PROSPECTUS

BANQUE CENTRALE DE TUNISIE
acting on behalf of
THE REPUBLIC OF TUNISIA
U.S.$500,000,000 2.50% Notes due 2017

Issue Price: 100%

The U.S.$500,000,000 2.50% notes due 2017 (the "**Notes**") are being issued by *Banque Centrale de Tunisie* (the "**Bank**") acting on behalf of The Republic of Tunisia. The Bank will pay interest on the Notes annually in arrear on 18 April in each year, commencing on 18 April 2013. 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 Notes mature on 18 April 2017. The Notes will constitute unsecured obligations of The Republic of Tunisia and shall at all times rank *pari passu* and without any preference amongst themselves. See "*Terms and Conditions of the Notes — Status*".

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 by Directive 2010/73/EU (the "**Prospectus Directive**"), and application has been made to the Luxembourg Stock Exchange (the "**LSE**") to admit the Notes to the official list of the LSE (the "**Official List**") for trading on the LSE's regulated market. 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 admitted to the Official List and admitted to trading on the LSE's regulated market. The LSE'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 have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Notes will be represented by beneficial interests in a global note (the "**Global Certificate**") in registered form without interest coupons attached, which will be registered in the name of a nominee for, and will be deposited on 18 April 2012 with a common depositary for, and in respect of interests held through, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. Except as set out in "*Summary of Provisions relating to the Notes while in Global Form*", certificates will not be issued in exchange for beneficial interests in the Global Certificate.

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.

JOINT LEAD MANAGERS

QNB Capital **Standard Chartered Bank**

Prospectus dated 16 April 2012

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 Bank 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 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 Bank, The Republic of Tunisia 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 Bank, 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 Bank, The Republic of Tunisia 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 Bank 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 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 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 a Joint Lead Manager or on its behalf in connection with the Bank, The Republic of Tunisia or the issue and offering of the Notes. Each Joint Lead Manager 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 Agent and the Transfer Agents referred to herein make no representation regarding this Prospectus or the Notes.

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 "**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 presents the average annual exchange rate of the dinar against U.S. dollars in each of the years indicated.

	Average Annual Exchange Rates[1]				
	2007	**2008**	**2009**	**2010**	**2011**
	(TD per unit of currency unless otherwise indicated)				
USD............................	1.2799	1.2309	1.3494	1.4319	1.4079
JPY[2]...........................	10.8007	11.9204	14.4033	16.2407	17.5099
EUR............................	1.7519	1.8051	1.8787	1.8972	1.9582

(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 11 April 2012, the closing U.S. dollar/Tunisian dinar rate of exchange as reported by the Bank was TD1.5060 = U.S.$1.00, the closing Japanese yen/Tunisian dinar rate of exchange as reported by the Bank was TD18.6418 = JPY1,000 and the closing Euro/Tunisian dinar rate of exchange as reported by the Bank was TD1.9766 = EUR1.00.

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 its behalf 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 Bank, acting on behalf of The Republic of Tunisia, has 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 Bank, acting on behalf of The Republic of Tunisia, has also irrevocably waived any objection which it 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 any other proceedings and excludes from its scope certain diplomatic, military and other Government properties.

The submission to jurisdiction and the waivers described above are effective against The Republic of Tunisia. If any Noteholder wishes to bring any Proceedings, it must therefore 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 Tunisia of foreign judgments without reexamining 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.

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 Bank 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 Issuer 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 Tunisia's trading partners, in particular a further economic slowdown in the European Union, which accounted for an estimated 65.6% of Tunisian exports in 2011; 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, 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
  - continuing political and socio-economic unrest in 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 youth unemployment, poverty among parts of the population as well as significant existing regional disparities in wealth within 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, investment in emerging markets 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. 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. Emerging markets can also experience significant governance challenges, such as more instances of corruption and misuse of public funds than more mature markets, which could affect the ability of governments and their instrumentalities, such as The Republic of Tunisia, to meet their obligations *vis-à-vis* investors.

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 and recent developments in Iran's nuclear programme. In addition, some 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.

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. Investors should also note that emerging markets can also be subject to rapid change.

Risks relating to The Republic of Tunisia

Tunisia has faced significant political unrest since December 2010

Tunisia experienced an intensive campaign of civil resistance in December 2010. The demonstrations were precipitated by high unemployment, corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions and led, following several weeks of street protests, 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 (the "**14 January 2011 Revolution**").

Despite successful elections being held on 23 October 2011, which saw the moderate Islamic party Ennahda win 89 of the 217 seats in the National Constituent Assembly, the new Government continues to face significant socio-economic and political challenges as well as risk a higher degree of social instability and insecurity that often accompanies transitions to democracy. These and other incidents of social and political unrest and violence in Tunisia and the region have had a significant adverse effect on the Tunisian economy. Political unrest and, in some cases, violence have spread throughout the Middle East and North Africa since the 14 January 2011 Revolution and there can be no assurance that further incidents of political instability, protests or violence (including terrorist attacks) will not directly or indirectly affect Tunisia and its economy, which depends to a significant extent on the tourism industry.

These and other incidents of social and political unrest and violence in Tunisia and the region have had a significant adverse effect on the Tunisian economy.

The Tunisian economy has faced significant challenges in 2011, which has put increasing pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits

14 January 2011 Revolution

While the 14 January 2011 Revolution may offer improved prospects for medium- and long-term growth as a result of improved governance, it 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, at the domestic level, has had to grapple with growing insecurity, social tensions and, over the course of 2011, significant decreases in both tourism revenue and foreign direct investment, each of which are estimated to have declined by around a third compared to 2010. The relative increase in country risk in 2011 also had a negative impact on the ability to obtain funding for projects and companies in Tunisia from international lenders.

In 2011, 182 foreign companies left Tunisia, and only 148 foreign firms newly entered the country. Tunisia will therefore need to attract new investors and reassure them over security concerns in order to attract more foreign direct investment in 2012 and beyond. This will be crucial for Tunisia to be able to finance its growing current account deficit of 7.4% in 2011 (up from 4.8% at the end of 2010).

Commodity price increases and the Libyan crisis, whose impact on foreign trade is estimated by the Government at 6% of Tunisian exports in 2011 (in addition to the decline in remittances and declining foreign direct investment from Libya), were additional handicaps for the Tunisian economy in 2011.

Production in the mining sector declined by 55.3% in 2011, and the Tunisian Ministry of Finance estimates that the 14 January 2011 Revolution has caused a shortfall in revenue to the Government of TD 3.0 billion. Tunisia's regular exports of textiles, mechanical and electrical goods have also seen marked declines. A decline in industrial production of 7.2% in 2011 compared to 2010 combined with a decline in domestic demand resulted in a 3.3% decline in GDP in the first quarter of 2011 and a 0.5% decline in GDP in the second quarter of 2011. Overall, the Tunisian economy is estimated to have shrunk by 1.8% in 2011. Partly due the lingering effects of the factors described above, the Government has recently cut its forecast for real GDP growth in 2012 by one percentage point, to 3.5%. This revised GDP forecast was one of the key underlying assumptions on which the Government's budget for

2012 is based. However, any of the factors described above as well as additional risks and uncertainties, including continuing political and socio-economic unrest or a further economic slowdown in the European Union ("**EU**") (which accounted for an estimated 65.6% of Tunisian exports in 2011), could cause actual GDP growth in 2012 to be significantly lower than currently forecast by the Government.

Oil price vulnerability

In addition, the 2012 budget is based on the assumption that global oil prices will average U.S.$100 per barrel of Brent crude oil in 2012 compared to actual average oil prices of around U.S.$118 per barrel of Brent crude oil during the first quarter of 2012. With elevated average prices, the new interim Government has maintained high subsidies on oil products, resulting in a 64.5% increase in subsidies as of the end of 2011, which accounted for approximately 4.5% of GDP. Higher-than-expected international oil prices represent a significant risk of a further increase in the budget deficit in 2012, as every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 280 million for the budget.

Proposed increases in public spending

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 2012 budget and the preservation of high levels of subsidies on food products, the Government budget deficit may significantly increase above the 6.6% of GDP currently forecast in the 2012 budget (compared to an estimated 3.7% for 2011 and 1.1% for 2010).

Other

Further factors that may limit Tunisia's future economic growth include financing constraints that limit budgetary capacity, a lack of progress in improving public financial management and the quality of spending, and ambitious infrastructure programmes that may not yield expected economic benefits if complementary policies such as improvements in the business climate and governance fail to materialise.

Should the Tunisian economy fail to overcome these challenges and to achieve sustained economic growth, this may put pressure on Tunisia's foreign currency reserves.

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

The banking sector in Tunisia has historically experienced relatively high levels of non-performing loans ("**NPLs**"). The Bank estimates the current level of NPLs across the banking sector at approximately 13%, with significantly higher levels experienced during prior years. In addition, the provisioning level by Tunisian banks stood at 57.9% as at 31 December 2011, below the 70% level targeted by the Bank.

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 first three months of the year).

The Bank provided support to the banking sector in a number of ways during 2011, such as lowering its mandatory reserve requirements from 12% to 2%, reducing its key rate from 4.5% to 3.5% and increasing both the amounts and maturities of discretionary monetary operations in 2011. See "*The Bank and The Banking System — Discretionary Monetary Operations*". The country's foreign currency reserves also fell significantly during 2011, as a result of a relatively high and increasing trade deficit and the repayment of significant external debt in 2011, from U.S.$9.1 billion as at 31 December 2010 to U.S.$7.1 billion as at 31 December 2011.

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.

As a result of the foregoing, there can be no assurance that the Tunisian banking sector will not need further support during 2012 and thereafter. Assistance may be required to be provided in a number of different ways, including, in more pronounced cases, the making of capital injections into banks which 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 currently five state-owned banks in the Tunisian banking sector, which controlled approximately 38% of total bank assets as at 31 December 2011.

The Tunisian economy may therefore be adversely affected by any deterioration in the Tunisian banking sector and/or as a result of any further support required to be provided by the Government to the sector.

Tunisia faces significant socio-economic challenges, including high youth unemployment as well as significant regional disparities

Tunisia faces a number of significant socio-economic challenges, including high levels of youth unemployment, particularly among youth with graduate degrees, significant regional inequities and governance problems. These challenges, which triggered the 14 January 2011 Revolution, remain and will have to be addressed urgently by the interim Government.

A number of government programmes implemented over the years have not yet reversed the structural causes of unemployment, especially among university graduates. While the overall unemployment rate has remained relatively steady above 14%, unemployment for the educated youth has increased significantly over the last two decades and reached an estimated 30.5% in 2011. The upward trend in the unemployment of university graduates is the consequence of a growing young population, high throughput in universities, mismatch in the demand and supply of skilled workers, and sometimes insufficient quality of training received by many graduates in some areas. In 2011, the average national unemployment rate rose to an estimated 18.9% from an estimated 13% at the end of 2010. The 14 January 2011 Revolution as well as the crisis in Libya, which led to the return 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 was at the core of the social unrest in the cities of Sidi Bouzid, Kasserine and Thala in the Mid-East region. As a whole, the East Coast of the country is better off than regions in the West and South. Population and economic activities in Tunisia are mainly concentrated in the North East (governorate of Tunis) and the Mid-East (governorate of Sfax) with the coastal region accounting for approximately 75% of non-agricultural jobs. As a result, there is significant variation in average consumption levels and in poverty across regions.

Historically, the poorest regions of Tunisia may not have received sufficient attention by past Governments, with coastal areas receiving approximately 65% of public investment over the last decade. As a result, the Mid-West is the poorest region in terms of public services (health and education), as reflected in the number of inhabitants per pediatrician and youth illiteracy rate. To secure social peace, one of the major challenges for Tunisia's new Government will be to reduce regional inequalities.

Should Tunisia's Government fail to successfully address these and other socio-economic challenges quickly, this may lead to renewed social and political unrest, which could have a material adverse effect on Tunisia's economy.

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

The incidence and perception of elevated levels of corruption remains a significant issue in Tunisia as in many other emerging market jurisdictions. Tunisia's financial sector, in particular, has historically been plagued by serious allegations of corruption and financial mismanagement.

Tunisia was ranked 73 out of 183 countries in Transparency International's 2011 Corruption Perceptions Index, compared to 59 out of 178 in 2010. Tunisia's score in the 2011 index was 3.8 (with 1 the most corrupt and 10 the least corrupt).

Failure to address continued corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Tunisia could have an adverse effect on the economy and may have a negative effect on Tunisia's ability to attract foreign investment and could lead to further political instability.

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

Any significant future borrowings, including the issuance of further domestic debt to finance Tunisia's fiscal deficits and the issuance of external debt on local and foreign capital markets, could increase the risk of external debt distress. External Government debt decreased from 25.1% of GDP in 2009 to 24.6% of GDP in 2010, but increased to 27.9% of GDP in 2012. Relatively high levels of indebtedness through continued borrowing or decreasing GDP may negatively impact The Republic of Tunisia's credit rating or may impair The Republic of Tunisia's ability to service the Notes.

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

The Republic of Tunisia expects to rely on multilateral and bilateral support to face a significant portion of its public and external financing requirements over 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.

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

The Republic of Tunisia is a sovereign state, and the Bank is an instrumentality of the state acting on its behalf for 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 or the Bank in the English courts or the courts of any other country. In connection with the offering to which this Prospectus relates, the Bank, acting on behalf of 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 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 Bank, acting on behalf of 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, 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 any other proceedings and excludes from its scope certain diplomatic, military and other Government properties. 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*".

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 produce statistics relating to Tunisia and its economy. Since 2001, Tunisia adheres to the General Data Dissemination Standards prepared by the International Monetary Fund. However, these statistics may be less reliable, more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be 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 from source to source. There can be no assurance that the statistics published by Tunisia are as accurate or as reliable as those published by more developed countries.

Risks relating to the Notes

The Notes may be adversely affected by events in other emerging markets, including those in other countries in the Middle East or Northern Africa

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Tunisia, adversely affect the Tunisian economy or adversely affect the trading price of the Notes. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Tunisian economy remains relatively stable, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Government or private sector borrowers.

The disruptions experienced during recent 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.

Adverse developments in other countries in the Middle East or Northern Africa, in particular, may have a negative impact on Tunisia if investors perceive risk that such developments will adversely affect Tunisia or that similar adverse developments may occur in Tunisia. Risks associated with the Middle East and Northern Africa include political uncertainty, civil unrest and conflict, corruption and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data. See also "*– Risks relating to The Republic of Tunisia*".

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

EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. A number of third countries and territories including Switzerland have adopted similar measures to the EU Savings Directive.

If a payment to an individual 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, none of the Bank, The Republic of Tunisia, 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.

There may be no trading market for the Notes

Application has been made to the LSE to admit the Notes to the official list of the LSE and for trading on the LSE's regulated market. However, there will not be an established trading market for the Notes when issued and one may never develop. In addition, all Notes are expected to be placed with a single strategic investor. See "*Subscription and Sale*". If such investor subsequently decides to sell any Notes and a market in the Notes does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of the Notes.

Any market which develops for the Notes will be influenced by economic and market conditions in Tunisia and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, EU member states and elsewhere. Events in Tunisia, in its neighbouring countries or elsewhere may cause market volatility, which will adversely affect the liquidity of and the price of the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of The Republic of Tunisia.

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

The Bank 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 (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities 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

As of the date of this Prospectus, Moody's, Standard & Poor's and Fitch rate The Republic of Tunisia's long-term foreign currency sovereign debt as Baa3 (negative), BBB– (negative) and BBB– (negative), respectively. Neither the Bank nor The Republic of Tunisia can be certain 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 judgment, circumstances in the future so warrant. Neither the Bank nor The Republic of Tunisia has any obligation to inform Noteholders of any such revision, downgrade or withdrawal. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Credit ratings included or referred to in the Prospectus have been issued by Moody's, Standard & Poor's and Fitch, each of which is established or has offices established in the EU and is (or has its EU based office) registered under Regulation (EC) No. 1060/2009, as amended by Regulation (EU) No. 513/2011. Each of these rating agencies is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.

THE OFFERING

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole. This overview does not contain all the information which investors may consider important in making their investment decision. Therefore, investors should read this entire Prospectus carefully, including, in particular, the section entitled "*Risk Factors*".

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 the Bank 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.$500,000,000 2.50% Notes due 2017
Issue Price:	100%
Issue Date:	18 April 2012
Joint Lead Managers:	QNB Capital LLC Standard Chartered Bank
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Maturity:	Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount together with accrued interest on 18 April 2017.
Interest:	The Notes will bear interest from and including 18 April 2012. Interest on the Notes will be payable annually in arrear on 18 April in each year, commencing on 18 April 2013. The Notes will bear interest at a rate of 2.50% per annum.
Optional Redemption:	There will be no optional redemption of the Notes by the Issuer or any Noteholder prior to their maturity on 18 April 2017.
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:	For a description of the events that will

	permit the Notes to become immediately due and payable at their principal amount together with accrued interest, *see* "*Terms and Conditions of the Notes – Events of Default*".
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.
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 of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Listing and admission to trading:	Application has been made to have the Notes admitted to the official list of the LSE and to trading on the LSE'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.

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 be represented on issue by a Global Certificate which will be deposited with, and registered in the name of a nominee of, the Common Depositary for Euroclear and Clearstream, Luxembourg. The Global Certificate will be exchangeable for registered certificates in definitive form only upon the occurrence of limited circumstances set out in that Global Certificate.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and, subject in certain exceptions, may not be offered or sold within the United States. In addition, there are restrictions on the offer, sale and transfer of the Notes in The Republic of Tunisia, Qatar and the United Kingdom. See "*Subscription and Sale*".
Use of Proceeds:	The Republic of Tunisia intends to use the proceeds of the issue of the Notes for its general budgetary purposes.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*".
Ratings:	The Notes will not be rated.
ISIN:	XS0773212179
Common Code:	077321217

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 (as defined below) issued in respect of the Notes.

The issue of the Notes was authorised by a resolution of the Board of Banque Centrale de Tunisie, which was passed on 21 March 2012 and was published by Decree No. 2012-128 on 5 April 2012. A fiscal agency agreement dated 18 April 2012 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer (as defined below), Deutsche Bank AG, London Branch as fiscal agent and the agents named therein. The Notes have the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 18 April 2012 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 form 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 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.

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 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.

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).

Except in the limited circumstances described under "Summary of Provisions relating to the Notes while in Global Form - Exchange", owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the procedures described above.

(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 No. 58-90 of 19 September 1958, the "**Organisation Law**"), to act on behalf of The Republic of Tunisia in the raising of funds. The Notes therefore 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 payment obligations 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.

4 Negative Pledge

The Issuer undertakes that, so long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), neither The Republic of Tunisia nor Banque Centrale de Tunisie will create or permit to be created or to subsist any Encumbrance (as defined below) over any of their respective present or future undertakings, assets or revenues to secure External Indebtedness (as defined below) of The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, other than:

(a) any Encumbrance arising in the ordinary course of banking transactions and securing any such External Indebtedness maturing not more than one year after the date on which it is originally incurred;

(b) any Encumbrance created, at the time of purchase, on any asset purchased after 16 April 2012, provided that such Encumbrance is created solely and exclusively to secure the due payment of the purchase price of such asset; or

(c) any Encumbrance created on revenues arising solely and exclusively from any asset acquired or constructed after 16 April 2012, provided that such Encumbrance is created solely and exclusively to secure the due payment of financing contracted solely and exclusively for the acquisition or construction of such asset,

unless the Notes shall also be secured by such Encumbrance equally and rateably with the External Indebtedness so secured, or as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

For the purposes of the foregoing:

"**Encumbrance**" means any mortgage, pledge, hypothecation, assignment, lien (statutory or other), charge, encumbrance, preference, security interest or any deposit, preferential right or trust arrangement or any other arrangement or agreement concerning a priority of payment in respect of any obligation of any person having the practical effect of any of the foregoing, provided it corresponds to the grant of security, and shall include the interest of a vendor or lessor under any conditional sale agreement, capitalised lease or other title retention agreement and any financing lease having substantially the same effect as any of the foregoing;

"**External Indebtedness**" means any Indebtedness of The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, which is or, at the option of the holder of such Indebtedness, may be payable in a currency other than the lawful currency of The Republic of Tunisia; and

"**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.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 18 April 2012 at the rate of 2.50% per annum, payable annually in arrear in equal instalments of U.S.$25.00 per Calculation Amount (as defined below) on 18 April in each year (each an "**Interest Payment Date**") commencing on 18 April 2013. 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 18 April 2012 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 18 April 2017.

(b) **Purchase:** Banque Centrale de Tunisie (acting in any capacity) and/or 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 Banque Centrale de Tunisie or The Republic of Tunisia (as the case may be), 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 (as the case may be), shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a).

(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 and (iv) 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 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 14 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 External Indebtedness of either The Republic of Tunisia and/or Banque Centrale de Tunisie, as the case may be, accelerate such External Indebtedness or declare such 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 External Indebtedness when due (after the expiry of any originally applicable grace period) or any guarantee of any 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 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.$20,000,000 (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 declares that it is unable to pay its debts as they fall due or enters into any arrangement or composition with or for the benefit of its creditors or declares or imposes a moratorium on the payment of 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 (iii) proceedings shall be instituted to wind up or dissolve Banque Centrale de Tunisie; or

(i) for any reason whatsoever the obligations of The Republic of Tunisia under the Notes are declared to be no longer binding on, or enforceable against, The Republic of Tunisia,

then (x) the holder of any Note then outstanding may, by written notice given to the Issuer at the specified office of the Fiscal Agent, declare such Note to be due and payable and such Note shall accordingly become immediately repayable at its principal amount together with accrued interest without further formality and (y) the Fiscal Agent shall, upon receipt of written requests to the Issuer at the specified office of the Fiscal Agent from Noteholders of not less than 25% in aggregate principal amount of the Notes then outstanding, declare all the Notes due and payable, at their principal amount together with accrued interest, without further formality (any such declaration, a "**Default Declaration**"). Upon a Default Declaration by the Fiscal Agent, the Fiscal Agent shall give notice thereof to the Issuer and to the Noteholders in accordance with Condition 14.

