff motivation and assess team performance.

Aware of the importance of intra-group synergy as well as the impact of activity at affiliated companies on STB's consolidated result, the Board of Directors has encouraged diagnosis of affiliates in the perimeter of consolidation of the STB Group, with a view to clearing up its portfolio of holdings.

Situated at the heart of economic transition and on the strength of gradual lifting of structural problems linked to the legal and judicial environment, STB will move ahead to implement the proposals made in the programme contract so as to benefit from the same prerogatives and management rules as private banks. STB intends to maintain its stature as a sound, responsible financial player while further asserting its vocation as a citizen bank by developing policy in the area of social and environmental responsibility, with ongoing action in related areas.

In conclusion, STB today is well positioned to profit from the opportunities inherent in projected economic recovery, thanks to its proven commercial potential, diversified services and the depth of its human resources.

Mrs. Nejia GHARBI
Chairman of the Board

INTERNATIONAL ECONOMIC ENVIRONMENT

Growth in all regions, reaching 3.7%, the highest level since 2011

The global economy in 2017 enjoyed overall growth in the main economic zones, reaching its highest level since 2011: 3.7 %. Advanced economies posted a growth rate of 2.3%, up from 1.7% in 2016. Vigorous activity was helped by supportive monetary policies and by dynamic domestic demand, notably in investment and employment. Emerging countries posted GDP growth of 4.7%, up from 4.4% in 2016, representing 58.7% of worldwide growth in 2017.

GDP growth in the **United States** rose from 1.5% in 2016 to 2.3% in 2017. The unemployment rate was 4.1%, thanks to the impact of newly-created jobs. Private consumption was boosted by positive trends on stock markets and higher wages. Inflation remained below the target of 2%. On the strength of a stronger economy, the Federal Reserve raised the range of its key rates three times, to 1.25 - 1.50%. Major tax reform was adopted at the end of the year, which will lead to tax cuts on both individual income tax and corporate earnings.

Japan maintained its very supportive financing conditions in 2017 and implemented a wide range of measures to help the economy, leading to faster economic growth, with GDP up by 1.8% compared to 0.9% a year earlier. The unemployment rate was below 3% and inflation remained near zero (exclusive of energy and food). Budgetary policy remained expansive, with a deficit of no more than 4% of GDP.

The United Kingdom's economy grew at a slower pace, down from 1.9% in 2016 to 1.5% in 2017, due mainly to slower growth in private consumption because of a drop in purchasing power in the wake of depreciation of the pound and higher inflation (3.1%). Exports, on the other hand, rose at a good pace and unemployment was below 4.5%. On 29 March 2017 the British Government announced its intention to leave the European Union and negotiations continue about

the future economic relationship between the EU and the UK as well as the transitional phase between now and the definitive break on 29 March 2019.

The **euro zone** posted a higher economic growth rate in 2017, with GDP increasing to 2.2% vs. 1.8% in 2016, involving all member countries. Private consumption was the main motor for growth and income rose on the strength of new jobs. Investment grew at a faster pace in 2017 in the wake of favourable financing conditions, higher profitability, and growing demand both at home and abroad. Despite appreciation of the euro, exports were up at a faster pace than imports, contributing directly to GDP growth. Inflation remained low because of low wage increases and core inflation came to just 1% in 2017. The European Central Bank thus maintained an accommodating monetary stance.

There was sustained growth (6.8%) in **China**, thanks to higher exports, which offset lower domestic demand. Corporate investment slowed and a high level of production capacity remained untapped. In a context of high indebtedness, Chinese authorities adopted measures that curbed the steady rise of credit.

India's economy posted slower growth: 6.7%, down from 7.1% in 2016. Measures taken to contain the informal economy (harmonisation of tax on goods and services and demonetisation of 500 and 1000 rupee banknotes) temporarily affected activity but should strengthen economic potential over the longer term.

Russia enjoyed renewed growth in 2017 thanks in particular to recovery in oil prices and higher consumption and private investment, with GDP improving from -0.2% in 2016 to 1.8% in 2017. The unemployment rate reached 5.1% and the inflation rate stabilized at 3.8%, down from 15.5% in 2015.

Brazil's economy picked up in 2017, with GDP posting 1.1% growth after drops of -3.5% in 2016 and -3.8%

in 2015, on the strength of better performance first in agriculture then other sectors. Lower inflation favoured household consumption and investment improved in the wake of more accommodating monetary policy.

After slower growth in 2016, **Africa** posted 3.6% in 2017. There was greater recovery in those countries rich in natural resources, with advances in agriculture and high investment in infrastructure contributing to higher growth. Of the 10 highest growth rates worldwide, six were achieved by African countries, with western Africa in the lead. Ghana, Ethiopia, the Ivory Coast, Djibouti and Senegal posted

the best growth rates, of which only Ghana is an oil-producing nation. Growth in North Africa came in at 4.9% in 2017, thanks to hefty contributions by Egypt, Libya and Algeria, on the strength of higher prices for commodities and economic recovery in Europe, its main trading partner.

International trade was up by 4.7% in 2017 compared to 2.5% the year before, growing faster than GDP, which was not the case in previous years. There were increases in both advanced and emerging economies, riding the wave of higher investment in equipment thanks to stronger growth in the United States, the euro zone and China.





TUNISIA'S ECONOMY

Moderate economic growth of 1.9% in 2017 thanks to contributions from the agriculture/fisheries sector and manufacturing industries...

Tunisia's economic growth rate increased from 1% in 2016 to 1.9% in 2017, which was below the forecast of 2.3% despite favourable international conditions in all regions and particularly the euro zone, which is Tunisia's main trading partner.

The higher level of GDP was generated mainly by gains in agriculture & fisheries and in manufacturing industries. Agricultural GDP rose by 2.5% in 2017 after dropping by 8.5% in 2016, despite a shaky start to the season due to adverse conditions in the wake of low rainfall. Olive oil production came to 140,000 tons, 40% more than the year before.

Activity in manufacturing industries picked up in the second half of 2017, posting a 2.1% increase for the year after a drop of 0.3% in gross per annum over the same period in 2016. At the end of 2017, the sector had accumulated a slight 0.5% increase thanks to advances by mechanical/electrical industries (3.3%) and agrofood industries (1.2%). But there was poor performance for cement (-5.2%), which affected performance in building materials industries (-4.8%). Production by chemical industries also declined (-1.5%) after increasing by 11.4% in 2016. For the year 2017 as a whole, industrial production was down by 1.1%, due in particular to lower production of oil and gas (-6.8% in 2017 and -4.9% in 2016). Production of phosphates, on the other hand, rose by +19.9% in 2017.

GDP from market services (transport, tourism, trade ...) increased in 2017 by 4% compared to 3.3% the year before.

There were 23.5% more tourists, up to 6.5 million. Income from tourism came to 2.8 billion, up from 2.4 billion in 2016, an increase of 17.7%. This represented 2.9% of GDP vs. 6% in 2010.

Transfer of funds by Tunisians resident abroad increased by 15.5% over the 2016 figure, coming to 3.5 billion dinars, 3.6% of GDP. Such transfers have since 2015 amounted to more than income from tourism.

Declared investment in industry came to 3526.6 million dinars, involving 3488 initiatives and 55,500 jobs, for respective drops of 7.7%, 9.5% and 3.0%.

The drop in declared investment involved mainly foreign investment, which fell by 67.1% from 638.7 million to 210.4 million dinars.

Investment in regional development zones was down by 18.6% in 2017, amounting to some 1704.3 thousand dinars.

Unlike the industrial sector, declared investment in services grew by 14.1%, reaching 1858.7 million dinars in 2017. Mixed investment rose by 148.5% and foreign investment by 45.7%.

As for foreign trade, despite considerable devaluation of the dinar in 2017, imports grew at a faster pace than exports: 19.8% vs. 18.1%.

Imports of energy products rose by 40% in terms of value while acquisition of capital goods was up by 8.9% in terms of current prices, representing 25.7% of all imports compared to 30% in 2010.

Exports by the off-shore sector represented 74.7% of overall exports compared to 62.8% in 2013. This was largely due to sales by manufacturing industries, with 79.1% coming from mechanical & electrical industries, textiles & clothing and miscellaneous industries.

These trends led to a coverage rate of imports by exports that dropped from 69.8% in 2016 to 68.8% in 2017. However, in July 2017, some time after devaluation of the dinar, exports picked up in terms of volume of exports over the second half of the year, increasing by 6.3% compared to 2.5% for imports,

which could be seen as an indication of inversion of the cur of foreign trade.

Inflation was up considerably in 2017, reaching 6.4% at the end of December compared to 3.7% in 2016. This trend was favoured by the decision of the central bank of Tunisia to allow the dinars to float starting mid-2016 and by the increase in world prices for commodities.

Prices increased for both freely set products and those subject to regulated prices. Increases for freely

set products involved foodstuffs (fresh products) and manufactured products (household equipment, building materials and cleaning products). The persistent nature of inflation is revealed in the two underlying indexes «exclusive of foodstuffs and fresh food» and «exclusive of foodstuffs and energy», which came to 5.3% and 5.4% over the first 11 months of 2017. This compares to 5.1% and 4.7% for the same period in 2016.



KEY FIGURES

in million TND		Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	CAGR (2013-2017)
Activity	Balance sheet total	7 015,174	7 340,803	7 693,605	8 279,232	9 050,371	6,6%
	Client deposits	5 175,396	5 331,978	5 285,081	5 443,231	5 963,809	3,6%
	Loan resources	519,002	491,000	444,035	354,291	288,958	-13,6%
	Total resources collected	5 525,679	5 823,946	5 729,115	5 797,522	6 252,767	3,1%
	Commercial securities portfolio	215,475	395,173	814,370	1 066,542	1 134,342	51,5%
	Net investment securities portfolio	274,583	312,560	299,204	354,612	350,899	6,3%
	Gross outstanding balance of loans to clients	7 672,200	7 968,600	7 887,415	8 262,138	8 626,850	3,0%
	Net outstanding balance of loans to clients	5 469,200	5 610,800	5 341,440	5 529,776	6 114,770	2,8%
Total net financing to the economy	5 981,940	6 318,548	6 478,264	6 997,780	7 600,012	6,2%	
Results	Brokerage margin	155,168	162,152	152,518	160,032	190,353	5,2%
	Volume of key commissions	54,318	55,269	51,740	67,629	77,059	9,1%
	Turnover	449,105	499,697	504,137	527,677	646,790	9,5%
	Net proceeds from banking\	247,213	262,343	269,694	309,581	390,161	12,1%
	Operating costs	126,890	141,505	138,109	155,078	206,144	12,9%
	Gross operating result	125,082	126,257	137,482	160,561	190,872	11,1%
	Net result for the year	- 115,453	21,107	33,042	40,518	51,778	
Equity	Capital	124,300	124,300	776,875	776,875	776,875	58,1%
	Reserves including merger premium	393,760	394,283	496,522	496,946	485,084	5,4%
	Results carried forward	-633,430	-748,883	-727,776	-694,734	-641,871	0,3%
	State allotments	117,000	117,000	117,000	117,000	117,000	0,0%
	Results for the period	-115,453	21,107	33,042	40,518	51,778	
	Equity	-113,823	-92,220	695,664	736,605	788,866	
Risk	Solvency ratio	-6,21%	-5,17%	13,48%	12,13%	11,49%	
	Tier 1	-6,21%	-5,17%	9,05%	8,47%	7,74%	
	Liquidity coverage rate (LCR)		51,4%	169,4%	199,30%	88,29%	
	Nonperforming loans	2 368	2 400	2 508	2 527	2 384	
	Rate of bad debts	28,7%	29,1%	30,3%	28,2%	24,38%	
	Coverage rate for bad debts	69,5%	73,0%	74,9%	79,5%	80,22%	
	Coverage rate for bad debts (net of reserved agios)	61,9%	65,7%	67,9%	73,1%	73,46%	
Profitability	Return On Equity (ROE)	-	-18,6%	5,0%	5,8%	7,02%	
	Return on Assets (ROA)	-1,6%	0,3%	0,4%	0,5%	0,60%	
	Net results/net proceeds from banking	-46,7%	8,0%	12,3%	13,1%	13,27%	
	Net commissions/net proceeds from banking	22,0%	21,1%	19,2%	21,8%	19,75%	
	Brokerage margin/net proceeds from banking	62,8%	61,8%	56,6%	51,7%	48,79%	
	Net commissions/wages	54,8%	51,2%	48,5%	59,2%	49,24%	
Productivity	Deposits/workforce (in thousand dinars)	2 433,2	2 643,5	2 784,6	2 542,4	2 907,8	
	Loans/ workforce in thousand dinars	2 571,3	2 781,8	2 813,5	2 595,5	2 997,7	
	Net proceeds from banking/workforce (in thousand dinars)	116,2	130,1	142,1	144,6	190,2	
	Operating coefficient	51,3%	53,9%	51,2%	50,1%	52,8%	
Other indicators	Workforce	2 127	2 017	1 898	2 141	2 051	
	Number of branches	121	123	123	130	140	
	Number of ATMs	165	175	174	178	184	
	Number of electronic payment terminals	920	885	790	775	848	
Stockholder indicators	Number of shares (in thousands)	24 860	24 860	155 375	155 375	155 375	
	Closing price (in dinars)	5,220	5,000	5,600	3,900	3,580	
	Stock market capitalization (in million dinars)	130	124	870	606	558	
	Profit per share (in dinars)	-4,644	0,849	0,256	0,261	0,489	

RESULTS ACCOUNTS

in thousand TND	Dec-16	Dec-17	Variation	%
Interest and similar income	373 862	442 596	68 734	18,4%
Interest incurred and similar costs	(214 177)	(252 243)	(38 066)	17,8%
Net interest margin	159 685	190 353	30 668	19,2%
Fees received	71 895	81 445	9 550	13,3%
Fees paid	(3 919)	(4 386)	(467)	11,9%
Net fees	67 976	77 059	9 083	13,4%
Gains on the commercial securities portfolio & financial operations	65 634	104 634	39 000	59,4%
Income from the investment securities portfolio	16 287	18 115	1 828	11,2%
Net proceeds from banking activities	309 581	390 161	80 579	26,0%
Other operating proceeds	6 058	6 855	798	13,2%
Staff costs	(114 219)	(156 505)	(42 285)	37,0%
General operating costs	(33 605)	(42 096)	(8 491)	25,3%
Allotments to depreciation	(7 253)	(7 543)	(290)	4,0%
Gross operating results	160 561	190 872	30 311	18,9%
Allotments to provisions & result of correction of values on claims off balance sheet & liabilities	(105 231)	(129 596)	(24 364)	23,2%
Allotments to provisions & result of correction of values on the investment portfolio	(12 186)	(10 423)	1 763	(14,5%)
Operating results	43 144	50 854	7 710	17,9%
Balance of gains/losses on other ordinary components	(1 521)	2 280	3 801	(249,9%)
Corporate tax	(1 100)	(1 351)	(251)	22,8%
Result of ordinary activity	40 523	51 783	11 260	27,8%
Situational taxes and contributions	(5)	(5)	-	0,0%
Net result	40 518	51 778	11 260	27,8%

BALANCE SHEETS

TND in thousand dinars	Dec-16	Dec-17	Variation	%
ASSETS				
Cash and holdings at BCT, CCP & TGT	279 765	284 853	5 088	1,8%
Claims on banking and financial institutions	328 816	355 759	26 943	8,2%
Net claims on clients	5 529 776	6 114 770	584 994	10,6%
Commercial securities portfolio	1 066 542	1 134 342	67 801	6,4%
Investment securities portfolio	354 612	350 899	(3 714)	(1,0%)
Fixed assets	99 183	122 606	23 423	23,6%
Other assets	620 538	687 141	66 604	10,7%
TOTAL ASSETS	8 279 232	9 050 370	771 138	9,3%
LIABILITIES				
Central bank, CCP	827 873	1 256 663	428 790	51,8%
Deposits & holdings of other banks & financial institutions	83 052	74 756	(8 296)	(10,0%)
Client deposits & holdings	5 443 231	5 963 809	520 578	9,6%
Borrowings & special resources	354 291	288 958	(65 333)	(18,4%)
Other liabilities	834 180	677 319	(156 861)	(18,8%)
TOTAL LIABILITIES	7 542 626	8 261 505	718 879	9,5%
EQUITY	736 605	788 866	52 260	7,1%
LIABILITIES & EQUITY	8 279 232	9 050 371	771 139	9,3%

ACTIVITY AT STB

Objectives achieved as envisaged for 2017, the second year of the Bank's strategic five-year plan...

In line with ongoing implementation of its new strategy adopted mid-2016, STB carried out key strategic activities and reached the objectives set for 2017, posting a performance rate totally in line with projections.

Achievements relating to this new strategy can be summarized as follows:

- Corporate restructuring and aligning of bank staff to meet the needs of the strategic plan by means of a programme for voluntary departure on retirement and targeted new recruitment
- Deployment of a new information system throughout the entire network of bank branches
- Opening of ten new branches
- Alignment of the strategy pertaining to organisational measures, by adopting a new organisational chart based on seven areas of concentration
- Diagnostic investigation at the affiliates in the STB Group, seeking to streamline the Group's stock portfolio
- Successful closure of a number of initiatives, entrusting them to the relevant structure
- Introduction of a new system to motivate staff and assess team performance

The main aggregates pertaining to activity and performance showed significant improvement compared to levels at the end of 2016.

Resources grew in 2017 at a faster pace than client deposits and extended resources. This denotes the Bank's determination to double its efforts to mobilise resources in order to counter sharp tightening of liquidity on the one hand and proliferation of overbidding on the other.

- Client deposits were up by 9.6% compared to 3% a year earlier, posting 5964 million dinars, involving all categories: sight deposits, savings and forward deposits, with a fairly stable structure.

- Extended resources grew by 7.7%, compared to just 1% in 2016, for a total of 6475 million dinars, despite a drop in external resources following reimbursement of the GSI foreign loan

As for uses, STB continued efforts to further stimulate growth in Tunisia despite difficult economic conditions while also paying particular attention to clearing up and covering its portfolio of non-performing loans.

- The gross outstanding balance of claims on clients rose by 364 million dinars (4.4%), pertaining mainly to management loans (+14.4%) and, to a lesser degree, loans to private parties (7.2%).

Net of provisions and reserved agios, the outstanding balance of loans to clients came to 6114.8 million dinars at the end 2017, an increase of 585.0 million dinars (10.6%) compared to the previous year.

The level of this increase, higher than that of gross claims, was due to an 8.1% decrease in the outstanding balance of provisions and reserved agios, which fell from 2732.4 million dinars to 2512.1 million thanks to the enhanced quality of assets. In effect, the rate of non-performing loans fell by 3.8 percentage points, from 28.2% to 24.4%.

- With reference to the variations quoted above, the transformation rate improved from 143% at the end of December 2016 to 138% at the end of December 2017.

- The outstanding balance of the commercial securities portfolio made remarkable gains, up from 1066.6 million dinars to 1134.3 million, in line with the Bank's goal of overhauling its commercial securities portfolio with a view to ensuring a stable source of income.



• At the same time, the overall outstanding balance of the investment securities portfolio came to 576.1 million dinars at the end of 2017, up from 568.9 million at the end of 2016, an increase of 7.2 million dinars.

Improved performance for indicators of activity was reflected in those of results. Net proceeds from banking activity posted 390.2 million dinars, an increase of 80.6 million dinars (+26%), as did gross operating results, up by 30.3 million dinars (+18.9%) to 190.9 million dinars.

Similarly, net results increased by 11.3 million dinars, from 40.5 million to 51.8 million, which improved the levels of Return On Assets (ROA) and Return On Equity (ROE), up respectively from 0.5% to 0.6% and from 5.8% to 7.0%.

Resources

Strong mobilisation of client deposits, characterised by the predominance of deposits earning low interest and the preservation of a stable and diversified commercial base

STB at the end of 2017 posted a 460.4 million dinar (7.7%) increase amounting to 6475 million dinars.

In effect, client deposits were up by 520.6 million dinars (9.6%), involving savings deposits (+203.8 million dinars or 8.8%), sight deposits (+232.7 million

dinars or 11.2%) and forward deposits (75.6 million dinars or 8.6%).

Borrowed resources continued on a bearish trend, down from 354.3 million dinars to 289.0 million mainly because of repayments falling due on borrowings, notably reimbursement of the GSI loan in the amount of some 223 million dinars along with the weak margin on external lines.

1. Client deposits

The outstanding balance of client deposits came to 5963.8 million dinars at the end of 2017 compared to 5443.2 million at the end of 2016, with higher figures for all categories of deposits.

Savings deposits and sight deposits, which earn the lowest interest rates in the overall category of client deposits, increased from 2320.3 million dinars to 2524.1 million dinars and from 2084.22 million dinars to 2316.9 million respectively. Forward deposits, which earn the highest interest rate, rose from 876.4 million dinars at the end of December 2016 to 952.1 million at the end of December 2017, an increase of 8.6% vs. a decrease of 139.6 million dinars (13.7%) a year earlier.

With reference to these trends, the structure of client deposits remained virtually identical to that of 2016, characterised by the predominance of savings and sight deposits, which together accounted for some 81% of overall client deposits at the end of 2017.

in million TND	dec-16	dec-17	Variation	
			MT	%
Client deposits	5 443,2	5 963,8	520,6	9,6%
Financial brokerage	217,0	222,2	5,2	2,4%
Loan resources	354,3	289,0	-65,3	-18,4%
Total expanded resources	6 014,6	6 475,0	460,4	7,7%

in million TND	dec-16	Share	dec-17	Share	Variation	
					million TND	%
Sight deposits	2 084,2	38,3%	2 316,9	38,8%	232,7	11,2%
of which sight deposits in foreign currency	618,0	11,4%	732,2	12,3%	114,3	18,5%
Forward deposits	876,4	16,1%	952,1	16,0%	75,6	8,6%
Savings deposits	2 320,3	42,6%	2 524,1	42,3%	203,8	8,8%
Other sums due to clients	162,3	3,0%	170,7	2,9%	8,4	5,2%
Total client deposits	5 443,2	100,0%	5 963,8	100,0%	520,6	9,6%

2. Loan resources

At the end of 2017, the outstanding balance of loans amounted to 289 million dinars, a drop of 65.3 million dinars (18.4%) from the figure at the end of December 2016. This drop was due mainly to the lower outstanding balance of bond and private loans

due mainly to settlement of contractual maturity dates. At the same time, the outstanding balance of special resources fell considerably from 192.7 million dinars a year earlier to 101.3 million, following massive repayment of the GSI loan in the amount of 223 million dinars.

in million TND	dec-16	dec-17	Variation	%
Materialized loans	161,6	187,7	26,1	16,1%
Bond loans	154,4	178,7	24,3	15,7%
Interest to be paid & related debts	7,2	9,0	1,8	25,3%
Special resources	192,7	101,3	(91,4)	(47,4%)
lines of credit	190,0	105,3	(84,7)	(44,6%)
Interest & premiums that have fallen due	2,7	(4,1)	(6,7)	(250,7%)
Loan resources	354,3	289,0	(65,3)	(18,4%)

3. Financial brokerage

At the end of 2017, the outstanding balance of client investment in monetary and financial instruments came to 222.2 million dinars compared to 217 million at the end of 2016, a slight variation of 5.2 million dinars (2.4%) as a result of a 17.2 million dinar increase in banknotes and a 12 million dinar drop in investment in treasury bonds.

Uses

Despite the sluggish economy, STB continued to intervene as a key player in providing financing to various economic agents ...

1. Financing of the economy

Gross financing of the economy increased by 456.9 million dinars (4.6%) to reach 10,374.1 million dinars at the end 2017 compared to 9917.2 million at the end of 2016.

This increase involved mainly gross claims on clients (+365 million dinars or 4.4%) and, to a lesser degree, the Bank's securities portfolio (+75 million dinars or 4.6%).

Given the decrease in the stock of provisions and reserved agios the net outstanding balance of financing to the economy rose by 666.2 million dinars (9.6%) to 7636.8 million dinars at the end of December 2017, compared to 6970.5 million dinars a year earlier.

in million TND	dec-16	dec-17	Variation	
			million TND	%
Gross financing of the economy	9 917,2	10 374,1	456,9	4,6%
Gross claims on clients	8262,1	8626,9	364,7	4,4%
Securities portfolio	1635,5	1710,5	75,0	4,6%
Treasury bills	19,6	36,8	17,2	87,5%
Provisions & reserved agios	2 946,7	2 737,3	-209,4	-7,1%
Provisions	1689,4	1599,3	-90,1	-5,3%
Reserved agios	1257,2	1138,0	-119,3	-9,5%
Net financing of the economy	6 970,5	7 636,8	666,2	9,6%

2. Net claims on clients

At the end of December 2017, the gross outstanding balance of claims on clients came to 8626.9 million dinars, compared to 8262.1 million a year earlier, for an increase of 365 million dinars (4.4%). This upward trend held for the various categories under this heading, as follows.

- Management loans were up by 395.0 million dinars (14.4%) to reach 3130.8 million dinars at the end of 2017, in line with the Bank's goal of increasing the share of this category of commitments.
- Loans to private individuals rose from 1650.0 million dinars to 1769.3 million, an increase of 119.3 million dinars (7.2%) compared to 2016, representing a 20.5% share of gross claims on clients, an increase of 0.5 percentage point.

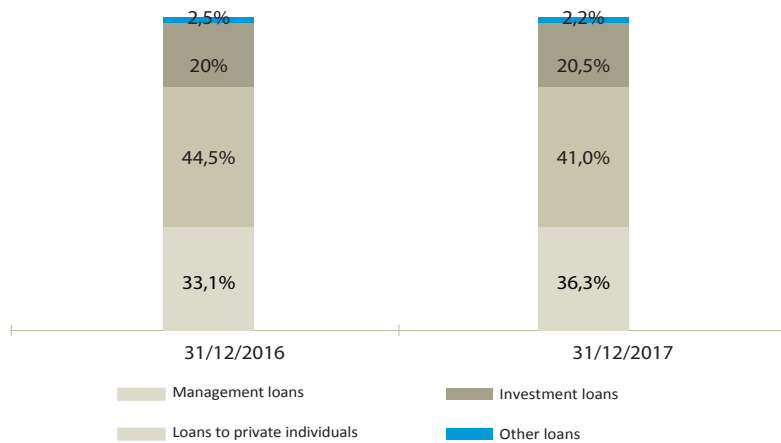
Nonetheless, investment loans were down by 139.6 million dinars (-3.8%), from 3672.6 million dinars to 3533.0 million at the end of 2017, affected by transactions involving sale and writing off of disputed claims for an amount of 263.6 million dinars. This brought the share of investment loans down from 44.5% in 2016 to 41.0% in 2017.

At the same time, the Bank continued to make the necessary provisions to cover pending claims, notably including those remaining for three years or more in risk categories 4 and 5, as per central bank of Tunisia BCT circular n° 2013-21 which provides for additional provisions.

Net of provisions and reserved agios, the outstanding balance of net claims on clients was up by 585.0 million dinars (10.6%) to 6114.8 million dinars at the end of 2017, compared to 5529.8 million dinars at the end of 2016.

in million TND	dec-16	dec-17	Variation	
			million TND	%
Gross claims on clients	8 262,1	8 626,9	364,7	4,4%
Management loans	2 735,8	3 130,8	395,0	14,4%
Investment loans	3 672,6	3 533,0	-139,6	(3,8%)
Loans to private individuals	1 650,0	1 769,3	119,3	7,2%
Other loans	203,8	193,7	-10,0	(4,9%)
Provisions and reserved agios	2 732,4	2 512,1	-220,3	(8,1%)
Provisions	1 475,1	1 374,1	-101,0	(6,8%)
Reserved agios	1 257,2	1 138,0	-119,3	(9,5%)
Net claims on clients	5 529,8	6 114,8	585,0	10,6%

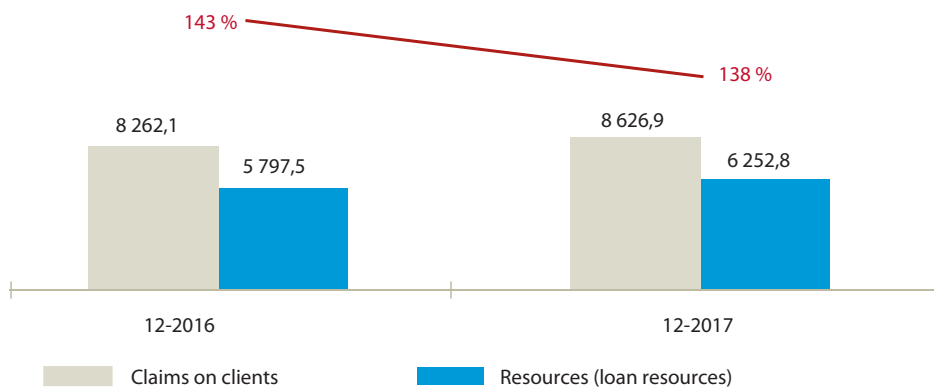
With reference to the above, the structure of gross loans changed slightly in favour of management loans (+3.2%) and to the detriment of investment loans (-3.5%).



The progression of gross claims at a slower pace than resources (including loan resources) led to a higher ratio of transformation (claims on clients as

a ratio of client resources), which came to 138% at the end of 2017 compared to 143% at the end of 2016.

Trends in the transformation rate



3. Securities portfolio

The gross outstanding balance of the securities portfolio posted an increase of 75 million dinars (4.6%) to reach 1710.5 million dinars at the end of 2017, up from 1635.5 million a year earlier.

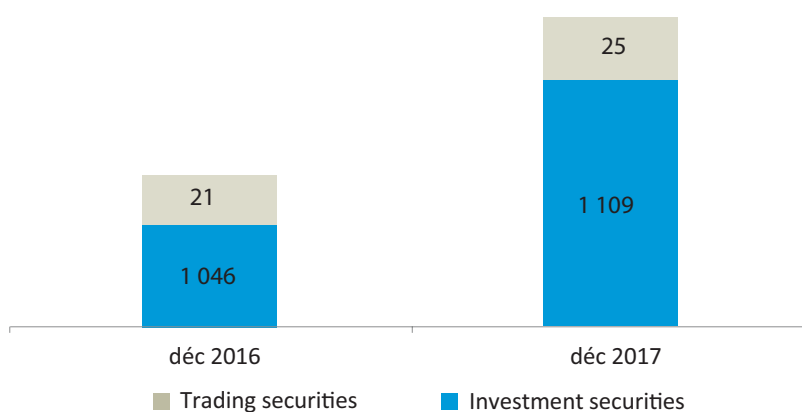
3.1 The commercial securities portfolio: (+67.8 million dinars or 6.4%)

The commercial securities portfolio, made up of State securities, came to 1134.3 million dinars at the

end of 2017, an increase of 67.8 million dinars (6.4%) over the level attained at the end of 2016. This was largely mainly up of bonds equivalent to treasury bonds (+63.6 million dinars) with fairly long maturity and high yields. It should be underlined that the Bank seeks through consolidation of its treasury bond portfolio to ensure a source of low risk stable income.

in million dinars	dec-16	dec-17	Variation	
			million TND	en %
Trading securities	20,9	25,1	4,2	20%
Investment securities	1 045,7	1 109,3	63,6	6%
Commercial securities portfolio	1 066,5	1 134,3	67,8	6,4%

Structure of the treasury bord port folio
(in million TND)



3.2 Investment securities portfolio: (+7.2 million dinars)

In gross terms, the outstanding balance of the investment securities portfolio was up by 7.2 million dinars (1.3%) to 576.1 million dinars at the end of December 2017. This compares to 568.9 million

dinars at the end of 2016, mainly as a result of the larger share of tied companies and reimbursement of bond loans. Net of provisions, the outstanding balance of the Bank's investment securities portfolio came in at 350.9 million dinars, a drop of 3.7 million dinars (-1%) compared to the figure at the end of 2016.

in million TND	dec-16	dec-17	Variation	
			million TND	%
Gross securities portfolio	568,9	576,1	7,2	1,3%
Investment securities	160,5	147,4	-13,1	(8,1%)
Share securities	198,5	196,1	-2,4	(1,2%)
Shares in associated & co-companies	48,3	47,6	-0,8	(1,6%)
Shares in related companies	142,0	165,4	23,5	16,5%
Retrocession shares	19,7	19,7	0,0	0,0%
Provisions	214,3	225,2	10,9	5,1%
Net securities portfolio	354,6	350,9	-3,7	(1,0%)

Off balance sheet commitments

Off balance sheet commitments were up by 281.4 million dinars to 1891.2 million dinars compared to 1609.8 million dinars a year earlier.

This trend held for the following categories of commitments:

- Commitments in favour of or at the request of clients increased by 233.1 million dinars
- Commitments in favour of or at the request of banks rose by 48.3% or 8.7% to 605 million dinars at the end of 2017.

in million TND	dec-16	dec-17	Variation	
			million TND	%
Commitments to or at the request of clients	1053,2	1286,2	233,1	22,1%
Opening of documentary credit	285,2	437,3	152,1	53,3%
Unused notified loans	128,2	143,3	15,1	11,8%
Endorsements and deposits	634,8	702,8	68,1	10,7%
Shares not yet paid up	4,9	2,8	-2,1	-43,1%
Commitments on commercial paper				
Commitments in favor of/at the request of banks	556,7	605,0	48,3	8,7%
Non-resident banks abroad	556,7	605,0	48,3	8,7%
Confirmation of documentary credit	50,3	25,1	-25,2	-50,1%
Other irrevocable guarantees	506,4	579,9	73,5	14,5%
Total off balance sheet commitments	1609,8	1891,2	281,4	17,5%

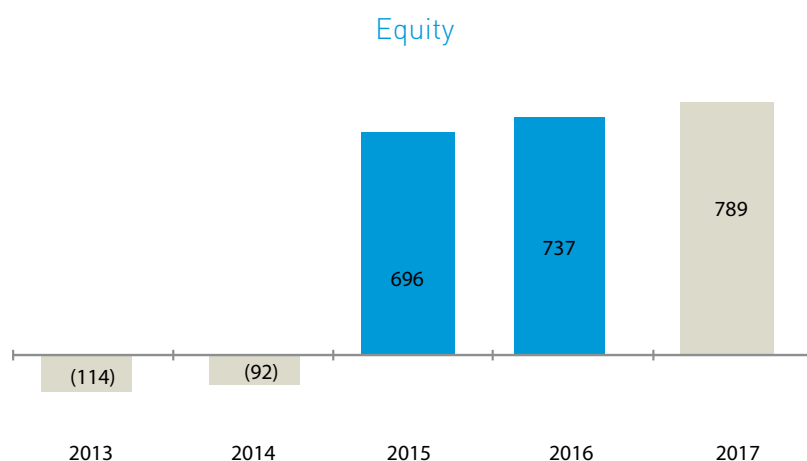
Equity

Ongoing improvements of equity since recapitalisation of the Bank in 2015, allowing for overall coverage of risk and respect of prudential ratios ...

