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Banque Centrale de Tunisie

acting on behalf of

The Republic of Tunisia

€850,000,000 5.625% Notes due 2024

Issue Price: 99.296%

The €850,000,000 5.625% Notes due 2024 (the "**Notes**") are being issued by Banque Centrale de Tunisie (the "**Bank**") acting on behalf of The Republic of Tunisia (the "**Issuer**"). The Issuer will pay interest on the Notes annually in arrear on 17 February in each year, commencing on 17 February 2018. The Notes mature on 17 February 2024. Payments on the Notes will be made without deduction for or on account of taxes imposed by The Republic of Tunisia or any political subdivision thereof or any authority therein or thereof having power to tax, to the extent described under "*Terms and Conditions of the Notes—Taxation*".

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

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

The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**").

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

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

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

The Notes will be offered and sold in registered form in denominations of €100,000 or any amount in excess thereof which is an integral multiple of €1,000. The Notes will be represented by beneficial interests in an unrestricted global note (the "**Global Note**") in registered form without interest coupons attached, which will be registered in the name of Citivic Nominees Limited, as nominee for, and will be deposited on or about 17 February 2017 (the "**Issue Date**") with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, certificates will not be issued in exchange for beneficial interests in the Global Note.

GLOBAL CO-ORDINATOR

NATIXIS

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Commerzbank **J.P. Morgan** **NATIXIS**

The date of this Prospectus is 15 February 2017.

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IMPORTANT NOTICES

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

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

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

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

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

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

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

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

NOTICE TO BAHRAIN RESIDENTS

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

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

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

PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATES

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

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

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

Average Annual Exchange Rates[(1)]

	2012	2013	2014	2015	2016
	(TD per unit of currency unless otherwise indicated)				
EUR	2.0081	2.1595	2.2531	2.1770	2.3740
USD	1.5618	1.6254	1.7001	1.9623	2.1472
JPY[(2)]	19.4935	16.5585	16.0005	16.2650	19.6675

Notes:

(1) The annual average of the daily interbank rates on the Tunisian interbank foreign exchange market as published by the Bank.

(2) TD/1,000 yen.

On 9 February 2017, the daily average Euro/Tunisian Dinar rate of exchange as reported by the Bank was TD 2.4348 = €1.00, the daily average U.S. Dollar/Tunisian Dinar rate of exchange as reported by the Bank was TD 2.2792 = U.S.$1.00 and the daily average Japanese Yen/Tunisian Dinar rate of exchange as reported by the Bank was TD 20.3400 = JPY 1,000.

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

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

JURISDICTION AND ENFORCEMENT

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

External factors, such as:

- regional security concerns in the Middle East and North Africa ("**MENA**"), including the spillover effect of conflicts in Libya, Syria and Iraq and the increase in terrorist activity in the region;
- changes in international commodity prices or prevailing interest rates, which could adversely affect The Republic of Tunisia's balance of payments and budget deficit;
- a recession or low economic growth in The Republic of Tunisia's trading partners, in particular any economic slowdown in the European Union (the "**EU**"), which accounted for 63.5% of Tunisian foreign trade in 2015 and 61.1% in the six months ended 30 June 2016; 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:

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

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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, accordingly, lose all or part of their investment.

Risks relating to Investments in Emerging Markets

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

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

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

International investors' reactions to events occurring in one emerging market country or region sometimes appear to lead to a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Tunisia could be adversely affected by negative economic, security or financial developments in other emerging market countries or regions. Tunisia has been adversely affected by "contagion" effects in the past, including the recent events in Libya, violence involving the terrorist organisation known as the "Islamic State" ("**Daesh**") and other recent events of volatility in the MENA region, as well as global events, such as the Eurozone crisis and the global financial crisis. No assurance can be given that it will not be affected by similar events in the future.

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

Risks relating to The Republic of Tunisia

Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia

In recent years, Islamic militants, including Daesh, have operated in a number of countries in the region. Since the 14 January 2011 Revolution (as defined below), there has been an increase in the presence of extremist organisations in

Tunisia, which conducted two attacks specifically targeting tourists in March and June 2015. This has posed security challenges to the post-revolutionary Governments that have, to date, been inexperienced in counterterrorism operations. A number of Tunisian nationals have reportedly joined Daesh and other similar organisations.

In June 2014, Daesh and aligned forces began a major offensive in northern and western Iraq against the Iraqi government, proclaiming itself to be a caliphate and capturing most of the territory in the region, as well as significant areas in eastern Syria. Daesh combatants have captured significant territories in these regions, although the territory controlled by Daesh has been reduced in recent months. Daesh has also destroyed, taken control of or threatened infrastructure (*e.g.,* dams and roads), military installations, oil fields and other assets and resources in each country. In addition, Daesh controls the border crossings between Iraq and Syria, making it impossible for the Iraqi and Syrian governments to control the movement of persons, goods and arms between the two countries.

In addition to Iraqi and Syrian recruits, Daesh and other Islamist militant groups in Iraq and Syria, including the al-Nusra Front, have recruited foreign combatants from a number of countries in the region and beyond, including Tunisia. Foreigners who join Daesh and other Islamist militant groups have generally been "radicalised" and pose a risk to their home countries, including Tunisia, both because they seek to recruit others to join Daesh or similar organisations and may return to their home countries and seek to carry out terrorist or similar attacks on behalf of, or in the name of, Daesh or such other Islamist militant groups.

Daesh has also taken advantage of the conflict in Libya to set up military strongholds there. Libya shares an approximately 500-km border with Tunisia. It has been reported that some Tunisian nationals have been trained by Daesh. There are also certain mountainous areas of Tunisia near the borders with Algeria and Libya, such as the Chaambi mountains around Kasserine, which are difficult to police and may be susceptible to a terrorist presence.

