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BANQUE CENTRALE DE TUNISIE

acting on behalf of

THE REPUBLIC OF TUNISIA

U.S.$1,000,000,000 5.75% Notes due 2025

Issue Price: 99.065%

The U.S.$1,000,000,000 5.75% Notes due 2025 (the "**Notes**") are being issued by Banque Centrale de Tunisie (the "**Bank**") acting on behalf of The Republic of Tunisia (the "**Issuer**"). The Issuer will pay interest on the Notes semi-annually in arrear on 30 January and 30 July in each year, commencing on 30 July 2015. The Notes mature on 30 January 2025. Payments on the Notes will be made without deduction for or on account of taxes imposed by The Republic of Tunisia or any political subdivision thereof or any authority therein or thereof having power to tax, to the extent described under "*Terms and Conditions of the Notes—Taxation*".

The Bank is acting solely as agent of The Republic of Tunisia in connection with the issue of the Notes. Accordingly, the obligations of the Issuer under the Notes and all related documents are not obligations of the Bank itself (and the Notes do not represent a liability of the Bank itself) but are obligations of The Republic of Tunisia (and the Notes accordingly represent a liability of The Republic of Tunisia). The Bank has not waived immunity with respect to its assets or any other immunity available to it.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see "*Transfer Restrictions*" and "*Subscription and Sale*".

The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States to qualified institutional buyers ("**QIBs**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

The Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 (the "**Luxembourg Act**") relating to prospectuses for securities has approved this Prospectus for the purposes of Directive 2003/71/EC, as amended (including the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"), and application has been made to the Luxembourg Stock Exchange for listing of the Notes on the official list of the Luxembourg Stock Exchange (the "**Official List**") and for admission to trading of the Notes on the Luxembourg Stock Exchange's regulated market. By approving this Prospectus, the CSSF gives no undertaking as to the economic or financial opportuneness of the transaction or the quality and solvency of The Republic of Tunisia in line with the provisions of Article 7(7) of the Luxembourg Act. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Notes are expected to be rated Ba3 by Moody's Investors Service Ltd. ("**Moody's**") and BB- by Fitch Ratings Ltd. ("**Fitch**"). Each of Moody's and Fitch is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). As such, each of Moody's and Fitch is included in the latest update of the list of registered credit rating agencies published by the European Securities and Markets Authority on its website: http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in accordance with the CRA Regulation as of the date of this Prospectus. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will be offered and sold in registered form in denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000. The Notes that are offered and sold in reliance on Regulation S (the "**Unrestricted Notes**") will be represented by beneficial interests in a global note (the "**Unrestricted Global Note**") in registered form without interest coupons attached, which will be registered in the name of Citivic Nominees Limited, as nominee for, and will be deposited on or about 30 January 2015 (the "**Issue Date**") with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Notes that are offered and sold in reliance on Rule 144A (the "**Restricted Notes**") will be represented by beneficial interests in one or more global notes (each, a "**Restricted Global Note**") in each case in registered form without interest coupons attached, which will be deposited on or about the Issue Date with Citibank N.A., London Branch, as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. Beneficial interests in the Unrestricted Global Note and Restricted Global Notes (together, the "**Global Notes**") will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, certificates will not be issued in exchange for beneficial interests in the Global Notes.

GLOBAL CO-ORDINATOR

NATIXIS

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Citigroup **J.P. Morgan** **NATIXIS**

The date of this Prospectus is 29 January 2015.

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IMPORTANT NOTICES

This document comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purposes of the Luxembourg Act.

References in this Prospectus to the "**Issuer**" are to the Banque Centrale de Tunisie acting on behalf of The Republic of Tunisia for the purposes of issuing the Notes as described in this Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having made all reasonable enquiries and having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import and completeness of such information.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, The Republic of Tunisia, Natixis Securities Americas LLC (the "**Global Co-ordinator**") or the Joint Lead Managers (as defined in "*Subscription and Sale*") to subscribe or purchase any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*".

No person is authorised in connection with the offering of the Notes to give any information or to make any representation regarding the Issuer, The Republic of Tunisia or the Notes not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, The Republic of Tunisia, the Global Co-ordinator or the Joint Lead Managers. A potential investor should carefully evaluate the information provided herein in light of the total mix of information available to it, recognising that neither the Issuer nor The Republic of Tunisia nor any other person can provide any assurance as to the reliability of any information not contained in this document. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of The Republic of Tunisia since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial, political and/or economic position of The Republic of Tunisia since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Global Co-ordinator and the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Global Co-ordinator or a Joint Lead Manager or on their behalf in connection with the Issuer, The Republic of Tunisia or the issue and offering of the Notes. Each of the Global Co-ordinator and the Joint Lead Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. The Fiscal Agent, the Registrar, the Paying Agents and the Transfer Agents referred to herein make no representation regarding this Prospectus or the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED AS STABILISING MANAGER (THE "**STABILISING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF SUCH NOTES. ANY STABILISATION ACTION OR OVER ALLOTMENT SHALL BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law № 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATES

All references in this document to "**Tunisian Dinars**", "**Dinars**", "**millimes**" or "**TD**" are to the currency of The Republic of Tunisia, references to "**U.S. Dollars**", "**U.S.$**", "**USD**", and "**$**" are to the currency of the United States of America, references to "**Japanese Yen**" or "**JPY**" are to the currency of Japan and references to "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. References in this document to the "**Government**" are to the Government of The Republic of Tunisia.

For ease of presentation, certain financial information relating to The Republic of Tunisia or the Bank included herein is presented in U.S. Dollars. Except as otherwise stated in this Prospectus, any amounts stated in U.S. Dollars as of a stated date or for a stated period were converted from Dinars into U.S. Dollars at the rate of exchange either prevailing on such date or calculated at the average rate of exchange for such period, as the case may be. However, these translations should not be construed as representations that the Tunisian Dinar amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated or any other rate.

The following table sets forth the average annual exchange rate of the Dinar against certain major currencies in each of the years indicated:

Average Annual Exchange Rates[1]

	2010	**2011**	**2012**	**2013**	**2014**
	(TD per unit of currency unless otherwise indicated)				
USD	1.4326	1.4079	1.5618	1.6254	1.7001
JPY[2]	16.2407	17.5099	19.4935	16.5585	16.0005
EUR	1.8972	1.9582	2.0081	2.1595	2.2531

Notes:
(1) The annual average of the daily interbank rates on the Tunisian interbank foreign exchange market as published by the Bank.
(2) TD/1,000 yen.

On 12 January 2015, the closing U.S. Dollar/Tunisian Dinar rate of exchange as reported by the Bank was TD 1.8949 = U.S.$1.00, the closing Japanese Yen/Tunisian Dinar rate of exchange as reported by the Bank was TD 15.8826 = JPY1,000 and the closing Euro/Tunisian Dinar rate of exchange as reported by the Bank was TD 2.2395 = €1.00.

Certain monetary amounts included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies of The Republic of Tunisia (including the Bank). Unless otherwise stated, all annual information, including budget information, is based on calendar years.

JURISDICTION AND ENFORCEMENT

The Republic of Tunisia is a sovereign state, and the Bank is an instrumentality of the state acting on behalf of The Republic of Tunisia for the purposes of issuing the Notes. As a result, it may be difficult for investors to obtain or realise upon judgments against The Republic of Tunisia in the English courts or the courts of any other country. In connection with the offering to which this Prospectus relates, The Republic of Tunisia and the Bank (acting solely in its capacity as agent for The Republic of Tunisia in respect of the Notes) have irrevocably submitted to the non-exclusive jurisdiction of the courts of England for purposes of any suit, action or proceeding arising out of or in connection with the Fiscal Agency Agreement and/or the Notes and that accordingly any suit, action or proceedings arising out of, or in connection therewith (together referred to as "**Proceedings**") may be brought in such courts. The Republic of Tunisia and the Bank (acting solely in its capacity as agent for The Republic of Tunisia in respect of the Notes) have also irrevocably waived any objection which either of them may have to the laying of the venue of any such Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum.

In addition, to the extent that The Republic of Tunisia may, in any jurisdiction, claim or acquire for itself or its assets immunity (sovereign or otherwise) from jurisdiction, suit, execution, attachment (whether in aid of execution before judgment or otherwise) or other legal process (whether through service or notice or otherwise), the Bank, acting on behalf of The Republic of Tunisia, has irrevocably agreed for the benefit of the investors in the Notes not to claim, and has irrevocably waived, such immunity, to the fullest extent permitted by the laws of such jurisdiction. However, the waiver of immunity does not extend to (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of The Republic of Tunisia, in each case under the control of a military authority or defence agency of The Republic of Tunisia or (iii) property located in The Republic of Tunisia dedicated to a public or governmental use (as opposed to a commercial use) by The Republic of Tunisia.

Under Article 37 of the Public Accounting Code of The Republic of Tunisia, the property, assets and receivables of The Republic of Tunisia, public establishments and local administrations are immune from attachment or execution, regardless of their use. There is no judicial precedent in Tunisia as to whether a waiver of immunity from attachment and execution on property, assets or receivables of The Republic of Tunisia located in Tunisia, such as that contained in Condition 18(c) of the Notes, is valid as a matter of Tunisian law.

If any Noteholder wishes to bring any Proceedings, it must bring such Proceedings directly against The Republic of Tunisia, rather than the Bank. Such Proceedings may be brought against The Republic of Tunisia in the courts of England and, to the extent described above, The Republic of Tunisia will not assert immunity in any such Proceedings.

Tunisian law permits The Republic of Tunisia and public entities such as the Bank to choose a law other than the Tunisian law to govern their commercial and private transactions and also to submit to a jurisdiction other than the jurisdiction of the Tunisian courts, to settle any dispute or to opt for arbitration. A Tunisian judge will therefore order the enforcement in The Republic of Tunisia of foreign judgments without re-examining the merits of a claim, except that enforcement of foreign judgments may be denied if (i) the underlying claim is subject to the exclusive jurisdiction of Tunisian courts, (ii) a prior Tunisian judgment has already been rendered with regard to the relevant claim, (iii) the foreign judgment is contrary to principles of Tunisian public policy, (iv) the foreign judgment to be enforced has been cancelled in the jurisdiction where it has been rendered, or (v) the jurisdiction where the judgment has been rendered does not apply reciprocity rules in its relationship with The Republic of Tunisia. In addition, Tunisian courts have jurisdiction in respect of any proceedings relating to civil non-contractual claims where the underlying actions have taken place, or the damage has been suffered, in the territory of The Republic of Tunisia, notwithstanding any provision to the contrary in the Notes or in any documents executed in connection with the issuance of the Notes. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Republic of Tunisia is a sovereign state, and it may therefore be difficult for investors to obtain or realise judgments of courts in other countries against The Republic of Tunisia*".

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus constitute forward-looking statements. Statements that are not historical facts are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "*may*", "*will*", "*expect*", "*intend*", "*estimate*", "*anticipate*", "*believe*", "*continue*" or similar terminology. These statements are based on the Bank's and the Government's current plans, objectives, assumptions, estimates and projections. Investors should therefore not place undue reliance on those statements. Forward-looking statements speak only as of the date that they are made and neither the Issuer nor The Republic of Tunisia undertakes to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Bank cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. In addition to the factors described in this Prospectus, including those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made in this Prospectus:

External factors, such as:

- changes in international commodity prices or prevailing interest rates, which could adversely affect The Republic of Tunisia's balance of payments and budget deficit;
- a recession or low economic growth in The Republic of Tunisia's trading partners, in particular any economic slowdown in the European Union (the "**EU**"), which accounted for 63.1% of Tunisian foreign trade in the six months ended 30 June 2014; or
- changes in the level of support by The Republic of Tunisia's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to The Republic of Tunisia or any of its agencies or fund new or existing projects.

Internal factors, such as:

- a decline in foreign direct investment ("**FDI**"), a decline in foreign currency reserves, increases in domestic inflation, exchange rate volatility, or a significant increase in the level of domestic and external debt, which could lead to lower economic growth or a decrease in the Bank's and The Republic of Tunisia's foreign currency reserves; or
- instances of terrorism or continuing political and socio-economic unrest in The Republic of Tunisia and a failure by the new Government to successfully address the underlying causes of the 14 January 2011 Revolution (as defined below), such as high unemployment among university graduates, poverty among parts of the population, as well as significant existing regional disparities in wealth within The Republic of Tunisia.

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RISK FACTORS

An investment in the Notes involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to The Republic of Tunisia and the Notes. Additional risks and uncertainties not presently known or currently believed to be immaterial could also impair the ability to make payments on the Notes. If any of the following risks actually materialise, the financial condition and prospects of The Republic of Tunisia could be materially adversely affected. If that were to happen, the trading price of the Notes could decline and The Republic of Tunisia may be unable to make payments due on the Notes, and investors may lose all or part of their investment.

Risks relating to Investments in Emerging Markets

Investing in securities involving emerging markets generally involves a higher degree of risk than more developed markets

Generally, an investment in emerging markets, such as Tunisia, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment in the Notes. Such risks include, but are not limited to, potentially higher volatility and more limited liquidity in respect of the Notes, a narrow export base, a less-diversified economy, infrastructure challenges that may limit the prospects for economic growth, significant socio-economic challenges, greater political risk and a generally higher likelihood of significant changes in the political and economic environment. Tunisia's budget deficits and other weaknesses characteristic of emerging market economies make it susceptible to future adverse effects similar to those suffered by other emerging market countries. Emerging markets can also experience significant governance challenges, such as increased instances of corruption and misuse of public funds, than more mature markets, which could affect the ability of governments and their instrumentalities, such as those in The Republic of Tunisia, to meet their obligations vis-à-vis investors. Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

The disruptions experienced during previous years in the international capital markets have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding within any of these markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, The Republic of Tunisia could be adversely affected by negative economic, security or financial developments in other emerging market countries. The Republic of Tunisia has been adversely affected by "contagion" effects in the past, including the recent events in Libya, violence involving the so-called "Islamic State", other recent events of volatility in the Middle East and North Africa, as well as global events, such as the Eurozone crisis and the global financial crisis. No assurance can be given that it will not be affected by similar events in the future.

As a consequence, an investment in the Notes, which reflects the sovereign risk of The Republic of Tunisia, carries risks that are not typically associated with investing in more mature markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on The Republic of Tunisia, including elements of information provided in this Prospectus. Prospective investors should also note that emerging economies, such as the Tunisian economy, are subject to rapid change. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

Risks relating to The Republic of Tunisia

Tunisia has faced significant political unrest since December 2010

Tunisia experienced an intensive campaign of civil resistance beginning in December 2010. Widespread demonstrations were precipitated by high unemployment, corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions and led, following four weeks of street protests, to the ousting of President Zine El

Abidine Ben Ali on 14 January 2011, when he resigned after fleeing to Saudi Arabia, ending 23 years in power (the "**14 January 2011 Revolution**"). The 14 January 2011 Revolution resulted in significant changes to Tunisia's political system. The previous parliament, consisting of the Chamber of Deputies and Chamber of Advisors, was dissolved and, on 23 October 2011, elections were held for the newly created 217-seat National Constituent Assembly, which saw the moderate Islamic party Ennahda Movement ("**Ennahda Movement**") win 89 of the 217 seats. In response to calls for reform following the 14 January 2011 Revolution, the National Constituent Assembly was granted a mandate to draft a new constitution. Despite the successful parliamentary elections, the then-Government continued to face significant socio-economic and political challenges, including numerous further instances of protests and riots in 2012 and 2013.

After discussions that took around two years, a new constitution (the "**2014 Constitution**") was approved by the National Constituent Assembly by a majority of 200 deputies (with 12 deputies voting against and four abstentions). The state of emergency imposed during the 14 January 2011 Revolution was lifted in March 2014.

A further round of parliamentary elections was held on 26 October 2014, which saw Nidaa Tounes, a secularist party, which was formed as a result of a political initiative unifying secular forces in Tunisian politics in June 2012 ("**Nidaa Tounes**"), win 86 of the 217 seats of the Chamber of the People's Deputies. On 21 December 2014, Mr. Beji Caid el Essebsi, the then leader of Nidaa Tounes, who is 88 years old, was elected as the new President of The Republic of Tunisia (the "**President**"). There were some demonstrations in several southern towns, including Hamma, in response to Mr. Essebsi's victory.

There can be no assurance that further demonstrations, political protects or other incidents of unrest will not take place, which could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

There are a number of uncertainties regarding the formation and policies of the new Government

Following the election of President Essebsi, on 5 January 2015, President Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become Head of Government and form a new Government. Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election. On 23 January 2015, the designated Head of Government, Mr. Habib Essid, announced the formation of a proposed new Government to be composed of representatives from political parties and national figures, but which does not include representatives from all political parties. The final composition of the new Government is currently under discussion among various political parties. Further, pursuant to Article 89 of the 2014 Constitution, before being installed, the new Government must present its programme to the Chamber of the People's Deputies for a vote of confidence. As a result and in line with Article 100 of the 2014 Constitution, the current Government formed in December 2013 is continuing to administer Government business until the vote of confidence for the new Government is passed. There can be no assurance as to when, if at all, the vote of confidence will be passed and, accordingly, when the new Government will take office.

In addition, there can be no assurance as to what the Government programme will be, what policies the Government will pursue or what the Government's outlook will be and what effects the foregoing will have on the Tunisian economy, the Government's finances and its ability to service its debt. In particular, in the event that certain political parties, including the Ennahda Movement, are not sufficiently represented in the executive or legislative branches of the Tunisian political system, policies adopted by the new and future Governments may reignite tensions and undermine domestic stability and unity in Tunisia.

The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits

Impact of the 14 January 2011 Revolution

The 14 January 2011 Revolution has had material negative short-term macro-economic consequences for the Tunisian economy. Besides significant damage to property (estimated by the Government at 4% of 2011 GDP), the Tunisian economy has had to grapple with growing insecurity, social tensions and, since 2011, significant decreases in both tourism revenues(which were TD 3,211 million in 2013, TD 3,175 million in 2012 and TD 2,433 million in 2011, as compared to TD 3,523 million in 2010 and TD 3,472 million in 2009) and FDI (which was TD 1,815 million in 2013, TD 2,504 million in 2012 and TD 1,616 million in 2011, as compared to TD 2,165 million in 2010 and TD 2,279 million in 2009). The relative increase in country risk since 2011 has also had a negative impact on the ability to obtain funding for projects and companies in Tunisia from international lenders.

Tunisia continues to need to attract new investors and reassure them over security concerns in order to attract increased FDI in order to be able to finance its growing current account deficit. Commodity price increases, food and beverages price increases, and the conflict in Libya, whose impact on foreign trade was estimated by the Government at 6% of Tunisian exports in 2011 (in addition to the decline in remittances and declining FDI from Libya, as well as an

interruption of hydrocarbon imports from Libya), were additional handicaps for the Tunisian economy in 2011. Social unrest, political uncertainty and security concerns resulting from the 14 January 2011 Revolution have continued to have an impact on tourism revenues. In addition, increases in wages since the 14 January 2011 Revolution have increased demands for imported goods in each of 2012, 2013 and 2014. As a result, the trade deficit increased over the period from TD 8,604 million in 2011 to TD 11,808 million in 2013.

The Tunisian Ministry of Economy and Finance has estimated that the 14 January 2011 Revolution caused a shortfall in revenue to the Government of TD 3 billion. Overall, the Tunisian economy shrank by 1.9% in 2011, with recoveries of 3.7% in 2012 and 2.3% in 2013. For the six months ended 30 June 2014, a decline in industrial production of 0.6% with a moderate domestic demand resulted in GDP growth of 2.3%. Partly due to the lasting effects of the factors described above, the Government has recently reduced its estimate for real GDP growth in 2014 by 1.2 percentage points to 2.4%. However, any of the factors described above as well as additional risks and uncertainties, including political and socio-economic unrest or a further economic slowdown in the EU, could cause actual GDP growth in 2014 to be significantly lower than that currently forecasted by the Government and could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Widening of the current account deficit

Between 1995 and 2009, Tunisia's current account deficit averaged 2.8% of GDP. In 2010, the current account deficit grew to 4.7% of GDP, further rising to 7.3% in 2011, 8.2% in 2012 and 8.3% in 2013. The increasing current account deficit since 2010 is primarily a result of a shift in both the composition and size of Tunisia's trade balance.

In particular, increased energy imports and the slowdown in export growth due to a reduction in demand for exports by customers within the EU, Tunisia's largest trading partner, as well as negative supply shocks in the phosphate and agriculture sectors and reduced FDI and tourism revenues since the 14 January 2011 Revolution, have contributed to the widening deficit. In addition, high subsidies have contributed to strong import growth, which has, in turn, contributed to the widening current account deficit. See "*—Oil price vulnerability and subsidies*". Continued increases in the current account deficit could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Oil price vulnerability and subsidies

The 2015 budget is based on, among other things, an assumption that global oil prices will average U.S.$95 per barrel of Brent crude oil in 2015, as compared to the average oil price of U.S.$106 per barrel assumption in the supplemental 2014 budget and average oil prices of U.S.$109 per barrel in 2013 and U.S.$112 per barrel in 2012, although oil prices declined significantly in 2014 to approximately U.S.$56 per barrel as at 31 December 2014. In recent years, and in response to higher than expected average oil prices in 2011 to 2013, the Government has maintained high subsidies on oil products, resulting in an increase in total subsidies (including oil, food and transport) of 91.3% in 2011 (approximately 4.5% of GDP), 26.3% in 2012 (approximately 5.1% of GDP) and 52.1% in 2013 (approximately 7.3% of GDP). In the 2014 budget, the Government introduced programmes to reduce energy subsidies, and further cuts to subsidies have been provided for in the 2015 budget. In 2014, based on preliminary figures, oil subsidies decreased by 31.1%, as compared to 2013, and, under the 2015 budget, oil subsidies are expected to decrease by a further 9%, as compared to preliminary figures for 2014.

Although the Government's reforms of its subsidies policies have resulted in reduced Government expenditures, the cost to the Government of subsidies remains linked to international commodity prices, particularly crude oil. Higher-than-expected international oil prices represent a significant risk of a further increase in the budget deficit in 2015, as every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 480 million for the budget. In addition, while lower oil prices reduce The Republic of Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar. See "*Public Finance—Government Revenues and Expenditures*". When crude oil prices rise, most of the resulting costs are borne by the Government. There can be no assurance that crude oil prices will stay at the current below budget level and that revisions of the budget will not be required in light of continuing oil price volatility. If the costs of subsidies rise, or the Government is not successful in further reforming the subsidy system, it could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Fluctuations in Prices of Imported Goods

Tunisia's industrial sector, which comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering) is dependent upon the imports of capital goods, spare parts, and raw materials. As a result, the sector is vulnerable to global price fluctuations. The contribution of industry to GDP at factor cost was 30.4% in 2013, 30.8% in 2012, 30.1% in 2011, 30.6% in 2010 and 32.6% in 2009. Accordingly, fluctuations

of global prices could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Increasing budget deficits

Tunisia's budget deficit (excluding privatisation grants and confiscated assets) was 1.0% of GDP in 2010, 3.3% of GDP in 2011, 5.5% of GDP in 2012 and 6.8% of GDP in 2013. The 2014 and 2015 budgets provide for budget deficits of 5.9% of GDP and 4.9% of GDP, respectively, and the Government remains under pressure to increase salaries and other spending. High levels of Government expenditure, including on wages and energy subsidies, have exacerbated the budget deficit in recent years. If not remedied through subsidy reform, public sector wage freezes and other measures implemented by the Government to date, the level of deficit could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Foreign currency reserves have fluctuated in recent years

Foreign currency reserves have fluctuated in recent years, generally in a range of TD 12 to 13 billion. Foreign currency reserves declined to TD 11.6 billion, as at 31 December 2013, representing 106 days of imports, before increasing to TD 13.1 billion as at 31 December 2014, representing 112 days of imports. The decrease in 2013 was primarily due to a relatively high and increasing trade deficit, lower levels of tourism revenues and workers' remittances, as well as the repayment of certain external debt. If net foreign currency reserves decline again, it could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory change and may require further support

The banking sector in Tunisia has historically experienced relatively high levels of non-performing loans ("**NPLs**"). As at 30 June 2014, the Bank estimated the level of NPLs across the banking sector were approximately 15.9% of total banking sector loans, as compared to 16.1% as at 31 December 2013. In addition, the provisioning level by Tunisian banks was 59.6% of total banking sector loans as at 30 June 2014, as compared to 59.4% as at 31 December 2013, significantly higher than in previous years (45.9% as at 31 December 2012 and 48.6% as at 31 December 2011) due to new provisioning rules introduced by the Bank imposing additional provisioning requirements in respect of certain asset classes.

Tunisia's banking sector was also negatively affected by the 14 January 2011 Revolution, as Tunisian banks faced a significant strain on liquidity throughout 2011, particularly as a result of significant deposit withdrawals (approximately TD 700 million in the three months ended 31 March 2011). The Bank provided support to the banking sector in a number of ways during 2011, such as lowering its mandatory reserve requirements from 12.5% to 2%, reducing its key rate from 4.5% to 3.5% and increasing both the amounts and maturities of discretionary monetary operations.

Tunisian banks currently follow the Basel I regime, and a gradual evolution towards compliance with Basel II is still in process. Full compliance with the Basel II regime will require significant investment by the banking sector and is unlikely to be achieved in the short term. Nevertheless, many aspects of Basel III have been implemented or are in the process of implementation. Recent reforms include revising current liquidity ratio requirements to adopt the Basel III liquidity coverage ratio requirements.

Banks in Tunisia are required to maintain a capital adequacy ratio, which was set at 9.0% as at 31 December 2013 and increased to 10.0% as at 31 December 2014. As at 31 March 2014, the overall capital adequacy ratio of the banking system was 9.4%, as compared to 8.9% as at 31 December 2013 and 11.8% as at 31 December 2012, as a result of stricter regulation on valuation of collateral, which was introduced in December 2013 and led to an increase in the provisioning ratio to 59.6% as at 30 June 2014 (as compared to 59.4% as at 31 December 2013 and 45.9% as at 31 December 2012). The introduction of these rules has resulted in increased bank recapitalisation needs, especially for public banks. As at 30 June 2014, six banks (four of which were public banks) did not meet the 9% regulatory capital adequacy ratio requirement. Although the private banks and one public bank have since been recapitalised in order to comply with the 10% regulatory capital requirement, three public banks remain below the required minimum capital adequacy ratio. The recapitalisation of these public banks, *Banque de l'Habitat*, *Société Tunisienne des Banques* and *Banque Nationale Agricole en Tunisie,* has been delayed due to a lack of legislative authority to use the recapitalisation funds allocated in the 2014 budget, as well as threats from private shareholders to block bank recapitalisation. A total amount of TD 1 billion was allocated for the recapitalisation of public banks in the 2013 and 2014 Finance Laws and an additional amount of TD 300 million has been budgeted for the recapitalisation of *Banque Nationale Agricole en Tunisie* in the 2015 Finance Law. The terms of the recapitalisation of these public banks are under consideration by the boards of each bank and the relevant Government authorities. Any recapitalisation of *Banque de l'Habitat*, *Société Tunisienne des Banques* and *Banque Nationale Agricole en Tunisie* or in respect of the other public banks which may in

the future be below the regulatory minimum capital adequacy ratio requirement may require public financing and could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

As a result of the foregoing, there can be no assurance that the Tunisian banking sector will not need further support during 2015 and thereafter. Assistance may be required to be provided in a number of different ways, including, in more pronounced cases, capital injections into banks that require additional equity. Additional capital may be provided by the shareholders of the relevant bank(s) and/or the Government, in more severe cases. The Government may, as a shareholder, also be required to contribute to any such capital injection for any of the banks in which it holds shares. There are five state-owned banks in the Tunisian banking sector, which controlled approximately 34.9% of total bank assets as at 30 June 2014.

The Tunisian economy may be adversely affected by any deterioration in the Tunisian banking sector or as a result of any further support required to be provided by the Government to the sector, which could have a material adverse effect on the Government's finances and its ability to service its debt.

Tunisia faces significant socio-economic challenges, including high unemployment among university graduates, as well as significant regional disparities

Tunisia faces a number of significant socio-economic challenges, including high levels of unemployment among university graduates, significant regional inequities and governance problems. These challenges, which, among other factors, triggered the 14 January 2011 Revolution, remain and require continuing attention by the Government.

The unemployment rate increased in the immediate aftermath of the 14 January 2011 Revolution from 13.0% in 2010 to 18.9% in 2011. The unemployment rate has since decreased to 16.7% in 2012 and 15.3% in 2013 but remains high. Unemployment among university graduates, in particular, increased from 23.3% in 2010 to 33.1% in 2011, 33.2% in 2012, 31.9% in 2013 and 31.4% in 2014. A number of Government programmes implemented over the years have not been able to reverse the structural causes of unemployment, in particular among university graduates. According to International Monetary Fund (the "**IMF**") data, unemployment among university graduates in Tunisia is nearly twice as high as in comparable countries, such as Morocco or Jordan. The upward trend in the unemployment of university graduates is the consequence of a growing young population, relatively high graduation rates, mismatches in the supply of, and demand for, skilled workers and available positions and insufficient quality of training received by many graduates. The 14 January 2011 Revolution, as well as the crisis in Libya, which led to the return of significant numbers of Tunisian migrant workers from Libya, have further aggravated the problem of unemployment.

In addition, regional and socio-economic disparities remain significant in Tunisia. The issue of regional disparities has been at the core of social unrest in the cities of Sidi Bouzid, Kasserine and Thala. In general, the east coast is more affluent than the west and south. Higher population levels, higher concentration of economic activities and a historic 65% share of public investment in the areas around Tunis and Sfax account for these disparities, with the coastal region now accounting for approximately 75% of non-agricultural jobs. By contrast, the central west region of the country is much less affluent and suffers from reduced levels of public services, which is reflected in high population to doctor ratios and high youth illiteracy rates. As a result, there is significant variation in average consumption levels and in poverty across the regions in Tunisia.

Any failure to adequately address these and other socio- economic challenges may lead to renewed social and political unrest, which could, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Failure to adequately address actual and perceived risks of corruption may adversely affect Tunisia's economy and its ability to attract FDI

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Tunisia. Tunisia's financial sector, in particular, has historically been plagued by serious allegations of corruption and financial mismanagement. Internal control rules for managing the anti-money laundering ("**AML**") and combating the financing of terrorism ("**CFT**") systems have been introduced to reduce the risk of money laundering and the accompanying effect on the safety of the Tunisian banking sector. In addition, following the 14 January 2011 Revolution, an action plan was prepared, which led to the entry into force of the U.N. Convention Against Corruption 2003, the revival of the Independent National Anti-Corruption Authority in April 2012 and the establishment of the National Corruption and Embezzlement Investigation Commission pursuant to Decree № 2011-12 of 14 November 2011 and the National Committee on the Recovery of Ill-gotten Property Abroad pursuant to Decree № 2011-15 of 26 March 2011. There can, however, be no assurance as to the success of these measures and further measures may need to be implemented.

Tunisia was ranked 79 out of 175 countries in Transparency International's 2014 Corruption Perceptions Index, as compared to 77 out of 177 in 2013. Tunisia's score in the 2014 index was 40 (with 1 the most corrupt score and 100 being the least corrupt).

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Tunisia could have a material adverse effect upon The Republic of Tunisia's ability to attract foreign investment and lead to further instances of political instability, which could, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Future increases in public sector wages could have an inflationary impact on prices

Under the Tunisian Labour Code, the Government sets minimum wages for workers in agriculture, the *salaire minimum agricole garanti* ("**SMAG**"), and industry, the *salaire minimum interprofessionel garanti* ("**SMIG**"). The Government, employers and the Tunisian General Labour Union (the "**UGTT**") negotiate adjustments to these wages. In 2012, the SMIG and the SMAG increased, in nominal terms, by 5.0% and 7.4%, respectively, while, in 2014 the SMIG and the SMAG each increased, in nominal terms, by approximately 6.0%. The increase in 2012 was primarily due to the decision of the post-revolutionary Government to align the SMIG and SMAG. While such wage increases only apply to private sector employees, there have been calls for similar increases to be implemented in favour of public sector employees. In 2014, the Government implemented a wage freeze for the public sector and, in November 2014, a committee formed of representatives of the Government and the UGTT failed to reach an agreement on public sector wage negotiations. In December 2014, it was decided to reopen negotiations under the supervision of the Chamber of the People's Deputies and the Chamber of the People's Deputies further recommended opening negotiations for wage increases in the public sector in January 2015.

In October 2014, the Government announced its intention to raise the retirement age by two years to 62, although no definitive plans have been introduced and a decision whether or not to pursue this policy will be determined by the new Government.

Any increase in the public sector wage bill could divert money away from and, in turn, adversely impact the Government's budget and its ability to conduct public investment and social expenditure projects, and could have an inflationary impact on prices. Any failure to increase public sector wages, however, could result in future protests, demonstrations and strikes. Any instability in the public sector could, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

High levels of debt could have a material adverse effect on Tunisia's economy and its ability to service its debt, including the Notes

Over the past five fiscal years, total public debt, as a percentage of GDP, has fluctuated in a range of 40.0% to 45.8% and stood at 49.0% as at 30 November 2014. Increased banking recapitalisation costs, a wider deficit, and weaker-than-originally-expected growth dynamics are expected to contribute to increases in the debt-to-GDP ratio in the coming years. External government debt decreased from 25.0% of GDP as at 31 December 2009, to 24.3% as at 31 December 2010, before increasing to 25.9% as at 31 December 2011, 27.6% as at 31 December 2012 and decreasing to 26.1% of GDP in 2013. External government debt is forecasted to be approximately 31% of GDP in 2014 and the 2015 budget provides for external government debt of 32.8% of GDP. Total public debt decreased from 42.9% of GDP as at 31 December 2009, to 40.4% as at 31 December 2010, before increasing to 44.6% as at 31 December 2011, decreasing to 44.0% as at 31 December 2012, and subsequently increasing to 45.8% as at 31 December 2013 and 49.0% as at 30 November 2014. Future borrowings could increase the risk of external debt distress. Relatively high levels of indebtedness through continued borrowing or decreasing GDP may negatively impact Tunisia's credit rating and have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

A deterioration in the level of support by its multilateral and bilateral creditors could have a material adverse effect on Tunisia

As at 30 November 2014, multilateral and bilateral debt accounted for 48.7% and 22.5% of The Republic of Tunisia's external debt, respectively. The Republic of Tunisia expects to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by The Republic of Tunisia's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Bank or The Republic of Tunisia or fund new or existing projects could have a significant adverse effect on the financial position of The Republic of Tunisia and the Bank.

In recent years, The Republic of Tunisia has issued bonds that benefit from guarantees issued by the United States and Japan. Access to such guaranteed funding reduced The Republic of Tunisia's borrowing costs as the coupons attached to such bonds are low. There can be no assurance, however, that funding at such costs will be available in the future. If

The Republic of Tunisia is unable to issue further bonds or otherwise borrow at an acceptable cost, it could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Any significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other major currencies would have a material adverse effect on Tunisia's ability to repay its debt denominated in currencies other than the Tunisian Dinar, including the amounts due under the Notes

The Tunisian Dinar experiences volatility against the U.S. Dollar, the Euro and other major currencies. The value of the Tunisian Dinar is impacted by a number of factors which are outside of the control of the Government and the Bank. Between the end of March and the end of June 2014, the Tunisian Dinar depreciated by approximately 8.6% against the U.S. Dollar. As at 30 June 2014, 24.8% of Tunisia's public external debt was denominated in U.S. Dollars and 51.8% in Euros (as compared to 23.5% and 53.6%, respectively, as at 31 December 2013, 22.7% and 53.6%, respectively, as at 31 December 2012 and 22.1% and 50.4%, respectively, as at 31 December 2011). Any significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other major currencies could have an effect on Tunisia's ability to repay its debt denominated in currencies other than the Tunisian Dinar, including the amounts due under the Notes. In addition, significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other foreign currencies may result in reduced revenues and outflows of capital from Tunisia, each of which could have a material adverse effect on Tunisia's economy.

The Bank has in the past intervened, and may continue in the future to intervene, in the exchange rate. For example, foreign exchange sales have been limited in recent months in order to smooth exchange rate fluctuations arising from energy imports. According to information published by the IMF in December 2014, the overvaluation of the Tunisian Dinar was estimated at between 5% and 10%. Accordingly, lower levels of intervention may lead to currency depreciation, which would, in turn, increase external debt servicing costs. Significant interventions in the exchange rate, however, may affect Tunisia's foreign currency reserves and may, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Delays in implementing reforms could negatively affect the Tunisian economy

Following the 14 January 2011 Revolution, the Government announced a number of structural reforms, including to recapitalise public banks, establish a household support programme and introduce a number of tax administration and business climate reforms. Further structural reforms have been agreed pursuant to the Stand-By Arrangement with the IMF, which include, *inter alia*, the introduction of a new tax code, the introduction of an investment code and the design and implementation of certain labour market reforms, including a national employment strategy. In addition, new laws on competition, private and public partnerships and bankruptcy procedures, some of which have already been debated within parliamentary commissions, are, as at the date of this Prospectus, expected to be voted on by the Chamber of the People's Deputies in 2015. Progress on implementing the structural reform agenda, however, has been slow, with considerable delays, in particular, in the recapitalisation of public banks and the legislative agenda in respect of tax and bank asset recoveries. Improved progress on structural reforms is necessary to encourage private sector-led and inclusive growth and to develop policies to protect the most vulnerable among Tunisia's population. Any failure to implement planned structural reforms could lead to demonstrations or other unrest or otherwise have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Regional and international considerations could negatively affect the Tunisian economy

Tunisia is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political instability in the Middle East and Northern Africa has generally increased since the terrorist attacks of 11 September 2001, the U.S. intervention in Iraq, recent developments in Iran's nuclear programme, the ongoing conflict in Syria, the increasing threat of the terrorist organisation known as the Islamic State and the instability and conflict in Libya, which is a neighbour of Tunisia. In addition, certain Middle Eastern and North African countries have experienced in the recent past or are currently experiencing political, social and economic instability, extremism, terrorism, armed conflicts and war. Since the "Arab Spring" began, a number of Arab countries have experienced significant political and military upheaval, conflict and revolutions leading to the departure of long-time rulers in Egypt, Yemen and Libya. The continuation of such events or the outbreak of new problems in the region could further strain political stability in the region and, in turn, could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Deterioration of financial conditions in the EU could adversely affect the Tunisian economy

The EU is Tunisia's largest trading partner, and trade with the EU accounted for 65.5% of foreign trade (exports and imports) in 2011, 60.9% in 2012, 62.0% in 2013 and 63.1% in the six months ended 30 June 2014. FDI from the EU was TD 1,304 million in 2013, representing 57.0% of total FDI flows, as compared to 49.0% in 2012 and 70.9% in

2011. As a result, the Tunisian economy is impacted by events in the EU, including events affecting the Euro and the Eurozone.

In the second half of 2011, the situation in the international financial markets deteriorated and the credit ratings of several sovereigns within the Eurozone were downgraded. In addition, there has also been turmoil in the European banking sector. In general, such instability has caused doubts over the sustainability of the Eurozone. Further sovereign downgrades have occurred subsequently, which have resulted in higher rates for sovereign debt and have also disrupted national economies within the Eurozone. A further decline in the economic growth in Eurozone countries, any inability of such countries to issue securities in the sovereign debt market or to service existing debt, an intensification of the Eurozone crisis or a protracted period of slow or negative economic growth in the Eurozone would reduce demand for Tunisian imports and may lead to reduced levels of FDI and tourism revenues received from the Eurozone. This could, in turn, have a material adverse impact on The Republic of Tunisia's balance of trade and have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

The continuing global financial crisis could affect the Tunisian economy

The global financial crisis, which commenced in 2007, has affected global markets. Financial markets in the United States, Europe and Asia experienced, and in some cases continue to experience, a period of unprecedented turmoil and upheaval characterised by extreme volatility and declines in security prices, severely diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the U.S. government and other governments. Global unemployment has risen, and business, economic activity and consumer confidence have declined resulting in a severe global recession. In addition to the global financial crisis, the need for many governments to finance large and growing budget deficits and other factors have negatively affected the financial standing and the credit ratings of sovereign and quasi-sovereign issuers, particularly in Europe. Neither the Bank nor the Government can predict the continuing impact of the global financial crisis on Tunisia's economy.

Tunisia has experienced large inflows of refugees and returning migrant workers from Libya

Since the revolution in Libya in 2011, The Republic of Tunisia has experienced an inflow of approximately 1.8 million Libyan and other nationals, fleeing the continued violence in Libya. In August 2014, Tunisia closed its main border crossing with Libya, as it was unable to cope with hundreds of thousands of refugees. The Tunisian Ministry of Foreign Affairs has also urged Tunisians living in Libya to return to Tunisia as a result of continued violence in Libya, resulting in a large increase in the return of migrant workers to Tunisia. The presence of refugees and the return of migrant workers has had an impact on the economic and social stability of The Republic of Tunisia, as well as on the labour market and infrastructure. Providing refugees with basic accommodation and social services requires considerable resources, which has created an additional burden on the Government's finances. If the flow of refugees from Libya continues and the Government does not receive significant assistance from the international community to help offset the cost of accommodating such refugees, this will continue to strain the general resources of the Government, which could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

The Republic of Tunisia may be subject to terrorist attacks

In recent years, Islamic militants have operated in a number of countries in the region. Since the 14 January 2011 Revolution, there has also been an increase in extremist organisations in Tunisia, which has posed security challenges to the post-revolutionary Governments that have, to date, been inexperienced in counterterrorism operations. A number of Tunisian nationals have reportedly joined Islamic State and other terrorist organisations. If these nationals were to return to Tunisia, they may pose a threat to the security of the country. In February 2014 and July 2014, two opposition leaders were assassinated, which, in turn, prompted protests in Tunisia. There have also been other instances of terrorism in Tunisia in the past. While the Government has increased its counterterrorism efforts since the 14 January 2011 Revolution, any further incidents of terrorism could adversely affect several key sectors of the Tunisian economy, most notably tourism, and result in a reduction of FDI in Tunisia, which could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

The Republic of Tunisia has a variable climate and may be subject to food and water security risks

Tunisia has a variable climate and water shortage and drought can effect Tunisia. Low or unpredictable rainfall may impact Tunisia's primary sector activities, most notably in the agricultural sector, and such yearly rainfall variations may affect GDP, prices and the balance of trade. Droughts and other adverse climatic events, particularly if sustained over a long period, have affected and may in the future have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Tunisia does not produce 100% of its domestic consumption of food and, therefore, relies on food imports, in particular cereals. Tunisia's needs for food imports can increase further when it is experiencing drought or other adverse weather conditions. In addition, Tunisia has limited water resources and more than half of the available water in Tunisia is surface water. Accordingly, the population and economy of Tunisia are subject to the risk of adverse changes in rainfall patterns and disruptions to ground and other water supplies and there is a risk that Tunisia's water resources may become overexploited. Any such overexploitation, disruptions of imports or higher international commodity prices could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

A significant portion of the Tunisian economy is not recorded

A significant portion of the Tunisian economy is comprised of an informal, or shadow, economy. The informal economy is not recorded and is only partially taxed, resulting in a lack of revenue for the Government, ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate this portion of the economy. Although the Government is attempting to address the informal economy, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector, which could, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Tunisia has in the past and continues to trade with certain sanctioned countries or entities

In the past, and on an ongoing basis, Tunisia has had trade relations with certain countries or entities subject to sanctions administered by the Office of Foreign Assets Controls of the United States Department of the Treasury ("**OFAC**"), the EU and other member states of the EU. The Issuer believes that these trade relations have not violated, and do not violate, existing U.S. or other sanctions. If such transactions were engaged in by U.S. persons (as such term is defined in Title 31 §538.315 of the Code of Federal Regulations) and/or transacted in U.S. dollars, such transactions could potentially fall under such U.S. sanctions. The application of the relevant regulations by OFAC, the EU and other member states of the EU, in particular in circumstances in respect of sovereigns, is to a degree situational and discretionary, and likely to be related to foreign policy considerations. Tunisia has maintained a strong and longstanding partnership with the United States and the EU. The existence of the sanctions regimes, however, leaves open the possibility of interpretations or actions that could adversely affect Tunisia's trade flows with such sanctioned countries or entities and/or Tunisia's ability to attract third party financing.

The Republic of Tunisia is a sovereign state, and it may therefore be difficult for investors to obtain or realise judgments of courts in other countries against The Republic of Tunisia

The Republic of Tunisia is a sovereign state. In connection with the offering to which this Prospectus relates, The Republic of Tunisia has irrevocably submitted to the non-exclusive jurisdiction of the courts of England for the purposes of any suit, action or proceeding arising out of, or in connection with, the Notes. Accordingly any suit, action or proceedings arising out of, or in connection therewith (together referred to as "**Proceedings**") may be brought in such courts. The Republic of Tunisia has also irrevocably waived any objection to the laying of the venue of any such Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum.

In addition, The Republic of Tunisia has irrevocably agreed for the benefit of the investors in the Notes not to claim, and has irrevocably waived, such immunity, to the fullest extent permitted by the laws of such jurisdiction. However, the waiver of immunity does not extend to (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of The Republic of Tunisia, in each case under the control of a military authority or defence agency of The Republic of Tunisia or (iii) property located in The Republic of Tunisia dedicated to a public or governmental use (as opposed to a commercial use) by The Republic of Tunisia. Under Article 37 of the Public Accounting Code of The Republic of Tunisia, the property, assets and receivables of The Republic of Tunisia, public establishments and local administrations are immune from attachment or execution, regardless of their use. There is no judicial precedent in Tunisia as to whether a waiver of immunity from attachment and execution on property, assets or receivables of The Republic of Tunisia located in Tunisia, such as that contained in Condition 18(c) of the Notes, is valid as a matter of Tunisian law.

In addition, the ability to enforce foreign judgments in Tunisia is dependent, among other factors, on such judgments not violating the principles of Tunisian public policy and is subject to compliance with applicable procedures under Tunisian law. See "*Jurisdiction and Enforcement*".

The Bank is acting solely as agent of The Republic of Tunisia in connection with the issue of the Notes. Accordingly, the obligations of the Issuer under the Notes and all related documents are not obligations of the Bank itself (and the Notes do not represent a liability of the Bank itself) but are obligations of The Republic of Tunisia (and the Notes

accordingly represent a liability of The Republic of Tunisia). The Bank has not waived immunity with respect to its assets or any other immunity available to it.

Any adverse change in The Republic of Tunisia's credit ratings could adversely affect the trading price of the Notes

The long-term foreign-currency debt of The Republic of Tunisia is currently rated BB- with a negative outlook by Fitch and Ba3 with a negative outlook by Moody's. These ratings are sub-investment grade. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes. There can be no certainty that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgement, circumstances in the future so warrant. Other than pursuant to Article 16 of the Prospectus Directive, neither the Bank nor The Republic of Tunisia has any obligation to inform the Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to The Republic of Tunisia may adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

Statistics published by Tunisia may be more limited in scope, published less frequently and differ from those produced by other sources

A range of Government institutions produces statistics relating to Tunisia and its economy. Since 2001, Tunisia has adhered to the General Data Dissemination Standards prepared by the IMF. These statistics may be less accurate and reliable, more limited in scope and published less frequently than those in other countries, which may, in turn, make adequate monitoring of key fiscal and economic indicators more difficult. Statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary depending on its source. Certain statistical information has been based on information currently available and should not be relied upon as definitive or final and such information may be subject to future adjustment. In certain cases, statistical information is not available for recent periods and, accordingly, has not been updated. In addition, The Republic of Tunisia's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Information presented for past periods should not be viewed as being indicative of current circumstances or periods not presented.

Risks relating to the Notes

Holders of the Notes may be subject to the EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), EU Member States are required, from 1 July 2005, to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain types of entity established, in that other EU Member State. However, for a transitional period, Austria will (unless during that period it elects otherwise) instead operate a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange information procedures relating to interest and other similar income.

The Council of the EU has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefits an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures to the EU Savings Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26/27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to

any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. The Issuer is, however, required to maintain a paying agent in an EU Member State, if any, that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. Noteholders should consult their own tax advisers regarding the implications of the EU Savings Directive in their particular circumstances.