The Bank's equity rose by 52.3 million dinars, from 736.6 million dinars at the end of 2016 to 788.9 million at the end of 2017.

This trend generated profits both at the end of 2016 (40.5 million dinars) and 2017 (51.8 million).

in million TND	dec-16	dec-17	Variation	
			million TND	%
Capital	776,9	776,9	0,0	0,0%
State allotment	117,0	117,0	0,0	0,0%
Reserves	465,1	465,6	0,5	0,1%
Shareholdings	(5,5)	(5,5)	0,0	0,0%
Other equity	37,3	25,0	-12,3	(33,1%)
Results carried forward	(694,7)	(641,9)	52,9	(7,6%)
Results for the year	40,5	51,8	11,3	27,8%
Equity	736,6	788,9	52,3	7,1%



Quality of assets & liquidity

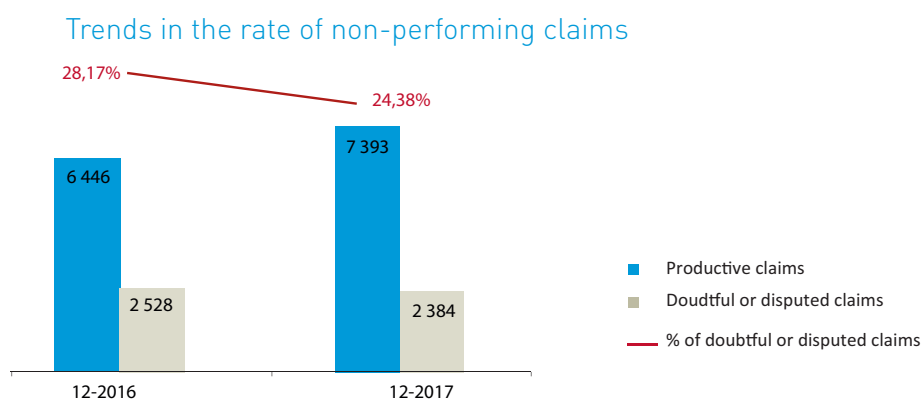
Implementation of a transaction to write off and sell off non-performing loans, which allowed for better coverage of risk ...

1. Trends in non-performing loans

At the end of December 2017, the overall volume of non-performing loans dropped by 5.7% to 2384 million dinars at the end of 2017, thanks to clearing up part of the portfolio. At the same time, the share of productive claims increased by 14.7% to 7393 million dinars.

in million TND	dec-16	dec-17	Variation	
			over 1 year	
			amount	%
Gross claims	8 974	9 777	803	8,9%
Productive claims	6 446	7 393	947	14,7%
Non-performing claims	2 528	2 384	(144)	(5,7%)
% of gross claims	28,2%	24,4%		
Provisions	(1 407)	(1 305)	102	(7,2%)
Reserved agios	(603)	(607)	(4)	0,7%
New claims	6 964	7 865	901	12,9%
% of coverage of claims pending (in the widest sense)	79,5%	80,2%		
% of coverage of claims pending (net of arrears)	73,1%	73,46%		

The two above-mentioned effects contributed to notable improvement in the rate of non-performing loans, which fell from 28.2% to 24.4%, a difference of 3.8 percentage points



2. Coverage of non-performing loans

STB in 2017 continued efforts to build up the required level of provisions.

Thus the overall rate of coverage of non-performing loans (net of reserves agios) rose from 73.1% at the end of 2016 to 73.46% at the end of 2017, a slight increase of 0.36 of a percentage point.

This level of coverage was due on the one hand to constitution over the years of additional provisions for claims that have been in categories 4 & 5 for more than three years as well as the drop in non-performing loans, largely in the wake of write-offs and selling-off in 2017 of a batch of disputed claims.

The result was a 117.1 million dinar (5.8%) decrease in the outstanding balance of provisions and reserved agios assigned to cover non-performing loans, generating 1912.4 million dinars at the end of 2017 vs 2010.1 million at the end of 2016.

3. Solvency

The solvency ratios remain at levels above the required thresholds, despite integration under incurred risk of requirements pertaining to equity set by the central bank of Tunisia to cover operational risk. Incurred risk rose by 791 million dinars of which 79.9 million dinars correspond to variation in the amount required to cover operational risk as per circular n° 2016-03, increasing from 526.0 million dinars to 605.9 million dinars.

At the same time, basic net equity (Tier 1) increased by 13.8 million dinars to 569.1 million. Total net equity came to 844.6 million dinars, up from 795.3 million dinars in 2016.

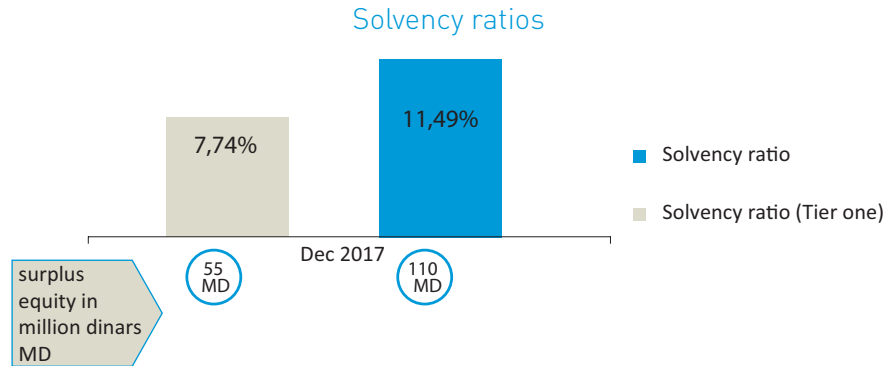
These factors taken together produced a drop in regulatory ratios, as follows:

- Tier 1 : -0.73%, from 8.47% to 7.74% for a regulatory threshold of 7%
- Solvency ratio : -0.64%, from 12.13% to 11.49% for a regulatory threshold of 10%

in million TND	dec-16	dec-17	Variation	%
Net core capital	555,3	569,1	13,8	2,5%
Additional capital	240,0	275,5	35,5	14,8%
Overall capital	795,3	844,6	49,3	6,2%
Total risk incurred	6 558,9	7 349,9	791,0	12,1%
Ratio of overall solvency	12,13%	11,49%		
<i>Minimum core capital Tier 2</i>	10%	10%		
Solvency ratio (Tier one)	8,47%	7,74%		
<i>Minimum core capital Tier 1</i>	7%	7%		

Despite these drops, the Bank continued to have a capital buffer:

- 110 million dinars in the overall solvency ratio
- 55 million dinars in the Tier 1 ratio



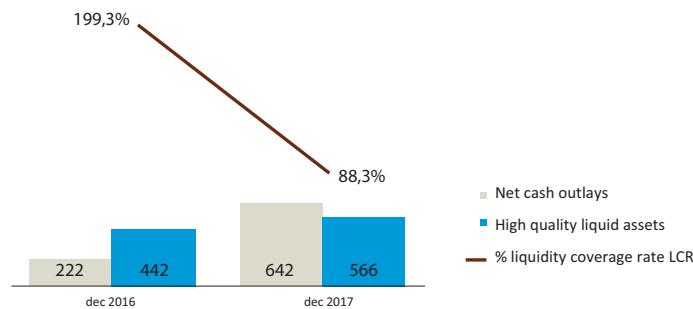
4. - Liquidity Coverage Ratio (LCR)

The short-term liquidity coverage rate (LCR) calculated at the end of December 2017 came to 88.3% (vs. 199.3%

in December 2016), slightly less than the regulatory threshold of 90% in effect since January 2018 as opposed to 80% in 2017.

million TND	dec-16	dec-17	Variation	%
Net cash outlays	222	642	420	189%
High quality liquid assets	442	566	125	28%
% liquidity coverage rate LCR	199,3%	88,3%		
Regulatory level	80%	90%		

Trends in the liquidity rate LCR

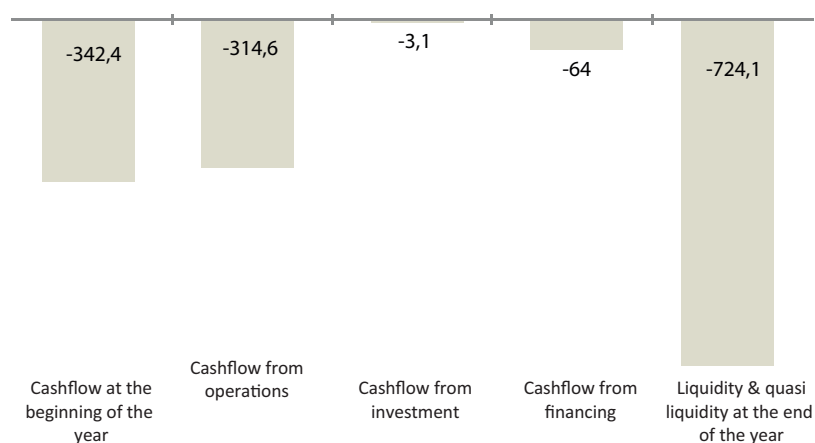


5. Liquidity and quasi-liquidity

On the basis of the cash flow statement, liquidity and quasi-liquidity at the end of 2017 fell from -342.4 million dinars to -724.1 million dinar, i.e. an additional

regression of 382 million dinars despite a lower level of net disbursements for operations and investment. This situation was the result of the cumulative needs for cash since 2016 because of tighter liquidity.

in million TND	dec-16	dec-17	Variation	%
Cash flow from operations	(346,7)	(314,6)	32	(9%)
Cash flow from investment	(64,9)	(3,1)	62	(95%)
Cash flow from financing	(87,8)	(64,0)	24	(27%)
Net variation of liquidity	(499,4)	(381,7)	118	(24%)
Cash flow at the beginning of the year	157,0	(342,4)	(499)	(318%)
Liquidity & quasi-liquidity at the end of the year	(342,4)	(724,1)	(382)	111%



PERFORMANCE INDICATORS

Remarkable upward trend in intermediary management balances, notably net proceeds from banking, which supports the cost of corporate restructuring and inverses the performance curve

- **Net proceeds from banking**

At the end of December 2017, net proceeds from banking came to 390.2 million dinars, an increase of 80.6 million dinars (26%) compared to 2016.

This trend concerned all components, notably gains on the commercial securities portfolio and financial transactions:

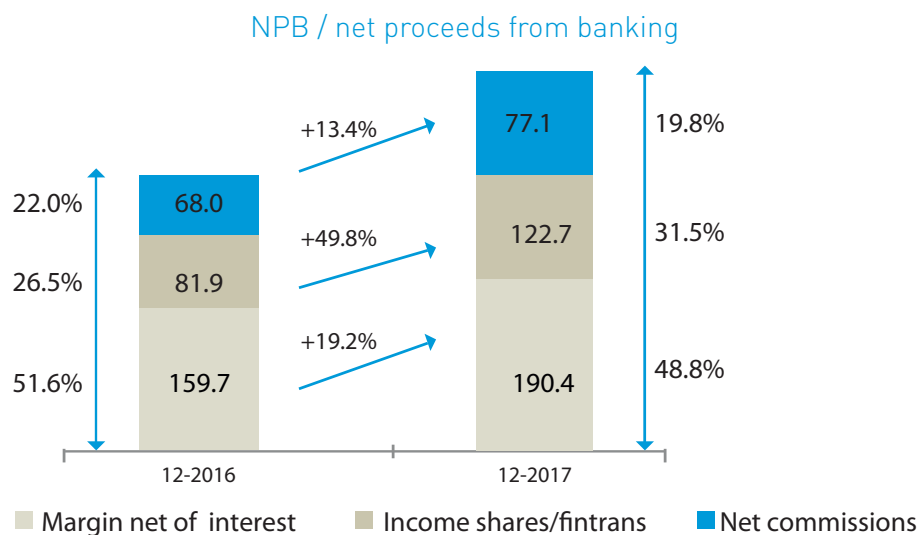
- Net interest margin: +30.7 million dinars (19.2%) due to higher proceeds from transactions pertaining to client loans
- Net commissions: +9.1 million dinars (13.4%), mainly from assessment of loan applications and account maintenance fees
- Income from State securities and financial transactions: +39 million dinars (59.4%)
- Income from the investment securities portfolio: +1.8 million dinars (11.2%)

in million dinars	dec-16	dec-17	Variation	%
Interest & related income	373 862	442 596	68 734	18,4%
Incurring interest & related charges	(214 177)	(252 243)	(38 066)	17,8%
Net interest margin	159 685	190 353	30 668	19,2%
Fees received	71 895	81 445	9 550	13,3%
Fees paid	(3 919)	(4 386)	(467)	11,9%
Net fees	67 976	77 059	9 083	13,4%
Gains on the commercial securities portfolio & financial transactions	65 634	104 634	39 000	59,4%
Income from the investment securities portfolio	16 287	18 115	1 828	11,2%
Other proceeds	81 920	122 749	40 829	49,8%
Net banking proceeds	309 581	390 161	80 579	26,0%

The structure of net proceeds from banking continues to be marked by the predominance of brokerage activity, with a 48.8% share compared to 51.6% the year before.

- The share of commissions fell by 2.2 percentage points to 19.8% of net proceeds from banking.

- The share of income generated by the commercial and investment securities portfolio was in the rise, increasing from 26.5% in 2016 to 31.5% in 2017.



Trends in the components of net proceeds from banking operation

1. The net interest margin was up, increasing from 159.7 million dinars at the end of 2016 to 190.3 million at the end of 2017, a gain of 30.7 million dinars.

The interest margin on interbank transactions fell considerably (-29.3 million dinars), reflecting massive recourse to refinancing by the central bank of Tunisia, while that of client transactions increased by a remarkable 53.4 million dinars.

Net interest margin analysis

in thousand TND	dec-16	dec-17	Variation	
			amount	%
Interest & related income	373 862	442 596	68 734	18,4%
Interest & related charges	(214 177)	(252 243)	(38 066)	17,8%
Net interest margin on interbank transactions	(12 006)	(41 295)	(29 289)	243,9%
Net interest margin on transactions with clients	176 176	229 618	53 442	30,3%
Net interest margin on other transactions	(4 484)	2 030	6 514	(145,3%)
Overall net margin	159 685	190 353	30 668	19,2%
NET PROCEEDS FROM BANKING ACTIVITIES	309 581	390 161		
in % of net proceeds from banking activities				
Net interest margin	52%	49%		
Net interest margin on interbank transactions	(4%)	(11%)		
Net interest margin on transactions with clients	57%	59%		
Net interest margin on other transactions	(1%)	1%		

2. Net commissions were up by 9.1 million dinars (13.4%) over the period under analysis, coming to 77.1 million dinars at the end of December 2017. This increase concerned in particular fees levied collected for account maintenance fees and for reviewing loan applications.

At the end of 2017, net fees were to a large degree generated by:

- activity pertaining to account management, with a share of 51.3%
- financing activity, with a share of 29.1%

3. Gains on the commercial securities portfolio

Gains on the commercial securities portfolio rose by a remarkable 31 million dinars (70%), up from 44.4 million dinars to 75.4 million over the period under analysis.

This significantly higher figure was generated by an increase in the average portfolio of treasury bonds managed by the Bank on its own behalf (+77.8 million dinars or 8%).

The share of the commercial securities portfolio in formation of overall proceeds from banking operations thus improved, up from 14.4% to 19.3%.

in thousand TND	dec-16	dec-17	Variation	
			amount	%
Interest	59,3	67,5	8,2	14%
Interest on short term treasury bonds	1,6	0,8	-0,8	(51%)
Interest on bonds equivalent to treasury bonds	57,8	66,7	9,0	16%
Net margin	(14,9)	7,9	22,8	(153%)
Total	44,4	75,4	31	70%

4. Net gains on foreign exchange increased by 8 million dinars (38%), up from 21.2 million dinars to 29.3 million between December 2016 and December 2017. This was achieved with particular reference to earnings on foreign exchange transactions in cash due to the increase in transactional volume and a better differential in the exchange rate (spread) over the period under study.

5. Income from the investment securities portfolio

Income from the investment securities portfolio was up by a slight 1.8 million dinars (11.2%) over the yearend 2016 figure, for a total of 18.1 million dinars at the end of 2017.

This increase involved mainly interest on bond investment securities: +2.75 million dinars. On the other hand, dividends suffered a drop of 0.92 million dinars because of lower income from capital securities.

in thousand TND	dec-16	dec-17	Variation	
			amount	%
Interest & similar income from investment securities	6 778	9 527	2 749	40,6%
Dividends & similar income from shareholdings	9 508	8 588	(920)	(9,7%)
Income from venture capital funds	464	993	529	113,9%
Income from shareholdings	9 044	7 595	(1 449)	(16,0%)
Income from the investment securities portfolio	16 287	18 115	1 828	11,2%

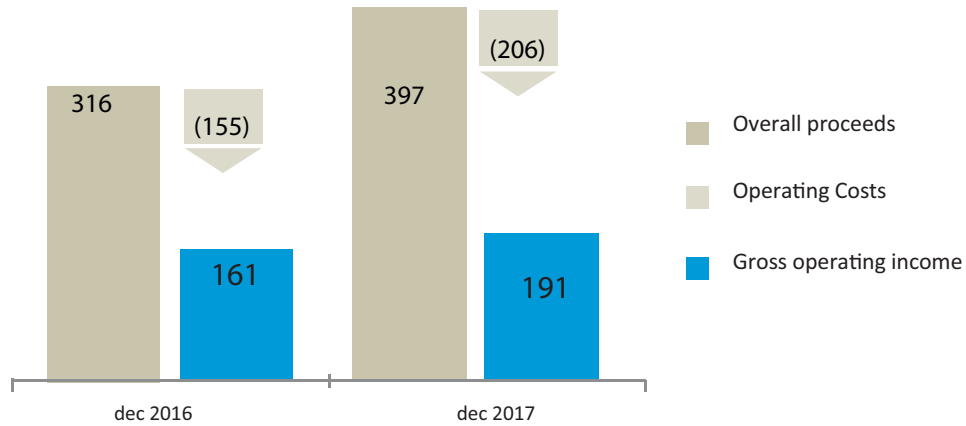
• **Gross operating result**

With reference to higher proceeds from banking activities (+26%) and an increase in operating costs (+32.9%), gross operating results rose by 30.3 million dinars (18.9%) to 190.9 million dinars at the end of 2017, up from 160.6 million dinars at the end of 2016.

Total operating costs, of which staff costs were the majority item, increased to 51.1 million dinars (32.9%), up from 155.1 million dinars to 206.1 million between December 2016 and December 2017, broken down as follows

- Wages: +42.3 million dinars (37%) :This increase is due mainly to the cost of recruitment in the third quarter of 2016, the cost of voluntary departure on retirement for an initial group of staff members, the impact of promotions at the end of the year, and legally mandated wage increases.
- General operating costs: +8.5 million dinars (+25.3%) mainly for subcontracting and advertising costs

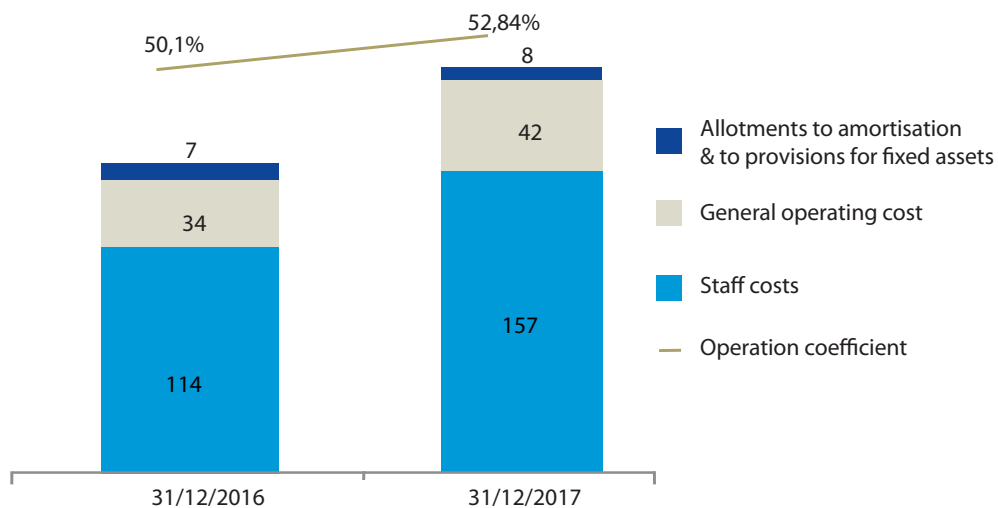
Trends in gross operating income (in million TND)



in thousand TND	dec-16	dec-17	Variation	%
Net banking proceeds	309 581	390 161	80 579	26,0%
Other proceeds from operations	6 058	6 855	798	13,2%
Other proceeds	315 639	397 016	81 377	25,8%
Staff costs	(114 219)	(156 505)	(42 285)	37,0%
General operating costs	(33 605)	(42 096)	(8 491)	25,3%
Allotments to amortization and to provisions for fixed assets	(7 253)	(7 543)	(290)	4,0%
Operating costs	(155 078)	(206 144)	(51 066)	32,9%
Gross operating income	160 561	190 872	30 311	18,9%

With reference to the above, the operating coefficient came to 52.8% in December 2017 compared to 50.1% a year earlier.

Structure of operating costs



The cost of risk

in thousand TND	dec-16	dec-17	Variation	%
Allotments to provisions for claims	(44 563)	(88 468)	(43 906)	99%
Recovery of provisions for claims	34 689	155 642	120 954	349%
Net allotments to provisions (recurring activity)	(9 874)	67 174	77 048	(780%)
Allotments to additional provisions	(77 973)	(80 612)	(2 639)	3%
Recovery from additional provisions	7 589	110 987	103 398	1362%
Net allotments to provisions (additional provisions)	(70 384)	30 375	100 758	(143%)
Recovery of agios on abandoned claims	-	61 215	61 215	n.a.
Claims written off as losses	(1 111)	(265 395)	(264 284)	23788%
Net allotment to provisions for depreciation of claims on clients	(81 369)	(106 631)	(25 263)	31%
Allotments to provisions for risks & costs	(26 026)	(42 136)	(16 110)	62%
Recovery of provisions for risks & costs	2 163	19 171	17 008	786%
Net allotments to provisions for risks & costs	(23 862)	(22 964)	898	(4%)
Allotments to provisions for depreciation of the investment portfolio	(3 925)	(13 061)	(9 136)	233%
Recovery from provisions for depreciation of the investment portfolio	23 285	1 759	(21 526)	(92%)
Allotments to provisions for depreciation of managed funds	(1 022)	(1 309)	(287)	28%
Recovery of provisions for managed funds	1 523	1 689	166	11%
Gains or losses on sale of holdings in the investment portfolio	(32 042)	549	32 591	(102%)
Losses from venture capital funds	(5)	(50)	(45)	967%
Allotments to provisions and result of correction of values on the investment portfolio	(12 186)	(10 423)	1 763	(14%)
Overall cost of risk	(117 417)	(140 018)	(22 601)	19%

Net allotments to provisions involved a volume of 140.0 million dinars, an increase of 22.6 million dinars under the influence of differentiated variations for the three components of the cost of risk:

- Net allotments for depreciation of claims on clients: +25.3 million dinars, the result of additional net allotments and for recurring activities
- Net allotments to provisions for risk and costs: -0.9 million dinars, despite recognition of the covering of costs tied to the corporate rehabilitation plan for an additional allotment of 33.3 million dinars
- Net allotments on the investment portfolio: -1.8 million dinars

Net result

The net result for 2017 came to 51.8 million dinars, an increase of 11.3 million dinars (27.8%) compared to 2016.

in million TND	dec-16	dec-17	Variation	
			amount	%
Net proceeds from banking activities	309,6	390,2	80,6	26,0%
Net proceeds from transactions	315,6	397,0	81,4	25,8%
Operational costs	(155,1)	(206,1)	(51,1)	32,9%
Gross operating result	160,6	190,9	30,3	18,9%
Net cost of risk	(117,4)	(140,0)	(22,6)	19,2%
Operational result	43,1	50,9	7,7	17,9%
Balance as gain/loss for other ordinary components	(1,5)	2,3	3,8	(249,9%)
Corporate tax	(1,1)	(1,4)	(0,3)	22,8%
Net result for the period	40,5	51,8	11,3	27,8%

INTERNAL CONTROL

Ongoing strengthening, with a view to adopting the Basel standards...

In the framework of strengthening its internal control system and in application of central bank of Tunisia BCT circular n° 2006-19 of 28 November 2006 and law n° 2016-48 of 11 July 2016 pertaining to banks and financial institutions, STB has pursued implementation of initiatives in this area that are part of its strategic transformation programme covering the period 2016-2020. Various activities are under way.

Control of operations and procedures

To strengthen ongoing control of its activity, STB in its new organisational chart has set up a directorate for ongoing control, the principal mandate of which is determine the structure that will be entrusted with this function and to define the oversight functions to be carried out at the first and second levels. In this same framework, the Bank has set up other new control structures

The Bank's main control structures are:

- a directorate of management control
- a directorate of surveillance and monitoring of loan risk

- a directorate of surveillance and monitoring of operational and market risks
- a directorate to monitor the limits and authorisation of overruns
- a directorate to monitor and report on commitments
- a directorate to validate and monitor guarantees
- a directorate to monitor accounting
- a back office dealing with electronic money and telematics
- a back office dealing with cash flow
- a directorate to monitor expenditure
- a directorate to monitor conformity to regulations (for transactions in foreign currency and foreign banking)

Similarly, in application of legal and regulatory requirements, STB has a standing structure in its organisational chart in charge of monitoring conformity, the main mandate of which is:

- to ensure adherence to the rules and regulations that govern banking activity
- to identify and assess the risks of non-conformity to both internal and external rules pertaining to banking activity
- to play a role in supervising work pertaining to anti-money laundering efforts and financing of terrorism
- to ensure that staff respect standards of proper behaviour and to provide training in the area of banking ethics and ethical conduct

As for monitoring conformity pertaining to anti money laundering measures and financing of terrorism, the Bank has undertaken the following steps

- Acquisition of an application to profile risk and monitor account transactions (Collective Investment Schemes Act CISA) so as to detect atypical suspicious transactions that could be linked to illicit activities, notably money laundering and financing of terrorism
- Drafting of a new procedural note pertaining to money laundering and financing of terrorism
- Preparation of a draft note pertaining to procedures that will lead to application of the Foreign Account Tax Compliance Act (FATCA)
- Designation of permanent controllers at regional offices, in order to closely monitor the procedure for clearing up any inconsistencies and updating client files, second-level monitoring with regard to opening of accounts and overall monitoring that branch offices are properly carrying out their oversight duties

Aside from these departments, STB can rely on the traditional structures that deal with periodic control:

- Directorate for inspection
- Directorate for internal audit

These structures, which monitor compliance to regulations in effect and internal procedures and which issue recommendations to improve the

effectiveness of management systems, answer to the central directorate for audit and inspection, which answers to the Director General.

They carry out their mandates in a fully independent manner, either on the basis of scheduled annual interventions or as instructed by the Directorate General.

To guarantee its independence, the directorate for internal audit is functionally attached to the audit committee.

The committees that answer to the Board of Directors, i.e. the standing committee for internal audit, the committee dealing with risk, and the nominations & appointments committee have experienced realignment of their mandates and more frequent meetings.

Organisation of accounting and data processing

Upon final implementation of the various modules of the new information system, STB launched a number of new computer applications to ensure smooth functioning with this core. These computer applications cover a number of bank functions such as management of commitments, branch bank activities, cash flow management, foreign banking, all in the framework of strategic transformation.

They will provide the Bank with a high-performing, reliable and more homogeneous tool for the bank branch and commitments applications, given that these two applications have been designed by the same team that designed and launched the information system's hard core.

As for the plan pertaining to the physical security of premises and data, STB has undertaken implementation of initiatives to structure hardware and network infrastructure.

• Back-up site

The external back-up site is currently operational for corporate listing and electronic mail and under way for transfer of other data and computer applications.

In case of computer malfunction, activity will continue in a normal manner and data will be safeguarded at off-site premises.

• Business continuity plan:

STB has entrusted to a specialised firm implementation of an initiative to establish a business continuity plan. This plan will encompass a computer continuity plan and an operational continuity plan, with a set of measures to temporarily (depending on the various possible scenarios) provide for the Bank's critical functions, then a planned return to normal activities.

• Video-surveillance:

To ensure conformity to security requirements as set by the central bank of Tunisia BCT, STB has started work to install surveillance cameras at headquarters, annexes, regional offices, bank branches, the archives, foreign exchange premises and ATMs.

• Assessing, monitoring and mastering risk

In the framework of its strategic plan, STB has committed to a set of initiatives on which work is being carried out in collaboration with relevant structures, targeting establishment of:

- An assets/liabilities management structure (ALM)
- A risk management policy
- An in-house system to rate loan risk
- A structure to manage operational and market risk
- A standing control structure to contain operational risk

Work relating to these initiatives Pending implementation of these initiatives, the directorates for surveillance and monitoring of loan risk and for operational and market risk, which answer to

the central directorate for global risk, continue respectively to carry out operations to monitor commitments and classify claims in line with central bank of Tunisia requirements, as well as analysis of foreign exchange, rate and liquidity risk and their impact on the Bank's equity.

Documentation and information system

- The Bank has issued procedural notes describing the modalities for registry, processing of operations and restitution of information.
- Reports established following controls carried out in the framework of periodic verification are submitted to the appropriate directorate and to the standing committee for internal audit. These reports are made available to auditors and to the central bank of Tunisia BCT.
- Once a year the Bank issues a report on the functioning of the internal control system. This report is given to the standing committee for audit, the Board of Directors as well as the auditors and the central bank of Tunisia BCT.

- The Bank is in the process of drawing up a financial communication policy.

MANAGEMENT OF RISK

Prudent management in line with regulations ...

The Bank's new organisational chart was introduced in November 2017. It provides for a central directorate for global risk, with the following three directorates:

- Directorate for ongoing control
- Directorate for management of loan risk
- Directorate for management of operational and market risks

This structure ensures establishment of a structure for ongoing control and risk management as provided for in BCT circular n° 2006-19 and is introducing national and international best practices, the Basil standards, ISO norms, notably 3100, and the COSO referential.

The Bank has a risk management policy that defines all the components of the risk management tool, which helps master and monitor risk in an efficient manner

Ongoing control

Such control was introduced in application of the regulatory stipulations in effect, notably central bank of Tunisia BCT circulars n° 2006-19 and n° 2011-06, which pertain to:

- setting up of a directorate for ongoing control of risks inherent in the processing of transactions at all operational and hierarchical levels
- setting up of a corps of permanent controllers at regional offices and at the Bank's central directorates
- pro-active management of a standing control apparatus and definition of the first and second level controls with which it is entrusted

Internal rating system

In collaboration with a firm mandated by the World Bank, STB has announced that it will introduce an internal rating system with the participation of senior staff from the directorate general for global risk.

Action already taken involves:

- the selection of a sample, as per the internal rating system's modelling, to define default, taking into account the requirements of central bank of Tunisia circular n° 2016-06 and the Basel standards
- segmentation of the portfolio into corporate, small and medium scale businesses and micro businesses
- Determination of the variables required to set up an internal rating system

Policy to manage risk must define all the components of a risk management system that are required to master and efficiently handle risk.

COMMERCIAL DEVELOPMENT

New dynamic based on mastering data and in-depth knowledge of clients

In application of the development strategy adopted in 2016, STB has strengthened its relationship with its clients thanks to finer-tuned segmentation of its clientele and detailed benchmarking of the competition.

A number of initiatives pertaining to introduction of marketing tools and more in-depth understanding of clients, development of offer by strategic field of activity and greater impact of commercial efforts and modernization of distribution channels were finalized in 2017.

These initiatives seek to secure long-term clients by offering to each one of them the right product at the right time via the right channel.

To this end, a targeted catalogue has been designed to enrich the offer of new products likely to attract the various categories of clients: wage earners, Tunisians resident abroad, professionals ...

It has also commercialised a number of products in 2017, such as loans for university-level studies, the banking packs AVICENNE and IBN JAZZAR, the MASKEN AWAL loan ...

In 2017 STB also expanded its network of bank branches, seeking to boost business and be ever closer to its clients, by adding 10 new branches in Tunis, Bizerte, Gafsa, Medenine, Monastir, Nabeul and Sousse.

Other new branches are being considered or already submitted for approval

STB has also pursued its policy to ensure client loyalty by signing agreements with companies and other structures with a view to providing loans to their staff. 194 such agreements were signed in 2017.

In the area of communication, 2017 was marked by the strong presence of STB on a wide range of communication channels. 22 thematic campaigns were launched pertaining to new bank branches, new products, Tunisians resident abroad...

457 advertising and financial messages were published in newspapers and magazines and there were 824 radio messages broadcast on Tunisian radio stations and 95 advertising banners posted on the web.

STB organised various events with a view to promoting public relations, targeting influential stockholders, clients, operators, investors...

It also sponsored 33 events tied to the economy, science, culture, new technologies, student life and granted subsidies to 22 beneficiaries.

MODERNISATION OF THE STB

Start-up of digital transformation ...