In March 2015, Daesh claimed responsibility for a terrorist attack at the Bardo Museum in Tunis in which 21 foreign tourists and one Tunisian policemen were killed and 52 persons were injured (the "**Bardo Museum Terrorist Attack**"). In June 2015, Daesh claimed responsibility for a terrorist attack on a hotel beach in Sousse in which 38 European tourists were killed and 39 persons were wounded (the "**Sousse Terrorist Attack**"). Daesh also claimed responsibility for a further attack on a bus carrying security guards in Tunis in December 2015 in which 12 persons were killed and another 12 were injured (the "**Tunis Bus Terrorist Attack**"). The President declared a state of emergency in Tunisia in response to the attack in Sousse, which was lifted in October 2015. A further state of emergency was declared following the Tunis Bus Terrorist Attack, which remains in effect. In October 2015, Tunisia joined the U.S.-led military coalition formed to combat Daesh. The Tunisian border with Libya at Ras-Jdeir was closed in March 2016, following an attack on an army base and police station in the eastern town of Ben Guerdane, and has been subsequently closed on a number of occasions since then. In August 2016, Islamic militants attacked an army patrol in the Kasserine region, killing three soldiers and wounding seven others.

There have also been other instances of terrorism in Tunisia in the past, including the assassination of opposition leaders in February 2014 and July 2014, which, in turn, prompted protests in Tunisia.

The above events have affected the Tunisian economy, in particular, the tourism sector. See "*—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Reduction in tourism receipts*". While the Government has increased its counterterrorism efforts since the 14 January 2011 Revolution and introduced a new anti-terrorism law in July 2015, any further incidents of terrorism may adversely affect several key sectors of the Tunisian economy and result in a further reduction of FDI in Tunisia, which could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Regional and international considerations have negatively affected, and could continue to negatively affect, Tunisia's security and economy

Tunisia is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political instability in the Middle East and Northern Africa has generally increased since the terrorist attacks of 11 September 2001, the U.S.-led intervention in Iraq, the ongoing conflict in Syria, the increasing threat of Daesh and the instability and conflict in Libya, which is a neighbour of Tunisia.

Since the "Arab Spring" began, a number of Arab countries have experienced significant political and military upheaval, conflict and revolutions leading to the departure of long-time rulers in Tunisia, as well as in Egypt, Yemen and Libya. In particular, the ongoing conflict in Syria has been the subject of significant international attention and intervention, including by the Russian military, and its impact and resolution are difficult to predict. Any further escalation of this conflict, additional international military intervention in Syria or a more aggressive stance by parties to the conflict could be a further destabilising factor for the region. The instability caused by the ongoing conflict has been exacerbated by terrorist attacks by Daesh and groups claiming affiliation with Daesh in Tunisia, Libya, Syria and

Iraq, as well as in other countries, which has, in turn, increased the security challenges faced by Tunisia, as well as other countries in the region and beyond.

The continuation of such events, the events described in "*—Tunisia has been affected by, and will continue to be affected by, the ongoing conflict in Libya*" below, or the outbreak of new events in the region could further strain political stability in the region and the Government's finances. These events have had, and are likely to continue to have, a material adverse impact on the Tunisian economy, including, but not limited to, declines in tourism flows (which have historically been an important source of foreign receipts). Any of the foregoing could also lead to a reduction in, and increased difficulty in, attracting FDI to Tunisia, as well as the diversion of Government resources towards increased military and security spending (which, in turn, has reduced, and may continue to reduce, overall economic growth and increase Tunisia's budget deficit).

Tunisia has been affected by, and will continue to be affected by, the ongoing conflict in Libya

Tunisia has been, and will continue to be, impacted by events in Libya. Since the revolution in Libya in 2011, Libya has not maintained a unified state and two governments are claiming control; the Council of Representatives and the General National Congress. Tunisia has played an instrumental role in the efforts made to reconcile the opposing parties in Libya. On 22 March 2016, the Government hosted a meeting of representatives of Libya's neighbouring countries, Tunisia, Egypt, Sudan, Chad and Niger, as well as delegates from the Arab League, the African Union, the EU and the UN, which called for the UN-backed unity government, then residing in Tunis, to take office in Tripoli as soon as possible. As of the date of this Prospectus, however, the unity government has not been accepted by all parties. In August 2016, Libya's Tobruk-based parliament voted to reject the UN-backed unity government by a vote of 89 to 15. Violence is continuing in Libya and, as a result, the Ministry of Foreign Affairs has urged Tunisians living in Libya to return to Tunisia. Since 2011, Tunisia has also experienced an inflow of Libyan and other nationals, fleeing the continued violence. According to statistics published by the International Organisation for Migration, between 20 February 2011 and 16 October 2011, over 1.3 million migrants entered Tunisia, of whom approximately 1.0 million were Libyan. In response to increasing inflows of migrants and refugees, in August 2014, Tunisia closed its main border crossing with Libya. The presence of refugees and the return of migrant workers has had an impact on the economic and social stability of Tunisia, as well as on the labour market and infrastructure. Providing refugees with basic accommodation and social services requires considerable resources, which has created an additional burden on the Government's finances. If the flow of refugees from Libya continues and the Government does not receive significant assistance from the international community to help offset the cost of accommodating such refugees, this will continue to be a strain on the general resources of the Government, which could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Daesh maintains strongholds in Libya, in particular, on the Mediterranean coastline near Surt. According to press reports, the number of Daesh fighters in Libya has grown to between 5,000 and 6,500, more than double the estimates made by the U.S. government in Autumn 2015. In November 2015, Tunisia closed its border with Libya for 15 days in response to the Tunis Bus Terrorist Attack. The border was closed again in March 2016 as described above, and has subsequently been closed on a number of occasions. It has been reported that the terrorist attacks in Tunisia in 2015 and 2016 were planned from Libya. Trade with neighbouring Libya has declined in recent years, accounting for 0.1% of total imports and 3.3% of total exports in the six months ended 30 June 2016, as compared to 0.1% and 4.0% in the corresponding period in 2015. In 2015, trade with Libya accounted for 0.1% of total imports and 3.8% of total exports in 2015, as compared to 0.2% and 4.0%, respectively, in 2014 and 1.8% and 5.1%, respectively, in 2013. This decrease is primarily due to the ongoing conflict in Libya. Informal trade between the countries does, however, remain important. Cultural and family links and exchanges are also strong between the two populations across the approximately 500-km border between the two countries. The conflict, increasing terrorist activity and border closures have negatively affected these exchanges and reduced the amount of workers' remittances sent from Libya to Tunisia. The economic situation of the Tunisian regions bordering Libya have been particularly affected.