Payments on the Notes are subject to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities (including where the investor in domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes are subject to interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

The Notes are expected to be rated Ba3 by Moody's and BB- by Fitch. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Other than pursuant to Article 16 of the Prospectus Directive, the Issuer has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to The Republic of Tunisia and/or the Notes may adversely affect the trading price of the Notes.

Both Moody's and Fitch are established in the EU and registered under the CRA Regulation. In general European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes unless such ratings are issued by a firm that is registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit ratings agencies, unless the relevant credit rating are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified accordance with the CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended.

An investment in the Notes may not be suitable for all investors

Generally, investment in emerging markets such as The Republic of Tunisia is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal, tax and financial advisers before making an investment. Each potential investor in the Notes must determine the suitability of that investment in own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or, any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact which the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, and/or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The liquidity of the Notes may be limited and trading prices may fluctuate

The Notes have no established trading market. While application has been made to list the Notes on the Luxembourg Stock Exchange and any one or more of the Joint Lead Managers may make a market in the Notes, they are not obligated to do so and may discontinue any market making, if commenced, at any time without notice. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market therein does develop, that it will continue. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of The Republic of Tunisia.

Definitive Notes not denominated in an integral multiple of U.S.$200,000 or its equivalent may be illiquid and difficult to trade

The Notes have denominations consisting of a minimum of U.S.$200,000 plus integral multiples of U.S.$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of U.S.$200,000. Any holder who, as a result of trading such amounts, holds an amount which is less than U.S.$200,000 in his account with the relevant clearing system at the relevant time may not receive a certificate in definitive form (a "**Note Certificate**") in respect of such holding (should Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to U.S.$200,000.

If Note Certificates are issued, holders should be aware that Note Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of U.S.$200,000.

The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa

The Notes will at all times rank at least *pari passu* with all other unsecured and unsubordinated obligations of The Republic of Tunisia. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsubordinated and unsecured obligations of The Republic of Tunisia and, in particular, will have no obligation to pay other unsubordinated and unsecured obligations of The Republic of Tunisia at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Issuer may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured and unsubordinated creditors of The Republic of Tunisia as payments fall due.

The Notes contain a "collective action" clause under which the terms of the Notes may be amended, modified or waived without the consent of all the holders of the Notes

The Conditions (as defined below) contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action" clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

In the future, The Republic of Tunisia (whether directly or through the Bank as its agent) may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that the Notes would be capable of aggregation with any such future debt securities. This means that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the Notes.

Any modification or actions relating to Reserved Matters (as defined in the Conditions), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75% of the aggregate principal amount outstanding of the Notes and to multiple series of debt securities which may be issued by the Issuer with the consent of both (i) the holders of $66^2/_3$% of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple debt securities with the consent of only 75% of the aggregate principal amount outstanding of all debt securities being aggregated, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk, therefore, that the Conditions may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different debt securities and as such, less than 75% of the Noteholders would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

OVERVIEW

This Overview must be read as an introduction to this Prospectus. Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole. This Overview does not purport to be complete and is qualified in its entirety by the more detailed information elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" above prior to making any investment decision. Terms not otherwise defined in this Overview and defined elsewhere in this Prospectus are used in this Overview as so defined. See "The Republic of Tunisia" and "The Tunisian Economy", amongst others, for a more detailed description of The Republic of Tunisia. References in this Overview to a "Condition" are to the numbered condition corresponding thereto set out in the Terms and Conditions of the Notes.

The Republic of Tunisia

The Republic of Tunisia is situated in the north-west of Africa on the Mediterranean Sea and shares borders with Algeria to the west and Libya to the east and the south. Tunisia has an area of approximately 164,000 square kilometres, of which approximately one-quarter is pasture or forest and one-quarter is cultivated. The population of Tunisia was approximately 10.4 million in 2009, 10.5 million in 2010, 10.7 million in 2011, 10.8 million in 2012 and 10.9 million in 2013. The four largest cities in Tunisia are the capital, Tunis, with approximately 1.0 million inhabitants, and Sfax, Nabeul and Sousse, with approximately 0.9 million, 0.8 million and 0.6 million inhabitants, respectively, in 2013.

Tunisia experienced an intensive campaign of civil resistance beginning in December 2010. Widespread demonstrations were precipitated by long-standing grievances related to high unemployment, inflation of food prices, real and perceived corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions. Four weeks of protests led to the ousting of President Zine El Abidine Ben Ali on 14 January 2011, when he resigned after fleeing to Saudi Arabia, ending 23 years in power. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has faced significant political unrest since December 2010*". In 2014, the National Constituent Assembly passed the 2014 Constitution.

Parliamentary elections were held on 26 October 2014 with the secularist party, Nidaa Tounes, led by Mr. Beji Caid el Essebsi, winning a plurality with 86 of the 217 parliamentary seats. In November 2014, the first round of presidential elections was held with neither of the two leading candidates, President Marzouki and former Prime Minister, Mr. Essebsi, winning an outright majority. On 22 December 2014, following a second round of elections, Mr. Essebsi, the then leader of Nidaa Tounes, was elected as the new President. On 5 January 2015, President Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become Head of Government and form a new Government within a one-month period, which may be extended once. Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election. On 23 January 2015, the designated Head of Government, Mr. Habib Essid, announced the formation of a proposed new Government to be composed of representatives from political parties and national figures, but which does not include representatives from all political parties. The final composition of the new Government is currently under discussion among various political parties. In accordance with the 2014 Constitution, the Government must present its programme to the Chamber of the People's Deputies for a vote of confidence to be passed by an absolute majority of its members (*i.e.,* at least 109 of 217 members), following which the President appoints the Head of Government and the members of the Government. See "*Risk Factors—Risks relating to The Republic of Tunisia—There are a number of uncertainties regarding the formation and policies of the new Government*".

The Tunisian economy has undergone significant changes since the mid 1980s, both with respect to the relative importance of the various economic sectors and the role of the state in economic activity. Successive Governments have undertaken macro-economic policies and economic reform programmes aimed at rationalising and strengthening the competitiveness of the Tunisian economy by transforming it from one dominated by the state to one largely based on market principles.

In 2013, according to provisional figures, real GDP grew by 2.3% to TD 72,253 million. The deceleration in GDP growth, as compared to 2012, was primarily due to the decrease in the growth of non-manufacturing industries (which increased overall by 2.5% in 2013), which decrease was due, in particular, to a decline in gas and petroleum production (which decreased by 9.2% in 2013, as compared to a decrease of 3.6% in 2012), and the slowdown of tradable services (which increased by 4.1%, as compared to an increase of 4.8% in 2012), especially in the tourism and transport sectors. GDP grew by an estimated 2.4% in 2014, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, and growth in the manufacturing and services sectors.

The Bank is the central bank of The Republic of Tunisia. The Bank was founded as a national public entity and commenced operations on 3 November 1958. It is an independent legal entity with financial autonomy, pursuant to the Law Creating and Organising the Central Bank of Tunisia (Law № 58-90 of 19 September 1958, as amended by

Law № 2006-26 of 15 May 2006 and Law № 2007-69 of 27 December 2007 (as so amended, the "**Organisation Law**")). The Bank has maintained its status as an independent legal entity after the 14 January 2011 Revolution.

The following table sets forth the main economic indicators for Tunisia for the periods indicated:

Principal Economic Indicators

	2009	2010	2011	2012	2013	2014[1]
GDP at current market prices (*TD millions*)	58,609.0	63,058.8	64,689.6	70,658.2	76,350.5	82,538.8[5]
% change	*5.7%*	*7.6%*	*2.6%*	*9.2%*	*8.1%*	*8.1%*[5]
GDP at constant prices of last year (*TD millions*)	57,195.3	60,433.8	61,848.8	67,112.1	72,252.7	78,198.1[5]
% change[2]	*3.1%*	*3.1%*	*(1.9%)*	*3.7%*	*2.3%*	*2.4%*[5]
GDP per capita at current market price (*TD*)	5,616.7	5,976.7	6,063.3	6,550.3	7,077.3	7,794.2[5]
GDP per capita at constant prices of last year (*TD*)	5,481.2	5,727.9	5,797.1	6,221.6	6,697.5	7,247.9[5]
% change	*8.4%*	*4.5%*	*1.2%*	*7.3%*	*7.6%*	*8.2%*[5]
Unemployment rate *(% of labour force)*	13.3%	13.0%	18.9%	16.7%	15.3%	15.2%[6]
Consumer price index *(% change)*	3.5%	4.4%	3.5%	5.6%	6.1%	5.6%[7]
Balance of merchandise trade (*TD millions*)	(6,408.4)	(8,298.0)	(8,603.5)	(11,630.3)	(11,808.2)	(6,727.0)[8]
Balance of invisibles[3] (*TD millions*)	3,408.9	3,521.3	2,102.0	3,053.4	2,634.4	828.5[8]
Current account deficit (*TD millions*)	(1,665.9)	(3,012.3)	(4,766.4)	(5,812.4)	(6,301.5)	(4,411.8)[8]
% of GDP	*(2.8%)*	*(4.8%)*	*(7.4%)*	*(8.2%)*	*(8.3%)*	*(8.7%)*[8]
Overall balance of payments (*TD millions*)	2,204.3	(199.2)	(2,347.4)	2,168.4	(1,094.6)	641.2[8]
State budget deficit[4] (*TD millions*)	(1,770.2)	(650.3)	(2,127.5)	(3,852.9)	(5,231.1)	(4,139.0)
% of GDP[3]	*(3.0%)*	*1.0%*	*3.3%*	*(5.5%)*	*(6.8%)*	*(5.0%)*
Net foreign exchange reserves at end of period (*TD millions*)	13,352.9	13,002.9	10,581.6	12,576.0	11,602.3	13,097.2
Total public debt (*TD millions*)	25,190.0	25,640.5	28,779.5	31,420.1	34,986.8[1]	40,156.3[9]
% of GDP	*42.9%*	*40.4%*	*44.6%*	*44.0%*	*45.8%*[1]	*49.0%*[9]

Notes:
(1) Provisional data.
(2) % change = GDP at constant market prices of the year / GDP at current market prices of last year.
(3) Principally tourism receipts and, to a lesser extent, royalties from natural gas pipelines.
(4) Excluding privatisation receipts.
(5) Estimate.
(6) Figure as at 31 March 2014.
(7) Figure as at 31 October 2014.
(8) Figure as at 30 June 2014.
(9) Figure is as at 30 November 2014.

Sources: Ministry of Development and International Cooperation and the Bank.

The Offering

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer:	Banque Centrale de Tunisie, acting on behalf of The Republic of Tunisia. References in this Prospectus to the "**Issuer**" are to Banque Centrale de Tunisie, acting on behalf of The Republic of Tunisia for the purposes of issuing the Notes as described in this Prospectus.
Description of the Notes:	U.S.$1,000,000,000 5.75% Notes due 2025
Issue Price:	99.065%
Issue Date:	30 January 2015
Global Co-ordinator:	Natixis Securities Americas LLC
Joint Lead Managers and Joint Bookrunners:	Citigroup Global Markets Limited J.P. Morgan Securities plc Natixis Securities Americas LLC
Fiscal Agent, Transfer and Paying Agent:	Citibank N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Maturity:	Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount, together with accrued interest, on 30 January 2025.
Interest:	The Notes will bear interest from and including the Issue Date. Interest on the Notes will be payable semi-annually in arrear on 30 January and 30 July in each year, commencing on 30 July 2015. The Notes will bear interest at a rate of 5.75% per annum.
Optional Redemption:	There will be no optional redemption of the Notes by the Issuer or any Noteholder prior to their maturity on 30 January 2025.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision, as further described under "*Terms and Conditions of the Notes—Negative Pledge*".
Events of Default:	The Conditions provide that holders of the Notes who hold at least 25% in aggregate principal amount of the relevant Notes then outstanding may declare such Notes to be immediately due and payable at their principal amount together with accrued interest if any one or more of the events described under "*Events of Default*" in the Conditions occurs. A declaration of acceleration may be rescinded in certain circumstances by the resolution in writing of the holders of at least 50% in aggregate principal amount of the outstanding Notes.
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to "*Terms and Conditions of the Notes—Negative Pledge*") unsecured obligations of The Republic of Tunisia and shall at all times rank *pari passu* and without any preference among themselves. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsecured and unsubordinated obligations of The Republic of Tunisia and, in particular, shall have no obligation to pay other unsecured and unsubordinated obligations of The Republic of Tunisia at the same time or as a condition of paying sums due on

the Notes and *vice versa*. See "*Terms and Conditions of the Notes—Status*" and "*Risk Factors—Risks relating to the Notes—The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa*".

Withholding Tax: All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Republic of Tunisia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in certain circumstances, as further described in "*Terms and Conditions of the Notes—Taxation*".

Meetings of Noteholders: The Conditions contain a "collective action" clause which permits defined majorities to bind all Noteholders.

If The Republic of Tunisia (whether directly or through the Bank as its agent) issues future debt securities which contain collective action clauses in substantially the same form as the collective action clause in the Conditions, the Notes would be capable of aggregation with any such future debt securities. See "*Risk Factors—Risks relating to the Notes—The Notes contain a "collective action" clause under which the terms of the Notes may be amended, modified or waived without the consent of all the holders of the Notes*".

Listing and Admission to Trading: Application has been made to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market.

Governing Law: The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Jurisdiction: The Issuer has submitted to the jurisdiction of the courts of England in respect of any disputes that may arise out of or in connection with the Notes and, accordingly, any legal action or proceedings out of or in connection with the Notes may be brought in the courts of England.

Form and Denomination: The Notes will be in registered form, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will initially be represented by Global Notes. One or more Restricted Global Notes will be issued in respect of Notes offered and sold in reliance on Rule 144A. The Unrestricted Global Note will be issued in respect of the Notes offered and sold in reliance on Regulation S. See "*Transfer Restrictions*".

Further Issues: The Issuer may from time to time, without notice or the consent of holders of the Notes, issue further securities which may form a single series with the Notes, subject to certain conditions set out in "*Terms and Conditions of the Notes—Further Issues*".

Selling and Transfer Restrictions:.................. The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on the sales and transfer thereof. See "*Subscription and Sale*" and "*Transfer Restrictions*".

Use of Proceeds: .... The net proceeds of the issue of the Notes are expected to be approximately U.S.$989,150,000, after deduction of commissions but before expenses to be paid by the Issuer. The Republic of Tunisia intends to use the proceeds of the issue of the Notes for its general budgetary purposes.

Ratings: .... The Notes are expected to be rated Ba3 by Moody's and BB- by Fitch. Each of Moody's and Fitch is established in the EU and registered under the CRA Regulation.

Risk Factors: .... There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. See "*Risk Factors*".

Rule 144A CUSIP/ISIN/Common Code: 066716 AH4/US066716AH49/117810712

Regulation S ISIN/Common Code: XS1175223699/117522369

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions (as defined below) of the Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Notes and will (subject to the provisions thereof) apply to each Global Note:

The issue of the Notes was authorised by a resolution of the Board of Banque Centrale de Tunisie, which was passed on 26 November 2014, approved by Decree № 2014-4569 dated 31 December 2014 and published in the *Official Gazette* on 13 January 2015 and amended by a resolution of the Board of Banque Centrale de Tunisie, which was passed on 27 January 2015 and was approved by a decree dated 29 January 2015. A fiscal agency agreement dated 30 January 2015 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer (as defined below), Citibank N.A., London Branch as fiscal agent and principal paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents referred to therein. The Notes have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 30 January 2015 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Registrar**" and the "**Transfer Agents**". "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the forms of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and any Transfer Agents. The holders of the Notes (the "**Noteholders**") are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. References herein to the "**Issuer**" are to Banque Centrale de Tunisie acting as agent for, and on behalf of, The Republic of Tunisia. All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Fiscal Agency Agreement.

For the purposes of these Conditions and all matters in connection with the issue of the Notes, Banque Centrale de Tunisie is acting solely as agent of The Republic of Tunisia. Accordingly, the obligations of the Issuer under these Conditions and all related documents are not obligations of Banque Centrale de Tunisie itself (and the Notes do not represent a liability of Banque Centrale de Tunisie itself) but are obligations of The Republic of Tunisia (and the Notes accordingly represent a liability of The Republic of Tunisia).

1. Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a) below, each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered in the Register.

Upon issue, the Notes will be represented by Global Notes which will be registered in the name of nominees for Euroclear, Clearstream, Luxembourg and DTC (as applicable). Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable) and their respective participants. Payments of interest and principal in respect of the Notes will be effected in accordance with investors' holdings through participants in Euroclear, Clearstream, Luxembourg and DTC (as applicable).

2. Transfers of Notes

(a) **Transfer**: A holding of Notes may, subject to Condition 2(d) below, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in

respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for redemption of that Note or during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii) below).

3. Status

Banque Centrale de Tunisie is authorised under the Law Creating and Organising the Central Bank of Tunisia (Law № 58-90 of 19 September 1958), to act as agent for, and on behalf of, The Republic of Tunisia in the raising of funds. The Notes constitute direct, general, unconditional, unsubordinated and, subject to Condition 4, unsecured obligations of The Republic of Tunisia which shall at all times rank *pari passu* and without any preference among themselves. The obligations of The Republic of Tunisia under the Notes shall, subject to Condition 4, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of The Republic of Tunisia. The full faith and credit of The Republic of Tunisia is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all other obligations pursuant to the Notes. This Condition 3 does not require the Issuer to effect equal or rateable payment(s) at any time with respect to any such other unsecured and unsubordinated obligations of The Republic of Tunisia and, in particular, the Issuer shall have no obligation to pay other unsecured and unsubordinated obligations of The Republic of Tunisia at the same time or as a condition of paying sums due under the Notes and vice versa.

4. Negative Pledge

The Issuer undertakes that, so long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), The Republic of Tunisia shall not, and shall not permit (to the extent that The Republic of Tunisia has the power to refuse such permission) any Agency to, create or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of The Republic of Tunisia's undertakings, assets or revenues, present or future, to secure any Public External Indebtedness of The Republic of Tunisia or of any other Person or to secure any guarantee or indemnity in respect of any such Public External Indebtedness unless, at the same time or prior thereto, The Republic of Tunisia's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution or Written Resolution of the Noteholders (each, as defined in Condition 12(a)). For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (for the purposes of and as defined in Condition 12(e)).

In these Conditions:

"**Agency**" means any political sub-division, regional government, ministry, department, authority or statutory corporation of The Republic of Tunisia or the government thereof (whether or not such statutory corporation is

autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision making power to direct management, the composition of management or otherwise) of The Republic of Tunisia or the government thereof and/or one or more Agencies;

"**External Indebtedness**" means any Indebtedness denominated or payable, or at the option of the creditor or holder thereof payable, in a currency other than the lawful currency from time to time of The Republic of Tunisia;

"**Indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"**Permitted Security Interest**" means:

(a) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or

(b) any Security Interest existing on property at the time of its acquisition; or

(c) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or

(d) any Security Interest securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing provided that such Security Interest applies to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties; or

(e) the renewals or extension of any Security Interest described in sub-paragraphs (a), (b), (c) and (d) above, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, any state or agency of a state or other entity, whether or not having a separate legal personality;

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the persons providing such funds agreed that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project;

"**Public External Indebtedness**" means any External Indebtedness which is evidenced by any bond, debenture, note or other instrument which is or is capable of being quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market; and

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of The Republic of Tunisia or any other type of preferential arrangement having similar effect over any assets or revenues of The Republic of Tunisia.

5. Interest

The Notes bear interest on their outstanding principal amount from and including 30 January 2015 at the rate of 5.75% *per annum*, payable semi-annually in arrear in equal instalments of U.S.$28.75 per Calculation Amount (as defined below) on 30 January and 30 July in each year (each an "**Interest Payment Date**") commencing on 30 July 2015. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 30 January 2015 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. Redemption and Purchase

(a) **Final Redemption**: Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount on 30 January 2025.

(b) **Purchase**: Banque Centrale de Tunisie (acting in any capacity), The Republic of Tunisia and/or any public sector instrumentality (as defined in Condition 12(i)) of The Republic of Tunisia may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, resold or, at the discretion of the holder thereof, surrendered to the Registrar for cancellation and, upon surrender thereof, all such Notes shall be cancelled forthwith. The Notes so purchased, while held by or on behalf of Banque Centrale de Tunisie or The Republic of Tunisia or any public sector instrumentality of The Republic of Tunisia (as the case may be), shall not entitle the holder to vote at any meetings of the Noteholders, or for the purposes of any Written Resolution, or for the purposes of Conditions 9, 12 or 13, all as more particularly set out in Condition 12(i).

(c) **Cancellation**: Any Certificates surrendered for cancellation in accordance with Condition 6(b) above may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in U.S. Dollars by transfer to an account in U.S. Dollars maintained by the payee with a bank that processes payments in U.S. Dollars.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in U.S. Dollars, payment instructions (for value on the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the

appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent (which may be the Fiscal Agent) in a Member State of the European Union (if any) that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other European Union Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(e) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Business Days**: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London, New York and the place in which the specified office of the Registrar is located.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Republic of Tunisia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) **Other connection**: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with The Republic of Tunisia other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other European Union Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 15 that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. Events of Default

If any of the following events shall have occurred and be continuing (each an "**Event of Default**"):

(a) The Republic of Tunisia defaults in the payment of any principal in respect of the Notes for more than seven days or interest due and payable on or in respect of the Notes for more than 14 days; or

(b) The Republic of Tunisia defaults in the due performance and observance of any other provision contained in the Notes and such default (if capable of remedy) remains unremedied for 30 days after written notice thereof shall have been given to the Issuer at the specified office of the Fiscal Agent; or

(c) (i) the holders of any Public External Indebtedness (as defined in Condition 4) of either The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, accelerate such Public External Indebtedness or declare such Public External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or (ii) The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, fails to pay in full any principal of, or interest on, any Public External Indebtedness when due (after the expiry of any originally applicable grace period) or any guarantee of any Public External Indebtedness given by either The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph shall have occurred equals or exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies); or

(d) any governmental order, decree or enactment is made in or by The Republic of Tunisia whereby The Republic of Tunisia is prevented from observing and performing in full its obligations as set forth in the Notes; or

(e) The Republic of Tunisia ceases to be a member in good standing or becomes ineligible to use the resources of the International Monetary Fund; or

(f) The Republic of Tunisia and/or Banque Centrale de Tunisie (i) declares that it is unable to pay all or a substantial portion of its External Indebtedness as it falls due, (ii) enters into any arrangement or composition with or for the benefit of its creditors holding all or a substantial portion of its External Indebtedness or (iii) declares or imposes a moratorium on the payment of all or a substantial portion of the External Indebtedness of, or assumed or guaranteed by, it; or

(g) Banque Centrale de Tunisie ceases to act as the central bank of The Republic of Tunisia or any legislative order or decree or other executive or legislative decision is passed or made which has the effect of causing Banque Centrale de Tunisie to cease to be the central bank of The Republic of Tunisia; or

(h) (i) Banque Centrale de Tunisie shall be adjudicated or found bankrupt or insolvent or (ii) any order shall be made by a competent court or administrative agency for, or Banque Centrale de Tunisie shall apply for, the appointment of a receiver or bankruptcy trustee or any other similar official insolvency proceedings in relation to Banque Centrale de Tunisie or a substantial part of its assets; or

(i) for any reason whatsoever, it shall become unlawful for The Republic of Tunisia to perform or comply with all or any of its obligations under the Notes or any such obligation shall be or become unenforceable or invalid or is declared by a court of competent jurisdiction or pursuant to any law or regulation in The Republic of Tunisia or any ruling of any court in The Republic of Tunisia, in each case whose decision is final and un-appealable, to be no longer legal, valid and binding or no longer enforceable against The Republic of Tunisia; or

(j) The Republic of Tunisia or any of its authorised Agencies (as defined in Condition 4) or officials (acting on its behalf) repudiates or contests the validity of the Notes,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality (any such declaration, a "**Default Declaration**"). Notice of any Default Declaration shall promptly be given to all Noteholders by the Issuer in accordance with Condition 15.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any Default Declaration is or are cured following any such Default Declaration and that such Noteholders wish such Default Declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon such Default Declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8) in respect of them.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the costs, expenses, taxes and duties incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Noteholders; Written Resolutions

(a) **Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions**

(i) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 12(i)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(iii) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iv) The notice convening any meeting will specify, *inter alia*:

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution (as defined below) to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether Condition 12(b), Condition 12(c), or Condition 12(d) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group

of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with Condition 12(f);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(v) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 12(a)(iv) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution as set out below.

(vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk or other trust certificates representing the credit of The Republic of Tunisia) issued directly or indirectly by the Issuer (or by, or on behalf of, The Republic of Tunisia) in one or more series with an original stated maturity of more than one year.

(x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Notes only**

(i) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) by a majority of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

(iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) **Multiple Series Aggregation – Single limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (1) the same new instrument or other consideration or (2) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).

(vi) Any modification or action proposed under Condition 12(c) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the

provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation – Two limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under Condition 12(d) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the

number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "Uniformly Applicable";

(vii) to change the definition of "outstanding" or to modify the provisions of Condition 12(i);

(viii) to change the legal ranking of the Notes;

(ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 9;

(x) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 18;

(xi) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) to modify the provisions of this Condition 12(e);

(xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) **Information**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b), Condition 12(c) or Condition 12(d), the Issuer shall publish in accordance with Condition 13, and provide the Fiscal Agent with the following information:

(i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 12(a)(iv)(G).

(g) **Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) and Condition 12(d), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) **Manifest error, etc.**

The Notes, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) **Notes controlled by the Issuer**

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 12 and (c) Condition 9, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding; where:

(i) "**public sector instrumentality**" means Banque Centrale de Tunisie, the Ministry of Finance of The Republic of Tunisia, any other department, ministry or agency of the Government of The Republic of Tunisia or any corporation, trust, financial institution or other entity owned or controlled by the Government of The Republic of Tunisia or any of the foregoing; and

(ii) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 13(d) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g).

(k) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13. Aggregation Agent; Aggregation Procedures

(a) **Appointment**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**

If a Written Resolution has been proposed under these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**

For the purposes of Condition 13(b) and Condition 13(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(b), Condition 12(c) or Condition 12(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 12(i) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(f) **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 9, Condition 12 and this Condition 13:

(i) through Euroclear Bank SA/NV, Clearstream Banking, *société anonyme*, The Depository Trust Company and/or any other clearing system in which the Notes are held;

(ii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iii) in such other places and in such other manner as may be customary.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue; provided that, either (i) such additional Notes, for purposes of U.S. federal income taxation (regardless of whether any holders of such Notes are subject to the U.S. federal income tax laws), are not treated as issued with original issue discount (or are issued with a *de minimis* amount of original issue discount as defined in U.S. Treasury Regulation 1.1273-1(d)) or (ii) such additional securities are issued in a "qualified reopening" for U.S. federal income tax purposes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

15. Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Notes may, in addition to the foregoing, be given by means of an electronic publication on the internet website of the Luxembourg Stock Exchange (*www.bourse.lu*). Any such notice shall be deemed to have been given on the date of such publication.

16. Currency Indemnity

U.S. Dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. Dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to

demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. The Republic of Tunisia and Banque Centrale de Tunisie (acting solely in its capacity as agent for The Republic of Tunisia in respect of the Notes) irrevocably submit to the jurisdiction of such courts and waive any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Immunity:** To the extent that The Republic of Tunisia and/or Banque Centrale de Tunisie (acting solely in its capacity as agent for The Republic of Tunisia in respect of the Notes) may in any jurisdiction claim or acquire for itself or its assets immunity (sovereign or otherwise) from jurisdiction, suit, execution, attachment (whether in aid of execution before judgment or otherwise) or other legal process (whether through service or notice or otherwise), the Issuer irrevocably and unconditionally agrees for the benefit of the Noteholders not to claim, and irrevocably and unconditionally waives, such immunity, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property or assets whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings, to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act of 1978 to the giving of any relief or the issue of any process in connection with any such proceedings); provided however, that immunity from execution or attachment is not waived in respect of (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of The Republic of Tunisia, in each case under the control of a military authority or defence agency of The Republic of Tunisia or (iii) property located in The Republic of Tunisia dedicated to a public or governmental use (as opposed to a commercial use) by The Republic of Tunisia. The waivers by each of The Republic of Tunisia and Banque Centrale de Tunisie in this Condition 18(c) constitute limited and specific waivers. In addition, the waiver by Banque Centrale de Tunisie has been given solely in its capacity as agent of The Republic of Tunisia, and Banque Centrale de Tunisie does not waive immunity in respect of its own assets or any other immunity available to Banque Centrale de Tunisie.

(d) **Agent for Service of Process:** The Issuer irrevocably appoints The Tunisian Ambassador to the Court of St. James's as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(e) **Enforcement:** A judgment or order of an English court or other court of competent jurisdiction in connection with any Proceedings shall be binding on The Republic of Tunisia and may be enforced against it in the courts of any competent jurisdiction.

(f) **Effectiveness against The Republic of Tunisia:** The Issuer represents and warrants that its agreements and undertakings under the Notes, including without limitation its submission to jurisdiction as provided in Condition 18(b) and its waivers as provided in Conditions 18(b) and 18(c), are effective against The Republic of Tunisia, and therefore if any Noteholder wishes to bring any Proceedings, it may as a result thereof bring such Proceedings directly against The Republic of Tunisia. As a result of the foregoing provisions of these Conditions, such Proceedings may be brought against The Republic of Tunisia in the courts of England and, to the extent described above, The Republic of Tunisia will not assert immunity in any such Proceedings.

THE GLOBAL NOTES

The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as any of the Notes are represented by one or more Global Notes, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Notes. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its purchase by the Issuer will be effected by reduction in the aggregate principal amount of the relevant Global Note in the Register.

3. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will be made, in the case of payment of principal, against presentation and surrender of such Global Note to or to the order of the Fiscal Agent, or such other Agent as shall have been notified to the holders of one or more Global Note for such purpose.

All payments in respect of the Notes represented by a Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a day on which each clearing system for which a Global Note is being held is open for business.

Holders of book-entry interests in the Notes held through DTC will receive, to the extent received by the Fiscal Agent, all distributions of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be entered in the Register by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for delivery as required by Condition 15 as set forth herein. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to the relevant clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the relevant clearing system and otherwise in such manner as the Fiscal Agent and the relevant clearing system may approve for this purpose.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

5. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective) direct and indirect participants, as more fully described under "*Clearing and Settlement Arrangements*".

6. Exchange

The Unrestricted Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar; or (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs, by the holder giving notice to the Registrar; or (iii) the Issuer, at its option, elects to terminate the book entry system through the relevant clearing systems, by the Issuer giving notice to the Registrar and the holders, in each case of its intention to exchange interests in the Unrestricted Global Note for Note Certificates.

Each Restricted Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a "**clearing agency**" (as defined under the United States Securities Exchange Act of 1934, as amended) or is at any time no longer eligible to act as such, and the Issuer is (in the case of DTC ceasing to be a depository) unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Issuer giving notice to the Registrar and the holders; or (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs, by the holder giving notice to the Registrar, in each case of its intention to exchange interests in the Restricted Global Note for Note Certificates.

The Issuer has agreed to notify Noteholders of the occurrence of any of the events specified in the previous two paragraphs as soon as practicable thereafter.

CLEARING AND SETTLEMENT ARRANGEMENTS

The Issuer has obtained the information in this section from third party sources including DTC, Euroclear and Clearstream, Luxembourg. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by DTC, Euroclear and Clearstream, Luxembourg, no facts have been omitted which would render the reproduced information inaccurate or misleading, however, the Issuer takes no responsibility for the accuracy of this information. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the Unrestricted Global Note and in the Restricted Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities for its participating organisations ("**DTC Participants**") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("**Indirect DTC Participants**").

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The Rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission.

Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless DTC notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Note or DTC ceases to be a clearing agency registered under the Exchange Act and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from DTC or becoming aware that DTC is no longer so registered. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, or interest in respect of the Notes.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organisations, and facilitate the clearance and settlement of securities transactions between their respective participants, through electronic book entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are recognised financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations and include the Joint Lead Managers. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II. Bl210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy. L-1855, Luxembourg.

DTC

The Restricted Global Notes will have a CUSIP number and will be deposited with a custodian (the "**Custodian**") for and registered in the name of Cede & Co., as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, NY 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer, to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may. be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Global Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or account holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through direct participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the direct and indirect participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for interests evidenced by a Note Certificate.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Investors that hold their interests in the Notes through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in the Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

When Notes are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or the Euroclear operator will instruct its respective depositary to receive the Notes against payment. Payment will include interest accrued on such beneficial interest on the Note from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depositary to the DTC Participant's account against delivery of Notes. After settlement has been completed, the Notes will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as of the actual settlement date.

Euroclear and Clearstream, Luxembourg participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit. Under this approach, participants may take on credit exposure to the Euroclear operator or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, as the case may be, such participant may elect not to pre-position funds and may allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in a Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interest in the Note was credited to their accounts. However, interest on the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note would accrue from the value date and the investment income on the interest in the Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for transferring interests in the Global Notes to the respective depositaries of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants, a cross-market sale transaction will settle no differently than a trade between two DTC Participants.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC purchaser

Due to time zones differences in their favour, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in a Note are to be transferred by their respective clearing system, through its respective depositary, to a DTC Participant, at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depositary to deliver the interest in the Note to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in the Note from and including the last interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued at the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Note from DTC Participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;

- borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or

- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially may settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (i) in the United States only to QIBs within the meaning of Rule 144A under the Securities Act and (ii) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act. Terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as so defined.

1. Transfer Restrictions

A beneficial interest in the Restricted Global Notes may be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Notes or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Republic of Tunisia is a foreign government as defined in Rule 405 under the Securities Act, and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

2. Restricted Notes

Each prospective purchaser of Notes within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- the purchaser (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware, and each beneficial owner of the Notes has been made aware, that the sale of the Notes to it is being made in reliance on Rule 144A and if it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the herein acknowledgments, representations and agreements on behalf of each such account;

- the purchaser understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States;

- the purchaser understands that the Restricted Notes will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

  "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE l44A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH

RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THIS NOTE."

- the purchaser understands that Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note and before any interest in a Note represented by a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws; and

- the purchaser understands that the Issuer, the Registrar and the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

- For so long as the Notes are held in global form, Noteholders may not require transfers to be registered during the period beginning on the fifteenth business day before the due date for any payment of principal or interest in respect of such Notes.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

3. Unrestricted Notes

Each purchaser of Unrestricted Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- it is, or at the time Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (i) it is located outside the United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

- it understands that such Notes have not been and will not be registered under the Securities Act; and

- it understands that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to be approximately U.S.$989,150,000, after deduction of commissions but before other expenses to be paid by the Issuer. The Republic of Tunisia intends to use the proceeds of the issue of the Notes for its general budgetary purposes.

THE REPUBLIC OF TUNISIA

Area

The Republic of Tunisia is situated in the north-west of Africa on the Mediterranean Sea and shares borders with Algeria to the west and Libya to the east and the south. Tunisia has an area of approximately 164,000 square kilometres, of which approximately one-quarter is pasture or forest and one-quarter is cultivated. While Tunisia includes the easternmost ridges of the Atlas Mountains and has a relatively mountainous northern region, most of Tunisia is low lying and is bordered by a long Mediterranean coastline. Tunisia's capital city is Tunis. Tunisia is divided into 24 governorates (or *wilaya*). The climate in the north of Tunisia is temperate, with mild, rainy winters and hot, dry summers. The south of Tunisia has a desert climate. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Republic of Tunisia has a variable climate and may be subject to food and water security risks*".

Pursuant to the 2014 Constitution, the official language of Tunisia is Arabic. French is widely spoken and, in addition to Arabic, is a language in which business is often conducted. Tamazight, a Berber language, and English are also widely spoken in Tunisia.

Population

The rate of population growth in Tunisia is one of the lowest in the Arab world and is declining. From 2001 to 2012, the population grew at an average annual rate of 1.1%, as compared to an average annual rate of 2.4% for the period 1984 to 1994. The falling birth rate is the result of a higher standard of living and education, improved health, the promotion of women's rights and the entry of more women into the workforce, as well as a national birth control programme sponsored by the Government. The population of Tunisia was approximately 10.4 million in 2009, 10.5 million in 2010, 10.7 million in 2011, 10.8 million in 2012 and 10.9 million in 2013. The four largest cities in Tunisia are the capital, Tunis, with approximately 1.0 million inhabitants, and Sfax, Nabeul and Sousse, with approximately 0.9 million, 0.8 million and 0.6 million inhabitants, respectively, in 2013. According to information published by the World Bank, approximately 34% of the population lived in rural areas of Tunisia in 2013. Since the revolution in Libya in 2011, The Republic of Tunisia has experienced an inflow of approximately 1.8 million Libyan and other nationals, fleeing the

continued violence in Libya. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has experienced large inflows of refugees and returning migrant workers from Libya*".

Social and Demographic Development

The following table sets forth selected comparative statistical data for the countries indicated:

Comparative Statistics[1]

	Tunisia	Egypt	Morocco	Jordan	Philippines	South Africa	Indonesia	United Kingdom
Gross national income *per capita* (*U.S.$*)[2]	4,200	3,140	3,020	4,950	3,270	7,190	3,580	41,680
Average annual growth of GDP (*%*)	2.5	2.1	4.4	2.9	7.2	1.9	5.8	1.7
Life expectancy: Male (*years*)[3]	73	69	69	72	65	54	69	80
Life expectancy: Female (*years*)[3]	77	73	72	75	72	58	73	84
Adult Male literacy rate (*%*) ages 15 and older[4]	88	82	76	98	95	95	96	—
Adult Female literacy rate (*%*) ages 15 and older[4]	72	66	58	94	95	93	90	—
Under 5 mortality (*per 1,000 live births*)	15	22	30	19	30	44	29	5
National poverty rate (*%*)[5]	15.5	25.2	8.9	14.4	25.2	45.5	11.3	—

Notes:
(1) Figures are for 2013, except where indicated.
(2) Figures are calculated based on the World Bank atlas method. The atlas method represents the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad.
(3) Survey year: 2012
(4) Survey year: Tunisia, 2011; Egypt, 2012; Morocco, 2011; Jordan, 2012; Philippines, 2008; South Africa, 2012; and Indonesia, 2011.
(5) Survey year: Tunisia, 2010; Egypt, 2011; Morocco, 2007; Jordan, 2010; Philippines, 2012; South Africa, 2011; and Indonesia, 2014.

Sources: The World Bank, World Development Indicators.

Recent History

Tunisia gained its independence on 20 March 1956, having previously been a French protectorate since 1881. In 1957, Tunisia was declared a republic and Mr. Habib Bourguiba was elected as the first President. On 1 June 1959, a new constitution was adopted (the "**1959 Constitution**"). On 7 November 1987, as a result of Mr. Bourguiba's ill health and in accordance with the 1959 Constitution, the then-Prime Minister, Mr. Zine El Abidine Ben Ali, became interim President. He was elected President on 2 April 1989 and was subsequently re-elected in March 1994, October 1999, October 2004 and October 2009.

Tunisia experienced an intensive campaign of civil resistance beginning in December 2010. Widespread demonstrations were precipitated by long-standing grievances related to high unemployment, inflation of food prices, real and perceived corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions. Four weeks of protests led to the ousting of President Zine El Abidine Ben Ali on 14 January 2011, when he officially resigned after fleeing to Saudi Arabia, ending 23 years in power. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has faced significant political unrest since December 2010*".

Following the 14 January 2011 Revolution, the President of the Chamber of Deputies, Mr. Fouad Mebazaa, was appointed as acting-President in accordance with the 1959 Constitution, and Prime Minister Beji Caid el Essebsi served as Head of Government for the transitional period until the general parliamentary election held on 23 October 2011. The Ennahda Movement, a moderate Islamist party led by Secretary-General Hamadi Jebali won a plurality with 89 of the 217 parliamentary seats in the 2011 general parliamentary election for the newly-created National Constituent Assembly. On 12 December 2011, Moncef Marzouki was elected by the National Constituent Assembly as the interim President.

In February 2013, Prime Minister Jebali resigned following the rejection of his proposals to form a government by his party, the Ennahda Movement. In October 2013, The Ennahda Movement agreed to hand over power to a caretaker government of independent figures and, in December 2013, Mr. Mehdi Jomaa was appointed as head of the interim

Government. In January 2014, the National Constituent Assembly passed the 2014 Constitution and Mr. Jomaa formed a new cabinet to govern until the parliamentary elections in October 2014.

In March 2014, President Marzouki lifted the state of emergency imposed during the 14 January 2011 Revolution.

Parliamentary elections were held on 26 October 2014 with the secularist party, Nidaa Tounes, led by Mr. Beji Caid el Essebsi, winning a plurality with 86 of the 217 parliamentary seats. The participation rate for the parliamentary elections was estimated at 60%. See "—*Political Parties*".

In November 2014, a first round of presidential elections was held with neither of the two leading candidates, President Marzouki and former Head of Government, Mr. Essebsi, winning an outright majority. On 22 December 2014, following a second round of elections, Mr. Essebsi, the then leader of Nidaa Tounes, was elected as the new President, winning 56% of the vote. Following his election, Mr. Essebsi resigned as the president of Nidaa Tounes. The participation rate for the presidential elections was estimated at 67%. The Independent High Authority for Elections (ISE) oversaw the October 2014 parliamentary elections and the presidential elections.

On 2 December 2014, the Chamber of the People's Deputies held its inaugural session. On 4 December 2014, Mr. Mohamed Ennaceur, the Vice-president of Nidaa Tounes, was elected President of the Chamber of the People's Deputies, Mr. Abdelfatah Mourou, a member of the Ennahda Movement, was elected First Vice President and Mr. Fawzia Ben Fodha, a member of the Free Patriotic Union, was elected as Second Vice President.

On 5 January 2015, in accordance with the 2014 Constitution, President Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become Head of Government and form a new Government within a one-month period, which may be extended once. Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election. On 23 January 2015, the designated Head of Government, Mr. Habib Essid, announced the formation of a proposed new Government to be composed of representatives from political parties and national figures, but which does not include representatives from all political parties. The final composition of the new Government is currently under discussion among various political parties. In accordance with the 2014 Constitution, the Government must present its programme to the Chamber of the People's Deputies for a vote of confidence to be passed by an absolute majority of its members (*i.e.,* at least 109 of 217 members), following which the President appoints the Head of Government and the members of the Government.

See "*Risk Factors—Risks relating to The Republic of Tunisia—There are a number of uncertainties regarding the formation and policies of the new Government*".

Political System

The 14 January 2011 Revolution has resulted in significant changes to Tunisia's political system. The previous parliament, consisting of the Chamber of Deputies and the Chamber of Advisors, was dissolved and, on 23 October 2011, elections were held for the newly created 217-seat National Constituent Assembly with a mandate to draft a new constitution. On 16 December 2011, the National Constituent Assembly promulgated Constituent Law № 2011-6 (the "**Constituent Law**") which governed the provisional organisation of public powers in Tunisia. The Constituent Law superseded the 1959 Constitution, provided for three branches of government (legislative, executive and judicial) and guaranteed human rights until the new constitution was drafted and adopted.

All political parties represented in the National Constituent Assembly were involved in drafting the 2014 Constitution, as well as other civil society groups and an "experts' committee" which consisted of lawyers and legal scholars.

The 2014 Constitution, requiring a two thirds majority of the National Constituent Assembly to pass, was passed by a vote of 200 deputies (with 12 deputies voting against and four abstentions) on 26 January 2014 and, following ratification by the President, the President of the National Constituent Assembly and the Prime Minister, came into effect on 27 January 2014.

The principal aims of the 2014 Constitution are to build:

(i) a participatory, democratic, republican system, in the framework of a civil state founded on the law and on the sovereignty of the people, exercised through the peaceful alternation of power through free elections;

(ii) a political system founded on the principle of the separation and balance of powers, which guarantees the freedom of association in conformity with the principles of pluralism;

(iii) an impartial administration and good governance, which are the foundations of political competition;

(iv) a system that guarantees respect for human rights and freedoms;

(v) the independence of the judiciary;

(vi) equality of rights and duties between all citizens, male and female; and

(vii) equality between all regions.

The 2014 Constitution strengthened civil rights in Tunisia. It guarantees, *inter alia*: (i) parity (*i.e.*, equal rights for men and women); (ii) freedom of belief, conscience and religious practice and neutrality of mosques; (iii) the right to privacy; (iv) freedom of opinion, expression and publication and free media; and (v) the right to establish political parties, unions and associations. The 2014 Constitution also provides for the establishment of five independent constitutional commissions to support democracy: the Elections Commission, the Audio-Visual Communication Commission, the Human Rights Commission, the Commission for Sustainable Development and the Rights of Future Generations and the Good Governance and Anti-Corruption Commission. Pursuant to Article 125 of the 2014 Constitution, all institutions of the state must facilitate the work of the independent constitutional commissions. While Article 1 of the 2014 Constitution states that the state religion of Tunisia is Islam, the 2014 Constitution guarantees freedom of worship.

In a statement released on 26 January 2014, U.N. Secretary-General Ban Ki-moon commended the 2014 Constitution as "another historic milestone" in Tunisia's democratic transition and stated that "Tunisia's example can be a mode to other peoples seeking reforms".

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has faced significant political unrest since December 2010*".

Legislative Branch

The 2014 Constitution vests the legislative power in the Chamber of the People's Deputies. Each of the Head of Government, the President and at least ten members of the Chamber of the People's Deputies have the right to propose draft laws (with draft laws relating to the budget and the ratification of treaties being reserved to the Head of Government exclusively).

The Chamber of the People's Deputies adopts organic laws by an absolute majority of all members and ordinary laws by a majority of members who are present, provided that such a majority represents not less than one-third of the members of the Chamber of the People's Deputies. Organic laws address subject areas that are considered to be of particular importance and include laws relating to: the approval and ratification of treaties; the organisation of the judiciary; the press; the organisation and financing of parties, trade unions, associations, and professional organisations and bodies; the organisation of the national army and internal security forces and customs; elections law; extension of the terms of the Chamber of the People's Deputies and the President; civil and human rights; personal status; citizenship; local government; the establishment and organisation of constitutional commissions; and the budget law.

Members of the Chamber of the People's Deputies are elected by proportional representation by popular election for a term of five years. Pursuant to Article 46 of the 2014 Constitution, the state must seek to achieve equal representation for women and men in elected councils.

Executive Branch

The 2014 Constitution confers the executive power jointly on the President and the Government, which is presided over by the Head of Government (*chef du gouvernement*) (*i.e.*, the Prime Minister). On 22 December 2014, following a second round of elections, Mr. Essebsi, the then leader of Nidaa Tounes, was elected as the new President. On 5 January 2015, President Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become Head of Government and form a new Government within a one-month period, which may be extended once. On 23 January 2015, the designated Head of Government, Mr. Habib Essid, announced the formation of a proposed new Government to be composed of representatives from political parties and national figures, but which does not include representatives from all political parties. The final composition of the new Government is currently under discussion among various political parties. Until the vote of confidence of the new Government, the Head of Government remains Mr. Mehdi Jomaa. See "*Risk Factors—Risks Relating to The Republic of Tunisia—There are a number of uncertainties regarding the formation and policies of the new Government*"

The President is elected for a five-year term by universal, free, direct and secret popular elections. The President's role includes appointing the Head of Government and, after consultation with the Head of Government, setting the policies

in the realms of defence, foreign relations and national security related matters. The President represents The Republic of Tunisia and signs and publishes the laws adopted by the Chamber of the People's Deputies. The President may also dissolve the Chamber of the People's Deputies in accordance with the Constitution.

The President is the Supreme Chief of the Tunisian Armed Forces and, with the approval of the Head of Government, appoints and removes senior and diplomatic officers. The President also appoints the senior staff of the presidential office.

Within a week of the declaration of the results of any parliamentary election, the President must request the candidate of the party with the highest number of seats in the Chamber of the People's Deputies to become the Head of Government and form a new Government.