STB's 2016-2020 strategy stipulates simplification and optimisation of operational processes. Given the objective of concentrating on high added value tasks and reducing time spent on process (dematerialisation, assessment of client applications, i.e. workflow ...) To achieve successful change, STB has invested in computer architecture and digital tools.

It has acquired from BFI two applications (bank branches and commitments) to complement the core in use at STB since December 2013.

In 2017 these applications were installed and generalized at all bank branches, regional offices and headquarter services. Thus an urban-oriented banking giant has been steadily built with «best of the breed» applications in support of core banking.

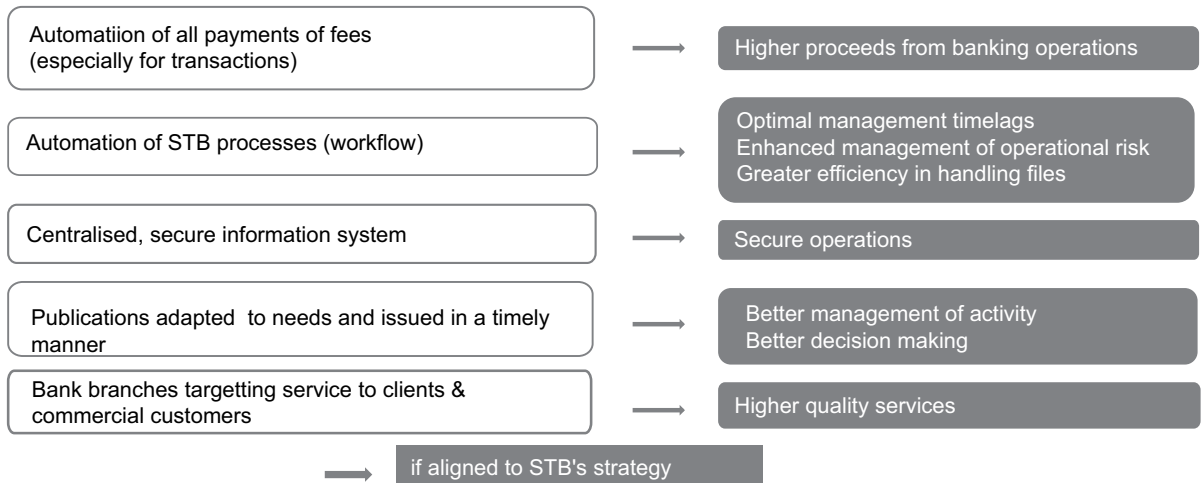
These new applications have allowed for the handling of more than 80% of STB's transactions, replacing some 80 existing modules and applications (dinars, foreign currency, loans to private parties, classification of commitments, the computerized module used for banknote foreign exchange essarf, etc.).

The perimeter and main modules of these two applications cover:

- Review of loan applications (private individuals & businesses)
- Commitments by signature
- Guarantees
- Loans made (medium/long term and short-term)
- Management of unpaid loans
- Classification and provisions
- Recovery
- Management of disputed items
- Management of accounts, counter transactions, client status, banknote exchange and investment

The impact of using these two applications in support of the core is summed up below:





Other initiatives and activities were carried out in 2017:

- Acquisition of an electronic money solution from S2M, which began in 2017 to gradually introduce various modules in 2018: server authorisation, back office, management of ATMs and electronic payment terminals.
- Implementation of applications for monitoring, profiling and the Foreign Account Tax Compliance Act (FATCA), along with subscription to the list of politically exposed persons (PEP), is already underway. Some improvements in the area of dynamic profiling have been requested from the supplier and this is being implemented.

As for the architecture of the information system, a solution for high accessibility has been introduced for the following:

- uninterrupted access to data systems
- back-up recovery of such data via a site located elsewhere

Throughout the network of bank branches and in addition to generalisation of optic fibre, STB has begun to equip 50 branches with a back-up solution based on airwaves.

HUMAN RESOURCES

Significant improvement in the supervisory rate, thus facilitating the process of transformation at STB ...

The strategy for development of human resources introduced in 2016 is made up of specific initiatives that seek to revisit HR policy by making greater use of staff potential, thus ensuring better performance at STB.

Staff changes are under way, following the recruitment drive in 2017, on top of 350 new staff members in 2016. There has also been a program for voluntary departure on early retirement, taken up by 140 staff members. STB's manning table counted 2051 employees at the end of 2017, down from 2141 in 2016 and 1998 in 2015. 88 staff members left on retirement in 2017.

To enhance internal communication and promote STB's values, thematic workshops have been organised for staff throughout the network.

A new referential on specialised functions/skills and a career management plan was introduced in 2017 with a view to creating new opportunities for career development for all staff.

In the area of training, 1244 staff members (60.65% of all staff) took advantage of a multitude of activities to enhance skills. Areas included finance, risk management, banking governance, human resources management, as well as digital and new information and communication technologies.

47 staff members were enrolled in training programmes that conferred a diploma or certificate.

STB's commitment to staff welfare continued, in the form of better benefits and efforts to enhance the well-being of staff. A solidarity fund was set up in 2017 to help staff (in-service or retired) facing catastrophic health issues, on top of preventive medical and social assistance services.

INTERNATIONAL ACTIVITY

Appropriate financing for foreign trade, starting a new relationship with new partners...

STB's international activity in 2017 posted 7.5% higher operating volume and its cumulative turnover rose by 4.8%, despite fairly unfavourable economic conditions for Tunisia.

Type of transaction	dec-16	dec-17	Variation	%
Import transaction	944,4	1 094,6	150,2	15,3
Export transactions	903,0	814,8	(88,2)	(17,9)
Commercial operations transfer	1 559,7	2 024,7	465,0	64,8
Financial operations transfer	2 566,7	3 344,2	777,5	66,3
mouvements de fonds CEDC des correspondants	4 846,0	4 061,0	(785)	(4,7)
Total	10 819,8	11 339,3	519,5	4,80

These results were made possible thanks to the following factors.

- Overall implementation of the integrated foreign banking application IBANSYS helped all units enhance production capacity, with shorter processing lags and higher quality service.
- The positive commercial impact of IBANSYS, which made STB more competitive and allowed the front office (backed up by a back office of top-notch technicians and an effective computer application) target in an increasingly efficient manner those operators who are key to its marketing efforts.
- Reopening of lines of confirmation and of guarantee by our main foreign correspondents, after several years of reticence because of the security and economic conditions in the country that led them to block or reduce lines of credit.
- STB's new policy of commitment, characterised by greater flexibility in granting investment loans, signature loans and financing of foreign trade, i.e. financing in foreign currency for imports and mobilization of claims initiated abroad.

Transactions abroad

There were 663,223 international payments in 2017, with proceeds up by 35.3% and 11, 339.3 thousand dinars in turnover, broken down as follows:

- Diversification of the portfolios of STB bank branches, increasingly consisting of small and medium scale businesses that allow for higher profitability for international transactions, leading to a remarkably higher earnings.
- Renewed investment, which has led to higher imports of capital goods as well as transfer of capital received for foreign investment in Tunisia, issued for investment by Tunisians resident abroad.

International relations

- STB in 2017 strengthened cooperation with foreign correspondents and sought new banking relationships with a view to helping clients to carry out their intention to expand on the international scene. STB thus entered into relationships with four African banks in Togo, Mali and Kenya. It is also currently establishing relations with affiliates of the BMCE Bank of Africa Group in Kenya, Mali, the Ivory Coast, Rwanda, Uganda and Tanzania, with a view to working with Tunisian companies on promising African markets.



- At the end of 2017, there were 939 foreign correspondents abroad with which STB had established a “relationship management application (RMA): SWIFT key”, pursuant to action to settle outstanding issues carried out in the framework of work to audit the conformity of correspondents to international norms pertaining to anti money laundering measures and knowledge of clients (AML/KYC).
- Since 2016, STB has subscribed to the Swift KYC Registry, making available to its clients all the documents required to prove conformity to AML/KYC/FTF/FATCA norms. STB also periodically carries out the formalities required by the central bank of Tunisia BCT and correspondents in the area of conformity.
- As for development of international business, the volume of issued international guarantees entrusted by foreign correspondents rose by 15% in 2017, with counterpart risk entirely contained.
- STB also continues to monitor major economic undertakings that have been put to international call for bids from initial launching to adjudication, making this information to its correspondents for appropriate follow-up.

PROSPECTS FOR DEVELOPMENT

Pursuit of efforts to implement the strategy and programme contract as envisaged in the 2016-2020 programme ...

STB intends to maintain its standing as a sound, responsible financial player. It has since mid-2016 been actively implementing the new 2016-2020 strategy, based on clear and transparent governance and a good understanding of client needs by offering clients with a range of products and services adapted to their needs and their hopes.

This new strategy envisages three stages of impact:

- an initial phase of upgrading: inverting the performance curb in 2016
- a second phase of acceleration: returning to profitable, sustainable growth starting in 2018
- a third phase of taking off: regaining the podium starting in 2020 and achieving the strategy’s goals

«To once again be THE BANK, a high-performing motor for Tunisia’s economy»

The success of this strategy depends on implementation of structural in-depth measures and reform, the results of which will be tangible over the medium term, notably:

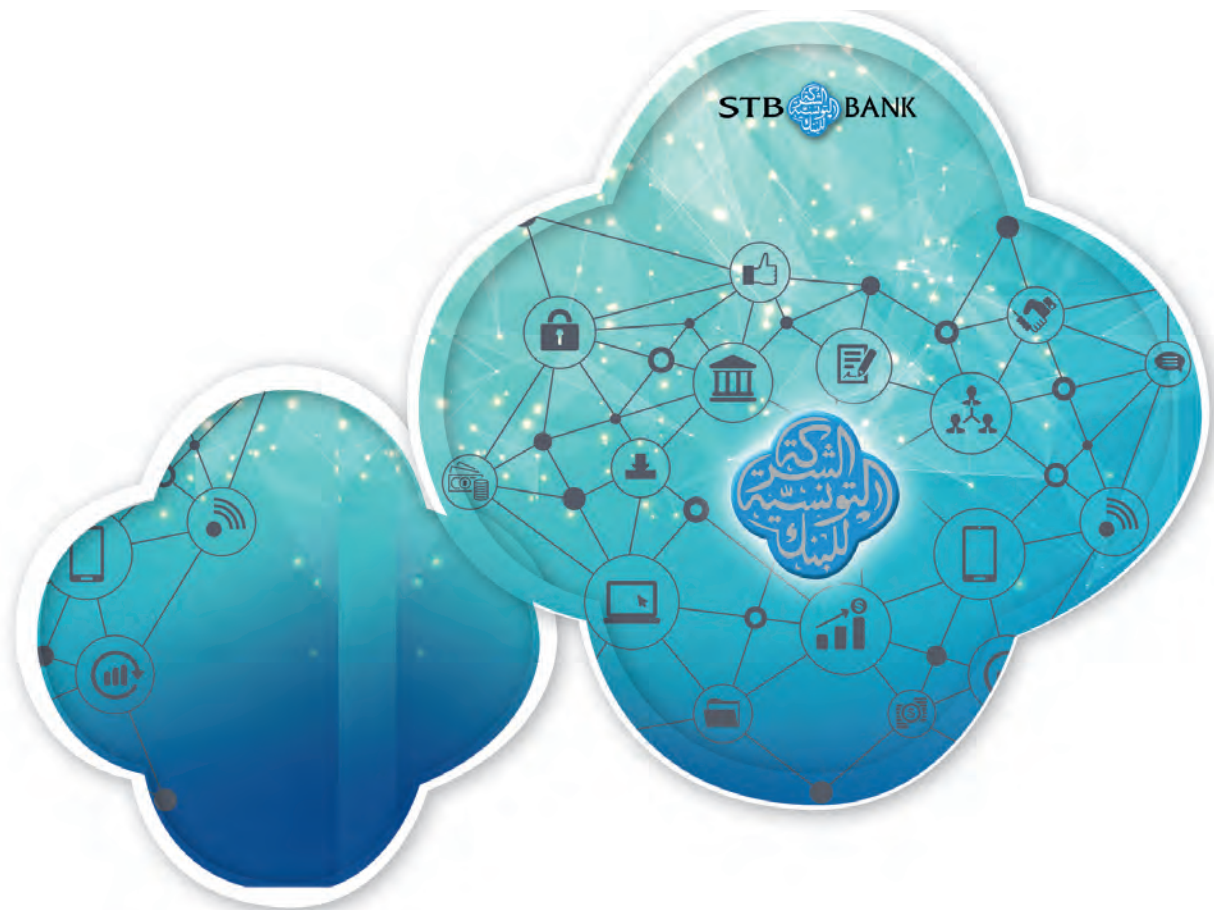
- Gradual establishment of an urban-oriented banking giant built on a banking core, with 2017’s achievements in deploying two key applications (bank branches and commitments) with the next step devoted to acquisition of missing solutions (budgetary management, risk management, ALM solution ...)
- Ongoing restructuring of human resources (younger staff, targeted recruitment ...) and development of human capital (training, upgrading...)
- Digitalisation of banking processes and operations (mobile payments, applications, data...) that will help STB be well placed in the era of decisions based on data analysis

At the same time, as it continues to be faced with a number of structural problems tied to the legal and judicial environment, STB will give due attention to implementation of the proposals given in the programme contract, so that it benefits from the same prerogatives and management regulations as private banks.

It must also provide effective management of its funds over the period of restructuring, so as to ensure ongoing conformity to all prudential norms.

STB should at this stage be in a position to make the most of the opportunities inherent in the expected return to economic growth, given its commercial potential, the diversity of its commercial potential and the richness of its human capital.

It will also further affirm its vocation as a bank dedicated to its public duties, designing policies sensitive to social and environmental responsibilities along with ongoing action in related areas (economic, social, civic, environmental ...)





FINANCIAL STATEMENTS AS AT 31 DECEMBRE 2017

BALANCE SHEET

STATEMENT OF OFF BALANCE SHEET

COMMITMENTS

STATEMENT OF RESULTS

CASH FLOW STATEMENT

BALANCE AS AT 31 DECEMBER 2017

(in thousand dinars)

ASSETS	Notes	31 Dec 2017	31 Dec 2016
AC 1 Cash and holdings at the central bank of Tunisia (BCT), the postal checks centre (CCP) and the Tunisian general treasury (TGT)	5.1	284 853	279 765
AC 2 Claims on banking and financial institutions	5.2	355 759	328 816 (*)
AC 3 Claims on clients	5.3	6 114 771	5 529 776 (*)
AC 4 Commercial securities portfolio	5.4	1 134 342	1 066 542
AC 5 Investment portfolio	5.5	350 899	354 612
AC 6 Fixed assets	5.6	122 605	99 183
AC 7 Other assets	5.7	687 141	620 538
TOTAL ASSETS		9 050 370	8 279 232
LIABILITIES			
PA 1 Central bank and postal checks centre	5.8	1 256 663	827 873
PA 2 Deposits and holdings of banking and financial institutions	5.9	74 756	83 052
PA 3 Client deposits & holdings	5.10	5 963 809	5 443 231
PA 4 Borrowings & special resources	5.11	288 958	354 291
PA 5 Other liabilities	5.12	677 318	834 180
TOTAL LIABILITIES		8 261 504	7 542 627
EQUITY			
CP1 Capital	5.13	776 875	776 875
CP2 State allotment	5.13	117 000	117 000
CP3 Reserves	5.13	465 614	465 131
CP4 Equity	5.13	-5 509	-5 509
CP5 Other equity	5.13	24 978	37 324
CP6 Results carried forward	5.13	-641 870	-694 734
CP7 Result for the year	5.13	51 778	40 518
TOAL EQUITY		788 866	736 605
TOTAL LIABILITIES AND EQUITY		9 050 370	8 279 232

(*) data reprocessed to allow for comparability

STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS AT 31 DECEMBER 2017

(in thousand Tunisian dinars)

	Notes	31 Dec 2017	31 Dec 2016
CONTINGENT LIABILITIES			
HB 1 Deposits, endorsement and other guarantees given	6.1	1 282 704	1 141 151
HB 2 Documentary credit	6.1	462 411	335 555
HB 3 Assets given as a guarantee			
TOTAL CONTINGENT LIABILITIES		1 745 114	1 476 705
COMMITMENTS GIVEN			
HB 4 Financing commitments given	6.2	143 277	128 194
HB 5 Commitments on securities	6.2	2 809	4 933
TOTAL COMMITMENTS GIVEN		146 086	133 127
COMMITMENTS RECEIVED			
HB 6 Financing commitments received			
HB 7 Guarantees received	6.3	1 679 044	1 418 553



STATEMENT OF RESULTS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

(in thousand Tunisian dinars)

	Notes	31 Dec 2017	31 Dec 2016
PROCEEDS FROM BANKING OPERATIONS			
PR 1 Interest and related income	7.1	442 596	373 862 (*)
PR 2 Commissions	7.2	81 445	71894 (*)
PR 3 Gains on the commercial securities portfolio and financial transactions	7.3	104 634	65 634
PR 4 Income from the investment securities portfolio	7.4	18 115	16 287
OVERALL PROCEEDS FROM BANKING OPERATIONS		646 790	527 677
COSTS FOR BANKING OPERATIONS			
CH 1 Interest incurred and related charges	7.5	-252 243	-214 177
CH 2 Commissions incurred		-4 386	-3 919
CH 3 Losses on the commercial securities portfolio and financial transactions		0	0
OVERALL COSTS FOR BANKING OPERATIONS		-256 629	-218 096
NET BANKING PROCEEDS		390 161	309 581
PR5/CH4 Allotments to provisions & result of correction of values on claims, off balance sheet & liabilities	7.6	-129 596	-105 232
PR6/CH5 Allotments to provisions & result of correction of values on the investment portfolio	7.7	-10 423	-12 186
PR7 Other proceeds from operations	7.8	6 856	6 058
CH6 Staff costs	7.9	-156 505	-114 219
CH7 General operating expenses	7.10	-42 096	-33 605
CH8 Allotments to depreciation & to provisions for fixed assets		-7 543	-7 253
OPERATING RESULT		50 854	43 144
Balance as gain/loss from other ordinary components	7.11	2 280	-1 521
Corporate tax	7.12	-1 351	-1 100
RESULT OF ORDINARY ACTIVITIES		51 783	40 523
Balance as gain/loss from extraordinary components		-5	-5
NET RESULT FOR THE YEAR		51 778	40 518
IMPACT OF ACCOUNTING CHANGES (exclusive of tax)		0	0
RESULT AFTER ACCOUNTING CHANGES		51 778	40 518

(*) data reprocessed to allow for comparability

CASH FLOW STATEMENT

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

(in thousand dinars)

	Note	31/12/17	31/12/16
OPERATIONAL ACTIVITIES			
Proceeds from banking operations that have been encashed		649 508	536 672
Costs for banking operations that have been disbursed		-265 254	-212 562
Deposits / withdrawals at other banking and financial institutions		2 584	-23 137
Loans & advances /reimbursement of loans & advances made to clients		-779 916	-405 084 (*)
Deposits / withdrawal of client deposits		523 991	160 044
Buying/selling of investment securities		-58 953	-318 949
Sums paid to staff & miscellaneous creditors		-154 132	-114 498
Other cash flows from operational activities		-241 966	-6 795
Corporate tax that has been paid		-2 323	-2 033
Net cash flows assigned to operational activities	8.1	-326 462	-386 339
INVESTMENT ACTIVITIES			
Interest & dividends from the investment portfolio that have been encashed		17 010	16 494
Buying/selling on the investment portfolio		-7 326	-62 981
Buying/selling of fixed assets		-12 735	-18 387
Net cash flows that have been assigned to investment activities	8.2	-3 051	-64 874
FINANCING ACTIVITIES			
Stock issues		0	0
Issue /reimbursement of loans and special resources		-64 025	-87 821
Dividends paid		0	0
Net cash flows assigned to financing activities	8.3	-64 025	-87 821
Net variation of liquidity & quasi liquidity throughout the year		-393 538	-539 034
Liquidity & quasi liquidity at the beginning of the year		-382 050	156 984
Liquidity & quasi liquidity at the end of the year	8.4	-775 588	-382 050

(*) Data reprocessed to allow for comparability

NOTES ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

1. PRESENTATION OF THE BANK

STB is a limited liability company governed by law n°2016-48 of 11 July 2016 pertaining to banks and financial institutions.

STB's inaugural general assembly was held on 18 January 1957 and capital stands at 776,875,000 Tunisian dinars, made up of 155,375,000 shares

worth five dinars each. STB stock is traded on the Tunis stock market (BVMT). Its head office is located on Avenue Hedi Nouria, 1001 Tunis and its network includes 140 premises and 181 ATMs.

The structure of STB capital as at 31 December 2017 is given in the following table.

In thousand dinars			
Shareholders	Number of shares	Amount in thousand TD	% of capital
A/TUNISIAN SHAREHOLDERS	153 375 774	766 879	98.71%
THE TUNISIAN STATE	111 160 004	555 800	71.54%
PUBLIC ENTERPRISES	18 408 461	92 042	11.85%
PRIVATE LEGAL ENTITIES	11 048 692	55 244	7.11%
BUYBACK OF ITS SHARES BY THE BANK			
PRIVATE INDIVIDUALS	12 758 617	63 793	8.21%
B/FOREIGN SHAREHOLDERS	1 999 226	9 996	1.29%
LEGAL ENTITIES	1 312 724	6 564	0.85%
PRIVATE INDIVIDUALS	686 502	3 432	0.44%
Total	155 375 000	776 875	100.00%

2. REFERENCIAL FOR DRAWING UP THE FINANCIAL STATEMENTS

STB's financial statements as at 31 December 2017 have been drawn up in line with the terms of law n°96-112 of 30 December 1996 pertaining to corporate accounting and sectoral Tunisian accounting standards, notably NCT 21, 22, 23, 24 and 25 regarding banking institutions.

3. BASIS FOR MEASUREMENT AND PERTINENT ACCOUNTING PRINCIPLES APPLIED

STB's financial statements have been drawn up on the basis of measuring the components of patrimony at their historical cost. The most significant accounting principles are listed below.

3.1. Accounting for commitments and related income

3.1.1 Accounting for off balance sheet commitments

Financing commitments related to medium and long term loans, documentary credit and guarantees in the form of endorsements and warranties are entered on the off balance sheet as they are contracted, then transferred to the balance sheet as funds are released, at their face value.

3.1.2 Accounting for loans to clients

Loans net of discount are entered on the balance sheet at their face value less interest entered in advance but not yet accrued. Disbursed loans and overdrawn current accounts are entered after deduction of interest and reserved agios, proceeds received or entered in accounting in advance, along with related provisions.

3.1.3 Accounting for income from loans to clients

Interest, related proceeds and commissions are taken into account under results for the year ending 31 December 2017, in the amounts relating to that year.

Interest on short term loans are paid in advance and entered into accounting on adjustment lines when loans are released, treated as a subscription at the end of the month for the portion accrued.

Unpaid interest pertaining to doubtful medium and long term loans (classes B2, B3 and B4), in the sense of central bank of Tunisia (BCT) circular n° 91-24, is entered as reserved interest, subtracted from the line entitled «claims on clients». Such interest is taken into account under results when it is actually deposited.

Accrued interest not yet paid pertaining to loans classified as current assets (class A) or assets requiring particular monitoring (class B1) in the sense of central bank of Tunisia (BCT) circular n° 91-24, which are reasonably sure of being actually paid, is entered under results as it accrues.

Reserving of proceeds for overdrawn current accounts is entered on the basis of the criteria relating to freezing of an account as well as class of risk.

An account is deemed frozen if the sum of net credit entries is less than the debit agios generated by the account.

Agios on disputed claims in closed overdrawn current accounts are not entered into accounting.

3.1.4 Accounting for late interest

Late interest is entered by STB when the client makes the payment or when loans are consolidated for a given client.

However, following introduction in 2007 of new software for monitoring disputed loans («IMX»), some late interest has been calculated, reserved and entered into accounting, in the amount of 476,369,000 dinars.

3.1.5 Provisions for commitments

i. Individual provisions

Provisions required for client commitments have been determined in line with the prudential norms of division, coverage of risk and monitoring of commitments, as per central bank of Tunisia (BCT) circular n° 91-24, as modified by subsequent texts that define classification of risk and minimum rate of provisioning, as follows.

A : Current assets	0%
B1 : Assets requiring particular monitoring	0%
B2 : Uncertain assets	20%
B3 : Worrisome assets	50%
B4 : Compromised assets	100%

Provisioning rates by category of risk are applied to uncovered net risk, i.e.

the amount of the commitments minus reserved agios, and the value of guarantees obtained in the form of financial assets, mortgaged buildings, State guarantees as well as bank and insurance guarantees.

Provisions for loans and overdrawn accounts are presented with the relevant lines deducted. Provisions for off balance sheet commitments are presented under «other liability lines».

ii. Collective provisions

In application of article 10bis of central bank of Tunisia (BCT) circular n° 91-24 of 17 December 1991, to which was added circular n° 2012-20 of 6 December 2012, STB constituted provisions of a general character entitled «Collective provisions» in order to cover latent risk on current commitments (class 0) and those requiring particular monitoring (class 1) in the sense of article 8 of central bank of Tunisia (BCT) circular n° 91-24.

To determine the amount of this provision, the bank has retained the referential methodology annexed to circular n° 91-24.

iii. Additional provisions

In application of circular to banks n° 2013-21 of 30 December 2013, STB has constituted additional provisions for assets that have been in class 4 for three or more years in order to cover net risk, in line with the following minimum rates:

- 40% for assets that have been in class 4 for three to five years
- 70% for assets that have been in class 4 for six or seven years
- 100% for assets that have been in class 4 for eight years or more

iv. Exceptional measures for tourism

In application of central bank of Tunisia (BCT) circular n° 2017-05 of 24 July 2017, STB has maintained risk classification as at 31 December 2014 and frozen seniority in the sense of article 10iv of circular n° 91-24 du 17 December 1991 for clients who benefitted from the exceptional measures to support tourism defined in central bank of Tunisia (BCT) circular n° 2015-12 of 22 July 2015.

As at 31 December 2017, the Bank had not entered an allotment to additional provisions in the amount of some 40,674,000 dinars for claims in category 4, involving 19 entities.

3.2. Accounting for the securities portfolio and related income

There are two categories in the Bank's securities portfolio: the investment portfolio and the commercial securities portfolio.

3.2.1 Investment portfolio and related income

The investment portfolio includes:

- securities representing shares in the capital of companies for which ongoing possession is considered to be useful for the Bank's activity, i.e. holdings of a sustainable nature: equity interests, shares in associated companies and shares in related companies;

- fixed income securities acquired by the Bank with the intention of holding them to term (investment securities, notably bond loans);

- securities representing financing participation governed by a buyback agreement but which have not yet been definitively transferred;

- funds managed by capital risk companies.

Regulations pertaining to accounting for transactions regarding these various categories of securities are summarized as follows.

i. Equities of a durable nature

Such equities are entered into accounting on the balance sheet at the cost of acquisition, exclusive of charges and costs. Shares subscribed to but not yet paid for are recorded as off balance sheet commitments at their issue value.

Transactions to acquire and sell equities are entered either on the date they are transferred or on the date the transaction is recorded at the Tunis Stock Market.

Profits resulting from sale of these equities are entered on the line entitled «Allotments to provisions and result of correction of values on the investment portfolio».

Dividends on equities held by the Bank are taken into account under results when their distribution has been officially approved.

ii. Investment securities

Income from fixed return securities (bonds) are taken into account as proceeds spread out over the relevant period.

iii. Securities representing financing shares

Financing shares are considered as an extension of mainline financing activities and gains resulting from their sale are treated as interest, constituting a portion of proceeds from banking operations.

These gains are entered as proceeds just once, at the time they are transferred, on the line entitled «income from the investment portfolio».

Dividends on securities held by the Bank are entered as results when their distribution is officially approved.

Unpaid amounts in capitalized interest (converted to capital shares) are transferred from claims accounts to holdings accounts. Related reserved agios accounts are transferred to provisions for holdings.

iv. Provisions for holdings

Equities are assessed at their use value on the date accounts are closed, leading to constitution of provisions to cover any losses that might be encountered that are of a sustained nature. This value takes into account:

- the posted value for shares traded on the stock market
- the mathematical value calculated based on the last available balance sheet for shares in initiatives other than hotels
- the mathematical value calculated on the basis of the last available balance sheet, corrected to take into account gains from fixed assets for holdings in hotel initiatives.

Holdings in funds managed by capital risk funds that are carried out in the framework of retrocession agreements are assessed at their use value, taking into account prospects for recovery. In this case there is provisioning for holdings that have not made retrocession payments as scheduled and for which the use value does not cover the cost of acquisition of shares.

3.2.2 Commercial securities portfolio and related income

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

- transaction securities: securities marked by their liquidity and which have been held for no more than three months (short term treasury bonds)

- investment securities: securities acquired with the intention of holding them for no more than one year

These securities are entered into accounting on the balance sheet at the cost of acquisition, exclusive of costs and charges.

Income related to these securities is entered under results, spread out over the relevant period. Investment securities are assessed at their fair value by referring to the rate curve published by the central bank of Tunisia.

Gains and losses are entered under results.

3.3. Accounting for client deposits and related charges

Interest charges on client deposits and holdings are entered by type of deposit in the following manner:

- Interest on current accounts is positioned on client accounts and entered into accounting on a quarterly basis. The dates of value used to calculate interest on client current accounts varies according to the nature of withdrawal or deposit transactions made by clients, in line with circular n° 91-22.
- Interest on forward accounts is positioned on client accounts that have fallen due and it is the object of subscription on each closing date.

3.4. Accounting for resources and related charges

Loans contracted by the Bank are entered on the balance sheet as funds are disbursed. Interest on loans is entered into accounting under charges as they accrue.

External loans in foreign currency are converted into dinars at the rate of exchange in effect when the funds are made available.

The risk of fluctuations in the exchange rate is the object of coverage from the national guarantee fund managed by the reinsurance company TUNIS-RE.

Debts labelled in foreign currency are updated to the rate of exchange on the date of closing.

And the coverage contract signed with TUNIS-RE, which provides protection from fluctuating exchange rates, is entered into accounting as an instrument of coverage, as per international accounting standard IAS 39. It is then assessed at its true value, which corresponds to risk on exchange estimated on the date of closure.

3.5. Buyback of its own stock

In line with the terms of Tunisian accounting norm 02 pertaining to equity:

- Repurchase of treasury shares is entered on the balance sheet subtracted from equity.
- Gains or losses on repurchased treasury shares are entered into accounting directly under equity.
- Dividends paid on repurchased treasury shares are entered under the line entitled « results carried forward ».

3.6. Accounting for transactions labelled in foreign currency and for results on exchange

Transactions for banknote exchange are entered into accounting daily at the rate posted for the day on which the transaction took place.

The result on exchange represents in this case the difference between the buying rate and the selling rate on the day in question.

Balance sheet lines labelled in foreign currency, including exchange positions, are the object of revaluation of the set rate for exchange in effect on the closing date. The difference is recorded on the balance sheet account line 38.391: Difference on conversion.

3.7. Fixed assets and depreciation

Fixed assets are accounted for at their cost of acquisition, taking into account the percentage of recovery of value added tax the previous year.

Fixed assets are depreciated in a linear manner. The depreciation rates applied by the Bank are given below.

- Buildings	2%
- Transportation material	20%
- Office furniture and material	10 % 15%
- Security, communication and air conditioning material	20% ^(*) 10%
- Computer material	15% 33% ^(*)
- Computer software	33%
- Facilities, fixtures & fittings	10%

(*) rate applied for acquisitions starting 1 January 2008.

However, contrary to the accounting principle of historical cost, the Bank in 2000 began to revalue land and buildings, which led to an increase in equity in the amount of 37,324,000 dinars, entered on the line entitled «other equity».

As of 31 December 2017, in application of IAS standard 16, a portion of the balance of the difference upon revaluation i.e. 12,345,000 dinars, was transferred to results carried forward, in order to take into account the decreased accounting value of revaluated fixed assets.

3.8 Provisions for indemnities for departure on retirement and other post-employment benefits

A provision for staff benefits is entered into accounting by the Bank in order to meet commitments corresponding to the actual value of rights acquired by staff with regard to indemnities outlined in an official agreement, amounting to six months of pay due to them at the time of departure on retirement. This is the result of a calculation made using the retrospective method of projected units of credit, as per IAS 19 Staff benefits, which has no equivalent in Tunisia. It takes into account mortality risk, projected trends in wages, staff rotation and a discount rate.

An additional provision is also entered into accounting to cover the Bank's commitments to retired staff with regard to social insurance, using the same accounting method and projected life expectancy for staff as well as yearly costs of social security.

4. KEY EVENTS FOR THE YEAR

4.1 STB's claim on TUNIS-RE

As per the contract pertaining to coverage of risk on exchange signed by STB, the Bank reimbursed the syndicated loan contracted in foreign currency to cover risk on exchange at the rate on the day of reimbursement, corresponding to a difference on exchange of some 127,121,000 dinars.

This difference on exchange must be settled by the State, in application of the contract of coverage of the risk of fluctuating exchange rates by the national guarantee fund.

The claim towards TUNIS-RE, manager of this fund, comes to some 127,578,000 dinars.

4.2 State guarantee to benefit the Franco-Tunisian Bank (BFT)

STB granted a 70 million dinar inter-bank loan to its affiliate, the Franco-Tunisian Bank (BFT), in which it holds a 78.18% share. This loan is guaranteed by the State, which granted an overall guarantee in the amount of 361 million dinars, covering 82% of BFT's liability.

4.3 Migration toward a new information system

In the framework of redesigning its information system, STB has acquired two new applications: Cartago-Agency and Carthago-Commitments. Deployment of these applications began in April 2017 and ended in November 2017.

4.4 Voluntary departure on retirement

In the framework of its restructuring programme, STB drew up a plan for recomposing staff through the voluntary departure on retirement of 378 employees, with 136 staff members having taken advantage of

this opportunity as of yearend 2017. The departure of a further 242 employees has been programmed for 2018 and 2019.