Any further strengthening of Daesh in Libya, the carrying out of further attacks by Daesh or the inability of Tunisia to control its border with Libya could have a material adverse effect on security and the economic situation in Tunisia.

Tunisia has faced significant political unrest since December 2010

Tunisia experienced an intensive, pacific campaign of civil resistance beginning in December 2010. Widespread demonstrations were precipitated by high unemployment, corruption, a lack of freedom of speech and other political freedoms and deteriorating living conditions and led, following four weeks of street protests, to the ousting of President Zine El Abidine Ben Ali on 14 January 2011, when he resigned after fleeing to Saudi Arabia, ending 23 years in power (the "**14 January 2011 Revolution**"). The 14 January 2011 Revolution resulted in significant changes to Tunisia's political system. The previous parliament, consisting of the Chamber of Deputies and Chamber of Advisers, was dissolved and, on 23 October 2011, elections were held for the newly created 217-seat National Constituent Assembly, which saw the moderate Islamic party, the Ennahda Movement (the "**Ennahda Movement**") win 89 of the 217 seats. In

response to calls for reform following the 14 January 2011 Revolution, the National Constituent Assembly was granted a mandate to draft a new constitution. Despite the successful parliamentary elections, the then-Government continued to face significant socio-economic and political challenges, including numerous further instances of protests and riots in 2012 and 2013.

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

A further round of parliamentary elections was held on 26 October 2014, which saw Nidaa Tounes, a secularist party, which was formed as a result of a political initiative unifying secular forces in Tunisian politics in June 2012 ("**Nidaa Tounes**"), win 86 of the 217 seats of the Chamber of the People's Deputies. On 21 December 2014, Mr. Béji Caid-Essebsi, the then leader of Nidaa Tounes, who is 89 years old, was elected as the new President of The Republic of Tunisia (the "**President**"). There were some demonstrations in several southern towns, including Hamma, in response to Mr. Caid-Essebsi 's victory. Following his election as President on 5 January 2015, President Caid-Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become the Head of Government and form a new Government. As Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election, in February 2015, a coalition government was formed comprising members of Nidaa Tounes, the Ennahda Movement, the centrist Union Patriotique Libre (the "**UPL**") party and the centre-right Afek Tounes.

Tensions within Nidaa Tounes resulted in the resignation of 28 members of the Chamber of the People's Deputies from the party in January 2016, including a number of senior figures. These resignations reduced Nidaa Tounes' seats in the Chamber of the People's Deputies to 58 and resulted in Nidaa Tounes no longer holding a majority of seats in the Chamber of the People's Deputies. In January 2016, the Head of Government, Mr. Habib Essid, announced a cabinet reshuffle pursuant to which 12 new ministers were appointed, including new ministers of the Interior, Justice and Foreign Affairs. This reshuffle resulted in only one representative of the Ennahda Movement being included in the Government. In July 2016, the Chamber of the People's Deputies passed a vote of no confidence in Mr Essid's Government. In line with the provisions of the 2014 Constitution and following the signing of the Carthage Declaration by a number of political parties and organisations calling for a national unity government, a new government led by Mr. Youssef Chahed, a member of Nidaa Tounes, was approved by the Chamber of the People's Deputies in August 2016. Any renewed deepening of tensions within Nidaa Tounes, destabilisation of the coalition Government or the failure of the coalition Government to effectively carry out its programme may affect political stability in Tunisia.

Certain of the economic and social tensions that led to the 14 January Revolution remain and deteriorating labour conditions, a lack of job opportunities, particularly for young people, and the economic and social imbalances between the southern and interior regions of the country and the northern, coastal, more affluent regions, led to further social unrest in May 2015 (with, for example, stoppages organised by unemployed protesters in certain phosphate processing and chemical plants)**,** in Autumn 2015, January 2016 and, more recently, in December 2016.

States of emergency have also been declared in Tunisia following the terrorist attacks in 2015. See "*—Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia*".

There can be no assurance that further demonstrations, political protests or other incidents of unrest will not take place, which could have a material adverse effect on political stability in Tunisia, the Tunisian economy and the Government's finances.

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

Impact of the 14 January 2011 Revolution and security concerns

The 14 January 2011 Revolution had material negative short-term macro-economic consequences for the Tunisian economy. Besides significant damage to property (estimated by the Government at 4.0% of 2011 gross domestic product ("**GDP**")), the Tunisian economy has had to grapple with growing insecurity, social tensions and, since 2011, significant decreases in both tourism revenues (which were TD 2,415 million in 2015, TD 3,626 million in 2014, TD 3,211 million in 2013 and TD 3,175 million in 2012, as compared to TD 2,433 million in 2011 and TD 3,523 million in 2010) and FDI (which was TD 1,965 million in 2015, TD 1,806 million in 2014, TD 1,815 million in 2013 and TD 2,504 million in 2012, as compared to TD 1,616 million in 2011 and TD 2,165 million in 2010). Tourism revenues were TD 1,808 million in the nine months ended 30 September 2016, as compared to TD 1,975 million in the corresponding period in 2015, while FDI was TD 1,379 million for the nine months ended 30 September 2016, as compared to TD 1,409 million for the corresponding period in 2015. The relative increase in country risk since 2011, including as a

result of the terrorist attacks in 2015, has also had a negative impact on the ability to obtain funding for projects and companies in Tunisia from international lenders.

Tunisia continues to need to attract new investors and reassure them over security concerns in order to attract increased FDI in order to be able to finance its growing current account deficit. Commodity price increases, food and beverages price increases, and the conflict in Libya, including the decline in remittances and declining FDI from Libya, as well as an interruption of hydrocarbon imports from Libya, were additional handicaps for the Tunisian economy in 2011. Social unrest, political uncertainty and security concerns resulting from the 14 January 2011 Revolution, as well as the terrorist attacks in 2015, have continued to have an impact on tourism revenues. In addition, increases in wages since the 14 January 2011 Revolution have increased demands for imported goods in each of 2012, 2013, 2014 and 2015. As a result, the trade deficit increased over the period from TD 8,298 million in 2010 to TD 12,048 million in 2015. In the six months ended 30 June 2016, the trade deficit decreased to TD 4,925 million, as compared to TD 5,036 million for the corresponding period in 2015.