Pursuant to Article 89 of the 2014 Constitution, the Government is composed of a Head of Government, Ministers and secretaries of state selected by the Head of Government, and, in the case of the Ministers of Foreign Affairs and Defence, appointed in consultation with the President. The new Government must present its programme to the Chamber of the People's Deputies for a vote of confidence to be passed by an absolute majority of its members. If the vote of confidence is passed, the President officially appoints the Head of Government and the members of the Government.

If, within the four month period following the first invitation to form a Government, the members of the Chamber of the People's Deputies fail to pass a vote of confidence in relation to that Government, the President may dissolve the Chamber of the People's Deputies and call for new legislative elections to be held within a minimum of 45 days and a maximum of 90 days.

The Head of Government is responsible for:

(i) establishing and modifying the mandates and authorities of, and dissolving, ministries and secretariats of state, after discussion with the Council of Ministers;

(ii) dismissing and accepting the resignation(s) of one or more members of the Government, after consultation with the President in the case of the Ministers of Foreign Affairs and Defence;

(iii) establishing and modifying the mandates and authorities of, and dissolving, public institutions, public enterprises and administrative departments, after deliberation in the Council of Ministers, except in the case of institutions, enterprises and departments under the competency of the President, which are created, changed or dissolved by the President; and

(iv) nominating and dismissing individuals in certain senior civil positions.

The Council of Ministers discusses all draft laws before transmitting them to the Chamber of the People's Deputies and the Head of Government may also issue decrees following deliberations within the Council of Ministers and must countersign the orders of ministers in order for them to become enforceable. The Head of Government chairs the Council of Ministers, unless matters of defence, foreign policy or national security are discussed, in which case the President must attend and preside over meetings of the Council of Ministers. The President may attend other meetings of the Council of Ministers and, if so, he will preside over such meetings.

Pursuant to Article 95 of the 2014 Constitution, the Government is accountable before the Chamber of the People's Deputies.

The Judicial Branch

The judicial branch is independent and, pursuant to Article 102 of the 2014 Constitution, ensures the administration of justice, the supremacy of the Constitution, the supremacy of the law, and the protection of rights and freedoms.

Judges are nominated by Presidential decree (in consultation with the Head of Government in the case of senior judges) on proposals of the Supreme Judicial Council (*Conseil Supérieur de la Magistrature*).

Supreme Judicial Council

Pursuant to Article 114 of the 2014 Constitution, the Supreme Judicial Council's duty is to ensure the sound functioning of the justice system and respect for its independence and in particular, the enforcement of the legal protections for judges concerning their appointment, promotion, transfer and discipline.

The Supreme Judicial Council is composed of four bodies, which are the Judiciary Council, the Administrative Judicial Council, the Financial Judicial Council and the General Assembly, which is comprised of the three aforementioned councils and is responsible for proposing reforms and giving its opinion on draft laws related to the judicial system.

Two-thirds of each of these bodies is composed of judges, the majority of whom are elected by their peers in addition to judges appointed on merit, while the remaining third is composed of independent specialists who are not judges. Elected members exercise their functions for a single six-year term. The President of the Supreme Judicial Council is elected by the members of the council from among its senior judges.

The Supreme Judicial Council has administrative and financial independence and prepares its own draft budget, to be discussed before the relevant committee of the Chamber of the People's Deputies. The Supreme Judicial Council must submit an annual report (by the month of July of each year) to the Speaker of the Chamber of the People's Deputies, the President and the Head of Government. This report is made public. The Chamber of the People's Deputies discusses the annual report in a plenary session with the Supreme Judicial Council.

Judicial System Organisation

Pursuant to Article 115 of the 2014 Constitution, the judiciary is composed of the Court of Cassation, appellate courts and courts of first instance. The judiciary has jurisdiction over civil and criminal matters. The public prosecution service is part of the judicial justice system and benefits from the same constitutional protections pursuant to Article 115 of the 2014 Constitution. The judges of the public prosecution service exercise their functions, as determined by law and within the framework of the penal policy of the Government.

Administrative Judiciary

The administrative judiciary is composed of the Supreme Administrative Court, administrative courts of appeal and administrative courts of first instance. The administrative judiciary has jurisdiction over any abuse of power by the Government, as well as all administrative disputes. The administrative judiciary also performs certain consultative functions.

Financial Judiciary

The Financial Judiciary is composed of the Court of Audit and its constituent bodies and courts. The Court of Audit oversees the sound management of public funds in accordance with the principles of legality, efficiency and transparency. The Financial Judiciary rules on the accounts of public entities and assesses accounting methods. It may also sanction errors and other failings that it discovers. The Financial Judiciary also assists the legislative and executive powers in overseeing the execution of the finance law and the budget.

Constitutional Court

In 2014, the National Constituent Assembly adopted an organic law on the establishment of an interim constitutional court, comprising six judges.

The 2014 Constitution provides for a constitutional court, which is an independent judicial body, composed of 12 members, three-quarters of whom must be legal experts with at least 20 years' of experience. However, pending the adoption by the new Chamber of the People's Deputies of an organic law to establish this constitutional court, the interim constitutional court is still sitting.

Pursuant to Article 118 of the 2014 Constitution, the President, the Chamber of the People's Deputies and the Supreme Judicial Council each appoint four members to the Constitutional Court. Members are appointed for a single nine-year term with one-third of the members being renewed every three years.

Among other powers, the Constitutional Court is the sole body competent to decide on the constitutionality of:

(i) draft laws, upon the request of the President, the Head of Government or not less than 30 members of the Chamber of the People's Deputies;

(ii) draft constitutional laws submitted to it by the President of the Chamber of the People's Deputies;

(iii) treaties presented to it by the President before the draft law approving them is signed;

(iv) laws referred to it by another court, if a claim of unconstitutionality is made by a party to legal proceedings; and

(v) the rules of procedure of the Chamber of the People's Deputies, upon request of the Speaker of the Chamber of the People's Deputies.

Political Parties

The 14 January 2011 Revolution led to the emergence of a large number of new political parties. A new legal framework on political parties was adopted in September 2011 (Decree-Law № 2011-87 of 24 September 2011). *Le Rassemblement Constitutionnel Démocratique (RCD)*, previously the dominant party led by the former president, was dissolved on 9 March 2011 by judicial decision because of its association with the regime in power prior to the 14 January 2011 Revolution.

Tunisia's political landscape consisted of more than 100 political parties during the period leading up to the National Constituent Assembly elections held on 23 October 2011. In accordance with Decree-Law № 2011-87, political parties based upon religion, language, race or sex are prohibited. In 2012, a wave of consolidation among Tunisian political parties occurred. In April 2012, a new party named the Social Democratic Path was created bringing together Ettajdid Party, the Tunisian Labor Party and independent deputies from the Democratic Modernist Pole. This initiative aims at unifying democratic centrist forces. The two major political parties are the Ennahda Movement, a moderate islamist party which held 89 of the 217 seats in the National Constituent Assembly elected in October 2011, and Nidaa Tounes, a secularist party which was formed as a result of a political initiative unifying secular forces in Tunisian politics in June 2012 and which currently holds 86 seats in the Chambers of the People's Deputies elected in October 2014.

In May 2014, the National Constituent Assembly passed a new electoral law, which imposes male and female parity in party lists.

See "*Risk Factors—Risks relating to The Republic of Tunisia—There are a number of uncertainties regarding the formation and policies of the new Government*".

The following table sets forth the representation of each political group in the Chamber of the People's Deputies following the October 2014 parliamentary elections:

Representation of Political Parties in the Chamber of the People's Deputies

Party	Seats
Nidaa Tounes	86
Ennahda Movement	69
Union Patriotique Libre	16
Le Front Populaire	15
Afek Tounes	8
Le Congrès pour la République	4
Al Moubadara (L'Initiative)	3
Mouvement du Peuple	3
Le Courant Démocratique	3
Tayar Al Mahabba	2
Al Jomhouri	1
Democratic Coalition	1
Le Front Populaire du Salut	1
Mouvement des Démocrates Socialistes	1
La Voix des Agriculteurs	1
Independents	3
Total	**217**

Source: Independent High Authority for Elections (ISE).

Press and Media

Tunisia has a varied press with publications in Arabic, French and English. Since September 2011, when the Interior Ministry announced the authorisation of 187 additional new newspapers and magazines (from approximately 245 newspapers in 2007), the number of independent media outlets representing a diversity of viewpoints has significantly increased.

There has been broad public participation in the process of media policy reform in Tunisia. The most important step in this reform process was the creation of the Independent National Authority of Reform of Information and Communication ("**INRIC**") on 2 March 2011. INRIC was an independent advisory body with the task of reforming the information and communication sector in line with international standards on freedom of expression. INRIC contributed

to the drafting of Decree-Law № 2011-116 of 2 November 2011, which provided for the creation of an independent regulator for broadcasting, the Independent High Authority for Audio Visual and Communication ("**HAICA**"), in accordance with the principles of strengthening democracy, human rights and the rule of law, reinforcing and protecting freedom of expression and enhancing the quality and the diversity of the public and private broadcasting sector. In May 2013, following the dissolution of INRIC, HAICA was formally established. Decree-Law № 2011-116 grants HAICA the power to evaluate broadcasting services licencing applications, enforce compliance with the rules and regulations governing the broadcasting sector and implement sanctions.

In November 2011, the transitional Government also replaced the 1975 press code, which was restrictive in nature. The new press code enables journalists to freely access information and removes a requirement that press outlets obtain prior authorisation from the Interior Ministry before publishing certain stories. The new press code also includes a reduction in the protections and privileges enjoyed by public authorities, including those related to defamation and information pertaining to state security. While the new press code is widely regarded as a step toward increased freedom of the press, certain language in the code is ambiguous.

In November 2013, the Ministry of Communication and Technologies issued a decree creating a new telecommunications regulatory agency, the Tunisian Technical Agency for Telecommunications ("**ATT**"), to provide technical support for judicial investigations on cybercrimes. ATT has the authority to perform surveillance and collect certain private information.

Health

Tunisia's healthcare system has benefitted from the French colonial legacy of robust infrastructure for primary healthcare and a strong medical education system. Tunisia has built on these foundations over the past 30 years, making particular efforts in developing the health workforce and maintaining and rehabilitating healthcare facilities.

Article 38 of the 2014 Constitution states that health is a right for every person and that the state shall guarantee preventative health care and treatment for every citizen and provide sufficient resources to ensure the safety and quality of health services. Pursuant to the 2014 Constitution, the state shall ensure free health care for those with limited incomes.

The Tunisian healthcare system has good primary health care facilities across the country (2,085 primary health care centres and 109 district hospitals as at May 2014), a dynamic private sector and an extended workforce. Specialised resources (including in the private sector), however, are unevenly distributed. The public sector covers approximately two-thirds of consultations and 90% of hospitalisations, but significant human and financial resources are not distributed evenly between the public and private sectors. A significant proportion of health expenditure (42.5%) remains borne directly by households as out-of-pocket expenditures, although 92% of the population is covered by a financial protection scheme.

A broad consultative process is currently ongoing regarding the Tunisian healthcare system with the support of the World Health Organisation and funding from the EU. This consultative process is intended to identify medium- and long-term reform strategies to decrease health inequities and better respond to expectations of the population and the changing demographic and epidemiological environment.

Other reforms in the Tunisian healthcare sector since the beginning of 2013 include the establishment of a National Institute for Accreditation in Health, the development of a national strategy on mental health and the ongoing revision of a national strategy for the reduction of maternal and neonatal death.

Education

Education has long been considered an important factor in Tunisia's development and successive educational reform policies have been implemented since the 1990s. Basic education is compulsory for children from 6 years old to 16 years old and is free for all children.

The educational system in Tunisia is comprised of preschool (including kindergartens under the authority of the Ministry of Women's Affairs and Family, Kouttebs (or Koranic schools) under the authority of the Ministry of Religious Affairs and a non-mandatory preparatory year for five year olds, which is taught in both public and private schools), basic education (consisting of a first six year cycle and a second cycle that typically lasts three years), secondary education (which is conducted in secondary schools for a period of four years), vocational training and higher education.

The Framework Law on Education and School Education of 2002 guarantees the right to education for all Tunisians without discrimination by gender, origin, social origin, colour or religion. In addition, pursuant to Article 16 of the 2014 Constitution, the state shall ensure the neutrality of educational institutions.

Pensions

Pensions paid to current retirees or other beneficiaries (for old age, disability or otherwise) are financed exclusively by contributions of the individual and (where employed) their employer, including the Government in respect of public sector employees and public enterprises. Pensions and other benefits available to an individual vary between different industries and within industries depending on the plan available and profession concerned.

The general legal age of retirement in Tunisia is 60, although the Government has announced proposals to increase the retirement age to 62. This age is reduced for individuals performing certain types of manual work. In the public sector, pensions are generally based on the individual's final salary (provided the individual has been in post for a minimum of three years). In the private sector, pensions are based on average wages earned during the previous ten years.

The National Retirement and Social Security Fund ("**CNRPS**") is expected to post an annual deficit of TD 410 million (approximately 0.5% of GDP) for 2014 and currently has no available cash reserves. In 2014, the Government, in respect of certain public enterprises, transferred of TD 250 million to CNRPS against receivables from such enterprises experiencing financial difficulties, in particular, public transportation companies. The Government is considering reform options for the pension system, including raising the retirement age, in order to address the pensions deficit.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Future increases in public sector wages could have an inflationary impact on prices"* and "*The Tunisian Economy—Prices and Wages—Wages*".

International Relations

Traditionally, Tunisia has taken a moderate and pro-Western stance in international affairs. Tunisia is a member of most leading international institutions including the United Nations (and its affiliated organisations), the Arab League, the Organisation of the Islamic Conference, the International IMF, the World Bank (and its affiliates, including the International Finance Corporation, the International Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency), the World Trade Organisation, the African Development Bank, the Islamic Development Bank, the European Bank for Reconstruction and Development (the "**EBRD**") and the Arab Monetary Fund. The Bank is the legal representative of The Republic of Tunisia with respect to the IMF and the Arab Monetary Fund. Tunisia is a signatory to the General Agreement on Tariffs and Trade.

European Union

Tunisia has had accords with the EU since 1969 and a co-operation agreement with the European Economic Community in 1976 established a preferential status for Tunisia. In July 1995, The Republic of Tunisia and the EU entered into an agreement (the "**Association Agreement**") with the aim of establishing a free trade area between The Republic of Tunisia and the EU within 12 years. Following the creation of the Euro-Mediterranean Partnership in Barcelona in November 1995, the Association Agreement entered into force in March 1998 and launched a new generation of Euro-Mediterranean agreements. The Association Agreement provided for the dismantling of tariffs between the EU and Tunisia and, in 2008, Tunisia and the EU entered into a Free Trade Area, the first between the EU and a Mediterranean partner. In December 2009, the EU signed a bilateral protocol with Tunisia on the establishment of a dispute settlement mechanism, which entered into force in September 2011. On 14 December 2011, the Council of the EU adopted negotiating directives for Deep and Comprehensive Free Trade Agreements with several non-EU countries, including Tunisia. This agreement will extend free trade beyond the scope of the Association Agreement to include trade in services, government procurement, intellectual property rights and investment protection with a goal of leading to a gradual integration of Tunisia's economy into the EU single market. The assessment by the EU of Tunisia's commitment to enter into a Deep and Comprehensive Free Trade Agreement began in 2012 and is ongoing. In addition, a sustainability impact assessment of the entry into a Deep and Comprehensive Free Trade Agreement was conducted by an independent contractor in 2013.

In January 2013, Tunisia signed the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin. The system of Pan-Euro-Med cumulation of origin is the extension of a previous system of Pan-European cumulation and operates between the EU and the states of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland), Turkey and the countries which signed the Barcelona Declaration, (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the Palestinian Authority). The Faroe Islands have been added to the system, as well. The Regional Convention on Pan-Euro-Mediterranean preferential rules of origin convention replaced the current network of bilateral protocols, facilitate the revision of existing rules of origin, and enhance regional trade and economic integration.

Tunisia also has bilateral agreements with several EU member countries, including Germany, France, Italy and the United Kingdom, mostly dealing with development assistance and the protection and encouragement of FDI in Tunisia.

In 2012, Tunisia signed a bilateral investment treaty with Switzerland, although, as at the date of this Prospectus, this treaty is not yet in force.

United States

Tunisia has had strong diplomatic relations with the United States. On 26 March 1799, the first agreement of friendship and trade was concluded between Tunisia and the United States, and, on 17 May 1956, the United States was the first major power to recognise the sovereign state of Tunisia. In March 1957, an agreement for U.S. economic and technical aid, the first in a long series, was signed in Tunis.

In July 1968, the United States and Tunisia signed the agreement establishing principles for cooperation between U.S. institutions conducting scientific research under the Smithsonian Institution sponsorship and Tunisian institutions. In June 1985, the two countries signed the convention for the avoidance of double taxation and the prevention of fiscal evasion. In May 1990 the United States and Tunisia signed a treaty relating to the reciprocal encouragement and protection of investment and, in October 2002, they signed the Trade and Investment Framework Agreement.

This co-operation has continued to strengthen in several areas, including commercial, economic and development assistance, as well as humanitarian assistance, military cooperation, science and technology cooperation, cultural affairs and security cooperation.

In July 2012 and July 2014, the Bank, acting on behalf of The Republic of Tunisia, issued bonds in aggregate principal amounts of U.S.$485 million and U.S.$500 million, respectively, which are guaranteed by the U.S. Agency for International Development, acting on behalf of the United States of America.

Maghreb and Other Arab Nations

Tunisia has solid ties with other Maghreb countries and the Arab world, in general. The Union of the Arab Maghreb or Arab Maghreb Union ("**AMU**") was established in 1989 when the five founding members, Algeria, Tunisia, Morocco, Libya and Mauritania, signed the Treaty of Marrakesh to promote substantial political and economic integration in the region. This treaty has not, as yet, produced its anticipated effect due to a number of issues that have arisen and which have led at times to various differences between member states. The AMU's Council of Heads of State has not met since the 1994 Tunis summit.

Tunisia continues to support the AMU as a framework for a future Maghreb Common Market and to establish a more regular dialogue between the Maghreb and the EU. The AMU treaty also provides for the establishment of a regional development bank aiming to finance project investment and foreign trade.

The headquarters of the Arab League was in Tunis from 1979 to 1990 before being moved to Cairo, although the Arab League still maintains offices in Tunis as a second centre. Tunisia also has various bilateral agreements with its neighbouring countries. It has signed trade agreements with Morocco, Egypt, Jordan, Libya, Iraq, Syria and Turkey, among others, pursuant to which tariffs will be progressively reduced.

Others

In November 2001, The Republic of Tunisia became a signatory to two U.N. treaties relating to terrorism: the International Convention for the Suppression of Terrorist Bombings and the International Convention for the Suppression of the Financing of Terrorism. In November 2004, The Republic of Tunisia signed, as a founding member, the memorandum of understanding establishing the MENAFATF (Middle East and North Africa Financial Action Task Force) against money laundering and terrorist financing. In February 2008, The Republic of Tunisia adopted the U.N. Convention against Corruption. See "*Risk Factors—Risks relating to The Republic of Tunisia—Failure to adequately address actual and perceived risks of corruption may adversely affect Tunisia's economy and its ability to attract FDI*".

THE TUNISIAN ECONOMY

General

The Tunisian economy has undergone significant changes since the mid 1980s, both with respect to the relative importance of the various economic sectors and the role of the state in economic activity. Successive governments have undertaken macro-economic policies and economic reform programmes aimed at rationalising and strengthening the competitiveness of the Tunisian economy by transforming it from one dominated by the state to one largely based on market principles.

The Tunisian economy is relatively diversified with large non-textile manufacturing activities, including the production of mechanical and electrical goods, phosphate and IT industries. The textile industry remains the largest industrial employer and has been successfully modernised in recent years. Services, in particular telecoms, transport and tourism, also drive economic growth. International trade has also played an important role in the Tunisian economy, as a result of the country's small domestic market and proximity to major markets.

The Government introduced measures to attempt to reduce unemployment and mitigate the effects of the global financial crisis (which were further aggravated as a result of the 14 January 2011 Revolution) through a development plan for the period 2010-2014. The development plan, which continues to form the basis for current Governmental policies, is intended to accelerate the structural transformation of the economy towards a skills-based economy. The development plan is intended to stimulate private sector investment in the economy and to raise productivity growth, with favourable complementary effects on employment.

Following the 14 January 2011 Revolution, the Government ceased the preparation of five-year development plans, adopting a more flexible strategy aimed at responding to social and economic demands, while preparing necessary structural reforms. Pursuant to this strategy, the Government issued guidelines in March 2013, which provided for a series of structural reforms and investments aimed at creating conditions for accelerated growth and job creation to ensure regional balance and inclusive development. The 2013 guidelines were based on five pillars: (i) economic reforms; (ii) infrastructure modernisation; (iii) strengthening of the social sectors of education and employment; (iv) regional balance; and (v) promotion of sustainable development. The 2013 guidelines have since been consolidated with the reforms being undertaken by the Government under the Stand-By Arrangement with the IMF. In December 2014, the Executive Board of the IMF completed its fifth review of Tunisia's performance under the Stand-By Arrangement and noted that programme implementation had been good and all quantitative performance criteria had been met, although certain further reforms remain to be implemented. See "*Public Debt—International Institutions—IMF*". Structural reforms agreed pursuant to the Stand-By Arrangement with the IMF include the recapitalisation of public sector banks, the introduction of a new tax code, the adoption of a law on an asset management company to manage certain NPLs, the introduction of an investment code and the design and implementation of certain labour market reforms, including the design and implementation of a national employment strategy. In addition, new laws on competition, private and public partnerships and bankruptcy procedures, some of which have already been debated within parliamentary commissions, are, as at the date of this Prospectus, expected to be voted on by the Chamber of the People's Deputies in 2015. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory changes and may require further support*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*".

In September 2014, at the "Invest in Tunisia" conference, the Government presented a five-year economic vision, which was supported by a broad spectrum of the Tunisian political parties (including Nidaa Tounes and the Ennahda Movement), as well as private investors. This five-year vision focuses on short-term macroeconomic stabilisation, improving budget composition, reducing banking fragilities, enhancing business climate reforms, and protecting the most vulnerable.

The new Government has not been formed and as such has not presented its programme to the Chamber of the People's Deputies. See "*Risk Factors—Risks relating to The Republic of Tunisia—There are a number of uncertainties regarding the formation and policies of the new Government*", "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*" and "*The Republic of Tunisia—Recent History*".

Role of the Government in the Economy; Privatisation

Tunisia's programme of privatisation and restructuring of the state enterprises has been part of the framework of reforms undertaken by the Government since 1986, as a part of larger policies of macro-economic adjustment and structural reforms. A legal framework for privatisation and company restructurings was introduced in 1989. Between 1986 and 1994, approximately 45 companies with an asset value of U.S.$90 million were privatised, primarily in the hotel and construction industries.

In 1994, a second legislative framework was implemented, which permitted the Government to undertake privatisations through sales on the Tunis Stock Exchange and, for certain large transactions, to strategic investors. A further 45 companies were privatised under this legislative framework. In 1997 the pace of privatisation was further accelerated. Between 1987 and 2008, privatisation receipts totalled TD 6,013 million, primarily relating to privatisations in the construction and building, tourism and artisanal and telecommunications and other industries.

Since 2009, the Government has not conducted any further privatisations.

Principal Economic Indicators

The following table sets forth the main economic indicators for Tunisia for the periods indicated:

Principal Economic Indicators

	2009	2010	2011	2012	2013	2014[(1)]
GDP at current market prices (*TD millions*)	58,609.0	63,058.8	64,689.6	70,658.2	76,350.5	82,538.8[(5)]
% change	*5.7%*	*7.6%*	*2.6%*	*9.2%*	*8.1%*	*8.1%*[(5)]
GDP at constant prices of last year (*TD millions*)	57,195.3	60,433.8	61,848.8	67,112.1	72,252.7	78,198.1[(5)]
% change[(2)]	*3.1%*	*3.1%*	*(1.9%)*	*3.7%*	*2.3%*	*2.4%*[(5)]
GDP per capita at current market price (*TD*)	5,616.7	5,976.7	6,063.3	6,550.3	7,077.3	7,794.2[(5)]
GDP per capita at constant prices of last year (*TD*)	5,481.2	5,727.9	5,797.1	6,221.6	6,697.5	7,247.9[(5)]
% change	*8.4%*	*4.5%*	*1.2%*	*7.3%*	*7.6%*	*8.2%*[(5)]
Unemployment rate *(% of labour force*)	13.3%	13.0%	18.9%	16.7%	15.3%	15.2%[(6)]
Consumer price index *(% change*)	3.5%	4.4%	3.5%	5.6%	6.1%	5.6%[(7)]
Balance of merchandise trade (*TD millions*)	(6,408.4)	(8,298.0)	(8,603.5)	(11,630.3)	(11,808.2)	(6,727.0)[(8)]
Balance of invisibles[(3)] (*TD millions*)	3,408.9	3,521.3	2,102.0	3,053.4	2,634.4	828.5[(8)]
Current account deficit (*TD millions*)	(1,665.9)	(3,012.3)	(4,766.4)	(5,812.4)	(6,301.5)	(4,411.8)[(8)]
% of GDP	*(2.8%)*	*(4.8%)*	*(7.4%)*	*(8.2%)*	*(8.3%)*	*(8.7%)*[(8)]
Overall balance of payments (*TD millions*)	2,204.3	(199.2)	(2,347.4)	2,168.4	(1,094.6)	641.2[(8)]
State budget deficit[(4)] (*TD millions*)	(1,770.2)	(650.3)	(2,127.5)	(3,852.9)	(5,231.1)	(4,139.0)
% of GDP[(3)]	*(3.0%)*	*1.0%*	*3.3%*	*(5.5%)*	*(6.8%)*	*(5.0%)*
Net foreign exchange reserves at end of period (*TD millions*)	13,352.9	13,002.9	10,581.6	12,576.0	11,602.3	13,097.2
Total public debt (*TD millions*)	25,190.0	25,640.5	28,779.5	31,420.1	34,986.8[(1)]	40,156.3[(9)]
% of GDP	*42.9%*	*40.4%*	*44.6%*	*44.0%*	*45.8%*[(1)]	*49.0%*[(9)]

Notes:
(1) Provisional data.
(2) % change = GDP at constant market prices of the year / GDP at current market prices of last year.
(3) Principally tourism receipts and, to a lesser extent, royalties from natural gas pipelines.
(4) Excluding privatisation receipts.
(5) Estimate.
(6) Figure is as at 31 March 2014.
(7) Figure is as at 31 October 2014.
(8) Figure is as at 30 June 2014.
(9) Figure is as at 30 November 2014.

Sources: Ministry of Development and International Cooperation and the Bank.

Development Planning

Since 1962, there have been 12 economic and social development plans (the "**Plans**"). The main purpose of the Plans was to improve the balance of payments, reduce unemployment and malnutrition, increase production and improve the average standard of living. Although the Plans were required to be approved by law under the 1959 Constitution, the Plans do not themselves have the force of law.

The Seventh Plan (1987-1991) coincided with the first years of Tunisia's economic reform programme and had external and internal deficit reduction as its main objectives. The Eighth Plan (1992-1996) was aimed at rapid GDP growth by emphasising the liberalisation of the economy and improvements in its efficiency, while continuing to consolidate the social progress of previous Plans. The Ninth Plan (1997-2001) also emphasised growth in order to reduce unemployment, raise the standard of living and reduce internal and external imbalances in the economy and society. A key objective of the Ninth Plan was to maintain a sustainable growth rate while at the same time meeting the competitive challenges associated with full integration into the world economy. The Tenth Plan (2002-2006) focused on reinforcing economic competitiveness, creating the foundations for a knowledge-based economy, establishing a modern infrastructure, intensifying efforts to promote human resources and addressing the employment challenge. The main objective of the Eleventh Plan (2007-2011) was to stimulate private investment, particularly in the highly skilled/value-added sectors of the economy, to reform the education system and improve its efficiency and to maintain the policy of gradual liberalisation of the Tunisian economy and achieving full convertibility of the Tunisian Dinar. The development strategy of the Twelfth Plan (2010-2014) was based particularly on developing economic infrastructure, consolidating competitiveness and productivity, strengthening integration into the international economy and investing in human capital.

Following the 14 January 2011 Revolution, the Government ceased the preparation of five-year development plans, instead adopting a more flexible strategy aimed at responding to social and economic demands, while preparing necessary structural reforms. See "—*General*".

Economic Performance

Between 2001 and 2011, Tunisia's GDP grew by an average of 4.9% per year, recording growth at a rate of 3.1% in 2009 and 2010, primarily due to the growth of the services sector. While GDP contracted by 1.9% in 2011 due to the effects of the 14 January 2011 Revolution, GDP grew by 3.7% in 2012 and 2.3% in 2013, despite the effect of the Eurozone crisis and other economic uncertainties. The relative diversification of the Tunisian economy has increased its resilience to such external shocks. GDP grew by an estimated 2.4% in 2014, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, and growth in the manufacturing and services sector.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has faced significant political unrest since December 2010*".

The following table sets forth certain information with respect to total and per capita GDP at current prices and constant prices for the years indicated:

Gross Domestic Product

	2009	2010	2011	2012	2013	2014[(1)]
Total GDP						
At current prices (*TD millions*)	58,609.0	63,058.8	64,689.6	70,658.2	76,350.5	82,538.8
At constant last year prices (*TD millions*)	57,195.3	60,433.8	61,848.8	67,112.1	72,252.7	78,198.1
% change[(2)]	3.1%	3.1%	(1.9%)	3.7%	2.3%	2.4%
Per capita GDP						
At current prices (*TD*)	5,616.7	5,976.7	6,063.3	6,550.3	7,077.3	7,794.2
At constant last year prices (*TD*)	5,481.2	5,727.9	5,797.1	6,221.6	6,697.5	7,247.9
% change	8.4%	4.5%	1.2%	7.3%	7.6%	8.2%

Notes:

(1) Estimated.

(2) % change = GDP at constant market prices of the year / GDP at current market prices of last year

Source: Ministry of Development and International Cooperation

The following table sets forth the major components of GDP at current prices, by category of demand, for the years indicated:

Gross Domestic Product by Category of Demand at Current Prices

	2009	2010	2011	2012	2013	2014[1]
	(TD millions)					
Private consumption	36,345.5	39,614.2	42,640.7	47,144.9	52,072.5	57,242.3
Government consumption	9,758.7	10,477.7	11,609.3	12,993.9	14,489.5	15,913.8
Gross fixed investment	14,278.2	15,497.3	14,015.6	15,273.6	15,450.0	15,810.3
Changes in stocks	(0,049.9)	0,719.7	1,238.7	1,886.3	1,548.9	2,302.4
Exports of goods and services	26,428.1	31,210.3	31,299.2	34,154.4	35,280.2	35,827.6
Imports of goods and services	(28,151.6)	(34,460.4)	(36,113.9)	(40,794.9)	(42,490.6)	(44,557.6)
GDP at current prices	**58,609.0**	**63,058.8**	**64,689.6**	**70,658.2**	**76,350.5**	**82,538.8**
% change	5.7	7.6	2.6	9.2	8.1	8.1

Note:
(1) Estimated.

Source: Ministry of Development and International Cooperation

The following table sets forth the major components of GDP at constant last year prices, by category of demand, for the years indicated:

Major Components of GDP

	2009		2010		2011		2012		2013		2014[1]	
	(TD millions, except percentages)											
Private consumption	35,062.6	61.3%	37,908.3	62.7%	41,198.7	65.9%	44,644.8	66.7%	49,125.0	68.2%	54,155.4	69.3%
Government consumption	9,434.2	16.5%	10,119.8	16.7%	10,907.3	17.9%	12,398.7	18.4%	13,799.5	19.0%	15,213.9	19.5%
Gross fixed investment	13,517.5	23.6%	14,892.2	24.6%	13,544.7	21.7%	15,010.7	21.7%	14,686.3	20.2%	15,086.2	19.3%
Changes in stocks	862.1	1.5%	742.8	1.2%	(2.3)%	1.9%	874.1	2.7%	727.1	2.0%	1,441.0	1.8%
Exports of goods and services	28,423.1	49.7%	29,229.5	48.4%	29,868.3	48.4%	32,645.1	48.3%	33,440.9	46.2%	34,416.5	44.0%
Imports of goods and services	(30,104.3)	(52.6%)	(32,458.8)	(53.7%)	(33,667.8)	(55.8%)	(38,461.3)	(57.7%)	(39,526.1)	(55.7%)	(42,114.9)	(53.9%)
GDP at constant last year prices	**57,195.3**	**100.0%**	**60,433.8**	**100.0%**	**61,848.8**	**100.0%**	**67,112.1**	**100.0%**	**72,252.7**	**100.0%**	**78,198.1**	**100.0%**
% change[2]	3.1%		3.1%		(1.9%)		3.7%		2.3%		2.4%	

Notes:
(1) Estimated.
(2) % change = GDP at constant market prices of the year / GDP at current market prices of last year.

Source: Ministry of Development and International Cooperation

The following table sets forth GDP at factor cost, broken down by sector of origin, at current prices and constant last year prices, for each of the years indicated:

Gross Domestic Product by Sector of Origin at Current and Constant Last Year Prices

	Current Prices					Constant Prices				
	2009	**2010**	**2011**	**2012**	**2013**	**2009**	**2010**	**2011**	**2012**	**2013**
	(TD millions)					*(TD millions)*				
Primary sector (Agriculture and Fishing)	4,747.5	4,426.6	5,408.6	6,091.4	6,175.8	4,747.5	4,426.6	5,146.2	5,757.5	5,853.8
Secondary sector	17,325.5	16,922.8	19,179.2	20,633.9	21,499.0	17,325.5	16,922.8	17,219.6	19,446.0	20,656.7
Mining	420.2	487.0	267.2	430.0	510.0	621.3	465.6	229.4	313.2	500.5
Total Energy	3,470.2	4,640.8	5,445.5	5,917.9	5,501.8	4,465.9	3,618.1	4,174.2	5,328.4	5,494.2
Gas and petroleum product	2,730.3	3,822.4	4,571.6	4,957.9	4,461.2	3,771.1	2,850.4	3,336.9	4,407.0	4,501.8
Electricity and Water	740.0	818.5	873.9	960.0	1,040.6	694.8	767.7	837.3	921.3	992.4
Manufacturing	9,859.5	10,427.0	10,679.0	11,269.1	12,167.6	9,885.6	10,228.0	10,163.8	10,952.9	11,530.3
Agriculture and food processing	1,662.7	1,796.6	1,892.7	2,070.8	2,249.0	1,608.1	1,739.2	1,818.2	1,983.6	2,143.3
Construction mat's, ceramics and glass	814.7	879.4	906.1	1,011.6	1,115.3	793.2	841.5	866.2	972.7	1,060.1
Mechanical and electrical industries	2,477.4	3,120.2	3,436.5	3,666.4	3,976.3	2,443.2	2,992.7	3,248.1	3,458.8	3,723.1
Chemical and rubber industries	1,138.7	1,306.8	899.1	961.1	1,049.4	1,290.2	1,216.2	798.5	846.0	994.7
Textiles, leather and clothing	1,972.7	2,123.1	2,183.6	2,104.7	2,220.9	1,910.8	2,071.3	2,097.6	2,096.3	2,115.2
Miscellaneous industries and oil refining	1,793.3	1,200.9	1,361.1	1,454.6	1,556.7	1,840.1	1,367.1	1,335.3	1,595.5	1,396.9
Building and civil engineering	2,522.8	2,728.6	2,787.5	3,017.0	3,319.5	2,352.7	2,611.1	2,652.2	2,851.6	3,131.6
Tertiary sector (services)	23,798.8	25,947.7	25,785.9	28,280.6	31,393.1	23,059.8	25,029.3	24,951.4	27,020.1	29,450.5
Hotels, cafés, restaurant	2,933.9	3,164.5	2,628.9	3,053.1	3,298.7	2,765.2	3,039.5	2,477.8	2,905.0	3,129.4
Other non-administrative services	20,865.0	22,783.3	23,157.0	25,227.4	28,094.3	20,294.6	21,989.8	22,473.6	24,115.1	26,321.1
Telecommunications and Transport	7,327.4	8,293.9	7,911.0	8,728.7	9657.1	7,180.3	7,988.8	7,832.1	8,548.7	9,198.4
Financial company	2,085.6	2,292.2	2,296.8	2,627.1	2993.4	2,304.5	2,221.2	2,289.9	2,448.4	2,771.6
Commercial and other services	11,452.0	12,197.1	12,949.2	13,871.6	15,443.8	10,809.9	11,779.8	12,351.6	13,118.0	14,091.0
Less: imputed financial services	(757.5)	(817.3)	(869.7)	(1,035.6)	(1,109.4)	(858.6)	(793.9)	(860.7)	(929.7)	(1,077.1)
Non market services activities	9,256.3	9,982.3	11,171.1	12,328.8	13,760.0	8,845.5	9,659.8	10,675.0	11,785.7	12,957.3
GDP at factor cost	53,450.8	58,061.7	60,675.2	66,299.1	71,718.5	53,119.8	55,244.6	57,131.5	63,079.6	67,841.3
Indirect taxes (net of subsidies)	5,158.2	4,997.2	4,014.4	4,359.1	4,632.0	4,075.6	5,189.2	4,717.3	4,032.5	4,411.4
Total GDP	**58,609.0**	**63,058.8**	**64,689.6**	**70,658.2**	**76,350.5**	**57,195.3**	**60,433.8**	**61,848.8**	**67,112.1**	**72,252.7**
GDP growth rate (%)	6.8%	7.6%	2.6%	9.2%	8.1%	3.1%	3.1%	(1.9%)	3.7%	2.3%

Source: Ministry of Development and International Cooperation

The following table sets forth GDP estimates for 2014 at factor cost, broken down by sector of origin, at current prices and constant last year prices:

Estimated 2014 Gross Domestic Product by Sector of Origin at Current and Constant Last Year Prices

	Current Prices	Constant Prices
	(TD millions)	
Primary sector (Agriculture and Fishing)	6,634.4	6,348.7
Secondary sector	22,809.0	21,594.6
Mining	590.1	571.2
Total Energy	5,525.3	5,240.2
Gas and petroleum product	4,380.7	4,144.5
Electricity and Water	1,144.5	1,095.7
Manufacturing	13,051.8	12,347.4
Agriculture and food processing	2,297.7	2,188.3
Construction materials, ceramics and glass	1,255.4	1,193.3
Mechanical and electrical industries	4,298.3	4,036.0
Chemical and rubber industries	1,159.2	1,101.9
Textiles, leather and clothing	2,343.6	2,232.0
Miscellaneous industries and oil refining	1,697.6	1,596.0
Building and civil engineering	3,641.9	3,435.7
Tertiary sector (services)	34,317.3	32,398.5
Hotels, café, restaurant	3,550.8	3,414.2
Other non-administrative services	30,766.5	28,984.3
Telecommunications and Transport	10,513.9	10,132.0
Financial company	3,353.0	3,119.1
Commercial and other services	16,899.7	15,733.1
Less: imputed financial services	(1,179.2)	(1,147.1)
Non market services activities	13,760.0	14,339.0
GDP at factor cost	77,641.2	73,533.7
Indirect taxes (net of subsidies)	4,897.7	4,664.4
Total GDP	**82,538.8**	**78,198.1**
GDP growth rate (%)	8.1%	2.4%

Source: Ministry of Development and International Cooperation

In 2009, real GDP grew by 3.1% to TD 57,195 million from TD 51,954.8 million. In the context of falling external demand, the contribution of manufacturing industries to GDP decreased by 1.4%, as compared to an increase of 5.7% in 2008. This decrease involved the main export sectors, in particular mechanical and electrical industries (which decreased by 2.6% in 2009, as compared to an increase of 12.9% in 2008), textile, clothing, leather and footwear (which decreased by 7.6% in 2009, as compared to an increase of 1.6% in 2008) and chemical industries (which decreased by 3.9% in 2009, as compared to an increase of 2.2% in 2008).

In 2010, real GDP grew by 3.1% to TD 60,434 million, despite the negative growth in agriculture and fishing (which decreased by 9.3%, as compared to 9.2% in 2009). Manufacturing industries experienced a modest recovery in 2010 (increasing by 3.4% in 2010), primarily due to increases in production in mechanical and electrical industries (which increased by 20.8%, as compared to a decrease of 2.6% in 2009) and the textile, clothing, leather and footwear sector (which increased by 5.0%, as compared to 7.4% in 2009). The services sector also experienced an increase in growth (increasing by 5.2%, as compared to 3.5% in 2009).

In 2011, real GDP decreased by 1.9% to TD 61,849 million. This decrease was primarily due to the internal instability surrounding the 14 January 2011 Revolution, which affected all industries, including non-manufacturing industries (which decreased by 10.2%, as compared to an increase of 4.4% in 2010), tradable services (which decreased by 3.8%, as compared to an increase of 5.2% in 2010) and, in particular, tourism (which decreased by 21.7%, as compared to an increase of 3.6% in 2010). Decreases were also experienced in the manufacturing industries (which decreased by 2.5% in 2011, as compared to an increase of 3.7% in 2010), particularly the chemical industry. See *"Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Impact of the 14 January 2011 Revolution"*.

In 2012, real GDP grew by 3.7% to TD 67,112 million. This recovery was evident, in particular, in the services sector (which increased by 4.8%, as compared to a decrease of 3.8% in 2011), particularly tourism (which increased by 10.5% in 2012) and transport (which increased by 7.1% in 2012). Manufacturing industries increased by 2.6% in 2012, with

increases, in particular, in the construction materials, ceramics and glass, as well as the agriculture and food processing sectors; the textile, clothing, leather and footwear sector and mechanical and electrical industries, as well as the chemical industry, however, recovered more slowly.

In 2013, real GDP grew by 2.3% to TD 72,253 million. The deceleration in GDP growth was primarily due to the decrease in the growth of non-manufacturing industries (which increased overall by only 2.5% in 2013), which decrease was due, in particular, to a decline in gas and petroleum production (which decreased by 9.2% in 2013, as compared to a decrease of 3.6% in 2012), and the slowdown of tradable services (which increased by 4.1%, as compared to an increase of 4.8% in 2012), especially in the tourism and transport sectors.

In 2014, real GDP is estimated to have grown by 2.4% to TD 78,198.1 million, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, and growth in the manufacturing and services sector.

The following table sets forth Tunisian exports of goods, by principal categories of goods, for the periods indicated:

Exports[(1)(2)]

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**
				(TD millions)			
Energy[(3)]	2,637.7	3,313.9	3649.5	4,450.4	4,209.7	2,087.6	1,887.8
Food and agriculture	1,849.5	1,879.4	2,592.4	2,577.2	2,740.6	1,641.3	1,131.6
Mining, phosphates and by products	1,660.2	2,158.3	1,300.6	1,649.6	1,657.9	810.5	637.7
Textile, clothing, leather and footwear	5,558.1	6,036.4	6,378.1	5,927.8	6,227.2	3,280.0	3,332.0
Electrical and mechanical	6,001.0	8,070.9	9,277.5	9,714.8	10,364.6	5,235.8	5,568.2
Other	1,762.7	2,060.1	1,893.8	2,227.9	2,501.2	1,262.0	1,405.9
Total exports (FOB)	**19,469.2**	**23,519.0**	**25,091.9**	**26,547.7**	**27,701.2**	**14,317.2**	**13,963.2**

Notes:

(1) The information on Tunisian exports of goods by principal category (both in the table above and in the individual discussions of the different industry sectors below) is being provided here to give an indication of the relative importance of the different sectors for The Republic of Tunisia's foreign trade.

(2) Export figures for particular categories of goods are different from GDP figures for the corresponding sectors. Export figures reflect the total value of goods exported in a particular category in the relevant year, while GDP figures reflect the "value added" by a particular sector of the Tunisian economy. As a result, export figures for a particular category of goods may significantly exceed the GDP figures for the corresponding industry sectors to the extent the relevant sectors rely on the importation of expensive raw materials to produce the relevant goods for exports, and the "value added" (from raw materials to finalised product) of the relevant sector is low.

(3) Excludes royalties paid to The Republic of Tunisia for international pipeline trans-shipments. See "*—Industry—Non-Manufacturing—Industries—Natural Gas*".

Sources: Ministry of Regional Development and Planning and the Bank

See "*Foreign Trade and Balance of Payments—Foreign Trade—Exports and Imports*".

Agriculture and Fishing

The following table sets forth Tunisia's annual production of its principal agricultural and seafood products for the years indicated:

Annual Production of Principal Agricultural and Seafood Products

	2009	2010	2011	2012	2013
	(in thousands of tonnes, except where noted)				
Cereals	2,534	1,080	2,300	2,273	1,295
Eggs (*millions*)	1,684	1,673	1,683	1,773	1,878
Potatoes	324	370	360	350	385
Tomatoes	1,135	1,296	1,284	1,357	1,013
Olive oil[(1)]	160	150	120	182	220
Citrus fruits	300	308	352	360	330
Dates	162	174	190	193	195
Meat	232	241	238	234	238
Seafood	100	102	107	118	116

Note:

(1) For comparability purposes, olive oil production figures are presented according to the year of the corresponding olive harvest. Actual production generally occurs in the year following the harvest.

Source: Ministry of Development and International Cooperation

The share of GDP contributed by the agriculture and fishing sector has varied from one growing season to the next, primarily due to climatic conditions prevailing during the relevant period. During 2009, the agriculture and fishing sector comprised 8.1% of GDP due to an increase in cereal production. In 2010, the contribution to GDP accounted for 7.3% of GDP, due to a production decline of olive oil, which offset strong cereals production. In 2011, the agriculture and fishing sector's contribution to GDP accounted for 8.3% of GDP primarily due to a strong cereal harvest. Agriculture and fishing was broadly stable in 2012; as a result, growth in other sectors of the economy resulted in a reduction of the sector's contribution to GDP to 8.6%. In 2013, the agriculture and fishing sector's contribution to GDP decreased to 8.1% of GDP, primarily due to a decline in cereal production.

In 2014, the agriculture and fishing sector's estimated contribution to GDP remained stable at 8.1%, primarily due to a 2.4% increase in production as a result of the good harvest in 2014.

Agriculture

Tunisia is one of the world's major producers and exporters of olive oil. Because of its co-operation agreement with the EU, Tunisia exports agricultural products on advantageous terms to EU markets. Agriculture employs about 16% of the Tunisian workforce, albeit seasonally. Agricultural land covers approximately 10 million hectares and approximately 60% of Tunisia's cultivated land is dedicated to two main crops: olives and cereals (mostly hard wheat).

For the 2014-15 growing season, cereal planted areas are estimated to cover 1,454 thousand hectares, comprised of 859 thousand hectares in the north and 595 thousand hectares in the south. Olive oil and date production is expected to be 270 thousand tonnes and 199 thousand tonnes, respectively (as compared to 70 thousand tonnes and 193 thousand tonnes, respectively, for the 2013-14 agricultural growing season).

In February 2013, the U.N. International Fund for Agricultural Development extended a loan and grant of U.S.$11.4 million to finance the second phase of the Agropastoral Development and Local Initiatives Promotion Programme. This programme is intended to intensify investment in infrastructure focusing on natural resource management and irrigation to improve agricultural productivity in the south-east of Tunisia and is expected to benefit approximately 13,200 households in the southern province of Tataouine and the central desert area of Kebili. This programme is co-financed by the Spanish Food Security Co-Financing Facility Trust Fund to Tunisia and the Tunisian authorities.

Because agricultural output has historically been susceptible to Tunisia's irregular rainfall, Tunisia implemented a water strategy in 1990. In the framework of this strategy, several dams, reservoirs and deep wells were constructed, which contributed to an increase in the quantities of water reserves that amounted to approximately 4.2 billion cubic metres at the end of 2013 compared to 2.8 billion cubic metres at the beginning of the strategy in 1990.

Tunisia's agricultural strategy is based primarily on: (i) consolidation of food safety; (ii) development of the competitiveness of the agricultural sector; (iii) increased exploration of agricultural products and food; and

(iv) sustainable management of natural resources through better consideration of the effect of external environmental factors on agriculture.

See "*Risk Factors—Risks relating to The Republic of Tunisia—The Republic of Tunisia has a variable climate and may be subject to food and water security risks*".