The updated cost of this initiative came to 76 million dinars as at 31 December 2017, 51 million of which were entered into accounting under provisions, in line with IAS 19 and 19 million entered as charges in 2017.

4.5 Extension of exceptional measures for tourism

The central bank of Tunisia issued circular n° 2017-05 dated 24 July 2017, which provides for extension of exceptional measures to support companies in the tourism sector as per circular n° 2015-12, with the exception of article 2 of this same circular concerning the granting of new loans for financing of needs for revolving fund.

Loan institutions can now reschedule payments due in 2017 for loans to companies working in tourism that have already benefitted from the measures of circular 2015-12, with reimbursement of these payments to begin in 2018.

4.6 The BRUNO POLI Affair

Mr. Bruno Poli took legal action against the Bank, claiming to have deposited at the former BNDT (Banque Nationale de Développement de Tunisie) seven cash vouchers in the name of the bearer in dollars, with no mention of the issuing bank nor date of validity, backed up by a certified copy of the original of an attestation, undated and issued in the personal name of a former employee of BNDT, with no bank stamp.

An unwarranted judgement ordered STB to recompense these vouchers or the equivalent value. The decision was appealed but the initial ruling was upheld. A cassation complaint was drawn up and this led to a suspension of the decision without consignment.

A ruling was then delivered in favour of the Bank on 26 March 2018, by which the court of cassation overturned dismissal of the appeal with remand.

4.7 Writing off and transfer of claims

In application of paragraph VII 4i of article 48 of the code governing personal income tax as well as corporate tax, STB wrote off unrecoverable banking claims in 2017.

With reference to law n°98-4 of 2 February 1998 concerning claims collection companies, STB wrote

off sale of two lots of banking claims to its affiliate STRC.

The overall amount of these write-offs and transferred claims came to 460.6 million dinars, 197 million of which were in late interest..

5. EXPLANATORY NOTES ON THE LINES OF THE FINANCIAL STATEMENTS

Note 5.1 – Cash and holdings at the central bank of Tunisia (BCT), the postal checks centre (CCP) and the Tunisian general treasury (TGT)

The balance of this line came to 284,853 000 dinars Tunisian dinars as at 31 December 2017, compared to 279,765 000 dinars as at 31 December 2016, broken down as follows:

in thousand dinars		
Heading	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Cash	47 006	40 710
Cash in dinars	42 459	36 167
Cash in foreign currency	4 547	4 543
BCT	237 790	238 986
BCT dinars	52 911	15 190
BCT foreign currency	184 879	223 796
CCP	52	65
TGT	4	4
Total	284 853	279 765

BCT dinar accounts show items on hold that are being cleared. The following table shows these suspended entries by the amount of time they have been on hold.

in thousand dinars				
Length of time outstanding	BCT debit	STB credit	BCT credit	STB credit
Less than three months	735 267 567	432 598 737	507 906 210	620 513 354
More than three months	191 972 001	53 855 132	250 578 472	14 046 255
More than six months	19 149 609	37 078 619	38 063 296	19 284 193
More than one year	82 090 888	76 836 116	81 729 747	62 890 081
TOTAL	1 028 480 065	600 368 604	878 277 726	716 733 884

BCT accounts in foreign currency show suspended items that are being cleared, summarized below by currency and length of time outstanding.

Currency	Length of time outstanding	LC	LD	NC	ND	LC & NC BCT	LD & ND BCT	Rate	LC & NC BCT in TD	LD & ND BCT in TDT
CAD	Less than 3 months	1	500	-	70 142	1	70 642	1,952	2	137 900
	More than 3 months	12	-	-	-	12	-	1,952	23	-
	More than 6 months	1 709	-	-	-	1 709	-	1,952	3 337	-
	More than 1 year	51 007	1 146	9 826	20 003	60 833	21 150	1,952	118 752	41 286
		52 729	1 646	9 826	90 145	62 555	91 792		122 114	179 186
CHF	Less than 3 months	9	4 280	8	136	17	4 416	2,508	42	11 074
	More than 3 months	-	-	-	16	-	16	2,508	-	40
	More than 6 months	-	-	-	283	-	283	2,508	-	709
	More than 1 year	744	1 325	49 657	1 191	50 402	2 516	2,508	126 397	6 310
		753	5 605	49 665	1 626	50 418	7 231		126 438	18 134
DKK	Less than 3 months	-	-	-	-	-	-	0,394	-	-
	More than 3 months	-	-	-	-	-	-	0,394	-	-
	More than 6 months	-	-	-	-	-	-	0,394	-	-
	More than 1 year	-	101	-	500	-	601	0,394	-	237
		-	101	-	500	-	601		-	237
DZD	Less than 3 months	-	-	-	-	-	-	0,021	-	-
	More than 3 months	-	-	-	-	-	-	0,021	-	-
	More than 6 months	-	-	-	-	-	-	0,021	-	-
	More than 1 year	-	-	4 000	460 720	4 000	460 720	0,021	85	9 804
		-	-	4 000	460 720	4 000	460 720		85	9 804
EURO	Less than 3 months	976 620	1 709 364	5 057 998	3 869 485	6 034 618	5 578 849	2,948	17 788 847	16 445 330
	More than 3 months	121 563	307 366	108 809	97 152	230 371	404 517	2,948	679 089	1 192 437
	More than 6 months	1 363 524	780 238	931 670	668 623	2 295 194	1 448 860	2,948	6 765 774	4 270 951
	More than 1 year	11 778 856	3 283 984	1 671 922	830 442	13 450 778	4 114 426	2,948	39 650 204	12 128 505
		14 240 563	6 080 951	7 770 399	5 465 701	22 010 962	11 546 652		64 883 914	34 037 222
JPY	Less than 3 months	80	40 000	-	-	80	40 000	0,022	2	870
	More than 3 months	-	-	-	-	-	-	0,022	-	-
	More than 6 months	-	-	-	204 900	-	204 900	0,022	-	4 458
	More than 1 year	2 574 423	1	-	1 346 676	2 574 423	1 346 677	0,022	56 009	29 298
		2 574 503	40 001	-	1 551 576	2 574 503	1 591 577		56 011	34 627
NOK	Less than 3 months	44	22 100	8	-	52	22 100	0,298	16	6 590
	More than 3 months	-	-	-	-	-	-	0,298	-	-
	More than 6 months	-	-	-	-	-	-	0,298	-	-
	More than 1 year	474	142 317	97	500	571	142 817	0,298	170	42 589
		518	164 417	105	500	623	164 917		186	49 179
QAR	Less than 3 months	0	35	-	-	-	35	0,672	-	24
	More than 3 months	-	-	-	-	-	-	0,672	-	-
	More than 6 months	-	-	-	-	-	-	0,672	-	-
	More than 1 year	-	-	-	-	-	-	0,672	-	-
		-	35	-	-	-	35		-	24

Currency	Length of time outstanding	LC	LD	NC	ND	LC & NC BCT	LD & ND BCT	Rate	LC & NC BCT in TD	LD & ND BCT in TDT
SAR	Less than 3 months	46	23 210			46	23 210	0,657	30	15 237
	More than 3 months	-	-	-	-	-	-	0,657	-	-
	More than 6 months	-	-	-	-	-	-	0,657	-	-
	More than 1 year	35	25 650	-	-	35	25 650	0,657	23	16 839
		82	48 860	-	-	82	48 860		54	32 077
SEK	Less than 3 months	20	10 000	-	400	20	10 400	0,298	6	3 101
	More than 3 months	-	-	-	-	-	-	0,298	-	-
	More than 6 months	-	-	-	-	-	-	0,298	-	-
	More than 1 year	312	-	45 579	700	45 891	700	0,298	13 683	209
		332	10 000	45 579	1 100	45 911	11 100		13 689	3 310
USD	Less than 3 months	742 694	31 129 657	60 669 815	27 786 214	61 412 509	58 915 872	2,484	152 542 530	146 341 134
	More than 3 months	5 000	225 107	660 114	1 039 895	665 114	1 265 002	2,484	1 652 077	3 142 138
	More than 6 months	1 567 271	83 776	49 281	1 456 805	1 616 552	1 540 582	2,484	4 015 353	3 826 651
	More than 1 year	19 904 612	37 933 066	7 819 013	13 222 893	27 723 624	51 155 959	2,484	68 862 710	127 066 287
		22 219 576	69 371 606	69 198 222	43 505 808	91 417 799	112 877 415		227 072 670	280 376 210

Liquidity ratio

In application of the terms of central bank of Tunisia circular n° 2014-14 of 10 November 2014, banks had to respect a liquidity rate of 70% in 2016 and 80% in 2017. STB posted the following liquidity rates:

	En %	
	31 Dec 2017	31 Dec 2016
Liquidity rate	88,3%	199,25%

Note 5.2 – Claims on banking and financial institutions

The balance for this line came to 355,759,000 TD as at 31 December 2017, compared to 328,816,000 as at 31 December 2016, broken down as follows.

	in thousand dinars	
Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Claims on banking institutions	102 331	115 066
- Resident bank current accounts	2	2
- Non-resident bank current accounts	102 326	114 105
- Correspondent overdrawn accounts in convertible dinars	3	959
Loans to banking institutions	200 005	169 162
- Loans on the money market in dinars	100 000	122 000
- Loans on the money market in foreign currency	100 005	47 162
Loans to specialised financial institutions (leasing)	51 516	39 679(*)
Attached claims	1 908	4 909
- Attached claims on interbank loans in dinars	75	58
- Attached claims on interbank loans in foreign currency	1 832	4 851
Total	355 759	328 816(*)

(*) : Data reprocessed to allow for comparability

Overdrawn correspondent accounts are shown net of corresponding accounts payable by foreign currency. Correspondent accounts show unresolved items that are being settled.

The following table shows these items by foreign currency and by how long they have been outstanding.

Length of time outstanding	Currency	Debit CORRES	Credit CORRES	Debit STB	Credit STB	TOTAL DEBIT	TOTAL CREDIT	TOTAL REVALUED DEBIT	TOTAL REVALUED CREDIT
Less than 3 months	AED	49 691	-	-	313 422	49 691	313 422	33 118	208 889
Less than 3 months	CAD	1 697	33 070	35 942	3 351	37 639	36 421	73 475	71 098
Less than 3 months	CHF	4 200	5 658	25 078	13 896	29 278	19 554	73 422	49 036
Less than 3 months	DKK	-	-	-	-	-	-	-	-
Less than 3 months	DZD	-	-	-	744	-	744	-	16
Less than 3 months	EUR	1 889 732	2 641 172	3 265 521	2 590 576	5 155 252	5 231 748	15 196 653	15 422 145
Less than 3 months	GBP	-	713	64	545	64	1 258	212	4 164
Less than 3 months	JPY	-	-	-	77 250	-	77 250	-	1 681
Less than 3 months	KWD	-	630 000	-	630 000	-	1 260 000	-	10 221 624
Less than 3 months	LYD	-	-	-	-	-	-	-	-
Less than 3 months	NOK	-	0	-	3 431	-	3 431	-	1 023
Less than 3 months	SAR	10 000	10 000	-	95	10 000	10 095	6 565	6 627
Less than 3 months	USD	654 453	690 134	196 561	1 328 946	851 014	2 019 079	2 113 834	5 015 191
								17 497 279	31 001 496
More than 3 months	AED	-	-	-	-	-	-	-	-
More than 3 months	CAD	75	37 017	24 706	5 850	24 781	42 867	48 376	83 680
More than 3 months	CHF	-	675	482	4 282	482	4 957	1 208	12 431
More than 3 months	DKK	-	-	178	-	178	-	70	-
More than 3 months	DZD	236 351	-	-	236 411	236 351	236 411	5 030	5 031
More than 3 months	EUR	3 669 600	576 270	3 973 163	581 641	7 642 763	1 157 911	22 529 336	3 413 291
More than 3 months	GBP	50	9	-	366	50	375	166	1 242
More than 3 months	JPY	-	-	-	88 000	-	88 000	-	1 915
More than 3 months	KWD	-	-	-	-	-	-	-	-
More than 3 months	LYD	-	-	-	-	-	-	-	-
More than 3 months	NOK	-	-	-	3 447	-	3 447	-	1 028
More than 3 months	SAR	-	-	-	120	-	120	-	79
More than 3 months	USD	1 932 633	1 349 254	3 046 373	1 588 119	4 979 006	2 937 373	12 367 353	7 296 140
								34 951 538	10 814 836
More than 6 months	AED	1 071	-	-	257 103	1 071	257 103	714	171 354
More than 6 months	CAD	78 870	87 511	14 084	90 082	92 954	177 593	181 455	346 680
More than 6 months	CHF	-	1 339	1 893	6 847	1 893	8 186	4 747	20 528
More than 6 months	DKK	-	-	-	-	-	-	-	-
More than 6 months	DZD	-	-	-	2 231	-	2 231	-	47
More than 6 months	EUR	510 965	463 759	602 839	558 908	1 113 805	1 022 668	3 283 273	3 014 620
More than 6 months	GBP	393	9 725	2 266	5 898	2 659	15 623	8 805	51 731
More than 6 months	JPY	40 000	25 842	-	87 250	40 000	113 092	870	2 460
More than 6 months	KWD	-	-	-	-	-	-	-	-
More than 6 months	LYD	-	-	-	-	-	-	-	-
More than 6 months	NOK	-	-	-	8 650	-	8 650	-	2 579
More than 6 months	SAR	-	-	-	195	-	195	-	128
More than 6 months	USD	8 514 217	289 076	8 689 286	906 934	17 203 502	1 196 010	42 731 779	2 970 769
								46 211 643	6 580 898

Length of time outstanding	Currency	Debit CORRES	Credit CORRES	Debit STB	Credit STB	TOTAL DEBIT	TOTAL CREDIT	TOTAL REVALUED DEBIT	TOTAL REVALUED CREDIT
More than 1 year	AED	48 425	434	5	118	48 430	552	32 278	368
More than 1 year	CAD	1 442 409	337 990	1 085 189	556 304	2 527 598	894 295	4 934 123	1 745 753
More than 1 year	CHF	454 278	199 405	585 566	103 704	1 039 844	303 109	2 607 669	760 122
More than 1 year	DKK	6 699	11 382	13 327	821	20 026	12 203	7 893	4 810
More than 1 year	DZD	2 644 829	12 340 148	22 414	297 672	2 667 243	12 637 820	56 759	268 933
More than 1 year	EUR	78 613 143	46 970 343	103 693 384	26 311 629	182 306 527	73 281 972	537 403 181	216 020 597
More than 1 year	GBP	539 320	998 250	1 787 789	520 246	2 327 109	1 518 497	7 705 756	5 028 198
More than 1 year	JPY	240 075	1 324 867	49 373	2 374 265	289 448	3 699 132	6 297	80 479
More than 1 year	KWD	6 017	0	0	103	6 017	103	48 811	835
More than 1 year	LYD	659 388	437 176	823 361	350 021	1 482 749	787 197	2 668 059	1 416 482
More than 1 year	NOK	1 883	11 920	35 044	6 980	36 928	18 900	11 012	5 636
More than 1 year	SAR	69 987	670	12 526	82 302	82 513	82 972	54 170	54 471
More than 1 year	USD	59 806 095	53 620 229	53 298 634	37 296 395	113 104 729	90 916 624	280 940 837	225 827 802
								836 476 845	451 214 485

The breakdown of claims on banking and financial institutions (exclusive of attached claims) according to residual duration as at 31 December 2017 can be broken down as follows.

in thousand dinars

Description	≤ 3 months	[3 months-1 year]	[1 -5 years]	> 5 years	Total
Claims on banking institutions	102 331	-	-	-	102 331
Resident bank current accounts	2	-	-	-	2
Non-resident bank current accounts	102 326	-	-	-	102 326
Overdrawn correspondent accounts in convertible dinars	3	-	-	-	3
Loans to banking institutions	200 005	-	-	-	200 005
Loans on the money market in dinars	100 000	-	-	-	100 000
Loans in the money market in convertible dinars	100 005	-	-	-	100 005
Loans to specialised financial institutions (leasing)	2 516	9 500	39 500	-	51 516
Total	304 852	9 500	39 500	-	353 852

Breakdown of claims on banking and financial institutions (exclusive of attached claims) by type of relation: affiliated company, associated company, and others.

in thousand dinars

Description	Affiliated company	Associated company	Others	Total
Claims on banking institutions	2 005	-	100 326	102 331
Resident bank current accounts	-	-	2	2
Non-resident bank current accounts	2 005	-	100 321	102 326
Overdrawn correspondent accounts in convertible dinars	0	-	3	3
Loans to banking institutions	76 806	-	123 199	200 005
Loans on the money market in dinars	70 000	-	30 000	100 000
Loans on the money market in foreign currency	6 806	-	93 199	100 005
Loans to specialised financial institutions (leasing)	-	-	51 516	51 516
Total	78 811	-	275 041	353 852

Note 5.3 – Claims on clients

The following table shows comparative trends in net commitments between 2017 and 2016.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
- Overdrawn current accounts	1 022 409	928 195
- Loans from special resources	198 208	274 047
- Claims taken over by the State	30 793	35 063
- Subsidy paid by the State	6 177	10 071
- Associated current accounts	173 071	187 245
- Other financing for clients	7 155 166	6 788 755(*)
- Claims to be abandoned	3 562	3 562
- Attached claims	56 231	57 894
Gross Total	8 645 618	8 274 833 (*)
Provisions	1 374 097	1 475 113
- Provisions for current accounts	219 020	246 744
- Provisions for special resources	82 710	138 833
- Provisions for other loans to clients	952 615	972 856
- Provisions for associated current accounts	64 276	60 961
- Provisions for claims to be abandoned	455	455
- Collective provisions	55 022	55 264
- Reserved agios	1 137 982	1 257 249
- Reserved agios for current accounts	92 342	88 739
- Reserved agios for other loans to clients	947 148	1 029 119
- Reserved agios for associated current accounts	38 037	38 201
- Reserved agios for special resources	46 512	78 957
- Reserved agios for claims to be abandoned	3 107	3 107
- Reserved agios for attached claims	10 836	19 126
- Deferred revenue	18 767	12 695
Net total in thousand TD	6 114 771	5 529 776(*)

(*): Data reprocessed to allow for comparability

Structure of the net outstanding balance of claims on clients as at 31 December 2017

in thousand dinars

Description	Gross outstanding balance	Individual provisions	Additional provisions	Reserved agios	Proceeds collected in advance	Net Outstanding balance
Overdrawn current accounts	1 022 409	- 170 991	- 48 028	- 92 342		711 048
Special resource accounts	198 208	-30 179	-52 531	- 46 512		68 986
Associated current accounts	173 071	-49 222	-15 053	- 38 037		70 759
Other loans to clients	7 192 136	-436 718	-515 898	- 947 148	-18 767	5 236 635
Claims to be abandoned	3 562	-455		-3 107		-
Attached claims	56 231			-10 836		45 395
Total	8 645 618	-687 565	-631 510	-1 137 982	-18 767	6 132 824
Collective provisions						-55 022
Net outstanding balance						6 114 771

The outstanding balance of claims as at 31 December 2017 takes into account the effort to write off and transfer claims, for an overall amount of 263,560,000 dinars.

The gross outstanding balance of claims on clients, exclusive of unpaid amounts and attached claims, is broken down below by residual duration.

in thousand dinars

Description	Less than 3 months	3 months to 1 year	1 to 5 years	5 years and more	Gross outstanding balance
Overdrawn current accounts	1 022 409				1 022 409
Other loans to clients	1 335 888	1 377 291	2 051 421	744 507	5 509 107
Loans from special resources	684	3 621	23 334	15 491	43 130
Total	2 358 981	1 380 912	2 074 755	759 998	6 574 646

Reserved agios:

Reserved agios accounts as at 31 December 2017 can be broken down as follows.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Reserved agios on current accounts	92 342	88 739
Reserved agios on endorsements and deposits	5 309	6 266
Reserved agios on ordinary medium term interest	199 825	187 943
Reserved agios on consolidated medium term loans	263 039	241 826
Reserved agios on loans guaranteed by the State	2 606	2 895
Reserved agios on special resources	46 512	78 957
Reserved agios on associated current accounts	38 037	38 201
Reserved late interest on disputed claims	476 369	590 189
Reserved agios / claims to be abandoned	3 107	3 107
Reserved agios on attached claims	10 836	19 126
Subtotal	1 137 982	1 257 249
Reserved agios on claims assumed by the State	5 877	6 716
Total	1 143 859	1 263 965

Reserved late interest on disputed claims is calculated and automatically entered into accounting by the system, coming to 476,369,000 dinars as at 31 December 2017.

Note 5.3.1 – Guarantees

Guarantees retained by the Bank to determine provisions for commitments are used in certain cases in the absence of an inventory of legal documents that are considered to provide justification: certificates of ownership, attestations from the Tunisian land agency (AFT), the Tunisian industrial land agency (AFI), etc.

Note 5.3.2 – Additional provisions

In application of the terms of central bank of Tunisia circular n° 2013-21 of 30 December 2013, STB tapped additional provisions for some 30,995,000 dinars

in 2017, involving commitments that have been in category 4 for three or more years.

The balance of additional provisions as at 31 December 2017 came to 656,117,000 dinars.

Note 5.3.3 – Collective provisions

In application of article 10bis of central bank of Tunisia circular n° 91-24 of 17 December 1991, further elaborated by circular n° 2012-20 of 6 December 2012, STB set up provisions of a general character called «Collective provisions» in order to cover latent risk on current commitments (class 0) as well as those requiring particular monitoring (class 1), along the lines of article 8 of central bank of Tunisia circular n° 91-24.

The collective provision, determined in line with the referential methodology annexed to circular 91-24, was estimated to stand at 55,022,000 dinars at the end of 2017, broken down as follows.

in thousand dinars

SECTOR	CLASSES 0&1 2017	AVERAGE MIG RATE	SCALING FACTOR	PROVISIONING RATE	2017 COLLECTIVE PROVISION
Agriculture	72 440 927	3,52%	1,00	38,73%	987 046
Others	119 401 846	3,54%	1,70	55,83%	4 007 866
Other industries	15 295 509	43,90%	1,00	25,00%	1 678 542
Other services	1 372 410 628	2,32%	1,00	28,14%	8 953 419
Construction & public works	593 040 451	0,78%	1,02	29,56%	1 396 824
Commerce	1 046 105 833	3,01%	1,09	25,17%	8 648 156
Consumption	1 281 733 852	0,84%	1,00	56,11%	6 019 084
Housing	394 977 092	1,38%	1,00	44,96%	2 453 253
Manufacturing industries	1 831 425 935	1,92%	1,00	28,73%	10 122 980
Real estate promotion	197 346 281	5,37%	1,00	15,00%	1 591 058
Tourism	397 377 300	6,94%	1,23	27,01%	9 163 880
Total					50 022 107

Note 5.3.4 – Consolidated claims and State assumption without interest

Claims assumed by the State involve those of certain public enterprises taken on by the State in the framework of 1999 legislation governing finances, the outstanding balance of which comes to 30,793,000 dinars. These claims were consolidated over a period of 20-25 years at no interest and with a State guarantee.

Note 5.4 – Commercial securities portfolio

The balance of this line came to 1,134,342,000 Tunisian dinars as at 31 December 2017, compared to 1,066,542,000 Tunisian dinars as at 31 December 2016. The commercial securities portfolio is made up of fixed income securities issued by the State and variable income securities.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Trading securities	25 056	20 879
Short-term treasury bonds	26 112	21 450
Interest paid in advance	(1 056)	(571)
Investment securities	1 109 286	1 045 663
Bonds equivalent to treasury bonds	1 068 443	1 009 974
Attached claims and debts	40 843	35 689
Total in thousand dinars	1 134 342	1 066 542

Note 5.5 – Investment portfolio

The value of the securities portfolio rose from 354,612,000 dinars as at 31 December 2016 to 350,899,000 dinars as at 31 December 2017, broken down as follows.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
- Investment securities	143 337	156 918
- Funds managed by capital risk companies	76 428	79 374
- Mutual investment funds	22 990	22 740
- Equities	96 638	96 346
- Shares in associated and co-enterprises	47 555	48 339
- Shares in related enterprises	165 417	141 959
- Shares being liquidated	30	30
- On-lended shares	19 709	19 709
- Attached claims and debts	4 025	3 506
Gross value	576 129	568 921
- Provisions	225 230	214 309
Net value	350 899	354 612

Movement by category of securities in the investment portfolio is given in the following table.

in thousand dinars

Description	Balance as at 31 Dec 2016	Subscription	Transfer/ reimbursement /restitution	Capitalised results	Conversion (1)		Balance as at 31 Dec 2017
					(+)	(-)	
Investment securities	156 918	20 500	19 246	-	-	- 14 835	143 337
FUNDS MANAGED BY CAPITAL RISK COMPANIES	79 374	-	-	- 2 946	-	-	76 428
Mutual investment funds	22 740	1 250	1 000	-	-	-	22 990
Equities	96 346	486	194	-	-	-	96 638
Shares in associated & co-companies	48 339	-	784	-	-	-	47 555
Shares in related companies	141 959	8 623	-	-	14 835	-	165 417
Companies being liquidated	30	-	-	-	-	-	30
On-lended shares	19 709	-	-	-	-	-	19 709
Total	565 415	30 859	21 224	- 2 946	14 835	- 14 835	572 104

(1): On 26 May 2017 STB converted six million euros from the subordinated debenture loan issued by the TFB Group's company from its capital, equivalent to 14.835 million dinars.

Breakdown as at 31 December 2017 for listed and unlisted securities is found in the table below.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
- Listed stocks	20 002	20 002
- Unlisted stocks	552 152	545 413
Gross value in thousand dinars	572 104	565 415

The list of the main affiliated companies as at 31 December 2017 is broken down as follows.

in thousand dinars

Affiliates	Share of capital held by STB	Gross Accounting Value	Provision	Net Accounting Value
FINANCIAL SECTOR				
STRC	91,4%	33 801	33 801	-
STB SICAR	81,9%	16 205	-	16 205
STB INVEST	98,4%	36 132	-	36 132
STB-FINANCE (ex-SOFIGES)	61,3%	4 749	-	4 749
BFT	78,2%	3 535	3 535	-
TOURISM				
SKANES PALACE INTERNATIONAL	99,8%	6 180	6 180	-
AFRICA SOUSSE	96,9%	9 050	9 050	-
ED-DKHILA	61,2%	3 221	-	3 221
CIE HOTELI CENTRES VILLES	70,3%	2 488	2 488	-
CONSTRUCTION				
IMMOBILIERE DE L'AVENUE	84,7%	7 461	1 492	5 969
SERVICES				
STE LA GENERALE DE VENTE	50%	2 000	1 407	593

The investment portfolio includes funds managed by « STB SICAR » in an overall amount of 76,428,000 dinars, provisioned in the amount of 49,192,000 dinars. The balance of managed funds is broken down as follows.

in thousand dinars

Managed funds	Initial funds	Previous repayments	Subscription funds	Capitalised results	Balance as at 31 Dec 2017
FG STB 1	8 000	2 127		-1 168	4 705
FG STB 2	8 000	4 331		1 380	5 049
FG STB 3	5 000	2 077		905	3 828
FG STB 4	6 500	2 008		1 455	5 947
FG STB 5	6 824	2 633		1 463	5 654
FG STB 6	2 707	1 085		162	1 784
FG STB 7	800	140		70	730
FG STB 8	6 752	3 852	0	3 294	6 194
FG STB 9	4 800	519		388	4 669
FG STB 10	8 748	186		166	8 728
FG STB 11	6 000	0		492	6 492
FG STB 12	9 898	0		1 296	11 194
FG STB 13	10 000	10 000		0	0
FG ID 1	2 000	1 630		861	1 231
FG ID 2	2 000	957		215	1 258
FG ID 3	5 436	2 839		1 161	3 758
FG ID 4	360	28		26	358
FG ID 5	1 133	173		276	1 236
FG ID 6	4 000	1 023		636	3 613
Total	98 958	35 608	0	13 078	76 428

As at 31 December 2017 the status of uses of managed funds was as follows.

in thousand dinars

Managed funds	Equity shares to be reconveyed	Direct holdings	Variable rate mutual fund securities
Managed fund STB 1 (1999)	2 216	2 094	62
Managed fund STB 2 (2000)	4 875	299	69
Managed fund STB 3 (2001)	2 483	1 000	175
Managed fund STB 4 (2002)	6 127	120	642
Managed fund STB 5 (2003)	5 183	231	306
Managed fund STB 6 (2005)	1 466	80	956
Managed fund STB 7 (2006)	165	390	173
Managed fund STB 8 (2007)	3 343	382	3776
Managed fund STB 9 (2008)	4 377		808
Managed fund STB 10 (2008)	8 541		211
Managed fund STB 11 (2009)	4 871	83	1 670
Managed fund STB 12 (2009)	5 976	1 526	1 901
Managed fund1 ID SICAR (2002)	1 289		1
Managed fund 2 ID SICAR (2002)	1 639		2
Managed fund 3 ID SICAR (2003)	3 874	140	72
Managed fund 4 ID SICAR (2005)	358		17
Managed fund 5 ID SICAR (2006)	903		359
Managed fund 6 ID SICAR (2007)	2 551		1 311

Note 5.6 – Fixed assets

Net fixed assets came to 122,606,000 TD as at 31 December 2017. Transactions recorded in 2017 are listed below.

in thousand dinars

Description	Gross value 31 Dec 2016	Acquisitions/ Transfers 2017	Gross value 31 Dec 2017	Depreciation 31 Dec 2016	Allotment / Regularisation 2017	Outlays/ depreciation asset 2017	Depreciation 31 Dec 2017	Net Value 31 Dec 2017
Intangible fixed assets	16 377	1 426	17 803	14 364	1 787	-	16 151	1 654
Computer software	16 320	1 426	17 746	14 364	1 787		16 151	1 595
Right to lease	57	0	57	0			0	57
Tangible fixed assets	220 534	29 502	250 037	123 366	5 756	37	129 085	120 951
Land	17 773	-219	17 554	0	0			17 554
Buildings	75 056	0	75 056	31 211	1 523		32 734	42 322
Office furniture	5 935	351	6 286	5 266	247		5 513	773
Transportation materiel	1 161	742	1 903	921	1	0	922	981
Computer material	35 040	4 210	39 250	33 645	1 314		34 959	4 291
Means of communication	3 002	221	3 223	2 053	143		2 196	1 027
Office material	16 206	273	16 479	15 538	297		15 835	644
Security material	3 329	319	3 648	2 420	140		2 560	1 088
Air conditioning material	5 458	313	5 771	4 535	227		4 762	1 009
Facilities, fixtures & fittings	36 509	762	37 271	25 322	1 502		26 824	10 447
Unused office furniture	33	0	33	30	0		30	3
Unused tools	372	5	377	312	9		321	56
Unused buildings	18 281	19 133	37 414	2 113	353	37	2 429	34 985
Construction under way	0	0	0	0			0	0
Buildings awaiting assignment	2 380	3 392	5 772	0			0	5 771
TOTAL	236 911	30 928	267 840	137 728	7 543	37	145 234	122 605

The Bank does not have a data base of fixed assets listed in accounting by type of fixed asset and by reference.

Note 5.7 – Other assets

As at 31 December 2017 «other» asset lines posted 687,141,000 Tunisian dinars, compared to 620,538,000 TD as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Staff's loans	151 201	148 891
Medical expenses to be recovered	3 147	3 147
State taxes and levies	31 101	30 212
Miscellaneous stock	1 643	1 751
Difference on exchange assumed by the State	127 579	4 457
Difference on conversion (3)	16 548	-
Headquarters, bank branches and agencies (1)	13	5 100
Asset regularisation accounts *	77 317	292 755
Amounts presented for compensation *	56 929	27 517
Financial instruments entered as revenue	107	107
Debits to be regularised	5 506	1 848
Charges to be paid in advance	491	918
Proceeds to be taken in	735	1 082
Transferred claims	2 136	2 136
Difference on the portfolio of sums due after encashment (2)	5403	-
Other	207 285	100 617
TOTAL	687 141	620 538

(1) Outstanding net debits that are unidentified and that pertain to HQs are provisioned at 8,338,000 dinars. This amount was determined by application of a 100% provisioning rate for previous suspended items from the first half of 2017 and 20% for suspended items from the third

(2) The line entitled portfolio encashment due after payment posts a debit balance of 5,403,000 Tunisian dinars, the result of compensation between several asset and liabilities lines pertaining to payments in transit and amounts due for payments after encashment.

The breakdown of this heading is given below.

in thousand dinars	
description	Amount
Deposits in transit	112 470
Due for payment after encashment	107 067
Total	5 403

(3) The balances of accounts in foreign currency are converted to dinars on each closing date, using the average rate of exchange on that date. The ensuing difference on exchange is compensated by position and currency exposure provisioned at 50% if there is a negative balance.

(*) Data as at 31 December 2016 was reprocessed to allow for comparability, consisting of reclassification of the internal compensation account/tapping securities presented for compensation on assets regularization.