If the Issuer receives notice in writing from Noteholders of at least 50% in aggregate principal amount of the Notes then outstanding 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 relevant 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, and Modification

(a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or the provisions of the Fiscal Agency Agreement. Such a meeting may be convened by Noteholders holding not less than 10% in principal amount of the Notes for the time being outstanding.

The quorum for any meeting convened to consider an Extraordinary Resolution will be at least one person holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting at least one person holding or representing not less than 25% in principal amount of the Notes for the time being outstanding, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel any portion of the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to change the law governing the Notes and/or the Fiscal Agency Agreement, (v) to change the identity of any person obligated under the Notes or to release, in whole or in part, any such person, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or (vii) to modify the provisions summarised in this paragraph, in which case the necessary quorum will be (including at an adjourned meeting) at least one person holding or representing not less than 66 2/3%, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Fiscal Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

13 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. 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.

14 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 shall also be given (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

15 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.

16 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.

17 Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement 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 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 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.

(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 17(b) and its waivers as provided in Conditions 17(b) and 17(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.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by the Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). 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 represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2(b) may only be made in part:

i. if the relevant 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; or

ii. upon or following any failure to pay principal in respect of any Notes when it is due and payable; or

iii. with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the registered holder has given the Registrar not less than 30 days’ notice at its specified office of the registered holder’s intention to effect such transfer.

4 Amendment to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

(a) **Payments:** All payments in respect of Notes represented by the Global Certificate 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 Monday to Friday inclusive except 25 December and 1 January.

(b) **Meetings:** For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each U.S.$1,000 of the Notes.

(c) **Events of Default:** If principal in respect of any Note is not paid when due, the holder of a Note represented by the Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 18 April 2012 to come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay has occurred in favour of the persons entitled to such payment as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion.

5 Notices

So long as any Notes are evidenced by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System:

i. notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for sending by mail as required by Condition 14 (Notices) of the Notes. Any such notice shall be deemed to have been given to the Noteholders on the third day after the day on which such notice is delivered to Euroclear, Clearstream, Luxembourg or an Alternative Clearing System as aforesaid. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation; and

ii. notices to be given by any Noteholder may be given by such Noteholder through Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as applicable) and otherwise as the Registrar and Euroclear, Clearstream, Luxembourg or such Alternative Clearing System may approve for this purpose.

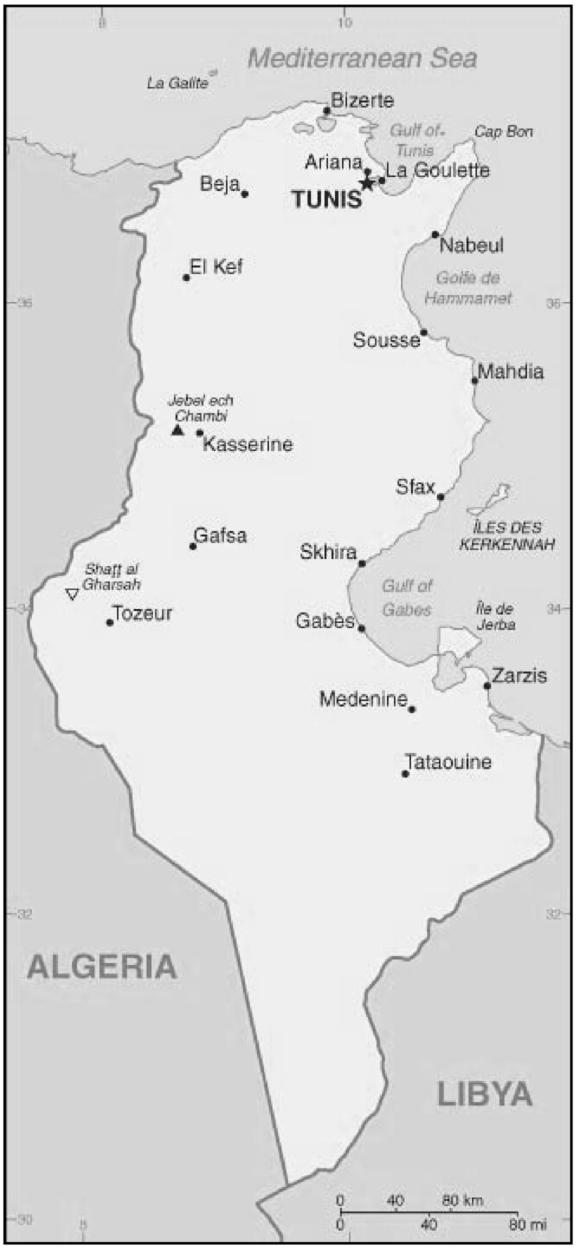
USE OF PROCEEDS

The Republic of Tunisia intends to use the proceeds of the issue of the Notes, which will amount to U.S.$500,000,000, 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. Tunisia includes the easternmost ridges of the Atlas mountains and has a relatively mountainous northern region. However, most of Tunisia is low lying and bordered by a long Mediterranean coastline. Tunisia's capital city is Tunis.



Population

The rate of population growth in Tunisia is one of the lowest in the Arab world and is slowing. From 2001 to 2011, the population grew at an average annual rate of 1.1%, compared with 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 10.2 million in 2007, 10.3 million in 2008, 10.4 million in 2009, 10.5 million in 2010 and 10.7 million in 2011. The four largest cities in Tunisia are the capital Tunis, Sfax, Nabeul and Sousse, with approximately 1 million, 0.9 million, 0.8 million and 0.6 million inhabitants, respectively, in 2011.

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 of the Republic. On 7 November 1987, his Head of Government, Mr. Zine El Abidine Ben Ali, became interim President of the Republic. He was elected President on 2 April 1989 and subsequently re-elected in March 1994, October 1999, October 2004 and October 2009. The presidential elections are by direct, free universal suffrage, by secret ballots.

Tunisia experienced an intensive campaign of civil resistance in December 2010. The demonstrations were precipitated by widespread grievances related to high unemployment, food inflation, real and perceived corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions, and, following several 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 (the "**14 January 2011 Revolution**").

Political System

Tunisia's constitution was proclaimed on 1 June 1959 and revised on 8 April 1976, 25 July 1988, 27 October 1997 and 1 June 2002. The revision of 8 April 1976 brought important modifications to the constitution, in particular the introduction of a balance of powers between the executive branch and the legislative branch, giving each branch the tool of the motion of censure *(motion de censure)* and the motion of dissolution *(motion de dissolution)* respectively. Under the new Constituent Law (as defined below), the motion of censure allows the National Constituent Assembly to hold the Government responsible for its actions. A successful vote in the National Constituent Assembly on a motion of censure leads to the resignation of the Government. The President of the Republic can then ask another individual to serve as Head of Government and form a new Government. The Constituent Law (as defined below) does not contemplate the dissolution of the National Constituent Assembly by way of a motion of dissolution.

The 14 January 2011 Revolution has resulted in profound changes to Tunisia's political system. The previous parliament, consisting of the Chamber of Deputies and Chamber of Consults, was dissolved and, on 23 October 2011, elections were held for a 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 No. 2011-6 (the "**Constituent Law**") which currently governs the provisional organisation of public powers in Tunisia. On 12 December 2011, Moncef Marzouki was elected as interim President by the National Constituent Assembly and was sworn in on 13 December 2011. New democratic presidential and legislative elections are expected to be held on 20 March 2013 or 9 April 2013. In the meantime, the National Constituent Assembly is drafting a new constitution. In drafting the new constitution, the National Constituent Assembly is taking a consensus-driven approach which involves all political parties represented in the National Constituent Assembly, as well as other civil society groups and an "experts committee" which consists of distinguished lawyers and legal scholars. To enter into force, a majority of two thirds of the members of the National Constituent Assembly must approve the constitution. If no such majority can be reached, the constitution will require approval by popular referendum before it can enter into force. Under the Constituent Law, the three branches of Government (legislative, executive and judicial) are organised as follows (until the new constitution enters into force).

Legislative Branch

The Constituent Law confers the legislative power on the National Constituent Assembly.

The Government, or at least ten members of the National Constituent Assembly, have the right to propose draft laws. The National Constituent Assembly adopts certain "organic laws" (*lois organiques*) by absolute majority vote of its members. These "organic laws" address subject areas that are considered of particular importance and include, for example, laws about the organisation of the judiciary, election laws and fundamental rights. The National Constituent Assembly adopts ordinary laws by a simple majority of its members present, provided that the number of those who approve the law is not less than one third of the members of the National Constituent Assembly.

Members of the National Constituent Assembly were elected by proportional representation (*representation proportionnelle aux plus forts restes*) based on a popular election.

Executive Branch

The executive power is exercised jointly by the President of the Republic and the Head of Government (*chef du gouvernement*). The current Head of Government is Hamadi Jbali.

The President is elected by the National Constituent Assembly. The President's role includes appointing the Head of Government and, in cooperation with the Head of Government, setting Tunisia's foreign policy. The President represents The Republic of Tunisia and also promulgates and publishes the laws adopted by the National Constituent Assembly.

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

The President, after consulting with the relevant parties, will request the candidate of the party with the most number of seats in the National Constituent Assembly to become the Head of Government and form the Government. The Head of Government will propose to the President a list of individuals who will form a Council of Ministers (c*onseil des ministres*) as well as formulate the Government's agenda. The President of the Republic will request the president of the National Constituent Assembly to convene a general meeting for a vote of confidence by the members in respect of the new Government. A vote of confidence requires an absolute majority. The Head of Government must resign from the National Constituent Assembly if he or she is a member.

The Head of Government may issue decrees following deliberations within the Council of Ministers and the Head of Government informs the President of such decrees. The Head of Government chairs the Council of Ministers and has the power to create, modify and abolish Government ministries and secretariats. He or she determines the powers and prerogatives of such ministries and secretariats following deliberation within the Council of Ministers and informs the President of the Republic of any such acts. The Head of Government must countersign the orders of ministers in order for them to become enforceable.

The Judicial Branch

The judicial branch is fully independent. Judges submit only to the rule of law in carrying out their functions. A body known as "*Conseil Supérieur de la Magistrature*" is charged with the enforcement of the legal protections for judges concerning their appointment, promotion, transfer and discipline.

There are two judicial orders, the legal judicial order and the administrative judicial order.

The legal judicial order

The legal judicial order comprises regional jurisdictions and courts which are linked, according to their geographical location, to ten Courts of Appeal rendering decisions under the censure of the High Court.

The administrative judicial order

The administrative judicial order is controlled by the State Council (*conseil d'état*). It is made up of two chambers, the Administrative Court and the Audit Office. The Administrative Court has jurisdiction to review the legality of local, regional and central administrative acts and renders decisions on administrative responsibilities. The Audit Office has jurisdiction to review matters relating to the finances of The Republic of Tunisia, the regions, the communes and all public services. In addition, within the Audit Office, a Financial Discipline Court is responsible for judging the management faults committed by those entitled to pass accounts of the state, the administrative public establishments and the communes.

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 (R.C.D.)*, 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. As a result of the elections, the parties set out in the table below are represented in the National Constituent Assembly.

Party name	Seats
Ennahdha Movement	89
Congress for the Republic	29
Democratic Forum for Labour and Liberties	20
Popular Petition	26
Progressive Democratic Party	16
The Initiative	5
Democratic Modernist Pole	5
Afek Tounes	4
Tunisian Workers' Communist Party	3
People's Movement	2
Movement Socialist Democrats	2
Free Patriotic Union	1
Democratic Social Nation Party	1
New Destour (constitution) Party	1
Progressive Struggle Party	1
Maghrebin Liberal Party	1
Patriotic and Democratic Movement	1
Equity and Equality Party	1
Cultural Unionist Nation Party	1
Independent Lists	8
Total seats	**217**

In accordance with Decree-Law 2011-87, political parties based upon religion, language, race or sex are prohibited.

International Relations

Traditionally Tunisia has taken a moderate and pro-Western stance in international affairs. It has solid ties with other Maghreb countries and is a member of the Arab Maghreb Union which was established on 17 February 1989 with Algeria, Morocco, Libya and Mauritania. The headquarters of the Arab League were in Tunis from 1979 to 1990 before they moved to Cairo, although the Arab League still maintains offices in Tunis as a second centre. Tunisia also has bilateral agreements with its neighboring countries. It has signed trade agreements with Morocco, Egypt, Jordan, Libya, Iraq, Syria, Turkey and the Mediterranean Arab States, which generally call for progressive reductions in tariffs. Tunisia has also maintained friendly relations with Western nations.

Tunisia is a member of a number of international and regional organisations, including the United Nations, the African Union, the Arab League, the International Bank for Reconstruction and Development, the International Monetary Fund, the International

Development Association, the International Finance Corporation, the African Development Bank, the Arab Monetary Fund, the *Banque Africaine d'Import-Export* and the *Programme de Financement du Commerce Inter-Arabe,* among others. Tunisia is a signatory to the General Agreement on Tariffs and Trade, and has had accords with the European Economic Community (currently, the EU) since 1969.

In January 1995, The Republic of Tunisia ratified the Uruguay Round Agreement and is now a member of the founder countries of the WTO (World Trade Organisation).

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 inaugurated a new generation of Euro-Mediterranean agreements.

Tunisia also has independent bilateral agreements with several EU member countries, mostly dealing with development assistance and the protection and encouragement of foreign direct investment in Tunisia.

In November 2001, The Republic of Tunisia became a signatory to two United Nations 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 United Nations Convention against Corruption.

THE TUNISIAN ECONOMY

General

The Tunisian economy has undergone significant changes in recent decades, both with respect to the relative importance of the various economic sectors and with respect to the role of the state in economic activity. The Government has also undertaken macro-economic policies combined with an economic reform programme aimed at rationalising and strengthening the competitiveness of the Tunisian economy by transforming it from one dominated by the state into a skills-based economy that largely follows market principles.

Although still partly dependent on agricultural production and fishing, the Tunisian economy today is increasingly 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 successfully modernised in recent years owing to a *mise à niveau*, or upgrading, programme. Services, in particular telecoms, transport and tourism, also drive growth. International trade has also played an important role historically in the Tunisian economy, as a result of the country's small domestic market and its proximity to major markets.

In 2011, GDP decreased by 1.8% primarily due to the internal instability surrounding the 14 January 2011 Revolution, which affected almost all sectors of the economy, most notably tourism and the production of phosphates and their derivatives. In addition, the 14 January 2011 Revolution has resulted in a significant decline in Government revenues and foreign currency reserves. Tunisia's regular exports of textiles, mechanical and electrical goods also saw marked declines. There was an overall decline in industrial production of 3.9% in 2011 compared to 2010, partly as a result of a decline in international and domestic demand. Commodity price increases and the Libyan crisis impacted foreign trade by an estimated 6% in 2011 (in addition to the Libyan crisis causing a decline in remittances and foreign direct investment from Libya), and were additional handicaps for the Tunisian economy in 2011. In 2010, there was a 3.0% increase in GDP compared to 2009, principally due to a recovery in manufacturing industries, notably export-oriented ones such as mechanical and electrical industries, in line with general global recovery in 2010, which more than offset a decrease in the agriculture and fishing sector.

Partly due to lingering effects of the 14 January 2011 Revolution, the Government's forecast for real GDP growth in 2012 was recently cut by one percentage point, to 3.5%. This revised GDP forecast underpins the Supplementary Finance Law (budget) for 2012, which was presented to the National Constituent Assembly in early March 2012. However, any of the factors described above as well as additional risks and uncertainties, including continuing political and socio-economic unrest or a further economic slowdown in the EU (which accounted for an estimated 65.6% of Tunisian exports in 2011), could cause actual GDP growth in 2012 to be significantly lower than currently forecast.

Tunisia has been attempting to curb 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 which covers the period 2010-2014. The development plan, which continues to form the basis for various policies by the current Government, is intended to accelerate the structural transformation of the economy towards a skills-based economy. The plan is intended to stimulate private sector investment in the economy and to raise productivity growth with favourable knock–on effects on employment.

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

	Principal Economic Indicators				
	2007	**2008**	**2009**	**2010**	**2011**
GDP at current market prices (in millions of TD)	49,765.2	55,120.4	58,661.9	63,322.6	64,566.3
% change	8.8%	10.8%	6.4%	7.9%	2.0%
GDP at constant prices of last year (in millions of TD)	48,620.2	51,954.8	56,829.1	60,421.8	62,182.8
% change[(1)]	6.3%	4.4%	3.1%	3.0%	(1.8%)
GDP per capita at current market price (in TD)	4,867.6	5,336.5	5,622.2	6,001.6	6,051.8
GDP per capita at constant prices of last year (in TD)	4,755.0	5,030.0	5,446.5	5,726.6	5,828.4
% change	8.9%	5.8%	8.3%	5.1%	1.8%
Unemployment rate (% of labour force)	12.4%	12.4%	13.3%	13.0%	18.9%
Consumer price index (% change)	3.4%	4.9%	3.5%	4.4%	3.5%
Balance of merchandise trade (in millions of TD)	(5,027.7)	(6,604.2)	(6,409.0)	(8,297.7)	(8,610.0)
Balance of invisibles[(2)] (in millions of TD)	2,699	3,256.6	3,408.9	3,521.3	2,184.2
Current account deficit (in millions of TD)	(1,174.9)	(2,109.1)	(1,665.9)	(3,012.3)	(4,746.6)
% of GDP	(2.6%)	(3.8%)	(2.8%)	(4.8%)	(7.4%)
Overall balance of payments (in millions of TD)	882.7	2,052.7	2,204.3	(273.5)	(2,390.7)
State budget deficit[(3)] (in millions of TD)	(1,332.9)	(558.5)	(1,770.2)	(675.2)	(2,435.0)
% of GDP[(3)]	(2.7%)	(1.1%)	(3.0%)	1.1%	3.8%
Gross international reserves at end of period (in millions of TD)	9,689.4	11,742.1	13,946.4	13,672.8	11,828.1
Total public debt (in millions of TD)	22,829.2	23,926.6	25,190.0	25,639.8	28,768.0
% of GDP	45.8%	43.3%	42.9%	40.5 %	44.5%

Source: Ministry of Regional Development and Planning

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

(2) Principally tourism receipts and, to a lesser extent, royalties from natural gas pipelines.

(3) Excluding privatisation receipts.

Development Planning

Since 1962, Tunisia has adopted 12 economic and social development plans (the "**Plans**"). The main purpose of the Plans has been to improve the balance of payments, reduce unemployment and malnutrition, increase production and improve the average standard of living.

Although the Plans began at a time when the Government exercised significant control over the economy and prior to the introduction of an economic reform programme, adopted in 1986, the Government has continued to adopt the Plans as formal statements of Government policy. Although required to be approved by law, the Plans do not themselves have the force of law. The Government's failure to meet specified goals or targets contained in the Plans is not sanctionable and the Government may revise the objectives of the Plans annually.

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) is based particularly on developing the economic infrastructure, consolidating competitiveness and productivity, strengthening integration into the international economy and investing in human capital.