Fishing

In 2009, fisheries production remained relatively stable, decreasing by 1.0%, as compared to 2008, and remained at 100,000 tonnes. Seafood exports dropped by 18.5% in quantity and by 23.5% in value compared to 2008, to 16,300 tonnes and TD 182 million, respectively, primarily due to the growth of domestic demand. In 2009, the fishing sector was the subject of multiple reforms that led to the promulgation of Law № 2009-17 of March 2009 concerning the closure of fisheries for natural stock regeneration and its related financing.

Primarily as a result of the reforms introduced in 2009, fisheries production increased by 2% in 2010, as compared to 2009, to 102,000 tonnes. Seafood exports increased by 3.7% in quantity and by 1.5% in value, as compared to 2009, to reach 16,900 tonnes and TD 185 million, respectively. The slower increase in value, as compared to quantity, was due to a decrease in export prices.

In 2011, fisheries production increased by 4.9%, as compared to 2010, to 107,000 tonnes, primarily due to an increase of coastal and farmed fishing production. Seafood exports increased by 27.8% in quantity and 37.3% in value, as compared to 2010, to reach 21,600 tonnes and TD 254 million, respectively, primarily as a result of increased production.

In 2012, fisheries production increased by 10.3%, as compared to 2011, to 118,000 tonnes. Seafood exports decreased by 21.3% in quantity and 16.0% in value, as compared to 2011, to reach to 17,000 tonnes and TD 213 million, respectively, primarily as a result of higher international market prices.

In 2013, fisheries production decreased by 0.3%, as compared to 2012, to 116,000 tonnes. Seafood exports decreased in 2013 by 12.7% in quantity but increased by 5.0% in value, as compared to 2012, to 14,830 tonnes and TD 223.7 million, respectively, primarily as a result of higher international market prices.

Agricultural Products Trade

With agricultural activity on the rise and the prices of food products falling considerably on international markets, imports of agricultural, agricultural food and fishing products fell by 26.4% in 2009, as compared to 2008, due mainly to a decline in cereals imports (which decreased by 35.2% in terms of quantity and by 57.5% in terms of value, as compared to 2008). Exports also decreased by 11.8%, notably exports of olive oil (which decreased by 16.2% in terms of quantity and by 29.7% in terms of value). This trend led to an agricultural products trade surplus of TD 38 million, as compared to a deficit of TD 751 million in 2008.

In 2010, however, imports increased by 38.6%, primarily due to an increase in cereals imports (which increased by 65.0% in quantity and by 77.9% in value). In 2010, exports increased by 1.2%, notwithstanding a decrease in exports of olive oil (which decreased by 22.1% in quantity and by 16.7% in value). As a result, there was an agricultural products trade deficit of TD 557 million in 2010.

In 2011, there was an agricultural products trade deficit of TD 709 million, although exports and imports grew at virtually the same rate of 28.0%. The principal reason for the increase in exports was an increase in food exports to Libya in 2011, offset by a further decrease in total olive oil exports of 9.2%. An increase in sugar and cereal purchases led to an increase in food imports in 2011.

In 2012, there was an agricultural products trade deficit of TD 1,091 million, primarily due to a 11.6% increase in imports, primarily reflecting increased cereal and milk purchases, and a 3% decrease in exports.

In 2013, the agricultural products trade deficit continued to increase, although food exports grew with a more sustained pace (increasing by 17.7%) than imports (increasing by 12.5%). Large increases in wheat and barley imports were the primary reasons for the widening of the deficit. As a result of the foregoing, the agricultural products trade deficit reached a record of TD 1,114 million.

The increase of the agricultural products trade deficit continued in the six months ended 30 June 2014, with the deficit increasing by 84.7% to TD 656 million, due principally to the 31.5% decrease in food exports, as compared to the corresponding period in 2013, which was partially offset by a 8.6% increase in food imports.

Industry

The industrial sector of the Tunisian economy comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering). The industrial sector is largely export-driven and is dependent upon the imports of capital goods, spare parts, and raw materials. As a result, the sector is vulnerable to global price fluctuations. Value added for industrial activity increased by 0.1% in 2013, as compared to an increase of 1.4% in 2012, an increase of 1.8% in 2011, a decrease of 2.3% in 2010 and an increase of 0.5% in 2009. The contribution of industry to GDP at factor cost was 30.4% in 2013, 30.8% in 2012, 30.1% in 2011, 30.6% in 2010 and 32.6% in 2009. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Fluctuations in Prices of Imported Goods.*"

The development strategy in the industrial sector continues to focus on execution of the upgrading programme that was launched early in 1996 and implementation of various other action plans, especially those concerned with the privatisation of public enterprises. Efforts seek to improve product quality, to pursue and standardise the industrial processes in conformity with international standards, and to strengthen competitiveness. The goal of this policy is to modernise the sector and thus help it meet the challenges of liberalised international trade, with due attention to two key factors: promotion of partnership and foreign investment and development of exports to reduce Tunisia's current account deficit. Steps taken to implement these goals include facilitating administrative procedures (including establishing "one-stop-shop" facilities and replacing the authorisations system with a specifications system), strengthening training and research and development institutions (including allocating 1.25% of GDP to research and development activities and encouraging high-technology studies and engineering in schools) and modernising basic infrastructure (including through the creation of industrial zones and techno-parks and improving telecommunications, ports and laboratories infrastructure). As a result of these developments, the turnover and added value of companies that benefitted from this policy increased by 102% and 79%, respectively, between 1995 and 2006, according to Government estimates.

The Government believes that an increase in competitiveness is essential for Tunisian industry to compete successfully in international markets, particularly in connection with the free trade area which is being established between Tunisia and the EU pursuant to the EU Association Agreement.

In the seven months ended 31 July 2014, the industrial production index decreased by 0.2%, as compared to a 2.2% increase in the corresponding period of 2013, in line with a decrease in production in non-manufacturing industries and slower growth in production in the manufacturing industries.

Manufacturing Industries

Since independence in 1956, manufacturing in Tunisia has evolved from small-scale craft and food processing activities to a more diversified range of industrial production. Many companies are engaged in processing Tunisia's raw materials, particularly food, minerals, wool, leather and crude oil. The sector is principally composed of small- and medium-sized family owned enterprises, and value added varies greatly depending upon the activity of these enterprises. The manufacturing industry is largely export oriented.

The contribution of the manufacturing industries to GDP at factor cost was 18.6% in 2009, 18.5% in 2010, 17.8% in 2011, 17.4% in 2012 and 17.0% in 2013. The estimated share of GDP contributed by manufacturing industries in 2014 was 15.8%. The decrease in the contribution of the manufacturing industries to GDP since 2009 is primarily due to the increasing contribution of other economic sectors to GDP over the period.

The growth rate for added value expressed in real terms decreased by 1.4% in 2009, increased by 3.7% in 2010, decreased by 2.5% in 2011 and increased by 2.6% in 2012 and 2.3% in 2013. The growth rate for added value expressed in real terms is estimated to have increased by 1.5% in 2014.

In 2009, investment in manufacturing industries decreased to TD 1,420 million before increasing to TD 1,839 million in 2010 and TD 2,008 million in 2011. Investment decreased to TD 1,935 million in 2012 before increasing to TD 2,215 million in 2013.

The following tables set forth the output of the principal manufacturing industries for the years indicated at constant and current prices:

Value Added by Manufacturing Industries at Constant Last Year Prices

	2009	2010	2011	2012	2013	2014(1)
	(TD millions, except percentages)					
Food	1,608.1	1,739.2	1,818.2	1,983.6	2,143.3	2,188.3
Construction materials, ceramics and glass	793.2	841.5	866.2	972.7	1,060.1	1,193.3
Mechanical and electrical	2,443.2	2,992.7	3,248.1	3,458.8	3,723.1	4,036.0
Chemicals	1,290.2	1,216.2	798.5	846.0	994.7	1,101.9
Textile, clothing, leather and footwear	1,910.8	2,071.3	2,097.6	2,096.3	2,115.2	2,232.0
Oil refining	816.5	261.8	170.9	359.7	169.1	173.6
Tobacco industries	73.6	79.8	82.8	90.7	96.9	100.9
Wood, paper and plastics	950.0	1,025.6	1,081.6	1,145.1	1,227.8	1,321.4
Total	**9,885.6**	**10,228.0**	**10,163.8**	**10,952.9**	**11,530.3**	**12,347.4**
% of GDP at factor cost	18.6	18.5	17.8	17.4	17.0	16.8

Note:

(1) Estimated.

Source: Ministry of Regional Development and Planning

Value Added by Manufacturing Industries at Current Prices

	2009	2010	2011	2012	2013	2014(1)
	(TD millions, except percentages)					
Food	1,662.7	1,796.6	1,892.7	2,070.8	2,249.0	2,297.7
Construction materials, ceramics and glass	814.7	879.4	906.1	1,011.6	1115.3	1,255.4
Mechanical and electrical	2,477.4	3,120.2	3,436.5	3,666.4	3,976.3	4,298.3
Chemicals	1,138.7	1,306.8	899.1	961.1	1,049.4	1,159.2
Textile, clothing, leather and footwear	1,972.7	2,123.1	2,183.6	2,104.7	2,220.9	2,343.6
Oil refining	747.3	75.7	148.2	166.9	168.1	205.2
Tobacco industries	65.9	84.3	89.7	95.6	99.4	104.9
Wood, paper and plastics	980.1	1041.0	1123.2	1,192.1	1,289.2	1,387.5
Total	**9,859.5**	**10,427.0**	**10,679.0**	**11,269.1**	**12,167.6**	**13,051.8**
% of GDP at factor cost	18.4%	18.0%	17.6%	17.0%	17.0%	16.8%

Note:

(1) Estimated.

Source: Ministry of Regional Development and Planning

Food Industry

The principal products of the food industry are cereal products, dairy products, canned goods (principally tomato paste), sugar and confectionery, oils and fat (principally olive oil and processed seed oils) and beverages (mainly mineral water and carbonated beverages). The food industry contributed 18.6% of the value added (in real terms) by manufacturing industries in Tunisia in 2013 and 3.1% of GDP at factor cost (as compared to 18.1% and 3.1%, respectively, in 2012). In 2014, the food industry is estimated to have contributed 17.7% of the value added (in real terms) by manufacturing industries in Tunisia and 2.8% of GDP at factor cost. Fluctuations in the contribution of the value added (in real terms) of the food industry are primarily due to annual changes in olive oil production.

Construction Materials, Ceramics and Glass Industries

The principal products manufactured by these industries include cement, lime, clayware, mosaic and earthenware tiles and bottles and glasses. These industries grew by 1.8% in 2009, 3.3% in 2010, decreased by 1.5% in 2011 and grew by 7.4% in 2012 and 4.8% in 2013. In 2014, the construction materials, ceramics and glass industries are estimated to have grown by 7.0%. Growth in these industries since 2012 is primarily due to new construction and the opening of a new cement plant. In 2013, this industry contributed to 9.2% of the value added (in real terms) by manufacturing industries in Tunisia and 1.6% of GDP at factor cost (as compared to 8.9% and 1.5%, respectively, in 2012). In 2014, the construction materials, ceramics and glass industries are estimated to have contributed 9.7% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost. These increases were primarily due to increases in cement production.

Mechanical and Electrical Industries

The mechanical and electrical industries include the iron and steel industry and the automobile and household appliance industries. The iron and steel industry produces cast iron, steel rods, round iron bars for concrete, drawn wire and metal structures. The automobile and household appliance industries are engaged essentially in assembly. The automobile industry assembles trucks, buses and mini-buses. The household appliance industry principally assembles television sets and electric meters. The mechanical and electrical industries contracted by 2.6% in 2009, before growing by 18.3% in 2010, 4.1% in 2011, 0.7% in 2012 and 1.5% in 2013, demonstrating the resilience of the sector despite declining European demand. In 2014, the mechanical and electrical industries are estimated to have grown by 1.5%. In 2013, the mechanical and electrical industries contributed to 32.0% of the value added (in real terms) by manufacturing industries in Tunisia and 5.5% of GDP at factor cost (as compared to 31.6% and 5.5%, respectively, in 2012). In 2014, the mechanical and electrical industries are estimated to have contributed 32.7% of the value added (in real terms) by manufacturing industries in Tunisia and 5.2% of GDP at factor cost.

Chemicals Industry

The phosphate processing industry is the most active part of the chemicals industry, producing, among other things, fertilisers and phosphoric acid. Other products include rubber, basic chemicals and pharmaceuticals. The chemicals industry grew by 3.9% in 2009, 6.8% in 2010, decreased by 38.9% in 2011 and by 5.9% in 2012 and grew by 3.5% in 2013. In 2014, the chemicals industry is estimated to have grown by 5.0%. The significant decline in 2011 was due to a decrease in production across all areas of the phosphate by-products industry, in particular diammonium phosphate ("**DAP**") (which decreased by 66.4%) and phosphoric acid (which decreased by 57.3%), primarily due to internal instability and lower demand from certain foreign customers, as well as greater international competition, which resulted in slower growth in the chemicals industries. Although the chemicals industry has grown overall since 2012, production in the phosphate sector has not yet returned to pre-2011 levels. In 2013, the chemical industry contributed 8.6% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost (as compared to 7.7% and 1.3%, respectively, in 2012). In 2014, the chemicals industry is estimated to have contributed 9.4% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost. See "*—Non-Manufacturing Industries—Mining*".

Textile and Clothing

The principal products of the textile and clothing industries are cotton and woolen yarn, fabric, apparel and hosiery. This industry depends upon foreign markets for its supply of raw materials, especially the fabric and yarn; it exports most of its production (85% are garments). This industry was affected in 2003 by slowing external demand (especially from the EU), tougher international competition tied to China's membership in the World Trade Organisation (WTO), as well as by the phasing out of the multifibre agreements in 2005 that governed trade in textile products. In order to promote exports and increase the added value of this industry, which remains a focus of Government policy, the Government developed a strategy encouraging clothing companies to shift from sub-contracting to co-contracting and final product production. This strategy aims to maintain the level of competitiveness and the know-how in the Tunisian textile and clothing industry, and the Government has implemented a training scheme for university and professional education to provide the industry with the human resources required in order to work with European partners. The textile and clothing industry contracted by 8.8% in 2009, grew by 6.8% in 2010, 1.2% in 2011, contracted by 4.0% in 2012 and grew by 0.5% in 2013. In 2014, the textile and clothing industries are estimated to have grown by 0.5%. The contraction in 2012 is primarily due to declining demand in the EU, while the growth in 2013 and estimated growth in 2014 was primarily due to improving economic conditions in the EU.

This industry accounted for 27.3% of total exports for manufacturing industries in 2013, as compared to 27.5% in 2012, 30.4% in 2011, 31.2% in 2010 and 30.1% in 2009. Exports of textile and clothing decreased by 8.9% in 2009, increased by 6.8% in 2010 and 5.1% in 2011, decreased by 7.3% in 2012 and increased by 6.0% in 2013. Investment in the textile and clothing industry decreased by 10.0% in 2013, increased by 12.5% in 2012, decreased 20.0% in 2011, 11.1% in 2010 and 18.2% in 2009. In the six months ended 30 June 2014, exports of the textile and clothing sector accounted for 27.1% of total exports of manufacturing industries, reflecting a 2.7% increase in textile and clothing sector exports, as compared to the corresponding period of 2013.

Upgrading programmes for small- and medium-sized enterprises, easier access to new market and attracting foreign investment both to modernise the production sector and to intensify integration on world markets are expected to improve the performance of the textile and clothing sector.

In 2013, the textile and clothing industry contributed 18.5% of the value added by manufacturing industries in Tunisia and 3.1% of GDP at factor cost (as compared to 19.1% and 3.3%, respectively, in 2012). In 2014, the textile and clothing industry is estimated to have contributed 18.1% of the value added (in real terms) by manufacturing industries in Tunisia and 2.9% of GDP at factor cost.

Wood, Paper and Plastics Industries

Growth in these industries was 2.2% in 2009, 3.6% in 2010, 3.9% in 2011 and 2.0% in 2012 and 3.0% in 2013. In 2014, the wood, paper and plastics industries are estimated to have grown by 2.5%. In 2013, these industries contributed 10.7% of the value added by manufacturing industries in Tunisia and 1.8% of GDP at factor cost (as compared to 10.5% and 1.8%, respectively, in 2012). The growth in these industries was primarily due to the improving production index of the paper industry. In 2014, the wood, paper and plastics industries are estimated to have contributed 11.2% of the value added (in real terms) by manufacturing industries in Tunisia and 1.8% of GDP at factor cost.

Non-Manufacturing Industries

Non-manufacturing industries include mining (principally raw calcium phosphate, iron ore and sea salt), energy (primarily the generation and distribution of electricity and the production of crude oil and natural gas) and the building and civil engineering sectors. In 2013, these industries contributed to 13.7% of GDP at factor cost (at constant prices), as compared to 13.5% in 2012, 12.4% in 2011, 12.1% in 2010 and 14.0% in 2009. The non-manufacturing industries grew at a rate of 1.0% in 2009 and 4.4% in 2010 and contracted by 10.2% in 2011, 0.1% in 2012 and 0.8% in 2013. The contraction in 2011, 2012 and 2013 was primarily due to difficulties experienced in the mining sector since the 14 January 2011 Revolution as a result of social unrest, as well as the sharp contraction of the energy sector in 2011, followed by only modest growth of the sector in 2012 and 2013.

Building and Civil Engineering

Building and civil engineering grew by 3.8% in 2009 and 3.5% in 2010, decreased by 2.8% in 2011 and increased by 2.3% in 2012 and 3.8% in 2013. In 2014, the building and civil engineering industries are estimated to have grown by 3.5%. The building and civil engineering industry contributed 33.8% of the value added by non-manufacturing industries in Tunisia and 4.6% of GDP at factor cost in 2013 (as compared to 33.6% and 4.5%, respectively, in 2012). The estimated share of GDP contributed by the building and civil engineering sector in 2014 was 4.4%. This growth was primarily due to the increase in cement production and the continued recovery of the building industry since 2012.

Mining

The following tables set forth mining production by principal product for the years indicated:

Calcium Phosphate

	2009	2010	2011	2012	2013
Output tonnes (*in millions of tonnes*)	7.3	8.1	2.5	2.5	3.2
Total value exported (*TD millions*)	54.9	81.5	27.0	20	3.8
% of total exports	0.3%	0.3%	0.1%	0.1%	0.1%

Source: Ministry of Development and International Cooperation

Iron Ore and Salt

	2009	2010	2011	2012	2013
	(in thousands of tonnes)				
Iron ore	151	180	188	213	245
Sea salt	1,395	1,693	999	1,244	1,300

Source: Ministry of Development and International Cooperation

The mining industry, which includes principally calcium phosphate, iron ore and sea salt mining, contributed 1.2% to GDP at factor cost in 2009, 0.8% in 2010, 0.4% in 2011, 0.5% in 2012 and 0.7% in 2013. The estimated share of GDP contributed by the mining sector in 2014 was 0.7%.

The depletion of reserves of iron ore and of certain non-ferrous metals, combined with the low level of stocks of lime phosphate, indicate that the mining sector will experience only moderate growth, if any, in the future. The mining industry contracted by 3.3% in 2009 and grew by 10.8% in 2010 (at constant prices). In 2011, it contracted by 52.9% before growing by 17.2% in 2012 and 16.4% in 2013. In 2014, the mining sector is estimated to have grown by 12.0%. The large decrease in production in 2011 was primarily due to circumstances surrounding the 14 January 2011 Revolution and in particular, strikes, which led to a decrease in production and exports.

Iron ore production increased by 19.2% in 2010, 4.4% in 2011, 13.3% in 2012 and 15.0% in 2013. Sea salt production increased by 21.4% in 2010, before contracting by 41.0% in 2011 and increasing by 24.5% in 2012 and by 4.5% in 2013.

Phosphates Sector, Mining and Chemical Processing

Tunisia was the fifth largest producer and the eighth exporter of lime phosphate in the world in 2008. Production decreased by 4.3% in 2009, before increasing by 11.0 % in 2010, decreasing by 69.1% in 2011 and increasing by 12.0% in 2012 and 26.0% in 2013. The decrease in production in 2011 was primarily due to the social unrest surrounding the 14 January 2011 Revolution, while the growth in 2012 and 2013 was primarily due to the resumption of production activities.

The phosphate mining and by-products sector has been marked by an ongoing upward trend in international prices for the main phosphate products, together with an increase in the prices of the main raw materials, due mainly to growing world demand. Taking advantage of this positive international context, exports by Tunisia's phosphate mining and by-products sector were TD 1,609 million in 2009, TD 2,158 million in 2010, TD 1,301 million in 2011, TD 1,650 million in 2012 and TD 1,658 million in 2013. The share of the sector in the country's overall exports decreased to 8.3% in 2009, 9.2% in 2010 and to 5.2% in 2011 before increasing to 6.21% in 2012 and decreasing to 5.98% in 2013.

Production in the phosphate sector, in particular, production of DAP was affected by the social unrest in the mining sector as a result of the 14 January 2011 Revolution, which led to a temporary halt in production, as well as difficulties in the transport sector, which affected the transportation of phosphate products.

Phosphate rock exports decreased (in value), continuing a decreasing trend, by 73% in 2013, as compared to a decrease of 26% in 2012 and 67% in 2011, an increase of 55% in 2010 and a decrease of 71% in 2009. In 2013, Poland and Brazil remained the primary export markets for phosphate rock, accounting for 61.1% and 13.0% of total exports, respectively. In the six months ended 30 June 2014, phosphate rock exports recovered to TD 16 million, reflecting a ten times increase, as compared to the corresponding period in 2013.

Exports of DAP (in value) decreased by 57% in 2009, increased by 44% in 2010, decreased by 61% in 2011, increased by 51% in 2012 and decreased by 2.6% in 2013. In 2013, DAP sales accounted for 32% of sector exports. In the six months ended 30 June 2014, DAP exports accounted for 24.3% of total sector exports, reflecting a decrease of 28.8% in value and 26.8% in quantity, as compared to the corresponding period in 2013.

Phosphoric acid sales decreased by value by 57% in 2009, increased by 19% in 2010, decreased by 23% in 2011 and increased by 16% in 2012. In 2013, phosphoric acid sales decreased, in both value and quantity, by 29% and 13%, respectively. Phosphoric acid sales accounted for 22.5% of the phosphate mining and by-products sector exports in 2013, as compared to 30.6% in 2012, 28.6% in 2011 and 25.1% in each of 2010 and 2009. In the six months ended 30 June 2014, phosphoric acid sales increased by 5.1% by value and by 19.3% by quantity, as compared to the corresponding period in 2013.

In 2013, imports in the phosphate mining and by-product sector decreased by 22%, after having increased by 48% in 2012, decreased by 24% in 2011, increased by 48% in 2010 and decreased by 82% in 2009. The rate of coverage of imports by exports rose to 322% in 2013 after have decreased to 304% in 2012, as compared to 331% in 2011, 476% in 2010 and 573% in 2009. In the six months ended 30 June 2014, imports in the phosphate mining and by-product sector increased by 1.7%, as compared to the corresponding period in 2013.

Purchases of non refined sulphur and ammonium nitrate represented 49.3% of the sector's total imports in 2013, as compared to 62% in 2012, 65% in 2011, 49% in 2010 and 57% in 2009. Most such purchases were made by the Tunisian Chemical Group as raw material to produce phosphate by-products from raw phosphate. Imports of non-refined sulphur decreased by 87% in 2009 (in the context of drop in quantity and in average prices, expressed in U.S. Dollars, by 13.5% and 90%, respectively). In 2010, imports of non-refined sulphur increased by 7% before declining in value by 2% due to a decrease in quantity by 54%. Imports decreased by 7.1% in 2011, increased by 66.4% in 2012 and decreased by 20.6% in 2013.

Purchases of ammonium nitrate decreased by 7% in 2013, increased by 62% in 2012, decreased by 65% in 2011, increased by 31% in 2010 and decreased by 1% in 2009. These fluctuations are mainly due to significant fluctuations in the price for ammonium nitrate in the international markets over recent years and, to a lesser extent, due to fluctuations in imported quantities.

Energy

The share of GDP contributed by the energy sector was 7.8% in 2009, 6.0% in 2010, 6.7% in 2011, 7.9% in 2012 and 7.6% in 2013. The growth in the contribution of the energy sector to GDP between 2011 and 2013 was primarily due to higher international commodity prices. The estimated share of GDP contributed by the energy sector in 2014 was 6.7%.

National primary energy resources decreased by 9% in 2013 to 6.2 million tonnes of oil equivalent ("**TOE**") and demand increased by 2.3% to 8.8 million TOE. As a result, the balance of primary energy deficit was approximately 2.5 million TOE in 2013, as compared to 1.7 million TOE in 2012, 1.0 TOE in 2011 and 0.6 million TOE in 2010. This is reflected in the balance of trade deficit for the energy sector, which was TD 152 million in 2009, TD 555 million in 2010, TD 1,194 million in 2011, TD 1,954 million in 2012 and TD 2,569 million in 2013.

In 2013, the rate of coverage, compared to 2012, decreased by 7.4% to 62.1% following the increase of imports by 5.8% and the decrease of exports by 5.4%, as compared to 2012. As a result, the energy balance deficit increased by 31.5% (equivalent to TD 615 million) in 2013, as compared to 2012.

The energy balance deficit is primarily due to decreasing oil production, due, in part, to fewer permits for oil exploration and production, which, in turn, has led to decreasing oil exports and increasing oil imports. In the six months ended 30 June 2014, the energy balance deficit decreased by 65.6%, as compared to the corresponding period in 2013, to TD 1,778 million. The rate of coverage decreased by 14.5% to 51.5% in the six months ended 30 June 2014, as compared to the corresponding period in 2013, primarily due to an increase in imports as a result of increased imports of natural gas from Algeria, due to increased domestic demand for the production of electricity and from cement plants, as well as lower exports as a result of the gradually declining production from Tunisia's oil fields.

In 2013, petroleum and its derivatives accounted for 44.7% of total energy consumption, electric power (primary electricity) accounted for 0.4% of total energy consumption and natural gas accounted for 54.9% of total energy consumption, as compared to 44.7%, 0.3% and 55.0%, respectively, in 2012.

Tunisia's energy strategy is designed to manage current energy constraints and prepare the country for a gradual transition to a sustainable energy system. This strategy seeks to diversify energy resources to ensure Tunisia's energy security and intensify exploration activities and research and is based on the following principal areas:

- the development of energy resources and infrastructure, including through the implementation of a gas project in the south;
- increased energy efficiency;
- the diversification of energy resources through the intensification of research for hydrocarbons;
- the development of renewable energy resources, including through the realisation of a solar energy plan;
- the establishment of institutional and budgetary reforms in the energy sector, as well as the reorganisation of the sector;
- the strengthening of interconnections with Maghreb and other Mediterranean countries;
- employment and training initiatives for value creation at the regional level; and
- the strengthening of Maghreb and international cooperation, including in respect of training, research and development and technology transfer.

Electricity

The share of GDP contributed by the electricity and water sector was 1.2% in 2009, 1.3% in 2010 and 1.4% in each of 2011, 2012 and 2013. The estimated share of GDP contributed by the electricity and water sector in 2014 was 1.4%.

Agence Nationale pour la Maîtrise de l'Energie ("**ANME**") is the Government agency responsible for the regulation of the electricity industry in Tunisia. The activities of ANME include the design and implementation of national energy conservation programmes, preparing and implementing the legal and regulatory framework for energy conservation and efficiency and managing the National Energy Conservation Fund.

Law № 2004-72 on the use of energy, sets the efficient use of energy as a national priority and as the most important element of an effective policy for sustainable development. The law states three principal goals: energy conservation, the promotion of renewable energy sources and the substitution of forms of energy currently used for renewable/sustainable options wherever this offers technical, economic and ecological benefits. Since 2005, and the creation of a national energy fund (in accordance with Law № 2005-106), Tunisia has established a political framework to increase energy efficiency and develop renewable energy sources. Decree № 2009-262 established financial incentives with a range of options for the introduction of renewable energy in rural and agricultural facilities. Grants are paid to the supplier of the equipment after installation. For electricity generation in the agricultural sector, a grant of 40% of the cost (up to a maximum of TD 20,000), is available for lighting and water pumping systems in rural areas when they make use of solar or wind energy. Financial assistance is available for biogas systems through a grant of 40% of the cost (up to a maximum of TD 20,000), for the production of biogas in farms and a 20% subsidy of the cost (up to a maximum of TD 100,000) for combined heat and electricity from biogas plants. In respect of cogeneration projects, the public subsidy is also 20% of the cost (up to a maximum of TD 500,000 per project). For solar buildings, a subsidy of 30% of the cost is offered with a maximum of TD 3,000/kW and TD 15,000 per house. Since 2005, the Government has also offered financial incentives to reactivate and develop a sustainable market for solar water heaters in the residential sector, which is supported by a grant from the National Energy Conservation Fund.

Total domestic production of electricity was 17,680 million kWh in 2013, 17,411 million kWh in 2012, 15,914 million kWh in 2011, 15,815 million kWh in 2010 and 14,955 million kWh in 2009, of which 13,942 million kWh, 13,680 million kWh, 11,902 million kWh, 11,565 million kWh and 10,814 million kWh, respectively, was produced by the Tunisian Electricity and Gas Company ("**STEG**"). STEG is a public company created in 1962.

STEG's electricity production increased by 4.9% in 2010, 2.3% in 2011, 10.8% in 2012 and 1.3% in 2013. STEG generated 261 million kWh in additional electricity in 2013, as compared to 2012, and 1,797 million kWh in additional electricity in 2012, as compared to 2011.

There are two hydraulic power plants in Tunisia (Sidi Salem and Nemi Metir). Hydraulic electricity accounted for 54 million kWh in 2011, 110 million kWh in 2012 and 60 million kWh in 2013. The contribution of wind power was approximately 109 million kWh in 2011, 196 million kWh in 2012 and 358 million kWh in 2013. Tunisia has a total installed wind power capacity of 245 MW. STEG has conducted a number of programmes to develop wind energy in Tunisia, including the installation of a 120 MW power plant in Bizerte in 2013, which was extended by a further 70 MW in 2014.

Domestic electrical consumption totalled 14,319 million kWh in 2013, 14,065 million kWh in 2012, 12,901 million kWh in 2011, 13,006 million kWh in 2010 and 12,133 million kWh in 2009, of which 7,799 million kWh, 7,686 million kWh, 7,148 million kWh, 7,336 million kWh and 6,822 million kWh was of high and medium-voltage current, respectively.

Over 63% of the total consumption of high- and medium-voltage electricity in 2013 was by the industrial sector. The mining, chemicals, petroleum, construction materials and ceramics and glass industries continue to be the highest consumers of electrical energy. Consumption in all these industries, except iron, steel and metallurgical plants, increased in 2013. Low-voltage electricity consumption grew by 2.2% in 2013 to 6,520 million kWh of electricity consumption having increased by 10.9% in 2012 to 6,379 million kWh of low-voltage consumption.

The Government aims to produce 11% of electricity from renewable sources by 2016, and 25% by 2030. Tunisia has also committed to be part of the DESERTEC "super-grid" that will connect renewable energy sources, principally in Africa, with consumers in Europe by a high-voltage transmission system.

The following table sets forth electricity production and consumption for the years indicated:

Electricity Production and Consumption

	2009	2010	2011	2012	2013[(1)]
			(kWh millions)		
STEG production	10,814	11,565	11,902	13,680	13,942
Private independent production	3,269	3,227	3,318	3,100	3,046
Self-producing	872	1,023	694	631	692
Total domestic production	14,955	15,815	15,914	17,411	17,680
Net exchanges with Algeria	6	19	16	4	8
Losses in transit	1,882	2,681	2,255	2,737	2,707
Exports	47	0	3	46	62
Total energy available for consumption	**13,020.0**	**13,115.0**	**13,640.0**	**14,624.0**	**14,903.0**
High-and-medium-voltage consumption					
Mining industries	330	355	286	305	324
Metallurgical industry.	241	288	304	281	284
Chemical industry	307	333	352	415	463
Construction materials	1,386	1,444	1,332	1,484	1,531
Paper industry and publishing	132	141	148	148	134
Textile industries	503	543	540	548	519
Food industries	551	583	614	643	654
Miscellaneous industries	781	889	927	976	1,001
Agricultural	432	496	495	532	556
Pumping	488	536	536	557	563
Transport	280	306	312	330	311
Tourism	634	632	513	604	568
Service	757	790	789	863	891
Sub-total	**6,822.0**	**7,336.0**	**7,148.0**	**7,686.0**	**7,799.0**
Low-voltage consumption	**5,311.0**	**5,670.0**	**5,753.0**	**6,379.0**	**6,520.0**
Total Domestic Consumption	**12,133.0**	**13,006.0**	**12,901.0**	**14,065.0**	**14,319.0**

Note:
(1) Provisional data.

Source: Ministry of Industry, Energy and Mines

Oil

The following table sets forth crude oil production and exports at current prices for the years indicated:

Crude Oil Production and Exports

	2009	2010	2011	2012	2013
Output tonnes (*millions of tonnes*)	3.9	3.7	3.3	3.2	2.9
Total value exported (*TD millions*)	2,061	3,180	3,232	3,390	2,899
% of total goods exports	10.8	12.7	12.8	11.0	10.2

Sources: Ministry of Regional Development and Planning and the Bank

Since oil production began in 1966 in the El Borma field in the south of Tunisia, El Borma has been the heart of the Tunisian oil industry, although its production levels are now in decline. There are 52 oil production fields in Tunisia, of which Hasdrubal, El Borma, Adam, Ashtart and Sherouk collectively produce approximately 50% of total national oil production. The Hasdrubal field, which started production at the end of 2009, has high levels of oil production, with its share of the domestic production having increased from 7% in 2010 to 9% in 2011, 14% in 2012 and 16% in 2013.

Due to the natural decline of the most important wells, except Hasdrubal, crude oil production has decreased steadily from 3.9 million tonnes in 2009, by 5% to 3.7 million tonnes in 2010, by 10% to 3.3 million tonnes in 2011, by 3% to 3.2 million tonnes in 2012 and by 10% to 2.9 million tonnes in 2013.

Shipments of oil to the Tunisian Refining Industries Company ("**STIR**"), which is owned by the state, remained relatively stable at 1.7 million tonnes in 2013. Exports of oil decreased by 16% to 2.2 million tonnes in 2013 and imports increased by approximately 4% to 1.2 million tonnes. The share of crude oil in total primary energy production was 55.5% in 2009, 48.4% in 2010, 47.1% in 2011, 47.2% in 2012 and 46.9% in 2013. In the six months ended 30 June 2014, the total value of oil exported was TD 1,205 million, which accounted for 8.6% of total exports.

In 2012, imports of crude oil increased by quantity by 249% and in value by 312%, while, in 2011, imports in the value of crude oil increased by 177%, while quantities of imports registered a modest increase. For the first time, Libya was not the main supplier of Tunisia's crude oil after it ceased exporting due to the internal conflict. Imports of crude oil increased in quantity by 3.6% to 1.1 million tons in 2013, and decreased in value by 3.7% from TD 1,646 million in 2012 to TD 1,584 million in 2013. In the six months ended 30 June 2014, imported crude oil decreased, in both value and quantity, as compared to the corresponding period in 2013, by 10.5% and 14.7%, respectively.

Natural Gas

The following table sets forth natural gas production and consumption for the years indicated:

Natural Gas Production and Consumption

	2009	2010	2011	2012	2013[1]
			(TOE thousands)		
Production					
Miskar	1,412	1,360	1,193	916	845
Other	846	1,368	1,402	1,599	1,656
Total production	2,258	2,728	2,595	2,515	2,501
Total Royalties	972	1,175	959	924	559
Imports	1,006	947	1,048	1,480	1,840
Total supply	**4,236**	**4,850**	**4,602**	**4,919**	**4,900**
Consumption					
STEG	2,367	3,197[2]	3,152[2]	3,447[2]	2,932
IPP	563	—	—	—	556
Other (industrial, residential and tertiary use)	1,082	1,172	1,148	1,265	1,321
Total domestic consumption	4,012	4,369	4,300	4,712	4,809
Exports	224	481	302	261	82
Total consumption	**4,236**	**4,850**	**4,602**	**4,973**	**4,891**

Notes:
(1) Provisional data.
(2) For 2010, 2011 and 2012, STEG and independent power producers' consumption are reported as one figure under STEG.

Source: Office of Energy Management (Agence pour la Maitrise de l'Energie)

Until the Miskar field began producing in 1995, domestic natural gas production was limited to the declining output of the El Borma field. This production was supplemented by gas imported as in-kind transcontinental pipeline royalties from Algeria. These royalties are payable for the transportation of Algerian natural gas on two pipelines linking Algeria and Italy and crossing Tunisia from the Feriana region on the Algerian border through the Cap Bon region to the Mediterranean. Both pipelines were constructed pursuant to agreements between The Republic of Tunisia and ENI, the Italian oil and gas company, which call for the payment to The Republic of Tunisia of pipeline user fees as well as royalties based on the volume of natural gas transported. Since 2010, royalties payable for the transportation of Algerian natural gas have declined due to lower volumes of gas purchased by Italy and transported through the pipelines.

At the end of 2009, Hasdrubal, an important field, began production, and has since become a strategically important field to ensure domestic gas supply.

In 2009, production increased by 23% to 2.3 million TOE from 1.8 million TOE in 2008. In 2010, production further increased by 20.8% to 2.7 million TOE. In 2011, production decreased by 4.9% to 2.6 million TOE. In 2012, production further decreased by 3.1% to 2.5 million TOE. In 2013, production decreased by 0.6% to 2.6 million TOE. The contribution of the Miskar deposit increased to 1.4 million TOE in 2009, but decreased to 1.4 million TOE in 2010, to 1.2 million TOE in 2011, to 0.9 million TOE in 2012 and 2013.

National production of natural gas comes primarily from Miskar, the main gas field, which accounted for approximately 17.6% of domestic consumption in 2013, as compared to 19.4% in 2012, 27.7% in 2011 and 31.1% in 2010.

National natural gas consumption decreased by 1.6% in 2013, after having increased by 8.1% in 2012, and decreased by 5.1% in 2011 and increased by 14.5% in 2010.

Petroleum Fuel Production

In 2010, petroleum fuel production decreased by 79.3 to 0.4 million TOE, as compared to 2009, primarily as a result of the cessation of production by the STIR in 2010. In 2011, fuel production increased by 119.2%, as compared to 2010, to 0.8 million TOE. In 2012, following the resumption of normal production levels, fuel production increased by 126.1%, as compared to 2011, to 1.8 million TOE. In 2013, fuel production decreased by 2.8% to 1.75 million TOE. Between 2010 and 2012, the gasoline production unit at STIR was not in production and all gasoline production demand was instead satisfied through imports. The gasoline production unit at STIR has since recommenced operations. Fuel production declined by 12.4% in the six months ended 30 June 2014.

The following table sets forth petroleum fuel production for the years indicated:

Petroleum Fuel Production

	2009	2010	2011	2012	2013[(1)]
			(in thousands of TOE)		
Liquefied petroleum gas	153	118	103	121	122
Super and unleaded gasoline	130	19	0	0	0
Paraffin oil	87	17	42	39	53
Diesel	592	85	260	679	663
Fuel oil	594	92	231	562	539
Other	202	34	162	404	376
Total	**1,757**	**364**	**798**	**1,804**	**1,753**

Note:
(1) Provisional data.

Source: National Observatory of Energy

National fuel consumption has been increasing since 2011. In 2012, fuel consumption was 3.8 million TOE, an increase of 4%, as compared to 2011. In 2013, fuel consumption was 3.9 million of TOE in 2013, an increase of 2%.

Services

Transportation

Tunisia's transportation network includes nine international airports, seven commercial seaports, 22 smaller ports, an oil terminal in La Skhira, approximately 2,190 km of railway, and approximately 20,000 km of primary and secondary roads.

Transport contributed 8.1% to GDP at factor cost in 2013, as compared to 8.1% in 2012, 8.1% in 2011, 9.2% in 2010 and 8.7% in 2009. Primarily as a result of the global economic crisis in 2009 and the accompanying reduction in tourism, the added value of this sector increased in 2009, but only 1.6% in real terms. In 2010, the transportation sector grew by 6.7%, before decreasing by 15.1% in 2011 (particularly in the air transport sector) and increasing by 7.1% in 2012 and 3.0% in 2013.

Reform in this sector continues to focus on preparations for international competition, principally by strengthening the transportation sectors economic competitiveness through the containment of service costs. Major reforms to the sector include improvement, restructuring, and the continued liberalisation of most means of transport, as well as updating the legal framework for transportation activities.

The focus of the Twelfth Plan with respect to transportation was to give the sector a greater role in the economy, to provide better service to users by reasonably-priced transport, to develop mass transit, to rationalise energy consumption, to preserve the environment and to promote multi-modal transport, improve services, reduce costs, strengthen competitiveness and upgrade basic infrastructure through a number of road construction initiatives (including highways) and modernisation of port and airport facilities. The Twelfth Plan also aimed to encourage greater private sector investment, with the aim of increasing it from 55.1% to 58.5% during the five-year term of the Twelfth Plan, and a greater share for rail and maritime transport in freight transport, with the aim of increasing it from 3% to 6% during the five year term and increase the contribution of maritime transport in the trade by 9% to 18% in 2014.

These reforms have been supported by the completion of a number of privatisations, especially in the sector of road merchandise transport, which is now handled entirely by private operators. The transportation sector was also

strengthened in 1997 by the creation of two new maritime transport companies, *Gaz Marine* and the *Compagnie Générale Maritime (COGEMA)*. A private air transport company, *Mediterranean Air Service (MAS)*, which specialises in air freight, also began operating in 1999.

In 2009, investments in the transportation sector increased by 13.9% to TD 2,050 million, or 14.4% of gross fixed capital formation ("**GFCF**"). In 2010, investments increased by 3.5% to 13.7% of GFCF. In 2011, investments in the transportation sector declined by 19.9% to 12.1% of the total GFCF. In 2012, investments in the transportation sector increased by 37.1% to 15.3% of the total GFCF. In 2013, investments in the transportation sector decreased by 21.2% to 11.9% of total GFCF.

Telecommunications

Telecommunications contributed 5.4% to GDP at factor cost in each of 2013, 2012 and 2011, as compared to 5.2% in 2010 and 4.9% in 2009. Tunisia's telecommunications network has developed rapidly over recent years and the Government has undertaken steps to reduce the cost of international communication and mobile phone communication. As at 30 September 2014, Tunisia's telecommunications network totalled 0.9 million fixed lines and 13.9 million mobile lines, respectively, as compared to 1.0 million and 12.7 million, respectively, as at 31 December 2013 and 1.1 million and 12.8 million, respectively, as at 31 December 2012.

Recent reform in the telecommunications sector includes the approval of amendments to the communications law to increase the powers of *Instance National des Telecommunications*. The amended communications law also includes the introduction of a regulatory framework to allow for access to the landing station of Bizerte and the approval to use backbone fiber optic held by utilities including STEG and SNCFT. Competition in the telecommunications sector in Tunisia, however, remains limited.

Financial Services

The Tunisian financial sector consists of banking and other financial institutions and the stock market.

The Banking Sector

See "*The Bank and The Banking System*" for a detailed description of Tunisia's banking sector.

The Stock Market

The *Bourse des Valeurs Mobilières de Tunis*, the Tunis Stock Exchange ("**BVMT**"), was created in 1969, but was relatively dormant until 1990 when the Government began introducing reforms intended to boost the capital markets, including those aimed at privatisation, changes in tax law, modernisation of the BVMT and an increase in transparency in the market.

The general regulations for the organisation and functioning of the BVMT were approved in February 1997 by the *Conseil du Marché Financier* or Capital Market Council ("**CMF**"). This regulatory framework specifies the conditions under which companies are accepted on the stock exchange and defines the principles that govern the negotiation of transactions, the procedures for public offers and the procedures for settlement of default on payment and delivery of securities. Over the last decade, major changes were introduced to the regulatory framework governing the activity of the BVMT and the CMF. In particular, and with the view to facilitate the access of companies to the stock market, conditions were eased and changes were introduced that were intended to combine the equity markets and bond markets in Tunisia into a single market. The BVMT now covers both the equity market and the bond market.

The capital markets have been enhanced through the establishment of an alternative market, which allows companies (including SMEs) to list on the stock exchange with lighter requirements, while preserving security and transparency for investors and providing opportunities for companies listed on the alternative market future access to the main market.

The number of companies listing on the BVMT has increased in recent years. In 2013, 13 new companies were listed on the BVMT, and, in 2014, six new companies were listed. As at 31 December 2014, 77 companies were listed on the BVMT.

In 2013, the benchmark index of the BVMT declined by 4.3%, as compared to a decline of 3.0% in 2012. In 2014, the benchmark index increased by 16.2%. In 2013, transactions on the secondary market of the BVMT declined by 26.2% to TD 1,534 million. In 2014, transactions on the secondary market of the BVMT were TD 1,777 million, an increase of 15.8%, as compared to 2013. The average daily volume of transactions was TD 6.2 million in 2013 and TD 7.2 million in 2014.

The following table sets forth the main BVMT indicators for the years indicated:

Main Tunis Stock Exchange Indicators

	2010	2011	2012	2013	2014
Volume of public offerings through call for saving	1,624	1,717	2,244	2,430	2,429[(1)]
Treasury Bonds	*635*	*1,335*	*1,524*	*1,739*	*1,819*[(1)(2)]
Corporate equities and bonds	*989*	*382*	*720*	*691*	*610*[(1)]
Tunis Stock Exchange index in points (*base 1000 on 31 Dec 1997*)	5,112.5	4,722.3	4,579.9	4,381.3	5,090.0
Stock exchange capitalisation (*TD millions*)	15,282	14,452	13,780	14,093	17,324
Stock exchange capitalisation/GDP (*%)*	24.1%	22.3%	19.5%	18.5%	20.9%
Number of companies quoted	56	57	59	71	77
Overall volume of transactions	3,837	3,138	2,930	3,885	2,597
Equities	*2,626*	*1,572*	*1,943*	*1,457*	*1,651*
Bonds	*76*	*106*	*135*	*77*	*126*
Over the counter and other transactions	*1,135*	*1,460*	*852*	*2,351*	*820*

Notes:
(1) Provisional data.
(2) Excludes exchange treasury bill auctions.

Sources: BVMT and CMF

Tourism

In order to promote a sustainable development of the sector following a decrease in visitors from European countries, the national authorities undertook measures in 2009 aimed at intensifying promotional and marketing efforts, boosting and diversifying tourist products and services, improving service quality and reinforcing competitiveness. A strategic study was implemented to improve the quality of services, to provide a supplementary promotional budget and to undertake marketing initiatives that focused on diversifying Tunisia's tourism products to adapt it to other categories of visitors.

The share of GDP contributed by hotels, cafes and restaurants was 4.8% in 2009, 5.0% in 2010, 4.0% in 2011, 4.3% in 2012 and 4.3% in 2013. The estimated share of GDP contributed by hotels, cafes and restaurants in 2014 was 4.4%.

During 2009, the value added of the tourism sector at constant prices decreased by 0.5%. Non-resident entries decreased by 2.1% to 6.9 million tourists in 2009. This decrease was primarily attributable to a decrease in European entries (which decreased by 8.8%, as compared to 2008), particularly, the number of French tourists (which decreased by 3.6%, as compared to 2008). British tourist flows grew at a significant level (increasing by 8.2%, as compared to 2008). Maghreb tourist entries also increased (by 7.9%, as compared to 2008), especially Libyan tourists (increasing by 12.9%, as compared to 2008), which was partially offset by a decrease in Algerian tourist entries (which decreased by 0.7%, as compared to 2008).

In 2010, the value added of the tourism sector at constant prices increased by 3.6%. The number of non-resident entries remained stable at 6.9 million tourists, led by a reduction in Maghreb tourist flows (which decreased by 2.4%, as compared to 2009), most notably in tourists from Libya (which decreased by 8.5%, as compared to 2009), while the number of European tourists increased (by 1.9%, as compared to 2009) due primarily to increases in British, Scandinavian, Russian and Turkish tourist entries.