The Tunisian Ministry of Finance has estimated that the 14 January 2011 Revolution caused a shortfall in revenue to the Government of TD 3 billion. Overall, the Tunisian economy shrank by 1.9% in 2011, with recoveries of 3.9% in 2012, 2.4% in 2013, 2.3% in 2014 and 0.8% in 2015. The deceleration of growth in 2015 was due to a slowdown in activity in the manufacturing, tourism and mining sectors, primarily due to strikes and work stoppages in the mining industry, and a decline in tourist arrivals following the Bardo Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack, which was partially offset by increased agricultural production as a result of a good harvest in 2015. In 2016, real GDP is estimated to have grown by 1.5%, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector. According to estimates prepared by the Ministry of Development, Investment and International Cooperation, GDP growth is forecast to be 2.5% in 2017.

Any of the factors described above, as well as additional risks and uncertainties, including political and socio-economic unrest, further security concerns or a further economic slowdown in the EU, could cause actual GDP growth in 2016 and 2017 to be significantly lower than that currently forecasted by the Government and could have a material adverse effect on the Tunisian economy and the Government's finances.

Reduction in tourism receipts

Tourism has traditionally been an important source of activity, growth and foreign currency for Tunisia. Security concerns in the country and in the region, in particular as a result of the 2011 Revolution and, more recently, following the terrorist attacks by Daesh in 2015, have negatively impacted the number of tourists visiting Tunisia. According to figures published by the IMF, following the Bardo Museum Terrorist Attack and the Sousse Terrorist Attack, tourist arrivals from Europe declined by 72% in July 2015, as compared to July 2014. In the nine months ended 30 September 2016, tourist arrivals from Europe increased by 8.5%, although tourist arrivals from Germany, Italy and the United Kingdom decreased by 36.9%, as compared to the corresponding period in 2015. According to estimates prepared by the National Tourism Office, in the third quarter of 2015, between 85% and 90% of registered hotels (of which there are over 800) were experiencing financial difficulties or were in the process of closing. In the nine months ended 30 September 2016, tourist receipts decreased to TD 1,808 million, as compared to TD 1,975 million in the corresponding period in 2015, representing a decrease of 8.5%. In 2015, tourist receipts were TD 2,415 million, as compared to TD 3,626 million in 2014, representing a decrease of 33.4%. There were 4.2 million tourist arrivals in 2015, as compared to 6.1 million tourist arrivals in 2014. In the nine months ended 30 September 2016, tourist arrivals increased to 3.4 million, as compared to 3.3 million tourist arrivals in the corresponding period in 2015. In response to the terrorist attacks, a number of foreign governments issued travel advisories to their nationals recommending against all non-essential travel to Tunisia, a number of which remain in place. In addition, certain travel companies cancelled their summer programme to Tunisia for 2016. A continuation of reduced tourism levels or a further reduction in such levels may continue to materially adversely impact the Tunisian economy, the Government's finances and its ability to service its debt.

Widening of the current account deficit

Between 1995 and 2009, Tunisia's current account deficit averaged 2.9% of GDP. In 2010, the current account deficit grew to 4.8% of GDP, further rising to 7.4% in 2011, 8.3% in 2012, 8.4% in 2013 and 9.1% in 2014, before decreasing to 8.8% in 2015. For the six months ended 30 June 2016, the current account deficit was 5.1% of GDP, as compared to 4.6% for the corresponding period in 2015. The general increase in the current account deficit since 2010 is primarily a result of weak tourism receipts and a shift in both the composition and size of Tunisia's trade balance.

In particular, increased energy imports and the slowdown in export growth due to a reduction in demand for exports by customers within the EU, Tunisia's largest trading partner, as well as negative supply shocks in the phosphate sector and reduced FDI and tourism revenues since the 14 January 2011 Revolution and, in particular, since the terrorist

attacks in 2015, have contributed to the deficit. Increases in the current account deficit could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Oil price vulnerability and subsidies

The 2017 budget is based on, among other things, an assumption that global oil prices will average U.S.$50 per barrel in 2017. Average global oil prices were U.S.$44 per barrel in 2016, U.S.$52 per barrel in 2015, U.S.$99 per barrel in 2014 and U.S.$109 per barrel in 2013.

In recent years, and in response to higher than expected average oil prices in 2011 to 2013, the Government has maintained high subsidies on oil products, resulting in an increase in total subsidies (including oil, food and transport) of 91.3% in 2011 (approximately 4.5% of GDP), 26.3% in 2012 (approximately 5.1% of GDP) and 52.1% in 2013 (approximately 7.3% of GDP). In the 2014-2016 budgets, the Government introduced programmes to reduce energy subsidies. In 2016, based on preliminary figures, oil subsidies decreased by 78.5%, as compared to 2015. In 2015, oil subsidies decreased by 61.0%, as compared to 2014, and, in 2014, oil subsidies decreased by 37.0% as compared to 2013. Lower global oil prices and reduced production contributed to these decreases in oil subsidies. Although subsidised prices of gas and electricity may be adjusted in 2017, the 2017 budget provides for a 229.9% increase in oil subsidies (to TD 650 million), as compared to the 2016 Supplemental Budget (as defined below) (TD 197 million), due to a projected decline in domestic crude oil production coupled with an increase in global oil prices. In response to current low international oil prices, the Government introduced an automatic price adjustment mechanism to try to control domestic prices of petroleum products, which is expected to be applied every three months from January 2017. No adjustment has occurred to date in 2017. See "*Public Finance—Subsidies—Energy Subsidies*".

Although the Government's reforms of its subsidies policies have, to date, resulted in reduced Government expenditures, the cost to the Government of subsidies remains linked to international commodity prices, particularly crude oil. Higher-than-expected international oil prices represent a significant risk of a further increase in the budget deficit in 2017, as every additional U.S.$10 per barrel is estimated to generate approximate net additional expenses of TD 470 million for the budget in 2017.