Economic Performance

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

	Gross Domestic Product				
	2007	**2008**	**2009**	**2010**	**2011**
Total GDP					
At current prices (in millions of TD)	49,765.2	55,120.4	58,661.9	63,322.6	64,566.3
At constant last year prices (in millions of TD)	48,620.2	51,954.8	56,829.1	60,421.8	62,182.8
% change[(1)]	6.3%	4.4%	3.1%	3.0%	(1.8%)
Per capita GDP					
At current prices (in TD)	4,867.0	5,336.5	5,622.2	6,001.6	6,051.8
At constant last year prices (in TD)	4,755.0	5,030.0	5,446.5	5,726.6	5,828.4
% change	8.9%	5.8%	8.3%	5.1%	1.8%

Source: Ministry of Regional Development and Planning

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

The following table illustrates 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				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of TD)				
Private consumption	30,709.1	33,747.3	36,381.3	39,729.3	42,846.9
Government consumption	8,230.1	8,891.4	9,542.3	10,315.2	11,470.5
Gross fixed investment	11,490.4	13,000.6	14,206.0	15,580.8	14,092.3
Changes in stocks	284.5	1,160.2	239.2	1,062.9	906.6
Exports of goods and services	25,469.9	30,760.9	26,474.5	30,874.7	31,030.0
Imports of goods and services	(26,418.8)	(32,440.0)	(28,181.4)	(34,240.3)	(35,780.0)
GDP at current prices	49,765.2	55,120.4	58,661.9	63,322.6	64,566.3

Source: Ministry of Regional Development and Planning

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

Gross Domestic Product by Category of Demand at Constant Last Year Prices

	2007		**2008**		**2009**		**2010**		**2011**	
	(in millions of TD, except percentages)									
Private consumption.....	29,796.6	61.2%	32,091.0	61.7%	35,097.2	61.8%	38,018.5	62.9%	41,397.9	66.6%
Government consumption.....	7,966.5	16.4%	8,732.1	16.8%	9,264.8	16.3%	9,962.2	16.5%	10,944.4	17.6%
Gross fixed investment........	10,984.4	22.6%	12,099.4	23.3%	13,598.6	23.9%	14,987.3	24.8%	13,617.6	21.9%
Changes in stocks..............	354.1	0.8%	668.2	1.3%	549.7	1.0%	756.6	1.3%	128.5	0.2%
Exports of goods and services............	23,546.1	48.4%	26,183.1	50.4%	28,423.1	50.0%	29,810.3	49.3%	29,547.1	47.5%
Imports of goods and services............	(24,027.5)	(49.4%)	(27,819.0)	(53.5%)	(30,104.3)	(53.0%)	(33,113.1)	(54.8%)	(33,452.8)	(53.8%)
GDP at constant last year prices........	48,620.2	100.0%	51,954.8	100.0%	56,829.1	100.0%	60,421.8	100.0%	62,182.8	100.0%
% change[(1)].......	6.3%		4.4%		3.1%		3.0%		(1.8%)	

Source: Ministry of Regional Development and Planning

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

The following table illustrates 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

	2008	2009	2010	2011	2008	2009	2010	2011
	Current Prices				*Constant Last Year Prices*			
	(in millions of TD)							
Primary sector (Agriculture and Fishing)	**4,338.8**	**4,890.6**	**4,701.7**	**5,389.3**	**4,270.5**	**4,721.2**	**4,465.8**	**5,134.3**
Secondary sector	**17,275.8**	**16,844.8**	**18,635.7**	**18,409.4**	**14,801.3**	**17,364.4**	**17,280.8**	**17,300.7**
Mining	642.9	592.7	618.8	151.3	320.2	662.5	669.8	180.1
Total Energy	4,459.7	3,817.6	4,848.8	4,343.5	3,393.5	4,612.4	3,958.4	4,018.7
Energy Gas and petroleum product	3,746.5	3,060.3	4,019.5	3,518.3	2,754.5	3,873.9	3,167.4	3,175.4
Electricity and Water	713.2	757.3	829.3	825.2	639.0	738.5	791.0	843.3
Building and civil engineering	2,214.1	2,493.7	2,754.4	2,893.2	2,211.2	2,300.4	2,601.7	2,781.9
Manufacturing	9,959.1	9,940.8	10,413.7	11,021.4	8,876.4	9,789.1	10,050.9	10,320.0
Agriculture and food processing	1,542.9	1,620.9	1,732.8	1,820.6	1,520.6	1,572.3	1,656.8	1,741.5
Construction materials, Ceramics and glass	780.4	815.5	881.1	910.2	754.8	803.8	840.1	854.7
Mechanical and electrical industries	2,511.6	2,435.3	3,159.8	3,465.7	2,409.9	2,412.0	3,043.3	3,317.8
Chemical and rubber Industries	1,222.3	1,205.3	1,370.9	1,019.1	731.4	1,252.4	1,287.2	850.0
Textile, clothing, leather and footwear	2,063.7	1,858.1	1,993.2	2,082.5	2,052.1	1,865.6	1,969.2	2,003.2
Miscellaneous industries and oil refining	1,838.2	2,005.7	1,275.9	1,723.3	1,407.6	1,883.0	1,254.3	1,552.9
Tertiary sector (services)	**22,093.1**	**23,853.9**	**25,768.8**	**26,064.8**	**21,587.6**	**22,778.0**	**25,094.3**	**25,279.2**
Hotels, café, restaurant	2,786.0	2,924.6	3,193.7	2,507.0	2,691.9	2,772.4	3,050.5	2,459.1
Other non-administrative services	19,307.1	20,929.3	22,575.1	23,557.8	18,895.6	20,005.6	22,043.8	22,820.0
Telecommunications and Transport	6,799.4	7,280.6	7,774.0	7,947.2	6,504.4	7,172.2	7,756.6	7,747.6
Financial Company	2,267.8	2,148.9	2,324.1	2,488.6	2,193.6	2,313.1	2,255.5	2,405.4
Commercial and other services	10,239.9	11,499.8	12,477.0	13,122.0	10,197.6	10,520.3	12,031.8	12,667.0
Less: imputed financial services	**(922.4)**	**(866.1)**	**(934.8)**	**(985.8)**	**(930.7)**	**(956.6)**	**(918.6)**	**(976.6)**
Non market services activities	**8,268.5**	**9,000.6**	**9,697.6**	**10,689.1**	**8,032.2**	**8,698.5**	**9,351.6**	**10,182.5**
GDP at factor cost	**51,053.8**	**53,723.8**	**57,869.0**	**59,566.8**	**47,760.9**	**52,605.5**	**55,273.9**	**56,920.1**
Indirect taxes (net of subsidies)	4,066.6	4,938.1	5,453.6	4,999.5	4,193.9	4,223.6	5,147.9	5,262.7
Total GDP	**55,120.4**	**58,661.9**	**63,322.6**	**64,566.3**	**51,954.8**	**56,829.1**	**60,421.8**	**62,182.8**

Source: Ministry of Regional Development and Planning

In 2008, real GDP increased by 4.4% to TD 51,954.8 million (in last year prices). Agriculture and fishing declined by 0.9% in 2008. Manufacturing industries suffered slower growth (5.7% versus 8.8% in 2007), primarily as a result of decreases in mechanical and electrical industries (12.9% versus 16.8% in 2007) and the textile, clothing, leather and footwear sector (1.6% versus 10.0% in 2007). This general slowdown was due to the decline of external demand during the last months of 2008, as a result of the financial crisis. Tradable services, however, maintained its 2007 level of growth of 6.2%.

In 2009, real GDP increased by 3.1% to TD 56,829.1 million (in last year prices). An 8.8% increase in agriculture and fishing was partly offset by decreases due to falling external demand. Manufacturing industries experienced a drop in value (-1.7% versus 5.7% in 2008). This downturn involved the main export sectors, in particular, mechanical and electrical industries (-4.0% versus 12.9% in 2008) and the textile, clothing, leather and footwear sector (-9.6% versus 1.6% in 2008).

In 2010, real GDP increased by 3.0% to TD 60,421.8 million (in last year prices) despite the negative growth in agriculture and fishing (-8.7% versus 8.8% in 2009). Manufacturing industries experienced a modest recovery (1.1% versus -1.7% in 2009) led by turnarounds in the mechanical and electrical industries sector (25.0% versus -4.0% in 2009) and the textile, clothing, leather and footwear sector (6.0% compared to -9.6% in 2009). Services also experienced an increase in growth (10.2% compared to 5.5% in 2009).

In 2011, real GDP decreased by 1.8% to TD 62,182.8 million (in last year prices). The decrease was due mainly to the internal instability surrounding the 14 January 2011 Revolution, which affected all industries, including non-manufacturing industries (-15.1% compared to 4.7% in 2010), tradable services (-1.9% compared to 5.2% in 2010) and especially tourism (-23% versus 4.3% in 2010). Manufacturing industries (-0.9% compared to 1.1% in 2010), particularly the chemical industry were also affected, but to a lesser extent.

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

	Exports				
	2007	**2008**	**2009**	**2010**	**2011**
			(in millions of TD)		
Energy[(1)]	3,137.8	4,079.9	2,637.7	3,313.9	3,649.5
Food and agriculture	1,888.0	2,155.6	1,849.5	1,879.4	2,592.4
Mining, phosphates and by products	1,447.8	3,322.8	1,660.2	2,158.3	1,300.6
Textile, clothing, leather and footwear	6,076.3	6,098.3	5,558.1	6,036.4	6,378.1
Electrical and mechanical	5,266.8	6,232.8	6,001.0	8,070.9	9,277.5
Other	1,592.9	1,747.6	1,762.7	2,060.1	1,893.8
Total exports (FOB)	19,409.6	23,637.0	19,469.2	23,519.0	25,091.9

Source: the Ministry of Regional Development and Planning

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

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.

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.

For more detail on Tunisia's exports and imports, 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				
	2007	2008	2009	2010	2011
	(in thousands of tonnes, except where noted)				
Cereals	1,988	1,188	2,530	1,080	2,300
Eggs (million of units)	1,580	1,596	1,684	1,710	-
Potatoes	357	370	324	370	-
Tomatoes	1,030	1,200	1,135	1,296	-
Olive oil(1)	180	200	160	150	120
Citrus fruits	247	297	309	352	360
Dates	124	145	162	174	190
Meat	250	258	256	286	-
Seafood	105	101	100	102	107

Source: Ministry of Regional Development and Planning

(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.

(-) Not available.

The share of GDP contributed by the agriculture and fishing sector at factor cost in current prices has varied from one growing season to the next. During 2007, it comprised 9.4% of GDP and, in 2008, it decreased to 8.5%, due to a production decline of olive oil and cereals. In 2009, it increased to 9.1% owing to an increase in cereal production. In 2010, it decreased to 8.1% due to a production drop of cereals by more than half, and olive oil by 6.3% compared with the year before. In 2011, it increased to 9.0% of GDP due mainly to a strong cereal harvest. Added value (related to agriculture) in real terms for the sector increased by 9.2% in 2011 from the prior year, compared to a decrease of 8.7% in 2010, an increase of 8.8% in 2009 and a decrease of 0.7% in 2008.

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 under advantageous terms to EU markets. Agriculture employs about one-third of the Tunisian workforce, albeit seasonally. Approximately 60% of Tunisia's cultivated land is dedicated to two main crops: olives and cereals (mostly hard wheat).

Because agricultural output has historically been susceptible to Tunisia's irregular rainfall, Tunisia implemented a strategy in 1990 to mobilise hydraulic resources. The construction of several dams, reservoirs and deep wells contributed to an increase in the quantities of water reserves that amounted to approximately 4.2 billion cubic metres at the end of 2009 compared to 2.8 billion cubic metres prior to 1990. At the end of 2009, 13 dams had been built, representing 560 million additional cubic metres of the total 4.2 billion cubic metres of hydraulic resources. Four dams are currently under construction, while executive studies are being implemented to construct an additional eight dams.

Fishing

In 2008, fisheries production decreased by 4.6% compared to 2007 to 101 thousand tonnes, partly due to over fishing. As a result, sea food exports dropped by 3.8% over the same year in quantity, but increased by 2.1% in value to reach 20 thousands tonnes and TD 238 million, respectively. The increase in value was due to an increase in export prices.

In 2009, fisheries production remained virtually unchanged (-1.0%) compared to 2008 and remained at 100 thousand tonnes. Seafood exports dropped by 18.5% in quantity and by 23.5% in value compared to 2008, to reach 16.3 thousand tonnes and TD 182 million, due to the growth of national demand. In 2009, the fishing sector was the subject of multiple reforms that led to promulgation of Law No. 2009-17 of March 2009 concerning the closure of fisheries for natural stock regeneration and its related financing.

In 2010, fisheries production increased by 2% compared to 2009, to 102 thousand tonnes. Seafood exports rose by 3.7% in quantity and by 1.5% in value compared to 2009 to reach 16.9 thousand tonnes and TD 184.6 million. The relatively lower increase in value was due to a decrease in export prices.

In 2011, fisheries production rose by 4.9% compared to 2010 to 107 thousand tonnes, due to an increase of coastal and farmed fishing production. Seafood exports rose by 27.8% in quantity and 37.3% in value compared to 2010 to reach 21.6 thousand tonnes and TD 253.5 million by 18% compared with 2010.

Balance of food

In 2007, Tunisia posted a deficit in its balance of food of approximately TD 425 million due to a 54.5% increase in food imports compared to an increase of only 1% for exports. Consequently, the rate of coverage of imports by exports decreased to 79.2%. In 2008, Tunisia posted a deficit in its balance of food of approximately TD 751 million. This was again led mainly by imports rising at a faster pace than exports (27.4% versus 14.5%), mainly due to a sharp rise in the prices of imported cereals. The rate of coverage of imports of food by exports dropped by 8% to 71.1%. 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 compared to 2008, due mainly to a decline in cereals (-35.2% in terms of quantity and -57.5% in terms of value). Exports also went down by 11.8%, notably exports of olive oil (-16.2% in terms of quantity and -29.7% in terms of value). This trend helped to create a surplus of some TD 38 million in the balance of food, compared to a deficit of TD 751 million in 2008. However, in 2010 imports posted considerable growth of 38.6%, due mainly to an increase in cereals (65.0% in terms of quantity and 77.9 % in terms of value). In 2010, exports rose slightly by 1.2%, notwithstanding a significant decrease in exports of olive oil (-22.1% in terms of quantity and -16.7% in terms of value). This situation caused a deficit of some TD 557 million in the balance of food. In 2011, Tunisia posted a TD 708.5 million balance of food trade deficit, although exports and imports grew virtually by the same rate at 28.0%. The increase of food exports to Libya is the main reason the growth in exports, although total olive oil exports dropped by 9.2%. The increase of sugar and cereal purchases led to the growth of food imports.

Industry

The industrial sector of the Tunisian economy comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering). Value added (at constant last year prices) for industrial activity decreased by 7.2% in 2011 compared to an increase of 2.6% in 2010, an increase of 0.5% in 2009 and an increase of

3.0% in 2008. The contribution of industry to GDP at factor cost (in last year prices) was 30.4% in 2011, 31.3% in 2010, 33.0% in 2009, 31.0% in 2008 and 30.6% in 2007.

The industrial production general index (as published by the National Institute of Statistics) rose by 2.6% in 2008 but decreased by 3.8% in 2009 before growing by 7.8% in 2010 and declining by 3.9% in 2011.

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.

Development strategy in the industrial sector seeks 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 control Tunisia's current account deficit.

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-size 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 (at constant last year prices) was 17.8% in 2007, 18.6% in 2008, 18.6% in 2009, 18.2% in 2010 and 18.1% in 2011.

The growth rate for added value expressed in real terms was 5.7% in 2008 but decreased by 1.7% in 2009, increased slightly by 1.1% in 2010 but dropped by 0.9% in 2011. The investment in manufacturing industries was TD 1,249 million in 2007 and TD 1,487 million in 2008. In 2009, it decreased to TD 1,420 million before increasing to TD 1,839 million in 2010 and TD 2,008 million in 2011.

The following table sets forth the value added of the principal manufacturing industries in the period 2007-2011 at constant (last year) prices:

	Value Added by Manufacturing Industries at Constant Last Year Prices				
	2007	2008	2009	2010	2011
	(in millions of TD, except percentages)				
Food	1,302.0	1,520.6	1,572.3	1,656.8	1,741.5
Construction materials, ceramics and glass	694.1	754.8	803.8	840.1	854.7
Mechanical and electrical	1,978.4	2,409.9	2,412.0	3,043.3	3,317.8
Chemicals	679.1	731.4	1,252.4	1,287.2	850.0
Textile, clothing, leather and footwear	1,845.8	2,052.8	1,865.3	1,969.3	1,997.5
Oil refining	520.5	449.3	861.8	146.9	418.8
Tobacco industries	63.9	67.5	71.7	69.3	72.2
Wood, paper and plastics	845.8	890.1	949.8	1,038.0	1,067.5
Total	7,929.6	8,876.4	9,789.1	10,050.9	10,320.0
% of GDP at factor cost	17.8%	18.6%	18.6%	18.2%	18.1%

Source: Ministry of Regional Development and Planning

	Value Added by Manufacturing Industries at Current Prices				
	2007	2008	2009	2010	2011
	(in millions of TD, except percentages)				
Food	1,396.3	1,542.9	1,620.9	1,732.8	1,820.6
Construction materials, ceramics and glass	718.9	780.4	815.5	881.1	910.2
Mechanical and electrical	2,134.5	2,511.6	2,435.3	3,159.8	3,465.7
Chemicals	789.9	1,222.3	1,205.3	1,370.9	1,019.1
Textile, clothing, leather and footwear	2,019.8	2,063.7	1,858.1	1,993.2	2,082.5
Oil refining	420.7	836.7	948.0	152.5	538.2
Tobacco industries	65.9	68.5	70.0	71.8	75.0
Wood, paper and plastics	851.8	933.0	987.8	1,051.7	1,110.1
Total	8,397.8	9,959.1	9,940.8	10,413.7	11,021.4
% of GDP at factor cost	18.3%	19.5%	18.5%	18.0%	18.5%

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 (processed seed oils, margarine and vegetable fat) and beverages (mainly mineral water and carbonated beverages). Growth was -0.9% in 2008, 8.8% in 2009, -8.7% in 2010 and 9.2% in 2011. The food industry contributed 16.9% of the total value added (in real terms) by manufacturing industries in Tunisia in 2011 and 3.1% of GDP at factor cost (16.5% and 3.0%, respectively, in 2010).

Construction Materials, Ceramics and Glass Industries

The principal products manufactured by this sector include cement, lime, clayware, mosaic and earthenware tiles and bottles and glasses. This sector grew at 5.0% in 2008, 3.0% in 2009 and 3.0% in 2010 and decreased by 3.0% in 2011. In 2011, these industries contributed 10.0% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost (10.0% and 1.5% respectively in 2010).

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 primarily in assembly. The automobile industry assembles trucks, buses and mini-buses. The household appliance industry principally assembles television sets and electric meters. Growth was 12.9% in 2008, -4.0% in 2009, 25.0% in 2010 and 5.0% in 2011. In 2011 these industries contributed 38.7% of the value added (in real terms) by manufacturing industries in Tunisia and 5.8% of GDP at factor cost (respectively 36.3% and 5.5% in 2010).

Chemicals Industry

The phosphate processing industry is the most active part of the chemicals sector, producing, among other things, fertilisers and phosphoric acid. Other products include rubber, basic chemicals and pharmaceuticals. Growth was -7.4% in 2008, 2.5% in 2009, 6.8% in 2010 and -38.0% in 2011. The significant decline in 2011 was due to a general drop in production all across the phosphate by-products sector, in particular diammonium phosphate (-66.4%) and phosphoric acid (-57.3%), because of lower demand from certain foreign customers and greater international competition, which resulted in slower growth in the chemicals industries.

In 2011, the chemical industry contributed 9.9% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost (respectively 15.3% and 2.3% in 2010).

Together, the value of Tunisia's phosphate mining and by-product exports amounted to TD 1,448 million in 2007, TD 3,323 million in 2008, TD 1,660 million in 2009, TD 2,158.3 million in 2010 and TD 1,300.6 million in 2011. The share of this sector in the country's overall exports increased from 7.5% in 2007 to 14.1% in 2008, decreased to 8.5% in 2009, increased again to 9.2% in 2010 before declining to 5.2% in 2011. The main by-products include phosphoric acid, diammonium phosphate and refined calcium phosphate.

In 2011, exports of diammonium phosphate represented 25.6% of sector exports in 2011 (compared to 35.6% in 2010, 30.2% in 2009, 32.3% in 2008 and 38.8% in 2007) and decreased by TD 434.4 million or 56.6% to TD 767.5 million. Exports of diammonium phosphate increased by 52.9% or TD 265.7 million in 2010, decreased by TD 572.1 million or 53.3% in 2009 and increased by TD 565.7 million or 111.2% in 2008.

Sales of phosphoric acid represented 25.6% of the sector's exports in 2011 (24% in 2010, 25.2% in 2009 and 26.7% in 2008). Both export prices (in U.S. dollars) and demand for phosphoric acid are subject to fluctuations. As a result, sales of phosphoric acid decreased by 35.8% in 2011, increased by 24% in 2010, decreased by 52.9% in 2009 and increased by 158.0% in 2008. Exported quantities increased in 2009 by 26.2% or 173,000 tonnes, shipped mainly to India and the EU. Tunisia's phosphoric acid exports amounted to TD 332.7 million in 2011, TD 518.5 million in 2010, TD 418 million in 2009, TD 579.0 million in 2008 and TD 233.9 million in 2007.

Exports of refined calcium phosphate decreased in 2011 by 66.9% (compared to an increase of 48.5% in 2010, a decrease of 69.6% in 2009 and an increase of 99.4% in 2008 as a result of a 69.1% decrease in production.

Imports in the phosphate mining and by-product sector decreased by 3.5% in 2011 following an increase of 33.0% in 2010, a drop of 69.6% in 2009 and an increase of 253.5% in 2008. The rate of coverage of imports by exports was 192.3% in 2011, 307.8% in 2010, 314.9% in 2009, 191.6% in 2008 and 295.2% in 2007.

Purchases of non-refined sulphur and ammonium nitrate in 2011 were 46.3% of the sector's overall imports versus 59.9% in 2010, 54.6% in 2009, 78.6% in 2008 and 53.0% in 2007, mostly by the Tunisian Chemical Group as raw material to produce phosphate by-products from raw phosphate. Imports of non-refined sulphur decreased in 2009 by TD 986.7 million or 85.8% in the context of drop in quantity and in average prices expressed in U.S. dollars by 13.5% and 90% respectively (compared to an increase of TD 996.1 million or 646.4% in 2008 following the growth in quantity by 27.7% and the increase in average prices expressed in U.S. dollars). In 2010, imports of non-refined sulphur increased by 26.6% before declining by 7.1% in 2011 due to a decrease of 55.5% in quantity in 2011.

In 2011, purchases of ammonium nitrate decreased by 43.7%, following an increase of 71.4% in 2010, a decrease of 41.6% in 2009 and an increase of 103.8% in 2008. These fluctuations are primarily due to significant fluctuations in the price for ammonium nitrate in the international markets over recent years and only to a lesser extent due to fluctuations in imported quantities.

See "*Non-Manufacturing Industries – Mining*" below, for details on the phosphate mining industry.

Textile, Clothing, Leather and Footwear Industries

The principal products of the textile, clothing, leather and footwear industries are cotton and woollen yarn, fabric, apparel, hosiery, carpets and footwear. This sector depends upon foreign markets for its supply of raw materials and semi-finished products and exports a large proportion of its production. This sector has been affected since 2003 by slowing external demand (especially from the EU), tougher international competition tied to China's membership in the World Trade Organisation, and the final phase of dismantling of the multifibre agreements that govern trade in textile products, which ended in 2005. In order to promote exports in this sector, the Government has encouraged consolidation to help clothing companies move up the value chain from sub-contracting relationships and has intensified training programmes as part of a partnership with a European business specialist. Growth in real terms in this sector was 1.6% in 2008, -9.6% in 2009, 6.0% in 2010 and 0.5% in 2011.

This sector contributed 25.4% of total exports in 2011, compared to 25.7% in 2010, 28.5% in 2009, 25.8% in 2008 and 31.3% in 2007. Exports in this sector increased by 0.4% in 2008, decreased by 8.9% in 2009, increased by 8.6% in 2010 and 5.7% in 2011. Investment in the sector decreased by 9.1% in 2011, 2.2% in 2010, 18.2% in 2009 and 0.3% in 2008.

In 2011, these industries contributed 23.3% of the value added (in real terms) by manufacturing industries in Tunisia and 3.5% of GDP at factor cost (respectively 23.5% and 3.6% in 2010).