Largely as a result of the 14 January 2011 Revolution, the number of tourists in 2011 decreased by 30.7% to 4.8 million tourists. European tourist flows, in particular, decreased by 44.0% in 2011, as compared to 2010, while visitors from Maghreb countries decreased by 18.6%, as compared to 2010. The decrease in tourist flows led to a decrease in foreign currency earnings from tourism by 30.9% to TD 2,433 million, which, in turn, led to a 21.7% decrease in the value added of the tourism sector at constant prices in 2011. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Impact of the 14 January 2011 Revolution*".

In 2012, the value added of the tourism sector at constant prices increased by 10.5% and earnings from tourism in foreign currency increased by 30.5%, as compared to 2011. The number of tourist entries increased by 24.4%, as compared to 2011, to 6.0 million, primarily due to improved political and social stability in 2012.

In 2013, the value added of the tourism sector at constant prices increased by 2.5% and earnings from tourism in foreign currency increased by 1.5%, primarily due to slower recovery in the number of tourist entries from certain countries and a reduction in the number of overnight stays. The number of tourist entries increased by 5.0% in 2013, as compared to 2012, to 6.3 million, reflecting the continued recovery of the tourism sector since the 14 January 2011 Revolution.

The following table sets forth some indicators on tourism activity for the years indicated:

Tourism Indicators

	2009	2010	2011	2012	2013[1]	2014[2]
Investments[3] (*in TD millions*)	380	470	360	310	330	350
Overnight stays (*in millions*)	34.6	35.6	21.2	30.0	29.9	n/a
Number of visitors (*in millions*)	6.9	6.9	4.8	6.0	6.3	5.4
Receipts (*in TD millions*)	3,472	3,523	2,433	3,175	3,221	3,039

Notes:
(1) Provisional data.
(2) Estimates. Figures for number of visitors and receipts are for the first 10 months of 2014.
(3) Includes, for example, construction or renovation of hotels and other investments in tourist facilities.

Sources: Ministry of Tourism, Ministry of Regional Development and Planning and the Bank

For the nine months ended 30 September 2014, foreign tourist entries increased by 0.2%, as compared to the corresponding period in 2013, to 4.9 million, primarily as a result of an increase in Algerian tourists, which was partially offset by a decrease in European tourists, in particular French tourists, as compared to the corresponding period in 2013.

Tunisia's tourism strategy for 2014-2015 is based on:

- upgrading the tourism sector through implementing new governance rules and improving the financial condition of tourist facilities, as well as developing a hotel facilities upgrade programme and creating an observatory for the modernisation of tourist statistics;
- improving the diversification of Tunisia's tourism product offering and adapting Tunisia's tourist offering to each region, including through the implementation of major development plans for cultural tourism, golf and the Sahara, establishing motels and improving camping standards, as well as creating task forces to regularise unauthorised housing units and supporting the launch of innovative products;
- adopting the requirements of modern and sustainable tourism in parallel with updating the quality of Tunisian airports, upgrading hotel and restaurant standards, increasing media coverage of the industry and improving the quality of the environment and transport industry; and
- raising the profile and the image of Tunisia abroad.

Commerce

The commerce sector includes trade in agricultural and agri-food products, raw materials, equipment, fuel, vehicles, machine hardware, as well as textiles and leather.

Activity in this sector was helped by economic reforms, including the promulgation of a new law in 2009, concerning franchising in Tunisia, which allowed several international brands to expand their activities in the country and modernise distribution channels. This helped improve the investment climate, the competitiveness of Tunisian businesses and also led to changes in consumer habits.

The added value of the commerce sector to GDP at factor cost was 7.7% in 2009, 8.3% in 2010, 8.5% in 2011, 8.1% in 2012 and 8.1% in 2013.

The commerce sector grew by 3.0% in 2009, 3.4% in 2010, 1.5% in 2011, 1.4% in 2012 and 2.6% in 2013 in line with the cyclical disturbances and the increase in illegal export and parallel trade causing the malfunction of distribution channels. In 2014, the commerce sector is estimated to have grown by 2.2%.

Employment and Labour

In 2013, the total labour force in Tunisia was 4.0 million people, of whom approximately 3.2 million were employed.

The official unemployment rate as published by the National Institute of Statistics was 15.3% in 2013, as compared to 16.7% in 2012, 18.9% in 2011, 13.0% in 2010 and 13.3% in 2009. The sharp increase in 2011 was due to a weakened economy following the 14 January 2011 Revolution.

The following table summarises trends in Tunisia's labour market for the years indicated:

Employment and Labour Trends

	2009	2010	2011	2012	2013	2014[1]
Total labour force (*in millions*)	3.69	3.77	3.90	3.90	3.98	4.00
Official unemployment rate[2]	13.3%	13.0%	18.9%	16.7%	15.3%	15.2%

Notes:
(1) First quarter estimates.
(2) Calculations made in accordance with International Labour Organisation guidelines.

Source: The Bank

For the three months ended 31 March 2014, the official unemployment rate was 15.2%.

Job creation, particularly in non-agricultural sectors, has been a priority of the Government and features prominently in the Twelfth Plan as well as the Government budget.

The level of unemployment is also influenced by the number of workers affected by the various forms of dismissal, particularly layoffs with and without compensation. The sectors, which are most affected by layoffs are textiles and clothing, mechanical, metallurgical and electrical industries, services and food industries, as a result of ongoing restructuring within these industries.

Approximately 43,500 jobs were created in the non-farming sectors, including fisheries, in 2009. Job creation in all activities increased to 78,500 in 2010. In 2011, after the 14 January 2011 Revolution, net job losses were 107,000 jobs and affected in particular the agriculture and fisheries, manufacturing and tourism sectors. In 2012, while job creation increased to 85,100 jobs, approximately 10,300 jobs were terminated in sectors which were exposed to social disruption and the impact of the political crisis. Agriculture and fisheries and tourism continued to record losses in 2012 of approximately 4,100 and 6,200 jobs. In 2013, job creation reached 112,900 jobs, however, similarly to 2012, the agriculture and fisheries sector remained affected by job losses, which reached 13,200 losses in 2013, as compared to 4,100 losses in 2012. In addition, the transport and telecommunications sectors have also been affected by job losses, which reached 10,600 in 2013.

The following table sets forth job creation statistics for non-agricultural sectors for the years indicated:

Job Creation

	2009	2010	2011	2012	2013
Agriculture and Fisheries	21,100	(3,100)	(41,300)	(4,100)	(13,200)
Mining and Energy	(1,400)	(1,700)	(1,500)	5,700	2,700
Building & Civil Engineering	14,700	27,300	(14,800)	1,600	21,600
Manufacturing Industries	(37,900)	33,500	(25,500)	29,900	28,300
Transport & Telecom	8,200	5,100	(11,400)	12,500	(10,600)
Tourism	4,400	(4,600)	(10,400)	(6,200)	13,500
Other Services	26,700	15,300	(21,700)	28,100	31,500
Administration	7,700	6,700	19,900	17,600	29,100
Total	**43,500**	**78,500**	**(106,700)**	**85,100**	**112,900**

Sources: Ministry of Development and International Cooperation and the Bank

In recent years, the Government has taken a number of steps to improve employment opportunities. It promoted the employment of graduates by paying the employers' share of social security contributions; it improved the legislative framework governing private investment, created the Tunisian Solidarity Bank ("**BTS**") and the National Employment Fund and set up national and regional committees charged with the identification and creation of job opportunities.

Under the joint supervision of the Ministry of Economy and Finance and the Bank, BTS's mission is to provide funding and sources of income to those who are not able to raise the necessary resources themselves or cannot provide the guarantees necessary to obtain financing through the conventional banking system. BTS therefore offers an alternative to the conventional banking system by funding micro-projects and micro-enterprises of young entrepreneurs.

To promote small-scale initiatives and create jobs, BTS approved 137,661 loans for a total cost of TD 1,281 million between its launch in 1998 and 31 December 2013, which is estimated to have generated approximately 227,000 jobs.

The National Employment Fund aims to reduce unemployment among the most vulnerable categories of job seekers in three main ways: (i) by improving the employment prospects of job seekers through specific training programmes, which both meet the demands of the labour market and take into account their qualifications; (ii) by creating timely opportunities for placements in wage-earning employment; and (iii) by promoting business development initiatives through providing funding sources for qualified young people who have difficulty accessing credit.

The 14 January 2011 Revolution was accompanied by strikes and sit-ins in certain sectors, in particular, in the mining sector. The high rate of unemployment (in particular among university graduates) was one of the main causes of the 14 January 2011 Revolution. Unemployment among university graduates, in particular, increased from 23.3% in 2010 to 33.1% in 2011, 33.2% in 2012, 31.9% in 2013 and 31.4% in 2014. A number of Government programmes implemented over the years have not been able to reverse the structural causes of unemployment, in particular among university graduates.

Following the 14 January 2011 Revolution, the Government has taken a number of additional measures to promote job creation in the public and private sector. For example, the Government established the "AMAL" programme in March 2011, which has benefited 160,000 unemployed graduates actively seeking work by providing training and a monthly allowance of TD 200 at a total cost to date of TD 360 million. Wage increases for public and private sector employees have also been introduced. See "—*Prices and Wages—Wages*".

Organised labour played an important role during the 14 January 2011 Revolution. Prior to the 14 January 2011 Revolution, there was only one principal trade union in Tunisia, the General Union of Tunisian Workers (UGTT). Similar to other non-governmental organisations, the UGTT was subject to political influence under the former regime and trade unions are now in the process of reconstituting themselves. Following the 14 January 2011 Revolution, two new trade confederations, the Union of Tunisian Labour ("**UTT**") and the General Confederation of Tunisian Labour ("**UCGT**"), have been established.

In January 2013, a "Social Pact" was signed, which set out a broad framework for reforms, including in respect of unemployment. Tripartite working commissions, including representatives from the Government, business and labour unions, have since renewed the dialogue envisaged in the "Social Pact" and discussions on a national employment strategy are ongoing.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia faces significant socio-economic challenges, including high unemployment among university graduates, as well as significant regional disparities*".

Prices and Wages

Prices

In 2009, inflation increased to 3.5%, despite the appearance of inflationary pressure over the second half of the year, in particular, relating to food products. In 2010, the inflation rate stood at 4.4%, primarily due to an increase in the global prices of imported products, in particular food products and energy, as well as the impact of fluctuations of the exchange rate and, particularly, appreciation of the Euro against the Dinar. In 2011, inflation decreased to 3.5%, primarily due to a slower increase in the global prices of food products and energy, combined with lower demand. In 2012, inflation increased to 5.6%, primarily due to the increase in food and beverage prices (which increased by 7.5%, as compared to 2011), as a result of distortions in supply channels following the 14 January 2011 Revolution. In 2013, inflation increased to 6.1%, again, primarily due to an increase in food and beverage prices (which increased by 8.0% compared to the previous year), as well as wage increases and ongoing depreciation of the Tunisian Dinar against major foreign currencies, notably the Euro and the U.S. Dollar.

In the ten months ended 31 October 2014, inflation was 5.6%, as compared to 5.8% in the corresponding period in 2013, primarily due to the slowdown in the increase of food prices (which increased by 7.0% in the ten months ended 31 October 2014, as compared to 8.0% for the corresponding period of 2013).

The Ministry of Economy and Finance estimates that inflation will amount to 5.7% for 2014.

The following table sets forth data regarding inflation for the periods indicated:

Inflation

	Industrial Selling Prices Index[(1)]	% Change[(2)]	Consumer Price Index[(3)]	% Change[(2)]
2009	148.2	2.1	117.0	3.5
2010	152.8	3.1	122.2	4.4
2011	162.8	6.5	126.5	3.5
2012	173.5	6.6	133.5	5.6
2013	178.4	2.8	141.7	6.1
2014 (Jan – Oct)	182.7	2.7	148.4	5.6
January	182.0	2.9	146.8	5.9
February	181.0	2.2	146.3	5.6
March	181.6	1.4	146.4	5.0
April	181.6	1.3	147.6	5.2
May	183.4	3.6	148.5	5.4
June	184.5	4.0	149.0	5.7
July[(4)]	185.8	3.8	150.2	6.0
August	185.3	3.6	150.2	5.8
September[(4)]	185.1	3.6	150.8	5.6
October	n/a	n/a	151.7	5.6

Notes:
(1) Year 2000 price levels equate to 100.
(2) % changes are expressed in annual terms.
(3) Year 2005 price levels equate to 100.
(4) September 2014 for ISPI and October 2014 for CPI.

Sources: National Statistics Institute and the Bank

Wages

Under the Tunisian Labour Code, the Government sets minimum wages for workers in agriculture, the SMAG, and industry, the SMIG, which are generally revised on an annual basis. The Government, employers and the UGTT negotiate adjustments to these wages.

Overall wages, in nominal terms, increased by 3.5% in 2009, as compared to the previous year, in agricultural and non-agricultural sectors. Overall wages, in nominal terms, increased by 4.5% in 2010, as compared to the previous year, in agricultural and non-agricultural sectors. The SMIG and the SMAG, expressed in nominal terms, increased by 5.0% and 7.4%, respectively, in 2011. In 2012, the SMIG and the SMAG, in nominal terms, increased by 5.0% and 29.0%, respectively. This increase in 2012 was primarily due to the decision of the post-revolutionary Government to align the SMIG and SMAG in an effort to improve the purchasing power of the most vulnerable population living in rural areas. In 2013, the SMIG and the SMAG, in nominal terms were unchanged, respectively. In 2014, the SMIG and SMAG, in nominal terms, each increased by approximately 6%, as compared to the corresponding period of 2013, due to wage freezes.

While such wage increases only apply to private sector employees, there have been calls for similar increases to be implemented in favour of public sector employees. In 2014, the Government implemented a wage freeze for the public sector and, in November 2014, a committee formed of representatives of the Government and the UGTT failed to reach an agreement on public sector wage negotiations. In December 2014, it was decided to reopen negotiations under the supervision of the Chamber of the People's Deputies and the Chamber of the People's Deputies further recommended opening negotiations for wage increases in the public sector in January 2015.

In October 2014, the Government announced its intention to raise the retirement age by two years to 62, although no definitive plans have been introduced and a decision of whether or not to pursue this policy will be determined by the new Government.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Future increases in public sector wages could have an inflationary impact on prices*".

The following table sets forth details regarding the minimum wage for Tunisia as at the dates indicated:

Minimum Wage[(1)]

	August 2009	**July 2010**	**May 2011**	**July 2012**	**July 2013**	**August 2014**
Inter-professional minimum wage (SMIG)						
Hourly SMIG (*in TD*)						
48 hour week	1.26	1.31	1.37	1.45	1.45	1.45
40 hour week	1.30	1.36	1.420	1.50	1.50	1.50
Monthly SMIG (*in TD*)						
48 hour week	260.62	272.48	286.00	301.808	301.808	301.808
40 hour week	225.16	235.04	246.31	259.479	259.479	259.479
Agricultural minimum wage (SMAG) per day (*in TD*)	8.02	8.38	9.00	11.608[(1)]	11.608[(1)]	11.608

Note:
(1) SMAG was initially fixed at 10.608 Dinars from 1st July 2012 and to 11.608 Dinars from 1st December 2012.

Source: Ministry of Development and International Cooperation

Informal Economy

Tunisia has a significant informal economy in terms of the production of both goods and services, which is a significant source of employment. Of the participants in the informal economy, a large proportion works in agriculture. The Government is implementing a number of policies to reduce the size of the informal sector and shift informal sector businesses and employees into the formal system. See "*Risk Factors—Risks relating to The Republic of Tunisia—A significant portion of the Tunisian economy is not recorded*".

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Exports and Imports

Tunisia's trade policy since 1987 has been to promote exports in order to enhance Tunisia's economic strength and its balance of payments, as well as to integrate the Tunisian economy into the world economy. A number of measures and incentives have been adopted to promote this goal. After launching a structural adjustment programme (PAS) in 1986, which oriented Tunisia toward a market economy, and the entry into the Association Agreement with the EU in 1995, the Government launched an upgrading programme in 1996 with the goal of increasing the productivity of Tunisian businesses and preparing the economy for competition in the global market place. Since 1993, the Dinar has been convertible for current operations, and the requirement for prior approval for obtaining foreign exchange was removed, which led to a liberalisation of foreign trade for almost all products, except for a short list of dangerous products. The Government expects globalisation to continue to intensify as trade protections are removed and tariffs are dismantled around the world.

As part of this strategy, Tunisia is working with the EU to establish a free-trade zone. Tunisia has been a member of the WTO since March 1995. In addition, the creation of a free-trade zone with Arab countries over a seven year period beginning in 1998 and similar free-trade zones with certain individual countries, particularly Egypt, Jordan, Morocco and Turkey, has further exposed Tunisian products to foreign markets and competition. Although the EU's share of Tunisia's total foreign trade has declined in recent years, the EU remains Tunisia's principal trading partner and total trade with the EU accounted for 62.0% of the country's foreign trade in 2013 and 63.1% of foreign trade in the six months ended 30 June 2014. Negotiations to liberalise service trade are taking place, and negotiations dealing with agri-food products are nearly completed, with the ultimate aim of facilitating the growth in trade with the EU. Logistical problems, such as insufficient storage capacity and weak infrastructure, continue to hamper the growth in trade with the EU and Arab countries.

The following table sets forth total Tunisian exports (FOB) and imports (CIF) of goods for the periods indicated:

Total Exports (FOB) and Imports (CIF)

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	2010	2011	2012	2013	2013	2014
	(TD millions, except percentages)						
Total exports (FOB)	19,469.2	23,519.0	25,091.9	26,547.7	27,701.2	14,317.2	13,963.2
Annual variation	(17.6%)	20.8%	6.7%	5.8%	4.3%	—	2.5%
Total imports (CIF)	25,877.6	31,816.7	33,695.4	38,178.0	39,509.4	19,870.8	20,690.2
Annual variation	(14.4%)	23.0%	5.9%	13.3%	3.5%	—	4.1%
Balance	**(6,408.4)**	**(8,297.7)**	**(8,603.5)**	**(11,630.3)**	**(11,808.2)**	**(5,553.6)**	**(6,727.0)**

Source: National Statistics Institute

In 2009, imports and exports decreased by 14.4% and 17.6%, respectively, in each case due to the impact of the global economic crisis. As a result, the balance of trade deficit (FOB-CIF) decreased by 3% to TD 6,408 million.

As the global economy started to recover in 2010, exports and imports increased by 20.8% and 23.0%, respectively, primarily due to a recovery in commodities prices globally. As a result, the trade deficit increased by 29.5% to TD 8,298 million. In 2011, foreign trade growth slowed with exports and imports increasing by 6.7% and 5.9%, respectively. As a result, the trade deficit increased by 3.7% to TD 8,604 million. In 2012, exports increased by 5.8%, a slower rate of growth than in 2011, and imports increased by 13.3%, a higher rate of growth than in 2011. As a result, the trade deficit increased by 37.2% to TD 11,630 million. In 2013, foreign trade growth slowed, with exports and imports increasing by 4.3% and 3.5%, respectively. As a result the trade deficit increased by 1.5% to TD 11,808 million.

In the six months ended 30 June 2014, exports decreased by 2.5% and imports increased by 4.1%, as compared to the six months ended 30 June 2013. The reduction in exports was primarily due to decreases in agricultural and agri-food exports. As a result, the trade deficit increased by 21.1% to TD 6,727 million, as compared to TD 5,554 million in the six months ended 30 June 2013.

The increase in the trade deficit in each of 2011, 2012 and 2013, as well as in the six months ended 30 June 2014, was primarily due to increases in the deficit from energy and food balances. The overall deficit in the energy and food

balances was TD 3,700 million in 2013, as compared to TD 1,010 million in 2010. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Republic of Tunisia has a variable climate and may be subject to food and water security risks*".

The following table sets forth Tunisian exports of goods, by principal categories of goods, for the periods indicated:

Exports

	For the year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**
				(TD millions)			
Energy[1]	2,637.7	3,313.9	3,649.5	4,450.4	4,209.7	2,087.6	1,887.8
Food and agriculture	1,849.5	1,879.4	2,592.4	2,577.2	2,740.6	1,641.3	1,131.6
Mining, phosphates and by products	1,660.2	2,158.3	1,300.6	1,649.6	1,657.9	810.5	637.7
Textile, clothing, leather and footwear	5,558.1	6,036.4	6,378.1	5,927.8	6,227.2	3,280.0	3,332.0
Electrical and mechanical	6,001.0	8,070.9	9,277.5	9,714.8	10,364.6	5,235.8	5,568.2
Other	1,762.7	2,060.1	1,893.8	2,227.9	2,501.2	1,262.0	1,405.9
Total exports (FOB)	**19,469.2**	**23,519.0**	**25,091.9**	**26,547.7**	**27,701.2**	**14,317,2**	**13,963.2**

Note:

(1) Excludes royalties paid to The Republic of Tunisia for international pipeline transshipments. See "*The Tunisian Economy—Industry—Non-Manufacturing—Industries—Natural Gas*".

Source: Ministry of Regional Development and Planning

Exports of electrical and mechanical goods; textile, clothing, leather goods and footwear and energy account for a substantial majority of Tunisia's exports, collectively representing 63.7% of exports in the six months ended 30 June 2014, 68.9% of exports in 2013, 67.3% of exports in 2012, 69.9% of exports in 2011, 68.7% of exports in 2010 and 68.4% of exports in 2009.

Exports of electrical and mechanical goods increased by 34.4% to TD 8,071 million in 2010, by 15.0% to TD 9,278 million in 2011, by 4.7% to TD 9,714.8 million in 2012 and by 6.7% to TD 10,365 million in 2013. The increases in exports of electrical and mechanical goods are principally due to a slight increase in demand from the EU countries following their recovery from the Eurozone crisis. However, the slowdown in the rate of increase in exports of electrical and mechanical goods can be attributed to decreased economic activity following the 14 January 2011 Revolution. In the six months ended 30 June 2014, exports of electrical and mechanical goods increased by 6.3% to TD 5,568 million, as compared to the six months ended 30 June 2013, primarily due to the increase in exports of electrical cables and wires and switchers and circuit breaker. See "*Risk Factors—Risks relating to The Republic of Tunisia—Deterioration of financial conditions in the Eurozone could adversely affect the Tunisian economy*".

The following table sets forth Tunisian imports of goods, by principal categories of goods, for the periods indicated:

Imports

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**
				(TD millions)			
Capital goods	6,585.7	7,778.8	7,180.6	8,202.4	8,037.2	4,263.6	4,351.1
Raw materials and semi-finished products	8,081.1	10,180.4	10,921.4	11,502.2	11,705.0	5,948.8	6,085.6
Energy	2,789.7	3,797.3	4,799.4	6,404.5	6,778.7	3,160.9	3,665.3
Food and agriculture	1,593.2	2,208.2	2,828.3	3,151.3	3,544.9	1,809.2	1,652.9
Consumer goods	6,827.9	7,852.0	7,965.7	8,917.6	9,443.6	4,688.3	4,935.3
Total imports (CIF)	25,877.6	31,816.7	33,695.4	38,178.0	39,509.4	19,870.8	20,690.2
Freight and insurance	(1,414.1)	(1,749.5)	(1,847.1)	(2,095.3)	(2,173.0)	(1,092.9)	(1,138.0)
Total imports (FOB)	**24,463.5**	**30,067.2**	**31,848.3**	**36,082.7**	**37,336.4**	**18,777.9**	**19,552.2**

Source: Ministry of Regional Development and Planning

Imports of raw materials, capital goods, and consumer goods account for a substantial majority of Tunisia's imports, collectively representing 74.3% of imports in the six months ended 30 June 2014, 78.1% of imports in 2013, 79.3% of imports in 2012, 81.8% of imports in 2011, 85.8% of imports in 2010 and 87.8% of imports in 2009.

Imports of raw materials increased by 25.9% to TD 10,180 million in 2010, by 7.3% to TD 10,921 million in 2011, by 5.3% to TD 11,502 million in 2012 and by 1.8% to TD 11,705 million in 2013. The increases in imports of raw materials are principally due to increased domestic demand due to economic growth from 2009 to 2011 with the economic slowdown following the 14 January 2011 Revolution resulting in reduced growth in raw materials and semi-finished products imports. In the six months ended 30 June 2014, imports of raw materials and semi-finished products increased by 2.3% to TD 6,086 million, as compared to 0.7% in the six months ended 30 June 2013, primarily due to increased purchases of raw materials and semi-finished products in connection with the recovery of industrial export sectors in the second half of the current year, in particular steel and finished products, plastic and plastic items, electrical cables and wires.

Direction of Trade

The following tables set forth Tunisian exports and imports of goods, by area of destination and origin, for the periods indicated:

Exports by Area of Destination

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**
				(TD millions)			
European Union countries	14,367.1	17,211.9	19,163.7	18,951.2	19,744.3	10,316.4	10,351.5
Of which:							
France	*5,770.7*	*6,749.7*	*7,695.4*	*7,154.6*	*7,305.5*	*3,795.4*	*3,909.3*
Italy	*4,095.1*	*4,674.5*	*5,432.2*	*5,013.5*	*5,116.7*	*2,714.8*	*2,775.2*
Germany	*1,711.8*	*1,987.3*	*2,271.4*	*2,182.8*	*2,489.8*	*1,215.8*	*1,396.1*
Belgium	*430.7*	*458.5*	*473.4*	*557.2*	*563.2*	*304.0*	*262.9*
Spain	*656.2*	*912.2*	*1,079.4*	*1,150.2*	*1,304.2*	*440.1*	*513.3*
Middle East countries	2,545.9	2,571.8	2,524.7	2,847.7	2,963.3	1,574.5	1,539.1
Of which:							
Libya	*1,121.2*	*1,048.5*	*1,103.3*	*1,293.2*	*1,411.0*	*186.1*	*588.7*
Algeria	*608.2*	*679.7*	*656.0*	*757.0*	*789.8*	*386.4*	*482.7*
Morocco	*282.2*	*332.1*	*336.7*	*333.0*	*312.0*	*186.1*	*183.1*
United States	265.3	556.3	388.9	509.2	645.3	232.9	201.2
CIS	24.2	40.1	32.7	65.9	61.1	34.7	36.6
Other countries	2,266.7	3,138.9	2,981.9	4,173.7	4,287.2	2,158.7	1,834.8
Total exports (FOB)	**19,469.2**	**23,519.0**	**25,091.9**	**26,547.7**	**27,701.2**	**14,317.2**	**13,963.2**

Source: The Bank

Imports by Area of Origin

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	2010	2011	2012	2013	2013	2014
				(TD millions)			
European Union countries	16,237.0	19,414.6	19,371.6	20,436.7	21,941.9	11,449.8	11,513.8
Of which:							
France	*5,334.1*	*6,011.0*	*6,184.5*	*6,282.3*	*7,215.3*	*4,046.4*	*3,417.5*
Italy	*4,184.0*	*5,555.3*	*5,339.8*	*5,415.3*	*5,721.8*	*2,968.8*	*3,305.3*
Germany	*2,250.9*	*2,429.6*	*2,487.7*	*2,630.8*	*2,826.7*	*1,432.9*	*1,476.0*
Belgium	*515.6*	*667.3*	*599.0*	*633.5*	*631.9*	*339.4*	*316.8*
Spain	*1,166.9*	*1,461.5*	*1,584.6*	*1,745.1*	*1,818.8*	*952.6*	*948.6*
Middle East countries	2,158.9	2,238.2	1,979.2	3,338.9	3,907.5	1,731.6	1,890.8
Of which:							
Libya	*754.4*	*406.3*	*31.5*	*492.6*	*664.6*	*455.0*	*46.1*
Algeria	*674.5*	*889.9*	*896.4*	*1,535.0*	*1,925.8*	*639.6*	*1,212.9*
Morocco	*88.8*	*141.8*	*131.7*	*202.6*	*155.8*	*65.5*	*109.3*
United States	1,021.1	1,276.3	1,245.7	1,237.5	1,286.1	683.8	544.1
CIS	1,450.1	1,479.5	2,730.8	3,290.2	2,896.7	1,326.9	1,873.8
Other countries	5,010. 5	7,408.1	8,368.1	9,874.7	9,477.2	4,678.7	4,867.7
Total imports (CIF)	25,877.6	31,816.7	33,695.4	38,178.0	39,509.4	19,870.8	20,690.2
Freight and insurance	(1,414.1)	(1,749.5)	(1,847.1)	(2,095.3)	(2,173.0)	(1,092.9)	(1,138.0)
Total imports (FOB)	**24,463.5**	**30,067.2**	**31,848.3**	**36,082.7**	**37,336.4**	**18,777.9**	**19,552.2**

Source: The Bank

In 2009, the EU accounted for 73.8% of total exports and 63.0% of total imports. France, Italy and Germany were the main trading partners within the EU in 2009, accounting for 29.6%, 21.0% and 8.8%, respectively, of total exports, and 20.1%, 16.4% and 8.8%, respectively, of total imports. In 2009, trade with Arab Maghreb Union countries was 10.5% of total exports and 5.9% of total imports.

In 2010, total trade with the EU accounted for 66.2% of foreign trade, and France, Italy and Germany remained Tunisia's principal trading partners within the EU, accounting for 28.7%, 19.9% and 8.4%, respectively, of total exports and 19.9%, 18.4% and 8.0%, respectively of total imports. Increases in exports to France constituted almost 45% of the total increase of exports to the EU. This increase was primarily due to sales of apparatus and machines, fertilisers, textile-clothing products and leather and footwear. Imports from Italy increased by 32.8% in 2010, primarily due to purchases of refined products, copper/iron, machinery and equipment and copper. Due to these changes, the trade surplus with France increased by more than 69.0% while the trade deficit with Italy increased to TD 881 million, as compared to a TD 89 million deficit in 2009. In 2010, trade with Arab Maghreb Union countries (primarily Libya, Algeria and Morocco) accounted for 8.8% of total exports and 4.5% of total imports.

In 2011, total trade with the EU accounted for 65.6% of foreign trade. Exports to the EU increased in 2011 by 11.3%, while imports remained stable. As a result, the trade deficit with the EU narrowed by TD 1,961 million. The trade surplus with France, Tunisia's primary international trading partner, doubled as a result of a 14.0% growth in exports and a 2.9% increase in imports, primarily due to increases in purchases of Tunisian machinery and equipment, cereals, hydrocarbons and plastic goods by French customers. The composition of trade with Libya changed considerably in 2011 due to the conflict in Libya, which led to an interruption of hydrocarbon production in Libya, and edible oils, milk cereals, fruits and vegetables, which were the main products imported from Libya. As a result, in 2011, imports from Libya decreased by 92.2% and exports to Libya increased by 5.2% (primarily constituted of agri-food products).

In 2012, total trade with the EU accounted for 60.8% of foreign trade. This reduction in the share of trade with the EU was primarily due to the effects of the Eurozone crisis. Exports to the EU decreased by 1.1% in 2012, while imports increased by 5.5%. As a result, the trade deficit with the EU increased to TD 1,485 million in 2012. The trade surplus with France decreased in 2012, with exports decreasing by 7.0%, primarily due to a decrease in electric apparatus and machines, energy products and textile-clothing products sales and imports increasing by 1.9%, Trade with Libya recovered in 2012, as hydrocarbon production resumed in Libya. Exports to Libya increased by 17.2% in 2012 and imports from Libya increased by 1,463.8%. As a result, the trade surplus with Libya decreased by TD 271 million (or 25.3%).

In 2013, exports to and imports from the EU increased by 4.2% and 7.4%, respectively, accounting for 71.4% of total exports and 55.5% of total imports, primarily due to increases in exports to France, Germany and Spain and imports from France, Italy and Germany. The trade deficit with the EU in 2013 was TD 2,198 million (47.9%). Exports to Spain, Great Britain and Germany increased by 13.4%, 26.7% and 14.1%, respectively, and imports from France, Italy and Germany increased by 14.9%, 5.7% and 7.4%, respectively. In 2013, exports to and imports from Middle East countries increased by 4.1% and 17.0%, respectively, primarily due to increases in exports to and imports from Libya.

In the six months ended 30 June 2014, the EU accounted for 63.1% of total trade, and exports to and imports from the EU increased by 0.3% and 0.6%, respectively, as compared to the six months ended 30 June 2014. France, Italy, and Germany were Tunisia's largest trading partners within the EU, accounting for 28.0%, 19.9% and 10.0%, respectively, of total exports and 16.5%, 16.0% and 7.1%, respectively of total imports.

Exports to Algeria increased by 24.9% in the six months ended 30 June 2014, as compared to the six months ended 30 June 2013, while imports to Algeria increased by 89.6% in the same period. Imports from Algeria consist mainly of natural gas, which are affected by the availability of natural gas in the domestic market. Imports from Morocco in the six months ended 30 June 2014, as compared to the six months ended 30 June 2013, increased by 66.8%, while exports decreased by 1.6%. The increase in imports was primarily due to imports of automobiles by Renault due to Renault's decision to supply the Tunisian market from factories located in other countries.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Deterioration of financial conditions in the EU could adversely affect the Tunisian economy*".

Balance of Payments

The balance of payments records the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of: (i) the current account, which comprises net exports of goods and services (the difference in value of exports minus imports), net factors revenue and net transfers; and (ii) the capital account, which comprises the difference between financial capital inflows and financial capital outflows. The current account of Tunisia's balance of payments for the last three years has been characterised by deficits, which were partially offset by capital account surpluses. Since 2011, the current account deficit has averaged 7.9% of GDP.

See *"Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Widening of the current account deficit".*

The following table sets forth Tunisia's balance of payments for the periods indicated:

Balance of Payments

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**(1)	**2014**(1)
				(TD millions)			
Current account							
Goods							
Exports (FOB)(2)	19,469.2	23,519.0	25,091.9	26,547.7	27,701.2	14,317.2	13,963.2
Imports (FOB)(2)	(24,463.5)	(30,067.2)	(31,848.3)	(36,082.7)	(37,336.4)	(18,777.9)	(19,552.2)
Trade Balance	(4,994.3)	(6,548.2)	(6,756.4)	(9,535.0)	(9,635.2)	(4,460.7)	(5,589.0)
Services(3)							
Inflow	7,424.7	8,309.7	6,727.7	8,204.6	8,176.0	3,654.8	3,690.7
Outflow	(4,015.8)	(4,788.4)	(4,625.7)	(5,151.2)	(5,541.6)	(28,26.3)	(2,962.1)
Net	3,408.9	3,521.3	2,102.0	3,053.4	2,634.4	828.5	728.6
Factors Revenues(4)							
Inflow	2,760.3	3,085.1	2,977.0	3,692.3	3,971.0	1,841.1	1,880.7
Outflow	(3,153.2)	(3,380.7)	(3,444.9)	(3,410.0)	(3,845.8)	(1,909.5)	(1,697.3)
Net	(392.9)	(295.6)	(467.9)	282.3	125.2	(68.4)	183.4
Current transfers							
Inflow	340.2	353.7	403.8	439.4	615.1	322.5	287.8
Outflow	(27.8)	(43.5)	(47.9)	(52.5)	(41.0)	(16.5)	(22.6)
Net	312.4	310.2	355.9	386.9	574.1	306	265.2
Balance — current account	**(1,665.9)**	**(3,012.3)**	**(4,766.4)**	**(5,812.4)**	**(6,301.5)**	**(3,394.6)**	**(4,411.8)**
Capital Account							
Grants (net)	222.1	117.9	258.7	701.2	186.3	40.1	95.0
FDI (net)	2,059.5	1,910.2	609.1	2,427.6	1,719.9	763.2	585.7
Portfolio investment (net)	(119.7)	(37.1)	(61.6)	(24.0)	130.0	87.2	41.1
Medium and long term borrowings (net)							
Borrowings by The Republic of Tunisia (net)	62.1	(314.0)	505.8	2,851.6	429.5	—(8)	—(8)
Borrowings by business (net)	376.3	521.8	412.4	(247.2)	596.3	—(8)	—(8)
	438.4	207.8	918.2	2,604.4	1,025.8	1,143.4	3,048.8
Other MLT liabilities(5)	496.4	—	66.6(6)	—	816.8(6)	—(8)	—(8)
Short-term capital (net)	684.3	434.2	488.8	2,120.4	1,122.7(7)	—(8)	—(8)
Balance — capital account	**3,781.0**	**2,633.0**	**2,279.8**	**7,829.6**	**5,001.5**	**2,003.9**	**3,770.6**
Adjustments	89.2	180.1	139.2	151.2	205.4	—	—
Overall balance	**2,204.3**	**(199.2)**	**(2,347.4)**	**2,168.4**	**(1,094.6)**	**(1,360.7)**	**(641.2)**

Notes:

(1) Individual data for six month capital borrowing amounts are not distinguished and are provided only as a total sum.

(2) Based on customs statistics.

(3) Includes tourism receipts of TD 3,472 million for 2009, TD 3,523 million for 2010, TD 2,433 million for 2011, TD 3,175 million for 2012, TD 3,229 million for 2013, TD 1,285 million for the six months ended 30 June 2013 and TD 1,353 million for the six months ended 30 June 2014.

(4) Includes among other items interest on short-, medium- and long-term loans, direct investment income and workers' remittances.

(5) This concerns special drawing rights ("**SDR**") allocations, which are henceforth accounted for under medium- and long-term external liabilities, as per the IMF recommendation.

(6) For 2011, TD 67 million corresponds to a deposit by Bank of Algeria with the Bank. In 2013, TD 817 million corresponds to a deposit from Qatar National Bank ("**QNB**") with the Bank.

(7) For 2013, short-term capital (net) and adjustment.

(8) Interim figures are unavailable.

Source: The Bank

In 2009, the balance of payments registered a surplus of TD 2,204 million, primarily due to a decrease in the current account deficit, which fell to TD 1,666 million, representing 2.8% of GDP. The decrease in the current account deficit was primarily due to the growth of services by TD 152 million to TD 3,409 million, or 5.8% of GDP, as well as a reduction in the deficit balance of factors revenue by TD 282 million to TD 393 million, which was primarily due to a decrease in outflows by 8.4%, as well as steady inflows, in turn, primarily due to increased worker remittances. Flows

from tourism, which are reflected in the services inflow, increased by 2.4% to TD 3,472 million. In 2009, the capital account registered a surplus of TD 3,781 million, an increase of 6.4%, as compared to 2008.

In 2010, the balance of payments registered a deficit of TD 199 million. This deficit was primarily due to the widening of the current account deficit, which increased to TD 3,012 million, representing 4.8% of GDP, as well as a TD 1,148 million decrease in the capital account surplus to TD 2,633 million. The increase in the current account deficit was primarily due to a 31.1% increase in the trade deficit to TD 6,548 million, as a result of a 22.9% increase in imports and a 20.8% increase in exports. This was partially offset by a TD 112 million increase in the balance of services surplus to TD 3,521 million, primarily due to increased transport and the growth of other services receipts. Tourism receipts increased by 1.5% in 2010 to TD 3,523 million, primarily to due to a 2.9% increase in overnight stays. In addition, the deficit balance of factors decreased by TD 97 million to TD 296 million, primarily due to a 11.3% increase in worker's remittances, while expenditures for capital income in the form of transfers to remunerate foreign investment grew by 10.7%. In 2010, the capital account registered a surplus of TD 2,633 million, a decrease of 30.4%, as compared to 2009.

In 2011, the balance of payments registered a deficit of TD 2,347 million. This increase in the balance of payments deficit was primarily due to the widening of the current deficit, which increased by TD 1,754 million to TD 4,777 million, representing 7.4% of GDP. The increase in the current account deficit was primarily due to the decrease in the surplus of the balance of services by TD 1,419 million, which was, in turn, a result of a 30.9% decrease in tourism receipts as a result of the instability in Tunisia due to the 14 January 2011 Revolution. In addition, the deficit balance of factor income increased by TD 172 million to TD 468 million in 2011, primarily due to a 4.4% decrease in workers' remittances and an increase in expenditures for capital income. In 2011, the capital account registered a surplus of TD 2,280 million, a decrease of 13.4% as compared to 2010. This decrease was primarily due to the 68.1% decrease in FDI, which was, in turn, primarily due to the 14 January 2011 Revolution. This decrease was primarily offset by a increase in other investments due to an increase in the amount of drawings on medium and long term facilities.

In 2012, the balance of payments registered a surplus of TD 2,168 million. This surplus was primarily due to the consolidation in net capital flows. The current account deficit continued to increase, however, in 2012, increasing by TD 1,046 million to TD 5,812 million, representing 8.2% of GDP. This increase was due to a 41.1% increase in the trade deficit to TD 9,535 million, as compared to TD 6,756 million in 2011, which was primarily due to a 13.3% increase in imports despite a 5.8% increase in exports. Conversely, the balance of services surplus grew by TD 951 million to TD 3,053 million, primarily due to a 30.5% increase in tourism receipts to TD 3,175 million. The balance of factor income and current transfers also improved in 2012, registering a surplus of TD 670 million, as compared to a TD 112 million deficit in 2011. The capital account registered a surplus of TD 7,830 million in 2012, an increase of 243.4%, as compared to 2011. This increase was primarily due to increases in all types of financing, as well as foreign investment. FDI increased by 298.6% to reach TD 2,428 million in 2012, while drawings on medium and long term borrowing capital increased by 183.6% to TD 2,604 million. Grants increased by 171.0% in 2012, primarily reflecting grants received from the EU (€117 million), Libya (U.S.$100 million) and Turkey (U.S.$50 million) received in 2012.

In 2013, the balance of payments registered a deficit of TD 1,095 million, primarily due to the widening of the current account deficit and the decrease in the capital account surplus. The current account deficit increased by TD 490 million to TD 6,302 million, representing 8.6% of GDP. This increase was primarily due to an increase in the trade deficit to TD 9,635 million, which reflected a 3.5% increase in imports and a 4.3% increase in exports. The balance of services decreased in 2013 by TD 419 million to TD 2,634 million, primarily due to a 9.8% decrease in transport receipts, a 36.3% decrease in receipts of gas pipeline royalties (such royalties being payable to the Government in respect of the two transcontinental gas pipelines linking Algeria to Italy) and the deceleration of tourism receipts, which increased by 1.7% in 2013, as compared to 30.5% in 2012. The factor income and current transfers surplus decreased by TD 220.3 million to TD 448.9 million in 2013, primarily due to a 5.1% increase in workers' remittances to TD 3,721 million. The capital account registered a surplus of TD 5,002 million in 2013, a decrease of 36.1%, as compared to 2012. This decrease was primarily due to a 73.4% decrease in grants, as compared to 2012, and a 29.2% decrease in FDI, as compared to 2012. Expenditure for capital income in the form of transfers to remunerate foreign investments increased by 18.7% in 2013, while payment of interest on medium and long term debt decreased by 5.6% in 2013.

In the six months ended 30 June 2014, the balance of payments registered a TD 641 million deficit, as compared to a TD 1,361 million deficit during the corresponding period in 2013. The decrease in the deficit was primarily due to the 229.8% increase in the capital account surplus to TD 3,770.6 million. The increase in the capital account surplus was primarily due to the consolidation of more than 30% of drawings on medium- and long-term loan capital, as compared to the corresponding period in 2013, to TD 3,049 million, as a result of the granting of the second and third tranches of the IMF Stand-By Arrangement of TD 507 million and TD 225 million, respectively, a deposit of U.S.$100 million by

the Bank of Algeria with the Bank and a decrease in expenditures for the repayment of medium and long term debt in the six months ended 30 June 2014. The FDI surplus decreased in the six months ended 30 June 2014 to TD 586 million, primarily due to a 23.3% decrease in FDI in the six months ended 30 June 2014, as compared to the corresponding period in 2013. The increase in the capital account surplus was partially offset by the widening of the current account deficit, which increased by TD 1,017 million to TD 4,412 million in the six months ended 30 June 2014, as compared to the corresponding period in 2013, representing 5.3% of GDP. The increase in the current account deficit was primarily due to an increase in the trade deficit by TD 1,129 million, which reflected a 4.1% increase in imports and a 2.5% decrease in exports. There was also a decrease in the balance of services surplus to TD 729 million, primarily due to a 8.6% decrease in transport receipts, in turn, due to a 43% decrease in receipts of gas pipeline royalties. This was partially offset by a 5.3% increase in tourism receipts and by an increase in the factor income and current transfer surplus in the six months ended 30 June 2014, as compared to the corresponding period in 2013.

Trade Deficit and Workers' Remittances

The trade deficit increased by TD 4,641 million, or 92.9%, over the period 2009-2013. Exports increased by TD 1,154 million, or 4.3%, in 2013, as compared to 2012. The trade deficit increased by TD 1,128 million, or 25.3%, in the six months ended 30 June 2014, as compared to the corresponding period in 2013. Exports decreased by TD 354 million, or 2.5%, in the six months ended 30 June 2014, as compared to the corresponding period of 2013.

The trade deficit has persisted for several reasons. Exports of manufactured goods have grown strongly in the past decade, but this growth has been partly offset by a decline in more traditional exports of raw materials, notably crude oil and phosphates. The Tunisian economy is also dependent upon external markets for capital equipment. Accordingly, economic expansion, and, in particular, expansion of industry, draws in capital goods and increases imports. Furthermore, the main exporting sectors of manufacturing, textiles and leather goods and mechanical and electrical industries use Tunisian labour to transform raw and semi-processed imports, such as cotton, cloth or vehicle components, into finished products for export. As a result, any expansion of production for export necessarily draws in more imports of raw or semi-finished materials. Finally, rising disposable incomes have boosted imports of consumer goods and the liberalisation of trade has reduced the Government's ability to moderate the inflow of imports. An important goal of the government's reform efforts is to reduce Tunisia's dependence on its traditional exports.

The trade deficit is partly offset by a surplus in the services account, which derives principally from tourism receipts, remittances from workers living abroad and, to a lesser extent, from royalties from natural gas pipelines. The continuing strength of workers' remittances from the estimated 1.2 million Tunisians living abroad at the end of 2013 has helped to ease current account deficit levels. Workers' remittances have risen in recent years as a result of the increasing number of tax, customs and financial incentives given to Tunisians working abroad and the depreciation of the Dinar compared to the main currencies subject to remittance, principally the Euro. Since 1994, approximately three-quarters of total workers' remittances have been in the form of bank transfers, postal orders or foreign bank notes. Contributions in kind consist mainly of motor vehicles.

The following table sets forth details of Tunisia's workers' remittances for the periods indicated:

Workers' Remittances

	For the Year ended 31 December					For the Six Months ended 30 June	
	2009	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**
	(TD millions, except percentages)						
Cash	2,104	2,333	2,165	2,634	2,719	1,216	1,252
Contributions in kind	549	620	657	905	1,002	465	499
Total	**2,653**	**2,953**	**2,822**	**3,539**	**3,721**	**1,681**	**1,751**
Total as % of GDP	0.05	0.05	0.04	0.05	0.05	0.02	0.02

Source: The Bank

In 2009 and 2010, workers' remittances continued to follow an increasing trend, increasing by 8.9% to TD 2,653 million in 2009 and by 11.3% to TD 2,953 million in 2010. Inputs in cash grew by 9.1% to TD 2,104 million in 2009 and by 10.9% TD 2,333 million in 2010, while contributions in kind increased by 8.3% to TD 549 million in 2009 and by 12.9% to TD 620 million in 2010.

In 2011, workers' remittances decreased by 4.4% to TD 2,822 million, primarily due to a decrease in worker's remittances in the form of cash due to a corresponding decrease in the number of visits by Tunisian offshore workers in 2011, in turn, due to instability relating to and following the 14 January 2011 Revolution. In 2011, inputs in cash decreased by 7.2% to TD 2,165 million, while contributions in kind increased by 6.0% to TD 657 million.

In 2012, workers' remittances increased by 25.4% to TD 3,539 million, primarily due to a 21.7% increase in inputs in cash to TD 2,634 million. Contributions in kind increased by 27.7% in 2012 to TD 905 million. This increase was primarily due to an extension of the FCR car importation scheme for Tunisian expatriates.

In 2013, workers' remittances increased by 5.2% to TD 3,721 million, representing a slower rate of growth than in 2012. This increase was primarily due to a 3.2% increase in inputs in cash to TD 2,719 million and the 10.7% increase in contributions in kind by TD 1,002 million.