In addition, while the current environment of lower oil prices reduces Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar. See "*Public Finance—Government Revenues and Expenditures*". In recent months, the global oil price has risen and was U.S.$54.68 as at 17 January 2017. When crude oil prices rise, most of the resulting costs are borne by the Government. If the global oil price continues to be above the budgeted level, there can be no assurance that revisions of the budget will not be required in light of continuing oil price volatility. Moreover, if the costs of subsidies rise, or the Government is not successful in further reforming the subsidy system, it could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Fluctuations in prices of imported goods

Tunisia's industrial sector, which comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering) is dependent upon the imports of capital goods, spare parts, and raw materials. As a result, the sector is vulnerable to global price fluctuations. The contribution of industry to real GDP at factor cost was 28.4% in 2016 (according to preliminary figures), 28.6% in 2015, 29.5% in 2014, 30.2% in 2013 and 30.6% in 2012. Accordingly, fluctuations of global prices could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Increasing budget deficits

Tunisia's budget deficit (excluding privatisation grants and confiscated assets) was 3.3% of GDP in 2011, 5.5% of GDP in 2012, 6.9% of GDP in 2013, 5.0% of GDP in 2014, 4.8% of GDP in 2015 and 5.7% in 2016 (according to preliminary figures). The 2017 budget provides for a budget deficit of 5.4%. The Government remains under pressure to increase salaries and other spending. High levels of Government expenditure, including on wages and energy subsidies, have exacerbated the budget deficit in recent years. See "*—Future increases in public sector wages could have an inflationary impact on prices*". If not remedied through subsidy reform, public sector wage freezes, reform of public and private sector pension funds and other measures implemented by the Government to date, the level of deficit could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

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

In order to address security needs and to combat high unemployment, the Government has increased the number of public sector employees in recent years. Between 2010 and 2014, public sector employment rose by 20.6%, to 615,293. Approximately 40% of the increase in the public sector wage bill was for security and defence personnel, while the

remainder related to the regularisation of contractual personnel, primarily those in low skilled categories. According to the IMF, the ratio of total public sector employment to total employment in Tunisia is approximately 24%, a level that is significantly higher than certain of its peer countries. As a result, the public sector wage bill has risen in recent years from 10.8% of GDP in 2010 to 13.0% of GDP in 2014. In the 2016 Supplemental Budget, the public sector wage bill was projected to be 14.4% of GDP. The public sector wage bill is projected to be 13.9% of GDP in the 2017 budget.

Under the Tunisian Labour Code, the Government sets minimum wages for workers in agriculture, the *salaire minimum agricole garanti* ("**SMAG**"), and industry, the *salaire minimum interprofessionel garanti* ("**SMIG**"). The SMAG and the SMIG apply to both the public and private sector in these industries. In the private sector, the SMAG and the SMIG also apply to other sectors covered by the Tunisian Labour Code where there is no collective bargaining agreement for the relevant sector. The Government, employers and the Tunisian General Labour Union (the "**UGTT**") negotiate adjustments to these wages. In 2012, the SMIG and the SMAG increased, in nominal terms, by 5.5% and 29.0%, respectively; in 2014 the SMIG and the SMAG each increased, in nominal terms, by approximately 6.0%; and in 2015, the SMIG and the SMAG each increased, in nominal terms, by approximately 5.7%. The SMIG and the SMAG did not increase in 2016. Other than increases to the SMIG and the SMAG, since 2011, there have been four successive wage increases for private sector employees who are members of trade unions, which took effect in 2011, 2012, 2014 and 2015. Pursuant to the 2015 wage increase, which was signed in January 2016 but has retroactive effect from 1 September 2015, a 6% increase in salaries was agreed, as well as a 10% increase in workers' transportation allowances and a TD 3 increase per worker in workers' attendance bonuses.

In the public sector, the Government implemented a wage freeze for the public sector in 2013 and 2014, in an effort to contain the public sector wage bill. Following wage negotiations with the unions, a 5% general public sector wage increase was agreed in 2015 and included in a revised 2015 budget. Spending on public sector wages also increased in 2015 due to the hiring of additional public sector employees in part in order to address security needs, in particular, following the terrorist attacks in 2015, and to combat high unemployment. In September 2015, the Government and the UGTT entered into a further agreement to increase public sector wages in 2016 and 2017, with further increases to bonuses agreed for 2016, 2017 and 2018. In order to reflect these wage increases and additional hires, the 2016 Supplemental Budget provided for a public sector wage bill that is TD 1.6 billion higher than in 2015. The 2017 budget provides for a partial wage freeze and delays the full implementation of the agreement with the UGTT; pursuant to the 2017 budget, 50% of the planned wage increase will be provided in the form of a tax deferral from January 2017 until November 2017, while the remainder of the planned wage increase will be settled in 2018.

The IMF has identified wage bill containment as a priority for the Government's structural reforms. The Government has set a target to reduce the public sector wage bill to 12% of GDP by 2020, as compared to 14.4% of GDP provided for in the 2016 budget. The 2017 budget provides for public sector wages to decrease to 13.9% of GDP.

In the short-term, the Government intends to introduce a number of other measures to control the public sector wage bill, including imposing a three-year hiring freeze on public sector workers, save for defence and security personnel, as well as introducing structural reforms to the civil service including, *inter alia*, the facilitation of redeployment of staff to regions outside Tunis, and has submitted proposals to the Chamber of the People's Deputies to increase the retirement age for public sector employees. There can be no assurance, however, that any such reforms will be implemented and, if implemented, that such reforms will be successful.