Wood, Paper and Plastics Industries

Growth in theses industries was 2.9% in 2007, 4.5% in 2008, 1.8% in 2009, 5.1% in 2010 and 1.5% in 2011. In 2011, these industries contributed 12.4% of the value added (in real terms) by manufacturing industries in Tunisia and 1.9% of GDP at factor cost (respectively 12.4% and 1.9% in 2010).

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 2011, these industries contributed to 12.3% of GDP at factor cost (in real terms) compared with 13.1% in 2010, 14.4% in 2009, 12.4% in 2008 and 12.9% in 2007. This decline reflects the fall in crude oil production due to declining recoverable reserves and the political instability in Tunisia surrounding the 14 January 2011 Revolution. The non-manufacturing industries grew at a rate of -0.7% in 2008, 3.5% in 2009, 14.7% in 2010 and -15.1% in 2011.

Mining

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

	Calcium Phosphate				
	2007	**2008**	**2009**	**2010**	**2011**
Output tonnes (in millions of tonnes).......	8.0	7.6	7.3	8.1	2.5
Total value exported (in millions of TD)..	71.0	180.5	54.9	81.5	27.0
% of total exports	0.4%	0.8%	0.3%	0.3%	0.1%

Source: Ministry of Regional Development and Planning

	Iron Ore and Salt				
	2007	**2008**	**2009**	**2010**	**2011**
	(in thousands of tonnes)				
Iron ore	180	211	151	180	188
Sea salt	933	1,063	1,395	1,693	999

Source: Ministry of Regional Development and Planning

The mining industry, which includes principally calcium phosphate, iron ore and sea salt, contributed 0.6% to GDP at factor cost in 2007, 0.7% in 2008, 1.3% 2009, 1.2% in 2010 and 0.3% in 2011. The gradual depletion of reserves of iron ore and of certain non-ferrous metals, combined with the tapping of stocks of calcium phosphate, suggest that the mining sector will experience only moderate growth, if not stagnation or decline, in the mid-term. Added value for the sector declined by 2.4% in real terms in 2008, but increased by 3.0% in 2009 and by 13.0% in 2010. In 2011, it declined sharply by 70.9% due to circumstances surrounding the 14 January 2011 Revolution, in particular strikes, which led to a decrease in production and exports.

Tunisia was the fifth largest producer and the eighth largest exporter of calcium phosphate in the world in 2008. Production decreased by 5.8% and 4.3% in 2008 and 2009 respectively. In 2010, production rose by 11.0%, while in 2011, production fell by 69.1% due to disruptions in production caused by the social unrest surrounding the 14 January 2011 Revolution.

As described under "*Manufacturing Industries – Chemicals Industries*" above, the phosphate processing industry is the most active part of the chemicals sector.

Energy - General

National primary energy resources decreased in 2011 by 10.0% to 6,977 thousands of tonnes of oil equivalent ("**TOE**"**)** and demand decreased by 3.9% to 7,958 thousands of TOE. Thus the balance of primary energy has continuously been in deficit, about 980,000 TOE in 2011 compared to 489,000 TOE in 2010, 701,000 TOE in 2009, 663,000 TOE in 2008 and 195,000 TOE in 2007. This manifests itself in the sector's balance of trade deficit, which amounted to TD 1,149.9 million in 2011, TD 483 million in 2010, TD 152 million in 2009, TD 833.9 million in 2008 and a surplus of TD 136.2 million in 2007.

Energy consumption in 2011 was divided among petroleum and its derivatives (45.8%), electric power (0.2%), natural gas (54.0%), which compared to (47.0%), (0.2%) and (52.8%) respectively, in 2010.

Electricity

Total domestic production of electricity was 15,281 million kWh in 2011, 15,591 million kWh in 2010, 14,955 million kWh in 2009 and 14,585 million kWh in 2008, of which 11,902 million kWh, 11,377 million kWh, 10,814 million kWh and 10,250 million kWh respectively was produced by the Tunisian Electricity and Gas Company ("**STEG**"), which is wholly-owned by the Government. Production of electricity declined by 2.0% in 2011 and rose by 4.3% in 2010, 2.5% in 2009, 4.4% in 2008 and 4.2% in 2007. In order to meet consumption needs, STEG's production increased by 525 million kWh between 2010 and 2011. Electricity production by STEG thermal power plants continued to be fuelled mainly by natural gas.

Domestic electrical consumption totalled 12,906 million kWh in 2011, of which 7,996 million kWh was of high and medium-voltage current. About 66.9% of the total consumption of high and medium voltage current in 2011 went to the industrial sector. The mining, chemicals, petroleum, construction materials and ceramics and glass industries continue to be the heaviest consumers of electrical energy. Due to the disruption caused by the 14 January 2011 Revolution, consumption was down in the mining industries, construction materials industries, textile industries and other sectors by 13.1%, 7.7%, 0.6% and 4.1% respectively. All other sectors increased their use of electricity in 2011. Low voltage electricity grew by 2.1%, compared to a decrease of 10.8% in 2010, to 4,910 million kWh compared to 4,811 million kWh a year earlier.

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

	Electricity Production and Consumption				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of kWh)				
STEG production	10,036	10,250	10,814	11,377	11,902
Private independent production	3,054	3,440	3,269	3,226	-
Self-producing	878	895	872	989	-
Total domestic production	13,968	14,585	14,955	15,591	15,281
Net exchanges with Algeria	(8)	(7)	(6)	(19)	-
Losses in transit	(1,928)	(1,892)	(1,882)	2,681	-
Exports	0	0	47	0	-
Total energy available for consumption	12,032	12,686	13,020	13,015	12,906
High-and-medium-voltage consumption:					
Mining industries	680	673	635	688	598
Iron, steel and metallurgical plants	207	221	240	288	304
Chemical and petroleum industries	707	691	727	869	888
Construction materials	1,226	1,332	1,390	1,443	1,332
Paper industry and publishing	170	178	185	141	147
Textile industries	564	542	503	543	540
Food industries	506	546	558	583	614
Miscellaneous industries	754	794	803	889	927
Other sectors	2,411	2,598	2,588	2,760	2,646
	7,225	7,575	7,629	8,204	7,996
Low-voltage consumption	4,796	5,111	5,391	4,811	4,910
Total Domestic Consumption	12,032	12,686	13,020	13,015	12,906

Source: Tunisian Electricity and Gas Company (STEG)
(-) not available

Oil

The following table sets forth crude oil production and exports at current prices during the period 2007-2011:

	Crude Oil Production and Exports				
	2007	**2008**	**2009**	**2010**	**2011**
Output tonnes (in millions of tonnes)	4.5	4.2	3.9	3.7	3.3
Total value exported (in millions of TD)	2,631.8	3,218.8	2,093.3	2,979.2	3,218.1
% of total goods exports	13.6	13.6	10.8	12.7	12.8

Source: Ministry of Regional Development and Planning and the Bank

Since oil production began in 1966 in the El Borma field in the south of the country, El Borma has been the heart of the Tunisian oil industry, although its production levels are now in decline. The field produces over one-fifth of Tunisia's total oil output, with the second largest producing field, Ashtart, also producing approximately one-fifth of total output, the balance being produced from newer fields in Isis, Sidi El Kilani, Ezzaouia, Beni Khalled and Cercina.

Crude oil production decreased by 10.9% in 2011, 5.1% in 2010, 7.1% in 2009 and by 6.7% in 2008. Shipments of oil to the Tunisian Refining Industries Company (STIR), which is a state-owned entity that owns and operates 100% of Tunisia's refining capacity, were 1.7 million tonnes in 2007, 1.8 million tonnes in 2008 and 1.7 million tonnes in 2009. A serious accident at STIR in early 2010 forced a shut down of the refinery in Bizerte for necessary repairs. As a result the production of petroleum fuels was insignificant in 2010 and no petroleum fuels were produced in 2011. Production at the Bizerte refinery resumed at the beginning of 2012.

Crude oil exports by value increased by 68.3% in 2007 and 22.3% in 2008, due principally to high oil prices, decreased in 2009 by 35% due to a sharp decrease in those prices and increased by 42.3% in 2010 and by 8.0% in 2011. The increase in exports in 2010 was mainly due to the forced shut down of the refinery in Bizerte and the resulting lack of domestic refining capacity, while exports in both 2010 and 2011 also benefited from an increase in global prices for crude oil.

Crude oil imports decreased in quantity from 1.23 million tonnes in 2008 to 1.1 million tonnes in 2009, and decreased in value from TD 1,149.4 million in 2008 to TD 676 million in 2009. In 2010, crude oil imports decreased to 0.307 million tonnes and TD 232.6 million in value as the need for crude oil was virtually eliminated due to the shut down of the Bizerte refinery. Due to high prices, the value of crude oil imports increased by 65.7% in 2011, even though quantities grew only slightly. For the first time, Libya was not the main supplier of Tunisia's crude oil after it ceased exporting following the start of its civil war.

Natural Gas

The following table sets forth natural gas production and consumption during the period 2007-2011:

	Natural Gas Production and Consumption				
	2007	**2008**	**2009**	**2010**	**2011**
	(in thousands of TOE)				
Production:					
Miskar	1,421	1,324	1,412	1,360	1,193
Other	412	514	846	1,368	1,402
Total production	1,833	1,838	2,258	2,728	2,595
Total Royalties	1,043	1,148	972	1,175	959
Imports	786	1,086	1,006	947	1,048
Total supply	3,662	4,072	4,236	4,850	4,602
Consumption					
STEG	1,980	2,233	2,367	3,197(1)	3,152(1)
IPP	546	594	563	-	-
Other (industrial, residential and tertiary use)	941	993	1,082	1,172	1,148
Total domestic consumption	3,467	3,820	4,012	4,369	4,300
Exports	195	252	224	481	302
Total consumption	3,662	4,072	4,236	4,850	4,602

Source: Office of Energy Management (Agence pour la Maitrise de l'Energie)
(1) For 2010 and 2011, STEG and IPP Consumption are reported as one figure under STEG .

Until the Miskar field began producing in 1995, domestic natural gas production was limited to the declining output of the El Borma field. The Miskar gas field is the largest gas field in The Republic of Tunisia and accounts for roughly 80% of total natural gas production. It is independently managed by BG Group plc. The Hasdrubal gas field represents the second largest gas discovery in the Republic of Tunisia and has attracted total investments of approximately TD 1,400 million. Hasdrubal is jointly managed by the BG Group (50%) and *Entreprise Tunisienne des Activités Pétrolières* (ETAP). 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 Tunisia of pipeline user fees as well as royalties based on the volume of natural gas transported.

In 2007, production was 1,833 thousand TOE. In 2008, production increased marginally to 1,838 thousand TOE, and in 2009 production increased by 23% to 2,258 thousand TOE. In 2010, production increased by 20.8% to 2,728 thousand TOE but decreased in 2011 by 4.9% to 2,595 thousand TOE. The contribution of the Miskar deposit went from 1,421 thousand TOE in 2007, to 1,324 thousand TOE in 2008, increased to 1,412 thousand of TOE in 2009, but in 2010 decreased to 1,360 thousand TOE and in 2011 decreased to 1,193 thousand TOE, constituting about 46% of total gas production. Production at the El Borma field has become marginal.

Overall royalties paid to The Republic of Tunisia for passage of Algerian gas across Tunisia went down in 2011 by 18.4% to 959 thousand of TOE whereas it went up by 20.9% to 1,175 thousand TOE in 2010. Natural gas availability decreased in 2011 by 5.1% to 4,602 thousand of TOE.

National production of natural gas covered about 27.7% of domestic consumption in 2011 compared to 31.1% in 2010. At 4,300 thousand TOE, national natural gas consumption decreased by 1.6% in 2011 compared to increases of 8.9% in 2010, 5% in 2009 and 10.2% in 2008. Of this total, 3,152 thousand TOE was used in the production of electricity. Natural gas consumption by other sectors dropped by 2.0% in 2011 compared to 8.3% in 2010, down to 1,148 thousand TOE.

Petroleum Fuel Production

The following table sets forth petroleum fuel production for the period 2007-2011:

	Petroleum Fuel Production				
	2007	**2008**	**2009**	**2010(1)**	**2011(1)**
	(in thousands of TOE)				
Liquefied petroleum gas	105	136	153	-	-
Super and unleaded gasoline	153	156	130	-	-
Paraffin oil	134	124	87	-	-
Diesel	570	566	592	-	-
Fuel oil	635	654	594	-	-
Other	256	231	233	-	-
Total	1,853	1,867	1,789	-	-

Source: Ministry of Industry

(1) A serious accident at *Société Tunisienne des Industries de Raffinage* (STIR) in early 2010 forced a shut down of the refinery in Bizerte for necessary repairs. The production of petroleum fuels was insignificant in 2010 and no petroleum fuels were produced in 2011.

(-) not available.

Fuel production in 2009 declined by 4.2% (compared to an increase by 0.8% in 2008 and 6.9% in 2007) to 1,789 thousand TOE. This decline was due mainly to the decrease in production of super, unleaded gasoline and paraffin oil by 16.7% and 29.8%, respectively.

National fuel consumption decreased in 2011 by 6.4% (compared to -0.7% in 2010 and -3.8% in 2009), to 3,644 thousand TOE. The rate of coverage of domestic needs by national production increased from 43.6% in 2007 to 45.8% and to 45.6% respectively in 2008 and 2009. A serious accident at STIR in early 2010 forced a shut down of the refinery in Bizerte for necessary repairs. As a result, the production of petroleum fuels was insignificant in 2010 and no petroleum fuels were produced in 2011. Following a significant increase in 2010 in the quantity of refined products imported due to the forced shut down of the refinery in Bizerte and in global fuel prices, imports of refined products decreased in 2011 in terms of quantity by 5.3% due to the decrease in national fuel consumption, but increased in value by 28.9% due to rising global fuel prices. Production at the Bizerte refinery resumed at the beginning of 2012.

Building and Civil Engineering

Building and civil engineering grew at 4.0% in 2007, 4.3% in 2008, 3.9% in 2009, 4.3% in 2010 and 1.0% in 2011. These industries contributed 39.9% of the value added (in real terms) by non-manufacturing industries in Tunisia and 4.9% of GDP at factor cost in 2011 (respectively 36.0% and 4.7% in 2010).

Services

Transportation

Tunisia's transportation network includes nine international airports (including Enfidha airport, which opened in 2009), 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 constant prices in 2011 compared to 8.8% in 2010 and in 2009, 8.9% in 2008 and 8.6% in 2007. Due primarily to the global recession, the added value of this sector increased in 2009 by only 0.5% in real terms compared to 6.1% in 2008 and 5.3% in 2007. In 2010, it increased by 2.8% before declining by 7.0% in 2011, which is due largely to a decrease in air transport as a result of the 14 January 2011 Revolution.

The focus of the Twelfth Plan with respect to transportation is to give the sector a greater role in the economy, provide better service and more reasonably priced transport to users, develop mass transit, rationalise energy consumption, preserve the environment and promote multi-modal transport, 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 envisions greater private sector investment, with the aim to increase it from 55.1% to 58.5% during the five year term of the Twelfth Plan. This Plan also envisions greater rail share in freight transport, with the aim to increase it from 3% to 6% during the five year term of the Twelfth Plan and increase the contribution of maritime transport in the trade by 9% to 18% in 2014.

In 2007, investments in transport grew by 17.3% to TD 1,595.1 million. Investments increased by 12.8% to TD 1,800 million in 2008, by 13.9% to TD 2,050 million in 2009 and by 3.5% to TD 2,122 million in 2010. In 2011, they declined by 12.8% to TD 1.850 million due to the economic effects of the 14 January 2011 Revolution.

Telecommunications

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. At year end 2011, Tunisia's telecommunications network totalled 1.3 million fixed lines and 11.1 million mobile lines (GSM), compared to 1.1 million and 0.4 million, respectively, in 2001.

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 BMVT now covers both the equity market and the bond market. Recent measures were also aimed at attracting foreign investors. In addition, an alternative market was established for the trading of unlisted securities.

The volume of transactions increased by 136.8% in 2008 to 4,130 transactions due to increases in equity and over the counter transactions, decreased by 19.5% in 2009 from the prior year to 3,324 transactions due primarily to a decrease in over the counter transactions and increased by 15.4% in 2010 from 2009 due to an increase in equity transactions. The volume of transactions in 2011 decreased by 18.2% to 3,138 transactions due to a decrease in equity transactions. A single new company was listed on the Tunis Stock Exchange in 2011, compared to four new companies in 2010 and 2 new companies in 2009.

The TUNINDEX index lost 390.3 points in 2011 after successive gains in the prior years of 278.3 points in 2008, 1399.3 points in 2009 and 820.8 points in 2010. The TUNINDEX index is a stock index of the BVMT that includes Tunisia's fifty largest companies (by market capitalisation).

The following table presents the main BVMT indicators for the periods indicated:

	Main Tunis Stock Exchange Indicators				
	2007	2008	2009	2010	2011
Volume of public offerings through call for saving ..	1,970	1,379	2,012	1,624	1,628
Treasury Bonds	1,480	735	1,036	635	1,335
Corporate equities and bonds	490	644	976	989	293
Tunis Stock Exchange index in points (base 1000 on December 31, 1997)	2,614.1	2,892.4	4,291.7	5,112.5	4,722.3
Stock exchange capitalisation (in millions of TD)	6,527	8,301	12,227	15,282	14,452
Stock exchange capitalisation/GDP, (in %)	14.3%	15.0%	20.8%	24.1%	20.8%
Number of companies quoted..................................	51	50	52	56	57
Overall volume of transactions................................	1,744	4,130	3,324	3,837	3,138
Equities..	836	1,914	1,715	2,626	1,572
Bonds	79	195	99	76	106
Over the counter and other transactions	829	2,021	1,510	1,135	1,460

Source: *BVMT, CMF*

Tourism

Despite tougher international competition and slower economic growth in a number of traditional markets in Europe, tourist activity in Tunisia evolved in a positive manner during 2008, in line with economic expansion, growth in discount airlines and appreciation of the Euro.

During 2008, the value added of the sector at constant prices grew by 3.9% compared to 2007. Non-resident entries went up by 4.2%, exceeding 7 million tourists for the first time. This trend is attributable mainly to an increase in Maghreb entries (8.4%), particularly from Libya (14.4% increase compared to 2007). Algerian tourist flows decreased (-1.3% compared to 2007). European entries grew at a slightly slower pace (1.5% versus 2007), mainly due to a drop in English tourists (-18.5%), and a lower growth in the number of French tourists (4.5% increase versus 2007).

During 2009, the value added of the sector at constant prices decreased by 0.5%. Non-resident entries decreased by 2.1% to 6.9 million tourists. This trend is attributable mainly to a decrease in European entries (-8.8% versus 2008), particularly, the number of French tourists dropped considerably (-3.6% versus 2008). English tourist flows grew at a significant level (8.2% versus 2008). Maghreb entries grew as well (7.9% versus 2008), especially Libyans (12.9% versus 2008) and offset by a decrease in Algerians (-0.7% versus 2008).

In order to ensure a sustainable development of the sector following a drop in visitors from European countries, the national authorities undertook measures in 2009 related to 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 focus on diversifying Tunisia's tourism products to adapt it to other categories of visitors.

In 2010, the value added of the sector at constant prices rose by 4.3%. The number of foreign tourists in 2010 stagnated, amounting to 6.9 million tourists. This situation was led by a regression in Maghreb flows (-2.4% versus 2009) notably from Libya (-8.5% versus 2009), while the number of European tourists increased (1.9 % versus 2009) in line mainly with a significant increase in British, Scandinavian, Russian and Turkish tourist flows.

As a result of the uncertainty surrounding the 14 January 2011 Revolution, the number of foreign tourists in 2011 dropped by 30.7% to 4.8 million tourists. European tourist flows, in particular, declined by 44% in 2011 compared to 2010, while visitors from Maghreb countries declined by 18.6% compared to 2010. The decrease in flows led to a drop in foreign currency earnings from tourism by 32.9% to TD 2,365 million and the sector's value added declined by 23.0%.

The following table sets forth some indicators on tourism activity during each of the years mentioned:

Indicators of Tourism Activity

	2007	2008	2009	2010	2011
Investments[1] (in millions of TD)	351	353	380	470	360
Number of beds (in thousands)	236	239	-	-	-
Overnight stays (in millions).................	37.4	38.1	34.6	35.6	21.2
Number of visitors (in millions)............	6.8	7.0	6.9	6.9	4.8
Receipts (in millions of TD)..................	3,077	3,390	3,472	3,523	2,365

Source: Ministry of Tourism; Ministry of Regional Development and Planning; the Bank

(1) Includes, for example, construction or renovation of hotels and other investments in tourist facilities.

(-) not available

Commerce

The commerce sector includes trade in agricultural and agrifood products, in 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. Added value in the commerce sector in real terms of GDP at factor cost was 8.4% in 2007 and in 2008, 7.7% in 2009, 8.3% in 2010 and 8.5% in 2011. The sector growth was 3.7% in 2007, 4.5% in 2008, 3.0% in 2009, 3.4% in 2010 and 1.0% in 2011.

Employment and Labour

In 2011, the total labour force in Tunisia numbered 3.9 million people, of whom approximately 3.2 million were employed. The official unemployment rate as published by the National Institute of Statistics was 18.9% compared to 13.0% in 2010, 13.3% in 2009 and 12.4% for 2008 and 2007. The sharp increase in 2011 was due to a weakened economy immediately following the 14 January 2011 Revolution.

The following table summarises trends in Tunisia's labour market:

Employment and Labour Trends

	2007	2008	2009	2010	2011
Total labour force (in millions)	3.52	3.60	3.69	3.77	3.90
Official unemployment rate[1]..........	12.4%	12.4%	13.3%	13.0%	18.9%

Source: The Bank

(1) Calculations made following International Labour Organisation guidelines.

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.