In the six months ended 30 June 2014, workers' remittances increased by 4.1%, as compared to the corresponding period in 2013, to TD 1,751 million. Contributions in cash in the six months ended 30 June 2014 increased by 3.0%, as compared to the corresponding period in 2013, to TD 1,252 million.

Foreign Exchange Reserves

The following table sets forth the net foreign exchange reserves of The Republic of Tunisia as at the dates indicated:

Foreign Exchange Reserves

	As at 31 December					
	2009	2010	2011	2012	2013	2014
Net foreign exchange reserves (*TD millions*)	13,352.9	13,002.9	10,581.6	12,576.0	11,602.3	13,097.2
Days of imports	186	147	113	119	106	112

Source: The Bank

As at 31 December 2009, the level of net foreign exchange reserves (excluding gold and SDRs) was TD 13,353 million, the equivalent of 186 days of imports. Net foreign currency reserves declined in 2010 to TD 13,003 million, the equivalent of 147 days of imports, as at 31 December 2010.

Net foreign exchange reserves declined in 2011 to TD 10,581.3 million, the equivalent of 113 days of imports, as at 31 December 2013, primarily due to the uncertain political environment following the 14 January 2011 Revolution and the corresponding negative impact on the Tunisian economy. Net foreign exchange reserves increased in 2012 to TD 12,576 million, the equivalent of 119 days of imports, as at 31 December 2012, primarily due to increased drawings on medium- and long-term capital facilitates. Net foreign exchange reserves decreased in 2013 to TD 11,602 million, the equivalent of 106 days of imports, as at 31 December 2013, primarily due to a high level of the current account deficit, which was partially offset by a surplus in the balance of financial operations and capital.

Net foreign exchange reserves increased in 2014 to TD 13,098 million as at 31 December 2014, the equivalent of 112 days of imports, primarily due to external Government financings in 2014, including budget support received from the IMF, EU and Algeria, as well as the U.S.$500 million bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by the U.S. Agency for International Development and the JPY 50 billion bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by Japan Bank for International Co-operation.

As at the date of this Prospectus, there are no encumbrances or potential encumbrances to Tunisia's foreign exchange reserves, such as forward contracts or derivatives.

See *"Risk Factors—Risks relating to The Republic of Tunisia—Foreign currency reserves have fluctuated in recent years"*.

Foreign Direct Investment

An important objective of the Government is to attract foreign investment. Prior Governments have simplified investment regulations for most sectors, offered fiscal incentives to investment, made the Dinar convertible for all current transactions (*i.e.*, transactions other than investment transactions) and also guaranteed foreign investors the right to repatriate capital investments made in accordance with law. Tunisia has also entered into the EU Association Agreement, in part to encourage European investors, and has created the Foreign Investment Promotion Agency to help attract American, Japanese and British investors, among others.

In January 1994, the Investment Incentives Code, which governs both national and foreign investment, came into force. The Investment Incentives Code affirms the freedom to invest in most sectors of the economy and reinforces the openness of the Tunisian economy to outside investment. The Investment Incentives Code includes numerous general and specific incentives in the form of tax exemptions, investment bonuses, no-cost infrastructure and the assumption of employer's contributions to social security schemes, as well as special incentives for investments in zones targeted for regional development.

Sectors

The following table sets forth total FDI, by industry, for the periods indicated:

Foreign Direct Investment by Industry

	2009	2010	2011	2012	2013	For the Nine Months ended 30 September 2013	For the Nine Months ended 30 September 2014[1]
				(TD millions)			
Energy	1,233.5[2]	1,317.1	1,063.4	886.0	1,077.4	820.0	730.0
Manufacturing industries	771.6[3]	573.6[3]	330.6	531.6	508.2	360.6	246.9
Of which:							
Chemicals and rubber industries	257.9	79.4	52.6	64.1	56.8	42.4	23.2
Construction materials industry	71.9	186.8	12.4	128.0	26.5	24.6	6.8
Mechanical industries	87.2	66.9	41.6	80.3	75.9	38.1	29.5
Services sector	256.7	271.5	219.6	1,081.8	217.9	183.8[6]	218.5
Of which:							
Tourism and real estate	85.5	95.0	22.9	77.0	18.5	12.8	3.6
Telecommunications	154.3[4]	126.6	193.6	757.6[5]	88.0	68.4	47.7
Financial sector	0.0	43.4	0.0	243.2	99.4	99.4	112.8
Others	16.9	6.5	3.1	4.0	12.0	3.2	54.4
Agriculture	16.9	2.8	2.3	4.6	11.5	10.1	6.2
Total	**2,278.7**	**2,165.0**	**1,615.9**	**2,504.0**	**1,815.0**	**1,374.5**	**1,201.6**
Total excluding energy	1,045.2	847.9	552.5	1,618.0	737.6	554.5	471.6

Notes:

(1) Provisional data.

(2) Includes TD 442 million of investments of "ENI TUNISIA".

(3) Includes TD 188 million in 2008 and TD 135 million in 2009 from the investment of British Gas on the development of the GPL project.

(4) Includes TD 92 million with respect to the first portion of non-resident participation to the granting of land and a mobile phone licence to Divona group.

(5) Includes TD 150 million and TD 132 million, respectively, from sale of a 60% stake in Banque Tuniso-Koweitienne ("**BTK**") to CEF and sale of a 35% stake in Société Tunisienne d'Assurance et de Réassurance ("**STAR**") to GROUPAMA. Also, TAV TUNISIA has invested TD 189 million in the construction of the Enfidha Airport.

(6) Includes TD 100.7 million from the increase of the capital of Qatar National Bank, Tunisia (QNB) and TD 49 million from the acquisition by the investment fund "Abraaj" a majority shareholding in the Polyclinic Taoufik.

Source: The Bank

FDI in agriculture is insignificant because of investment restrictions on foreign ownership of agricultural land.

The total amount of FDI increased from TD 6,340 million in 1990 to TD 54,902.6 million in 2013. In 2010, FDI flows decreased by 5.0% to TD 2,165 million, as compared to TD 2,279 million in 2009. In 2011, FDI flows decreased by 25.4% to TD 1,616 million, primarily due to the instability surrounding the 14 January 2011 Revolution. In 2012, FDI flows increased by 55.0% to TD 2,504 million, primarily due to increased FDI flows to manufacturing industries and other FDI. In 2013, FDI flows decreased by 27.5% to TD 1,815 million, primarily due to transfer to non-residents of shares in companies confiscated by the Tunisian government in an amount of TD 855 million. In the nine months ended 30 September 2014, the FDI flows decreased by 12.6% to TD 1,202 million, as compared to TD 1,375 million in the corresponding period of 2013, primarily due to a decrease in tourism and manufacturing industries investment inflows.

In 2010, FDI in the manufacturing sector decreased by 34.5% to TD 573.6 million, as compared to TD 771.6 million in 2009. This decrease offset modest increases in energy, tourism and real estate FDI of 6.8% and 11.1%, respectively.

In 2011, FDI in the energy sector decreased by 19.3% to TD 1,063 million, as compared to TD 1,317 million in 2010. FDI in the manufacturing sector decreased by 42.4% to TD 331 million in 2011, while FDI in the chemicals and rubber sectors decreased from TD 79 million in 2010 to TD 53 million in 2011. In the services sector, FDI decreased by 19.1% to TD 220 million in 2011, as compared to TD 272 million in 2010. FDI in the telecommunication sector increased by 52.4% in 2011 to TD 194 million, as compared to TD 127 million in 2010, primarily due to network extension projects by three mobile operators in Tunisia and not as a result of a sale of shares of Tunisie Telecom (this operation was accounted for in the volume of FDI in 2006).

In 2012, FDI increased in all sectors, except the energy sector. FDI in the manufacturing sector increased by 60.7% to TD 532 million in 2012, as compared to TD 331 million in 2011. This increase was primarily due to increased investment in the construction materials and mechanical industries sectors, which attracted TD 128 million and TD 80 million of FDI, respectively, in 2012, as compared to TD 12 million and TD 42 million in 2011. FDI in the services sector increased by 391% to TD 1,082 million, as compared to TD 220 million in 2011, primarily due to increased FDI in the telecommunications sector, primarily due to the transfer by the state of 15% of the share capital of Tunisiana to Qatar Telecom. FDI in the financial sector also increased in 2012 to TD 243 million, of which TD 218 million was due to the sale of 13% of the Bank of Tunisia to foreign entities, and the remainder was due to the participation of non-residents in the capital increase of Attijari Bank. FDI in the energy sector decreased by 16.7%, as compared to 2011, to TD 886 million.

In 2013, FDI decreased in all sectors, except the energy sector. FDI in the energy sector increased by 21.6% to TD 1,077 million, following decreases to FDI in the energy sector of 16.7% in 2012 and 19.3% in 2011. This increase was primarily due to increased investment in energy exploration, resulting in an increase of FDI for energy exploration from TD 317 million to TD 551 million, while FDI for energy development was TD 526 million in 2013. FDI in the manufacturing sector decreased by 4.5% to TD 508 million. FDI in the services sector decreased by 79.9% to TD 218 million in 2013, as compared to 2012, primarily due to the transfer of Tunisia's entire shareholding in the Tunisian-Qatari Bank. FDI in the telecommunications sector accounted for TD 88 million of FDI to the services sector in 2013, while the tourism and real estate accounted for TD 19 million in 2013.

In the nine months ended 30 September 2014, total FDI decreased by 12.6% to TD 1,202 million, as compared to TD 1,375 million in the corresponding period of 2013. This decrease is due primarily due to decreases in FDI in the energy and manufacturing sector by 11.0% and 31.5% to TD 730 million and TD 247 million, respectively. This decrease was partially offset by an 18.9% increase in FDI to the services to TD 219 million, of which TD 101 million was the participation of non-residents in the capital increase of Qatari National Bank-Tunisia (QNBT) and TD 49 million of which is due to a major acquisition by the Abraaj Group of the polyclinic Taoufik.

FDI Sources

The following table sets forth information on the sources of FDI for the periods indicated:

	Foreign Direct Investment				
	2009	2010	2011	2012	2013[1]
			(in TD millions)		
Australia	25.5	74.8	23.8	32.0	163.1
Austria	65.7	182.7	242.6	327.2	247.2
Belgium	2.9	2.3	5.9	7.1	9.1
Canada	91.0	139.5	175.6	157.1	217.3
France	265.8	254.4	224.5	393.2	261.0
Finland	0	0	0	0	0.2
Germany	62.0	14.6	36.3	102.0	63.4
Great Britain	533.4	439.9	224.9	114.6	202.3
Italy	583.4	325.6	276.4	243.6	155.8
Japan	16.3	0	0	12.4	0
Kuwait	21.9	13.2	7.9	40.2	18.3
Norway	0.3	2.9	7.2	8.9	0.5
Portugal	12.7	10.6	3.7	1.0	2.1
Saudi Arabia	3.8	7.7	0.1	0.4	1.5
Spain	53.0	137.3	10.7	24.4	38.6
Sweden	79.9	43.0	85	5.2	13.1
Switzerland	56.9	10.4	18.8	10.9	29.3
The Netherlands	10.2	15.1	19.5	3.2	22.0
Turkey	1.9	2.0	1.0	0.2	1.3
United States	84.9	128.1	52.5	62.1	27.6
UAE	88.6	55.8	82.5	62.0	39.4
Other	218.6	305.1	117.0	896.3	301.9
Total	**2,278.7**	**2,165.0**	**1,615.9**	**2,504.0**	**1,815.0**

Note:
(1) Provisional data.

Source: The Bank

FDI from the EU amounted to TD 1,706 million in 2009, representing 74.9% of total FDI. FDI from Arab countries was TD 195 million in 2009. FDI from the EU amounted to TD 1,443 million in 2010, representing 66.7% of total FDI. FDI from Arab countries increased by 18.5% to TD 231 million in 2010. FDI from the EU amounted to TD 1,146 million in 2011, representing 70.9% of total FDI. FDI from Arab countries declined by 26.8% to TD 169 million in 2011. FDI from the EU amounted to TD 1,226 million in 2012, representing 49.0% of total FDI flows. FDI from Arab partners increased by 461.8% to TD 951 million in 2012. FDI from the EU amounted to TD 1,034 million in 2013, representing 57.0% of total FDI flows. FDI from Arab partners decreased by 75.2% to TD 236 million in 2013.

PUBLIC FINANCE

Overview

Legal Framework and Budgetary Process

The Budget Law (Organic Law of Budget № 2004-42 of 13 May 2004 modifying and completing Law № 67-53 of 8 December 1967 (the "**Budget Law**")) and the 2014 Constitution provide the legal framework and timetable for the preparation of the annual state budget. Article 66 of the 2014 Constitution provides that the Chamber of the People's Deputies shall adopt draft finance laws and the budget in accordance with the provisions of the Budget Law.

Under the Budget Law, the fiscal year of The Republic of Tunisia is the calendar year. By July of each year, the Administration Heads prepare expenditure projections for the coming year, which they present to the Ministry of Economy and Finance. The Ministry of Economy and Finance examines these projections, calculates revenue projections, and prepares the proposed annual Finance Law, containing the annual budget.

The annual Finance Law regulates Government expenditures and revenues for the forthcoming fiscal year. The Finance Law includes provisions which determine the amount, and authorise the collection of, public revenue, set the ceiling for guarantees that may be granted by The Republic of Tunisia and authorise borrowings and obligations which may be undertaken on behalf of The Republic of Tunisia.

In addition to the annual Government budget, the Finance Law also includes the annexed budgets of certain public entities. The purpose of the separate, annexed budgets is primarily to segregate the accounts of certain state entities that operate relatively autonomously in order to promote sound financial management within these entities, while keeping their revenues and expenditures within the overall framework and budgetary objectives of the Finance Law.

Pursuant to Article 66 of the 2014 Constitution, the proposed Finance Law shall be presented to the Chamber of the People's Deputies no later than 15 October and ratified no later than 10 December of each year. The President may resubmit the draft Finance Law to the Chamber of the People's Deputies for a second reading within two days following ratification by the Chamber of the People's Deputies, in which case, the Chamber of the People's Deputies will meet to debate the draft Finance Law during a three day period. During this period, or after the expiry of the period exercise of the right of resubmission, the draft Finance Law may be contested by certain persons before the Constitutional Court, (see *"The Republic of Tunisia—Political System—The Judicial Branch—Constitutional Court*") which must issue a decision within five days and inform the President who, in turn, must inform the speaker of the Chamber of the People's Deputies. The Chamber of the People's Deputies shall ratify the proposed Finance Law within three days following its receipt of the decision of the Constitutional Court. If the constitutionality of the proposed Finance Law is confirmed or if the proposed Finance Law is voted in a second reading after its resubmission to the Chamber of the People's Deputies and once the period for claims of unconstitutionality or for the exercise of the presidential right of resubmission have expired, the President shall promulgate the proposed Finance Law within two days. In any event, promulgation of the proposed Finance Law must take place before 31 December of each year.

Pursuant to Article 66 of the 2014 Constitution, if the proposed Finance Law is not adopted by 31 December, expenditures under the proposed Finance Law can be implemented in three month tranches by order of the President, while revenues shall continue to be collected in accordance with the laws in force

The National Constituent Assembly approved the Finance Laws of 2012, 2013, and 2014. The Council of Ministers adopted the Finance Law of 2015 on 22 October 2014 and the Chamber of the People's Deputies approved the Finance Law of 2015 on 26 December 2014. Before the publication of the Finance Law of 2015, the President declined to sign the law on the grounds of the unconstitutionality of certain provisions. Following a review of the draft law by the temporary committee for the verification of the constitutionality of draft laws established pursuant to Article 148 of the 2014 Constitution, four articles of the Finance Law of 2015 as originally passed by the Chamber of the People's Deputies (relating to a modification to the customs code and transfers of staff and equipment of the National Constituent Assembly to the Chamber of the People's Deputies) were found to be unconstitutional, and the Chamber of the People's Deputies reapproved the Finance Law of 2015 without these provisions.

Components of Revenue and Expenditure

As further described below, the main sources of revenue of The Republic of Tunisia are consumption taxes (the most important in terms of revenue-raising being a value-added tax ("**VAT**")), income tax (personal and corporate) and various non-fiscal revenue sources including petroleum revenue, gas royalties and earnings of state-owned industrial and commercial enterprises. The main expenditures of The Republic of Tunisia are subsidies and transfers, wages and salaries as current expenditures, investment as a capital expenditure and debt service.

State expenditures are limited to those provided for in the annual budget as enacted. The Republic of Tunisia's accounts are audited by the Court of Accounts (*Cour des Comptes*), which prepares a report to be presented to the President, the President of the Chamber of the People's Deputies, the Head of Government and the President of the Supreme Judicial Council prior to publication in accordance with Article 117 of the 2014 Constitution.

The mission of the Court of Accounts is to monitor the management of public finance. Accordingly, the Court of Accounts has jurisdiction to examine the management and accounts of The Republic of Tunisia, all regional and local governmental bodies, public entities and public industrial and commercial enterprises, as well as the accounts of any enterprise in which The Republic of Tunisia or regional or local governments own an interest.

Government Revenues and Expenditures

The following table sets forth a summary of the revenues and expenditure of The Republic of Tunisia for the fiscal years 2009 to 2013, preliminary results for 2014, the budget for 2014 (as supplemented) and the draft budget for 2015.

Government Revenues and Expenditures

	2010	2011	2012	2013	2014 (prelim)	2014 (budgeted)	2015 (budgeted)
					(TD millions, except percentages)		
Tax Revenue							
Direct taxes[1]	5,032.7	5,914.4	6,089.2	7,117.7	8,455.7	*8,229.0*	*8,671.0*
Indirect taxes [2]	7,666.0	7,715.6	8,775.4	9,215.8	10,277.3	*10,363.0*	*11,149.0*
Total tax revenues	**12,698.7**	**13,630.0**	**14,864.6**	**16,333.5**	**18,733.0**	***18,592.0***	***19,820.0***
As % of GDP	20.1%	21.1%	21.0%	21.4%	22.7%	*22.6%*	*22.2%*
Non-tax revenues							
Petroleum revenues and gas royalties	415.4	409.7	210.5	109.7	130.0	*130.0*	*242.0*
Interest[3]	35.6	27.4	25.6	22.8	20.0	*20.0*	*20.0*
Grants[4]	54.1	207.4	632.8	221.5	298.0	*298.0*	*211.0*
Privatisations and confiscated assets	0.0	339.8	1,299.0	1,549.4	100.0	*300.0*	*200.0*
Debt recoveries[5]	319.0	280.0	183.3	147.0	160.3	*100.0*	*130.1*
Other non-tax revenues[6]	1,300.5	1,858.9	1,272.6	1,575.8	948.7	*891.0*	*971.9*
Total non-tax revenues	**2,124.6**	**3,123.2**	**3,623.8**	**3,626.2**	**1,657.0**	***1,739.0***	***1,775.0***
Total revenues (gross)[7]	**14,823.3**	**16,753.2**	**18,488.4**	**19,959.7**	**20,390.0**	***20,331.0***	***21,595.0***
As % of GDP	23.5%	25.9%	26.3%	26.1%	24.7%	*24.7%*	*24.1%*
Total revenues (net)[8]	**14,504.3**	**16,473.2**	**18,305.1**	**19,812.7**	**20,229.7**	***20,231.0***	***21,464.9***
As % of GDP	23.0%	25.5%	25.9%	25.9%	24.5%	*24.5%*	*24.0%*
Current expenditures							
Wages, salaries, goods and services	7,626.2	8,571.2	9,638.9	10,570.5	11,566.0	*11,496.1*	*12,296.8*
Subsidies and transfers	2,374.8	3,931.4	4,997.1	6,868.3	6,082.0	*5,765.1*	*5,367.5*
(Of which total subsidies (oil, food and transport))	1,500.0	2,869.0	3,624.0	5,514.0	4,455.0	*4,145.0*	*3,742.0*
(Of which oil price subsidies)	550.0	1,536.0	2,111.0	3,734.0	2,573.0	*2,353.0*	*1,826.0*
Current expenditures non allocated	—	—	—	—	—	*268.8*	*305.7*
Total current expenditures	**10,001.0**	**12,502.6**	**14,636.0**	**17,438.8**	**17,648.0**	***17,530.0***	***17,970.0***
Interest Payments							
Internal debt	557.0	592.3	681.1	843.9	870.0	*870.0*	*980.0*
External debt	595.0	597.8	586.5	567.3	605.0	*605.0*	*725.0*
Total interest payments	**1,152.0**	**1,190.1**	**1,267.6**	**1411.2**	**1,475.0**	***1,475.0***	***1,705.0***
Capital expenditures							
Direct investment[9]	1,429.2	1,460.9	1,651.1	1,683.6	1,700.0	*1,860.0*	*2,387.9*
Capital transactions[10]	1,381.5	1,743.9	1,928.2	1,665.4	2,050.0	*2,232.7*	*1,757.4*
Direct payments[11]	743.9	594.5	464.6	479.0	400.0	*438.8*	*464.5*
Debt repayment[12]	121.6	152.2	107.7	197.1	100.0	*100.0*	*100.0*
Loans and advances of treasury	(157.3)	(240.9)	(367.7)	(21.1)	200.0	*150.0*	—
Other capital expenditures	747.6	930.1	722.0	565.8	558.0	*655.5*	*761.0*
Capital expenditures non allocated	—	—	—	—	—	*133.0*	*429.2*
Total capital expenditures	**4,266.5**	**4,640.7**	**4,505.9**	**4,569.8**	**5,008.0**	***5,570.0***	***5,900.0***
Total expenditures, loans and advances (gross)[7]	**15,419.5**	**18,333.4**	**20,409.5**	**23,419.8**	**24,131.0**	***24,575.0***	***25,575.0***
Total expenditures, loans and advances (net)[8]	**15,100.5**	**18,053.4**	**20,226.2**	**23,272.8**	**23,970.7**	***24,475.0***	***25,444.9***
Budget deficit[13]	(596.2)	(1,580.2)	(1,921.1)	(3,460.1)	(3,741.0)	*(4,244.0)*	*(3,980.0)*
As % of GDP	(0.9%)	(2.4%)	(2.7%)	(4.5%)	(4.5%)	*(5.1%)*	*(4.5%)*
Budget deficit[14]	(650.3)	(2,127.4)	(3,852.9)	(5,231.0)	(4,139.0)	*(4,842.0)*	*(4,391.0)*
As % of GDP	(1.0%)	(3.3%)	(5.5%)	(6.8%)	(5.0%)	*(5.9%)*	*(4.9%)*
GDP (at current market prices)	63,059.0	64,690.0	70,658.0	76,350.5	82,538.8	*82,417.0*	*89,433.5*

Notes:

(1) Includes individual income tax and corporate tax.

(2) Includes primarily value added tax, excise duties, customs duties, tolls and other transportation duties, transfer taxes, registration and stamp taxes and net proceeds from government monopolies in gaming and the sale of tobacco and matches.

(3) Includes interest payable to the state on loans, primarily to Tunisian public sector entities.

(4) Includes grants made to the state.

(5) Includes repayment of loans made to Tunisian public and private sector entities which had been previously written off.

(6) Includes primarily earnings payable to the state by public sector commercial and industrial entities.

(7) Includes debt repayments and loans.

(8) Excludes debt repayments and loans.

(9) Primarily infrastructure investment, including development of water and irrigation resources, water and soil conservation, and development programmes.

(10) Loans granted by the state to finance specific long-term investment projects of public sector entities.

(11) Direct payments made to external lenders which financed the purchase of imported equipment and other durables by Tunisian public and private sector entities on behalf of the state.

(12) Other loans granted by the state (net of repayments), including, generally, loans and advances made to public sector entities.

(13) Including privatisation and grants.

(14) Excluding privatisation and grants and confiscated assets.

Source: Ministry of Economy and Finance

Preliminary Results for 2014

Preliminary results for 2014 are based on interim results for the eleven months ended 30 November 2014 and projections to the end of 2014 and are subject to amendment and revision.

Total tax revenues are expected to be TD 18,733 million in 2014 (based on preliminary results), as compared to TD 16,334 million in 2013, reflecting an increase of TD 2,400 million, or 14.7%. See "—*Tax Revenues*".

Non-tax revenues principally include revenues from interest and dividend payments payable to The Republic of Tunisia from various publicly-owned entities and revenues from the sale of Government petroleum resources and royalties from natural gas pipelines. Non-tax revenues are expected to be TD 1,657 million in 2014 (based on preliminary results), as compared to TD 3,626 million in 2013, reflecting a decrease of TD 1,969 million, or 54.3%. This decrease was primarily due to a 93.5% decrease in revenues from privatisations, which was partially offset by a 34.5% increase in grants in 2014, as compared to 2013. Non-tax revenues are expected to account for 8.1% of total gross revenues in 2014 (based on preliminary results), as compared to 18.2% in 2013.

Total net revenues are expected to be TD 20,230 million in 2014 (based on preliminary results), as compared to TD 19,813 million in 2013, reflecting an increase of TD 417 million, or 2.1%. This increase was primarily due to the increase in tax revenues as described above.

Since 2010, approximately 48% of Government expenditures have been in respect of wages and salaries of public employees and for goods and services utilised in Government service. Other major areas of Government expenditure include debt service on The Republic of Tunisia's public debt, infrastructure investment, particularly for the development of irrigation resources and water and soil conservation, and direct payments and loans to public and private Tunisian businesses.

Total current expenditures are expected to be TD 17,648 million in 2014 (based on preliminary results), as compared to TD 17,439 million in 2013, reflecting an increase of TD 209 million, or 1.2%. This increase was primarily due to a 9.4% increase in wages, salaries, goods and services, which was only partially offset by a 11.4% decrease in subsidies and transfers and a 31.1% decrease in non-allocated current expenditures. Total current expenditures are expected to account for 73.1% of total gross expenditures in 2014 (based on preliminary results), as compared to 74.5% in 2013.

Total capital expenditures are expected to be TD 5,008 million in 2014 (based on preliminary results), as compared to TD 4,570 million in 2013, reflecting an increase of TD 438 million, or 9.6%. This increase was primarily due to loans and advances from the Treasury of TD 200 million in 2014 (based on preliminary results), as compared to the receipt of TD 21 million in 2013. This increase was partially offset by a 16.5% decrease in direct payments and a 49.3% decrease in debt repayment. Total capital expenditures are expected to account for 20.0% of total gross expenditures in 2014 (based on preliminary results), as compared to 19.5% in 2013.

As a result of the foregoing, the budget deficit is expected to be TD 3,741 million in 2014 (based on preliminary results), as compared to TD 3,460 million in 2013, reflecting an increase in the deficit of TD 281 million, or 8.1%.

See *"Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Increasing budget deficits"*.

Results for 2013

Total tax revenues were TD 16,334 million in 2013, as compared to TD 14,865 million in 2012, reflecting an increase of TD 1,469 million, or 9.9%. See "—*Tax Revenues*".

Non-tax revenues were TD 3,626 million in 2013, as compared to TD 3,624 million in 2012, reflecting an increase of TD 3 million, or 0.1%. This increase was primarily due to a 23.8% increase in other non-tax revenues and a 19.3% increase in privatisations and confiscated assets, which were almost entirely offset by a 47.9% decrease in petroleum revenues and gas royalties and a 65.0% decrease in grants. Non-tax revenues accounted for 18.2% of total gross revenues in 2013, as compared to 19.6% in 2012.

Total net revenues were TD 19,813 million in 2013, as compared to TD 18,305 million in 2012, reflecting an increase of TD 1,508 million, or 8.2%. This increase was primarily due to the increase in tax revenues as described above.

Total current expenditures were TD 17,439 million in 2013, as compared to TD 14,636 million in 2012, reflecting an increase of TD 2,803 million, or 19.2%. This increase was primarily due to a 37.4% increase in subsidies and transfers

and a 76.9% increase in oil subsidies. Total current expenditures accounted for 74.5% of total gross expenditures in 2013, as compared to 71.7% in 2012.

Total capital expenditures were TD 4,570 million in 2013, as compared to TD 4,506 million in 2012, reflecting an increase of TD 64 million, or 1.9%. This increase was primarily due to an 83.0% increase in debt repayment and a 94.3% decrease in monies received in respect of loans and advances from the Treasury. This increase was partially offset by a 21.7% decrease in other capital expenditures and a 13.6% decrease in capital transactions. Total capital expenditures accounted for 19.5% of total gross expenditures in 2013, as compared to 22.1% in 2012.

As a result of the foregoing, the budget deficit was TD 3,460 million in 2013, as compared to TD 1,921 million in 2012, reflecting an increase in the deficit of TD 1,539 million, or 80.1%.

Tax Revenues

The following table sets forth the components of tax revenues of The Republic of Tunisia for the fiscal years 2009 to 2013, the preliminary results for 2014, the budget for 2014 (as supplemented) and the draft budget for 2015:

Tax Revenue

	2010	2011	2012	2013	2014 (prelim)	*2014* (budgeted)	*2015* (budgeted)
			(TD millions, except percentages)				
Direct taxes							
Personal income taxes	2,600.1	2,873.0	3,187.9	3,710.4	4,135.5	*4,116.0*	*4,428.8*
Corporate income taxes	2,432.6	3,041.4	2,901.3	3,407.3	4,320.2	*4,113.0*	*4,242.2*
Total direct taxes	**5,032.7**	**5,914.4**	**6,089.2**	**7,117.7**	**8,455.7**	***8,229.0***	***8,671.0***
Indirect taxes							
Taxes on domestic products							
Value added tax	1,729.7	1,895.1	2,032.6	2,034.7	2,288.5	*2,278.0*	*2,645.0*
Excise tax.........................	1,061.3	1,037.6	1,062.3	1,012.3	869.0	*865.0*	*976.0*
Other taxes.......................	1,616.3	1,674.3	1,905.0	2,282.4	2,632.1	*2,747.0*	*2,916.3*
Total taxes on domestic products	**4,407.3**	**4,607.0**	**4,999.9**	**5,329.4**	**5,789.6**	***5,890.0***	***6,537.3***
Taxes on external products							
Import taxes	551.4	547.8	702.1	718.2	851.5	*852.0*	*844.0*
Export taxes	12.5	13.4	13.3	10.6	8.5	*28.0*	*9.0*
Total Customs duties	**563.9**	**561.2**	**715.4**	**728.8**	**860.0**	***880.0***	***844.0***
Value added tax	2,020.0	1,953.3	2,343.3	2,414.7	2,596.0	*2,544.0*	*2,693.0*
Excise taxes	502	431	535.2	534.9	807	*869*	*865*
Other taxes.......................	172.8	163	181.6	208	224.8	*180*	*209.7*
Total taxes on external products	**3,258.7**	**3,108.6**	**3,775.5**	**3,886.4**	**4,487.8**	***4,473.0***	***4,611.7***
Total indirect taxes	**7,666.0**	**7,715.6**	**8,775.4**	**9,215.8**	**10,277.4**	***10,363.0***	***11,149.0***
Total tax revenues.............	**12,698.7**	**13,630.0**	**14,864.6**	**16,333.5**	**18,733.1**	***18,592.0***	***19,829.0***
As % of GDP	20.1%	21.1%	21.0%	22.2%	22.7%	*22.6%*	*22.2%*

Source: Ministry of Economy and Finance

Preliminary Results for 2014

Total tax revenues are expected to be TD 18,733 million in 2014 (based on preliminary results), as compared to TD 16,334 million in 2013, reflecting an increase of TD 2,400 million, or 14.7%.

Direct taxes are expected to be TD 8,456 million in 2014 (based on preliminary results), as compared to TD 7,118 million in 2013, reflecting an increase of TD 1,338 million, or 18.8%. This increase was primarily due to increases in both personal income taxes and corporate income taxes, by 11.5% and 26.8%, respectively.

Personal income taxes are expected to account for 22.1% of total tax revenues in 2014 (based on preliminary results), as compared to 22.7% in 2013. Personal income tax is divided into 5 income brackets and marginal tax rates ranging from 15% to 35% (no tax is due on income below TD 1,500 per year). In 2007, the corporate tax rate was reduced from 35% to 30% except for oil companies, hydrocarbon companies, banks and other financial services companies.

Indirect taxes are expected to be TD 10,277 million in 2014 (based on preliminary results), as compared to TD 9,216 million in 2013, reflecting an increase of TD 1,062 million, or 11.5%. This increase was primarily due to a 15.5% increase in taxes on external products, including a 18.6% increase in import taxes, a 7.5% increase in VAT and a 50.9% increase in excise taxes.

VAT is expected to account for 12.2% of total tax revenues in 2014 (based on preliminary results), as compared to 14.8% in 2013. The VAT rate is 18% on most goods and services, 6% on basic consumer goods and 12% on most retail shop sales. In addition, the rate on exports was fixed at 10% as of 1 January 2009. Excise duties are also payable on a number of products, including tobacco, petroleum and alcohol, as are import, export and other customs duties.

Results for 2013

Total tax revenues were TD 16,334 million in 2013, as compared to TD 14,865 million in 2012, reflecting an increase of TD 1,469 million, or 9.9%.

Direct taxes were TD 7,118 million in 2013, as compared to TD 6,089 million in 2012, reflecting an increase of TD 1,029 million, or 16.9%. This increase was primarily due to increases in both personal income taxes and corporate income taxes, by 16.4% and 17.4%, respectively. Personal income taxes accounted for 22.7% of total tax revenues in 2013, as compared to 21.4% in 2012.

Indirect taxes increased to TD 9,216 million in 2013, as compared to TD 8,775 million in 2012, reflecting an increase of TD 440 million, or 5.0%. This increase was primarily due to a 3.0% increase in VAT and a 14.5% increase in other taxes. VAT accounted for 14.8% of total tax revenues in 2013, as compared to 15.8% in 2012.

2014 and 2015 budget

On 31 December 2013, the National Constituent Assembly approved the 2014 budget in the Finance Law for the 2014 fiscal year, which had been prepared by the previous Government. This Law was voted upon without sufficient time for the discussions and deliberations necessary to reflect policies of the political parties that won the election. As a result, the Government submitted a supplementary budget law for 2014 to the National Constituent Assembly in July 2014. The supplementary budget law supplemented the original 2014 budget and forecasted GDP growth of 2.8% and a budget deficit of 5.9% of GDP for 2014. The National Constituent Assembly approved the supplementary budget law in August 2014.

The Council of Ministers adopted the Finance Law of 2015 on 22 October 2014 and the Chamber of the People's Deputies approved the Finance Law of 2015 on 26 December 2014. Before the publication of the law, the President declined to sign the law on the grounds of the unconstitutionality of certain provisions. Following a review of the draft law by the temporary committee for the verification of the constitutionality of draft laws established pursuant to Article 148 of the 2014 Constitution, four articles of the Finance Law of 2015 as originally passed by the Chamber of the People's Deputies (relating to a modification to the customs code and transfers of staff and equipment of the National Constituent Assembly to the Chamber of the People's Deputies) were found to be unconstitutional, and the Chamber of the People's Deputies reapproved the Finance Law of 2015 without these provisions.

The 2015 budget aims to achieve further fiscal consolidation, while preserving priority spending, through the registering of a nominal increase in revenues (to reflect increased tax collection), a reduction of energy subsidies and a nominal increase in wages (to reflect inflationary increases and a hiring freeze other than for security forces and teaching and healthcare personnel). The 2015 budget forecasts GDP growth at 3% and a budget deficit of 4.9% of GDP in 2015 and assumes that Brent oil prices will average U.S.$95 per barrel, as compared to U.S.$106 per barrel during 2014. In response to attempts to try to reduce high subsidies on oil products, the 2015 budget provides for a 29% decrease in subsidies, as compared to 2014. If international oil prices do not remain below the budgeted price, as they currently are, and instead exceed these levels, there could be a further increase in the budget deficit in 2015, as every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 480 million for the budget. In addition, while lower oil prices reduce The Republic of Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar. As a result of these and other factors and given a proposed increase in spending on infrastructure, wages for civil servants, welfare and pensions in the 2015 budget, as well as the preservation of high levels of subsidies on food products, the Government budget deficit forecast for 2015 may be increased. There has been additional pressure on the Government to increase public spending, particularly social transfers and wage increases, following the 14 January 2011 Revolution.

See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Oil price vulnerability and subsidies*".

Subsidies

In recent years, and in response to higher than expected average oil prices in 2011 to 2013, the Government has maintained high subsidies on oil products, resulting in an increase in total subsidies (including oil, food and transport) of 91.3% in 2011 (to approximately 4.5% of GDP), 26.3% in 2012 (to approximately 5.1% of GDP) and 52.1% in 2013 (to approximately 7.3% of GDP). In the 2014 budget, the Government introduced programmes to reduce energy subsidies, and further cuts to subsidies have been provided for in the 2015 budget. In 2014, based on preliminary figures, oil subsidies decreased by 31.1%, as compared to 2013, and, under the 2015 budget, oil subsidies are expected to decrease by a further 9%, as compared to preliminary figures for 2014.

In 2014, the Government adopted a programme to reduce subsidies on oil products by TD 657 (0.8% of GDP) through adjustments of petroleum products prices and electricity and gas tariffs, especially for energy-intensive sectors, including cement factories. Subsidies to such industries were reduced by 50% in January 2014 and by 50% in July 2014. This programme is also expected to allow an additional budget saving of approximately TD 356 million in 2015 through increases of electricity tariffs by 7% for industrial and low voltage consumers (approximately TD 206 million) and petroleum products prices (approximately TD 150 million).

Although the Government's reforms of its subsidies policies have resulted in savings, the cost to the Government of subsidies remains linked to international commodity prices, particularly crude oil. As every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 480 million for the budget. In addition, while lower oil prices reduce The Republic of Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar.

When crude oil prices rise, most of the resulting costs are borne by the Government. If the costs of subsidies rise, or the Government is not successful in further reforming the subsidy system, there could be a material adverse effect on The Republic of Tunisia's budget deficit and economy.

See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Oil Price vulnerability and subsidies*".

Tax Reforms

The Government has implemented a number of reforms in the tax sector over the last three years, including halving the corporate tax difference between the onshore and offshore sectors and the modification or simplification of the presumptive tax system. The tax reforms that have been implemented in recent years include:

- reducing the rate of corporation tax from 30% to 25% with effect from 1 January 2015;
- reducing the rate of export profit tax to 10% with effect from 1 January 2015;
- taxing dividend distributions at a rate of 5% with effect from 1 January 2015; and
- removing certain categories of items subject to VAT.

These, among other measures, including certain income tax reforms, further reduction to the rate of corporation tax and the rationalisation of tax incentives, are expected to be included in a new tax code, which was approved by the Government in October 2014 and was submitted to the Chamber of the People's Deputies and discussed at the National Tax Consultation in November 2014. The National Tax Consultation marked the culmination of two years of technical work and consensus building on the reform of the tax system and the consolidation of all tax provisions into a single code has been noted by the IMF to be a good step towards greater transparency. The final draft of the new tax code, which will include certain recommendations resulting from the National Tax Consultation, is expected to be considered by the Chamber of the People's Deputies in connection with the next Finance Law.

Key priorities for Tunisia's tax reform strategy and the tax code include (i) simplifying the presumptive tax system; (ii) reforming the VAT system (with fewer rates, a broader base and little or no withholding); and (iii) simplifying and improving the targeting of excises while enhancing their revenue yield.

PUBLIC DEBT

Overall Debt

The Ministry of Economy and Finance is responsible for issuing and managing the internal debt of The Republic of Tunisia, while the Bank acts as The Republic of Tunisia's receiving bank and paying agent in relation to the issue, service and redemption of Treasury bills and all other Government debt obligations. Under the Organisation Law, the Bank may also borrow in foreign currency in the international financial markets, either on its own behalf, or acting on behalf of The Republic of Tunisia, as agent.

In the past, The Republic of Tunisia has accessed the international financial markets through a number of syndicated international bank loans, which it signed directly, as well as through a number of bond offerings and private placements (denominated in Japanese Yen, U.S. Dollars and Euros) issued by the Bank, as agent, on behalf of The Republic of Tunisia. In addition, The Republic of Tunisia has entered into a number of loan facilities with multilateral and bilateral partners.

Any negotiations of the financial and legal terms of bilateral debt are conducted by the Ministry of Foreign Affairs and any loan agreements with multilateral partners are negotiated and signed by the Ministry of Development and Financial Cooperation, in each case in close coordination with other Government agencies, including the Bank and the Ministry of Economy and Finance.

When the Bank accesses the international financial markets on behalf of The Republic of Tunisia, the relevant proceeds of the bond issue are made available to The Republic of Tunisia, subject to the terms and conditions of those bonds, and are converted into Tunisian Dinars. The Notes being issued pursuant to this Prospectus are being issued by the Bank acting on behalf of The Republic of Tunisia, as agent, and, therefore, constitute obligations of The Republic of Tunisia. See "*Risk Factors—Risks Relating to the Notes—The Republic of Tunisia is a sovereign state, and the Bank is an instrumentality of The are public of Tunisia, and it may, therefore, be difficult for investors to obtain or realise judgments of courts in other countries or The Republic of Tunisia*".

The following table sets forth Tunisia's overall public debt at the dates indicated:

Public Debt

	As at 31 December					As at 30 November
	2009	2010	2011	2012	2013[1]	2014[1]
	(TD millions, except percentages)					
Internal debt	10,474.3	10,089.3	12,078.1	11,706.3	15,024.1	15,513.1
External debt[2]	14,715.7	15,551.2	16,701.4	19,713.8	19,962.7	24,643.2
Total debt	**25,190.0**	**25,640.5**	**28,779.5**	**31,420.1**	**34,986.8**	**40,156.3**
% of GDP	42.9%	40.4%	44.6%	44.0%	45.8%	49.0%

Notes:

(1) Provisional data.

(2) Disbursements under the IMF Stand-By Arrangement are accounted for as external debt and amounted to TD 1,738 million as at 30 November 2014.

Sources: Ministry of Economy and Finance and the Bank.

See "*Risk Factors—Risks relating to The Republic of Tunisia—High levels of debt could have a material adverse effect on Tunisia's economy and its ability to service its debt, including the Notes*".

The following table sets forth information with regard to the evolution of Tunisia's public debt and debt service as at the dates indicated:

Public Debt and Debt Service Levels

	As at 31 December					As at 30 November 2014[(1)]
	2009	**2010**	**2011**	**2012**	**2013[(1)]**	
			(TD millions)			
Total Debt	**25,190.0**	**25,640.5**	**28,779.5**	**31,420.0**	**34,986.8**	**40,156.3**
Interest Payments						
Internal debt	560.7	557.0	592.3	681.1	843.9	875.1
External debt	619.3	595.0	597.4	586.5	570.2	525.1
Total	**1,179.9**	**1,152.0**	**1,189.7**	**1,267.6**	**1,414.1**	**1,400.2**
Principal Payments						
Internal debt	873.5	1,009.5	421.0	925.1	1,332.6	2,224.4
External debt	1,188.8	1,456.0	1,997.5	1,926.1	1,675.2	957.6
Total	**2,062.3**	**2,465.5**	**2,418.5**	**2,851.2**	**3,007.8**	**3,182.0**
Total Debt Service						
Internal debt	1,434.2	1,566.6	1,013.3	1,606.2	2,176.5	3,099.5
External debt	1,808.1	2,033.0	2,594.9	2,512.6	2,245.4	1,482.7
Total	**3,242.0**	**3,599.6**	**3,608.2**	**4,118.8**	**4,421.9**	**4,582.2**

Note:
(1) Provisional data.

Sources: Ministry of Economy and Finance and the Bank.

Internal Debt

Prior to 1991 domestic financing of the fiscal deficit was achieved primarily through the placement of ten-year Treasury investment bonds at below-market rates with domestic banks, which were required to purchase the bonds. As part of a financial liberalisation programme, the Government has, since 1991, relied mainly on Treasury bills at market-related interest rates to finance the deficit. Treasury bills were first introduced in 1989 and their terms have been modified on several occasions. These securities, which have maturities ranging from 13 weeks to 15 years, are placed through weekly auctions to domestic banks, which then sell them to the public. The rates for Treasury bills bid by the banks have remained virtually constant with respect to the key interest rate, and the interest rates for the shortest maturities are only slightly lower than for the longest-maturity Treasury bills.

The following table sets forth trends in Tunisia's internal public debt at the dates indicated:

Internal Debt

	As at 31 December					As at 30 November
	2009	2010	2011	2012	2013(1)	2014(1)
	(TD millions, except percentages)					
Total Internal Debt						
Investment bonds and other	4,460.7	4,374.9	5,239.8	4,127.9	6,819.5	6,486.6
Treasury bills	6,013.6	5,716.4	6,838.3	7,578.3	8,204.6	9,026.5
	10,474.3	**10,089.3**	**12,078.1**	**11,706.2**	**15,024.1**	**15,513.1**
Debt Service						
Principal						
Investment bonds and other	38.8	61.2	190.0	128.7	199.6	230.3
Treasury bills	834.7	948.3	231.0	796.4	1,133.0	1,994.1
	873.5	**1,009.5**	**421.0**	**925.1**	**1,332.6**	**2,224.4**
Interest						
Investment bonds and other	155.0	142.8	193.8	163.1	284.5	317
Treasury bills	405.7	414.2	398.5	518.0	559.4	558.1
	560.7	**557.0**	**592.5**	**681.1**	**843.9**	**875.1**
Total Internal Debt Service	**1,434.2**	**1,566.5**	**1,013.4**	**1,606.2**	**2,176.5**	3,099.5
% of gross revenues	10.4%	10.6%	6.0%	8.0%	10.7%	n/a

Note:
(1) Provisional data.