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

Foreign currency reserves have fluctuated in recent years

Foreign currency reserves have fluctuated in recent years, generally in a range of TD 10 to 13 billion. Foreign currency reserves declined to TD 11.6 billion, as at 31 December 2013, representing 106 days of imports, before increasing to TD 13.1 billion as at 31 December 2014, representing 112 days of imports, increasing to TD 14.1 billion as at 31 December 2015, representing 128 days of imports, and decreasing to TD 12.9 billion as at 31 December 2016, representing 111 days of imports. The decrease in 2013 was primarily due to a relatively high and increasing trade deficit, lower levels of tourism revenues and workers' remittances, as well as the repayment of certain external debt. The increase in 2014 was primarily due to capital inflows from the Stand-By Arrangement with the IMF (the "**SBA**"), as well as bond issuances by the Bank denominated in U.S. Dollars and Japanese Yen. The increase in 2015 was primarily due to revenues received from record olive oil exports, the U.S.$1 billion bond issuance by the Bank and the entry into of a number of bilateral and multilateral loans, which offset the decrease in tourism receipts in the same period. The decrease in 2016 was primarily due to the continued current account deficit. If net foreign currency reserves

continue to decline, it could have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

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

Tunisia faces a number of significant socio-economic challenges, including high levels of unemployment among university graduates, significant regional imbalances and governance problems. These challenges, which, among other factors, triggered the 14 January 2011 Revolution, remain and require continuing attention by the Government. Further protests demanding employment opportunities, particularly for young people, occurred in May 2015, Autumn 2015, January 2016 and January 2017. See "*—Tunisia has faced significant political unrest since December 2010*".

The unemployment rate increased in the immediate aftermath of the 14 January 2011 Revolution from 13.0% in 2010 to 18.9% in 2011. The unemployment rate has since decreased to 16.7% in 2012, 15.3% in 2013 and 15.0% in 2014 before increasing to 15.4% in 2015 and 15.5% in the nine months ended 30 September 2016. Unemployment among university graduates, in particular, increased from 23.3% in 2010 to 33.1% in 2011, 33.2% in 2012, 31.9% in 2013, 30.4% in 2014, 31.2% in 2015 and 31.9% in the nine months ended 30 September 2016. A number of Government programmes implemented in recent years have not been able to reverse the structural causes of unemployment, in particular among university graduates, and while new programmes are contemplated, they are not guaranteed to work effectively to reverse levels of graduate unemployment. The upward trend in the unemployment of university graduates is the consequence of a growing young population, relatively high graduation rates, mismatches in the supply of, and demand for, skilled workers and available positions and insufficient quality of training received by many graduates. The 14 January 2011 Revolution, as well as the crisis in Libya, which led to the return of significant numbers of Tunisian migrant workers from Libya, have further aggravated the problem of unemployment. In addition, the recent decline in tourism receipts has also led to an increase in unemployment in 2016, as the significant difficulties in the tourist sector resulted in numerous lay-offs and less seasonal job opportunities.

In addition, regional and socio-economic disparities remain significant in Tunisia. The issue of regional disparities has been at the core of social unrest in the cities of Sidi Bouzid, Kasserine and Thala. In general, the east coast is more affluent than the west and south. Higher population levels, higher concentration of economic activities and a historic 65% share of public investment in the areas around Tunis and Sfax account for these disparities, with the coastal region now accounting for approximately 75% of non-agricultural jobs. By contrast, the central west region of the country is much less affluent and experiences reduced levels of public services, which is reflected in high population to physician ratios and high youth illiteracy rates. As a result, there is significant variation in average consumption levels and in poverty across the regions in Tunisia. These imbalances are compounded by the deteriorating security situation in the south of the country as a result of the civil conflict in Libya. See *"—Tunisia has been affected by, and will continue to be affected by, the ongoing conflict in Libya"*.

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

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

The banking sector in Tunisia has historically experienced relatively high levels of non-performing loans ("**NPLs**"). As at 30 June 2016, the Bank estimated that the level of NPLs across the banking sector was approximately 16.4% of total banking sector loans, as compared to 16.6% as at 31 December 2015 and 15.8% as at 31 December 2014. NPLs in state-owned banks were 25.6% as at 30 June 2016, as compared to 10.7% for private sector banks. In addition, the provisioning level by Tunisian banks was 58.2% of total banking sector loans as at 30 June 2016, as compared to 56.9% as at 31 December 2015 and 58.0% as at 31 December 2014 and 56.4% as at 31 December 2013, significantly higher than in previous years (45.7% as at 31 December 2012 and 48.6% as at 31 December 2011) due to new provisioning rules introduced by the Bank imposing additional provisioning requirements in respect of certain asset classes. The provisioning ratio was 56.6% as at 30 June 2016 for state-owned banks, as compared to 61.1% for private sector banks.

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 800 million in the three months ended 31 March 2011). The Bank provided support to the banking sector in a number of ways during 2011, such as lowering its mandatory reserve requirements from 12.5% to 2%, reducing its key rate from 4.5% to 3.5% and increasing both the amounts and maturities of discretionary monetary operations. The banking sector has been further impacted by security concerns in the country and the subsequent decline in tourism receipts. In response to the Sousse Terrorist Attack, a package of exceptional measures was passed to facilitate the rescheduling of loans granted to tourist establishments. The extension of such measures without a limit in time or the

established recovery plans could result in an increase in NPLs in this sector or a request for such measures to be extended to borrowers in other sectors.

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 currently not anticipated to be achieved until 2020, with the introduction of operational risk requirements in 2016 and the introduction of market risk capital requirements scheduled for 2017. Nevertheless, many aspects of Basel III have been implemented or are in the process of implementation. Recent reforms include revising current liquidity ratio requirements to adopt the Basel III liquidity coverage ratio requirements, with effect from January 2015.

Banks in Tunisia are required to maintain a capital adequacy ratio, which was set at 9.0% as at 31 December 2013 and increased to 10.0% as at 31 December 2014. As at 30 June 2016, the overall capital adequacy ratio of the banking system was 12.3%, as compared to 12.0% as at 31 December 2015 and 9.4% as at 31 December 2014. The increase in the capital adequacy ratio was primarily due to the recapitalisation of two state-owned banks in September 2015, *Banque de l'Habitat* and *Société Tunisienne des Banques*. The average capital adequacy ratio of state-owned banks was 11.8% as at 30 June 2016, as compared to 12.3% for private sector banks. Pursuant to the recapitalisation plan for *Banque de l'Habitat*, the capital of the bank was increased from TD 90 million to TD 170.0 million, of which the state's contribution was TD 38.7 million. As a result of the recapitalisation, *Banque de l'Habitat's* Tier 1 capital ratio increased to 10.6 % as at 30 June 2016. Pursuant to the recapitalisation plan for *Société Tunisienne des Banques*, the capital of the bank was increased from TD 124.3 million to TD 776.9 million, of which the state's contribution was TD 608.3 million. As a result of the recapitalisation, the state's ownership interest increased to 83.4%, as compared to 51.0% prior to the recapitalisation. As at 30 June 2016, *Société Tunisienne des Banques'* Tier 1 capital ratio increased to 9.5% and its capital adequacy ratio increased to approximately 13.6%. As at 30 June 2016, one bank did not meet the 10.0% regulatory capital adequacy ratio requirement. The recapitalisation of *Banque Nationale Agricole en Tunisie* has not been completed and, according to the results of a recently completed audit, is no longer required.