Job creation in the non-farming sectors, including fisheries, increased by 80,200 in 2007 compared to 70,300 in 2008, 43,500 in 2009 and 78,500 in 2010. In 2011, however, net job losses reached 106,700 jobs, due to a weakened economy following the 14 January 2011 Revolution. There were notable losses in the agriculture and fisheries, manufacturing and tourism sectors. Although jobs were created in 2007-2010, the rate of creation fell below the rate of demand. 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 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.

The following table presents job creation statistics for non-agricultural sectors:

	Job Creation				
	2007(1)	**2008**	**2009**	**2010**	**2011**
Fisheries	500	8,100	21,100	(3,100)	(41,300)
Mining and Energy	200	2,200	(1,400)	(1,700)	(1,500)
Building & Civil Engineering	6,000	20,100	14,700	27,300	(14,800)
Manufacturing Industries	19,000	21,500	(37,900)	33,500	(25,500)
Transport & Telecom	10,000	3,800	8,200	5,100	(11,400)
Tourism	4,000	3,500	4,400	(4,600)	(10,400)
Other Services	32,300	18,800	26,700	15,300	(21,700)
Administration	8,000	8,500	7,700	6,700	19,900
Total	80,200	70,300	43,500	78,500	(106,700)

Source: Ministry of Regional Development and Planning and the Bank

(1) Since 2008, a new sector nomenclature was implemented, agriculture and fishing as a separate industry sector.

In recent years, The Republic of Tunisia has taken a number of initiatives 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 (21-21), and set up national and regional committees charged with the identification and creation of job opportunities.

Placed under the joint supervision of the Ministry of 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, the BTS approved 118,593 loans for a total cost of some TD 1,089.8 million from the time it was founded in 1998 until 31 December 2011, which is estimated to have generated approximately 200,000 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 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. Following the 14 January 2011 Revolution, the Government has therefore taken a number of additional measures to promote job creation in the public and private sector, especially the "AMAL" programme, which was implemented in March 2011. The programme has benefited 144,000 unemployed graduates actively seeking work by providing training and a monthly allowance of TD 200 at a total cost to date of TD 340 million. In addition to wage increases both for public and private sector employees, the Government also proposes to create an additional 25,000 public sector jobs.

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.

Prices and Wages

Prices

In 2007, and despite the appearance of inflationary pressure over the second half of the year, illustrated by the increase in prices, up from 3.4% in June to 5.1% in December, notably for food products (sliding from 2.1% to 7.5% over the same period), the inflation rate for 2007 remained at 3.4% given the recessionary economic conditions prevailing on the world commodities market and fluctuations on international foreign exchange markets. Inflation was 4.9% for 2008, due mainly to the increased prices on the international market for oil and other imported commodities. In 2009, the inflation rate increased to a moderate level of 3.5% despite the appearance of inflationary pressure over the second half of the year, concerning particularly food products. In 2010, the inflation rate was 4.4%. This is attributable mainly to an increase in the global prices of imported products, in particular food products and energy, further to the impact of fluctuations of the exchange rate and, particularly, appreciation of the euro against the dinar. In 2011, the inflation rate decreased to 3.5%, mainly because of a slower increase in the global prices of food products and energy.

The following table presents data regarding inflation for the periods indicated:

	Inflation			
	Industrial Selling Prices Index(1)	%Change(2)	Consumer Price Index(1)	%Change(2)
2000	100.0	2.2%	100.0	2.9%
2001	103.0	3.0%	102.0	2.0%
2002	106.1	3.0%	104.8	2.7%
2003	108.9	2.7%	107.6	2.7%
2004	112.3	3.1%	111.5	3.6%
2005	117.1	4.3%	100	2.0%
2006	125.4	7.0%	104.2	4.2%
2007	129.6	3.4%	107.7	3.4%
2008	145.3	12.1%	113.0	4.9%
2009	148.2	2.0%	117.0	3.5%
2010	152.9	3.1%	122.2	4.4%
2011	162.8	6.5%	126.5	3.5%
2012				
January	154.6	-5.0%	130.8	0.7%
February	156.2	1.0%	131.0	0.1%
March	-	-	138.8	-0.1%

Source: National Statistics Institute
(1) 2000 equals 100
(2) % changes are expressed in annual terms

Wages

Under the 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 UGTT negotiate adjustments in these wages.

Overall wages expressed in nominal terms increased by 5.0% in 2008 compared to the year before in both the agricultural and non agricultural sectors. Overall wages expressed in nominal terms increased by 3.5% in 2009 compared to the year before in agricultural and non agricultural sectors. Overall wages expressed in nominal terms increased by 4.5% in 2010 compared to the year before in agricultural and non agricultural sectors. In addition, the SMIG and SMAG expressed in nominal terms increased by 5.0% and 7.4%, respectively, in 2011, compared to 4.5% the year before in agricultural and non agricultural sectors.

The following table presents trends in the minimum wage for Tunisia as of the dates indicated:

	July 2007	July 2008	August 2009	July 2010	May 2011
Inter-professional minimum wage (SMIG)					
Hourly SMIG (in TD)					
48 hour week	1.16	1.21	1.26	1.31	1.37
40 hour week	1.12	1.26	1.30	1.36	1.420
Monthly SMIG (in TD)					
48 hour week	239.82	251.89	260.62	272.48	286.00
40 hour week	207.83	271.88	225.16	235.04	246.31
Agricultural minimum wage (SMAG)					
per day (in TD)	7.38	7.75	8.02	8.38	9.00

Source: Ministry of Regional Development and Planning

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 were adopted to achieve this goal. After launching a structural adjustment programme (PAS) in 1986, which oriented Tunisia toward a market economy, the Government launched an upgrading (*mise à niveau*) programme in 1996 with the goal of increasing the productivity of Tunisian businesses and preparing the economy for competition in the global market place, especially after entering into an association with the EU. 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 new Government expects globalisation to continue to intensify as trade protections are removed and tariffs are dismantled around the world. Tunisia has undertaken this strategy in the framework of its commitments to the EU for the establishment of a free-trade zone. Tunisia has been a member of the World Trade Organisation 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 and Morocco, has already further exposed Tunisian products to foreign markets and competition. Although the EU's share of Tunisia's total foreign trade has declined slightly in recent years, the EU maintained its top rank among Tunisian trade partners as total trade with the EU accounted for 65.6% of the country's foreign trade in 2011. At present, 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 presents total Tunisian exports (FOB) and imports (CIF) of goods for the years indicated:

Total Exports (FOB) and Imports (CIF)

	2007	2008	2009	2010	2011
	(in millions of TD, except percentages)				
Total exports (FOB)	19,409.6	23,637.0	19,469.2	23,519.0	25,091.9
Annual variation	24.8%	21.8%	(17.6%)	20.8%	6.7%
Total imports (CIF)	24,437.3	30,241.2	25,877.6	31,816.7	33,701.9
Annual variation	22.2%	23.8%	(14.4%)	23.0%	5.9%
Balance	(5,027.7)	(6,604.2)	(6,408.4)	(8,297.7)	(8,610.0)

Source: National Statistics Institute

In 2007, exports and imports posted an increase of 24.8% and 22.2% respectively, resulting in a trade deficit balance of TD 5,028 million (13.1%). In 2008, imports and exports rose by 23.8% and 21.8% respectively, and the balance of trade deficit increased to TD 6,604 million (growth of 31.4%) compared to 2007 figures. In 2009, imports and exports posted a decrease of 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) fell by 3% to TD 6,408 million.

As the global economy started to recover in 2010, exports and imports posted significant increases of 20.8% and 23%, respectively, mainly due to a recovery in prices of commodities globally, resulting in a larger trade deficit of TD 8,297.7 million (an increase of 29.5%) compared to 2009 figures.

In 2011, foreign trade showed slower growth both in terms of exports and imports compared to 2010, which grew by 6.7% and 5.9%, respectively, which caused a TD 311.9 million (3.8%) increase in the trade deficit to TD 8,610 million.

The following tables set forth Tunisian exports and imports of goods by principal categories for the years indicated:

	Exports				
	2007	**2008**	**2009**	**2010**	**2011**
			(in millions of TD)		
Energy[(1)]	3,137.8	4,079.9	2,637.7	3,313.9	3649.5
Food and agriculture	1,888.0	2,155.6	1,849.5	1,879.4	2,592.4
Mining, phosphates and by products	1,447.8	3,322.8	1,660.2	2,158.3	1,300.6
Textile, clothing, leather and footwear	6,076.3	6,098.3	5,558.1	6,036.4	6,378.1
Electrical and mechanical	5,266.8	6,232.8	6,001.0	8,070.9	9,277.5
Other	1,592.9	1,747.6	1,762.7	2,060.1	1,893.8
Total exports (FOB)	19,409.6	23,637.0	19,469.2	23,519.0	25,091.9

Source: the Ministry of Regional Development and Planning

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

	Imports				
	2007	**2008**	**2009**	**2010**	**2011**
			(in millions of TD)		
Capital goods	5,193.1	5,784.0	6,585.7	7,778.8	7,180.6
Raw materials	7,861.5	10,233.8	8,081.1	10,180.4	10,921.4
Energy	3,001.6	4,913.8	2,789.7	3,797.3	4,799.4
Food and agriculture	2,040.9	2,600.9	1,593.2	2,208.2	2,834.8
Consumer goods	6,340.3	6,708.7	6,827.9	7,852.0	7,965.7
Total imports (CIF)	24,437.3	30,241.2	25,877.6	31,816.7	33,701.9
Freight and insurance	(1,342.7)	(1,663.3)	(1,414.1)	(1,749.5)	1,853.6
Total imports (FOB)	23,094.6	28,577.9	24,463.5	30,067.2	31,848.3

Source: Ministry of Regional Development and Planning

Direction of Trade

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

	Exports by Area of Destination				
	2007	**2008**	**2009**	**2010**	**2011**
			(in millions of TD)		
France	6,239.2	6,735.3	5,770.7	6,749.7	7,695.4
Italy	4,519.2	4,883.9	4,095.1	4,674.5	5,432.2
Germany	1,596.7	1,637.1	1,711.8	1,987.3	2,271.4
Belgium	458.4	526.1	430.7	458.5	473.4
Spain	1,002.8	1,157.6	656.2	912.2	1,079.4
Libya	892.7	1,065.2	1,121.2	1,048.5	1,103.3
Algeria	367.3	499.3	608.2	679.7	656.0
Morocco	221.3	286.5	282.2	332.1	336.7
United States	214.0	395.3	265.3	556.3	388.9
Former USSR	36.9	60.0	24.2	40.1	32.7
Other countries	3,861.1	6,390.7	4,503.6	6,079.9	5,622.4
Total exports (FOB)	19,409.6	23,637.0	19,469.2	23,519.0	25,091.9

Source: the Bank

	Imports by Area of Origin				
	2007	**2008**	**2009**	**2010**	**2011**
			(in millions of TD)		
France	5,232.6	5,586.7	5,334.1	6,011.0	6,184.5
Italy	4,710.2	5,213.4	4,184.0	5,555.3	5,339.8
Germany	1,930.5	2,109.0	2,250.9	2,429.6	2,487.7
Belgium	611.6	545.4	515.6	667.3	599.0
Spain	1,143.0	1,168.3	1,166.9	1,461.5	1,584.6
Libya	826.7	1,319.2	754.4	406.3	31.5
Algeria	383.5	890.0	674.5	889.9	896.4
Morocco	96.9	109.9	88.8	141.8	131.7
United States	722.8	911.1	1,021.1	1,276.3	1,245.7
Former USSR	1,529.9	3,213.0	1,450.1	1,479.5	2,730.8
Other countries	7,249.6	9,175.2	8,437.2	11,498.2	12,470.2
Total imports (CIF)	24,437.3	30,241.2	25,877.6	31,816.7	33,701.9
Freight and insurance	(1,342.7)	(1,663.3)	(1,413.1)	(1,749.5)	1,853.6
Total imports (FOB)	23,094.6	28,577.9	24,464.5	30,067.2	31,848.3

Source: the Bank

The EU remains Tunisia's principal trading partner. In 2007, Tunisia's exports to EU countries accounted for 79.3% of total exports, and imports from the EU accounted for 64.5% of total imports. The main European trading partners of Tunisia were France, Italy and Germany which comprised 32.1%, 23.3 % and 8.2% respectively of total exports and 21.4%, 19.3% and 7.9%, respectively of total imports. Tunisia's exports to Arab Maghreb Union countries reached TD 1,500.8 million in 2007 and accounted for 7.7% of total exports. Imports from those countries in 2007 totalled TD 1,309.3 million and accounted for 5.4% of total imports.

In 2008, Tunisia's exports to EU countries accounted for 72.0% of total exports, and imports accounted for 57.3% of total imports. The main European trading partners of Tunisia were France, Italy and Germany which comprised 28.5%, 20.7% and 6.9%, respectively of total exports and 18.5%, 17.2% and 7.0%, respectively of total imports. Tunisia's exports to Arab Maghreb Union countries in 2008 were TD 1,879.7 million, which accounted for 8.0%

of total exports. Imports from those countries totalled TD 2,323.1 million and accounted for 7.7% of total imports.

In 2009, the EU remained Tunisia's principal trading partner with 73.8% of total exports and 63.0% of total imports. France, Italy and Germany were the main trading partners within the EU, with 29.6%, 21% and 8.8%, respectively of total exports, and 20.1%, 16.4% and 8.8% respectively, of total imports. Trade with Arab Maghreb Union countries reached TD 2,035.2 million, or 10.5%, of total exports and TD 1,520.6 million, or 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 with 28.7%, 19.9% and 8.4%, respectively, of total exports. Imports from those countries totalled TD 13,996 million and accounted for 44% of total imports. The increase in exports to France constituted almost 45% of the total growth of exports to the European Union. This increase was mainly attributable to sales of apparatus and machines, fertilisers, textile-clothing products and leather and footwear. Imports from Italy increased by 32.8% in 2010. This increase was led by 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 significantly to TD 880.9 million, as compared to a TD 88.9 million deficit in 2009.

Tunisia's exports to Arab Maghreb Union countries mainly to Libya, Algeria and Morocco, reached TD 2,060.3 million and accounted for 8.8% of total exports. Imports from those countries totalled TD 1,438 million and accounted for 4.5% of total imports.

In 2011, total trade with the EU accounted for 65.6% of the country's foreign trade. Exports to the EU increased by 11.3%, while imports remained stable. As a result, the trade deficit with the EU narrowed by TD 1,961.4 million (89.4%).

The trade surplus with France, Tunisia's primary international trading partner, doubled as a result of the 14.0% growth in exports and a much lower 2.9% increase in imports due essentially to the growth in French purchases of Tunisian machinery and equipment, cereals, hydrocarbons and plastic goods.

Trade with Libya changed radically in 2011 due to Libya's violent civil war. Oil, milk cereals, fruits and vegetables are the main products imported from Libya. Exports rose by 5.2% while imports dropped 92.2%, which resulted in a strong growth of TD 429.6 million (66.9%) in trade surplus with Libya. Agri-food products accounted for three quarters of exports to Libya in 2011, and the drop in imports is explained by the interruption of hydrocarbon production in Libya, which are normally the main products imported from that country.

The Government expects that the debt crises in the EU will have a negative affect on trade between Tunisia and the EU during 2012. Because the EU is Tunisia's most important market for textile clothing products and mechanical and electrical industries, it is expected that demand for these products will fall.

Balance of Payments

The following table sets out the balance of payments for Tunisia for the years indicated:

	Balance of Payments				
	2007	2008	2009	2010	2011
Current account			(in millions of TD)		
Goods					
Exports (FOB)[1]	19,409.6	23,637.0	19,469.2	23,519.0	25,091.9
Imports (FOB)[1]	(23,094.6)	(28,577.9)	(24,463.5)	(30,067.2)	(31,848.3)
Trade Balance	(3,685.0)	(4,940.9)	(4,994.3)	(6,548.2)	(6,756.4)
Services[2]					
Inflow	6,305.6	7,409.3	7,424.7	8,309.7	6,844.2
Outflow	(3,606.5)	(4,152.7)	(4,015.8)	(4,788.4)	(4,660.0)
Net	2,699.1	3,256.6	3,408.9	3,521.3	2,184.2
Factors Revenues[3]					
Inflow	2,574.2	2,768.2	2,760.3	3,085.1	2,972.4
Outflow	(2,993.7)	(3,442.7)	(3,153.2)	(3,380.7)	(3,462.5)
Net	(419.5)	(674.5)	(392.9)	(295.6)	(490.1)
Current transfers					
Inflow	261.6	274.6	340.2	353.7	365.0
Outflow	(31.1)	(24.9)	(27.8)	(43.5)	(49.2)
Net	230.5	249.7	312.4	310.2	315.8
Balance – current account	(1,174.5)	(2,109.1)	(1,665.9)	(3,012.3)	(4,746.5)
Capital Account					
Grants (net)	212.1	97.2	222.1	117.9	217.5
Foreign direct investment (net)	1,941.7	3,204.4	2,059.5	1,910.2	648.7
Portfolio investment (net)	38.4	(48.1)	(119.7)	(37.1)	(61.6)
Medium and long term borrowings (net)					
Borrowings by The Republic of Tunisia (net)	(224.5)	(6.7)	62.1	(314.2)	
Borrowings by business (net)	(65.3)	2.3	376.3	521.8	1,315.7
	(289.8)	(4.4)	438.4	207.6	
MLT Others liabilities[4]	—	—	496.4	—	
Short-term capital (net)	202.5	773.2	684.3	417.2	235.5
Balance – capital account	2,104.9	4,022.3	3,781.0	2,615.8	2,355.8
Adjustments	(47.7)	139.5	89.2	123.0	
Overall balance	882.7	2,052.7	2,204.3	(273.5)	(2,390.7)

Source: The Bank

(1) Based on customs statistics.
(2) Includes tourism receipts of TD 3,077 million, TD 3,390 million, TD 3,472 million, TD 3,523 million and TD 2,365 million for the years 2007 through 2011, respectively.
(3) Includes among other items interest on short-, medium- and long-term loans, direct investment income and workers' remittances.
(4) This concerns SDR allocations which are henceforth accounted for under medium and long term external liabilities as per IMF recommendation.

The deficit in the trade balance 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. Therefore, economic expansion, and particularly expansion of industry, draws in capital goods and increases imports. Furthermore, the main exporting sectors in 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.

The trade deficit is partly offset by a surplus in the services account, which derives principally from tourism receipts and, to a lesser extent, from royalties from the natural gas pipelines and from receipts from other services, especially earnings from communication and technical services.

The continuing strength of workers' remittances from the estimated 1.2 million Tunisians living abroad at the end of 2011, in particular, has helped to ease current-account deficit levels. Remittances have risen in recent years in part due to an increasing number of tax, customs and financial incentives given to Tunisians working abroad as well as depreciation of the dinar compared to the main currencies, principally the euro. Since 1994, roughly three-quarters of the 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. Workers' remittances in 2007 were TD 2,199 million. In 2008, worker remittances increased by 10.8% to TD 2,436 million, partly due to the introduction of greater flexibility in regulations governing foreign exchange as well as certain tax, customs and financial incentives available to Tunisians abroad. Inputs in cash were higher with growth rates of 14.8% in 2008. However, input in kind decreased by 2.1% in 2008. In 2009 and 2010, workers' remittances continued to follow an increasing trend with growth of 8.9% to TD 2,653 million and growth of 11.3% to TD 2,953 million respectively. Inputs in cash grew by 9.1% to TD 2,104 million in 2009 and by 10.9% to TD 2,333 million in 2010, those in kind by 8.3% to TD 549 million and by 12.9% to TD 620 million respectively. In 2011 remittances decreased by 5.2% to TD 2,801 million primarily due to a drop of worker's remittances in the form of cash because of a decrease of the number of visits by Tunisian offshore workers in 2011 due to the instability surrounding the 14 January 2011 Revolution. In 2011, inputs in cash went down by 8.1% to TD 2,144 million while those in kind increased by 6.0% to TD 657 million.

	Workers' Remittances				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of TD, except percentages)				
Cash	1,681	1,929	2,104	2,333	2,144
Contributions in kind	518	507	549	620	657
Total	2,199	2,436	2,653	2,953	2,801
Total as % of GDP	0.04	0.04	0.05	0.05	0.04

Source: The Bank

During 2008, the balance of payments was a surplus of TD 2,053 million, resulting primarily from the substantial increase of Foreign Direct Investment (FDI) inflows. The current account deficit increased to 3.8% of GDP due mainly to the increase of the trade deficit (FOB-FOB) from TD 3,685 million or 8.1 % of GDP in 2007 to TD 4,940.9 million or 9.0% of GDP in 2008, primarily as a result of a substantial increase in oil prices. Tourism receipts continued to increase (10.2% in 2008 versus 2007).

During 2009, the balance of payments was a surplus of TD 2,204 million resulting primarily from the decrease of the current account deficit, which fell to TD 1,666 million, representing 2.8% of GDP. This was due mainly to the growth of services by TD 152 million to TD 3,408.9 million or 5.8% of GDP and a reduction in the deficit balance of factors revenue by TD 282 million to reach TD 393 million which resulted from a decrease in outflows by 8.4% and steady inflows supported by robust worker remittances. Flows from tourism (reflected in the services inflow) rose by 2.4% to TD 3,472 million. In 2009, the balance of capital account was surplus of TD 3,781 million compared to TD 4,022 million in 2008.

In 2010, the general balance of payments was a TD 274 million deficit compared to TD 2,204 million surplus in 2009. The current deficit widened by TD 1,346 million to TD 3,012 million and, at the same time, the surplus balance of financial operations and in capital dropped by TD 1,165 million to TD 2,616 million. The balance of current transactions posted a deficit of TD 3,012 million, corresponding to 4.8% of GDP compared to TD 1,666 million and 2.8% a year earlier. This widening is attributable to an increase in the trade deficit by 31.1% to TD 6,548 million versus TD 4,994 million in 2009 due to an increase of imports by 23.0% versus 20.8% for exports. However, the surplus in the balance of services improved by TD 112 million, to reach TD 3,521 million following the recovery of transport and the growth of other services receipts, which grew by 18.0% and 25.8%, respectively. Tourism receipts increased by only 1.5% to TD 3,523 million following a reduction in entries and bed nights. Concurrently, the deficit balance of factor income fell by TD 97 million, to reach TD 296 million as a result of an increase of worker's remittances by 11.3% while expenditures for capital income in the form of transfers to remunerate foreign investment grew by 10.7%.