Source: Ministry of Economy and Finance

The following tables and supplementary information provide details of the internal debt of The Republic of Tunisia:

52-Week Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(in TD millions)*
01/15/2014	01/27/2015	4.800	10.000	10.000
01/28/2014	01/27/2015	4.800	10.500	20.500
02/11/2014	02/24/2015	4.800	10.000	30.500
03/04/2014	02/24/2015	4.800	15.000	45.500
03/11/2015	03/24/2015	4.800	14.000	59.500
03/18/2014	03/24/2015	4.800	10.000	69.500
04/01/2014	03/24/2015	4.800	11.500	81.000
04/15/2014	04/21/2015	4.800	10.000	91.000
08/19/2014	09/01/2015	4.830	10.000	101.000
09/09/2014	09/01/2015	5.050	3.000	104.000
09/16/2014	09/29/2015	5.050	4.000	108.000
09/30/2014	09/29/2015	5.050	10.000	118.000
11/04/2014	10/27/2015	5.050	6.000	124.000
11/11/2014	11/24/2015	5.067	15.000	139.000
11/18/2014	11/24/2015	5.100	10.000	149.000
12/09/2014	12/22/2015	5.100	10.500	159.500
12/06/2014	12/22/2015	5.095	11.000	170.500
12/23/2014	12/22/2015	5.050	10.000	180.500
Total			**180.500**	

Four-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(in TD millions)*
10/12/2011	10/12/2015	5.490	2.500	2.500
11/09/2011	10/12/2015	5.446	74.500	77.000
12/14/2011	10/12/2015	5.491	20.000	97.000
01/11/2012	10/12/2015	5.543	57.100	154.100
02/15/2012	10/12/2015	5.563	73.300	227.400
03/14/2012	10/12/2015	5.574	21.980	249.380
04/11/2012	10/12/2015	5.582	99.200	348.580
06/13/2012	10/12/2015	5.563	119.800	468.380
07/11/2012	10/12/2015	5.524	66.400	534.780
08/15/2012	10/12/2015	5.594	83.190	617.970
09/12/2012	10/12/2015	5.480	82.600	700.570
11/14/2012	10/12/2015	5.480	82.000	782.570
12/12/2012	12/12/2016	5.513	51.500	51.500
01/16/2013	12/12/2016	5.450	65.000	116.500
02/13/2013	12/12/2016	5.380	60.000	176.500
03/13/2013	12/12/2016	5.320	30.000	206.500
04/10/2013	12/12/2016	5.320	80.700	287.200
05/15/2013	12/12/2016	5.380	16.700	303.900
06/12/2013	12/12/2016	5.413	29.200	333.100
07/17/2013	12/12/2016	5.410	37.100	370.200
08/14/2013	12/12/2016	5.414	51.800	422.000
09/11/2013	12/12/2016	5.414	33.700	455.700
10/09/2013	12/12/2016	5.414	96.900	552.600
11/13/2013	12/12/2016	5.414	10.800	563.400
12/11/2013	12/12/2016	5.416	42.000	605.400
01/15/2014	01/15/2018	5.707	4.500	4.500
02/12/2014	01/15/2018	5.724	18.100	22.600
03/12/2014	01/15/2018	5.736	8.000	30.600
04/10/2014	01/15/2018	5.744	49.200	79.800
09/10/2014	01/15/2018	5.777	2.500	82.300
10/15/2014	01/15/2018	5.792	54.500	136.800
11/12/2014	01/15/2018	5.814	20.000	156.800
12/10/2014	01/15/2018	6.046	120.000	276.800
Total			**1,664.770**	

Seven-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
03/11/2009	03/11/2016	4.664	50.000	50.000
04/15/2009	03/11/2016	4.543	26.500	76.500
08/05/2009	03/11/2016	4.616	7.300	83.800
09/09/2009	03/11/2016	4.626	11.000	94.800
10/14/2009	03/11/2016	4.683	6.200	101.000
12/09/2009	03/11/2016	4.739	5.000	106.000
01/13/2010	03/11/2016	4.769	11.500	117.500
02/10/2010	03/11/2016	4.772	2.000	119.500
03/10/2010	03/11/2016	4.740	26.000	145.500
04/14/2010	03/11/2016	4.767	11.500	157.000
05/12/2010	03/11/2016	4.762	2.000	159.000
03/09/2011	03/11/2016	5.631	8.000	167.000
04/13/2011	03/11/2016	5.934	19.000	186.000
05/11/2011	03/11/2016	6.008	74.600	260.600
06/15/2011	03/11/2016	6.109	82.600	343.200
07/13/2011	03/11/2016	6.001	110.500	453.700
08/10/2011	03/11/2016	6.111	54.600	508.300
09/14/2011	03/11/2016	6.082	50.500	558.800
10/12/2011	10/12/2018	6.080	66.500	66.500
11/09/2011	10/12/2018	6.057	41.000	107.500
12/14/2011	10/12/2018	6.084	51.800	159.300
01/11/2012	10/12/2018	6.123	10.500	169.800
02/15/2012	10/12/2018	6.134	26.900	196.700
03/14/2012	10/12/2018	6.142	42.300	239.000
04/11/2012	10/12/2018	6.142	33.800	272.800
06/13/2012	10/12/2018	6.134	1.800	274.600
07/11/2012	10/12/2018	6.142	28.000	302.600
08/15/2012	10/12/2018	6.144	23.940	326.540
09/12/2012	10/12/2018	6.151	28.300	354.840
10/10/2012	10/12/2018	6.174	64.500	419.340
11/14/2012	10/12/2018	6.170	3.200	422.540
12/12/2012	10/12/2018	6.150	38.500	461.040
01/16/2013	10/12/2018	6.130	20.500	481.540
02/13/2013	10/12/2018	6.080	30.000	511.540
03/13/2013	10/12/2018	6.040	54.200	565.740
04/10/2013	10/12/2018	6.050	45.200	610.940
05/15/2013	10/12/2018	6.800	89.750	700.690
06/12/2013	02/12/2020	6.204	63.700	63.700
07/17/2013	02/12/2020	6.220	66.100	129.800
08/14/2013	02/12/2020	6.210	75.280	205.080
09/11/2013	02/12/2020	6.214	97.850	302.930
10/09/2013	02/12/2020	6.220	89.400	392.330
11/13/2013	02/12/2020	6.230	119.000	511.330
12/11/2013	02/12/2020	6.224	90.350	601.680
09/10/2014	02/12/2020	6.153	62.200	663.880
10/15/2014	02/12/2020	6.174	61.700	725.580
01/15/2014	10/14/2020	6.253	105.000	105.000
02/12/2014	10/14/2020	6.244	188.000	293.000
03/12/2014	10/14/2020	6.254	143.500	436.500
04/10/2014	10/14/2020	6.266	182.250	618.750
11/12/2014	10/14/2020	6.304	38.300	657.050
12/10/2014	10/14/2020	6.397	244.000	901.050
Total			**2,886.120**	

Ten-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
02/09/2005	02/09/2015	6.992	96.800	96.800
03/14/2005	02/09/2015	6.955	110.800	207.600
04/16/2005	02/09/2015	6.966	149.000	356.600
05/19/2005	02/09/2015	6.970	97.500	454.100
09/01/2005	02/09/2015	6.924	116.600	570.700
02/01/2006	02/09/2015	6.581	12.600	583.300
03/01/2006	02/09/2015	6.391	75.600	658.900
05/01/2006	02/09/2015	6.198	47.200	706.100
10/12/2011	02/09/2015	6.619	54.700	760.800
10/07/2014	02/09/2015	Prepayment	(177.698)	583.102
07/11/2007	07/11/2017	6.914	26.800	26.800
09/12/2007	07/11/2017	6.900	50.400	77.200
10/10/2007	07/11/2017	6.891	27.000	104.200
11/14/2007	07/11/2017	6.891	61.200	165.400
12/12/2007	07/11/2017	6.897	38.300	203.700
02/13/2008	07/11/2017	6.851	37.600	241.300
06/11/2008	07/11/2017	6.740	20.000	261.300
10/15/2008	07/11/2017	6.553	50.500	311.800
11/12/2008	07/11/2017	6.442	77.000	388.800
12/10/2008	07/11/2017	6.296	89.500	478.300
01/14/2009	07/11/2017	6.132	45.000	523.300
02/11/2009	07/11/2017	5.672	30.000	553.300
02/19/2014	07/11/2017	5.746	190.651	743.951
03/11/2009	03/11/2019	4.942	58.700	58.700
04/15/2009	03/11/2019	4.803	27.700	86.400
08/05/2009	03/11/2019	5.039	46.000	132.400
09/09/2009	03/11/2019	5.061	15.000	147.400
10/14/2009	03/11/2019	5.099	42.000	189.400
11/11/2009	03/11/2019	5.113	60.000	249.400
12/09/2009	03/11/2019	5.139	70.000	319.400
01/13/2010	03/11/2019	5.132	77.000	396.400
02/10/2010	03/11/2019	5.140	30.000	426.400
03/10/2010	03/11/2019	5.161	12.400	438.800
04/14/2010	03/11/2019	5.208	22.500	461.300
05/12/2010	03/11/2019	5.238	32.000	493.300
06/09/2010	03/11/2019	5.309	34.000	527.300
07/14/2010	03/11/2019	5.428	18.200	545.500
08/11/2010	03/11/2019	5.607	70.000	615.500
09/14/2011	03/11/2019	6.170	32.900	648.400
09/10/2014	04/10/2024	6.393	41.000	41.000
10/15/2014	04/10/2024	6.404	40.000	81.000
11/12/2014	04/10/2024	6.426	13.000	94.000
12/10/2014	04/10/2024	6.543	40.500	134.500
Total			**2,109.953**	

Ten-Year Zero Coupon Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
10/11/2006	10/11/2016		20.400	20.400
11/15/2006	10/11/2016		37.000	57.400
12/13/2006	10/11/2016		50.000	107.400
04/11/2007	10/11/2016		52.100	159.500
06/13/2007	10/11/2016		62.740	222.240
09/12/2007	10/11/2016		27.900	250.140
11/12/2008	10/11/2016		46.000	296.140
02/19/2014	10/11/2016		0.542	296.682
10/12/2008	12/10/2018		100.350	100.350
Total			**397.032**	

Twelve-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
08/11/2010	08/11/2022	5.606	10.000	10.000
03/09/2011	08/11/2022	5.979	8.600	18.600
04/13/2011	08/11/2022	6.123	19.800	38.400
05/11/2011	08/11/2022	6.143	8.500	46.900
06/15/2011	08/11/2022	6.201	66.300	113.200
07/13/2011	08/11/2022	6.203	7.100	120.300
08/10/2011	08/11/2022	6.216	14.000	134.300
10/12/2011	08/11/2022	6.214	22.000	156.300
11/09/2011	08/11/2022	6.190	23.200	179.500
12/14/2011	08/11/2022	6.203	33.000	212.500
01/11/2012	08/11/2022	6.201	6.000	218.500
02/15/2012	08/11/2022	6.223	17.800	236.300
03/14/2012	08/11/2022	6.232	57.600	293.900
04/11/2012	08/11/2022	6.233	21.000	314.900
06/13/2012	08/11/2022	6.264	6.020	320.920
07/11/2012	08/11/2022	6.262	9.000	329.920
08/15/2012	08/11/2022	6.263	5.900	335.820
09/12/2012	08/11/2022	6.262	20.800	356.620
10/10/2012	08/11/2022	6.262	2.500	359.120
11/14/2012	08/11/2022	6.270	4.500	363.620
12/12/2012	08/11/2022	6.280	5.400	369.020
01/16/2013	08/11/2022	6.280	5.000	374.020
02/13/2013	08/11/2022	6.260	19.300	393.320
03/13/2012	08/11/2022	6.260	35.000	428.320
04/10/2013	08/11/2022	6.270	22.500	450.820
05/15/2013	08/11/2022	6.280	33.000	483.820
06/12/2013	08/11/2022	6.304	17.400	501.220
08/14/2013	08/11/2022	6.310	5.800	507.020
09/11/2013	08/11/2022	6.314	8.200	515.220
10/09/2013	08/11/2022	6.324	5.000	520.220
11/13/2013	08/11/2022	6.324	16.795	537.015
12/11/2013	08/11/2022	6.324	10.670	547.685
01/15/2014	08/11/2022	6.321	60.500	608.185
02/12/2014	08/11/2022	6.323	43.600	651.785
03/12/2014	08/11/2022	6.334	53.090	704.875
Total			**704.875**	

Fifteen-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 25 December 2014
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
05/09/2007	05/09/2022	7.183	25.000	25.000
06/13/2007	05/09/2022	7.183	38.900	63.900
07/11/2007	05/09/2022	7.180	8.000	71.900
11/14/2007	05/09/2022	7.154	25.200	97.100
12/12/2007	05/09/2022	7.158	25.600	122.700
02/13/2008	05/09/2022	7.100	19.900	142.600
10/15/2008	05/09/2022	6.816	4.500	147.100
01/14/2009	05/09/2022	6.500	41.100	188.200
02/11/2009	05/09/2022	6.192	68.000	256.200
03/19/2014	05/09/2022	6.369	98.489	354.689
04/23/2014	05/09/2022	6.370	7.698	362.387
10/07/2014	05/09/2022	6.338	176.331	538.718
Total			**538.718**	

Source: Ministry of Economy and Finance

In May 2014, the Government initiated a "national borrowing campaign" to issue Government securities of small denominations. This campaign resulted in large subscriptions by the public and Tunisian banks amounting to TD 955 million.

External Debt

External public debt as a percentage of GDP was 26.1% at 31 December 2013 compared to 27.6% as at 31 December 2012.

The following table sets forth Tunisia's external public debt as at the dates indicated:

External Debt

	As at 31 December					As at 30 November
	2009	2010	2011	2012	2013[(1)]	2014[(1)]
	(TD millions, except percentages)					
Total External Debt	14,715.7	15,551.2	16,701.4	19,713.8	19,962.7	24,643.2
% of GDP	25.0%	24.3%	25.9%	27.6%	26.1%	30.0%
Debt Service						
Principal	1,189.0	1,456.9	1,997.5	1,926.1	1,675.2	957.6
Interest[(2)]	611.0	595.0	597.4	586.5	570.2	525.1
Total External Debt Service	**1,800.7**	**2,051.9**	**2,594.9**	**2,512.6**	**2,245.4**	**1,482.7**
% of gross revenues	13.1%	13.8%	15.5%	13.6%	11.2%	—

Notes:

(1) Provisional data.

(2) Figures in this table may differ from those set out elsewhere in this Prospectus due to differing rounding conventions.

Source: Ministry of Economy and Finance and the Bank

The following table sets forth the breakdown by currency of Tunisia's external public debt as at the dates indicated:

External Public Debt by Currency

	As at 31 December					As at 30 November
	2009	**2010**	**2011**	**2012**	**2013[(1)]**	**2014[(1)]**
	(% of total external public debt)					
U.S. Dollar	14.1	15.5	22.1	22.7	23.4	33.9
Japanese Yen	21.5	21.4	20.3	18.0	16.7	16.5
Euro	57.0	55.5	50.4	53.6	53.5	44.2
Other	7.4	7.6	7.2	5.7	6.4	5.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:

(1) Provisional data.

Sources: Ministry of Economy and Finance and the Bank

The following table sets forth details of The Republic of Tunisia's issuances of external public debt on the international capital markets as at 30 November 2014:

External Public Debt by International Issue

Issue	Maturity Date	Interest Rate	Principal Amount	Principal Amount Outstanding as at 30 November 2014
Banque Centrale de Tunisie Japanese Yen Bonds – Sixth Series (1997)	August 2017	4.35%	JPY 12,500,000,000	JPY 12,500,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – First Series (2000)	August 2030	4.30%	JPY 15,000,000,000	JPY 15,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Second Series (2001)	March 2031	4.20%	JPY 20,000,000,000	JPY 20,000,000,000
Banque Centrale de Tunisie Japanese Yen Private Placement (2003)	February 2033	3.50%	JPY 30,000,000,000	JPY 30,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Seventh Series (2007)	August 2027	3.28%	JPY 30,000,000,000	JPY 30,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2012)	December 2022	1.19%	JPY 25,000,000,000	JPY 25,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2013)	August 2023	2.04%	JPY 22,400,000,000	JPY 22,400,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2014)	October 2024	1.61%	JPY 50,000,000,000	JPY 50,000,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds – Second Series (1997)	September 2027	8.25%	U.S.$150,000,000	U.S.$150,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds (2012)	April 2017	2.5%	U.S.$500,000,000	U.S.$500,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds– Guaranteed by USAID (2012)	July 2019	1.686%	U.S.$485,000,000	U.S.$485,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds– Guaranteed by USAID(2014)	July 2021	2.452%	U.S.$500,000,000	U.S.$500,000,000
Banque Centrale de Tunisie Euro Bonds (2005)	June 2020	4.50%	€400,000,000	€400,000,000

The following tables set forth a breakdown by creditor type of the external debt of the Government as at the dates indicated:

External Public Debt by Creditor Type

	As at 31 December					As at 30 November
	2009	**2010**	**2011**	**2012**	**2013(1)**	**2014(1)**
			(TD millions)			
Bilateral sources	**3,958.3**	**4,182.2**	**4,618.5**	**4,896.6**	**4,918.8**	**5,538.6**
France	1,694.4	1,744.2	2,019.2	2,341.3	2,549.2	2,538.6
Germany	237.1	222.7	216.8	209.8	205.6	195.3
Japan	918.4	1,164.3	1,314.2	1,151.2	929.0	886.6
United States	128.5	57.9	51.8	46.5	43.5	43.0
Italy	342.5	358.3	351.8	360.4	424.9	454.5
Saudi Arabia	19.0	24.2	33.9	38.8	38.8	155.7
Other	618.4	610.6	630.8	748.6	727.9	1,264.8
Multilateral sources	**5,211.2**	**5,784.3**	**7,381.7**	**9,166.6**	**9,851.1**	**12,014.9**
International Bank for Reconstruction and Development	1,611.1	1,725.8	2,423.1	3,183.5	3,287.1	3,604.6
African Development Bank	1,680.6	1,972.8	2,821.8	3,771.4	4,179.1	4,292.4
European Investment Bank	1,000.3	1,086.2	1,120.4	1,182.7	1,247.4	1,229.4
Arab Fund for Economic and Social Development	674.2	749.1	756.1	712.8	743.3	757.2
IMF	0.0	0.0	0.0	0.0	0.0	1,738.0
Other	245.0	250.4	260.3	316.2	394.1	393.4
International financial markets	**5,546.2**	**5,584.7**	**4,701.2**	**5,650.6**	**5,192.7**	**7,089.7**
International (other than Japan, US and Europe)	2,242.1	2,268.2	1,418.4	1,496.0	905.8	913.5
Japan	1,053.2	1,150.2	1,201.1	1,763.7	1,863.6	2,997.0
US	2,250.9	2,166.3	2,081.7	2,390.9	2,423.3	3,179.2
Europe	0.0	0.0	0.0	0.0	0.0	0.0
Total	**14,715.7**	**15,551.2**	**16,701.4**	**19,713.8**	**19,962.7**	**2,4643.2**

Note:
(1) Provisional data.

Sources: Ministry of Economy and Finance and the Bank

External Public Debt by Creditor Type

	As at 31 December					As at 30 November
	2009	2010	2011	2012	2013[(1)]	2014[(1)]
	(% of total external public debt as at the relevant date)					
Bilateral sources	26.9	26.9	27.7	24.8	24.7	22.5
France	12.4	12.0	12.7	12.3	13.1	10.2
Germany	1.6	1.4	1.3	1.1	1.0	0.9
Japan	6.2	7.5	7.9	5.8	4.7	3.8
United States	1.0	0.5	0.3	0.3	0.2	0.2
Italy	2.3	2.3	2.1	1.8	2.1	1.9
Saudi Arabia	0.1	0.2	0.2	0.2	0.2	0.6
Other	3.3	3.0	3.2	3.3	3.4	4.9
Multilateral sources	35.4	37.2	44.2	46.5	49.3	48.7
International Bank for Reconstruction and Development	11.1	11.3	14.6	16.3	16.6	14.8
African Development Bank	11.4	12.7	16.9	19.1	20.9	17.3
European Investment Bank	6.8	7.0	6.7	6.0	6.2	5.1
Arab Fund for Economic and Social Development	4.6	4.8	4.5	3.6	3.7	3.2
IMF	—	—	—	—	—	7.1
Other	1.5	1.4	1.5	1.5	1.9	1.2
International financial markets	37.7	35.9	28.1	28.7	26.0	28.8
International (other than Japan, US and Europe)	24.0	24.0	17.8	18.1	15.0	10.2
Japan	12.4	10.5	9.0	9.4	9.8	10.2
US	1.3	1.4	1.3	2.0	1.2	8.4
Europe	0	0	0	0	0	0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:

(1) Provisional data.

Sources: Ministry of Economy and Finance and the Bank

From 2009 to 2013, the share of outstanding public debt owed to multilateral institutions increased, but public debt owed to bilateral partners remained stable. Most multilateral cooperation comes from the African Development Bank and World Bank, and to a lesser extent the European Investment Bank. Liabilities from bilateral assistance are owed mainly to France and Japan. Tunisia has also received significant funding from the IMF, see *"—International Institutions—IMF*", the disbursements borrowed from the IMF under the Stand-By Arrangement are classified by the Bank as a monetary authority's external debt and not as government external debt.

See "*Risk Factors—Risks relating to The Republic of Tunisia—A deterioration in the level of support by its multilateral and bilateral creditors could have a material adverse effect on Tunisia*".

The following table sets forth an overview, by currency, as at 30 November 2014, of Tunisia's total (principal and interest) external public and private debt coming due in each of the years indicated:

External Public and Private Debt Coming Due by Currency[(1)]

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
					(TD millions)					
Canadian Dollar	5.3	5.3	5.3	5.3	5.1	5.1	4.5	4.5	3.2	2.7
Swiss Franc	13.2	10.4	10.4	0.8	0.6	0.6	0.6	0.6	0.6	0.0
Chinese Yuan	8.7	6.3	6.2	6.1	6.0	5.1	1.2	0.6	1.5	0.0
Euro	2,585.9	1,854.8	1,786.7	1,829.0	1,629.5	2,428.8	1,500.5	1,327.3	2,416.6	1,142.7
British Pounds	1.4	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Islamic Dinars	28.0	25.6	22.1	22.1	22.1	13.2	12.1	11.3	4.0	4.0
Japanese Yen	231.3	229.1	578.6	216.0	210.4	208.2	195.1	559.5	544.9	137.6
South Korean Won	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.4	0.0	0.0
Kuwaiti Dinar	238.3	237.7	240.9	248.5	243.4	247.9	242.2	219.3	341.3	178.6
Saudi Riyal	23.4	24.5	24.3	60.7	69.0	67.9	66.8	64.4	63.3	61.0
Tunisian Dinar	15.4	13.3	5.0	45.0	3.3	3.3	2.1	2.1	6.4	2.1
U.A.E Dirham	6.2	6.0	5.9	5.7	5.6	5.4	5.3	2.0	2.0	1.9
U.S. Dollar	527.9	561.2	1,508.5	566.4	1,375.7	362.6	1,322.8	346.1	561.2	320.6
SDRs[(2)]	191.8	305.2	1,084.6	1,046.9	229.3	10.2	7.5	7.5	7.5	5.4
Total	**3,879.8**	**3,283.5**	**5,282.3**	**4,055.3**	**3,802.8**	**3,361.1**	**3,363.3**	**2,547.6**	**3,952.5**	**1,856.6**

Notes:

(1) Disbursed and outstanding debt, including monetary authority's debt.

(2) Debt outstanding pursuant to the Stand-By Arrangement with the IMF is classified by the Bank as monetary authority's external debt and not Government external debt.

Source: The Bank

Debt Record

Since independence in 1956, Tunisia has not defaulted on the principal or interest of any debt obligation.

International Institutions

Considerable financing from official bilateral and other multilateral sources, as well as debt rescheduling, have supported Tunisia's public finances and financial strategy.

IMF

Tunisia has been a member of the IMF since 14 April 1958. Tunisia's economic development has been supported by the following IMF arrangements: one Compensatory Facility, eight Stand-By Facilities and two Extended Credit Facilities.

In June 2013, the IMF approved a 24 month Stand-By Arrangement in favour of Tunisia in an amount equal to U.S.$1.75 billion. As at 31 August 2014, an amount equivalent to U.S.$877 million had been disbursed under the agreement. The main aims of the arrangement are to achieve macroeconomic stability, facilitate stronger and more inclusive growth and protect the most vulnerable citizens of Tunisia. In December 2014, the Executive Board of the IMF completed the fifth review of Tunisia's performance. The completion of this review enabled the disbursement of SDR 71.6 million (approximately U.S.$104.8 million), bringing total disbursements under the arrangement to SDR 787.87 million (approximately U.S.$1.15 billion). The IMF noted that programme implementation had been good and all quantitative performance criteria under the Stand-By Arrangement had been met, although certain further reforms remain to be implemented.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*".

The World Bank

The portfolio of World Bank loans to Tunisia is primarily for the financing of governance, environment, rural development, human development and water infrastructure projects.

As at June 2011, the World Bank approved a loan of U.S.$500 million as support to the budget, which has been disbursed, under the First Governance, Opportunities and Jobs Development Policy Loan Program. This loan was the first in a series of single-tranche multi-sector operations to support the Government in its efforts to implement a programme of social and economic reforms.

The second loan under this programme was approved in 2012 in a principal amount of €387 million, which has also been disbursed.

In April 2014, the World Bank approved a loan in a principal amount of U.S.$250 million under the Second Governance, Opportunities and Jobs Development Policy Loan Program, which has been disbursed.

African Development Bank

Since the 14 January 2011 Revolution, Tunisia's partnership with the African Development Bank has mainly focused on providing support for reform efforts. In October 2011, the African Development Bank approved a U.S.$500 million loan agreement to support Tunisia in areas relating to economic growth and the reduction of regional disparities and, in November 2012, the African Development Bank approved a second loan in a principal amount of €387.6 million. Funds under each of these loans have been disbursed.

Arab Monetary Fund

The Arab Monetary Fund has supported reform efforts in Tunisia through loans directed governance reform, currency exchange and supporting the public finance sector. In 2013, the Arab Monetary Fund approved U.S.$145 million in loans to support fiscal and financial reforms. In addition, the Arab Trade Financing programme under the Arab Monetary Fund extended a U.S.$65 million line of credit to the Bank in 2013. Funds under each of these loans have been disbursed.

European Union

Tunisia benefits from certain loans from the EU. In 2011, the EU made grants in a principal amount of €90 million. In 2012, the EU made further grants in a principal amount of €100 million. Finally, in 2013, the EU made a fixed tranche grant in a principal amount of €65 million and a variable tranche grant in a principal amount of €45 million to Tunisia. Funds under each of these loans have been disbursed.

In May 2014, the EU adopted a €300 million macro-financial assistance programme aimed at assisting Tunisia through its political transition process and to encourage reforms aimed at improving the investment climate and fostering trade and regulatory convergence with the EU.

European Investment Bank

Following the 14 January 2011 Revolution, the European Investment Bank has capitalised on its long-term partnership with Tunisia and provided support aimed at addressing economic and social challenges. Since 2011, the European Investment Bank signed new financing operations totalling €1.2 billion for the implementation of new projects in key sectors of the Tunisian economy such as energy, SMEs, infrastructure, education and social housing. As at 4 December 2014, the European Investment Bank had provided €570 million of funding to Tunisian projects in 2014.

THE BANK AND THE BANKING SYSTEM

General

Banque Centrale de Tunisie is the central bank of The Republic of Tunisia. The Bank was founded as a national public entity and commenced operations on 3 November 1958. It is an independent legal entity with financial autonomy, pursuant to the Organisation Law. The Bank has maintained its status as an independent legal entity after the 14 January 2011 Revolution.

The principal office of the Bank is located at 25, rue Hédi Nouira in Tunis. The Bank also has 11 offices throughout Tunisia, in the cities of Bizerte, Gabes, Gafsa, Jendouba, Kasserine, Kairouan, Medenine, Monastir, Nabeul, Sfax and Sousse. The Bank has no foreign offices, but has several correspondent bank relationships overseas. The Bank's telephone number is +216 71 12 20 00. As at 31 October 2014, the Bank employed 1,018 persons, as compared to 1,056 persons as at 31 December 2013.

The Bank is empowered to issue currency, to exercise control over the money supply and to control foreign exchange and international financial transactions. The Bank is vested by law with the power to issue authorisations and set rules for Tunisian banks, and empowered to control and to sanction them. See "—*General Functions of the Bank*".

Relationship with The Republic of Tunisia

Pursuant to the Organisation Law, the capital of the Bank is subscribed for and held entirely by The Republic of Tunisia and The Republic of Tunisia exercises supervisory power over the operations of the Bank.

The Bank is not under the direction of any minister and is directly accountable to the President to whom it must submit its annual financial statements and management reports. The Bank's performance of its responsibilities is not subject to prior review or approval by any public authority, except that any borrowings of the Bank with a maturity greater than two years and any of the Bank's decisions with regard to the issuance of currency are subject to a decision of the Board (as defined below) and are approved by decree following the proposal of the Governor (as defined below), following consultation with the minister in charge of finance.

By law, the accounts of the Bank must not be in deficit at the end of a fiscal year. If the year-end income statement of the Bank shows a loss, the Organisation Law requires that loss to be covered from the general and special reserves of the Bank. If these reserves are insufficient to cover the loss, the Organisation Law requires the Tunisian Treasury to cover the balance. The Bank can be liquidated only by a law providing for the terms of its liquidation.

In its dealings with third parties, the Bank is deemed to be a commercial entity. The Bank is therefore subject to applicable commercial law, but only to the extent that such law is not superseded by a law specific to the Bank or by provisions of the Organisation Law.

Banker to The Republic of Tunisia

The Bank is the sole banker to The Republic of Tunisia. The Bank holds The Republic of Tunisia's current account balances and provides cash management services to The Republic of Tunisia. In addition, the Bank acts as The Republic of Tunisia's receiving bank and paying agent in relation to the issue, service and redemption of Treasury bills and other Government debt obligations. The Organisation Law authorises the Bank to borrow in foreign currency in the international financial markets for its own account and for the account of The Republic of Tunisia. Since 1992, The Republic of Tunisia has accessed the international financial markets through a number of syndicated international bank loans which it signed directly, as well as through a variety of bond offerings and private placements (denominated in Japanese Yen, U.S. Dollars and Euros) issued by the Bank, acting as agent for The Republic of Tunisia.

Japanese Yen proceeds from bond offerings denominated in Yen, U.S. Dollar proceeds from bond offerings denominated in U.S. Dollars and Euro proceeds from bond offerings denominated in Euros were converted into Tunisian Dinars and made available by the Bank to The Republic of Tunisia on the same terms and conditions as the original bonds.

Under the Organisation Law, the Bank may borrow either (i) on its own behalf, or (ii) acting on behalf of The Republic of Tunisia. Borrowings by the Bank on its own behalf are not guaranteed by, and do not constitute obligations of, The Republic of Tunisia. The Notes being issued pursuant to this Prospectus are being issued by the Bank acting on behalf of The Republic of Tunisia, as agent, and, accordingly, constitute obligations of The Republic of Tunisia and not of the Bank.

To enhance the independence of the Bank in conducting monetary policy, direct financing granted by the Bank to the Treasury (notably in the form of overdrafts, loans, or direct acquisition of securities issued by The Republic of Tunisia) was eliminated in 2006.

The Bank is the legal representative of The Republic of Tunisia with respect to the IMF and the Arab Monetary Fund. The Bank, on behalf of The Republic of Tunisia, paid the initial subscriptions and continues to pay The Republic of Tunisia's contributions to these organisations. Such payments, in both foreign currency and Tunisian Dinars, are accounted for as an advance to the Tunisian Treasury, the principal amount of which is the Dinar equivalent of the amount of the subscription expressed in SDRs or *Dinar Arabe de Compte*, as the case may be. Total advances made to The Republic of Tunisia in this manner was TD 710,026,755 as at 31 December 2013.

To ensure monetary and financial stability, Law № 2006-26 of 15 May 2006, which modified the Organisation Law, has enabled the Bank to cooperate with regulatory authorities in the financial and insurance sectors, so as to provide a cooperative regulatory framework. The Bank is accordingly authorised to draw up agreements with the relevant regulators involving the exchange of information and experience, as well as training and joint inspection exercises. The Bank is also authorised to sign bilateral cooperation agreements with the supervisory authorities of foreign countries, providing for the exchange of information, especially when setting up agencies or branches of lending institutions in both countries and defining the modalities for exercising their supervisory responsibilities.

The Bank also discounts or purchases bills of exchange and guaranteed notes with maturities of less than three months payable to the order of the Treasury. The bills of exchange and guaranteed notes represent customs duties and indirect taxes due to the Treasury by importers and others and the guarantees are issued by commercial banks.

Mandate of the Bank

Under the Organisation Law, the Bank has the general mandate of preserving price stability. With this aim, it pursues its monetary policy, controls money in circulation, supervises the sound operation of payment systems, supervises lending institutions and safeguards the stability and security of the financial system.

Organisation of the Bank

The direction and the management of the Bank are exercised by the Bank's Governor and its Administrative Board.

Roles and Responsibilities at the Bank

Governor

Pursuant to the 2014 Constitution, the Governor of the Bank (the "**Governor**") is appointed by the President upon a proposal of the Head of Government and the approval of such appointment by an absolute majority of the members of the Chamber of the People's Deputies. The Governor can be dismissed in the same manner or upon the request of a third of the members of the Chamber of the People's Deputies and by approval of an absolute majority of members. The Governor represents the Bank *vis-à-vis* third parties.

Deputy Governor

The Deputy Governor supports the Governor and supervises the operation of all the Bank's departments. In case of the Governor's absence or incapacity, the Deputy Governor carries out the Governor's duties. The Deputy Governor is appointed by a presidential decree, upon a proposal submitted by the Governor of the Bank, after reaching a consensus on the candidate with the President, the President of the Chamber of the People's Deputies and the Head of Government. The Deputy Governor may be relieved of his duties by way of the same process through which he was appointed.

Administrative Board

The Bank's Administrative Board (the "**Board**") is composed of the Governor, the Deputy Governor and eight Advisers. The Advisers are appointed by a presidential decree, after consultation with the Head of Government and the President of the Chamber of the People's Deputies. Members of the Board are relieved of their duties by way of the same process through which they were appointed.

Out of the eight Advisers, four are chosen based on the offices they hold in the economic, financial and social administration of The Republic of Tunisia or in public or semi-public organisations participating in the economic development of The Republic of Tunisia and the other four are chosen based on their professional experience in the economic and financial sectors. All members of the Board must be Tunisian nationals who are in full possession of their political and civil rights and have not been affected by any criminal judgment or penalty involving any loss of civil rights.

Only seven Advisers currently serve on the Board. The appointment of the remaining Adviser is currently in process. However, under the Organisation Law, the presence of four Advisers is sufficient for the validity of any deliberations by the Board.

The Board adopts, *inter alia*, the internal regulations of the Bank and decides upon the manner in which to carry out the operations authorised or mandated under relevant laws.

The Board also decides on the creation and issue, as well as the withdrawal or the exchange, of banknotes and coins of the Bank (subject to approval by presidential decree) and sets the interest rates and commissions to be paid to the Bank for its operations, based on the economic and monetary situation and the Bank's operating costs.

Auditors

Control of the Bank's accounts is handled by two external auditors, which are appointed by the President, based on a recommendation by the Governor. The external auditors must be selected from the "Order List of Tunisian Auditors".

The Bank's two auditors carry out the following tasks, in compliance with the nature of the Bank's activity and applicable law:

- confirming that financial statements provide a true and fair view of the financial position of the Bank and assessing the Bank's internal control systems and the procedures for financial data dissemination;
- verifying inventory operations with respect to the Bank's desk, stocks and portfolio; and
- issuing an audit opinion on the financial statements.

The auditors are entitled to share with each other any document they consider necessary for carrying out their tasks.

Current Bank Representatives

The names of the Governor, the Deputy Governor, the Advisers and the External Auditors in office as of the date of this Prospectus are as follows:

Governor:	Mr. Chedly Ayari
Deputy Governor:	Mr. Mohamed Rekik
Advisers:	Mrs. Fatma Guermazi Siala Mrs. Hella Guerchi Mehri Mr. Salah Essayel Mrs. Najoua Khraief Mr. Abdelwaheb Ben Ayed Mr. Ahmed Abdelkefi Mr. Noureddine Selmi
External Auditors:	Mourad Guellaty (Mourad Guellaty office) Cherif Ben Zina (CMC office)

Balance Sheet and Financial Statement of the Bank

The following tables set forth the balance sheet and financial statement of the Bank as at the dates indicated:

Balance Sheet of the Bank

	As at 31 December					As at 30 June
	2009	2010	2011	2012[1]	2013	2014
			(TD)			
ASSETS						
Gold holdings	4,394,852	4,379,907	4,379,907	341,306,043	263,348,161	294,146,979
Subscriptions to international organisations[2]	2,371,793	2,371,793	2,371,793	2,371,793	2,371,793	2,371,792
IMF Reserve position[3]	42,588,253	124,565,132	122,806,100	134,234,666	136,604,685	139,094,285
Assets and investments in SDR[4]	501,914,258	540,944,488	557,585,444	580,961,437	612,128,579	569,996,361
Foreign currency assets	13,397,463,081	13,002,890,772	10,621,816,918	12,700,193,796	11,650,020,717	11,017,626,650
Refinancing to the lending institutions related to monetary policy transactions[5]	—	305,000,000	3,562,000,000	3,688,000,000	3,668,000,000	4,738,000,000
Securities purchased/open market	26,296,700	25,577,500	25,609,600	561,496,851	887,722,794	740,868,960
Advance to the State pertaining to Monetary Funds subscription	616,661,533	648,606,335	639,680,191	697,881,599	710,026,755	722,707,395
Claims on the state with respect to IMF loans[6]	—	—	—	—	—	1,172,621,683
Standing advance to the State	25,000,000	25,000,000	25,000,000	—	—	—
Bills in collection[7]	32,585,816	38,529,001	—	—	—	—
Shareholding portfolio[8]	31,650,065	32,522,250	33,529,871	34,571,501	38,550,627	39,282,514
Fixed assets	30,481,678	28,440,340	31,579,963	37,914,130	35,495,152	42,581,166
Miscellaneous debtors	25,732,926	26,868,079	31,630,815	31,234,622	33,141,748	32,702,343
Memorandum accounts and accounts calling for adjustment	25,647,207	25,808,299	18,052,939	90,037,348	140,193,467	197,267,231
Total Assets	**14,762,788,162**	**14,831,503,896**	**15,676,043,541**	**18,900,203,786**	**18,177,604,478**	**19,709,267,359**

	As at 31 December					As at 30 June
	2009	2010	2011	2012[1]	2013	2014
				(TD)		
LIABILITIES						
Banknotes and coins in circulation...	5,276,088,906	5,789,745,378	7,090,129,085	7,164,460,393	7,615,770,976	7,920,315,651
Banks and financial institutions current accounts	381,185,428	863,126,316	189,802,837	518,933,220	443,551,792	497,876,569
Government accounts	1,359,555,247	1,617,864,441	1,611,316,548	2,696,730,743	888,107,923	1,787,033,940
Commitments towards lending institutions related to monetary policy transactions[9]..........	1,669,000,000	—	—	988,000,000	8,000,000	—
Allocation of SDRs[10]	560,733,448	604,394,212	622,823,490	648,870,304	690,560,809	706,118,303
Current accounts in TND of foreign institutions	573,320,850	522,741,339	506,106,491	552,068,895	800,715,833	1,987,563,837
Commitments in foreign currency towards Tunisian authorised intermediaries	1,691,022,042	1,509,753,020	2,130,369,081	2,381,604,896	3,115,682,542	2,753,605,297
Foreign accounts in foreign currency.......	44,610,581	—	40,579,444	124,549,787	47,355,886	60,206,333
Other commitments in foreign currency	—	—	74,697,500	293,704,785	1,916,906,709	2,077,923,273
Current collection of values..................	10,971,754	11,220,120	7,083,546	41,761,259	4,844,473	10,830,012
Depositors of bills in collection[11]	34,234,477	40,190,795	—	—	—	—
Differences on conversion and revaluation	151,643,818	335,192,622	367,958,344	922,157,546	1,232,236,697	1,369,185,140
Miscellaneous creditors	16,043,744	16,481,995	25,971,877	38,496,731	51,291,517	59,831,948
Provisions for costs to manufacture banknotes, coins and medals	2,894,117	3,064,413	4,633,903	28,400,000	15,485,259	15,485,259
Memorandum accounts and accounts calling for adjustment...............	2,636,831,369	3,164,699,596	2,604,276,178	2,178,384,803	1,043,504,359	346,318,860
Total Liabilities......	**14,408,135,781**	**14,478,474,247**	**15,275,748,324**	**18,578,123,362**	**17,874,014,775**	**19,592,294,422**

	As at 31 December					As at 30 June
	2009	2010	2011	2012[1]	2013	2014
				(TD)		
EQUITY						
Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Reserves[12]	90,434,099	94,758,045	98,379,683	100,503,768	110,751,542	110,934,776
Other equity	—	—	961	612	2,588	2,588
Results carried forward[13]	141,757	218,282	271,604	662,643	76,043	35,573
Total Equity prior to Financial Year Results	96,575,856	100,976,327	104,652,248	107,167,023	116,830,173	116,972,937
Financial Year Results[14]	258,076,525	252,053,322	295,642,969	214,913,401	186,759,530	—
Total Equity prior to Allocation	**354,652,381**	**353,029,649**	**400,295,217**	**322,080,424**	**303,589,703**	**116,972,937**
Total Liabilities and Equity	**14,762,788,162**	**14,831,503,896**	**15,676,043,541**	**18,900,203,786**	**18,177,604,478**	**19,709,267,359**

Notes:

(1) Restated to reflect accounting policy changes implemented during 2013. See also, Note (5) below.

(2) Excluding IMF and AMF subscriptions.

(3) The Reserve Tranche Position is equal to Tunisia's quota less the IMF's holding of Tunisian dinars in the General Resources Account, excluding holdings acquired as a result of the use of Fund Credit. The Reserve Tranche Position in the IMF is a part of Tunisia's external reserves.

(4) Undrawn balance of SDRs made available by the IMF to Tunisia.

(5) Reflects the Bank's intervention in the money market to provide liquidity. Previously, this heading used to include the overall net debit outstanding balance of the Bank's intervention on the money market. In the case of overall net credit outstanding balance where liquidity tapping actions go beyond these injections, this outstanding balance would be entered in the liability balance sheet under "Commitments towards lending institutions related to monetary policy operations" heading. In the 2013 financial year, there was a separate presentation of the Bank's intervention on the money market in the form of liquidity injection and liquidity tapping, without clearing between the two types of intervention.

(6) Consists on the commitment of the Bank in its capacity as financial agent of the Republic of Tunisia to the IMF (this account was set up pursuant to a recommendation of IMF).

(7) Obligations of the Government presented to the Bank for collection and the counterpart to "Deposits of bills in collection" under "Liabilities and Equity". Since 2012, this line item has been included in "Current collection of values". In fact, in the financial statements for previous financial years, bills in favour of the Treasury and not falling due yet were included in this line item and its counterpart is included under liabilities. Accordingly, given that these items are not considered assets or liabilities, it has been decided to deal with them in the same way as for cheques, the collection of which is ensured by the Bank in favour of the Treasury. Thus, only bills falling due and those in current collection are considered in the financial statements of the Bank.

(8) Consists of the Bank's equity interest in the *Tunisian Foreign Bank*, the *Programme de Financement du Commerce Inter-Arabe*, the *Banque Africaine d'Import-Export*, *the Société Interbancaire de Télécompensation,* the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and The *Banque Maghrébine d'Investissement et de Commerce Extérieur*.

(9) Reflects the Bank's intervention in the money market to absorb liquidity.

(10) SDRs made available by the IMF to Tunisia which have been drawn down and are repayable by the Bank.

(11) Represents the counterpart to "Bills in collection". Discrepancies between the two items represent bills held but not yet collected at year end. Since 2012, this line item has been included in "Current collection of values". See Note (7) above.

(12) Includes special reserve, legal reserve, social fund reserve and amounts provisioned for the construction of new buildings of the Bank.

(13) Portion of prior year's surplus retained and not paid to the Treasury as a dividend.

(14) Income statement amount representing excess of total annual revenues over total annual expenditures. The Administration Board of the Bank decides annually how much of the net surplus at the preceding year-end to appropriate for the Treasury, with the balance, if any, paid into the Bank's carry-forward account for the current year.

Source: The Bank

Financial Statement of the Bank by Sector

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	(TD thousands)			
ASSETS				
Foreign Assets	11,315,158	13,454,756	12,700,549	13,929,154
Claims on the state	690,496	1,259,378	1,597,750	2,731,697
Claims on Banks	3,577,064	2,700,000	3,668,000	4,231,000
Securities Portfolio	105	105	105	105
Other	351,390	430,028	543,951	382,421
Total Assets	**15,934,213**	**17,844,267**	**18,510,355**	**21,274,377**
LIABILITIES				
Central Bank money	9,343,325	10,001,330	11,078,022	11,960,961
Claims of the state	655,641	137,683	206,879	558,509
Counterpart's funds	963,321	2,567,652	689,401	627,843
Commitments on abroad	782,447	1,133,835	3,004,378	4,808,822
Capital stock equity	112,315	148,769	132,316	132,559
Other	4,077,164	3,854,998	3,399,359	3,185,683
Total Liabilities	**15,934,213**	**17,844,267**	**18,510,355**	**21,274,377**

Source: The Bank

General Functions of the Bank

The principal functions of the Bank as stipulated in the Organisation Law are: (i) to issue currency in Tunisia, exercising its exclusive right to do so; (ii) to control and manage Tunisia's reserves; (iii) within the framework of the overall economic strategy of the Government of Tunisia, to oversee the convertibility of the Dinar and implement foreign exchange policy; (iv) to oversee and maintain the proper functioning of the Tunisian banking and financial systems, including assuring the compliance by banks and other credit institutions operating in Tunisia with various regulations, the monitoring of capital requirement ratios and the imposition of reserve requirements; (v) otherwise, to act as banker to The Republic of Tunisia; (vi) to preserve price stability; (vii) to pursue its monetary policy; (viii) to control money in circulation and supervise the proper operation of payment systems; (ix) to maintain the stability and security of the financial system; and (x) to promote the quality of banking services in Tunisia.

Pursuant to Article 34 of the Organisation Law, the Bank is also responsible for advising the Head of Government of all developments that might affect financial stability.

In order to harmonise the legal framework governing banking activity with that prevailing in developed countries, significant changes were introduced in 2006 to the Organisation Law as well as to the law governing lending institutions in Tunisia. The amendment to the Organisation Law (Law № 2006-26) redefines the main prerogatives of the Bank with respect to the conduct of monetary policy. The Bank has a general mandate to preserve price stability and also supervise lending institutions and ensure the maintenance of stability and security of payment systems, while reinforcing the transparency policy with respect to dissemination and transmission of information, as well as boosting the independence of the Bank and reinforcing the control and auditing operations by subjecting the Bank's accounts to external auditing.

Due to the globalisation of financial services and the requirements of the Basel II regulations, reforms were also introduced in the Banking Law (as defined below). These reforms were meant to introduce more flexibility in carrying out banking activity, strengthen the financial base of lending institutions (by, among other things, increasing the minimum capital from TD 10 million to TD 25 million for banks, and from TD 3 million to TD 10 million for other financial institutions (except merchant banks)), as well as rules of good governance (through the establishment of appropriate internal control systems to permit and strengthen the ongoing assessment of internal procedures as well as an executive loan committee in charge of reviewing financing activity and conformity of the control system).

Issuance of Currency

The Bank has the exclusive right, on behalf of The Republic of Tunisia, to issue currency in Tunisia. The creation, issuance, withdrawal and exchange of bank notes and coins are the responsibility of the Bank, but are subject to approval by a decree of the Head of Government. Bank notes and coins are the obligations of the Bank, and such obligations are not required to be backed by gold or other assets.

Tunisia's Reserves

The Bank controls and manages Tunisia's gold and foreign currency reserves. Tunisia's reserves take the form of gold, direct holdings of foreign currency by the Bank and SDRs issued by the IMF to Tunisia.

The following table sets forth Tunisia's reserves as at the dates indicated:

Reserves

	As at 31 December					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
			(U.S.$ millions)			
Gold[1]	3.4	3.1	2.9	2.8	160.5	160.1
SDRs[2][3]	379.4	374.4	369.6	370.6	373.2	277.7
Foreign currency[2]	10,227.5	9,084.0	7,097.1	8,184.9	7,102.4	7,149.3
IMF reserve position[2][4]	32.5	87.1	82.2	86.5	83.3	74.9
Total	**10,642.8**	**9,548.6**	**7,551.8**	**8,644.8**	**7,719.4**	**7,662.0**

Notes:

(1) Since December 2013, the market price of gold reserves in the form of ingots have been valued using the morning London Fixing price (U.S.$38.63 per gram (equivalent of TD 63.36) of pure gold as at 31 December 2014).

(2) Converted into U.S. Dollars at the rate of exchange in effect as at the relevant date.

(3) SDRs are an asset created by the IMF to supplement the foreign currency and gold reserves of member states. They are assigned based on the amount of a member's IMF quota, or membership contribution, and may be drawn down to meet foreign payment and other obligations. The line item "SDRs" represents credit balances available to and investments made by the Bank with the IMF.

(4) Tunisia's IMF reserves position represents the Tunisia's quota less the IMF's holdings of Tunisian Dinars in its №1 account on the books of the Bank exclusive of assets from recourse to IMF loans. Since the increase in IMF quotas in 1999, Tunisia has not made any drawing on this reserve position.

Source: The Bank

As at 31 December 2014, foreign currency reserves were U.S.$7,662.0 million, the equivalent of 112 days of imports, as compared to U.S.$7,102.4 million, or 106 days of imports, as at 31 December 2013. Foreign currency reserves were the equivalent to 119 days of imports as at 31 December 2012, 113 days as at 31 December 2011, 147 days as at 31 December 2010 and 186 days as at 31 December 2009.

The increase in foreign currency reserves in 2014 was primarily due to external Government financings in 2014, including budget support received from the IMF, EU and Algeria, as well as the U.S.$500 million bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by the U.S. Agency for International Development and the JPY 50 billion bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by Japan Bank for International Co-operation.

The decrease in foreign currency reserves in 2013 was primarily due to the widening of the current account deficit, as well as the repayment of certain external debt, including the repayment of a TD 730 million loan issued in 2003, which was partially offset by the entry into of additional foreign loans and receipt of deposits in 2013, including the drawdown of the first tranche of the Stand-By Arrangement granted by the IMF, the entry into of a loan for €300 million with Natixis, the entry into of a JPY 22.4 billion private loan and the receipt of a U.S.$500 million deposit with the Bank by the Qatar National Bank at the BCT.