There can be no assurance, however, that the Tunisian banking sector will not need further support during 2017 and thereafter. Assistance may be required to be provided in a number of different ways, including, in more pronounced cases, capital injections into banks that require additional equity. Additional capital may be provided by the shareholders of the relevant bank(s) and/or the Government, in more severe cases. The Government may, as a shareholder, also be required to contribute to any such capital injection for any of the banks in which it holds shares. There are five state-owned banks in the Tunisian banking sector, which controlled approximately 35.8% of total bank assets as at 30 June 2016. In an effort to manage the substantial increase in bank financing, the Bank has implemented measures requiring lending institutions to hold minimum of 40% of their portfolio in Government securities and has also imposed a 25% haircut on private claims accepted as collateral.

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

The banking sector in Tunisia has faced structural liquidity needs since the 14 January 2011 Revolution, with recent improvements having been offset by new deposit withdrawals from mining companies and increased foreign exchange interventions, although such interventions have been decreasing in recent periods. Consequently, banks in Tunisia remain reliant on direct lending from the Bank. There can be no assurance that liquidity management reforms, as well as the recapitalisation of state-owned banks, will be successful in reducing this reliance. Overreliance on financing from the Bank may pose risks to the Bank's balance sheet, which could, in turn, require the Government to provide support to the banking sector, which could have a material adverse effect on the Government's finances and its ability to service its debt.

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

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Tunisia. Tunisia's financial sector, in particular, has historically been plagued by serious allegations of corruption and financial mismanagement. Internal control rules for managing the anti-money laundering ("**AML**") and combating the financing of terrorism ("**CFT**") systems have been introduced to reduce the risk of money laundering and the accompanying effect on the safety of the Tunisian banking sector. In addition, following the 14 January 2011 Revolution, an action plan was prepared, which led to the entry into force of the UN Convention Against Corruption 2003, the revival of the Independent National Anti-Corruption Authority in April 2012 and the establishment of the National Corruption and Embezzlement Investigation Commission pursuant to Decree № 2011-12 of 14 November 2011 and the National Committee on the Recovery of Ill-gotten Property Abroad pursuant to Decree № 2011-15 of 26 March 2011. In August 2015, the Chamber of the People's Deputies passed an organic law relating to AML and CFT (the "**AML/CFT Law**"). See "*The Republic of Tunisia—Political System—Legislative Branch*". In addition, in January

2016, Mr. Kamel Ayadi was appointed as Minister of Public Service Governance and the Fight Against Corruption and, in June 2016, the Council of Ministers approved a draft anti-corruption law, which is subject to approval by the Chamber of the People's Deputies. See "*The Tunisian Economy—Recent Developments and Reforms*". There can, however, be no assurance as to the success of these measures and further measures may need to be implemented.

Tunisia was ranked 76 out of 168 countries in Transparency International's 2015 Corruption Perceptions Index, as compared to 79 out of 175 countries in 2014. Tunisia's score in the 2015 index was 38, as compared to 40 in 2014 (with 1 the most corrupt score and 100 being the least corrupt).

Tunisia's business climate and competitive indicators are also negatively affected by low labour market efficiency and the need for structural reforms in certain areas, including financial market development, bankruptcy laws, access to financing by economic agents, technological readiness and innovation. In the World Bank's *Doing Business Survey* 2016, Tunisia was ranked 74 out of 189 countries for ease of doing business, while Tunisia was ranked 92 out of 144 countries in the World Economic Forum 2015-16 *Global Competitiveness Index.*

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

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

Over the past five fiscal years, total public debt, as a percentage of GDP, has risen, reaching 61.1% as at 31 December 2016, as compared to 54.9% as at 31 December 2015, 50.8% as at 31 December 2014, 46.6% as at 31 December 2013, 44.7% as at 31 December 2012 and 44.6% as at 31 December 2011. Increased banking recapitalisation costs, a wider deficit, and weaker-than-originally-expected growth dynamics and a reduction in tourism receipts are expected to contribute to increases in the debt-to-GDP ratio in the coming years. External government debt increased from 25.9% of GDP as at 31 December 2011 to 28.0% as at 31 December 2012, before decreasing to 26.6% as at 31 December 2013 and increasing again to 30.7% as at 31 December 2014, 34.9% as at 31 December 2015 and 39.8% as at 31 December 2016. The 2017 budget provides for external government debt of 43% of GDP. Future borrowings could increase the risk of external debt distress. Relatively high levels of indebtedness through continued borrowing or decreasing GDP may negatively impact Tunisia's credit rating and have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

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

As at 31 December 2016, multilateral and bilateral debt accounted for 49.9% and 16.4% of Tunisia's external debt, respectively, as compared to 49.3% and 18.5%, respectively, as at 31 December 2015. Tunisia expects to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by Tunisia's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Bank or The Republic of Tunisia or fund new or existing projects could have a significant adverse effect on the financial position of The Republic of Tunisia and the Bank.

In June 2013, the Government and the IMF agreed to a two-year, U.S.$1.6 billion SBA to support the Government's programme to address fiscal and external challenges. In May 2015, the Executive Board of the IMF approved a seven-month extension of the SBA to 31 December 2015 to provide time for the Tunisian authorities to implement the necessary policy measures under the SBA, particularly banking and fiscal reforms. In October 2015, the IMF completed its sixth and final review under the SBA, which enabled the immediate disbursement of approximately U.S.$301.6 million. In October 2015, the Government and the Bank requested the replacement of the SBA with the extension of a new facility under the IMF's Extended Fund Facility ("**EFF**"). The SBA expired in December 2015 and, in February and March 2016, the IMF, the Bank and the Government held talks to discuss the potential extension of a U.S.$2.9 billion four-year arrangement under the EFF to support the Government's economic reform programme. The IMF's Executive Board approved the EFF in May 2016.