The breakdown of provisions on components of others assets is given below.

in thousand dinars				
Description	Provision 31 Dec 2016	Recovery in 2017	Allotment in 2017	Provision 31 Dec 2017
- Loans to staff	1 732	-	-	1 732
- State tax and levies	829	-	-	829
- Miscellaneous stock	28	-	-	28
- Difference on conversion	7 642	-	830	8 472
- HQs, bank branches and agencies	6 156	394	2 576	8 338
- Asset regularisation accounts	8 133	-	-	8 133
- Values presented for compensation	10	-	1	11
- Financial instruments in hand	111	-	-	111
- Debits to be regularised	1 064	-	144	1 208
- Charges paid in advance	134	-	-	134
- Accrued income				-
- Transferred claims	2 137	-	-	2 137
- Difference on the portfolio of sums due after encashment	439	-	31	471
- Other	23 145	6 828	1 958	18 275
TOTAL	51 561	7 222	5 540	49 878

Note 5.8 – Central bank and the postal checks centre

As at 31 December 2017 this line came to 1,256,663,000 TD, compared to 827,873,000 as at 31 December 2016, broken down as follows.

in thousand TND

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Call for bids	1 032 000	827 000
Loan facility	222 000	-
Uses at the central bank of Tunisia BCT in foreign currency	1 813	380
Attached debts	850	492
TOTAL	1 256 663	827 873

Central bank of Tunisia BCT accounts show outstanding amounts that are being settled. These items are summarised by currency and by how long they have been outstanding in the following table.

in thousand dinars

Currency	Length	Local currency	Foreign currency	NC	ND	LC & NC BCT	LD & ND BCT	Rate	LC & NC BCT in TD	LD & ND BCT in TD
AED	Less than 3 months	-	49 691	0	57 927	0	107 618	0,667	-	71 725
	More than 3 months	-	-	-	-	-	-	0,667	-	-
	More than 6 months	-	-	257 103	-	257 103	-	0,667	171 355	-
	More than 1 year	-	191	21 350	52 950	21 350	53 141	0,667	14 229	35 417
Total AED		-	49 882	278 453	110 877	278 453	160 759		185 583	107 143
GBP	Less than 3 months	12	10	343	-	355	10	3,311	1 174	33
	More than 3 months	-	-	129	-	129	-	3,311	429	-
	More than 6 months	-	3 600	3 476	-	3 476	3 600	3,311	11 511	11 921
	More than 1 year	879 949	90 914	90 412	42 235	970 361	133 149	3,311	3 213 156	440 896
Total GBP		879 961	94 524	94 361	42 235	974 321	136 759		3 226 270	452 850
KWD	Less than 3 months	-	-	-	-	-	-	8,112	-	-
	More than 3 months	-	-	-	-	-	-	8,112	-	-
	More than 6 months	-	-	-	-	-	-	8,112	-	-
	More than 1 year	6	6 000	-	-	6	6 000	8,112	49	48 674
Total KWD		6	6 000	-	-	6	6 000		49	48 674
MAD	Less than 3 months	-	-	-	-	-	-	0,261	-	-
	More than 3 months	-	-	-	-	-	-	0,261	-	-
	More than 6 months	-	-	-	-	-	-	0,261	-	-
	More than 1 year	-	-	612	-	612	-	0,261	160	-
Total MAD		-	-	612	-	612	-		160	-
MRO	Less than 3 months	-	-	-	-	-	-	0,007	-	-
	More than 3 months	-	-	-	-	-	-	0,007	-	-
	More than 6 months	-	-	-	-	-	-	0,007	-	-
	More than 1 year	5 421 190	-	300 165	-	5 721 355	-	0,007	39 529	-
Total MRO		5 421 190	-	300 165	-	5 721 355	-		39 529	-

Note 5.9 – Deposits and assets of banking and financial institutions

As at 31 December 2017 this line came to 74,756,000 TD, compared to 83,052,000 TD as at 31 December 2016. Breakdown by category of banking and financial institution is given below.

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Sight accounts at financial institutions	31 791	41 037
- Deposit banks	1	1
- Non-resident banks	31 790	41 036
Borrowings from financial institutions	42 965	42 015
- Loans in dinars	40 000	42 000
- Loans in foreign currency	2 948	0
- Attached debts	17	15
Total	74 756	83 052

Correspondent accounts payable are shown compensated net by correspondent accounts receivable by foreign currency. Correspondent accounts include outstanding items that are being cleared.

The following table summarises these items by foreign currency and by length of time in these categories.

Length of time outstanding	Currency	Correspondent debits	Correspondent credits	STB Debit	STB Credit	Total Debit	Total Credit	Total revalued debits	Total revalued credits
Less than 3 months	AED	5 520	11 977	481	23 491	6 001	35 468	1 568	9 349
Less than 3 months	CAD	-	8 512 486	97 736	4 486	97 736	8 516 972	29 140	2 539 335
								30 708	2 548 684
More than 3 months	AED	-	5 500	-	663	-	6 163	-	1 610
More than 3 months	CAD	-	67 448	79 398	7 409	79 398	74 857	23 673	22 319
								23 673	23 929
More than 6 months	AED	11 770	7 056	-	10 649	11 770	17 705	3 074	4 624
More than 6 months	CAD	-	57 408	46 008	7 546	46 008	64 954	13 718	19 367
								16 792	23 991
More than 1 year	AED	207 793	142 411	10 080	47 782	217 873	190 193	56 904	49 675
More than 1 year	CAD	17 767	67 856	79 618	26 568	97 386	94 424	29 036	28 153
								85 941	77 828

The breakdown of deposits and holdings at banking and financial institutions (exclusive of attached debts) by residual duration as at 31 Dec 2017 is broken down as follows:

Description	≤ 3 months	[3 months-1 year]	[1-5 years]	> 5 years	Total
Sight accounts at financial institutions	31 791	-	-	-	31 791
Deposit banks	1	-	-	-	1
Non- resident banks	31 790	-	-	-	31 790
Loans from financial institutions	40 000	2 948	-	-	42 948
Loans in dinars	40 000	-	-	-	40 000
Loans in foreign currency	0	2 948	-	-	2 948
Total	71 791	2 948	-	-	74 739

Breakdown of deposits and holdings at banking and financial institutions (exclusive of attached debt) by nature of the relationship as at 31 December 2017 is broken down below.

in thousand dinars

Description	Related companies	Associated companies	Other	Total
Sight accounts at financial institutions	-	-	31 791	31 791
Deposit banks	-	-	1	1
Non-resident banks	-	-	31 790	31 790
Loans from financial institutions	-	-	42 948	42 948
Loans in dinars	-	-	40 000	40 000
Loans in foreign currency	-	-	2 948	2 948
Total	-	-	74 739	74 739

Note 5.10 – Client deposits and holdings

The balance of this line came to 5,963,809,000 TD as at 31 December 2017, compared to 5,443,231,000 as at 31 December 2016. Deposits are shown in the following table.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Sight deposits	1 584 712	1 466 245
Savings deposits	2 524 109	2 320 327
Term accounts	492 641	439 800
Convertible dinar accounts	81 509	82 807
Deposits in foreign currency	483 380	381 064
Investment in foreign currency	167 056	153 806
Cash vouchers	370 907	337 020
Other sums due to clients	170 698	162 253
Attached debts	(10 203)	(6 791)
Certificates of deposit	99 000	106 700
Total	5 963 809	5 443 231

Breakdown of client deposits and holdings by residual duration, exclusive of attached debt, is given in the following table.

Description	Less than 3 months	3 months to 1 year	1 - 5 years	5 years & more	Gross outstanding balance
Sight deposits	2 249 742	66 915	-	-	2 316 657
Sight deposits in dinars	1 584 712	-	-	-	1 584 712
Convertible dinar accounts	81 509	-	-	-	81 509
Foreign currency accounts	483 380	-	-	-	483 380
Investment in foreign currency	100 141	66 915	-	-	167 056
Savings deposits	2 482 731		41 378		2 524 109
Special savings accounts	2 482 731	-	-	-	2 482 731
Other savings accounts	-	-	41 378	-	41 378
Forward deposits	314 496	368 079	279 873	100	962 548
Term account	169 556	195 754	127 331	-	492 641
Cash vouchers	63 940	156 325	150 542	100	370 907
Certificates of deposit	81 000	16 000	2 000	-	99 000
Other sums due to clients	170 698	-	-	-	170 698
Total	5 217 667	434 994	321 251	100	5 974 012

Note 5.11 – Loans and special resources

The balance of this line came to 288,958,000 TD as at 31 December 2017, compared to 354,291,000 TD as at 31 December 2016, broken down as follows.

Description	in thousand dinars	
	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Bond and private loans	178 700	154 422
Special resources	105 363	190 069
Budgetary resources	38 962	34 608
External resources	66 401	155 461
Interest on bond loans	8 606	6 788
Interest to be paid on foreign resources	1 824	2 624
Attached debt	388	388
Difference on conversion for loans *	(5 923)	-
Total	288 958	354 291

(*) Coverage for fluctuation in the exchange rate is covered by the national guarantee fund via Tunis Ré.

(a) Bond and private loans

Breakdown of bond and private loans by residual duration as at 31 December 2017 is given in the following table.

Description	≤ 3 months	[3 months-1 year]	[1 an-5 ans]	> 5 years	Total
Bond and private loans	21 386	13 591	81 072	62 651	178 700

Breakdown of bond and private loans, both long and short term, as at 31 December 2017, is given below.

Description	Balance 31 Dec 2016	New loans	Reimbursement	Reclassification	Balance 31 Dec 2017
Long term loan	120 545	49 100	34 822	0	134 823
Short term loan	33 877	10 000		0	43 877
Total	154 422	59 100	34 822	0	178 700

(b) Special resources

Breakdown of special resources by residual duration as at 31 December 2017 is found below.

Description	≤ 3 months	[3 months-1 year]	[1-5 years]	> 5 years	Total
Special resources	12 549	7 018	30 863	54 933	105 363

The following table shows the breakdown of special resources between long term and short term as at 31 December 2017.

Description	Balance 31 Dec 2016	New loans	Reimbursement	Reclassification	Balance 31 Dec 2017
Long term resources	83 475	14 602	0	-19 280	78 797
Short term resources	106 594	0	111 154	19 280	26 566
Total resources	190 069	14 602	111 154	-	105 363

Note 5.12 – Other liabilities

This line came to a total of 677,318,000 TD as at 31 December 2017, compared to 834,180,000 as at 31 December 2016.

in thousand dinars

Description	Balance as at 31 Dec 2017	Balance as at 31 Dec 2016
Provisions for liabilities and charges (1)	222 642	196 211
State taxes, levies and social debts (2)	25 902	21 301
Financial instruments that have not yet fallen due (3)	51 661	204 486
Reserved agios assumed by the State	5 877	6 716
Charges to be paid	44 249	42 216
Miscellaneous credits	2 692	2 595
Outstanding items to be regularised	5 915	5 915
HQs, bank branches and agencies	48 591	11 732
Regularisation accounts - liabilities	136 447	111 089
Values automatically compensated that are being settled	114 918	206 912
Difference on conversion	0	5 386
Other loans	518	336
Loans to be regularised	4 189	3 338
Interest on special resources to be recovered	13 719	13 719
Difference on the portfolio of receivables due following encashment (2)	0	2 228
Total in thousand TD	677 318	834 180

(1) Provisions for liabilities and charges constituted by the bank at the end of 2017 came to 222,642,000 TD compared to 196,211,000 TD at the end of the previous year. Constituted provisions cover risk on components of the off balance sheet and miscellaneous risks, as detailed in the following table.

Description	Provisions 31 Dec 2016	Recovery	Allotments	Reassignment & correction	Provisions 31 Dec 2017
Provisions on receipt & outlays of money	43 185	-1 260	4 702	25	46 652
Provisions for departure on retirement	50 840	-480	33 797		84 157
Provisions for miscellaneous risk	102 186	-18 691	8 338		91 833
Total	196 211	-20 431	46 837	25	222 642

(2) This category can be broken down as follows.

in thousand dinars

Description	31 Dec 2017	31 Dec 2016
Value added tax	1 948	2 113
Withholding tax	12 540	8 632
Fund for exchange equalization	7 713	7 185
Other	3 701	3 371
Total	25 902	21 301

(3) This category can be broken down as follows:

in thousand dinars		
Description	31 Dec 2017	31 Dec 2016
Medium term financial instruments that have not yet fallen due	1 072	88 061
Short term financial instruments that have not yet fallen due	0	88 415
Financial effect on medium term interest that has not yet fallen due	4 384	27 463
Financial instruments that have not yet fallen due received from compensation	547	547
Financial paper being encashed, not yet due, sent to electronic compensation	19 942	0
Financial paper at discount, not yet due, sent for collection	25 716	0
Total	51 661	204 486

Note 5.13 – Equity

On the date of closure, equity came to 776,875,000 TD, made up of 155,375,000 shares with a face value of five TD, entirely paid up. Movements of the Bank's equity is broken down in the following table.

	Balance 31 Dec 2016	Assignment of 2016 results	Other movements	Result for the year	Balance 31 Dec 2017
Share capital	776 875	-	-	-	776 875
State allotment	117 000	-	-	-	117 000
Premiums tied to capital	142 663	-	-	-	142 663
Legal reserves	12 430	-	-	-	12 430
Statutory reserves	49479	-	-	-	49479
Special regime reserves	196906	-	-	-	196906
Reserves for tax-free reinvestment	9974	-	-	-	9974
Reserves for the social fund	8652	-	483	-	9 135
Reserves for banking risk	45 028	-	-	-	45 028
Treasury shares	-5 509	-	-	-	-5 509
Other equity	37 324	-	-12 345	-	24 978
Results carried forward	-54 624	40 518	12 345	-	-1 761
Results carried forward tied to accounting MODs	640 110	-	-	-	640 110
Net result for the year	40 518	-40 518	-	51 778	51 778
TOTAL	736 605	-	483	51 778	788 866

(1) These are reserves for revaluing in the amount of 37,324,000 TD (land: 15,328,000 TD and operational property: 21,996,000 TD). As at 31 December 2017, in application of IAS norm 16, a portion of the balance of the revaluation difference (12,345,000 TD) was transferred to results carried forward in order to take into account the drop in the accounting value of revalued fixed assets.

Note 5.13.1 – State allotment

In line with law n°2012-17 of 17 September 2012, STB has included under equity a State allotment of 117 million dinars, which is subject to possible restitution if the Bank restores financial balance.

6. NOTES PERTAINING TO THE STATUS OF OFF BALANCE SHEET COMMITMENTS

Note 6.1 – Possible liabilities

This line includes «Endorsements, deposits and other guarantees given» and «documentary credit». Breakdown as at 31 December 2017 is as follows.

in thousand dinars

Description	31 Dec 2017	31 Dec 2016
Client endorsements and deposits	702 847	634 782
Other irrevocable unconditional guarantees given by banks	579 857	506 369
Total endorsements, deposits and other guarantees given	1 282 704	1 141 151
Documentary credit and import acceptances	437 308	285 249
Documentary credit and export acceptances	25 103	50 306
Total documentary credit	462 411	335 555
Total possible liabilities	1 745 114	1 476 705

Note 6.2– Commitments given

The line entitled «commitments given» posted 146,086,000 TD on 31 December 2017, compared to 133,127,000 TD on 31 December 2016.

in thousand dinars

Description	31 Dec 2017	31 Dec 2016
Financing commitments	143 277	128 194
Commitments on shares	2 809	4 933
Total	146 086	133 127

Note 6.3–Guarantees received

The balance on the line entitled «Guarantees received» on 31 December 2017 came to 1,679,044,000 TD, compared to 1,418,553,000 TD as at 31 December 2016.

in thousand dinars

Description	31 Dec 2017	31 Dec 2016
Counter guarantees received from banks established abroad	579 856	556 908
Guarantees received from banks and financial institutions in Tunisia	15 962	12 066
Guarantees received from the State and insurance companies	754 007	585 207
Guarantees received from clients	329 219	264 372
Total	1 679 044	1 418 553

These are figures outside of accounting, provided from various departments within the Bank.

Real guarantees received from clients to cover loans that have been granted are not entered on the off balance sheet.

7. NOTES PERTAINING TO THE RESULTS STATEMENT

Note 7.1 – Interest and related income

Interest and related income as at 31 December 2017 came to 442,596,000 TD, compared to 373,862,000 TD as at 31 December 2016, analysed as follows.

	in thousand dinars	
Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Interest on claims on banking and financial institutions	15 903	15 667
Interest on loans on the money market in dinars	4 637	4 642
Interest on loans on the money market in foreign currency	11 266	11 025
Interest on claims on clients	408 242	342 546
Interest & agios on overdrawn accounts	64 668	54 205
Interest on loans to clients	343 574	288 341
Related income	18 451	15 649[*]
Total	442 596	373 862

[*] Data reprocessed to allow for comparability

Note 7.2 – Commissions (on proceeds)

Commissions as at 31 December 2017 amounted to 81,445,000 TD, compared to 71,894,000 TD as at 31 December 2016, broken down as follows:

	in thousand dinars	
Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Checks, financial instruments, deposits & account fees	37 012	32 763[*]
Transactions involving securities	681	531
Transactions involving foreign exchange	9 277	8 175
Transactions involving foreign trade	1 775	1 760
Safe deposit boxes	40	35
Studies	14 660	13 496
Other	18 000	15 134[*]
Total	81 445	71 894

[*] Data reprocessed to allow for comparability

Note 7.3 – Gains on the commercial securities portfolio and financial transactions

The balance of this line as at 31 December 2017 came to 104,634,000 TD compared to 65,634,000 as at 31 December 2016, broken down in the following table.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Net gains/losses on trading securities	8 630	-13 334
- Net gains on trading securities	208	1 898
- Gains on revaluation of securities	10 135	25 698
- Losses on transfer of securities	- 5	-3
- Losses on revaluation of securities	- 2 476	-42 494
- Interest on short term Treasury bonds	768	1 563
Net gains on investment securities (interest)	66 746	57 772
Net gains on foreign exchange transactions	29 258	21 196
Total	104 634	65 634

Note 7.4 – Income from the investment securities portfolio

Income from the investment securities portfolio as at 31 December 2017 came to 18,115,000 TD compared to 16,287,000 TD as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Interest and related income from investment securities	9 527	6 779
Dividends and related income on equity securities	8 588	9 508
Total	18 115	16 287

As at 31 December 2017 the breakdown of dividends and related income from related and associated companies was as follows.

in thousand dinars

Description	Related companies	Associated companies	Holdings	Other	Total in thousand TD
Dividends	1 272	3 468	2 689		7 429
Directors fees	55	35	76		166
Income from venture capital funds	993				993
Total in thousand TD	2 320	3 503	2 765		8 588

Note 7.5 – Accrued interest and related charges

Accrued interest and related charges as at 31 December 2017 came to 252,243,000 TD vs. 214,177,000 TD as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Transactions with banking institutions	57 198	27 673
Transactions with clients	178 624	166 370
Loans and special resources	16 074	19 741
Other interest and charges	348	393
Total	252 243	214 177

Note 7.6 – Allotments to provisions and result of correction of values on claims, off balance sheet and liabilities

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Allotments to provisions on client commitments	-106 631	-81 369
- Allotments to provisions for doubtful claims	-88 468	-44 563
- Allotments for additional provisions	-80 612	-77 973
- Recovery from provisions for doubtful claims	155 401	34 200
- Recovery from additional provisions	110 987	7 589
- Recovery from collective provisions for unclassified claims	242	489
- Claims transferred to the collection company STREC and abandoned	-263 560	-
- Claims transferred or written off	-1 835	-1 111
- Recovery of reserved agios on abandoned claims	61 215	-
Allotments to provisions for risks and charges	-22 964	-23 862
- Allotments to provisions for risks and charges	-42 136	-26 025
- Recovery from provisions for risks and charges	19 171	2 163
TOTAL	-129 596	-105 232

Note 7.7 – Allotments to provisions and result of correction of values on the investment portfolio

As at 31 December 2017, the balance of this line was as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Allotments to provisions for depreciation of the investment portfolio	-13 061	-3 925
Allotments to provisions for managed funds	-1 309	-1 022
Gains and losses on transfer of the investment portfolio	549	-303
Losses on capital risk funds	- 50	-5
Recovery from provisions for depreciation of the investment portfolio	1 759	23 285
Losses on equity interests	-	-31 739
Recovery of provisions for managed funds	1 689	1 523
Total	-10 423	-12 186

Note 7.8 – Other operational proceeds

The line entitled «other proceeds from operations» as at 31 December 2017 amounted to 6,855,000 TD compared to 6,058,000 TD as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Income from properties	963	1 015
Interest on loans to staff	5 709	4 950
Other related proceeds	185	93
Total	6 856	6 058

Note 7.9 – Staff costs

Staff costs as at 31 December 2017 came to a total of 156,505,000 TD vs. 11, 219,000 as at 31 December 2016, broken down as follows:

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Remuneration of staff	123 306	87 774
Benefits	31 119	24 529
Other staff-related charges	2 079	1 916
Total	156 505	114 219

Note 7.10 – General operating costs

General operating costs as at 31 December 2017 came to a total of 42,096,000 TD compared to 33,605,000 TD as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Rent	3 455	3 318
Maintenance and repair contracted to third parties	10 932	7 507
Works and ways carried out by third parties	8 067	6 438
Insurance premiums	414	451
Other	2 185	2 062
Taxes and levies	1 399	1 264
Supplies provided to the company	1 887	1 682
Payments to intermediaries and fees	802	1 237
Transport and travel	757	491
Miscellaneous management costs	12 198	9 155
Total	42 096	33 605

Notes 7.11 – Balance as gains/losses from other ordinary components

The balance as gains/losses from other ordinary components came to 2,280,000 TD as at 31 December 2017 compared to -1,521,000 as at 31 December 2016, broken down as follows.

in thousand dinars

Description	Year ending 31 Dec 2017	Year ending 31 Dec 2016
Gains from other ordinary components	3 499	1 986
- Gains on transfer	1 071	-
- Vocational training tax subsidy	1 013	918
- Other gains	1 415	1 068
Losses from other ordinary components	-1 219	- 3 508
Total	2 280	- 1 521

Note 7.12 – Corporate tax

Corporate tax for both 2017 and 2016 came to minimum tax.

8. Notes on the cash flow statement

Note 8.1 – Net cash flow assigned to operational activities

Operational activities in 2017 yielded a negative net cash flow of 326,462,000 Tunisian dinars, with the following variations:

- Encashed operational proceeds posted a surplus of 384,254,000 TD compared to disbursed operating costs.
- Loans and loan repayment by clients yielded a negative net flow of 777,916,000 TD.
- Client deposits and withdrawals showed a positive net flow of 523,991,000 TD.
- Acquisition/sale of investment shares yielded a negative net flow of 58,953,000 TD.
- Sums paid to staff and to miscellaneous creditors amounted to 154,132,000 TD.
- Other cash flows tied to operational activities came to a total net disbursement of 241,966,000 TD.

Note 8.2 – Net cash flow assigned to investment activities

Investment activities in 2017 yielded a negative net flow of 3,051,000 TD.

Note 8.3 – Net cash flow assigned to financing activities

Financing activities in 2017 yielded a negative net cash flow of 64,025,000 TD.

Note 8.4 – Liquidity and quasi-liquidity

The Bank's liquidity and quasi-liquidity as at 31 December 2017 posted a balance of -775,588,000 TD compared to -382,050,000 TD as at 31 December 2016, broken down as follows.

	in thousand dinars	
Description	31 Dec 2017	31 Dec 2016
Cash, postal check centre and recovery of liquidity	47 063	40 710
Central bank of Tunisia BCT (**)	-1 018 023	-588 887
Banks and specialised institutions	70 162	73 692*
Loans, borrowings on the money market	100 155	71 556*
Trading securities	25 056	20 879
Total	-775 588	-382 050

(*) Data reprocessed to allow for comparability

(**) The amounts recorded under the heading of «BCT» correspond to the difference between STB's holdings and commitments to the central bank of Tunisia.

GENERAL AUDIT REPORT

FOR THE YEAR ENDING 31 DECEMBER 2017

Ladies and Gentlemen, STB stockholders

I. Report on the annual financial statements

1. Qualified opinion

In line with the mandate entrusted to us by your general assembly, we have carried out audit of the attached financial statements of the STB, which include the balance sheet as at 31 December 2017, the results statement and the cash flow statement at this same date along with related notes, including a summary of the main accounting methods employed.

In our opinion, subject to the possible impact of issues raised in the section entitled «basis for a qualified opinion», the attached financial statements present faithfully, in all significant aspects, the financial status of STB as at 31 December 2017, as well as its financial performance and cash flow for the year ending on that same date, in conformity with the accounting principles generally applied in Tunisia.

2. 2. Basis for a qualified opinion

We have carried out our audit in line with international audit norms applicable in Tunisia. Our responsibility under these norms is described at greater length in the section entitled « responsibilities of the auditors for the audit of financial statements ». We are independent from the Bank, in line with the ethical rules pertaining to audit of financial statements in Tunisia, and we have held to these ethical rules.

We consider that the evidence we have obtained is sufficient and appropriate for forming our audit opinion.

2.1 As specified in notes 5.1, 5.2, 5.8 and 5.9, the lines entitled «Cash and holdings at the central bank of Tunisia, CCP and TGT», «Claims on banking and financial institutions», «central bank and CCP» and «deposits & holdings at banking and financial institutions» include accounts that present old outstanding items that have not been cleared pertaining mainly to BCT dinars, BCT foreign currency and foreign currency correspondents.

Until we receive justification for and clearing of the transactions that remain outstanding, we are unable to determine whether or not these accounts contain any significant anomalies, be it from error or unauthorised transactions, nor can we assess the impact of any adjustment in the Bank's equity that investigation might show to be necessary.

2.2 STB does not account for all balance sheet commitments in a regular and comprehensive manner. The statement of off balance sheet commitments has been drawn up outside of the accounting system on the basis of information provided by STB's internal structures, with the exception of endorsements and deposits.

Consequently, we enter a reservation about the regularity and exhaustiveness of the statement of off balance sheet commitments.

3. Key issues for audit

Key issues for audit are those which in our professional opinion were the most important issues that arose in auditing the financial statements for the period under review. These issues were dealt with in the context of our audit of financial statements taken as a whole, contributing to formulation of our opinion about them, but without expressing a specific opinion on these issues.

We have determined that the subjects described below constitute the key issues for audit, which must be raised in our report.

3.1 Classifying claims and estimating provisions

Key issues for audit

Claims as at 31 December 2017 came to 9950 million dinars, provisions constituted to cover risks related to these claims came to 1369 million dinars, and interest and reserved agios came to 645 million dinars. As indicated in note 3.1 on the financial statements, entitled «accounting for commitments & related income», the Bank proceeded to classify, assess commitments and enter related provisions into accounting as soon as it considered that

the criteria defined in BCT circular n° 91-24 of 17 December 1991 had been met, as modified by subsequent circulars. Given the Bank's exposure to credit risk, the assessment of which is based on quantitative and qualitative criteria that require a high level of judgment, we have considered classification of claims, evaluation of related provisions as well as calculation of interest and reserved agios as a key issue for audit.

Audit procedures employed

On the basis of talks with upper management and examination of monitoring procedures introduced by the Bank, we have taken note of the method used for assessing counterpart risk and entering the required provisions taking into account guarantees obtained. The method for classifying Bank commitments is based mainly on how long the claim has been outstanding.

We have therefore used the following approach for this audit exercise.

- reconciliation of the status of client commitments with accounting data
- assessment of the methodology retained by the Bank to classify claims with respect to regulations issued by the central bank of Tunisia
- assessment of the reliability of the system to cover risk and reserve proceeds
- verification of certain qualitative criteria derived from transactions carried out and how this relationship has evolved over the year
- review of guarantees retained for calculating provisions and evaluation of their value, taking into account rules set and methods adopted
- verification of the arithmetic calculation of the amount of provisions required on client claims (on an individual, collective and additional basis), in application of current regulations
- verification that the proposed adjustments have been taken into account by the Bank

3.2 Accounting for interest and commissions

Key issue for audit

Interest on commitments and commissions entered under results for 2017 came to 524 million dinars.

We consider that inclusion of interest and commissions under results is key issue for audit because of the high level of this category and the inherent limits of the Bank's information system.

Audit procedures employed

In the framework of our audit of the accounts, our work focused more particularly on the following aspects.

- review of policies, processes and controls introduced by the Bank to ensure recognition of income and posting of income in accounting
- assessment of the IT environment, given the generation and the automatic posting of income in accounting
- verification that accounting norm NCT 24 relating to «commitments and related income at banking institutions» is respected in the areas of inclusion of income and separation of accounting periods
- implementation of analytical processes on trends in interest and commissions
- verification of the reliability of methods for reserving interest
- verification of the appropriate nature of information given in the notes on financial statements

3.3 Taking into account and presentation of bonds equivalent to treasury bonds (BTA)

Key issues for audit

Presentation of BTAs in the investment portfolio or in the commercial portfolio is the result of policy set by the Bank.

As at 31 December 2017, the value of the Bank's BTA portfolio came to 1068 million dinars.

Application of the policy adopted by the Bank has led to presentation of the BTA portfolio on the commercial securities portfolio.

Because of the significant level of the outstanding balance of BTAs and of recourse to the hypotheses and intentions of the Bank's governance with regard to assignment of these securities, we consider that taking into account of the portfolio and its valuation is a key issue for audit.

Audit procedures employed

We have reviewed the oversight system put in place by the Bank to assess and enter its portfolio into accounting. Work has focused on the following aspects.

- conformity to the terms of accounting norm n° 25 concerning the securities portfolio at banking institutions
- assessment of the Bank's liquidity policy and its corroboration with the history of holding and investing in BTAs
- assessment of the criteria for classification of the portfolio and reliability of the evaluation models used
- verification of the information given in the notes on the financial statements

3.4 Migration to a new information system

Key issue for audit

In the framework of reorganisation of its information system, the Bank has acquired two new applications: Carthago-Agence and Carthago-Engagements. Deployment of these applications began in April 2017 and was completed by November 2017.

Because of the risks tied to a new information system, we consider that review of this system is a key issue for audit.

Audit procedures employed

We have examined the new information system introduced by the Bank from the point of view of documentation, validation of data, configuration, safeguard of migration and switching operations, monitoring of operations and understanding of audit trails.

4. Observations

Without prejudice to our opinion as expressed above, we consider it useful to draw your attention to the following points.

1. The Bank's equity includes a State allotment of 117 million dinars, constituted under the authority of law n° 2012-17 of 21 September 2012, with a provision for possible restitution should the Bank re-establish financial balance.
2. The Bank's assets include the commitments of companies working in tourism that have availed themselves of the exceptional measures provided for in central bank of Tunisia BCT circular n° 2015-12 of 22 July 2015, extended by circular n° 2017-05 of 24 July 2017, maintained in their classification of risk for 2014 and amounting to 534 million dinars. These claims are covered by provisions in the amount of some 49 million dinars.
3. The Bank's assets include 31 million dinars in claims that have been assumed by the State for a period of 25 years free of interest, in the framework of legislation enabling the 1999 budget.
4. Legal action was taken against the Bank in 2011 by Mr. BRUNO POLI for restitution of cash vouchers remitted to BNDT. On 29 October 2015, an initial ruling, confirmed upon appeal, was handed down against the Bank, ordering it to return the cash vouchers or seven million dollars. An appeal was filed against that ruling and there was a stay of execution with no obligation to provide a deposit. According to the lawyer in charge of the case, the Bank is not at risk.



5. The financial statements of the Franco-Tunisian Bank BFT, an affiliate of STB which holds a 78.18% interest, received an unfavourable opinion from the auditors due to the significant uncertainty that weighs on BFT's capacity to continue operations and on its capacity to realize its assets and settle its debts in the normal course of its activities.

In application of article 102 of law n° 2016-48 of 11 July 2016 pertaining to banks and financial institutions, STB as the stockholder of reference could, in the framework of a recovery plan, be invited to provide the help required to re-establish financial balance at BFT.

5. Management report

The board of directors is responsible for the management report. Our opinion on the financial statements does not extend to the management report and we express no assurance whatsoever with regard to this report. In application of the terms of article 266 of the commercial companies code, we are responsible for verifying the accuracy of the information given with reference to the Bank's accounts in the board of directors management report with reference to the data provided in the financial statements.

Our work consists of reading the management report and in doing so to determine if there is any significant incoherence between the management report and the financial statements or with reference to any information we have come across in the course of our audit, or even if the management report seems in any other way to contain a significant anomaly.

If, in the light of work that we have carried out, we determine the presence of a significant anomaly in the management report, we are required to point this out. We have nothing to report in this regard.

6. Responsibility of upper management and the board of directors in the preparation and presentation of financial statements

The board of directors and upper management are responsible for the preparation and faithful presentation of these financial statements, in line with the company accounting system as well as the internal control that it considers to be necessary to allow for preparation of financial statements that are free of significant anomalies be it from fraud or error.

When financial statements are being prepared, it is up to the board of directors and upper management to assess the Bank's ability to remain a going concern and to communicate, as appropriate, the issues pertinent to ongoing operations, unless the board of directors and upper management intend to propose liquidation of the Bank, ceasing of activity or if no other realistic solution is available.

It is up to the board of directors to monitor the Bank's financial information process.

7. Responsibility of the co-auditors for audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole contain no significant anomalies, be it from fraud or error, and to provide an audit report containing our opinion. Reasonable assurance corresponds to a high level of assurance, although this does not guarantee that an audit carried out in line with the international norms for audit applicable in Tunisia will invariably detect any significant anomaly that might exist.

Anomalies may be the result of fraud or error and they are considered significant when it is reasonable to expect that, individually or collectively, they could influence economic decisions that the users of these financial reports might take on the basis of these reports.

In the framework of an audit carried out in line with the international audit norms applicable in Tunisia,

we exercise our professional judgement in a critical manner throughout the audit. Furthermore:

- We identify and assess the risk that the financial statements might contain significant anomalies, be it from fraud or error, we design and implement audit procedures on the basis of this risk assessment, and we provide sufficient and appropriate audit evidence on which to base our opinion. The risk of non-detection of a significant anomaly resulting from fraud is greater than a significant anomaly as a result of error since fraud can imply collusion, falsification, voluntary omission, false declarations or circumvention of internal control.
- We acquire an understanding of the components of internal control that are pertinent to the audit in order to design audit procedures that are appropriate to the circumstances and not with the intention of expressing an opinion on the efficiency of the Bank's internal control.
- We assess the appropriate character of the accounting methods retained and the reasonable character of accounting estimates made by management, as well as the related information provided by them
- We draw a conclusion about the appropriate character of management's use of the accounting principle of ongoing concern assumption and, according to the audit evidence obtained, about the existence or not of any significant uncertainty tied to events or situations that could cast major doubt about the Bank's ability to pursue operations. If we conclude that there is indeed significant uncertainty, we are required to draw the attention of those reading our report to the data supplied in the financial statements relating to this uncertainty or, if this information is not sufficient, to express a modified opinion.

Our conclusions are based on audit evidence obtained up to the date of our report. Future events or situations could cause the Bank to cease operating.