During 2011, the general balance of payments yielded a TD 2,391 million deficit compared to TD 274 million in 2010 resulting, essentially, from the widening of the current deficit by TD 1,734 million to TD 4,746.5 million or 4.7% of GDP. This increase was due to the decrease in the surplus of the balance of services by TD 1,337 million, primarily due to a drop of tourism receipts by 32.9% due to the instability in Tunisia as a result of the 14 January 2011 Revolution. Also, the deficit balance of factor income went up by TD 194 million as a result of a decrease of worker's remittances by 5.2% and an increase in expenditures for capital income. In addition, the surplus balance of financial operations and capital fell by TD 260 million to TD 2,356 million as a result of a sharp contraction in foreign direct investments mostly offset by an increase in other investments due to an increase in the amount of drawings on medium and long term facilities.

Foreign exchange reserves

The following table sets forth the net foreign exchange reserves of The Republic of Tunisia as of 31 December of the years indicated:

	Foreign Exchange Reserves			
	2008	**2009**	**2010**	**2011**
Net foreign exchange reserves (in millions of TD) ...	11,655.8	13,352.9	13,002.9	10,581.6
Days of imports..	139	186	147	113

Source: The Bank

At 31 December 2011, due to the uncertain political environment at the time and its negative effects on the Tunisian economy and the foreign direct investment balance, net foreign exchange reserves fell to TD 10,581.6 million, the equivalent of 113 days of imports as compared to 147 days in 2010.

Foreign Direct Investment

An important objective of the Government is to attract foreign investment. The Government has 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 concluded 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. It affirms the freedom to invest in most sectors of the economy and reinforces the openness of the Tunisian economy to the outside world. It includes numerous general and specific incentives in the form of tax exemptions, investment bonuses, no-cost infrastructure, and 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 presents total foreign direct investment ("**FDI**") by industry for the years 2007 to 2011:

	Foreign Direct Investment by Industry				
	2007	2008	2009	2010	2011
	(in millions of TD)				
Energy	1,359.0	1,933.9[(1)]	1,233.5[(5)]	1,317.1	1,063.4
Tourism and real estate	72.0	198.6[(2)]	85.5	95.0	15.9
Manufacturing industries	485.7	641.6[(3)]	771.6[(3)]	573.6	330.6
Other (including agriculture)	154.1	624.6[(4)]	188.1[(6)]	179.3	199.0
Total	2,070.8	3,398.7	2,278.7	2,165.0	1,608.9
Total excluding energy	711.8	1,464.8	1,045.2	847.9	545.5

Source: The Bank

(1) Includes TD 716 million from the investment of British Gas on the development of SADR BAAL project.

(2) Includes TD 131 million from sale of Carthago beach Hammamet and Carthago beach Jerba to Libyan investors (Layco).

(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 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.

(5) Includes TD 442 million of investments of "ENI TUNISIA".

(6) Includes TD 92 million with respect to the first portion of non-resident participation to the granting of land and a mobile phone license to Divona group.

Foreign direct investment in agriculture is insignificant because of investment restrictions on foreign ownership of agricultural land.

Cumulative FDI increased from TD 6,340 million in 1990 to TD 47,099 million in 2011. Annual FDI in Tunisia increased from TD 77.5 million in 1990 to TD 2,071 million in 2007. In 2008, FDI flows increased by 64.1% to reach TD 3,399 million due to diversification and good economic performance. However, in 2009, FDI flows decreased by 33% to TD 2,279 million. In 2010, FDI flows decreased by 5.0% to TD 2,165 million. In 2011, FDI flows fell by 25.7% to TD 1,609 million as a result of the instability surrounding the 14 January 2011 Revolution.

Breakdown of FDI flows by sector in 2008 shows an increased level of investment in energy, services and manufacturing industries. FDI flows to the energy sector in 2008 increased by 42.3%, from TD 1,359 million in 2007 to TD 1,934 million as a result of investments in the Hasdrubal and Miskar gas fields. However, the energy sector's share of total FDI decreased from 66% in 2007 to 57% in 2008. Concerning the services sector, investment in tourism and real estate rose considerably in 2008, up from TD 72 million in 2007 to TD 199 million in 2008, following the sale of Carthago Beach Hammamet and Carthago Beach Jerba to Libyan investors (Laico) for approximately TD 131 million. The volume of FDI in other services increased to TD 625 million, up from TD 154 million in

2007. The financial services sector received TD 371 million from the sale of a 60% stake in BTK (*Banque Tuniso-Koweitienne*) and of a 35% stake in STAR (*Société Tunisienne d'Assurance et de Réassurance*) as well as an increase of the capital of the UIB (*Union Internationale de Banques*) and the ATB (Arab Tunisian Bank), financed in part by non-resident investors. The transport sector received TD 189 million, in connection with the construction of the Enfidha Airport by the Turkish investor TAV TUNISIA.

In manufacturing industries FDI resumed an upward trend in 2008, posting a growth rate of 32.1% to TD 642 million. This was due mainly to growth in FDI flows to chemical and rubber industries, which reached TD 216 million in 2008 compared to TD 92 million in 2007, attributable to the rapid growth in the price of chemical products in 2008.

Breakdown of FDI flows by sector in 2009 shows a sharp drop of investment in energy and services after record levels in 2008. FDI flows to the energy sector fell by 36.2% from TD 1,934 million in 2008 to TD 1,234 million in 2009, following the completion of some projects which generated important flows during the preceeding years, such as the Hasdrubal and Miskar fields. Investment in the services sector posted a decrease of 68.1% to TD 257 million in 2009 compared to TD 804 million in 2008. Investment in tourism and real estate fell to TD 85 million in 2009 compared to TD 199 million in 2008. The investment for telecommunications went up from TD 40 million in 2008 to TD 154 million in 2009 of which TD 92 million resulted from the first portion of non-resident participation in the granting of land and a mobile phone license to Divona group.

In manufacturing industries, FDI increased by 20.3% to TD 772 million, following growth in flows to electrical and mechanical industries and to the textile, clothing, leather and footwear sectors reaching TD 209 million and TD 133 million respectively in 2009 compared to TD 102 million and TD 83 million in 2008. Also, flows to chemical and rubber industries rose in 2009, up from TD 216 million in 2008 to TD 258 million.

In 2010, FDI in manufacturing industries fell by 34.5% to TD 573.6 million from a high TD 771.6 million in 2009. This significant decrease more than offset modest increases in energy as well as tourism and real estate of 6.8% and 11.1%, respectively.

In 2011, FDI in the energy sector fell to TD 1,063 million compared to TD 1,317 million in 2010, a drop of 19.2%. In the manufacturing industry sector, investments decreased by 42.4% from 2010, to TD 331 million in 2011. Also, FDI in the chemicals and rubber industries decreased from TD 79 million in 2010 to TD 53 million in 2011. In services, investments declined by 21.6% to TD 213 million in 2011 from TD 272 million in 2010. The volume of FDI in telecommunication rose by 52.4% in 2011 to TD 194 million compared to TD 127 million in 2010. The increase in the volume of FDI in telecommunication in 2011 is primarily due to network extension projects by three mobile operators in Tunisia.

Regions

The following table presents additional information on the sources of foreign direct investment for the years indicated:

	Foreign Direct Investment				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of TD)				
Australia	2.6	5.0	25.5	74.8	21.9
Austria	52.6	91.8	65.7	182.7	208.3
Belgium	5.2	5.0	2.9	2.3	5.9
Canada	80.6	155.3	91.0	139.5	232.8
France	160.5	563.6	265.8	254.4	225.8
Finland	0	0	0	0	0
Germany	40.4	22.2	62.0	14.6	36.3
Great Britain	825.6	1,080.6	533.4	439.9	136.7
Italy	180.4	359.1	583.4	325.6	178.0
Japan	4.0	0.3	16.3	0	0
Kuwait	34.1	14.1	21.9	13.2	4.9
Norway	0.8	0	0.3	2.9	5.7
Portugal	26.8	9.5	12.7	10.6	3.8
Saudi Arabia	1.8	1.1	3.8	7.7	0.1
Spain	9.4	100.4	53.0	137.3	10.7
Sweden	132.0	236.7	79.9	43.0	114.8
Switzerland	22.8	13.0	56.9	10.4	18.8
The Netherlands	34.1	44.7	10.2	15.1	10.9
Turkey	61.1	188.9	1.9	2.0	0
United States	223.7	194.7	84.9	128.1	177.8
UAE	48.8	80.1	88.6	55.8	100.9
Other	123.8	232.6	218.6	305.1	114.8
Total	2,070.8	3,398.7	2,278.7	2,165.0	1,608.9

Source: The Bank

FDI from the EU amounted to TD 1,488 million in 2007 representing 71.8% of total FDI. FDI from Arab partners was TD 164.7 million.

FDI from the EU amounted to TD 2,516 million in 2008 representing 74% of total FDI. FDI from Arab partners improved by 69.9% to reach TD 282 million. These investments were principally from Libya (TD 138 million) and UAE (TD 80 million).

FDI from the EU amounted to TD 1,706 million in 2009 representing 74.9% of total FDI flows. FDI from Arab partners fell by 30.7% to TD 195 million.

FDI from the EU amounted to TD 1,420 million in 2010 representing 65.6% of total FDI. FDI from Arab partners improved by 41.5% to TD 276 million.

FDI from the EU amounted to TD 940 million in 2011 representing 58.4% of the FDI. FDI from Arab partners declined by 48.5% to TD 142 million.

PUBLIC FINANCE

Overview

Legal Framework and Budgetary Process

The Budget Law (Organic Law of Budget No. 2004-42 of 13 May 2004 modifying and completing Law No. 67-53 of 8 December 1967 (the "**Budget Law**")) provides the legal framework and timetable for the preparation of the annual State budget. 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 Finance. The Ministry of Finance examines these projections, calculates revenue projections, and prepares the proposed *Loi de Finances*, containing the annual budget. Prior to the 14 January 2011 Revolution, the proposed *Loi de Finances* was then presented by the President of The Republic to the former Chamber of Deputies and Chamber of Consults. Following the 14 January 2011 Revolution, the *Loi de Finances* is now presented to the National Constituent Assembly.

The *Loi de Finances* regulates The Republic of Tunisia's expenditures and revenues for the forthcoming fiscal year. The *Loi de Finances* includes provisions which determine the amount, and authorise the collection of, public revenue, set the ceiling for guarantees which 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 Republic of Tunisia budget, the *Loi de Finances* 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 *Loi de Finances*.

Prior to the 14 January 2011 Revolution, the Chamber of Deputies and Chamber of Consults voted on the *Loi de Finances*. Following the 14 January 2011 Revolution and the election of the National Constituent Assembly in October 2011, the National Constituent Assembly adopts the *Loi de Finances.* The National Constituent Assembly has approved the *Loi de Finances* of 2012.

As further described below, the main sources of revenue for 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 National Constituent Assembly.

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.

The table below sets forth a summary of the revenues and expenditure of The Republic of Tunisia for the fiscal years 2007 to 2011 and the budget for 2012 (as supplemented by the supplementary budget law submitted to the National Constituent Assembly on 4 April 2012):

Government Revenues and Expenditures

	2007	2008	2009	2010	2011 (provisional)	2012 (budgeted)
	(in millions of TD, except percentages)					
Tax revenues						
Direct taxes[(1)]	3,697.6	4,560.8	4,645.5	5,032.7	5,935.6	6,302.0
Indirect taxes[(2)]	5,810.4	6,770.0	7,039.7	7,666.0	7,732.2	8,264.0
Total tax revenues	9,508.0	11,330.8	11,685.2	12,698.7	13,667.8	14,566.0
As % of GDP	19.1%	20.5%	19.9%	20.0%	21.2%	21.0%
Non-tax revenues						
Petroleum revenues and gas royalties	290.3	370.3	423.3	415.4	351.2	444.0
Interest[(3)]	55.3	46.6	33.7	35.6	75.8	25.0
Grants[(4)]	37.5	191.5	177.6	54.1	207.4	600.0
Privatisations	391.3	146.9	0.0	0.0	383.1	1000.0
Debt recoveries[(5)]	151.1	210.7	190.6	319.0	182.2	140.0
Other non-tax revenues[(6)]	1,010.4	1,417.3	1,251.6	1,299.7	1,752.5	3,769.0
Total non-tax revenues	1,935.9	2,383.3	2,076.8	2,123.8	2,952.2	5,078.0
Total revenues (gross)[(a)]	11,443.9	13,714.1	13,762.0	14,822.5	16,620.0	19,644.0
As % of GDP	22.9%	24.8%	23.4%	23.4%	25.7%	28.3%
Total revenues (net)[(b)]	11,292.8	13,503.4	13,571.4	14,503.5	16,437.8	19,504.0
As % of GDP	22.6%	24.4%	23.1%	22.9%	25.5%	28.1%
Current expenditures						
Wages, salaries, goods and services	5,963.9	6,485.4	7,131.3	7,626.5	8,544.2	9,569.5
Subsidies and transfers	1,940.6	2,778.8	2,233.7	2,374.7	3,933.7	4,538.4
(Which subsidies oil prices)	450.0	806.0	430.0	550.0	1,536.0	1,688.0
Current expenditures non allocated	-	-	-	-	-	678.1
Total current expenditures	7,904.5	9,264.2	9,365.0	10,001.2	12,477.9	14,787.0
Interest payments						
Internal debt	582.2	563.1	560.7	557.0	592.3	660.0
External debt	599.7	579.4	619.4	595.0	597.8	640.0
Total interest payments	1,181.9	1,142.5	1,180.1	1,152.0	1,190.1	1,300.0
Capital expenditures						
Direct investment[(7)]	960.0	1,056.2	1,276.3	1,450.3	1,506.8	2,034.2
Capital transactions[(8)]	838.3	967.7	1,317.8	1,384.3	1,743.2	1,932.1
(Which transfer oil)	176.0	200.0	335.0	-	0.0	0.0
Direct payments[(9)]	537.5	574.9	689.2	743.9	670.0	720.0
Debt repayment[(10)]	158.0	167.5	125.8	121.6	134.6	125.0
Loan and advances of Treasury	309.9	45.0	670.0	(157.3)	(238.6)	-
Other capital expenditures	457.9	716.4	730.4	747.6	930.4	988.5
Capital expenditures non allocated	-	-	-	-	-	725.6
Total capital expenditures	3,261.6	3,527.7	4,809.5	4,290.4	4,746.4	6,525.0

Total expenditures, loans and advances (gross)[(a)]	12,348.0	13,934.4	15,354.6	15,443.6	18,414.4	22,612.0
Total expenditures, loans and advances (net)[(b)]..............................	12,196.9	13,723.7	15,164.0	15,124.6	18,232.2	22,472.0
Budget deficit[(c)]	(904.1)	(220.3)	(1,592.6)	(621.1)	(1,794.4)	(2,968.0)
As % of GDP	(1.8%)	(0.4%)	(2.7%)	(1.0%)	(2.8%)	(4.3%)
Budget deficit[(d)]	(1,332.9)	(558.7)	(1,770.2)	(675.2)	(2,384.9)	(4,568.0)
As % of GDP..................	(2.7%)	(1.0%)	(3.0%)	(1.1%)	(3.7%)	(6,6%)
GDP (at current prices)....	49,765.2	55,120.4	58,661.9	63,322.6	64,566.3	69,511.0

**New System of National Accounts SNA 1993*
Source: Ministry of Finance

(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 Republic of Tunisia on loans, primarily to Tunisian public sector entities.
(4) Includes grants made to The Republic of Tunisia.
(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 Republic of Tunisia by public sector commercial and industrial entities.
(7) Primarily infrastructure investment, including development of water and irrigation resources, water and soil conservation, and development programmes.
(8) Loans granted by The Republic of Tunisia to finance specific long-term investment projects of public sector entities.
(9) 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 Republic of Tunisia.
(10) Other loans granted by The Republic of Tunisia (net of repayments), including, generally, loans and advances made to public sector entities.
(a) Includes debt repayments and loans.
(b) Excludes debt repayments and loans.
(c) Including privatisation and grants.
(d) Excluding privatisation and grants.

On 31 December 2011, the National Constituent Assembly approved the budget in accordance with the budget law (*Loi de Finances*) for the 2012 fiscal year, which had been prepared by the previous Government. It was voted upon without sufficient time for the discussions and deliberations necessary to reflect promises of the political parties which won the election. As a result, the Government has recently submitted a supplementary budget law for 2012 to the National Constituent Assembly on 4 April 2012. This supplementary budget law supplements the original 2012 budget and forecasts 3.5% GDP growth and a budget deficit estimated at 6.6% of GDP. It is currently expected that the National Constituent Assembly will approve the supplementary budget law by the end of April 2012.

The main sources of revenue are individual and corporate income taxes and indirect taxes, particularly value added taxes that apply to a large number of products and services, and other consumption taxes and excise duties. In total, taxes are expected to account for approximately 74.1% of total revenues in 2012 according to the supplementary budget law. The supplementary budget law also contains an estimated TD 450 million in revenue from expected voluntary exceptional solidarity contributions (donations) by Tunisian citizens and enterprises. In addition, an increase in domestic fuel prices is expected to limit the burden of fuel subsidies on the budget.

The following table sets forth the components of tax revenue for 2007-2011 and for the 2012 supplementary budget:

Tax Revenues

	2007	2008	2009	2010	2011 (provisional)	2012 (budgeted)
	(in millions of TD, except percentages)					
Direct taxes						
Personal income taxes	1,948.8	2,145.3	2,379.4	2,600.1	2,889.9	3,180.0
Corporate income taxes	1,748.8	2,415.5	2,266.0	2,432.6	3,045.7	3,122.0
Total direct taxes	3,697.6	4,560.8	4,645.4	5,032.7	5,935.6	6,302.0
Indirect taxes						
Taxes on domestic products						
Value added tax	1,346.1	1,627.4	1,714.4	1,729.7	1,864.8	2,070.0
Excise taxes	1,094.5	1,145.1	1,201.5	1,061.3	1,081.5	1,160.0
Other taxes	1,173.0	1,288.0	1,372.3	1,616.5	1,674.6	1,530.0
Total taxes on domestic products	3,613.6	4,060.5	4,288.2	4,407.5	4,620.9	4,697.0
Taxes on external products						
Import taxes	495.4	564.5	508.7	551.4	550.3	613.0
Export taxes	18.9	20.2	11.5	12.5	13.4	15.0
Total Customs duties	514.3	584.7	520.2	563.9	563.7	628.0
Value added tax	1,314.4	1,681.6	1,685.3	2,020.0	1,953.4	2,262.0
Excise taxes	267.1	319.7	394.7	502.0	430.4	510.0
Other taxes	101.1	123.5	151.4	172.6	163.8	100.0
Total taxes on external products	2,196.9	2,709.5	2,751.6	3,258.5	3,111.3	3,500.0
Total indirect taxes	5,810.5	6,770.0	7,039.8	7,666.0	7,732.2	8,264.0
Total tax revenues	9,508.1	11,330.9	11,685.2	12,698.7	13,667.8	14,566.0
Percent of GDP	19.1%	20.5%	19.9%	20.0%	21.2%	21.0%
Percent of withholding taxes in total taxes revenues	20.5%	18.9%	20.4%	20.5%	21.1%	21.8%
Percent of corporate income taxes in total taxes revenues	18.4%	21.3%	19.4%	19.2%	22.2%	21.4%

Source: Ministry of Finance

Since 2007, income tax for individuals has been divided into 5 income brackets and marginal tax rates ranging from 15% to 35% (with no tax due on incomes below TD 1500 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. Direct taxes are expected to account for approximately 43.3% of total tax revenues in 2012, according to the supplementary budget law.

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. Non-tax revenues excluding revenues from privatisation, are expected to account for approximately 20.8% of total revenues in 2012, according to the supplementary budget law. These non-tax revenues, in 2012, 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.

Approximately half of Government expenditures are for 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, investment in Tunisia's infrastructure, particularly for the development of irrigation resources and water and soil conservation, and direct payments and loans to public and private Tunisian businesses.

The 2012 supplementary budget is based on the assumption that global oil prices will average U.S.$110 per barrel of Brent crude oil in 2012 compared to actual oil prices of around U.S.$118 per barrel of Brent crude oil during the first quarter of 2012. With elevated oil prices, the new interim Government has maintained high subsidies on oil products, resulting in a 64.5% increase in subsidies as of the end of 2011, which accounted for approximately 4.5% of GDP. Higher-than-expected international oil prices represent a significant risk of a further increase in the budget deficit in 2012, as every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 280 million for the budget. 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 2012 budget and the preservation of high levels of subsidies on food products, the Tunisian Government budget deficit may significantly increase above the 6.6% of GDP already forecast in the 2012 supplementary budget (compared to an estimated 3.7% for 2011 and 1.1% for 2010).

PUBLIC DEBT

Overall Debt

The Ministry of 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 (i) on its own behalf, or (ii) acting on behalf of The Republic of Tunisia.

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 variety of bond offerings and private placements (denominated in Japanese yen, U.S. dollars and euros) issued by the Bank. 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 Finance.

When the Bank accesses the international financial markets, it typically does so on its own behalf, converts the relevant proceeds into Tunisian dinars and makes those proceeds available to The Republic of Tunisia on the same terms and conditions as the original bonds. The Notes being issued pursuant to this Prospectus are being issued by the Bank acting on behalf of The Republic of Tunisia and therefore constitute obligations of The Republic of Tunisia.