See "Risk Factors—Risks relating to The Republic of Tunisia—Foreign currency reserves have fluctuated in recent years" and *"Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Widening of the current account deficit".*

The following table sets forth the balances of the accounts maintained by the Government at the Bank as at the dates indicated:

Government Accounts

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	(TD millions)			
Tunisian Treasury current account	648.2	129.3	199.0	619.7
Tunisian Government special account in foreign currency	922.8	2,068.2	586.1	1,064.5
Tunisian Government grants accounts	0.9	1.8	2.2	2.6
FOPRODI[(1)]	0.4	10.4	10.0	4.9
Tunisian Government -miscellaneous accounts	35.5	446.7	26.7	23.4
Special account/1969 IBRD loan				
FONAPRA[(2)]	0.7	—	0.6	—
Tunisian Government loans accounts	2.9	40.3	63.5	71.9
Total	**1,611.4**	**2,696.7**	**888.1**	**1,787.0**

Notes:

(1) FOPRODI is the fund for industrial promotion and decentralisation.

(2) FONAPRA is the national fund to promote handicrafts and small trades.

Source: The Bank

Convertibility of the Dinar and Exchange Rates

The currency of Tunisia, the Dinar, became convertible in 1993 in compliance with Article VIII of the Statutes of the IMF. An authorisation from the Bank is, therefore, not required to conduct transactions in foreign currency.

The buying and selling rates of the Dinar against foreign currencies are established by Tunisian banks on the interbank foreign exchange market created on 1 March 1994. The Bank may intervene to maintain the stability of the Dinar. Since 1987, the Bank has introduced several reforms to ease its exchange rate policy, notably through the creation in 1994 of a domestic foreign exchange market on which Dinar exchange rates are determined in accordance with supply and demand. The Bank's role is limited to the regulation of this market in accordance with the objectives of the policy changes aimed at maintaining the real value of the Dinar at a stable level, which reflects the fundamentals of the country and which preserves its external competitiveness.

In 2011, the Bank launched a set of foreign exchange market reforms which aimed at deepening the exchange market and enhancing its capacity to provide the liquidity needed for economy, notably through more active intervention policies, aiming at removing some constraints on hedging instruments against exchange and interest rate risks. Four main axis were set up and the first three have been achieved:

- replacement of the Dinar reference exchange rate, formerly calculated on the basis of a currency basket by a fixing determined on interbank exchange rates, and reduction of the Bid/Ask spread from 1% to 0.2% and implementing a trade reporting system, to allow the Bank to collect in real time data on exchange transactions done on the interbank market in order to improve the follow-up of the market;

- changing the way of intervention of the Bank on the market, from a passive way, to a rather active one, on its own initiative and on the basis of interbank exchange rates;

- promoting market making within Tunisian banks and encouraging them to more actively manage their exchange positions in order to enhance market liquidity, through a foreign exchange market maker agreement introduced by Circular № 2014/04 dated 9 May 2014 to assure a good functioning of the exchange market under accurate and consensus-based rules. This agreement sets up the rules which will govern exchange transactions between counterparties on interbank market. Besides getting market makers committed to systematically show quotations to any requesting counterparty, these rules fix the transaction currency, the minimum amount to be dealt and the maximum bid-ask spread to be displayed by the market maker when showing a quotation; and

- reducing current restrictions on hedging activities by introducing new instruments of exchange and interest rate risk management that would offer to local banks a set of standard tools, which is expected to be implemented by the end of 2015).

The following table sets forth the average annual exchange rate of the Dinar against certain major currencies in each of the years indicated:

Average Annual Exchange Rates[(1)]

	2010	2011	2012	2013	2014
	(TD per unit of currency unless otherwise indicated)				
USD	1.4326	1.4079	1.5618	1.6254	1.7001
JPY[(2)]	16.2407	17.5099	19.4935	16.5585	16.0005
EUR	1.8972	1.9582	2.0081	2.1595	2.2531

Notes:
(1) The annual average of the daily interbank rates on the Tunisian interbank foreign exchange market as published by the Bank.
(2) TD/1,000 yen.

Source: The Bank

The average U.S. Dollar/Tunisian Dinar exchange rate, as reported by the Bank, in 2014, as compared to the 2013 was TD 1.7001 = U.S.$1.00, while the average Japanese yen/Tunisian Dinar exchange rate was TD 16.0005 = JYP 1,000 and the average Euro/Tunisian Dinar exchange rate was TD 2.2531= €1.00.

On 12 January 2015, the closing U.S. Dollar/Tunisian Dinar rate of exchange as reported by the Bank was TD 1.8949 = U.S.$1.00, the closing Japanese Yen/Tunisian Dinar rate of exchange as reported by the Bank was TD 15.8826 = JPY 1,000 and the closing Euro/Tunisian Dinar rate of exchange as reported by the Bank was TD 2.2395 = €1.00.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Any significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other major currencies would have a material adverse effect on Tunisia's ability to repay its debt denominated in currencies other than the Tunisian Dinar, including the amounts due under the Notes*".

Monetary and Credit Policy

The following table sets forth the amount of money in circulation as at the dates indicated:

Money Supply

	As at 31 December					As at 31 October
	2009	2010	2011	2012	2013	2014
	(in TD millions, except percentages)					
Money supply, M1[(1)]	14, 266	15,862	19,007	20,007	20,877	21,993
% Growth over prior period	15.1	11.2	19.8	5.3	4.3	5.3
Money supply, M2[(2)]	36,497	40,854	44,652	48,327	51,681	55,043
% Growth over prior period	13.0	11.9	9.3	8.2	7.0	6.5

Notes:
(1) M1 includes cash and checking accounts.
(2) M2 includes M1 and quasi-money.

Source: The Bank

The M2 money supply increased by 7.0% in 2013, as compared to an 8.2% increase in 2012, reflecting the combined effect of the deceleration of the growth of the M1 money supply (4.3% in 2013, as compared to 5.3% in 2012) and the slower rate of increase of quasi-money (8.8% in 2013, as compared to 10.4% in 2012). The M2 money supply increased by 6.5% and the M1 money supply increased by 5.3% in the ten months ended 31 October 2014.

The outstanding balance of fiduciary money, one of the main components of M1 money supply, grew in 2013 by 10.3% and decreased in 2012 by 3.7%. Bills and coins in circulation, which represent the main component of fiduciary money, grew by 6.5% in 2011 and by 1.0% in 2012. In the ten months ended 31 October 2014, fiduciary money grew by 9.2% and bills and coins in circulation grew by 9%.

Overnight Deposit or Lending Facilities

Overnight deposit or lending facilities are taken at the end of a day, at the initiative of Tunisian banks, to enable banks to meet their liquidity needs or to invest their surpluses of liquidity. Overnight lending facilities are carried against collateral in the form of public deeds, claims or valuables of companies and private individuals at a rate of interest equal to the Bank's key rate (as described below) plus a fixed margin. The overnight deposit facility is remunerated at a rate of interest equal to the Bank's key rate less a fixed margin. The corridor of fluctuation of money market rates is tied to the overnight deposit facility rate as a floor and the overnight lending facility rate as a ceiling. The key rate is the median of the corridor.

During 2011, the Bank reduced its key rate twice, first to 4% at the end of June and again to 3.5% in early September 2011. In 2012, as prices increased, the Bank increased its key interest rate by 25 basis points to 3.75% at the end of August 2012. Consequently, the limits of the corridor became 3.25% to 4.25%.

In response to persistent inflationary pressures, the Bank implemented the following additional measures: (i) at the end of February 2013, the Bank changed the limits of the corridor to 3.5% to 4.5%, while maintaining the key interest rate at 3.75%, which resulted in an asymmetric corridor; and (ii) in March 2013, the Bank increased the key interest rate by 25 basis points to 4%, while maintaining an asymmetric corridor of 3.75% to 4.75%. In response to rising inflation, the Bank further increased its key interest rate to 4.5% at the end of 2013 and introduced an adjustment to the corridor limits within a range of 25 basis points (4.25% to 4.75%).

At the end of June 2014, the Bank raised its key interest rate to 4.75% and set the corridor limits at 4.5% to 5.0%. There have been no further changes to the Bank's key interest rate or corridor limits since 30 June 2014.

Discretionary Monetary Operations

Weekly Calls for bids

The Bank manages the money supply in Tunisia principally through its main discretionary monetary operations, calls for bids (*appels d'offres*). The *appel d'offres* is a weekly auction of a pre-determined amount of funds. Every week, the Bank invites bids for deposits or borrowing auctions as it deems necessary. Successful bids are accepted and ranked according to the rate that is bid (*i.e.*, a multiple rate auction). Eligible collateral for borrowers includes treasury bills and bonds and quality bank claims in the private sector.

In response to the substantial increase in refinancing to banks provided by the Bank due to bank liquidity tightening, the Bank has taken certain measures aimed at preserving its balance sheet. First, the Bank has boosted open-market operations and, since September 2013, has required banks benefitting from refinancing by the Bank to present at least 10% of required collateral in the form of public securities (Government bonds and treasury bills). This requirement was raised to 20% in January 2014 and to 40% in January 2015 of the nominal amount of private sector debt presented as collateral by commercial banks. In addition, in January 2014, the Bank imposed a haircut on private sector debt of 10%, which was subsequently increased to 25% in July 2014.

Open Market Operations

As part of a policy of diversifying and modernising monetary instruments, open market transactions ("**OMOs**") were introduced for Treasury bills and Treasury bonds in April 2003. In such operations, the Bank announces its intention to engage in OMOs and invites bids. It determines a reference rate below which bids will be excluded and distributes the allotment to the highest price in the case of sales, and the lowest in the case of purchases. Settlement is effected on the same day. The Bank did not use OMOs in 2011. The Bank conducted OMOs since 2012 and 2013 to mitigate certain risks to its balance sheet. As a result, the outstanding balance of OMOs reached a peak of TD 1,017 million in March 2013, representing one fifth of overall refinancing. The current balance is TD 0.477 million.

Swap Exchange operations

The regulatory framework governing exchange rate swaps as an instrument of monetary policy was published in December 2013. According to such regulation, the Bank may initiate swap exchange operations with banks involving spot purchase or sale of Dinars against foreign currency, as well as the simultaneously resell or repurchase or carry out or forwarding of such swaps on predetermined dates and exchange rates. The Bank intends to use this monetary policy tool to improve liquidity and, accordingly, support the interbank interest rate.

Capital and Mandatory Reserve Requirements

Reserve requirements are used by the Bank as an instrument of monetary policy to create structural liquidity and to address excess liquidity prevailing on the money market. All Dinar-denominated deposits are subject to reserve requirements, with the exception of housing savings, project savings and investment savings accounts.

Despite a worsening global financial environment, the Tunisian banking system experienced excess liquidity between mid-2007 and mid-2010. To reduce this excess liquidity, the Bank tightened its monetary policy by increasing reserve requirements rates, first in February 2010 by raising reserve requirements rate for sight deposits to 10% and, subsequently, in April 2010 to 12.5%

In 2011, as a result of the 14 January 2011 Revolution, political and social unrest and violence in other parts of the region, as well as significant increases in global energy and commodity prices, had a significant negative impact on the Tunisian economy. In response to these events and to support the Tunisian economy, the Bank reduced reserve requirements on three occasions from 12.5% to 10% in March 2011, to 5% in April 2011 and to 2% in May 2011. At the same time, the Bank reduced its policy rate from 4.5% to 4% at the end of June 2011 and again to 3.5% at the beginning of September 2011. These measures were designed to reduce funding costs for Tunisian business and thereby to support economic recovery.

As a result of the relaxation to reserve requirements, more than TD 1,400 million was released from banks' current accounts held at the Bank, but the current account deficit was negatively affected. Accordingly, the Bank introduced a macro prudential measure aimed at constraining the ability of banks to grant consumer loans, by imposing a 50% reserve requirement on the outstanding amount of consumer loans. This rate was revised downward to 30% in 2013. In response to a continued worsening of bank liquidity, the Bank further reduced the reserve requirements on sight deposits to 1% and abolished the insufficiency of the liquidity ratio from the basis of calculation of the required reserves (putting an end to the connection between a monetary policy instrument and a prudential instrument).

For an overview of current capital and mandatory reserve requirements, see "*—Banking Regulation and Supervision*".

Money Market Instruments

The term "money market" includes certificates of deposits ("**CDs**") and commercial paper with maturities of up to five years and Treasury bills. The minimum maturity for both CDs and commercial paper is 10 days. Issuing banks may not repurchase CDs they have issued. CDs and commercial paper constitute dematerialised securities. Interests may be pre-paid for CDs and commercial paper with maturities of less than one year.

Corporations which are either listed on the BVMT, or rated by an authorised rating agency may issue commercial paper without the backing of a bank guarantee. Such a guarantee is also not needed when the issuer and subscribers belong to the same group.

Overview of the Banking System

Prior to independence, Tunisia had no real banking system. The network of principally French bank branches and agencies throughout Tunisia was created to finance the colonial economy and was an extension of the French banking system. Following independence in 1956, the Government set out to build a Tunisian public banking system and created the *Société Tunisienne de Banques* in 1957 and the *Banque Nationale Agricole* in 1959. The structure of Tunisia's modern banking system began to develop between 1962 and 1967 pursuant to a policy of consolidation which led to the creation of other banks such as the *Union Internationale de Banques* and the publication of the *Loi sur l'exercice de la profession bancaire* (Law № 67-51 of 7 December 1967).

See "*—Banking Regulation and Supervision*" for an overview of the current system of banking regulation and supervision in Tunisia.

As at the date of this Prospectus, the Tunisian banking system consists of 22 lending institutions acting as full-service banks, of which four banks are specialised (two Islamic Banks, one SME-financing Bank and one micro-finance Bank), nine leasing companies, seven off-shore banks which deal primarily with non-residents, two merchant banks, nine offices representing foreign banks in Tunisia, three factoring companies and other financial institutions. The Bank regulates the banking sector.

As at 1 December 2014, there were five state-owned banks in the Tunisian banking sector *Société Tunisienne de Banque* (STB), *Banque Nationale Agricole* (BNA), *Banque de l'Habitat* (BH) and *Banque Tunisienne de Solidarité* (BTS) and *Banque de Financement des PME* (BFPME).

Islamic Banks include "Zitouna Bank" which obtained a universal banking licence in May 2010 and is offering sharia compliant banking products and "Al Baraka Bank" which was transformed from a non-resident bank to an on-shore bank in January 2014.

As at 30 June 2014, the five state-owned banks controlled approximately 34.9% of total bank assets, as compared to 35.7% as at 31 December 2013. As at 31 December 2013, Tunisia had a network of 1,517 bank branches, one for every 7,176 inhabitants.

Structure of the Banking System

The following table sets forth the financial position of Tunisian banks as at the dates indicated:

Banking System Balance Sheet

	As at 31 December			As at 31 August
	2011	2012	2013	2014
		(TD thousands)		
Assets				
Deposits at the Bank	2,207,079	2,680,842	3,296,972	3,090,884
Cash balance	268,088	596,892	371,590	455,940
Foreign Assets	1,576,750	1,955,213	2,326,447	2,511,694
Claims on the state...	2,492,326	3,685,527	4,110,629	5,165,759
Loans to the economy..	43,941,981	47,684,642	51,195,674	54,390,571
Securities Portfolio ..	2,492,236	2,744,379	2,923,353	3,056,894
Other	9,250,176	10,266,745	11,106,744	12,803,140
Total Assets	**63,303,955**	**69,614,240**	**75,331,409**	**81,474,882**
Liabilities				
Monetary Deposits.......	10,598,921	12,244,211	12,309,474	13,440,107
Quasi-Money Deposits	24,502,318	26,838,435	29,128,721	30,723,861
External Liabilities	6,174,282	7,036,877	7,984,727	8,751,687
Advances from the Central Bank	3,569,537	2,748,746	3,697,418	3,863,722
Special Resources........	1,211,806	1,317,615	1,432,800	1,457,841
Capital Stock Equity....	8,595,097	9,702,604	10,417,308	11,754,850
Other	8,651,994	9,725,752	10,360,961	11,482,814
Total Liabilities..........	**63,303,955**	**69,614,240**	**75,331,409**	**81,474,882**

Source: The Bank

Deposit Banks

The Tunisian banking system includes 22 full-service lending institutions, deposit-taking banks and the *Office National des Postes* ("**ONP**"), which provides certain banking services, such as savings and checking accounts, to the public. At 31 October, 2014 together the commercial banks and the ONP held assets equal to approximately TD 83,621,636 million, as compared to TD 76,737 million at 31 December 2013.

Of the deposit-taking banks, *Banque Nationale Agricole* (BNA), *Banque de l'Habitat* (BH), *Société Tunisienne de Banque* (STB), *Banque Tunisienne de Solidarité* (BTS) and *Banque de Financement des PMEs* (BFPME) are majority-owned directly or indirectly by The Republic of Tunisia. The BFPME was established in March 2005 and finances small and medium-sized enterprises. It is owned by The Republic of Tunisia and other public institutions and works in partnership with the other banks and with the state-owned guarantee company (*Société Tunisienne de Garantie*) to finance all economic sectors, including information technology and communication, renewable energy projects and high value-added projects. Other than Amen Bank, all privately-held banks in Tunisia have foreign financial institutions among their shareholders.

Off-Shore Banks

Tunisia's off-shore banks deal mainly with non-resident customers, although they also engage in certain off-shore activities with resident customers. Under Tunisian foreign exchange control laws and regulations, off-shore banks are treated as non-residents and, accordingly, as at 30 June 2014, they are not subject to restrictions on the repatriation of revenue or profits or on their transactions with non-residents.

The majority of these banks are owned by foreign financial institutions and, as at 31 October 2014, off-shore banks had total assets of TD 3,547,954 million, as compared to TD 5,349,656 million as at 31 December 2013. This decline was due to the conversion of Al Baraka Bank from offshore to onshore in January 2014.

Financial Companies having Merchant Banking Activities

There are two financial companies that undertake merchant banking activities in Tunisia, the International Maghreb Merchant Bank (IMMB) and *Banque d'Affaires de Tunisie* (BAT). IMMB was created in 1995 with an initial capital of TD 3 million, and with the participation of the International Finance Corporation and foreign and domestic private investors. IMMB specialises in consulting and assisting in all aspects of the creation, development and restructuring of business enterprises. In addition, in 1998, Tunisian monetary authorities approved the establishment of BAT. BAT was sponsored by the *Société Tunisienne de Banque*, and had an initial capital of TD 3 million (which has since been increased to TD 10 million). BAT also benefits from the technical and financial support of foreign banking partners.

Other Financial Institutions

Other financial institutions in Tunisia include nine leasing companies, of which one company operates in the southern region of Tunisia, three factoring companies and one leasing company which practices factoring within a specialised department.

There are also approximately 174 portfolio management companies and one savings company, ONP. An export credit insurance agency also operates in Tunisia.

Banking Regulation and Supervision

The banking system is regulated by the Bank according to the terms of Law № 2001-65 of 10 July 2001 (the "**Banking Law**"). The Banking Law, together with subsequent regulations promulgated by the Bank, is aimed at improving competition and efficiency in the banking sector, while also introducing more stringent risk requirements.

The Bank is responsible for supervising the operations and financial condition of Tunisian banks and specialised credit institutions, as well as those of the branches of foreign banks in Tunisia. The Bank regulates banking and specialised credit institutions by monitoring their compliance with regulations such as reserve and credit control requirements. The Bank collects the relevant information from such institutions and is authorised to enforce those regulations if violations are discovered. The Bank also promulgates minimum capital ratios and other requirements to help preserve the solvency of banks and specialised credit institutions. Although the Bank has no legal or regulatory obligation to support institutions facing difficulties, the Bank may do so to maintain the integrity of the banking system.

A general policy of liberalisation, which was first introduced in 1987, resulted in the abolition of most interest rate restrictions in 1996, as well as required lending to certain priority economic sectors. Additional reforms, including the creation of a public information registry with statistical information related to the credit environment and the banking sector, are underway to modernise and strengthen the banking system further, to improve transparency and to prepare the sector for international competition.

The Banking Law eliminated the old distinction between deposit and investment banks and established the idea of what is generally called a universal bank or a full-service bank. The legislation defines a lending institution as "any legal entity which carries out banking operations in a professional capacity", granting them the right to perform other services such as advice and support in managing assets, financial management and engineering and capital acquisition in companies already in operation or start-up ventures. A lending institution may be a bank or a financial institution, although only banks can accept deposits from the public, regardless of duration and form.

The Banking Law also established a system of "deposit guarantees", which provide protection for depositors if a bank is unable to repay deposits to its clients. This takes the form of a collective mechanism in which all banks must participate, with the obligation of responding to any call from the Bank to reimburse customers who have deposits at a bank encountering difficulty.

The major provisions of existing banking legislation and regulations are summarised below.

Capital Requirements

According to the Banking Law, lending institutions are required to have an initial minimum capital of TD 25 million and financial companies are required to have an initial minimum capital of TD 10 million. These requirements also apply to all foreign bank agents and branches operating in Tunisia. Banks are able to increase their capitalisation by incorporating retained earnings and issuing new stock.

Mandatory Reserves and Minimum Liquidity Ratio

Pursuant to Bank Circular № 2013-03 of 28 March 2013, as amended by circular № 2013-20 of 27 December 2013, the Bank established a new scale for mandatory reserves pursuant to which Tunisian banks must maintain the following mandatory reserves:

- 1% of outstanding demand deposits and other due amounts;
- 0% of the outstanding balance of CDs, term deposits accounts, Treasury cash voucher and other financial products of an initial duration of between three and 24 months;
- 0% of the outstanding balance of special savings accounts;
- 0% of the outstanding balance of any other deposits, regardless of the form with an initial or contracted duration exceeding 24 months; and
- 30% of the increase in the outstanding balance of consumer loans by reference to the outstanding balance of September 2012.

Reserve requirements are calculated based on the level of eligible liabilities at the end of the previous month. The items used to calculate the mandatory reserve requirements are extracted from the monthly accounts of banks for the relevant period.

Circular № 2014-14 of 10 November 2014 introduced a new liquidity ratio for Tunisian banks, inspired by the Basel III requirements. According to this circular, banks are required to maintain a liquidity ratio of: (a) 60% from 1 January 2015; (ii) 70% from 1 January 2016; (iii) 80% from 1 January 2017; (iv) 90% from 1 January 2018; and (v) 100% from 1 January 2019. This liquidity ratio is calculated by dividing the outstanding balance of liquid assets by total net cash outflows over the following 30 calendar days. Only assets, liabilities and off balance sheet commitments in Dinars are taken into account in calculating this liquidity ratio.

Capital Adequacy Ratios and Loan Classification

Tunisian banks currently follow the Basel I regime, and the move toward compliance with Basel II is in process. Full compliance with the Basel II regime will require significant investment by the banking sector and is unlikely to be achieved in the short term. Nevertheless, many aspects of Basel III are already implemented or in the process of implementation aiming to consolidate banking system financial foundation in terms of the level and quality of core funds as well as management of risks. Recent reforms include revising current liquidity ratio requirements to adopt the Basel III liquidity coverage ratio requirements. See "—*Mandatory Reserves and Minimum Liquidity Ratio*".

In 2012, the Bank issued Bank Circular № 2012-02, inviting Tunisian banks to implement collective provisions on their current loans and those classified as "class 1" at the end of 2011 in order to cover their latent risks mainly relating to rescheduled loans. Under Bank Circular № 91-24, loans classified as "class 1" are generally those with arrears of less than three months. These loans require special monitoring, but are not subject to individual provisioning requirements.

Circular № 91-24 of 17 December 1991, which related to the division of risks and coverage and commitments, was reformed by Bank Circular № 2012-09 of 29 June 2012 and introduced the following changes:

- increases of the minimum solvency ratio to 9% as at 31 December 2013 and to 10% as at 31 December 2014 and the implementation of a tier 1 ratio requirement of 6% for 2013 and 7% for 2014;
- extension of the rules relating to collective provisioning introduced in circular № 2012-02 and implementation of tier 2 capital requirement of up to 1.25% of risks weighted assets; and
- from 1 January 2013, a requirement for the banks to deduct participations they hold in other lending institutions from their reported net equity on an individual basis.

Banks are required to classify loans into four categories determined on the basis of delinquency. A loss provision must be taken for each category.

The following table sets forth the categories and corresponding reserve requirements:

Reserve Requirements

Delinquency	**Loan Loss Provision**[(1)]
0 to 90 days past due	0%
90 to 180 days past due	20%
180 to 360 days past due	50%
more than 360 days past due	100%

Note:

(1) Other factors may be considered in determining the amount of a loan loss provision, including the general financial situation of the borrower and the sector in which it operates.

In order to consolidate the financial soundness of Tunisian banks and to improve the coverage of non-performing loans, the Bank issued circular № 2013-21 of 30 December 2013, which requires credit institutions to create additional provisions in respect of assets.

As at 31 March 2014, the overall capital adequacy ratio of the Tunisian banking system was 9.4%, as compared to 8.9% as at 31 December 2013 and 11.8% as at 31 December 2012, as a result of stricter regulation on valuation of collateral, which was introduced in December 2013 and led to an increase in the NPLs provisioning ratio to 59.4% of total banking sector loans (as compared to 45.9% in 2012).

Banks in Tunisia are required to maintain a capital adequacy ratio, which was set at 9.0% as at 31 December 2013 and increased to 10.0% as at 31 December 2014. As at 30 June 2014, six banks (four of which were public banks) did not meet the 9% regulatory capital adequacy ratio requirement. Although the private banks and one public bank have since been recapitalised in order to comply with the 10% regulatory capital requirement, three public banks remain below the required minimum capital adequacy ratio. The recapitalisation of these public banks, *Banque de l'Habitat*, *Société Tunisienne des Banques* and *Banque Nationale Agricole en Tunisie,* has been delayed due to a lack of legislative authority to use the recapitalisation funds allocated in the 2014 budget, as well as threats from private shareholders to block bank recapitalisation. A total amount of TD 1 billion was allocated for the recapitalisation of public banks in the 2013 and 2014 Finance Laws and an additional amount of TD 300 million has been budgeted for the recapitalisation of *Banque Nationale Agricole en Tunisie* in the 2015 Finance Law. The terms of the recapitalisation of these public banks are under consideration by the boards of each bank and the relevant Government authorities. Any recapitalisation of *Banque de l'Habitat*, *Société Tunisienne des Banques* and *Banque Nationale Agricole en Tunisie* or in respect of the other public banks which may in the future be below the regulatory minimum capital adequacy ratio requirement may require public financing and could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt. The 2015 Finance Law provides for the creation of a fund dedicated to the restructuring and modernisation of the financial sector, the terms and functioning of which are currently being developed.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory change and may require further support*" and *"Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*".

Lending Limits

Bank Circular № 2012-09 of 29 June 2012 tightened the standard for risk concentration and division limits, as well as loan limits relating to related party loans. The circular provides that:

- from 31 December 2013, the ratio of risk division is: (i) less than or equal to three times net capital stock (where the total of risk weighted assets on beneficiaries whose risk weighted assets for each one of them are higher than or equal to 5% of net capital stock); and (ii) less than or equal to 1.5 times net capital stock (where the total of risk weighted assets on beneficiaries whose risk weighted assets for each one of them are higher than or equal to 15% of net capital stock); and

- from 31 December 2013, related party lending (within the meaning of the Banking Law) has been limited to less than or equal to 100% of net capital stock.

The maximum exposure to a single borrower may not exceed 25% of a bank's share capital.

Tunisian banks must submit a report to the Bank regarding its compliance with all prudential norms with its accounts on a quarterly basis.

Any failure to comply with a prudential standard is added with a 300% weighing to the total of risk weighted assets used for calculating the capital adequacy ratio. Moreover, a table of pecuniary fines according to the infringement with respect to prudential standards has been set form in circular № 91-24 of 17 December 1991.

Participation Limits

All financial institutions are subject to the same prudential regulations as banks. No more than 10% of their capital stock can be invested in another company and they cannot, either directly or indirectly, own more than 30% of the capital of another company. Banks are authorised to hold a participatory interest in a company in excess of 30% only if the aim of such participation is the pursuit of claims recovery.

Banks are authorised to hold participatory interests in financial companies without regard to the above limits.

Non-Performing Loans (NPLs) and Provisioning

The banking sector in Tunisia has historically experienced relatively high levels of NPLs. NPLs are measured in accordance with Bank Circular № 91-24, which prescribes rules for the classification of different categories of loans.

The Bank estimates the level of NPLs across the banking sector at approximately 15.9% of total banking sector loans as at 30 June 2014, as compared to 16.1% as at 31 December 2013. In addition, the Bank estimates that the provisioning ratio of all Tunisian banks for NPLs was approximately 59.4% of total banking sector loans as at 31 December 2013, significantly higher than in previous years (45.9% as at 31 December 2012 and 48.6% as at 31 December 2011) due to new provisioning rules introduced by the Bank under Bank Circular № 2013-12 to constitute additional provisions on assets with seniority in class 4 exceeding or equaling three years. As a result of these reforms, as well as prudential reforms regarding the level and quality of core funds and the risk management, the NPL coverage ratio is approximately 60% and is expected to rise to approximately 80% by 2018. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory change and may require further support*".

The Bank has been actively encouraging Tunisian banks to find ways to further reduce the level of NPLs and to further increase provisioning levels. See "*—Other Recent Laws and Regulations—Other Regulations*" below.

The high level of NPLs, however, remains an issue and there can be no assurance that the Tunisian banking sector will not need further support in 2015. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions and may require further support*".

In addition, the 2014 budget envisaged the creation of an asset management company ("**AMC**"). The law on the AMC, which is necessary to set up its legal and operational framework, is pending parliamentary approval. The aims of the AMC are to control asset quality in the banking industry and to remove NPLs in the tourism sector.

Foreign Exchange Exposure

The principal controls on foreign exchange exposure are that a single foreign exchange position may not exceed 10% of a bank's capital and reserves, and that the global foreign exchange position of a bank must not exceed 20% of its capital and reserves.

Savings Fostering

Interest rates for special savings accounts have been set freely since 1 April 2008, except that small savings accounts must not carry interest at less than a minimum of the money market rate minus 2%. In September 2011, the minimum rate applied on special savings accounts was set at 2% and there is an interest rate ceiling for demand deposits, which is also set at 2%.

The saving rate has been raised on a number of occasions since September 2011, to 2.75% in March 2013 (pursuant to Circular № 2013-04), to 3.25% in December 2013 (pursuant to Circular № 2013-08) and to 3.5% in May 2014 (pursuant to Circular № 2014-05), which has been in effect since July 2014.

Improving Claims Recovery

To improve legal recovery of banking claims, some articles of the Tunisian Civil Code and the Tunisian Code of Civil Procedure were modified by Law № 2002-82 of 3 August 2002. This reform sought to make legal procedures more flexible, particularly the procedure for carrying out judgments and foreclosing on real estate. Another modification of

this code was introduced by Law № 2005-79 of 4 August 2005 to adopt a more flexible reserve price system for real estate and to allow the court to take into consideration the relevant market situation in establishing values.

In addition, Law № 95-34 which relates to firms with financial difficulties in order to protect the interests of creditors of such firms, enable banks to be more involved in the restructuring process of firms facing financial difficulties, and dissuade bad debtors from using the law with the intention of avoiding judiciary recovery. As a result, there will not be any judiciary suspension of the recovery procedures in cases when the recovery operations would not damage the firm's ability to recover its business.

Reporting and Periodic Examinations

All banks, including foreign bank agents and branches operating in Tunisia, are required to comply with accounting principles and standards set by the Bank. They are required to prepare year-end financial statements, including a balance sheet, a cash flow statement and a profit and loss statement, as of 31 December of each year, and to submit the financial statements to their respective shareholders not later than six months after year-end. The balance sheet and profit and loss statements in the case of banks with listed shares must be published each year and semi-annually in a Tunisian newspaper and in the publication of the Capital Market Council. Banks with listed shares are also required to publish certain quarterly indicators, within 20 days following the end of the relevant quarter, also in a Tunisian newspaper and in the publication of the Capital Market Council. The auditors of each bank or foreign bank agent or branch must submit to the Bank a copy of their annual report on the financial statements.

The Bank is authorised to request at any time that any bank or foreign bank agent or branch submit to an external audit, and banks, foreign bank agents and branches must submit to the Bank all documents and information, explanations and calculations necessary to permit the Bank to examine their operations. All banks, foreign bank agents and branches are subject to annual audits by their statutory auditors, as well as on-site examinations by the Bank at least every two years. The Bank also reviews the financial situation of banks, foreign bank agents and branches on an ongoing basis through the review of provisional financial results and other information, including a declaration of the bank's liquidity ratio that must be delivered to the Bank monthly.

Transparency

Banks are subject to transparency rules that allow for direct and permanent access by customers to financial information, notably concerning banking conditions. Lending institutions are required to publish their loan and deposit conditions as well as the fee schedule for frequent customer transactions. These conditions are made available to the public by putting notices on notice boards and circulating leaflets to the public, stating the rates for transactions. These leaflets must be updated whenever any change is introduced and customers must be informed at least ten days prior to any change going into effect. Also, the service Quality Watch publishes the fees applied by each bank on its website. In addition, in Bank Circular № 2001-12 of 4 May 2001, the Bank introduced measures intended to increase corporate transparency by having banks require customers that hold more than TD 5 million in financial commitments to prepare financial statements certified by a legally-accredited auditor.

Law № 2003-75 on combating money laundering and the financing of terrorism was adopted on 10 December 2003 and was amended on 12 August 2009, in accordance with international and regional conventions relating to fighting criminal activities and terrorism. Under the provisions of this law, a commission called "*La Commission Tunisienne des Analyses Financiéres*" (The Tunisian Financial Intelligence Unit or "**TFIU**") was established as an independent body charged with dealing with unlawful financing. This commission includes a committee which is in charge of preparing general directives with a view to helping banking and non-banking financial institutions detect and report any suspicious transactions, as well as research into initiatives aimed at combating unlawful financial networks, financing of terrorism and money laundering. The TFIU also includes an operational committee which is in charge of the analysis of and reporting on suspicious transactions and the setting up and management of a database of natural and legal persons which may be connected to unlawful financial operations.

To further improve risk management, Law № 2005-96, relating to the security of financial relations was adopted on 18 October 2005 to establish good corporate governance through a better division of responsibilities between different corporate bodies and better transparency by supplying reliable and available financial information to the market.

In order to align the Tunisian regulatory mechanism to the Financial Action Task Force ("**FATF**") recommendations introduced in February 2012 and develop a new approach based on risk-based supervisions, Circular № 2013-15 of 7 November 2013 introduced the following to be implemented by all Tunisian banks:

- the requirement for each bank to involve its board of directors and support committees (*i.e.*, internal audit and risk committees) in establishing and monitoring AML and CFT systems;

- the introduction of new requirements to strengthen the internal control system (*i.e.*, logistics and procedures) to ensure the prevention of the risk of money laundering;

- the requirement to introduce distinct systems for regular and enhanced new customer due diligence for persons who have been entrusted with a prominent function (heads of state, members of governments, parliamentarians and senior administration officials, those who have worked or are working on behalf of an international organisation) and to strengthen certain vigilance on entities such as associations, political parties and fund transfer companies;

- the requirements to establish clear internal procedures to ensure the proper application and compliance with AML and CFT legal and regulatory requirements and the adoption of technical specifications to be met by any information system regarding AML and CFT systems;

- the requirement to add certain provisions for institutions that outsource their information systems; and

- the requirement to strengthen the control in the monitoring of the AML/CFT system on an ongoing and permanent basis.

External auditors of the banks are required to assess the AML and CFT internal control systems of the banks and to report their findings to the Bank.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Failure to adequately address actual and perceived risks of corruption may adversely affect Tunisia's economy and its ability to attract FDI*".

Liquidation

In case of a serious event, including a violation of Tunisian banking legislation, regulations or the conditions pursuant to which a bank's accreditation was granted, the accreditation of a bank may be revoked and the Minister of Economy and Finance, after obtaining the advice of the Bank, may appoint a liquidator and set the terms and schedule of the bank's liquidation. The liquidator is required to keep the Bank informed with regard to the progress of the liquidation process.

The Governor of the Bank may, if the situation appears to justify or require such action, call upon the shareholders of the troubled bank to provide it with the necessary financial support. The Governor may also call upon and organise the members of the banking community to take such measures as are necessary to protect deposit holders' interests, third party interests, and the general reputation of the industry.

As mentioned above, the Banking Law also instituted an ex-post funding and compulsory deposit guarantee mechanism in order to protect depositors and to favour banking system stability. The cost of reimbursement is covered, as needed, by ex-post contributions from other Tunisian banks.

If a bank fails to comply with banking regulations, the Bank may issue a warning to the management or board of directors of such bank. If justified by the situation, the Bank may also issue an order to the bank requiring it to increase its capital or to take certain reserves, or forbidding it to distribute dividends.

The Bank may appoint a provisional administrator with the power to manage the bank or to declare the termination of payments. Such appointment may be made at the request of a bank's administration if they feel they can no longer guarantee the proper functioning of the institution, or upon the initiative of the Bank.

Reforms in the Banking Sector

A number of initiatives aimed at improving the structure of the banking sector have been implemented. These measures include:

- the implementation of a public information registry in 2007 with the aim of improving the quality of information about the financial condition and commitments of customers, which is an important prerequisite for the ultimate Basel Accords;

- the improvement of the quality of banking services in accordance with international standards (Circular № 2006-12 relating to the quality of the banking services);

- the development of the use of electronic debit cards by retail customers, with the aim of every banking and postal account having an electronic debit card by 2009. As of the end of September 2014, 2.6 million payment

cards had been issued to approximately 12.6 million accounts in Tunisia (for both banking and postal accounts), as compared to 6.0 million accounts in 2013 and in 2012; and

- the further development of the financial markets and the insurance sector.

Further planned reforms for the banking sector include the introduction of certain amendments to the Banking Law, which is expected to include: (i) reinforcing the regulatory framework relating to approval conditions and procedures to access to the banking sector; (ii) reinforcing good governance rules; (iii) reviewing sanctions mechanisms; (iv) harmonising certain existing banking regulations; (v) establishing the regulatory framework for Islamic banking activity; and (vi) strengthening the regulatory framework relating to the external auditing of banks. A technical committee was set up to achieve the Banking Law in order to submit the final draft for the approval of the Government and the Chamber of the People's Deputies in March 2015. The reform of the Banking Law is expected to provide better convergence with international norms through the establishment of a harmonised and comprehensive regime of banking resolutions and the implementation of a deposits insurance scheme.

In order to enhance transparency, a new reporting system has been designed and a uniform bank performance reporting system (UBPR) has been developed to provide quarterly data on the banking market.

Other Laws and Regulations

Promulgation of the Code on providing Financial Services to Non-Residents

The code on providing financial services to non-residents (Law № 2009-94 of 12 August 2009) regulates financial and banking services provided by non-resident companies set up in Tunisia and was mainly intended to fill a regulatory gap. It was designed to provide a suitable framework for financial transactions among non-residents, to provide new financial tools to meet the needs and expectations of foreign investors, to introduce new supervisory tools and to promote Tunisia as a financial centre globally.

The code provides for the authorisation of financial products and services as well as certain other relevant activities with respect to non-resident private individuals or legal entities. Non-resident financial service providers may in some cases and under certain conditions provide their services to resident individuals subject to applicable exchange and foreign trade rules, unless the code provides an exemption from such rules.

The goal of the code was to create transparency and credibility in financial transactions in line with international standards.

Other Regulations

In 2011, the Bank issued Bank Circular № 2011-06 relating to governance rules for banks, which covers (i) the strengthening of the role of the board of directors with responsibilities for setting the development strategy of banks as well as assisting and supervising the management, (ii) the appointment of two independent directors and another director representing the interests of minority shareholders, (iii) the establishment of three mandatory committees (internal audit permanent committee, risk management committee and the executive committee of credits), and (iv) the development by the board of directors of a Code of Ethics, Conflicts of Interest Policy for Management, as well as Communication Policies.

TAXATION

Tunisian Taxation

*The following is a summary of the principal Tunisian tax consequences of ownership of the Notes by beneficial owners who or which are not incorporated in or residents of The Republic of Tunisia for Tunisian tax purposes and do not conduct business activities in The Republic of Tunisia ("**Non-Tunisian Holders**"). This summary does not purport to consider all of the possible Tunisian tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary does not include any description of the tax laws of any state, local or foreign governments (other than The Republic of Tunisia) that may be applicable to the Notes or the holders thereof.*

Persons considering an investment in the Notes should consult their own tax advisers concerning the application of Tunisian tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Payments of principal and interest on the Notes by The Republic of Tunisia to Non-Tunisian Holders will not be subject to Tunisian withholding tax. However, if any such withholding or any deduction for or on account of taxation is required by law in the future, the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except in certain limited circumstances described in "*Terms and Condition of the Notes—Taxation*".

Payments of principal and interest on the Notes by The Republic of Tunisia to Non-Tunisian Holders will not be subject to Tunisian income taxes in The Republic of Tunisia. Furthermore, Non-Tunisian Holders are not subject to Tunisian tax on any capital gains derived from a sale of the Notes. No Tunisian stamp duty will be imposed on Non-Tunisian Holders either upon the issuance of the Notes or upon a subsequent transfer of the Notes.

Certain U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below) that acquires the Note in this Offering from the Initial Purchasers at a price equal to the issue price (as defined below) of the Notes and holds it as a capital asset. The following summary is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the "**IRS**") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. tax consequences of purchasing, owning or disposing of the Notes.

This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, but not limited to, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, real estate investment trusts, insurance companies, tax-deferred or other retirement accounts, U.S. Holders that will hold the Notes as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax or the Medicare tax on net investment income, U.S. Holders whose functional currency is the U.S. Dollar, investors holding the Notes in connection with a trade or business conducted outside of the United States and certain U.S. expatriates. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of the Notes under any other U.S. federal tax laws (including, but not limited to, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

The summary of the U.S. federal income tax consequences set out below is for general information only and is not tax advice with respect to any specific investor. Prospective investors should consult their own tax advisers as to the particular tax consequences to them of the acquisition, ownership and disposition of the Notes, including the applicability and effect of state, local, non-U.S. and other tax laws and possible changes in tax law.

As used herein, the term "U.S. Holder" means a beneficial owner of the Notes that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation created or organised in or

under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (x) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Therefore, a beneficial owner of a Note that is a partnership, and partners in such partnership, should consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes.

Payments of interest

Payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income on the Notes generally will constitute income from sources outside the United States for U.S. federal income tax purposes.

Sale, exchange, redemption or other disposition of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of the Notes, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (*i.e.,* the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which will be taxable as ordinary income to the extent not previously included in income)) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in the Notes generally will equal the amount paid for the Notes reduced by the pre-issuance accrued stated interest such holder previously received. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of the Notes will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of the Notes generally will be U.S. source. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, payments of principal, interest on, and the proceeds of the sale, exchange or other taxable disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information reporting and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of the Notes.

Specified foreign financial assets

Certain United States persons that own "specified foreign financial assets," including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year. The new reporting requirement applies to individuals and, if specified by the IRS, domestic entities formed or availed of for the purpose of holding, directly or indirectly, specified foreign financial assets. The Notes may be treated as specified foreign financial assets, and investors may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to an investor subject to the new reporting requirement that fails to file information reports. Each prospective investor that is a United States person should consult its own tax advisor regarding the new information reporting obligation.

EU Directive on the Taxation of Savings Income

Under the EU Savings Directive, EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain types of entity established, in that other EU Member State. However, for a transitional period, Austria will (unless during that period it elects otherwise) instead operate a withholding system in relation to such payments. The current rate of withholding under the EU Savings Directive is

35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures to the EU Savings Directive.

The Council of the EU has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

SUBSCRIPTION AND SALE

Each of Citigroup Global Markets Limited, J.P. Morgan Securities plc and Natixis Securities Americas LLC (collectively, the "**Joint Lead Managers**") has, pursuant to a subscription agreement entered into by them with the Issuer and dated 29 January 2015 (the "**Subscription Agreement**"), severally (but not jointly) agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the principal amount of Notes set out opposite its name in the table below at the issue price of 99.065% of the principal amount of Notes, less a management and underwriting commission.

Joint Lead Manager	**Principal Amount**
	(U.S.$)
Citigroup Global Markets Limited	333,333,333.34
J.P. Morgan Securities plc	333,333,333.33
Natixis Securities Americas LLC	333,333,333.33

The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities (including liabilities under the Securities Act) incurred in connection with the issue of the Notes. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated by the Joint Lead Managers in certain circumstances prior to payment of the net subscription money in respect of the Notes to the Issuer.

To the extent that the Joint Lead Managers (who are not themselves U.S. registered broker-dealers) intend to effect any sales of the Notes in the United States, they will do so through their respective selling agents or through one or more U.S. registered broker-dealers or as otherwise permitted by applicable U.S. law.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Lead Managers have agreed, severally (but not jointly), to offer the Notes for resale in the United States initially only (1) to persons they reasonably believe to be QIBs purchasing for their own account or for the account of a QIB in reliance on Rule 144A or (2) outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold by the Joint Lead Managers outside the United States in accordance with Regulation S. The Subscription Agreement provides that the Joint Lead Managers may (through their respective U.S. affiliates if such Joint Lead Manager(s) are not U.S. registered broker-dealer(s)) resell a portion of the Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that it has complied and will comply with all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Republic of Tunisia

The Notes have not been and will not be registered or offered within The Republic of Tunisia. Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not be offering, selling or delivering, directly or indirectly, any Notes within The Republic of Tunisia except in compliance with all applicable laws and regulations of The Republic of Tunisia.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

General

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

The Bank and The Republic of Tunisia have each obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Bank's Board passed on 26 November 2014, approved by Decree № 2014-4569 dated 31 December 2014 and published in the *Official Gazette* on 13 January 2015 and amended by a resolution of the Bank's Board passed on 27 January 2015 and approved by a decree dated 29 January 2015.

Listing and Admission to Trading

Application has been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List and for admission to trading of the Notes on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC), as amended.

The total expenses related to the admission to trading of the Notes are approximately €11,250.

No Significant Change

Except as disclosed under "*Risk Factors*", "*The Republic of Tunisia*", "*The Tunisian Economy*", "*Foreign Trade and Balance of Payments*", "*Public Finance*" and "*Public Debt*", there has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of The Republic of Tunisia since 31 December 2013.

Litigation

Neither the Bank nor The Republic of Tunisia is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank or The Republic of Tunisia is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position of the Bank and/or The Republic of Tunisia.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 117522369 and ISIN XS1175223699. The Restricted Global Notes have been accepted for clearance through DTC and their CUSIP number is 066716 AH4, their ISIN is US066716AH49 and the applicable Common Code is 117810712. The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium, the address of Clearstream, Luxembourg is Avenue J.F. Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, NY, 10041, USA.

Third-Party Information

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Documents Available for Inspection

From the date of this Prospectus and for so long as any Note remains outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent:

- the Fiscal Agency Agreement, which includes the forms of the Global Notes;
- the Deed of Covenant;
- a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;

- a copy of the annual budget of The Republic of Tunisia for the then current, and two previous, fiscal years; and
- a copy of the financial statements and accompanying auditors' report of the Bank for the then current, and two previous, fiscal years.

In addition, this Prospectus will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Joint Lead Managers Transacting with the Bank and/or The Republic of Tunisia

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Bank and/or The Republic of Tunisia and their affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank and/or The Republic of Tunisia or their respective affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Bank and/or The Republic of Tunisia routinely hedge their credit exposure to the Bank and/or The Republic of Tunisia consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Interested Persons

No person involved in the offering of the Notes has any interest in such offering which is material to such offering.

Yield

The initial yield in relation to the Notes is 5.875%, calculated on an annual basis. This is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

ISSUER

Banque Centrale de Tunisie
acting on behalf of The Republic of Tunisia

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GLOBAL CO-ORDINATOR

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JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

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LEGAL ADVISERS TO THE BANK AND THE REPUBLIC OF TUNISIA

As to Tunisian law

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As to English and U.S. law

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As to Tunisian law

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As to English and U.S. law

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