- We assess the overall presentation, the form and the content of financial statements, including information given in the notes, and we assess if the financial statements present the transactions

and underlying events in such a way as to give a faithful image.

- We transmit to those in charge of governance in particular the extent and the calendar envisaged for audit work along with our major findings, including any major deficiency in internal control that has turned up in the course of our audit.

II. Report concerning legal and regulatory obligations

We have, in the framework of our mandate as co-auditors, carried out the specific verifications provided for in the norms published by the Tunisian association of chartered accountants and in regulatory texts currently in effect.

1. Effectiveness of the internal control system

In application of the terms of article 266 (line 2) of the commercial companies code and article 3 of law n° 94-117 of 14 November 1994, as modified by law n° 2005-96 of 18 October 2005, we have carried out the periodic verifications relating to the effectiveness of the internal control system with regard to processing accounting data and preparing financial statements. We want to remind you that responsibility for designing and implementing an internal control system as well as periodic monitoring of its effectiveness and efficiency is the responsibility of upper management and the board of directors.

A report dealing with the weaknesses and deficiencies identified during our audit has been submitted to the Bank's upper management. This report points out issues that could have an impact on procedures and processes for assembling and presenting financial information.

These deficiencies relate in particular to the justification and reconciliation of flows and transactions, to finalisation of the list of commitments, to sub ledgering of proceeds and to accounting for transactions in foreign currency.

2. Conformity of bookkeeping for securities to current regulations

In application of the terms of article 19 of decree n° 2001-2728 of 20 November 2001, we have carried out verification of the conformity of bookkeeping for securities that takes place at the Bank with current regulations.

It is the responsibility of upper management to monitor such conformity to the requirements of current regulations.

On the basis of the procedures that we believed to be necessary, we detected no irregularities in the area of conformity of the Bank's bookkeeping for securities with current regulations.

3. Crossed shareholdings

In line with the terms of article 466 of the commercial companies code, «a joint stock company cannot hold

shares in another joint stock company if the latter holds capital of more than 10%». Five companies in the STB Group, as at 31 December 2017, held 338,245 shares of STB stock.

These companies will be deprived of the corresponding voting rights at the ordinary general assembly that approves the financial statements as at 31 December 2017.

4. Foreign exchange position

With reference to article 5 of central bank of Tunisia circular n° 97-08, we are unable to assess the Bank's foreign exchange position in the absence of multi-currency accounting implemented in line with the terms of Tunisian accounting norm n° 23.

Tunis, April 13th, 2018
Co-auditors

CFA Fathi Saidi
Fathi Saidi



CSL- CNH Group
Samir Labidi



SPECIAL AUDIT REPORT

FOR THE YEAR ENDING 31 DECEMBER 2017

Ladies and Gentlemen, STB stockholders

In application of the terms of articles 43 and 62 of law n° 2016-48 of 11 July 2016 pertaining to banks and financial institutions as well as articles 200 and 475 of the commercial companies code, we hereby provide information on the agreements and operations governed by these texts.

We are responsible for ensuring that legal procedures regarding authorisation and approval of these agreements or transactions are faithfully presented in the financial statements.

It is not up to us to specifically and in a wide-ranging manner seek the possible existence of such agreements or transactions, but rather to convey to you, on the basis of information given to us or obtained in carrying out our audit procedures, the essential characteristics and modalities thereof, without giving an opinion on their utility or soundness. It is up to you to determine how useful or well-founded they might be and to assess the importance of adhering to these conventions and of carrying out these operations in light of their approval.

I. Agreements and operations newly launched

1. STB signed two agreements with its affiliate STRC (the Tunisian claims collection company) pertaining to two lots of banking claims in the amount of some 91,398,000 million dinars, plus fees that have been committed or deducted on deposits received by STB. The transfer was agreed to at the cost of one symbolic dinar.

Following rectification of these transferred claims, the amount came to some 69,996,000 dinars. Amendments to these agreements have not yet been signed.

2. STB on 29 December 2017 signed with its affiliate la Société Immobilière de l'Avenue a transfer agreement as integral payment for commitments in the form of an associated current account in the

amount of six million dinars and as partial payment for commitments from a consolidation loan in the amount of some 12,057,000 dinars.

In virtue of this agreement, the affiliate effects transfer and appropriate delivery, with all actual warranted guarantees to STB, which accepts two pieces of land and buildings for a transfer price of some 18,015,000 dinars.

3. STB on 29 December 2017 signed a transfer agreement with its affiliate la Société Immobilière de l'Avenue as partial payment for commitments governed by the agreement on the associated current account in the amount of some 1,244,000 dinars.

In virtue of this agreement, the affiliate transfers and makes this property available to STB with all real and legal guarantees, at a cost of some 1,244,000 dinars.

This agreement provides for a contract that will later formalise the transfer to STB of promises to sell in the framework of a transfer transaction for the price of some 3,838,000 dinars, i.e. the remainder of irregular commitments initially set at some 5,082,000 dinars.

4. In virtue of decisions by the Minister of Finance on 26 March 2018, STB received a guarantee from the State, the main stockholder, to cover the commitments of a number of public enterprises as at 31 December 2017.

These guarantees amounted to some 62,105,000 dinars.

5. In 2017 Mr. Abdelkader HAMROUNI, a member of the board of directors, took out a private bond loan issued by STB in the amount of some 10,940,000 dinars, with depreciation set at one-fifth per year starting with the first year.

Interest is calculated at the rate of 7.5% per year.

The cost of interest borne by STB in 2017 came to some 586,000 dinars.

6. In 2017, Mr. Abdelkader HAMROUNI, a member of the board of directors, made investments in the form of certificates of accrual on treasury securities

(CATS) in dinars for a total of 11 million dinars, broken down as follows.

in thousand dinars

Nature	Amount subscribed to	Date of subscription	Due date	Interest rate	Total interest
CAT	1 000 000	06/01/2017	05/01/2018	TMM+3%	72 913
CAT	1 000 000	03/08/2017	02/08/2018	8%	79 000
CAT	2 750 000	13/10/2017	17/10/2018	TMM+3%	226 539
CAT	6 250 000	18/10/2017	15/01/2018	TMM+3%	129 890
Total in dinars	11 000 000				508 343

7. In 2017 the competitiveness pole of Monastir-EL FEJJA, a related party, invested in certificates of accrual on treasury securities (CATS) in dinars in the amount of two million dinars, with interest calculated at a rate of 6%.

2. Prior to the audit exercise, STB signed with the Tunisian State management agreements pertaining to budgetary funds meant to finance either non-reimbursable subsidies, allotments or credits, in exchange for the collecting of commissions.

The cost of interest borne by STB for 2017 came to some 14,000 dinars.

The outstanding balance of these budgetary funds came to some 39,455,000 dinars as at 31 December 2017, compared to some 35,101,000 as at 31 December 2016.

8. In 2017 STB INVEST, an affiliate of STB, subscribed to a private bond loan issued by STB in the amount of one million dinars, with depreciation set at one fifth a year starting the third year.

3. Prior to the audit exercise, STB subscribed to the 2014 national bond issued by the Tunisian State (as main shareholder) in the amount of 78 million dinars, of which 70 million were to be repaid over seven years, with a grace period of two years and an interest rate of 6.15% (category B) and some 7,556,000 dinars repaid over five years with a grace period of one year and an interest rate of 5.95% (category A). The outstanding balance of this loan came to some 56,363,000 dinars as at 31 December 2017.

Interest is calculated at the rate of 7.6% a year. The share of interest borne by STB in 2017 came to 54,000 dinars.

9. In 2017 SOFIELAN, an affiliate of STB, subscribed to a private bond loan issued by STB in the amount of 300,000 dinars, with depreciation set at one fifth a year starting in the first year. Interest is calculated at the rate of 7.5% a year.

4. In virtue of the agreement governing the State guarantee signed in line with the decision taken at the ministerial council on 2 June 2011, STB granted to its affiliate the Franco-Tunisian Bank (BFT) an interbank loan in the amount of 70 million dinars for a period of seven days renewable and an interest rate of 5.50%.

The cost of interest borne by STB in 2017 came to 16,000 dinars.

II. Operations carried out under earlier agreements

1. By virtue of law n° 2012-17 of 21 September 2012, STB in 2011 entered into its equity a State allotment of 117 million dinars, with the possibility of restitution should the Bank regain financial balance.

5. STB granted to its affiliate the Franco Tunisian Bank (BFT) a short term interbank loan in foreign currency in the amount of some 2,740,000 USD as at 31 December 2017, the equivalent of some 6,806,000 dinars.

6. On 18 October 2016 STB subscribed to a private subordinated bond loan issued by TFB, a company in the STB Group, for an overall amount of 16 million euros, the equivalent of some 39,560,000 dinars, guaranteed by the State as per Minister of Finance decision of 17 October 2016.

On 26 May 2017, STB converted six million euros into the capital of this company, the equivalent of some 14,835,000 dinars. The outstanding balance of the loan as at 31 December 2017 came to some 24,725,000 dinars.

7. Prior to the audit exercise, SICAV AVENIR and SICAV INVESTISSEUR made investments in the form of certificates of accrual on treasury securities (CATS), the outstanding balance of which came to 400,000 dinars on 12 December 2017.

Interest is calculated at the money market rate + 3%.

8. Sight deposit accounts opened by a number of companies that are part of the STB Group posted a total of 16.3 million dinars as at 31 December 2017, broken down as follows:

Related parties	Credit balances
EDDKHILA	3 746 083
STRC	3 632 437
STB FINANCE	3 527 557
IMMOBILIERE DE L'AVENUE	3 408 746
STB MANAGER	1 412 185
STB SICAR	420 046
BFT	119 058
GEVE	35 428
STB MOYENS GENERAUX	7 875
Total in dinars	16 309 414

9. Prior to the audit exercise, STB signed associated current account agreements with companies in the Group, the outstanding balance of which came

to some 79,950,000 dinars as at 31 December 2017, broken down as follows.

Company	Outstanding balance as at 31 Dec 2017	Rate of remuneration	2017 interest
STRC	50 283	MMR+0,5%	2833
ACTIVHOTELS	12 800	MMR+2%	-
L'IMMOBILIERE DE L'AVENUE	12 500	2%	-
L'IMMOBILIERE DE L'AVENUE- advance CCA	4 367	unremunerated	-
Total in thousand dinars	79 950		2 833

10. Prior to the audit exercise, STB signed with its affiliate STB SICAR a number of management

agreements for venture capital funds. The status of these managed funds is found in the table below.

Managed funds	Date of subscription	Amount subscribed	Outstanding as at 31 Dec 2017
Managed funds STB 1	1999	8 000	4 706
Managed funds STB 2	2000	8 000	5 049
Managed funds STB 3	2001	5 000	3 828
Managed funds STB 4	2002	6 500	5 948
Managed funds STB 5	2003	6 824	5 654
Managed funds STB 6	2005	2 707	1 784
Managed funds STB 7	2006	800	729
Managed funds	2007	9 371	6 194
Managed funds STB 9	2008	4 800	4 669
Managed funds	2008	8 748	8 728
Managed funds STB 11	2009	6 000	6 492
Managed funds STB 12	2009	9 898	11 195
Managed funds ID STB 1	2002	2 000	1 231
Managed funds ID STB	2002	2 000	1 258
Managed funds ID STB 3	2003	5 436	3 758
Managed funds ID STB 4	2005	360	357
Managed funds ID STB 5	2006	1 133	1 235
Managed funds ID STB 6	2007	4 000	3 613
Total in thousand dinars		101 577	76 428

The conditions for remuneration of STB SICAR for managing these funds are given below.

- a 1% management commission deducted from assets valued on the date of closure of the managed fund, paid previously after deduction of any costs or commissions, with a minimum of 1% of the amount of funds allotted yearly
- a performance commission of 10% to 20%, calculated on gains made on sale of shares or stock and dividends paid
- a 10% performance fee deducted from the proceeds of investments made by the fund

In 2017, STB entered into accounting overall costs of some 924,000 dinars for these various commissions.

11. In virtue of the agreements signed with the open-ended investment companies L'Épargnant, L'Investisseur and L'Avenir, STB plays the role

of depository of securities and funds for these companies.

In remuneration of services rendered, the Bank receives the following commissions:

- 0.05% of the amount of net assets of the open-ended investment company L'Épargnant, calculated daily, with commissions for 2017 coming to 309,945 dinars inclusive of all taxes
- 0.1% of the amount of the net assets of the open-ended investment company L'Investisseur calculated daily, with commissions for 2017 coming to 1375 dinars.
- 1000 Tunisian dinars (exclusive of tax) as a fixed commission paid on a yearly basis by the open-ended investment company L'Avenir.

12. In virtue of agreements signed with its affiliate STB MANAGER, STB acts as custodian of the securities and funds entitled FCP DELTA and FCP HIKMA, managed by STB MANAGER.

In remuneration for services rendered, the Bank receives a commission of 0.1% (all taxes included) of the amount of the net assets of each fund, calculated daily. The commission for 2017 came to 263,727 dinars exclusive of tax.

13. In virtue of agreements signed with its affiliate STB FINANCE, STB acts as custodian of the securities and funds entitled FCP INNOVATION and FCP CAPITAL PLUS, managed by STB FINANCE.

In remuneration for services thus rendered, the Bank receives a commission of 0.1% (exclusive of tax) of the amount of net assets of each fund, calculated daily. The commission for 2017 came to 7990 dinars exclusive of tax.

14. In virtue of agreements signed with its affiliate STB FINANCE, it is STB FINANCE that provides the following services. In compensation for these services, STB FINANCE receives a commission of

0.2% on all transactions entrusted to it involving STB's securities portfolio. However, beyond a certain amount, a ceiling will be set by mutual agreement of the two parties. The commission for 2017 came to 14,579 Tunisian dinars exclusive of tax.

- Management of transactions involving securities for all lines of the 2014 national bond loan subscribed to by STB and its clients: STB FINANCE returns to STB one third of the commissions it receives for processing the 2014 national bond loan. The commission for 2017 came to 1932 dinars exclusive of tax.
- Management of STB shareholder records, which includes handling of operations relating to maintenance of shareholder records pertaining to the holding of assemblies and related issues. In remuneration for these services, STB FINANCE receives an annual set amount of 40,000 dinars exclusive of tax.

15. A number of STB staff members have been seconded to affiliates. The amounts billed by STB in 2017 for these secondments is given in the table below.

Affiliates	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
ACTIVHOTELS	19 281	28 396	18 552	17 483
IMMOBILIERE DE L'AVENUE	19 888	28 823	19 120	21 799
SOFI-ELAN	19 372	28 500	18 581	17 521
STB FINANCE	70 893	105 986	62 284	52 503
STB INVEST	17 129	25 691	16 835	15 815
STB MANAGER	67 986	102 171	66 733	62 711
STB SECURITE ET GARDIENNAGE	20 484	29 664	19 737	22 460
STRC	19 384	28 546	18 656	22 282
STB MOYENS GENERAUX	-	-	10 006	18 020
Total in dinars	254 417	377 777	250 502	250 594

16. STB rents a number of office spaces to its affiliates. Annual conditions for rental contracts are given in the table below.

Affiliate	Amount of annual rent in dinars	Starting date of rental	Annual increase	When increase begins	2017 rent all taxes incl
STRC 2nd floor	10000 (TTC)	01/07/2004	5%	deuxième année de la location	15 600
STRC 3rd floor	10000 (TTC)	01/09/2001	5%	deuxième année de la location	17 838
STRC 4th floor	10000 (TTC)	01/05/2005	5%	deuxième année de la location	15 038
STB INVEST	8400 (HTVA)	01/07/2004	5%	deuxième année de la location	24 297
STB MANAGER	5400 (HTVA)	01/01/2003	5%	deuxième année de la location	22 631
SOFIGES	27875 (HTVA)	01/01/2010	5% (tous les deux ans)	troisième année de la location	13 018
SOFI-ELAN	5 227(HTVA)	01/12/2011	5% (tous les deux ans)	troisième année de la location	5 763
SECURITE ET GARDIENNAGE	4 800 (HTVA)	01/01/2016	5% (tous les deux ans)	troisième année de la location	4 800
STB MOYENS GENERAUX	5 400 (HTVA)	01/01/2016	5% (tous les deux ans)	troisième année de la location	5 400
TOTAL IN DINARS					124 385

17. In 2016 STB signed an agreement with its affiliate STB Sécurité et Gardiennage for security services at its premises and those of establishments it owns for a period of three years starting 1 January 2016, renewable by tacit agreement. The cost of these services is calculated on the basis of the monthly gross salary of each security guard, to which is added the cost of benefits and overhead at STB Sécurité et Gardiennage. The amounts billed for services in 2017 came to some 3,976,000 dinars.

18. In 2015 STB signed an agreement with its affiliate STB Moyens Généraux pertaining to cleaning services

for its premises and those of establishments it owns for a period of three years starting 1 February 2015, renewable by tacit agreement. The cost of these services calculated on the basis of each employee's gross monthly salary, to which is added the cost of benefits and overhead at STB Moyens Généraux. The amounts billed for 2017 came to some 4,451,000 dinars.

19. Banking loans made by STB to members of its board of directors and upper management came to some 139,254,000 as at 31 December 2017, broken down as follows.

Board members and upper management	Outstanding balance as at 31 Dec 2017
STAR	2 430 109
ABDELKADER HAMROUNI GROUP	26 421 733
BECHIR KHALFALLAH GROUP	110 426 582
MOHAMED SLAH KHALFALLAH	808
MOHAMED ZARROUK	250
Deputy Director General	74 896
Total in dinars	139 354 378

20. Banking loans made by STB to companies and related parties came to a total of some 44,186,000 dinars as at 31 December 2017, broken down as follows.

Related parties	Outstanding balance as at 31 Dec 2017
IMMOBILIERE DE L'AVENUE	33 975 565
ED-EDDKHILA	8 660 721
GENERALE DES VENTES	847 000
STB FINANCE	700 000
STB SICAR	2 973
STB INVEST	2
Total	44 186 261

III. STB's obligations and commitments to its directors

1. Obligations and commitments to directors as provided for in (new) article 200 II §5 of the commercial companies code can be summarised as follows.

- The components of remuneration of the Director General as set by the Bank's compensation committee and approved by STB's board of directors on 30 May 2016, is made up of:
 - a fixed component that consists of a monthly net salary of 16,000 dinars
 - a variable annual component that cannot exceed 50% of the fixed component (i.e. 96,000 dinars), determined on the basis of the rate of success in meeting the objectives set by the board of directors and with regard to financial indicators

Benefits in kind, including an office car with vouchers for 500 litres of fuel a month, a second car for domestic use with vouchers for 250 litres of fuel a month, reimbursement of telephone costs with a ceiling of 250 dinars a month and reimbursement of

any costs incurred in the exercise of official functions, upon presentation of the relevant invoices.

- The components of remuneration of the Deputy Director General as revised by the Bank's nomination and compensation committee were approved by STB's board of directors on 16 November 2016, made up of:
 - a fixed component that consists of a monthly gross salary of 4767 dinars, i.e. a net salary of 2670 dinars
 - a variable annual component that cannot exceed 50% of the fixed component, determined on the basis of the rate of success in meeting the objectives set by the board of directors and with regard to financial indicators

Benefits in kind include an office car with vouchers for 400 litres of fuel a month, and reimbursement of telephone costs

- Remuneration of advisors to upper management were set by decisions made by the board of directors on 29 June 2016, 27 April 2017 and 4 December 2017. The components of remuneration are given below.

Category	Advisor 1		Advisor 2
	1 Jan 2017 to 30 June 2017	1 July 2017 to 31 Dec 2017	4 Dec 2017 to 31 Dec 2017
Fixed remuneration	2498 dinars gross/month	4790 dinars gross/month	5000 dinars net/month
Variable remuneration	up to 10,000 dinars upon proposal by DG and at the discretion of the board of directors		up to 10,000 dinars at the discretion of the DG, in line with objectives met
Benefits in kind	office car and 400 litres of fuel a month		200 litres of fuel/month

- Following the recommendation of the board of directors at their meeting on 9 November 2016 and with a view to regularizing the situation of the advisor to the directorate general, a services contract was signed by STB and 'Business and Financial Consulting' on 27 March 2017 covering the period 15 September 2016 to 14 September 2017, under which BFC commits to assigning an advisor to the directorate general at a set cost of 36,000 dinars exclusive of tax. Following the decision of the board of directors on 6 February 2018 an amendment to this contract was signed stipulating that BFC Tunisia would replace BFC for the period 14 September 2017 to 14 September 2018, maintaining the same remuneration.

No remuneration was paid in 2017.

- The amount of directors fees paid to the members of STB's board of directors was set by decision of the ordinary General Assembly on 23

May 2017 at 4000 dinars net for the chairman of the board of directors and 2000 dinars net per session for members of the board of directors.

- The amount of directors fees to be paid to board members who are members of the standing committee for audit and the standing committee for risk was set by decision of the ordinary general assembly at its meeting on 23 May 2017 at 2000 dinars net per session for the chairman of each committee and 1000 dinars net per session for members of the committees. The chairmen and members of more than one committee are to be remunerated on the basis of their presence at the committee of their choice.

2. STB's obligations and commitments to its directors, as recorded in the financial statements ending 31 December 2017, are given in the table below, in Tunisian dinars.

Nature of remuneration	DG		DGA and advisors		Members of the board	
	Costs for the year	Liabilities as at 31 Dec 2017	Costs for the year	Liabilities as at 31 Dec 2017	Costs for the year	Liabilities as at 31 Dec 2017
Short-term benefits	617 689	-	278 813	37 623	150 000	164 735
Post-employment	-	-	5 195	60 061	-	-
benefits	617 689	-	284 007	97 684	150 000	164 735

Aside from the above-mentioned agreements and transactions, our audit work has not revealed the existence of any other agreements or transactions that enter into the framework of the above-mentioned legal texts.

Tunis, April 13th, 2018

Co-auditors

CFA Fathi Saidi
Fathi Saidi



CSL- CNH Group
Samir Labidi





RESOLUTIONS OF THE ORDINARY GENERAL ASSEMBLY

HELD SATURDAY 28 APRIL 2018

FIRST RESOLUTION

After reading of the board of directors' report on the 2017 financial year, the general audit report and the additional explanations provided, the Ordinary General Assembly approved the board's report and the financial statements for the year ending 31 December 2017, as presented.

This resolution was put to a vote and adopted **by a majority**.

SECOND RESOLUTION

After having taken note of the special audit report, in line with the terms of article 200 et seq. and article 475 of the commercial companies code as well as articles 43 and 62 of law n° 2016-48 of 11 July 2016 concerning banks and financial institutions, the Ordinary General Assembly approves all operations that entered into the framework of the terms of these articles, as presented.

This resolution was put to a vote and adopted **by a majority**.

THIRD RESOLUTION

After hearing the management report regarding the STB Group and the general audit report, the Ordinary General Assembly approves the consolidated financial statements for the year ending 31 December 2017, as presented.

This resolution was put to a vote and adopted **by a majority**.

FOURTH RESOLUTION

The Ordinary General Assembly gives full discharge, final and without reserve, to the members of the board of directors for their management in 2017.

This resolution was put to a vote and adopted **by a majority**.

FIFTH RESOLUTION

As proposed by the board of directors, the Ordinary General Assembly has decided to assign 2017 results

to results carried forward, as detailed below.

	in dinars
- 2017 results	51 777 755.720
- Carried forward again	- 641 870 870.647
- Results carried forward	- 590 093 114.927

This resolution was put to a vote and adopted **by a majority**.

SIXTH RESOLUTION

The Ordinary General Assembly sets:

- an amount of four thousand dinars (4000 TD) net per session to be allocated to the chairman of the board of directors;
- an amount of two thousand dinars (2000 TD) net per session to be allocated to members of the board of directors;
- an amount of two thousand dinars (2000 TD) net per session to be allocated to the chairman of the standing committee for internal audit and to the chairman of the risk committee;
- an amount of one thousand dinars (1000 TD) net per session to be allocated
 - to each member of the standing committee for internal audit and the risk committee
 - to each chairman or member of other committees set up by the board of directors.

Chairmen and members who belong to more than one committee can receive only one such payment, based on their presence in just one committee of their choice.

This resolution was put to a vote and adopted **by a majority**.

SEVENTH RESOLUTION

The Ordinary General Assembly approves the nomination of new members of the board of directors representing public participants, for a mandate of three years (decree n° 2013-4953 of 5 December 2013), in application of the terms of article 22 ter of law n° 89-9 of 1 February 1989 pertaining to holdings, companies and public institutions at public banks, as detailed below.

Members	Mandate
Mrs. Najia GHARBI (renewal), Chairman	2018-2020
Mr. Amar TLILI	2018-2020
Mr. Mohamed MERIDHA	2018-2020
Mr. Mohamed Tahar BELASSOUED	2018-2020
Mr. Tarak BELARBI	2018-2020
Mr. Hatem SALAH	2018-2020

This resolution was put to a vote and adopted **by a majority**.

EIGHTH RESOLUTION

The mandate of the member of the board of directors who represents small shareholders expires at the end of 2017, so the Ordinary General Assembly names for the coming three years, to end with the Ordinary General Assembly that examines the 2020 accounts, **Mr. Moez Ben Zid** as the member of the board representing small shareholders.

This resolution was put to a vote and adopted **by a majority**.

NINTH RESOLUTION

In application of the terms of article 19 of law n° 94-117 of 14 November 1994 pertaining to reorganisation of the financial market as modified by law n° 99-92 of 17 August 1999 pertaining to measures to stimulate financial markets and by order of the Minister of Finance on 17 November 2000, the Ordinary General Assembly authorises the board of directors to buy and resell STB stock on the stock market, with a view to regulating its price, for a period of one year.

This resolution was put to a vote and adopted **by a majority**.

DIXIEME RESOLUTION

All powers are given to the Bank's legal representative or his or her representative in order to carry out the required legal formalities pertaining to registry, deposit and publicity actions.

This resolution was put to a vote and adopted **by a majority**.



MANAGEMENT REPORT OF THE STB GROUP

2017



2017 MANAGEMENT REPORT OF THE STB GROUP

1. PRESENTATION OF THE PERIMETER OF THE STB GROUP

1.1. Overall presentation of the STB Group

The STB Group is made up of 21 companies working in various sectors such as claims collection, management of mutual investment funds dealing in securities, stock market brokerage, the hotel industry, services and real estate.

The parent company, STB, is a loan institution founded in 1958, governed by the terms of law n° 2016-48 of 11 July 2016. It is listed on the stock exchange and capital standing at 776,875,000 TD has been entirely paid up. The 155,375,000 shares of ordinary stock have a face value of five dinars each.

The STB Group works for the most part in the following four areas:

- **Financial pole:** This pole includes companies subject to law n° 2016/48, which governs the activities of loan institutions as well as closely related entities such as stock brokerages, mutual investment funds dealing in securities (governed by law n° 88-92 of 2 August 1988 as well as law n° 2001-83 of 24 July 2001) and capital risk funds (governed by law n° 95-87 of 30 October 1995).
- **Real estate pole:** This pole is made up of structures authorised to operate under the terms of law n° 90-17 of 26 February 1990, which intervene in the subdivision and development of land intended mainly for housing, also the construction and renovation of shared or partially shared buildings to be used for housing, commerce, professional or administrative offices.
- **Tourism pole:** This pole is made up of structures authorised to manage hotel and tourism facilities.
- **Services pole:** This pole is made up of structures specialising in studies, commercial and intellectual services, consulting and claim collection.

1.2. Presentation of the main companies belonging to the STB Group

FRANCO TUNISIAN BANK (BFT)

Founded in 1879, the Franco Tunisian Bank (BFT) is a limited liability company that provides the full range of financial and banking services.

BFT posts a deficit. STB as of 31 December 2017 held 78.18% of BFT stock, worth 5,000,000 dinars and divided into 1,000,000 shares worth five dinars each, entirely paid up.

BFT is being monitored by the authorities and the company's future depends on the outcome of the dispute between the Tunisian State and ABCI.

TUNISIAN FOREIGN BANK (TFB EX UTB)

Founded in 1977, the Tunisian Foreign Bank (TFB) is a limited liability company that provides the full range of financial and banking services. TFB has five branches: three in Paris, one in Marseille and an off-shore branch in Tunis.

In the framework of a first round of restructuring of its capital on the basis of a hard core of stockholders (the central bank of Tunisia BCT, STB and the bank for housing BH) in 2009-2010, STB and BH committed to supporting and providing assistance to TFB with a view to regularizing its situation.

Despite action taken, the latest financial restructuring has not yielded the expected results.

The Ministry of Finance has committed to drawing up a development plan, seeking to identify a strategic partner and to undertake urgent measures to enhance governance and TFB's role in securing the savings of Tunisians residing abroad.

The Ministry of Finance launched a call for bids for the selection of a strategic partner to assume 49% of TFB's capital. Two proposals were submitted to the commission on restructuring of public enterprises (CAREPP) at its session of 19 March 2018 but they were deemed unacceptable.

As of 31 December 2017, STB held 44.14% of TFB's capital, standing at 35,000,184 euros divided into 2,296,600 shares worth 15.24 euros each. 37.14% of the Bank's shares have been paid up.

ED DKHILA

Founded in 1966, ED DKHILA sets up and manages hotel and tourism facilities. It has since 1968 run the vacation village Residence Club Skanes located in the Monastir tourist zone.

In the framework of the programme to sell companies operating in the competitive sector it has been decided to privatise this hotel unit, which owns some 34 hectares.

The hotel, which covers some 15 hectares, is currently being managed under a rental contract.

The main developments in 2017 that have affected the status of Ed DKHILA are listed below:

- The definitive cost for work related to investment made to increase capacity, create a new area for activities, upgrading, and work to renovate and repair the hotel has been determined to be 17.8 million dinars.
- Two calls for bids were launched for sale of three pieces of land, which together cover 19 hectares.
- To ensure compliance to current regulations (law n° 48-2016), sale of a block of shares amounting to 67.97% of capital (which corresponds to the holdings of the STB Group) has been proposed, on the basis of specifications to be circulated by means of an international call for bids.

As of 31 December 2017, STB held 61.21% of capital in ED DKHILA, which on that date was worth 7,500,000 dinars, divided into 1,500,000 shares with a face value of five dinars each.

L'IMMOBILIERE DE L'AVENUE (real estate company)

Founded in 1931, l'Immobilier de l'Avenue is one of the oldest real estate promotion companies in the sector.

Due mainly to tough competition and high costs, the company has been in difficulty for several years.

A recovery and restructuring plan has been drawn up and is currently being carried out.

Part of the plan involves implementation of the measures provided for in the business plan approved by the board of directors at its meeting on 3 March 2015, with disposal of assets currently not in use, with proceeds serving to draw down the company's commitments to STB.

However, since sale of these inactive assets would occur only after the deadline of 31 December 2017, it was decided by the board of directors of l'Immobilier de l'Avenue on 18 December 2017 to assign a date for the transfer of these assets to STB for a global payment of 12,057,000 dinars exclusive of tax, which has allowed the company to post a profit.

As of 31 December 2017, STB held 84.71% of capital in l'Immobilier de l'Avenue, worth 9,400,000 dinars, divided into 1,880,000 shares with a face value of five dinars each.

STB INVEST

STB INVEST was founded in 1991 to promote investment in Tunisia under the conditions accorded to closed-end mutual investment funds.

Capital currently stands at 36,000,000 divided into 3,600,000 shares with a face value of ten dinars each. The company posts a profit and issues dividends on a regular basis.

In the framework of implementation of decisions pertaining to reorganisation of STB Group affiliates by sector of activity, SOFI ELAN will be absorbed by STB INVEST.

This operation has begun and it is scheduled to be completed by the end of August 2018.

As of 31 December 2017, STB held 98.43% of SOFI ELAN's capital.

OPEN-ENDED INVESTMENT COMPANIES (L'INVESTISSEUR, L'EPARGNANT, AVENIR)

Founded in 1994, each of these three open-ended (variable capital) investment companies manages a stock portfolio using its own funds.

L'EPARGNANT deals in bonds while L'INVESTISSEUR and L'AVENIR are mixed open-ended investment companies.

Their goal is to provide regular, sizeable income to their shareholders while maintaining optimal liquidity.

All three companies post a profit and distribute dividends on a regular basis.

STB MANAGER

Founded in 2002, this company manages the portfolios of mutual investment funds dealing in securities that belong to the STB Group.

Although it has been affected by tenuous economic conditions, results remain positive.

In the framework of implementation of decisions to reorganise the affiliates of the STB Group by area of activity, it has been decided that STB MANAGER will introduce additional modules for managing venture capital funds along with organizational measures compatible with the profession of private equity, as well as transferring management of mutual investment funds dealing in securities to STB Finance.

Capital currently stands at 500,000 dinars divided into 5000 shares with a face value of 100 dinars each. As of 31 December 2017, STB held 29.96% of capital.

THE TUNISIAN CLAIMS COLLECTION COMPANY (STRC)

STRC, founded in 1999, is the first company to deal in collection of banking claims, as per the terms of law n° 98-4 of 2 February 1998, seeking to settle outstanding claims both on its own behalf and that of others.

To be both effective and efficient, the company needs to strengthen its human resources as well as material and logistic means, while also upgrading its information system, procedures and organizational measures.

At the end of 2017, STRC had acquired from STB, at a symbolic cost of one dinar, two sets of claims amounting to 70 million dinars.

Following implementation of a recovery and restructuring plan at the end of 2016, the company posted a profit in 2017.

As of 31 December 2017, STB held 91.35% of STRC's capital, which amounted to 37,000,000 dinars divided into 370,000 shares with a face value of 100 dinars each. STB's holdings have been entirely paid up.

STB SICAR (venture capital)

Founded in 1998, the Group's venture capital fund STB SICAR seeks to secure holdings in corporate capital both for itself and for third parties with the intention of further conveyance.

From the outset, STB SICAR has been dependent on funds allocated by STB and corresponding management fees.