The following table sets forth Tunisia's overall public debt at 31 December in each of the years indicated:

	Overall public debt				
	2007	**2008**	**2009**	**2010**	**2011(1)**
	(in millions of TD, except percentages)				
Internal debt...............................	9,528.8	9,366.7	10,474.3	10,089.3	12,078.0
External debt	13,300.4	14,559.9	14,715.7	15,551.2	16,690.0
Total debt	22,829.2	23,926.6	25,190.0	25,640.5	28,768.0
% of GDP	45.8%	43.3%	42.9%	40.5%	44.5%

Source: Ministry of Finance and the Bank
(1) Provisional data

The following table presents information with regard to the evolution of Tunisia's public debt and debt service for the years indicated:

	Public Debt and Debt Service Levels				
	2007	2008	2009	2010	2011[1]
	(in millions of TD)				
Public debt outstanding					
Internal debt	9,528.8	9,366.7	10,474.3	10,089.3	12,078.0
External debt	13,300.4	14,559.9	14,715.7	15,551.2	16,690.0
Total debt	22,829.2	23,926.6	25,190.0	25,640.5	27,768.0
Interest payments					
Internal debt	582.0	563.1	560.7	557.0	592.3
External debt	594.5	577.0	611.0	595.0	597.8
Total	1,176.5	1,140.1	1,171.7	1,152.0	1,190.1
Principal payments					
Internal debt	1,295.6	1,295.2	873.5	1,009.5	421.1
External debt	1,454.4	844.1	1,189.7	1,456.0	1,995.8
Total	2,750.0	2,139.3	2,063.2	2,465.5	2,416.9
Total debt service					
Internal debt	1,877.8	1,858.3	1,434.2	1,566.6	1,013.4
External debt	2,048.9	1,421.1	1,800.7	2,033.0	2,593.6
Total	3,926.7	3,279.4	3,234.9	3,599.6	3,607.0

Source: Ministry of Finance and the Bank
(1) Provisional data

Internal Debt

Prior to 1991 domestic financing of the fiscal deficit was achieved through the placement of ten-year Treasury investment bonds (*bons d'équipement*) 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 (*bons du Trésor*) at market-related interest rates to finance the deficit. Treasury bills were first introduced in 1989 and modified on several occasions. These securities, which have maturities ranging from 13 weeks to 15 years, are placed through weekly auctions to the 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 (*appel d'offres*) 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 31 December in each of the years indicated:

	Internal Debt				
	2007	**2008**	**2009**	**2010**	**2011[1]**
	(in millions of TD, except percentages)				
Total internal debt					
Investment bonds and other....................	3,226.9	3,558.3	4,460.7	4,374.9	5,239.8
Treasury bills..	6,301.9	5,808.4	6,013.6	5,716.4	6,838.2
	9,528.8	9,366.7	10,474.3	10,089.3	12,078.0
Debt service					
Principal					
Investment bonds and other....................	1.0	0.0	0.0	0.0	0.0
Treasury bills..	1,151.7	1,174.0	834.7	948.3	231.1
Other..	142.9	121.2	38.8	61.2	190.0
	1,295.6	1,295.2	873.5	1,009.5	421.1
Interest					
Investment bonds and other....................	0.0	0.0	0.0	0.0	0.0
Treasury bills..	436.3	421.1	405.7	414.2	398.5
Other..	145.9	142.0	155.0	142.8	193.8
	582.2	563.1	560.7	557.0	592.3
Total internal debt service	1,877.8	1,858.3	1,434.2	1,566.5	1,013.4
% of gross revenues................................	16.5%	13.5%	10.4%	10.6%	6.1%

Source: Ministry of Finance
(1) Provisional data

The following tables and supplementary information provide details of the internal debt of The Republic of Tunisia:

Date of Issue	**Maturity Date**	**Interest Rate**	**Principal Amount**	**Disbursed Principal Amount Outstanding at 27 March 2012**
(Month/Date/Year)	(Month/Date/Year)	(% per annum)	(in millions of TD)	(in millions of TD)
Twenty six - weeks Bonds - Full Repayment at Maturity				
01/01/2012	07/17/2012	4.000	5.000	5.000
01/24/2012	07/17/2012	4.020	1.000	6.000
Total			**6.000**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Fifty two - weeks Bonds - Full Repayment at Maturity				
04/12/2011	04/24/2012	4.688	6.500	6.500
04/26/2011	04/24/2012	4.700	6.000	12.500
05/03/2011	04/24/2012	4.700	7.500	20.000
05/10/2011	04/24/2012	4.700	5.000	25.000
05/17/2011	05/29/2012	4.700	6.000	31.000
06/14/2011	05/29/2012	4.720	5.000	36.000
08/02/2011	08/07/2012	4.610	10.000	46.000
09/13/2011	09/04/2012	4.610	13.500	59.500
09/20/2011	10/02/2012	4.150	30.000	89.500
09/27/2011	10/02/2012	4.150	30.000	119.500
10/04/2011	10/02/2012	4.150	12.000	131.500
10/11/2011	10/23/2012	4.150	10.000	141.500
10/18/2011	10/23/2012	4.150	15.000	156.500
10/25/2011	10/23/2012	4.150	12.000	168.500
11/15/2011	11/27/2012	4.150	16.000	184.500
11/22/2011	11/27/2012	4.150	13.500	198.000
12/20/2011	12/25/2012	4.140	15.400	213.400
12/27/2011	12/25/2012	4.120	30.000	243.400
01/03/2012	01/15/2013	4.139	15.000	258.400
01/10/2012	01/15/2013	4.120	15.000	273.400
01/17/2012	01/15/2013	4.133	19.500	292.900
01/24/2012	01/15/2013	4.139	29.400	322.300
02/07/2012	02/19/2013	4.140	17.500	339.800
02/28/2012	02/19/2013	4.134	14.000	353.800
03/13/2012	03/19/2013	4.140	7.000	360.800
03/27/2012	03/19/2013	4.120	15.000	375.800
Total			**375.800**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Four-Year Bonds - Full Repayment at Maturity				
03/11/2009	03/11/2013	4.358	35.000	35.000
04/15/2009	03/11/2013	4.358	43.400	78.400
10/02/2010	03/11/2013	4.500	20.000	98.400
03/10/2010	03/11/2013	4.471	32.000	130.400
04/14/2010	03/11/2013	4.482	34.500	164.900
05/12/2010	03/11/2013	4.495	20.000	184.900
07/14/2010	03/11/2013	4.501	3.500	188.400
03/09/2011	03/11/2013	4.908	12.000	200.400
04/13/2011	03/11/2013	5.164	5.000	205.400
05/11/2011	03/11/2013	5.131	8.000	213.400
06/15/2011	03/11/2013	5.165	6.000	219.400
07/13/2011	03/11/2013	5.046	1.000	220.400
08/10/2011	03/11/2013	5.170	3.000	223.400
09/14/2011	03/11/2013	5.156	35.500	258.900
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
02/08/2012	10/12/2015	5.563	73.300	227.400
03/14/2012	10/12/2015	5.574	21.980	249.380
Total			**508.280**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Seven-Year Bonds - Full Repayment at Maturity				
10/11/2006	10/11/2013	6.328	42.100	42.100
11/15/2006	10/11/2013	6.328	27.500	69.600
12/13/2006	10/11/2013	6.328	26.800	96.400
01/10/2007	10/11/2013	6.328	24.000	120.400
02/14/2007	10/11/2013	6.328	41.900	162.300
03/14/2007	10/11/2013	6.328	40.200	202.500
04/11/2007	10/11/2013	6.328	33.000	235.500
05/09/2007	10/11/2013	6.328	81.800	317.300
06/13/2007	10/11/2013	6.328	38.500	355.800
11/14/2007	10/11/2013	6.328	5.000	360.800
02/13/2007	10/11/2013	6.328	25.500	386.300
06/11/2008	10/11/2013	6.328	60.000	446.300
10/15/2008	10/11/2013	6.328	75.400	521.700
01/14/2009	10/11/2013	6.328	15.000	536.700
02/11/2009	10/11/2013	6.328	15.000	551.700
03/11/2009	03/11/2016	4.622	50.000	50.000
04/15/2009	03/11/2016	4.622	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
02/08/2012	10/12/2018	6.134	26.900	196.700
03/14/2012	10/12/2018	6.142	42.300	239.000
Total			**1,349.500**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Ten-Year Bonds - Full Repayment at Maturity				
04/14/2004	04/14/2014	7.031	82.700	82.700
05/12/2004	04/14/2014	7.031	59.500	142.200
06/09/2004	04/14/2014	7.031	164.200	306.400
07/14/2004	04/14/2014	7.031	139.500	445.900
08/11/2004	04/14/2014	7.031	110.100	556.000
11/10/2004	04/14/2014	7.031	132.000	688.000
12/15/2004	04/14/2014	7.031	126.000	814.000
02/09/2005	02/09/2015	6.824	96.800	96.800
03/09/2005	02/09/2015	6.824	110.800	207.600
04/13/2005	02/09/2015	6.824	149.000	356.600
05/11/2005	02/09/2015	6.824	97.500	454.100
09/14/2005	02/09/2015	6.824	116.600	570.700
02/15/2006	02/09/2015	6.824	12.600	583.300
03/15/2006	02/09/2015	6.824	75.600	658.900
05/10/2006	02/09/2015	6.824	47.200	706.100
06/10/2007	02/09/2015	6.824	54.700	760.800
07/11/2007	07/11/2017	6.568	26.800	26.800
09/12/2007	07/11/2017	6.568	50.400	77.200
10/10/2007	07/11/2017	6.568	27.000	104.200
11/14/2007	07/11/2017	6.568	61.200	165.400
12/12/2007	07/11/2017	6.568	38.300	203.700
02/13/2007	07/11/2017	6.568	37.600	241.300
06/11/2008	07/11/2017	6.568	20.000	261.300
10/15/2008	07/11/2017	6.568	50.500	311.800
11/12/2008	07/11/2017	6.568	77.000	388.800
12/10/2008	07/11/2017	6.568	89.500	478.300
01/14/2009	07/11/2017	6.568	45.000	523.300
02/11/2009	07/11/2017	6.568	30.000	553.300
03/11/2009	/11/201903	4.897	58.700	58.700
04/15/2009	03/11/2019	4.897	27.700	86.400
05/08/2010	03/11/2019	5.039	46.000	130.400
09/09/2010	03/11/2019	5.061	15.000	145.400
10/14/2009	03/11/2019	5.099	42.000	187.400
11/11/2009	03/11/2019	5.113	60.000	247.400
09/12/2009	03/11/2019	5.139	70.000	317.400
01/13/2010	03/11/2019	5.132	77.000	394.400
02/10/2010	03/11/2019	5.140	30.000	424.400
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
Total			**2,776.500**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Zero Coupon Ten Year Bonds - Full Repayment at Maturity				
10/11/2006	10/11/2016	0	20.400	20.400
11/15/2006	10/11/2016	0	37.000	57.400
12/13/2006	10/11/2016	0	50.000	107.400
04/11/2007	10/11/2016	0	52.100	159.500
06/13/2007	10/11/2016	0	62.740	222.240
09/12/2007	10/11/2016	0	27.900	250.140
11/12/2008	10/11/2016	0	46.000	296.140
12/10/2008	12/10/2018		100.350	100.350
Total			**396.490**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Twelve-Year Bonds - Full Repayment at Maturity				
07/09/2002	09/07/2014	8.235	206.500	206.500
08/06/2002	09/07/2014	8.235	68.600	275.100
09/10/2002	09/07/2014	8.235	21.500	296.600
10/09/2002	09/07/2014	8.235	14.500	311.100
11/13/2002	09/07/2014	8.235	21.700	332.800
12/11/2002	09/07/2014	8.235	6.000	338.800
01/15/2003	09/07/2014	8.235	8.900	347.700
02/13/2003	09/07/2014	8.235	3.000	350.700
03/12/2003	09/07/2014	8.235	10.750	361.450
04/10/2003	09/07/2014	8.235	15.600	377.050
05/15/2003	09/07/2014	8.235	35.200	412.250
06/11/2003	09/07/2014	8.235	27.700	439.950
07/09/2003	09/07/2014	8.235	21.350	461.300
08/14/2003	09/07/2014	8.235	26.400	487.700
09/10/2003	09/07/2014	8.235	41.500	529.200
10/15/2003	09/07/2014	8.235	48.500	577.700
11/12/2003	09/07/2014	8.235	184.100	761.800
12/10/2003	09/07/2014	8.235	127.100	888.900
08/11/2010	08/11/2022	606.5	10.000	10.000
03/11/2011	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
02/08/2012	08/11/2022	6.223	17.800	236.300
03/14/2012	08/11/2022	6.232	57.600	293.900
Total			**1,182.800**	

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 27 March 2012
(Month/Date/Year)	(Month/Date/Year)	(%)	(in millions of TD)	(in millions of TD)
Fifteen-Year Bonds - Full Repayment at Maturity				
06/13/2007	05/09/2022	6.792	38.900	63.900
07/11/2007	05/09/2022	6.792	8.000	71.900
11/14/2007	05/09/2022	6.792	25.200	97.100
12/12/2007	05/09/2022	6.792	25.600	122.700
02/13/2008	05/09/2022	6.792	19.900	142.600
10/15/2008	05/09/2022	6.792	4.500	147.100
01/14/2009	05/09/2022	6.792	41.100	188.200
02/11/2009	05/09/2022	6.792	68.000	256.200
Total			**256.200**	

External Debt

External public debt as a percentage of GDP was 25.8% (estimated) at 31 December 2011 compared to 24.6% a year before. Tunisia has been accessing the international public debt markets since 1994.

The following table presents Tunisia's external public debt at 31 December in each of the years indicated:

	External Debt				
	2007	**2008**	**2009**	**2010(1)**	**2011(1)**
	(in millions of TD, except percentages)				
Total external debt	13,300.4	14,559.9	14,715.7	15,551.2	16,690.0
% of GDP	26.7%	26.4%	25.1%	24.6%	25.8%
Debt Service					
Principal	1,443.9	838.9	1,189.0	1,456.9	1,985.8
Interest	599.7	579.4	619.4	595.0	571.0
Total external debt service	2,043.6	1,418.3	1,808.4	2,051.9	2,556.8
% of gross revenues	17.9%	10.3%	13.1%	13.7%	15.4%

Source: The Bank
(1) Estimated data

The following table presents the breakdown by currency of Tunisia's external public debt at 31 December in each of the years indicated:

	External Public Debt by Currency				
	2007	**2008**	**2009**	**2010(1)**	**2011(1)**
	(percentages of total external public debt)				
U.S. dollar	14.8	13.0	14.1	15.5	22.1
Japanese yen	18.1	22.3	21.5	21.4	20.4
Euro	59.5	57.3	57.0	55.5	50.4
Other	7.6	7.4	7.4	7.6	7.1
Total	100.0	100.0	100.0	100.00	100.0

Source: The Bank
(1) Provisional data

The following table presents the external public and private debt of the Tunisian economy as a whole by creditor type for the years indicated:

	Tunisia's External Public and Private Debt by Creditor Type				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of TD)				
Bilateral sources	5,882.2	6,264.4	6,373.9	6,550.2	8,050.6
Multilateral sources	7,947.4	8,330.8	9,503.2	10,958.2	12,260.2
International financial markets	5,898.5	6,705.8	6,099.9	6,073.6	5,096.2
Total	19,728.0	21,301.0	21,977.0	23,582.0	25,407.0

Source: The Bank

From 2007 to 2011, the structure of external public debt shows a significant increase in amounts owed to multilateral institutions and a more modest increase in the amounts owed to bilateral creditors (partner countries), while the amounts of external debt owed in the international financial markets has declined in recent years due to repayments of maturing bonds. Most multilateral assistance comes from the African Development Bank and World Bank and to a lesser extent the European Investment Bank. Liabilities from bilateral assistance are due mainly to France and Japan.

International Financial Market Issues

Issue	Maturity Date	Interest Rate	Principal Amount	Principal Amount Outstanding at 31 December 2011
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 U.S. Dollar Registered Bonds – Second Series (1997)	September 2027	8.25%	USD 150,000,000	USD 150,000,000
Banque Centrale de Tunisie Japanese Yen Registered Bonds – First Series (2000)	2 August 2030	4.30%	JPY 15,000,000,000	JPY 15,000,000,000
Banque Centrale de Tunisie Japanese Yen Registered Bonds – Second Series (2001)	March 2031	4.20%	JPY 20,000,000,000	JPY 20,000,000,000
Banque Centrale de Tunisie Global Dollar (2002)	April 2012	7.357%	USD 650,000,000	USD 650,000,000
Banque Centrale de Tunisie Euro Registered Bonds (2003)	February 2013	6.25%	EUR 330,000,000	EUR 330,000,000
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 Euro Registered Bonds (2005)	June 2020	4.50%	EUR 400,000,000	EUR 400,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Seventh Series (2007)	August 2027	3.28%	JPY 30,000,000,000	JPY 30,000,000,000

The following table presents the breakdown by creditor type of the external debt of the Government as of 31 December 2007, 2008, 2009, 2010 and 2011:

	External Public Debt by Creditor Type				
	2007	2008	2009	2010[(1)]	2011[(1)]
	(% of total external public debt as at 31 December)				
Bilateral sources	**26.7%**	**26.9%**	**26.9%**	**26.9%**	**27.6%**
France	11.8%	11.8%	12.4%	12.0%	12.7%
Germany	2.1%	1.8%	1.6%	1.4%	1.3%
Japan	5.1%	6.4%	6.2%	7.5%	7.8%
United States	1.4%	1.2%	1.0%	0.5%	0.3%
Italy	2.7%	2.3%	2.3%	2.3%	2.1%
Saudi Arabia	0.1%	0.1%	0.1%	0.2%	0.1%
Other	3.5%	3.3%	3.3%	3.0%	3.3%
Multilateral sources	**33.9%**	**32.1%**	**35.4%**	**37.2%**	**44.2%**
International Bank for Reconstruction and Development	12.6%	10.5%	10.9%	11.3%	14.6%
African Development Bank	9.4%	9.3%	11.4%	12.7%	16.9%
European Investment Bank	6.2%	6.5%	6.8%	7.0%	6.7%
Arab Fund for Economic and Social Development	4.5%	4.5%	4.6%	4.8%	4.5%
Other	1.2%	1.3%	1.7%	1.4%	1.5%
International financial markets	**39.4%**	**41.0%**	**37.7%**	**35.9%**	**28.2%**
International (other than Japan and US and Europe)	14.3%	15.7%	15.6%	13.4%	13.4%
Japan	4.7%	5.7%	5.6%	6.5%	5.0%
US	1.4%	1.3%	1.3%	1.4%	1.3%
Europe	19.0%	18.3%	15.2%	14.6%	8.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: The Bank
(1) Provisional data

The following table provides an overview by currency, as of 31 December 2011, 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		
	2012	2013	2014
		(in millions)	
Arab Emirates dirham	18.3	17.8	17.1
Canadian dollar	3.3	3.3	3.3
Swiss franc	9.7	8.5	7.1
Chinese yuan	42.3	41.6	36.9
Euro	843.9	1,129.1	747.6
British pounds	1.5	1.0	0.7
Islamic dinars	13.1	10.4	10.1
Japanese yen	13,616.9	13,388.3	13,337.3
South Korean won	1,844.5	1,803.4	1,762.2
Kuwaiti dinar	32.3	32.9	33.3
Saudi riyal	12.1	12.5	14.8
Tunisian dinar	7.6	47.1	3.8
U.S. dollar	893.4	188.5	188.9
Special drawing rights	3.2	3.3	2.9

Source: The Bank

Debt Record

Since independence in 1956, Tunisia has never defaulted on the principal or interest of any debt obligation.

THE BANK AND THE BANKING SYSTEM

General

Banque Centrale de Tunisie (the "**Bank**") is the central bank of The Republic of Tunisia. The Bank was founded as a national public entity and started its operation on 3 November 1958. It is an independent legal entity with financial autonomy, according to the Law Creating and Organising the Central Bank of Tunisia (Law No. 58-90 of 19 September 1958, the "**Organisation Law**"). The Bank maintains its status as an independent legal entity following 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 a number of correspondent bank relationships overseas. The Bank's telephone number is +216 71 12 20 00. As of 31 December 2011, the Bank employed 1,042 persons.

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.

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.

The Bank is not under the direction of any minister. Rather, the Bank is directly accountable to the President of the Republic to which it must submit its annual financial statements and management report. The National Constituent Assembly may require the Governor of the Bank to testify about the Bank's monetary policy and about the financial and economic situation of the country. The performance by the Bank 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 must be approved by the Head of Government by decree.

By law, the accounts of the Bank may never 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 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 full 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.

The Japanese yen proceeds from the yen bond offerings, the U.S. dollar proceeds from the U.S. dollar bond offerings and the Euro proceeds from the Euro bond offerings 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 Organisation Law, however, provides that if the Bank incurs a loss in any year (after taking into account all expenses, including debt service) which is not covered by its reserves, the remaining amount will be reimbursed by the Tunisian Treasury. The Notes being issued pursuant to this Prospectus are being issued by the Bank acting on behalf of The Republic of Tunisia and therefore constitute obligations of The Republic of Tunisia.

To enhance the independence of the Bank in conducting monetary policy, 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 ("**AMF**"). 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. The total of advances made to The Republic of Tunisia in this manner was TD 639,680,191 as of 31 December 2011.

To ensure monetary and financial stability, Law 2006-26 has enabled the Bank to cooperate with regulatory authorities in the financial and insurance sectors, so as to provide a framework of cooperation for controls. To this end, the Bank can draw up agreements with the relevant regulators involving exchange of information and experience as well as training and joint inspection exercises. It is also authorised to sign bilateral cooperation agreements with the supervisory authorities of foreign countries providing for exchange of information, especially when setting up agencies or branches of lending institutions in both countries, 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.

The Bank is also the depositary for The Republic of Tunisia and holds deposits for Tunisian 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 financial system stability and security.