After restitution of funds having fallen due, STB SICAR is at risk of being in a situation of imbalance, with proceeds insufficient to cover costs. To ensure financial autonomy and enhance activity, a rehabilitation and restructuring plan has been drawn up. As of 31 December 2017, STB SICAR posted a profit and decided to issue dividends.

On that same date, STB directly held 81.99% of STB SICAR's capital, amounting to 19,495,000 dinars.

STB FINANCE (formerly SOFIGES)

Founded in 1967, this company works in the field of stockbrokerage, handling the full range of operations pertaining to transactions and management of securities.

STB Finance is encountering problems of a commercial, financial and corporate nature. Implementation of an action plan has begun, focusing on commercial development.

STB Finance posted a deficit in 2017. As of 31 December 2017, STB held 61.34% of capital in STB Finance, amounting to 6,500,000 dinars.

SOFI ELAN SICAF

Founded in 1994, the closed-end mutual investment company SOFI ELAN SICAF manages securities portfolios.

It posts a profit and distributes dividends on a regular basis.

In the framework of decisions to reorganize affiliates of the STB Group by area of activity, it was decided to effect a merger of SOFI INVEST and SOLFI ELAN through acquisition of SOFI ELAN by SOFI INVEST, in order to have just one closed-end investment company in the Group.

Implementation of this merger has begun and it is expected to be completed by the end of August 2018.

As of 31 December 2017, STB directly held 15.52% of SOFI ELAN SICAF capital, amounting to 5,000,000 dinars, divided into 500,000 shares with a face value of ten dinars each.

LA GENERALE DE VENTE «GEVE»

Founded in application of a decision by the commission on restructuring of public enterprises (CAREPP) on 12 March 2007 in the framework of privatisation of STIA, GEVE's mandate is to acquire

STIA assets that are not in use (holdings, land and buildings) and to sell them.

To finance such acquisitions, the company signed a loan for 11,800,000 dinars, with equal shares for STB and BNA.

GEVE's deficit as of 31 December 2016 is due to a high level of financial costs.

As of 31 December 2017, STB held 50% of capital in GEVE, amounting to 4,000,000 dinars and divided into 4,000,000 shares at a face value of one dinar each. 70% of STB's holdings are paid up.

ACTIV HOTELS

Founded in 2006, ACTIV HOTELS is a limited liability company that sets up, acquires, sells, rents, operates and manages a wide range of hotel, tourism and seaside properties.

It continues to post deficits, amounting to cumulative losses of 6,226,000 dinars as of 31 December 2017.

Regarding restructuring of the company, STB's board of directors at its meeting on 7 September 2017 agreed to implementation of a recovery plan based initially on the sale of two units belonging to ACTIV HOTELS as well as management of units belonging to STB and legal acquisition of a number of tourism units that are currently contested, to be rented after renovation and eventually sold in order to meet commitments.

As of 31 December 2017, STB had direct control of 30% of capital, amounting to 1,000,000 dinars divided into 10,000 shares with a face value of 100 dinars. STB's shares have been entirely paid up.

STB MOYENS GENERAUX

This limited liability company was set up in 2014 in order to provide cleaning services at premises and establishments as well as any services directly or indirectly related to this function.

Capital stands at 500,000 dinars divided into 50,000 shares worth ten dinars each, entirely subscribed to and paid up.

As of 31 December 2017, STB directly held 30% of this company's capital, with the STB Group holding 99%.

SECURITE ET GARDIENNAGE

This limited liability company was founded in 2015 to provide security and guard services for the Group's holdings and premises and any other services relating directly or indirectly to this area of operations.

Corporate capital stands at 200,000 dinars divided into 20,000 shares worth ten dinars each, entirely subscribed to and paid up.

As of 31 December 2017 STB directly held 0.5% of this company's capital and the STB Group as a whole held 99%.

1.3. List of STB Group companies as of 31 December 2017

in thousand dinars

Company	Area of activity	Capital
STB BANK (parent company)	loan institution	776 875
STB INVEST	financial institution	36 000
SOFI ELAN SICAF	financial institution	5 000
STB MANAGER	financial institution	500
STB FINANCE	financial institution	6 500
STB SICAR	financial institution	19 495
L'IMMOBILIERE DE L'AVENUE	real estate	9 400
STE TUNISIENNE DE RECOUVREMENT DES CREANCES "STRC" (claims collection)	services	37 000
STE LA GENERALE DE VENTE	services	4 000
ED-DKHILA	tourism	7 500
SOCIETE ACTIVHOTELS	tourism	1 000
BANQUE FRANCO TUNISIENNE "BFT"	loan institution	5 000
SICAV L'INVESTISSEUR	financial institution	1 000
SICAV AVENIR (EX SICAV BDET)	financial institution	1 795
TUNISIAN FOREIGN BANK " TF BANK"	loan institution	euros 35 000 184
STE MOYENS GENERAUX (cleaning services)	services	500
SOCIETE TUNISIENNE DE CONTROLE VERITAS "STCV"	services	2 400
SONIBANK	loan institution	M FCFA 12 000 000
STE CIVILE IMMOBILIERE "LA MAISON DU BANQUIER"	services	8 885
STE DU POLE DE COMPETITIVITE DE MONASTIR-ELFEJJA	tourism	20 000
STE DE SECURITE ET DE GARDIENNAGE	services	200

1.4. Identification of companies in the perimeter of the STB Group as at 31 December 2017

Companies consolidated by global integration

in thousand dinars

Company	Capital	Area of Activity
STB BANK (parent company)	776 875	loan institution
STB INVEST	36 000	financial institution
SOFI ELAN SICAF	5 000	financial institution
STB MANAGER	500	financial institution
STB FINANCE	6 500	financial institution
STB SICAR	19 495	financial institution
L'IMMOBILIERE DE L'AVENUE	9 400	real estate
STE TUNISIENNE DE RECOUVREMENT DES CREANCES "STRC"	37 000	Services
STE LA GENERALE DE VENTE	4 000	Services
ED-DKHILA	7 500	Tourism
SOCIETE ACTIVHOTELS	1 000	Tourism
BANQUE FRANCO TUNISIENNE "BFT"	5 000	loan institution
STE MOYENS GENERAUX	500	Services
STB SECURITE ET GARDIENNAGE	200	Services

Companies consolidated using the equity method

Consolidation of two open-ended mutual investment funds in the Group using the equity method

- The Group's two open-ended mutual investment funds were set up by STB, which acts as depository and which holds fairly major shares in the capital of each.
- The boards of directors of the Group's open-ended mutual investment funds are controlled by STB either directly or through its authorized financial agents. In the case of the STB Group, holdings are indirect through STB MANAGER, an affiliate tied to and created by STB and set up by the latter to manage the Group's investment funds dealing in securities. This explains the high percentage of control and adoption of the global integration method for these investment funds dealing in securities.

However, the regulatory framework in Tunisia stipulates that open-ended mutual investment funds are subject to oversight by market authorities, i.e. the capital market council (Conseil du Marché Financier CMF) as well as to special rules pertaining to the nature of assets they can hold and their distribution. The exclusive control presumed to be held by STB over its open-ended mutual funds is thus incompatible with the regulatory framework governing such funds. This is all the more true since STB at this time does not guarantee their performance nor does it assume the risks inherent in their activities or assets even though holdings in these companies enter into the classic context of a parent company's intention to hold on to its shares for an extended period and not for trading purposes. For these reasons, it is appropriate that the Group has opted for consolidation of the two open-ended investment funds l'Avenir and l'Investisseur using the equity method.

Companies consolidated using the equity method (IAS 28.5 and Tunisian accounting norm 36)

This concerns those companies over which STB is presumed to exercise notable influence in the form of power to participate in decisions involving financial and operational policy in each company held but without exercising control over these policies.

Companies in the STB Group that are consolidated using the equity method operate in various areas of activity such as open-ended investment funds, services and especially tourism. Thus, in the framework of its support to the economy, the parent company exercises this notable influence in the following ways:

- representation on the board of directors or the equivalent upper management structure at the companies in question;
- participation in the board's determination of policy along with logistic and financial assistance;
- significant transactions between STB and the company held, in terms of commitment to holdings and/or loans (banking pool) ;
- exchange of upper management (seconded staff).

in thousand dinars

Company	Capital	Area of Activity
SICAV L'INVESTISSEUR	1 000	financial institution
SICAV L'AVENIR	1 795	financial institution
TUNISIAN FOREIGN BANK " TF BANK"	euros 35 000 184	loan institution
SOCIETE TUNISIENNE DE CONTROLE VERITAS "STCV"	2 400	services
SONIBANK	M FCFA 12 000 000	loan institution
STE DU POLE DE COMPETITIVITE DE MONASTIR-ELFEJJA	20 000	tourism
STE CIVILE IMMOBILIERE "LA MAISON DU BANQUIER"	8 885	services

1.5. Trends in the percentage of control, percentages of interest and variation in the perimeter

Percentage of control

Control means the power to orient the financial and operational policies of a company in order to benefit from its activities.

The percentage of control translates the link of dependency, be it direct or indirect, between STB and the consolidated companies.

It allows for determination of the companies to be retained in the perimeter of consolidation as well as the methods of consolidation to be applied.

The percentage of control expresses the number of voting rights to be exercised by STB in the consolidated company. It is calculated by adding together all rights held directly or indirectly by companies under the exclusive control of STB. The following table shows the percentage of control as at 31 December 2017 and at 31 December 2016.

Company	Trends in the Group's percentage of control		Variation 2017-2016
	2017	2016	%
STB BANK (parent company)	99.91%	99.69%	0.22%
STB INVEST	99.51%	99.01%	0.5%
SOFI ELAN SICAF	58.59%	58.59%	0%
STB MANAGER	99.96%	99.96%	0%
STB FINANCE	96.70%	96.70%	0%
STB SICAR	99.50%	99.50%	0%
L'IMMOBILIERE DE L'AVENUE	99.90%	99.90%	0%
STE TUNISIENNE DE RECOUVREMENT DES CREANCES «STRC»	100.00%	100.00%	0%
STE LA GENERALE DE VENTE ED-DKHILA	50.00%	50.00%	0%
SOCIETE ACTIVHOTELS	67.87%	67.87%	0%
BANQUE FRANCO TUNISIENNE «BFT»	99.97%	99.97%	0%
SICAV L'INVESTISSEUR	78.80%	78.80%	0%
SICAV AVENIR	71.35%	73.28%	-1.93%
TUNISIAN FOREIGN BANK « TF BANK»	98.44%	98.61%	-0.17%
STE MOYENS GENERAUX	44.18%	46.00%	-1.82%
SOCIETE TUNISIENNE DE Contrôle VERITAS «STCV»	100.00%	100.00%	0%
SONIBANK	27.06%	27.06%	0%
STE CIVILE IMMOBILIERE	25.00%	25.00%	0%
«LA MAISON DU BANQUIER»	21.64%	21.64%	0%
STE DU POLE DE COMPETITIVITE DE MONASTIR-ELFEJJA	20.00%	20.00%	0%
STB GARDIENNAGE ET SECURITE	100.00%	99.95%	0.05%

Percentages of interest or financial dependency on the Group

The percentage of interest expresses the share of capital held by STB directly and/or indirectly in each consolidated company.

Unlike the percentage of control (which determines the method of consolidation), the percentage of interest allows for implementation of consolidation. In effect, it is the basis for assessing STB's rights in the net assets of consolidated companies as well as the share due to minority stockholders.

It is also used as the main tool in implementing consolidation entries when eliminating reciprocal transactions and determining the allocation of shareholders' equity.

The percentage of interest is calculated by adding the percentage of capital held directly by the parent company in the capital of an affiliate and the total of percentages of capital held directly or indirectly by sub-affiliates.

The following table shows the percentages of interest as at 31 December 2017 and at 31 December 2016.

Company	Trends in % of Group's interest		Variation 2017-2016
	2017	2016	%
STB BANK (parent company)	99.69%	99.69%	0%
STB INVEST	99.19%	98.50%	.69%
SOFI ELAN SICAF	57.68%	57.22%	.46%
STB MANAGER	94.08%	91.43%	2.65%
STB FINANCE	95.17%	93.23%	1.94%
STB SICAR	98.77%	85.59%	13.18%
L'IMMOBILIERE DE L'AVENUE	98.28%	98.07%	.21%
STE TUNISIENNE DE RECOUVREMENT DES CREANCES «STRC»	99.67%	99.63%	.04%
STE LA GENERALE DE VENTE	49.85%	49.85%	0%
ED-DKHILA	67.63%	67.58%	.05%
SOCIETE ACTIVHOTELS	99.35%	96.53%	2.82%
BANQUE FRANCO TUNISIENNE «BFT»	78.53%	78.52%	.01%
SICAV L'INVESTISSEUR	70.92%	72.43%	-1.51%
SICAV AVENIR	96.79%	96.26%	.53%
TUNISIAN FOREIGN BANK « TF BANK»	44.04%	45.86%	-1.82%
STE MOYENS GENERAUX	93.79%	90.68%	3.11%
SOCIETE TUNISIENNE DE CONTROLE VERITAS «STCV»	26.97%	26.98%	-0.01%
SONIBANK	24.92%	24.92%	0%
STE CIVILE IMMOBILIERE «LA MAISON DU BANQUIER»	21.22%	21.22%	0%
STE DU POLE DE COMPETITIVITE DE MONASTIR-ELFEJJA	19.94%	19.94%	0%
STB GARDIENNAGE ET SECURITE	93.88%	90.71%	3.17%

2. Trends in consolidated indicators

2.1. Key figures

in million dinars

		dec 2013	dec 2014	dec 2015	dec 2016	dec 2017	CAGR
Activity	Balance sheet total	7,228.2	7,481.2	7,764.2	8,426.5	9,089.4	5.9%
	Client deposits	5,339.6	5,459.0	5,434.2	5,481.0	5,985.5	2.9%
	Outstanding balance of net loans to clients	5,439.4	5,533.1	5,538.1	5,528.5	6,077.2	2.8%
Results	Brokerage margin	141.2	142.7	129.7	142.1	158.2	2.9%
	Volume of net commissions	56.4	55.7	53.6	63.5	75.7	7.6%
	Turnover	454.0	506.6	503.7	519.9	641.7	9.0%
	Net proceeds from banking activity	238.3	246.8	252.6	288.9	358.0	10.7%
	Operating costs	153.0	180.1	177.3	185.6	245.3	12.5%
	Net results for the year	-132.8	-25.4	-3.5	8.6	25.0	
Equity	Capital	124.3	124.3	776.9	776.9	776.9	58.1%
	Consolidated reserves	-229.1	-355.9	-327.9	-341.3	-335.3	
	Treasury shares	-2.9	-2.9	-5.5	-5.5	-5.5	17.8%
	Results for the period	-127.3	-25.4	-3.5	8.6	25.0	
	Equity	-235.0	-259.0	440.0	438.7	461.0	
Profitability	Return On Equity (ROE)			-0.8%	2.0%	5.4%	
	Return On Assets (ROA)	-1.8%	-0.3%	-0.05%	0.10%	0.28%	
	Net result/net proceeds from banking	-53.4%	-10.3%	-1.4%	3.0%	7.0%	
	Net commissions/net proceeds from banking	23.7%	22.6%	21.2%	22.0%	21.1%	
	Brokerage margin / net proceeds from banking	59.3%	57.8%	51.4%	49.2%	44.2%	
	Net commissions/wages	49.4%	44.5%	43.2%	46.4%	41.5%	
	Operating coefficient	64.2%	73.0%	70.2%	64.3%	68.5%	

2.2. Main trends in the consolidated balance sheet

At the level of asset lines

At the end of 2017, the overall consolidated assets of the STB Group came to 9089.4 million dinars, an increase of 662.8 million dinars (7.9%) over the figure entered at the end of 2016. The main reasons for this increase are listed below.

- An increase of 548.8 million dinars (9.9%) in the outstanding balance of claims on clients, which came to 6077.2 million at the end of 2017, with the outstanding balance of this category of uses by the parent company up by 591.2 million dinars (10.6%)
- A 65.9 million dinar (6%) increase in the commercial paper portfolio, virtually all of which came from the 67.8 million dinar increase in variation of the outstanding balance of the parent company
- A 43.2 million dinar drop in the balance of claims on banking and financial institutions
- An 8.7 million dinar (-3.4%) drop in the investment securities portfolio, with that of the parent company posting -3.7 million.

At the level of liability lines

The Group's overall liabilities posted an increase of 563.7 million dinars (7%), mainly due to the following differentiated variations.

- Central Bank and postal check centre: +451.5 million dinars (43.6%), with that of the parent company posting a 428.8 million dinar increase in recourse to refinancing by the central bank, noting that the Banque Franco-Tunisienne (BFT) had the advantage of a 201 million dinar State guarantee in the form of refinancing from the central bank
- Deposits and assets of banking and financial institutions: -82.2 million dinars (-35%)
- Client deposits and assets: +504.6 million dinars (9.2%), bringing the outstanding balance at the end of 2017 to 5985.5 million dinars compared to 5481 million dinars at the end of 2016, with the parent company posting an increase of 520.6 million dinars
- Loans and special resources: -142 million dinars (-35.7%) in the outstanding balance of this category of parent company resources, down by 65.3 million dinars (-18.4%)

At the level of equity

The STB Group's overall equity came to 461 million dinars, posting an increase of 22.3 million dinars (5.1%).

2.3. Trends in the results of the Group and its main components

At the end of December 2017, the consolidated net results of the STB Group came to 25 million dinars. This compares to 8.6 million at the end of 2016, due mainly to:

- the positive impact of the parent company's consolidated net results (51.2 million dinars) as well as that of STB Invest (1.4 million dinars), l'Immobilière de l'Avenue (4.5 million) and STRC (4.1 million)
- the negative impact of BFT's consolidated net result (-29.5 million dinars) and that of the Tunisian Foreign Bank (-7.9 million dinars)

Analysis of the components of the Group's net results elicits the following comments.

- Net banking proceeds came to 358 million dinars, an increase of 69.2 million dinars (23.9%), broken down as follows:
 - proceeds from banking operations: +121.8 million dinars (23.4%)
 - banking operational costs: + 52.6 million dinars (22.8%)
- Operating costs rose by 59.7 million dinars for a total of 245.3 million at the end of December 2017, on the basis of the following factors:
 - an increase in wage costs amounting to 45.8 million dinars (33.5%), mainly attributable to the cost of recruitment by the parent company in the third quarter of 2016 and amounts paid to staff leaving on early retirement
 - an increase of 13.7 million dinars in general operating costs
- The operating coefficient thus fell by 4.2 percentage points to 68.5%, with that of the parent company coming in at 52.8% in 2017 vs. 50.1% at the end of 2016.
- The Group's 2017 yearend operating results came in at 23.9 million dinars, compared to 4.9 million at the end of 2016.

Breakdown of the Group's net results by sector

in thousand dinars

Sector	Consolidated result
LOAN INSTITUTIONS	20 096
FINANCIAL INSTITUTIONS	2 002
TOURISM	(324)
SERVICES	3 238
Total	25 013

Breakdown of the Group's net results by consolidation norm

in thousand dinars

Consolidated companies	Consolidated reserves		Consolidated results	
	2017	2016	2017	2016
GLOBALY INTEGRATED COMPANIES	(402 076)	(365 705)	26 660	6 971
STB	9 214	(51 126)	51 203	44 229
STB INVEST	13 922	13 060	1 410	920
SOFI ELAN SICAF	1 507	1 499	142	175
STB MANAGER	786	763	368	359
STB FINANCE	1 757	1 947	(548)	(828)
STB SICAR	2 828	(773)	629	225
IMMOB. DE. L'AVENUE	(11 328)	(8 559)	4 543	(4 049)
STRC	(47 346)	(49 433)	4 080	135
LA GENERALE DES VENTES	(1 294)	(1 101)	(101)	(295)
ED DKHILA	(169)	799	(307)	(1 335)
ACTIVHOTELS	(1 731)	(6 337)	(16)	(316)
BFT	(370 094)	(266 386)	(29 459)	(28 067)
STE SECURITE ET GARDIENNAGE	(55)	(18)	(2 460)	(1 886)
STE MOYENS GENERAUX	(72)	(40)	(2 823)	(2 296)
COMPANIES CONSOLIDATED USING THE EQUITY METHOD	66 739	24 440	(1 647)	1 590
SICAV L'INVESTISSEUR	321	(90)	51	78
SICAV L'AVENIR	(48)	(84)	61	(64)
STCV VERITAS	992	1 012	434	386
TUNISIAN FOREIGN BANK "TF BANK" (ex UTB)	19 584	(8 426)	(7 854)	(2 904)
SONI BANK	41 302	24 575	5 356	4 836
EL FEJJA	4 571	3 531	241	142
MAISON DU BANQUIER	17	(714)	64	68
STE D'ETUDE & DVPT "SOUSSE NORD"		4 636		(952)
TOTAL FOR THE GROUP	(335 337)	(341 265)	25 013	8 561

[*]: The contribution of SED Sousse Nord was outside the perimeter of consolidation for consolidated reserves and results relating to 2017

3. Prospects for the STB Group

Given the importance and weight of the Bank's affiliates and of the bottom-up participatory model that is the basis of its 2016-2020 five-year plan, representatives of the affiliates were directly involved in drawing up the Bank's new strategic orientations, particularly those relating to affiliates. This strategy,

entitled «STB 2020», is based on the strategic vision «To once again be THE BANK, an effective motor for Tunisia's economy». There are 13 areas of concentration, one of which is entitled «profitability of affiliates and holdings», encompassing the following objectives, orientations and specific initiatives.

Objectives

- To increase the contribution of affiliates and stockholders in the Bank's overall performance
- To group affiliates by area of specialisation and create synergy within each group
- To ensure conformity to banking law n°48-2016
- To define an investment policy oriented toward promising sectors

Orientations

- Higher return on equity
- Definition of an investment policy oriented toward promising sectors
- Greater synergy between STB and its affiliates so as to enhance joint performance

Specific initiatives

- Reorganisation of the affiliates in the Group by area of specialisation, with a view to strengthening expertise and skill levels in their respective fields

- Enhanced handling of managed funds, by revision of managed fund agreements signed by STB and STB SICAR
- Disengagement from non-financial affiliates and holdings as per law n°48-2016
- Reshaping of the function of portfolio management and rehabilitation of the portfolio, with a view to:
 - improving the rate of return by acquiring holdings in promising sectors and consolidating profitable holdings;
 - upgrading affiliates' yield and organizational aspects;
 - getting affiliates back on a firm footing, improving governance and drawing up development plans.

These efforts, as prioritized and introduced in 2017, are expected to yield positive results in the coming three years (2018, 2019 and 2020), allowing for notable improvement in the performance of affiliates and greater synergy with the Bank.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2017

CONSOLIDATED BALANCE SHEET
STATEMENT OF OFF BALANCE SHEET
COMMITMENTS
STATEMENT OF CONSOLIDATED
RESULTS
CASH FLOW STATEMENT

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

(in thousand dinars)

	note	31 Dec 2017	31 Dec 2016
ASSETS			
Cash & holdings at the central bank of Tunisia (BCT), the postal checks centre (CCP) and the Tunisian general treasury (TGT)		289 874	286 380
Claims on banking and financial institutions		265 525	308 715
Claims on clients		6 077 211	5 528 457
Commercial securities portfolio	3.1	1 170 337	1 104 445
Investment portfolio	3.2	248 628	257 353
Securities accounted for using the equity method	3.3	103 690	69 920
Differences on acquisition		-4 970	-6 259
Fixed assets		140 151	123 846
Differed tax assets		9 956	6 877
Other assets		788 981	746 811
TOTAL ASSETS		9 089 384	8 426 545
LIABILITIES			
Central bank and postal checks centre		1 486 900	1 035 393
Deposits and assets of banking and financial institutions		152 749	234 916
Client deposits and assets		5 985 516	5 480 964
Borrowings and special resources		255 613	397 573
Differed tax liability		16 484	23 119
Other liabilities		724 704	886 303
Total liabilities		8 621 966	8 058 268
Minority interests	3.4	6 375	-70 385
EQUITY			
Capital		776 875	776 875
Consolidated reserves	3.5	-335 337	-341 265
Treasury shares *	3.6	-5 509	-5 509
Consolidated result	3.5	25 013	8 561
TOTAL EQUITY		461 043	438 662
TOTAL LIABILITIES, MINORITY INTERESTS AND EQUITY		9 089 384	8 426 545

STATEMENT OF CONSOLIDATED OFF BALANCE SHEET COMMITMENTS AS AT 31 DECEMBER 2017

(in thousand dinars)

	note	31 Dec 2017	31 Dec 2016
CONTINGENT LIABILITIES			
Deposits, endorsements and other guarantees given	3.7	1 304 811	1 167 114
Documentary credit	3.8	462 411	335 605
Assets given as a guarantee		-	-
TOTAL CONTINGENT LIABILITIES		1 767 222	1 502 719
COMMITMENTS GIVEN			
Financing commitments given		135 207	128 194
Commitments on securities		2 809	4 933
TOTAL COMMITMENTS GIVEN		138 016	133 127
COMMITMENTS RECEIVED			
Financing commitments received		-	-
Guarantees received	3.9	1 634 444	1 476 761
TOTAL COMMITMENTS RECEIVED		1 634 444	1 476 761

STATEMENT OF CONSOLIDATED RESULTS

AS AT 31 DECEMBER 2017

(in thousand dinars)

	note	31/12/17	31/12/16
PROCEEDS FROM BANKING OPERATIONS			
PR 1 Interest and related income		437 772	369 388
PR 2 Commissions (proceeds)		78 789	65 953
PR 3 Gains on the commercial securities portfolio and financial transactions		107 044	68 073
PR 4 Income from the investment portfolio		18 110	16 532
Total proceeds from banking operations		641 714	519 946
COSTS FOR BANKING OPERATIONS			
CH 1 Interest incurred and related costs		-279 590	-227 304
CH 2 Commissions incurred		-3 129	-2 447
CH 3 Losses on the commercial securities portfolio and financial transactions		-979	-1 336
Total costs for banking operations		-283 699	-231 087
NET PROCEEDS FROM BANKING			
NET PROCEEDS FROM BANKING		358 015	288 859
PR5/CH4 Allotments to provisions and result of correction of values on claims, off balance sheet and liabilities		-127 038	-121 712
PR6/CH5 Allotments to provisions and result of correction of values on the investment portfolio		-4 019	-10 468
PR7 Other proceeds from operations		43 889	32 253
CH6 Staff costs		-182 512	-136 728
CH7 General operating costs		-53 184	-39 441
CH8 Allotments to depreciation and to provisions for fixed assets		-9 588	-9 435
CH8 Share in the results of companies accounted for using the equity method		-1 647	1 590
OPERATIONAL RESULT		23 916	4 918
PR8/CH9 Balance as gain/loss from other ordinary components		3 519	-1 264
CH11 Tax on profits		-2 392	-3 821
RESULT OF ORDINARY ACTIVITIES		25 042	-167
PR 9/CH10 Balance as gain/loss from extraordinary components		-5	-110
NET RESULT FOR THE YEAR		25 037	-277
PR 9/CH10 Minority interests in results	3.10	-6 535	-8 838
SHARE IN RESULT OF MINORITY INTERESTS ATTRIBUTABLE TO MAJORITY INTERESTS	3.11	6 558	-
CONSOLIDATED NET RESULT FOR THE YEAR PRIOR TO ACCOUNTING CHANGES		25 013	8 561
Impact of accounting changes		-	-
CONSOLIDATED NET RESULT FOR THE YEAR FOLLOWING ACCOUNTING CHANGES	3.12	25 013	8 561

CASH FLOW STATEMENT

AS AT 31 DECEMBER 2017

(in thousand dinars)

	Note	31 Dec 2017	31 Dec 2016
Operational activities			
Proceeds from banking operations that have been encashed		655 312	542 827
Expenses for banking operations that have been disbursed		-293 029	-228 735
Deposits / Withdrawals at other banking and financial institutions		1 952	-23 137
Loans and advances / Reimbursement of loans and advances to clients		-772 774	-344 726
Client deposits & withdrawals		506 117	49 080
Buying/selling of investment securities		-48 653	-314 811
Sums paid to staff and miscellaneous creditors		-183 040	-121 594
Other cash flows from operational activities		-296 238	-66 129
Corporate tax paid		-4 115	-4 325
Net cash flow assigned to operational activities		-434 469	-511 550
INVESTMENT ACTIVITIES			
Interest and dividends from the investment portfolio that have been encashed		17 610	16 116
Buying /selling on the investment portfolio		-6 309	-58 102
Buying/selling of fixed assets		-13 944	-18 141
Net cash flow assigned to investment activities		-2 644	-60 127
FINANCING ACTIVITIES			
Stock issues		-	-
Issue/reimbursement of loans and special resources		-64 042	-88 077
Dividends paid		-1 368	-126
Consolidated result			
Net cash flow assigned to financing activities		-65 411	-88 203
Net variation liquidity and quasi liquidity for the period		-502 524	-659 880
Adjustment following variation in the perimeter		-	200
Liquidity and quasi liquidity at the start of the period		-630 768	28 912
Liquidity and quasi liquidity at the end of the period	3.13	-1 133 292	-630 768

(*) reprocessed to allow for comparability

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2017

NOTE 1 – ACCOUNTING PRINCIPLES FOR EVALUATING AND PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

1.1. STANDARDS FOR DRAWING UP CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the STB Group are prepared in line with the terms of law n° 96-112 du 30 December 1996 pertaining to the corporate accounting system, decree n° 96-2459 of 30 December 1996 which endorses the conceptual accounting framework, Tunisian accounting standards, including sectoral accounting standards n° 21 to 25 published by Ministry of Finance decree of 25 March 1999, as well as technical accounting

standards n° 35 to 39 published by Ministry of Finance decree of 1 December 2003.

1.2. PERIMETER AND METHOD OF CONSOLIDATION

1.2.1. Perimeter of consolidation

The perimeter of the consolidated financial statement includes 20 companies as at 31 December 2017.

- 13 affiliates accounted for using global integration
- 7 associated companies accounted for using the equity method

For the companies in the perimeter of consolidation, the percentage of control, the Group's percentage of interest, and the method of consolidation are specified in the following table.

Companies that can be consolidated	Group's % of control			Method of consolidation		Group's % of interest		
	2017	2016	Var %	2017	2016	2017	2016	Var %
1. STB BANK (parent company)	99.91%	99.69%	0.22%	I-G	I-G	99.69%	99.69%	0.00%
2. STB INVEST	99.51%	99.01%	0.50%	I-G	I-G	99.19%	98.50%	0.69%
3. SOFI ELAN SICAF (close-ended investment fund)	58.59%	58.59%	0.00%	I-G	I-G	57.68%	57.22%	0.46%
4. STB MANAGER	99.96%	99.96%	0.00%	I-G	I-G	94.08%	91.43%	2.65%
5. STB FINANCE	96.70%	96.70%	0.00%	I-G	I-G	95.17%	93.23%	1.94%
6. STB SICAR (venture capital)	99.50%	99.50%	0.00%	I-G	I-G	98.77%	85.59%	13.18%
7. L'IMMOBILIERE DE L'AVENUE (real estate)	99.90%	99.90%	0.00%	I-G	I-G	98.28%	98.07%	0.21%
8. STRC (claims collection)	100.00%	100.00%	0.00%	I-G	I-G	99.67%	99.63%	0.04%
9. SOCIETE LA GENERALE DES VENTES	50.00%	50.00%	0.00%	I-G	I-G	49.85%	49.85%	0.00%
10. SOCIETE ED DKHILA	67.87%	67.87%	0.00%	I-G	I-G	67.63%	67.58%	0.05%
11. SOCIETE ACTIVHOTELS	99.97%	99.97%	0.00%	I-G	I-G	99.35%	96.53%	2.82%
12. BFT (Franco-Tunisian Bank)	78.80%	78.80%	0.00%	I-G	I-G	78.53%	78.52%	0.01%
13. SICAV L'INVESTISSEUR (open-ended inv.fund)	71.35%	73.28%	-1.93%	M-E	M-E	70.92%	72.43%	-1.51%
14. SICAV L'AVENIR (open-ended investment fund)	98.44%	98.61%	-0.17%	M-E	M-E	97.79%	96.26%	1.53%
15. TUNISIAN FOREIGN BANK ex «U.T.B»	44.18%	46.00%	-1.82%	M-E	M-E	44.04%	45.86%	-1.82%
16. STE MOYENS GENERAUX	100.00%	100.00%	0.00%	I-G	I-G	93.79%	90.68%	3.11%
17. S.T.C.V VERITAS	27.06%	27.06%	0.00%	M-E	M-E	26.97%	26.98%	-0.01%
18. SONI BANK	25.00%	25.00%	0.00%	M-E	M-E	24.92%	24.92%	0.00%
19. S.E.D SOUSSE NORD	H-P	24.92%	-24.92%	-	M-E	HP	24.85%	-24.85%
20. S.C.I «LA MAISON DU BANQUIER»	21.64%	21.64%	0.00%	M-E	M-E	21.22%	21.22%	0.00%
21. S.P.C.M «ELFEJJA»	20.00%	20.00%	0.00%	M-E	M-E	19.94%	19.94%	0.00%
22. STB SECURITE ET GARDIENNAGE	100.00%	99.95%	0.05%	I-G	I-G	93.88%	90.71%	90.71%

- IG: global integration
- ME: equity method

Consolidated accounts have been established on the basis of the parent company's financial statements and those of the companies in the perimeter of consolidation. However, a number of companies (VERITAS, LA MAISON DU BANQUIER, EL FEJJA, BFT and TFB) had not provided accounts certified by their auditors by the closing date for consolidated financial statements.

Area of activity and country of residence for the companies in the perimeter of consolidation are given in the table below.