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

The Governor is appointed by a decree issued by the President of the Republic, after reaching a consensus on the candidate with the Head of Government, for a renewable six year term. The appointment becomes effective upon confirmation by simple majority vote in the National Constituent Assembly. The Governor also 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 an absence or incapacity of the Governor, the Deputy Governor carries out the Governor's functions.

The Deputy Governor is appointed by a decree issued by the President of the Republic, after reaching a consensus on the candidate with the Head of Government and the President of the National Constituent Assembly, based upon the recommendation of the Governor.

Administrative Board

The Bank's Administrative Board (the "**Board**") is composed of the Governor, the Deputy Governor and eight Advisers, all of whom are appointed by presidential decree after reaching a consensus on each candidate with the Head of Government and the President of the National Constituent Assembly. Among 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 specialised in 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.

As of the date of this Prospectus, only five Advisers serve on the Board. The appointment of the three remaining Advisers 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 the manner 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, based on the economic and monetary situation and the Bank's operating costs, the interest rates and commissions to be paid to the Bank for its operations.

Auditors

Control of the Bank's accounts is handled by two external auditors appointed by the President of the Republic 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:

- check whether the financial statements provide a true and fair view of the financial position of the Bank or not and assess the Bank's internal control systems and the procedures for financial data dissemination;

- verify inventory operation with respect to the Bank's desk, stocks and portfolio; and

- issue an 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	Mustapha Kamel Nabli
Deputy-Governor	Brahim Saada
Advisers	Mrs. Lamia Boujnah Zribi Mr. Jameleddine Belhadj Abdallah Ms. Najoua Khraief Mr. Ahmed Benghazi Mr Moez Labidi
External Auditors	Moncef Boussannouga Zammouri (KPMG) Mourad Guellaty

General Functions of the Bank

The principal functions of the Bank as stipulated in the Organisation Law are: (i) to issue currency in Tunisia, with respect to which the Bank has the exclusive right; (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 watch over sound operation of payment systems; (ix) to maintain financial system stability and security; and (x) to promote the quality of banking services in Tunisia.

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 Head of Government's decree. 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 generally 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 Bank buys and sells gold and financial instruments denominated in foreign currencies and may undertake debt obligations denominated in foreign currencies.

The following table presents Tunisia's reserves at 31 December of the years indicated:

	Reserves				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of U.S. dollars)				
Gold[1]...	3.6	3.4	3.4	3.1	2.9
SDRs[2][3]	5.7	8.9	383.2	378.1	373.2
Foreign currency[2]	7,912.7	8,915.6	10,227.5	9,088.5	7,083.0
IMF reserve position[2][4]	32.7	29.3	32.5	87.1	82.2
Total	7,954.7	8,957.2	10,646.6	9,556.8	7,541.3

Source: The Bank

(1) Gold reserves are valued at (low) historical prices of TD 0.6498475 per gram of gold.

(2) Converted into U.S. Dollars at the rate of exchange in effect at the relevant year-end.

(3) SDR 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 payments 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 Tunisia's quota, less the IMF's holdings of Tunisian dinars in its No.1 account on the books of the Bank. Since the increase in IMF quotas in 1999, Tunisia has not made any drawing on this reserve position.

The continuing decrease in the Bank's foreign currency reserves is primarily due to an increasing trade deficit and to the repayment of external debt, in particular the EUR 450 million in notes that were due in April 2011 and JPY 15 billion which were due under the "Global Samurai V" debenture loan in September 2011.

As of 31 December 2011, foreign currency reserves were U.S.$ 7,083.0 million the equivalent of 113 days of imports, as compared to U.S.$ 9,088.5 million the equivalent of 147 days in 2010, 186 days in 2009, 139 days in 2008 and 141 days in 2007.

There are no potential encumbrances such as forward contracts or derivatives on the Bank's foreign currency reserves.

The following table presents the balances of the accounts maintained by the Government at the Bank at 31 December of the years indicated:

	Government Accounts		
	2009	**2010**	**2011**
		(in millions of TD)	
Tunisian Treasury current account	396.0	604.8	648.2
Tunisian Government special account in foreign currency	748.6	782.6	922.8
Tunisian Government grants accounts	1.1	1.8	0.9
FOPRODI[(1)]	0.5	1.9	0.4
Tunisian Government –miscellaneous accounts	190.9	218.3	35.5
Special account/1969 IBRD loan	0.3		
FONAPRA[(2)]	3.6	4.7	0.7
Tunisian Government loans accounts	18.6	3.7	2.9
Total	1,359.6	1,617.8	1,611.4

Source: The Bank
(1) FOPRODI is the fund for industrial promotion and decentralisation.
(2) FONAPRA is the national fund to promote handicrafts and small trades.

Convertibility of the Dinar and Exchange Rates

An important objective of the Bank is to maintain a stable and competitive foreign exchange rate. The Bank monitors the level of dinar versus a trade-weighted basket of currencies, adjusted for inflation.

The currency of Tunisia, the dinar, became convertible in 1993 in conformity with Article VIII of the Statutes of the IMF. An authorisation from the Bank is therefore not required for current transactions in foreign currency.

The buying and selling rates of the dinar against foreign currencies are freely 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. The Bank quotes on a daily basis three, six and twelve month call options in U.S. Dollars and Euro, designed for Tunisian residents. 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 role of the Bank 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 in an equilibrium path that reflects the fundamentals of the country and which preserves its external competitiveness.

The following table presents the average annual exchange rate of the dinar against certain major currencies in each of the years indicated:

	Average Annual Exchange Rates[(1)]				
	2007	**2008**	**2009**	**2010**	**2011**
	(TD per unit of currency unless otherwise indicated)				
USD............................	1.2799	1.2309	1.3494	1.4319	1.4079
JPY[(2)]..........................	10.8007	11.9204	14.4033	16.2407	17.5099
EUR............................	1.7519	1.8051	1.8787	1.8972	1.9582

(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 11 April 2012, the closing U.S. dollar/Tunisian dinar rate of exchange as reported by the Bank was TD1.5060 = U.S.$1.00, the closing Japanese yen/Tunisian dinar rate of exchange was TD18.6418 = JPY1,000 and the closing Euro/Tunisian dinar rate of exchange as reported by the Bank was TD1.9766 = EUR1.00.

Monetary and Credit Policy

The following table presents the amount of money in circulation at 31 December of each year indicated:

	Money Supply				
	2007	**2008**	**2009**	**2010**	**2011**
	(in millions of TD, except percentages)				
Money supply, M1[(1)]	11,083	12,393	14, 266	15,862	19,064
% Growth over prior period..................	12.3	11.8	15.1	11.2	20.2
Money supply, M2[(2)]	28,197	32,294	36, 497	40,854	44,677
% Growth over prior period..................	13.5	14.5	13.0	11.9	9.4

Source: The Bank
(1) M1 includes cash and checking accounts.
(2) M2 includes M1 and quasi-money.

The M2 money supply increased by 9.4% in 2011 compared to 11.9% in the previous year reflecting the combined effect of progress in M1 money supply (an increase of 20.2% compared to 2010) and slower progress in quasi-money (only modest increase of 2.5% compared in 2010). The Bank significantly increased M1 money supply in 2011 to provide liquidity to the banking system and to give support to Tunisian companies hit by the recession resulting from the 14 January 2011 Revolution, as described in more detail under " *– Discretionary Money Operations*".

The outstanding balance of fiduciary money, one of the main components of M1 money supply, rose in 2011 by 23.5%. Bills and coins in circulation, which represent the main component of fiduciary money grew at an uneven pace, marked by a sharp increase in deposit withdrawals of approximately TD 700 million around the time of the 14 January 2011 Revolution.

The Bank formulates and implements its monetary and credit policy in collaboration with the Ministry of Finance. The Bank is also responsible for advising the Head of Government of all developments that might affect monetary 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 No. 2006-26) was meant to redefine the main prerogatives of the Bank with respect to the conduct of monetary policy, the supervision of lending institutions and the maintaining of stability and security of the payment systems, reinforce the transparency policy with respect to dissemination and transmission of information, as well as boost the independence of the Bank and reinforce control and auditing operations by subjecting the Bank's accounts to external auditing.

Due to the globalisation of financial services and the requirements of Basel II, reforms were also introduced in the banking law. These reforms were meant to introduce more flexibility in carrying out banking activity, strengthen the financial base of lending institutions (by increasing the minimum capital from TD 10 million to TD 25 million for banks, and from TD 3 million to TD 10 million for 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).

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 them to meet their needs or invest their surpluses of liquidity. Recourse to the overnight lending facility is carried against uptakes 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 by a 50 basis point margin. The overnight deposit facility is remunerated at a rate of interest equal to the Bank's key rate less a 50 basis point 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.

Discretionary Monetary Operations

Weekly Calls for bids (appel d'offres)

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-set amount of funds. Every week, the Bank invites bids for deposit 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 on the private sector. In the past, the calls for bids rate was the key rate of the Bank. Currently, however, the calls for bids rate should tend towards the key rate which is set by the Bank's Board and should constitute the minimum of the rates offered by the banks. Due to the worsening outlook for world economic growth as forecast by the IMF, and a downward trend of the inflation rate at the time, the Bank reduced its key rate by 75 basis points on 17 February 2009 to 4.5%. During 2011, the Bank's policy rate was further reduced twice in two steps (each time by 50 basis points) to 3.5%. The decreases were intended to give support to Tunisian companies hit by the recession resulting from the 14 January 2011 Revolution by reducing their financing costs.

Pawns of three-month Treasury Bonds

The Bank also manages money supply through sales or repos of the three-month Treasury bonds through a similar auction process. Eligible collateral is announced at the start of the year by the Bank. This instrument was first introduced in 2001.

The Bank used three-month Treasury repos on three occasions during 2011 to supply liquidity to Tunisian banks as their needs increased substantially beyond the Bank's regular monetary operations.

Tunisian 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 case of sales, and the lowest in case of purchases. Settlement is effected on the same day. The Bank did not use OMOs in 2011.

Capital and Mandatory Reserve Requirements

Reserve requirements are used by the Bank as an instrument of the monetary policy 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.

Reserve requirements are calculated based on the level of eligible liabilities at the end of the previous month and any shortfall carries a penalty interest charge equivalent to the average (over the maintenance period) of money market interest rates (TMM+2.5%). "TMM" is the money market weighted average monthly rate, calculated as the monthly arithmetic average of the daily interest rate of interbank overnight operations. The items used to calculate the mandatory reserve are extracted from the monthly accounts for the relevant month.

In the wake of a difficult international environment and in order to help local banks to release more liquidity and therefore contribute to financing of the economy more easily, the Bank intervened in December 2008. In order to decrease the rate applied to sight deposits, other sums due to customers, certificates of deposits with an initial term of less than 3 months as well as to address a shortfall of liquidity ratios in December 2008, the Bank reduced the relevant reserve requirements from 10% to 7.5%. At the same time, the rate applied on the outstanding balance of deposits with terms between 3 and 24 months (except for deposits in special savings accounts) was decreased from 2% to 1%. These actions accompanied measures taken by the Government to boost economic activity. This helped release an additional amount of approximately TD 250 million in reserves.

In 2009 and the first half of 2010, the situation had reversed and was characterised by excess liquidity. To reduce this excess liquidity, the Bank tightened its monetary policy by increasing reserve requirements in to steps. In February 2010, it raised reserve requirements for sight deposits to 10% and in April 2010 to 12.5%.

The situation changed again 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 significant increases in global energy and commodity prices, which all 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 finally 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.

For an overview of current capital and mandatory reserve requirements, please 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. Certificates of deposit and commercial paper constitute dematerialised securities. Interests may be pre-paid for CDs and commercial paper with maturities of less than one year.

Moreover, corporations which are either listed on the Tunis Stock Exchange 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 appear 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* (Loi No. 67-51 of 7 December 1967).

Please see " – *Banking Regulation and Supervision*" for an overview of the current system of banking regulation and supervision in Tunisia.

At 31 December 2011, the Tunisian banking system consists of 21 lending institutions acting as full-service banks, nine leasing companies, eight 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.

At 31 December 2011, 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).

In May 2010, an Islamic bank (Zitouna bank) obtained a universal banking licence and is offering sharia compliant banking products.

As of 31 December 2011, the five state-owned banks controlled approximately 38% of total bank assets. Tunisia has a network of 1,389 banking branches, one for every 7,199 inhabitants.

Structure of the Banking System

Deposit Banks

The Tunisian banking system includes 21 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. As at 31 December 2011, the commercial banks and the ONP, together, held assets equal to approximately TD 67,862.3 million.

Of the deposit banks, *Banque Nationale Agricole* (BNA), *Banque de I'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 is financing small and medium-sized enterprises. It is owned by The Republic of Tunisia and other public institutions and will work 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 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 off-shore activities with resident customers. Under Tunisian foreign exchange control laws and regulations, they are treated as non-residents. 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 at 31 December 2011, the off-shore banks held assets of approximately TD 4,254.6 million.

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. It specialises in consulting and assisting in all aspects of the creation, development and restructuring of business enterprises. In addition, Tunisian monetary authorities approved the establishment in 1998 of BAT. BAT was sponsored by the *Société Tunisienne de Banque*, and had an initial capital of TD 3 million (which has been increased to TD 3.7 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, among them one company operating in the southern region of the country and three factoring companies and one leasing company which practices factoring within a specialised department.

There are also approximately 174 portfolio management companies. An export credit insurance agency also operates in Tunisia.

Banking Regulation and Supervision

The banking system is generally regulated by the Bank according to the terms of Law No. 2001-65 of 10 July 2001 (the "**Banking Law**"). The Banking Law, together with subsequent regulations promulgated by the Bank, are 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 in 1996 of most interest rate restrictions 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 25,000,000 and financial companies are required to have an initial minimum capital of TD 10,000,000. 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 No. 2011-07 of 26 May 2011, the Bank established a new scale for mandatory reserves as following:

- 2% of (i) the outstanding demand deposits and other due amounts, (ii) certificates of deposits with a duration of less than three months and (iii) any shortfall in the required liquidity ratio;

- 0% of the outstanding balance of certificates of deposits, term deposits accounts, Treasury bills and other financial products of an initial duration of between 3 and 24 months;

- 0% of the outstanding balance of other savings accounts with a contracted duration of between 3 and 24 months;

- 0% of the outstanding balance of special savings accounts;

- 0% of the outstanding balance of any other deposit regardless of its form with an initial or contracted duration exceeding 24 months.

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 are extracted from the monthly accounts for the relevant months.

The Bank introduced a liquidity ratio to further strengthen measures to be followed by banks in the area of prudential regulations. This ratio is intended to help banks maintain better balance between their use of funds and their resources. Since 2001, banks have been required to maintain a liquidity ratio which can be no lower than 100%. This ratio measures weighted current assets to weighted current liabilities. Any shortfall in meeting the regulatory standard will be added to the base used in calculating mandatory reserves requirements.

Capital Adequacy Ratios and Loan Classification

Tunisian Banks are required to maintain a risk-weighted capital ratio of 8% based upon the asset risk-weighting criteria of the Basel I Accords.

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.

Banks are required to classify loans into four categories determined on the basis of delinquency. A loss provision must be taken for each category.

At 31 December 2011, only one bank, BFT, which holds 0.96% of total assets held by all commercial banks, was not in compliance with the minimum capital adequacy ratio of 8%.

The categories and corresponding reserve requirements are as follows:

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%

(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.

Lending Limits

In May 2001, the Bank tightened the standard for risk concentration. A bank's aggregate outstanding loans to all borrowers with credit from the bank equal to 5% or more of such bank's share capital may not exceed 5 times the value of such bank's share capital. Moreover, a bank's aggregate outstanding loans to all borrowers with credit from the bank equal to 15% or more of the bank's total share capital may not exceed 2 times the value of such bank's share capital.

The maximum exposure to a single borrower may not exceed 25% of a bank's share capital.

Loans to directors, administrators and shareholders who hold more than 10% of a bank's share capital may not exceed three times the amount of the bank's equity.

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 a given company and they cannot, either directly or indirectly, own more than 30% of the capital of a given company. Banks are authorised to participate in an enterprise at a level above the 30% limit only if the aim of this participation is claims recovery.

Banks are also authorised to participate 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 No. 91-24, which prescribes the rules for classifying different categories of loans. The Bank estimates the current level of NPLs across the banking sector at approximately 13%, with significantly higher levels experienced during prior years. In addition, the Bank estimates that the provisioning ratio of all Tunisian banks for NPLs was approximately 57.9% as at 31 December 2011, below the 70% level targeted by the Bank.

The Bank has been actively encouraging Tunisian banks to find ways to further reduce the level of NPLs and to further increase provisioning levels. Those banks which do not currently meet the target provisioning level of 70% are in the process of establishing restructuring programmes to improve the quality of their loan portfolios. For more detail, please see "- *Other Recent Laws and Regulations – Other Regulations*" below.

However, the high level of NPLs remains an issue and there can be no assurance that the Tunisian banking sector will not need further support in 2012. For more detail, 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*".

Foreign Exchange Exposure

The principal controls on such activity 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 should not exceed 20% of its capital.

Savings Fostering

Interest rates for special savings accounts (*comptes spéciaux d'épargne*) 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 (2%). A fidelity bonus that was introduced in 2004 was eliminated at the end of 2008 because it did not achieve the objective of increasing savings.

Improving Claims Recovery

To improve legal recovery of banking claims, some articles of the Civil Code and Code of Civil Procedure were modified by Law No. 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 No. 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 No. 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 on its website the fees applied by each bank. In addition, in Bank Circular No. 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.

To improve risk management and increase financial transparency, the Bank issued Bank Circular No. 2003-03 on 28 February 2003 requiring banks to communicate to the Bank the financial statements of their clients who have recently contracted loans.

To further improve the transparency of Tunisian banks and financial institutions, the Minister of Finance issued an order on 1 December 2003, covering accounting standards relating to consolidated financial statements, participations in associated enterprises, participations in co-enterprises, enterprise groupings, and information about related parties.

Law No. 2003-75 on combating money laundering and the financing of terrorism was adopted on 10 December 2003 and modified on 12 August 2009, in accordance with international, 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 to 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 No. 2005-96, relating to the security of financial relations was finally adopted on 18 October 2005 to establish good corporate governance through better division of responsibilities between different corporate bodies and better transparency by supplying reliable and available financial information to the market.

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 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 No. 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. Currently, there exist approximately 2.56 million cards for approximately 3.87 million accounts in Tunisia (for both banking and postal accounts).

- The further development of the financial markets and the insurance sector.

Other Recent Laws and Regulations

Promulgation of the Code on providing Financial Services to Non-Residents

The code on providing financial services to non-residents (Law No. 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 No. 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.

In 2012, the Bank issued Bank Circular No 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 No. 91-24, loans classified as "class 1" are generally those with arrears of less than 3 months. These loans require special monitoring, but are not subject to individual provisioning requirements.

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 Tunisia for Tunisian tax purposes and do not conduct business activities in 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 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 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.

EU Directive on the Taxation of Savings Income

EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. A number of third countries and territories including Switzerland have adopted similar measures to the EU Savings Directive.

If a payment to an individual 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, none of the Bank, The Republic of Tunisia, 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.

SUBSCRIPTION AND SALE

QNB Capital LLC and Standard Chartered Bank (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 16 April 2012, jointly and severally agreed with the Bank acting on behalf of The Republic of Tunisia, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at the Issue Price. It is expected that the Notes will be placed with a single strategic investor. See "*Risk Factors – Risks relating to the Notes – There may be no trading market for the Notes*".

General

None of the Bank, The Republic of Tunisia or any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed 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 (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, 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.

United Kingdom

Each Joint Lead Manager has represented and agreed that it has complied and will comply with all applicable provisions of the 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.

Qatar

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not be offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar except (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

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.

GENERAL INFORMATION

Authorisation

The Bank and The Republic of Tunisia have 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 21 March 2012 and published by Decree No. 2012-128 on 5 April 2012.

Listing and Admission to Trading

Application has been made to the LSE to admit the Notes to the Official List and to trading on the LSE's regulated market. The LSE's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The total expenses related to the admission to trading of the Notes are approximately EUR2,600.

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 2011.

Litigation

Neither the Bank nor The Republic of Tunisia is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank 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 or The Republic of Tunisia.

Clearing Systems

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 077321217. The International Securities Identification Number (ISIN) for the Notes is XS0773212179.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

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.

Documents Available for Inspection

For the period of 12 months following the date of this Prospectus, 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 form of the Global Certificate;
- the Deed of Covenant;
- a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- a copy of the 2012 budget of The Republic of Tunisia.

In addition, this Prospectus will be published on the website of the LSE (*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 to the Bank, The Republic of Tunisia and/or their respective affiliates in the ordinary course of business.

Interested Persons

No person involved in the offering of the Notes has any interest in such offering which is material to such offering.

BANQUE CENTRALE DE TUNISIE

acting on behalf of

THE REPUBLIC OF TUNISIA

Banque Centrale de Tunisie
25 Rue Hédi Nouira
BP777 – 1080 Tunis Cedex
Tunisia
+216 71 12 20 00

FISCAL AGENT AND PAYING AGENT

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

JOINT LEAD MANAGERS

QNB Capital LLC
Level 10
Qatar Financial Centre
PO Box 1000, Doha
State of Qatar

Standard Chartered Bank
PO Box 999, Dubai
United Arab Emirates

LEGAL ADVISERS TO THE BANK AND THE REPUBLIC OF TUNISIA

As to Tunisian law
Banque Centrale de Tunisie
Legal Department
25 Rue Hédi Nouira
BP777 – 1080 Tunis Cedex
Tunisia

As to English law
Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to Tunisian law
Ferchiou & Associés
34, Place du 14 Janvier 2011
1001 Tunis
Tunisia

As to English law
Linklaters LLP
Ninth Floor, Currency House
Dubai International Financial Centre
PO Box 506516, Dubai
United Arab Emirates