CONSOLIDATED COMPANIES	AREA OF ACTIVITY	COUNTRY OF RESIDENE
STB	LOAN INSTITUTION	TUNISIA
BANQUE FRANCO-TUNISIENNE B.F.T	LOAN INSTITUTION	TUNISIA
TUNISIAN FOREIGN BANK (ex UTB)	LOAN INSTITUTION	FRANCE
SONIBANK	LOAN INSTITUTION	NIGER
STB SICAR	FINANCIAL INSTITUTION	TUNISIA
STB INVEST	FINANCIAL INSTITUTION	TUNISIA
SOFI ELAN SICAF	FINANCIAL INSTITUTION	TUNISIA
STB MANAGER	FINANCIAL INSTITUTION	TUNISIA
STB FINANCE	FINANCIAL INSTITUTION	TUNISIA
SICAV AVENIR	FINANCIAL INSTITUTION	TUNISIA
SICAV L'INVESTISSEUR	FINANCIAL INSTITUTION	TUNISIA
ED-DKHILA	TOURISM	TUNISIA
STVC VERITAS	SERVICES	TUNISIA
SOCIETE ACTIVHOTELS	TOURISM	TUNISIA
EL FEJJA	SERVICES	TUNISIA
IMMOBILIERE DE L'AVENUE	SERVICES	TUNISIA
"STRC"	SERVICES	TUNISIA
MAISON DU BANQUIER	SERVICES	TUNISIA
STE LA GENERALE DE VENTE	SERVICES	TUNISIA
STE SECURITE ET GARDIENNAGE	SERVICES	TUNISIA
STE MOYENS GENERAUX S.A	SERVICES	TUNISIA
STE MOYENS GENERAUX S.A	SERVICE	TUNISIE

1.2.2. Special treatment

Consolidation of the accounts of the TUNISIAN FOREIGN BANK (TFB):

The STB Group's percentage of control in TFB was set as at 31 December 2017 at 44.18%. However, TFB was consolidated using the equity method, since STB considers that it does not have the power to direct the financial and operational policies of this company.

Consolidation of the accounts of open-ended mutual investment funds:

The STB Group's percentage of control in open-ended mutual investment funds exceeds 50%. However, these open-ended mutual investment funds were consolidated using the equity method, since STB does not have the power to determine their financial and operational policies, this being the role of the Capital Market Council (CMF).

1.2.3. Variation in the perimeter of consolidation of the STB Group (2016-2017)

SED NORD, one of the companies in the perimeter of consolidation in 2016, was excluded from the perimeter of consolidation of the STB Group as at 31 December 2017 since it was unable to submit financial statements for the year ending 31 December 2017.

Consolidated by global integration in 2016, the contribution of SED NORD to 2016 consolidated reserves and results is given below.

CONSOLIDATED RESERVES 2016	4 636
CONSOLIDATED RESULTS 2016	-952
Total in thousand dinars	3 684

1.2.4. Method of consolidation

• Companies consolidated using global integration

Globally integrated companies are those companies on which the Group exercises exclusive control, whether by right, presumed or de facto. The Group has exclusive control over an affiliate when it is able to direct the financial and operational policies of companies for the benefit of its own activities.

Global integration consists of the following successive stages:

- The individual financial statements of the parent company and of its affiliates are combined line by line by adding similar components of assets, liabilities, equity, proceeds and charges.
- The accounting value of the parent company's holdings in each affiliate and the share of the parent company in the equity of each affiliate are eliminated.
- Minority interests in the net result of consolidated affiliates for the year are identified and subtracted from the Group's results in order to obtain the net result attributable to the owners of the parent company.
- Minority interests in the equity of consolidated affiliates are identified and presented in the consolidated balance sheet separate from the liabilities and equity of the parent company.

Minority interests in equity include the amount on the original date of regrouping, calculated as per accounting standard 38 pertaining to regrouping of companies and the share of minority partners in the movement of equity since the date of regrouping.

- Intra-group balances and transactions and resulting latent profits are eliminated in a reciprocal manner. Latent losses resulting from intra-group transactions are also eliminated, unless the cost can be recovered.
- Temporary differences from eliminating latent profits and losses resulting from intragroup transactions are processed according to accounting rules pertaining to taxes on results.

• Companies accounted for using the equity method

Companies accounted for using the equity method are those companies on which the Group has only notable influence. The Group exercises notable influence when it is able to participate in decisions pertaining to financial and operational policy of the company held, without however having control of these policies.

According to the equity method, holdings are initially recorded at cost and accounting value increases or diminishes in order to take into account the share of the investor in the results of the company held after the date of acquisition.

Distribution received by the company held reduces the accounting value of holdings. Adjustment of the accounting value may also be necessary for modifications due to variation in the equity of companies held that have not been included in the results statement.

Thus the value of equity shares will be substituted by the share of the Group in equity including the result of companies accounted for using the equity method..

1.3. RULES SPECIFIC TO CONSOLIDATION

1.3.1. Processing of differences on first consolidation

The difference on first consolidation is the difference at the time of acquisition between the cost of acquisition of shares and the corresponding share in the net accounting assets of the consolidated company. This difference can be broken down between the difference on evaluation corresponding to latent gains or losses on assets as well as the difference on acquisition that corresponds to positive or negative goodwill.

Whenever data is available, the differences on acquisition have been identified and entered as such under intangible fixed assets as assets. Determined differences on acquisition are depreciated in a linear manner over a period of five years.

1.3.2. Processing of losses attributable to minority shareholders

If losses attributable to minority shareholders in a consolidated affiliate are greater than minority interests in the equity of the affiliate, the surplus and all future losses relative to minority shareholders are charged to majority interests, unless the minority shareholders have an irrevocable obligation to make up the losses and are in a position to do so. If the affiliate later turns a profit, majority interests receive the sum total of these profits, until the share of losses

pertaining to minority interests previously charged to majority interests has been recovered.

1.3.3. Processing of differed taxes

Only elimination of reciprocal transactions that have an impact on results and reserves lead to entering of differed tax.

Time differences arising from the individual financial statements of the Group's companies did not lead to possible entry of differed tax.

1.4. COMPANIES EXCLUDED FROM THE PERIMETER OF CONSOLIDATION

37 companies have been excluded from the perimeter of consolidation of the STB Group for the following reasons.

- Companies in the process of liquidation

N°	Corporate name
1	SKANES PALACE
2	AFRICA SOUSSE
3	STE ANONYME DE CONSTR. ELECTROMECHANQUES "SACEM"
4	STE TUN. DE DEVPT. DU CINEMA & DE L'AUDIOV."STDCA"
5	STE TOURISTIQUE AIN DRAHAM "HOTEL NOUR EL AIN"
6	EL MARASSI
7	STE D'ETUDES ET DE DEV. HAMMAMET SUD "SEDHS"
8	STE D'ET. DEVPT AUDIO-VISUEL DE TSIE "SEDAT"
9	STE COND. IMPR. & PUBLICITE "CIP"
10	STE DES IND. METALLURGIQUES "SIMET"

- Companies at a standstill

N°	Corporate name
1	COMPAGNIE DE DEVELOPPEMENT DU GRAND KORBOUS
2	STE D'ETUDES ET DE DEVELOPPEMENT DE SOUSSE
3	STE D'ET. & DE DEVPT "ZOUARAA"
4	S.H.T. LES BERGES 2000 "Hôtel l'Atrium"
5	DUNES DE NEFZEOUA

- Companies that have not provided financial statements as at 31 December 2017:

N°	Corporate name
1	SIDCO SICAR
2	SED SOUSSE NORD

-Companies over which STB has lost control following a legal ruling (i.e. which are under the control of a court-mandated official):

N°	Corporate name
1	CIE MED. DE TOURISME "HOTEL DALIA"
2	STE HOTELIERE "BEL AIR"

- Companies over which STB has lost control (STE DE DEV.ECO. DE KASSERINE SODEK-SICAR) ;

- Companies in an investment phase (STE DE COMMERCE INTERNATIONAL DE KEBILI «SOCIK») ;

- Companies acquired and held with the sole intention of resale in the near future, as well as companies for which a procedure leading to sale has been launched:

N°	Corporate name
1	CIE HOTELIERE DES CENTRES VILLES (HOTEL ANDALOUS)
2	STE RAMLA TOZEUR
3	STE D'ANIMATION TOURISTIQUE BISAT SA
4	STE D'ACTIVITE TQUE "HOTEL ZODIAC"
5	STE HOTEL BYZANCE
6	Sté d'Etudes et de Prom.Tque " Hôtel Mariqueen"JERBA MARITIM
7	STE D'ANIMATION ET DE LOISIRS PARADISE PARK (H PHEDRA)
8	STE HOTEL YOUNES
9	STE TOURISME & ANIMATION "RAIS CLUB"
10	STE DE PROMOTION TOURISTIQUE LES CYCLAMENS
11	STE INTLE DE GEST. HOT. "H. BYBLOS"
12	COPRAT HAMMAMET GARDEN HOTEL
13	MAISON BLANCHE
14	NEPTUNIA
15	STE HOTELIERE «DAR DHIAFA » TROPICANA CLUB

- Companies that are unable to transfer funds to STB or that find themselves under constraints of a durable nature (CIE TQUE ARABE «CTA» (MARINA MONASTIR).

NOTE 2 – KEY EVENTS IN 2017

2.1. STB's claim on Tunis-Ré

As per the contract pertaining to coverage of risk on foreign exchange signed by STB, the bank reimbursed a syndicated loan contracted in foreign currency on the date of reimbursement, shouldering a difference on exchange of some 127.121 million dinars.

This difference on exchange will be covered by the State, in application of the contract pertaining to coverage of the risk of fluctuation in the rate of exchange, via the national guarantee fund.

The claim on TUNIS-RE, which manages this fund, amounts to some 127.578 million dinars.

2.2 State guarantee for the Franco-Tunisian Bank

STB granted a loan to its affiliate the Franco-Tunisian Bank BFT, in which it holds a 78.18% share, in the form of a 70 million dinar interbank loan. This loan is guaranteed by the State, which granted an overall guarantee of 201 million dinars, which covers 80% of BFT's liabilities.

2.3 Migration to a new information system

In the framework of overhauling its information system, STB acquired two new applications: Carthago-Agence (for bank branches) and Carthago-Engagements (for commitments). Introduction of these applications began in April 2017 and was completed in November 2017.

2.4 Voluntary departure on retirement

In the framework of its restructuring programme, STB drew up a corporate reorganisation plan involving the voluntary departure on retirement of 378 employees, 136 of whom had taken advantage of this measure as of yearend 2017, with another 242 departures planned for 2018 and 2019.

The updated cost of this initiative as at 31 December 2017 came to 76 million dinars, 57 million of which were entered into accounting under provisions as per international accounting norm IAS 19 and 19 million entered into accounting under costs for 2017.

2.5 Extension of exceptional measures for tourism

The Central Bank of Tunisia issued circular n° 2017-05 dated 24 July 2017 providing for extension of the exceptional measures to help companies working in tourism as per circular n° 2015-12, with the exception

of article 2 of this circular, which concerns the granting of new loans to finance the need for revolving funds. Thus loan institutions could reschedule payments due in 2017 on loans to companies working in tourism that had previously taken advantage of the measures outlined in circular 2015-12.

Reimbursement of these payments were to begin starting in 2018.

2.6 The BRUNO POLI affair

A case was undertaken against STB by Mr. Bruno Poli, who claimed to have deposited at the ex-BNDT (national bank for Tunisian development) seven cash vouchers in dollars, with no mention of issuing bank nor due date, presenting a certified copy of the original of an undated attestation in the personal name of a former employee of BNDT, with no bank stamp.

An unwarranted ruling ordered STB to return the vouchers or an equivalent amount to him. The order was appealed but the original ruling was upheld. A cassation appeal was formulated, leading to suspension of the decision without the requirement to provide security.

A judgement was delivered in favour of the Bank on 26 March 2018, with the Court of Cassation reversing

suspension of the appeal pending retrial.

2.7 Writing off and transfer of claims

In application of paragraph VII 4 x of article 48 of the code pertaining to individual income tax and corporate tax, STB proceeded to write off unrecoverable banking claims in 2017.

With reference to law n° 98-4 of 2 February 1998 pertaining to claim collection companies, STB transferred two lots of banking claims to its affiliate STRC.

The overall amount of claims written off and transferred came to 460.6 million dinars, of which 197 million dinars were in late interest.

NOTE 3 - NOTES ON THE LINES OF CONSOLIDATED FINANCIAL STATEMENTS (These figures are in thousand Tunisian dinars)

3.1. Commercial securities portfolio

The balance of this line as at 31 December 2017 came to a total of 1,170,337 thousand Tunisian dinars, compared to 1,104,445 thousand as at 31 December 2016, broken down as follows.

Description	in thousand dinars	
	31 Dec 2017	31 Dec 2016
STB portfolio	1 134 342	1 066 542
Portfolio of affiliates consolidated by global integration	35 995	37 903
Total	1 170 337	1 104 445

3.2. Investment securities portfolio

The balance of this line as at 31 December 2017 came to a total of 248,628 thousand TD compared to 257,353 thousand as at 31 December 2016, broken down as follows.

Description	in thousand dinars	
	31 Dec 2017	31 Dec 2016
STB portfolio	173 379	178 757
Portfolio of affiliates consolidated by global integration	75 249	78 596
Total	248 628	257 353

3.3. Securities consolidated using the equity method

As at 31 December 2017, this category came to a total of 103,690 thousand TD, compared to 69,920 thousand TD as at 31 December 2016, broken down as follows.

in thousand dinars

Companies accounted for using the equity method	31 Dec 2017	31 Dec 2016
1. SICAV L'INVESTISSEUR	987	963
2. SICAV L'AVENIR	1 109	995
3. STCV VERITAS	1 540	1 512
4. TUNISIAN FOREIGN BANK (EX UTB)	34 506	12 179
5. SONI BANK	54 846	37 599
6. EL FEJJA	9 465	9 520
7. MAISON DU BANQUIER	1 237	1 173
8. SED NORD	-	5 979
Total	103 690	69 920

3.4. Minority interests

As at 31 December 2017 the total for this category came to 6375 thousand Tunisian dinars compared to -70,385 thousand as at 31 December 2016, broken down as follows.

in thousand dinars

Company	31 Dec 2017			31 Dec 2016		
	Minority interests in results	Minority interests in reserves	Total	Minority interests in results	Minority interests in reserves	Total
1. S.T.B	153	-118	35	142	-158	-16
2. STB INVEST	11	292	303	14	641	655
3. SOFI ELAN SICAF	104	3360	3464	131	3 353	3484
4. S.T.B Manager	23	51	74	34	117	150
5. STB FINANCE	-28	340	312	-60	630	570
6. S.T.B SICAR	8	134	142	38	3 069	3107
7. L'IMMOBILIERE DE L'AVENUE	-	-78	-78	-80	-21	-101
8. S.T.R.C	-	-14	-14	1	-161	-160
9. GENERALE DES VENTES	-101	698	597	-297	892	595
10. STE ED DKHILA	-147	1 677	1530	-641	2 151	1510
11. ACTIVHOTELS	-	-	-	-11	-195	-206
12. BFT	-	-	-	-7 680	-71 927	-79607
13. STB SECURITE ET GARDIENNAGE	-	-	-	-193	18	-175
14. STB MOYENS GENERAUX	-	-	-	-236	45	-191
TOTAL	23	6 351	6 375	(-8 838)	(-61 546)	(-70 385)

3.5. Consolidated reserves and result

As at 31 December 2017, the consolidated result came to 25,013 thousand Tunisian dinars compared to 8561 thousand as at 31 December 2016. Furthermore, consolidated reserves went from -341,265 thousand TD as at 31 December 2016 to -335,337 thousand as at 31 December 2017:

in thousand dinars

Consolidated companies	Consolidated reserves		Consolidated results	
	2017	2016	2017	2016
GLOBALLY INTEGRATED COMPANIES	-402 075	-365 705	26 660	6 971
1 STB	9 214	-51 126	51 203	44 229
2 STB INVEST	13 922	13 060	1 410	920
3 SOFI ELAN SICAF	1 507	1 499	142	175
4 STB MANAGER	786	763	368	359
5 STB FINANCE	1 757	1 947	- 548	-828
6 STB SICAR	2 828	-773	629	225
7 IMMOB.DE.L'AVENUE	-11 328	-8 559	4 543	-4049
8 STRC	- 47 346	-49 433	4 080	135
9 LA GENERALE DES VENTES	-1294	- 1 102	-101	-295
10 ED DKHILA	-169	799	-307	-1 335
11 ACTIVHOTELS	-1 731	-6 337	-16	-316
12 BFT	-370 094	-266 386	-29 459	-28 067
13 STE SECURITE ET GARDIENNAGE	-55	-18	-2 460	-1 886
14 STE MOYENS GENERAUX	-72	-40	-2 823	-2 296
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	66 739	24 440	-1 647	1 590
15 SICAV L'INVESTISSEUR	321	-90	51	78
16 SICAV L'AVENIR	-48	-84	61	-64
17 STCV VERITAS	992	1 012	434	386
18 UNION TUNISIENNE DE BANQUE « UTB »	19 584	-8 426	-7 854	-2 904
19 SONI BANK	41 302	24 575	5 356	4 836
20 EL FEJJA	4 571	3 531	241	142
21 MAISON DU BANQUIER	17	-714	64	68
22 SED SOUSSE NORD	-	4 636	-	-952
TOTAL	-335 337	-341 265	25 013	8 561

3.6. Buy back of its own shares by the companies in the Group

This category, which posted a balance of 5509 thousand Tunisian dinars as at 31 December 2017, includes repurchase of shares by the consolidating company.

3.7. Endorsements, deposits and other guarantees given

As at 31 December 2017, this category posted a balance of 1,304,811 thousand TD, which corresponds to the sum total of endorsements, deposits and other guarantees given by the parent company and its affiliate the Franco-Tunisian Bank BFT.

3.8. Documentary credits

As at 31 December 2017, this category posted a balance of 462,411 thousand TD, which corresponds to commitments on the parent company's documentary credit.

3.9. Guarantees received

As at 31 December 2017 consolidated guarantees received posted a balance of 1,634,444 thousand Tunisian dinars. This balance derives from STB guarantees reprocessed by eliminating guarantees received from its real estate affiliates l'Immobilière de l'Avenue and Ed-Dkhila as well as guarantees received at BFT.

3.10. Minority interests in results

As at 31 December 2017 minority interests in results came to -6535 thousand Tunisian dinars, broken down as follows.

Company	in thousand dinars	
	31 Dec 2017	31 Dec 2016
	Minority interests in results	Minority interests in results
1. S.T.B	153	142
2. STB INVEST	11	14
3. SOFI ELAN SICAF	104	131
4. S.T.B Manager	23	34
5. STB FINANCE	-28	-60
6. S.T.B SICAR	8	38
7. L'IMMOBILIERE DE L'AVENUE	78	-80
8. S.T.R.C	14	1
9. GENERALE DES VENTES	-101	-297
10. STE ED DKHILA	-147	-641
11. ACTIVHOTELS	-	-11
12. BFT	-6 325	-7 680
13. STB GARDIENNAGE	-150	-193
14. STB MOYENS GENERAUX	-175	-236
TOTAL	(6 535)	(8 838)

3.11 Shares of minority interests attributed to majority interests

As at 31 December 2017, the share of minority interests attributed to majority interests came to 6558 thousand TD, broken down as follows.

in thousand dinars

Company	31 Dec 2017 (*)
	Minority interests in results
1. BFT	6 325
2. IMMOBILIERE DE L'AVENUE	-78
3. STB MOYENS GENERAUX	175
4. STB SECURITE ET GARDIENNAGE	151
5. STRC	-14
6. ACTIVHOTELS	0,105
TOTAL	6 558

(*) 2016 data on the shares of minority interests attributed to majority interests has not been reprocessed to allow for comparability.

3.12. Consolidated liquidity and quasi-liquidity

Liquidity and consolidated quasi liquidity as at the end of 2017 came to -1,133,292 thousand Tunisian dinars compared to -630,768 thousand at the end of 2016, a variation of 80% due mainly to variation in liquidity at the end of the period for STB, the parent company, which went from -382,050 thousand Tunisian dinars at the end of 2016 to -775,588 thousand at the end of 2017, i.e. 103%.

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE STB GROUP FOR THE YEAR ENDING 31 DECEMBER 2017

Ladies and Gentlemen, Stockholders

1. Qualified opinion

In line with the mandate entrusted to us by the general assembly, we have carried out audit of the attached consolidated financial statements of the STB GROUP, which includes the balance sheet as at 31 December 2017, the statement of off balance sheet commitments, the results statement and the statement of cash flow for the year ending on this date, along with attached notes, which include a summary of the main accounting methods employed.

In our opinion, subject to the possible impact of issues raised in the section entitled «basis for a qualified opinion», the attached consolidated financial statements faithfully present in all significant aspects the financial status of the STB Group as at 31 December 2017 as well as its financial performance and cash flow for the year ending on this date, in line with the accounting principles generally applied in Tunisia

2. Basis for a qualified opinion

We have carried out our audit on the basis of the international audit norms applicable in Tunisia. Our responsibility under these norms is described in more detail in the section entitled «Responsibility of the auditors in auditing the consolidated financial statements».

We are independent of the Group, in line with ethical rules pertaining to financial statements in Tunisia, and we have met all other obligations pertaining to ethical responsibility under these rules. We consider that the evidence we have obtained is sufficient as the basis for our opinion.

2.1 The lines entitled « Cash and holdings at the central bank of Tunisia (BCT), postal check centre (CCP) and Tunisian general treasury (TGT)», «Claims on banking and financial institutions», «BCT and CCP» and «Deposits and holdings of banking and financial institutions» on the financial statements of the parent company STB include accounts that present old unresolved outstanding items involving mainly BCT dinar, BCT foreign currency and correspondent foreign currency accounts.

Until we receive justification of why these transactions have remained outstanding, we are unable to confirm that these accounts contain no significant anomalies from error or unauthorized transactions, nor can we assess the impact of adjustments on the Group's equity that investigation might possibly turn up.

2.2 STB, the parent company, does not account for off balance sheet commitments in a regular and comprehensive manner.

The statement of off balance sheet commitments has been drawn up outside of the accounting system on the basis of information submitted by STB internal structures, with the exception of endorsements and deposits.

Consequently, we enter a reservation about the regularity and exhaustiveness of the statement of consolidated off balance sheet commitments.

2.3 The financial statements of the Franco-Tunisian Bank « BFT », which is globally integrated, have been the object of an unfavourable opinion because of significant uncertainty weighing on BFT's ability to pursue operations and on its capacity to realize its assets and pay its debts in the normal course

of its activities. Should BFT leave the perimeter of consolidation of the STB Group, it would significantly impact many components of the STB Group's financial statements.

2.4 Banking claims transferred by STB (the parent company) to its affiliate STRC (the Tunisian claims collection company) have not been reprocessed to bring them to their fair value by reconstituting the gross outstanding balance on a consolidated basis and ensuring their coverage in the form of provisions and reserved agios after eliminating the results of internal transfer.

STRC assets include claims acquired four years ago for 113 million dinars, provisioned at 80 million dinars, which have not benefitted from discount policy.

The corrections to be made to bring these claims to their true value - and consequently additional provisions to be constituted - could impact the Group's financial status and performance.

2.5 The method chosen by the STB Group to allocate affiliates' equity is based on determination of the Group's share in the consolidated reserves and consolidated results of companies globally integrated by eliminating reciprocal transactions, including those that have no effect on the Group's results.

We are not in a position to assess the impact of correction of the method of distribution on the Group's results and equity.

2.6 A number of companies in the STB Group enter into accounting the costs tied to benefits upon departure on retirement as well as those pertaining to group insurance contributions for retirees only on the effective date of retirement, which will then impact the Group's financial status and performance.

2.7 As stated in note 1.2.1 «perimeter de consolidation», audit work on consolidation has been carried out on the basis of uncertified financial statements for five companies out of a perimeter of 20 companies.

We are unable to assess the impact of any adjustments that audit findings might suggest.

2.8 As mentioned in note 1.3.3 «processing of differed tax», differed tax is entered only to eliminate transactions within the Group. Tax-related contingent assets and liabilities on other temporary differences arising from the individual financial statements of companies retained in the perimeter of consolidation are not entered on the Group's financial statements.

3. Key issues for the audit

Key issues for the audit are those which, in our professional opinion, were the most important in the auditing of consolidated financial statements for the period under consideration.

These issues were dealt with in the context of our audit of consolidated financial statements taken as a whole, contributing to forming of our opinion about them, but without expressing a specific opinion on these issues.

We have determined that the following items constitute key issues for the audit, which must be raised in our report.

3.1 Classifying claims and estimating provisions

Key issue for audit

The Group classifies, evaluates commitments and enters related provisions into accounting as soon as it considers that the criteria defined in BCT circular n° 91-24 of 17 December 1991, as modified by subsequent circulars, have been met.

Given the STB Group's exposure to loan risk, with estimates made based on quantitative and qualitative criteria which require a high level of judgement, we consider that classification of claims, evaluation of related provisions and calculation of interest and reserved agios are a key point for our audit.

Audit procedures employed

On the basis of talks with upper management and examination of monitoring procedures put in place by the STB Group, we have acquainted ourselves with the method to assess counterpart risk and enter the necessary provisions in light of guarantees obtained. The method used to classify Group commitments is based mainly on how long a claim has been pending.

We have thus used the following approach for this audit exercise.

- reconciliation of the status of client commitments with accounting data
- assessment of the methodology retained by the Group to classify claims with respect to regulations issued by the central bank of Tunisia
- assessment of the reliability of the system to cover risk and reserve proceeds
- verification of the inclusion of certain qualitative criteria derived from transactions carried out and from conduct of the relationship throughout the year;
- review of guarantees retained to calculate provisions and assess their value in light of rules set and methods adopted;
- verification of the arithmetic calculation of the amount of provisions required on client claims on individual, collective and additional bases, in application of current regulations

- verification that the proposed adjustments have been taken into account by the Group

3.2 Accounting for interest and commissions

Key issue for audit

Interest on commitments and commissions entered under 2017 results amount to 516 million dinars.

We consider that entry of interest and commissions under results is a key point for audit, given the importance of this category and the inherent limits of the Group's information system.

Audit procedures used

Our audit of the accounts focused in particular on the following components:

- review of policies, processes and checks put in place by the Group with a view to recognition of and accounting for income;
- assessment of the IT environment, taking into account generation and automatic inclusion of income in accounting;
- verification of the application of accounting norm NCT 24 concerning «commitments and related income at banking institutions» regarding inclusion of income and separation of accounting years;
- use of analytical procedures in tracking the evolution of interest and commissions ;
- verification of the reliability of methods for reserving interest ;
- verification of the appropriate nature of the information provided in the notes on financial statements.

3.3 Inclusion and presentation of bonds equivalent to treasury bonds (BTA)

Key issue for audit

Presentation of bonds equivalent to treasury bonds (BTA) in the investment portfolio or the commercial portfolio is the result of policy set by STB as the parent company.

As at 31 December 2017, the value of STB's portfolio of BTAs (in its role as parent company) came to 1068 million dinars.

Application of policy set by STB led to presentation of the BTA portfolio in the commercial securities portfolio.

Because of the significant character of the outstanding balance of BTAs and recourse to the hypotheses and intentions of the Group in the area of governance regarding these securities, we consider that inclusion of this portfolio and its valuation constitute a key element for the audit.

Audit procedures employed

We have evaluated the monitoring system established by STB for assessing and accounting for its portfolio. Our investigations involved in particular the following elements:

- conformity to the terms of accounting norm n° 25 pertaining to the securities portfolio at banking institutions
- assessment of the Bank's liquidity policy and its corroboration with the history of holding and investing in BTAs
- assessment of criteria for portfolio classification and the reliability of evaluation models applied
- verification of data supplied in notes on the financial statements

3.4 Migration to a new information system

Key issue for audit

In the framework of reorganisation of its information system, STB as the parent company has acquired two new applications: Carthago-Agence and Carthago-Engagements. Deployment of these applications began in April 2017 and was completed by November 2017.

Because of the risks tied to the new information system, we consider that review of this system is a key issue for the audit.

Audit procedures employed

We have reviewed the new information system introduced by STB with regard to documentation, validation of data, configuration, safeguard of migration and switching operations, monitoring of operations and understanding of audit trails.

3.5 Perimeter of consolidation

Key issue for audit

The STB Group's perimeter of consolidation is made up of 21 companies of which 14 are globally integrated and seven consolidated using the equity method.

Furthermore, 37 companies have been excluded from the perimeter of consolidation, for various reasons. We consider that the perimeter of consolidation constitutes a key point for audit, due to the high number of companies excluded.

Audit procedures employed

In the framework of our audit of the STB Group's perimeter of consolidation, our efforts have focused in particular on the following aspects:

- verification that Tunisian accounting norms n° 35 to 37 pertaining to consolidated financial statements with regard to determination of the perimeter of consolidation are respected;

- verification of the method to determine percentage of control exercised by the Group on each company;
- assessment of the nature of control exercised, taking into account the several rules laid down by accounting norms, notably the power to direct the financial and operational policy of the company, the power to hold a majority of votes at meetings of the board of directors or equivalent structure ...
- review of the merit of reasons for excluding a number of companies from the Group's perimeter of consolidation;
- verification of the appropriate nature of information given in notes on the financial statements

4. Observations

Without prejudice to our opinion as expressed above, we consider it helpful to draw your attention to the following points.

1. The Group's equity includes a State allotment of 117 million dinars constituted under the authority of law n° 2012-17 of 21 September 2012, with a provision for possible restitution should the Bank re-establish financial balance.
2. The Group's assets include the commitments of companies working in tourism that have benefited from the exceptional measures provided for in central bank of Tunisia BCT circular n° 2015-12 of 22 July 2015, extended under the authority of BCT circular BCT n° 2017-05 of 24 July 2017, maintained in their classification of risk for 2014 and amounting to 534 million dinars. These claims are covered by provisions amounting to some 49 million dinars.
3. The Group's assets include 31 million dinars in claims assumed by the State over a period of 25 years at no interest, in the framework of legislation enabling financing of the 1999 budget.

4. Legal action was taken in 2011 against STB as the parent company by Mr. BRUNO POLI for restitution of cash vouchers remitted to BNDT. On 29 October 2015, an initial decision, confirmed upon appeal, was handed down against the bank, ordering it to return the cash vouchers or seven million dollars. An appeal against that ruling was filed and there was a stay of execution with no obligation for a deposit. In the opinion of the lawyer in charge of the case, the Bank is not at risk.
5. As mentioned in the general audit report on the financial statements of the Tunisian claims collection company (STRC), contrary to the terms of article 388 of the commercial companies code, and despite the fact that STRC equity is less than half of share capital, there was no move to regularise the situation.

5. Management report

The board of directors is responsible for the management report. Our opinion on the consolidated financial statements does not extend to the management report and we express no opinion whatsoever thereupon.

In application of the terms of article 266 of the commercial companies code, we are responsible for ascertaining the accuracy of information provided in the Group's accounts in the board of directors' management report, with reference to the data given on the consolidated financial statements.

Our work involves reading of the management report and seeing if there are any significant inconsistencies with the consolidated financial statements or with what we have learned while carrying out the audit, or if the management report seems in any way to show a significant inconsistency.

If these efforts lead us to conclude that there is indeed a significant anomaly in the management report, we are required to point this out. We have nothing to report in this regard.

6. Responsibility of upper management and the board of directors in the preparation and presentation of the consolidated financial statements

The board of directors and upper management are responsible for the faithful preparation and presentation of consolidated financial statements that are in line with the commercial companies accounting system, as well as the internal control deemed necessary to allow preparation of financial statements that contain no significant anomalies, be it from fraud or error.

When consolidated financial statements are being prepared, it is up to the board of directors and upper management to evaluate the capacity of the STB Group to continue operations and to communicate as necessary the issues pertaining to continuity of operations in application of the accounting principle of continuing operations, unless the board of directors and upper management intend to propose liquidation of the Group, discontinuing activity, or if no other realistic solution is available.

It is up to the board of directors to provide oversight of the process pertaining to the Group's financial information.

7. Responsibility of the co-auditors for audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements taken together contain no significant inconsistencies, be it from fraud or error, and to provide an audit report that gives our opinion. Reasonable assurance corresponds to a high level of assurance, but one that does not however guarantee that an audit carried out in line with the international audit norms applicable in Tunisia will always detect each and every significant discrepancy. Discrepancies can be the result of fraud

or error and they are considered to be significant when it is reasonable to expect that individually or collectively they can influence economic decisions made by users of these consolidated financial statements based on the information given therein.

In the framework of an audit carried out in line with the international audit standards applicable in Tunisia, we exercise our professional judgement in a critical manner throughout the audit. Furthermore:

- We identify and assess the risk that the consolidated financial statements might contain significant inconsistencies, be it by fraud or error, we design and apply audit procedures on the basis of this risk assessment, and we gather sufficient and appropriate audit evidence on which to base our opinion. The risk of non-detection of a significant inconsistency as a result of fraud is higher than an inconsistency as a result of error, since fraud can imply the collusion, falsification, voluntary omission, false declarations or circumvention of internal control.
- We gain understanding of aspects of internal control that are pertinent to the audit so as to design procedures appropriate to the circumstances and not with a view to expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriate nature of accounting methods retained and the reasonable nature of accounting estimates made by management, along with related information provided by them.
- We reach a conclusion concerning the appropriate character of management's use of the accounting principle of continuity of operations and, according to the evidence obtained, concerning the existence or not of significant uncertainty linked to events or situations that could cast significant doubt on the Group's ability to maintain operations. If we find significant uncertainty, we are required to bring this to the attention of the readers of

our report with regard to information given in the consolidated financial statements or, if this information is not sufficient, to express a modified opinion. Our conclusions are based on evidence obtained up to the date of our report. Future events or situations could possibly cause the Group to cease operations.

- We evaluate the overall presentation, the form and the content of the consolidated financial statements including information provided in

the notes and we determine if the consolidated financial statements represent underlying operations and events in such a way as to give a clear picture.

- We transmit to those in charge of governance the projected scope of and calendar for audit work along with our major findings, including any major deficiency in internal control that might have been detected during our audit exercise. .

Tunis, April 13th, 2018

Co-Auditors

CFA Fathi Saidi
Fathi Saidi



CSL- CNH Group
Samir Labidi