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

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

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

The Tunisian Dinar experiences volatility against the U.S. Dollar, the Euro and other major currencies. The value of the Tunisian Dinar is impacted by a number of factors which are outside of the control of the Government and the Bank. In 2016, the Tunisian Dinar depreciated by 12.6% against the U.S. Dollar, as compared to depreciation of approximately 7.6% against the U.S. Dollar in 2015. As at 31 December 2016, 39.1% of Tunisia's external public debt was denominated in U.S. Dollars, 13.8% in Japanese Yen and 40.0% in Euros (as compared to 31.2%, 14.4% and 40.9%, respectively, as at 31 December 2015, 27.2%, 16.4% and 43.2% respectively, as at 31 December 2014, and 23.5%, 16.8% and 53.5%, respectively, as at 31 December 2013). Any significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other major currencies could have an effect on Tunisia's ability to repay its debt denominated in currencies other than the Tunisian Dinar, including the amounts due under the Notes. In addition, significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other foreign currencies may result in reduced revenues and outflows of capital from Tunisia, each of which could have a material adverse effect on Tunisia's economy.

The Bank has in the past intervened, and may continue in the future to intervene, in the exchange market. The Bank's current policy is to intervene in the foreign exchange market only if there is a risk that the market is becoming stressed or illiquid. According to information published by the IMF in June 2016, the overvaluation of the Tunisian Dinar was estimated at between 6% and 13%. Accordingly, lower levels of intervention may lead to currency depreciation, which would, in turn, increase external debt servicing costs. Significant interventions in the exchange market, however, may affect Tunisia's foreign currency reserves and could, in turn, have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

Delays in implementing reforms could negatively affect the Tunisian economy

Following the 14 January 2011 Revolution, the Government announced a number of structural reforms, including to recapitalise state-owned banks, establish a household support programme and introduce a number of tax administration and business climate reforms. Further structural reforms were agreed pursuant to the SBA with the IMF, which include, *inter alia*, the introduction of a new tax code, the introduction of an investment code and the design and implementation of certain labour market reforms, including a national employment strategy. To date, however, only certain of these reforms have been implemented, with the remaining reforms at various stages of the approval process. See *"The Tunisian Economy—Recent Developments and Reforms"*. In April 2016, the Chamber of the People's Deputies adopted a new organisation law for the Bank (the "**New Organisation Law**"). See "*The Bank and the Banking Sector—General Functions of the Bank—New Organisation Law*". The Chamber of the People's Deputies also approved a new banking law in May 2016, which, as at the date of this Prospectus, is in the process of being implemented. Progress on implementing the structural reform agenda has been slow, with considerable delays, in particular, in the legislative agenda in respect of tax and bank asset recoveries. Improved progress on structural reforms is necessary to encourage private sector-led and inclusive growth and to develop policies to protect the most vulnerable among Tunisia's population.

In September 2015, the Ministry of Development, Investment and International Co-operation published an orientation paper setting out a strategic development plan for Tunisia for 2016-2020 (the "**Orientation Paper**"). The Orientation Paper, which was subject to a wide public consultation, aims to encourage prosperity and economic confidence, entrench religious and civic values and establish the basis for good governance and respect for human rights. In particular, the reforms contemplated by the Orientation Paper target an average GDP growth rate (at market prices) of 5.0% between 2016 and 2020, the reduction of the current account deficit from 8.8% in 2015 to 6.8% in 2020 and the reduction of the unemployment rate from 15.4% as at 31 December 2015 to approximately 11.0% as at 31 December 2020. The Orientation Paper was developed into a five-year development plan, which was adopted by the Council of Ministers on 4 May 2016 and presented to the Chamber of the People's Deputies in May 2016. It is expected that the development plan will be adopted by the Chamber of the People's Deputies in the coming months. There can be no assurance, however, that any or all of the targets identified in the Orientation Paper and the development plan will be met, the reforms will be as effective as planned, that certain important assumptions upon the targets are based will prove correct, that the reforms will be socially or politically accepted or that there will be adequate funding to implement the reforms contemplated thereby, in full or in part.

Any failure to implement planned structural reforms or further reforms to be included in the Government's development plan could damage the Government's reputation and increase the risk of demonstrations or other unrest or otherwise have a material adverse effect on the Tunisian economy, the Government's finances and its ability to service its debt.

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

The EU is Tunisia's largest trading partner, and trade with the EU accounted for 65.5% of foreign trade (exports and imports) in 2011, 60.9% in 2012, 62.2% in 2013, 61.6% in 2014, 63.5% in 2015, and 61.1% for the six months ended 30 June 2016. FDI from the EU was TD 1,473 million in 2015, representing 75.0% of total FDI flows, as compared to 72.0% in 2014, 57.0% in 2013, 49.0% in 2012 and 70.9% in 2011. As a result, the Tunisian economy is impacted by events in the EU, including events affecting the Euro and the Eurozone.

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

The continuing global financial crisis could affect the Tunisian economy

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

Tunisia has a variable climate and may be subject to water security risks

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

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

A significant portion of the Tunisian economy is not recorded

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

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

In the past, and on an ongoing basis, Tunisia has had trade relations with certain countries or entities subject to sanctions administered by the Office of Foreign Assets Controls of the United States Department of the Treasury

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

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

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

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

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

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

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

The long-term foreign-currency debt of The Republic of Tunisia is currently rated B+ with a stable outlook by Fitch and Ba3 with a negative outlook by Moody's. In February 2017, Fitch downgraded The Republic of Tunisia's long-term foreign and local currency issuer default ratings to B+ from BB- as a result of the decline in tourism in the context of elevated security risks, a slowdown in investment amid frequent Government changes and episodes of strikes and social unrest, which have led to weakened economic growth performance, as well as the widening of the budget and current account deficits and an increase in public and external indebtedness. In November 2016, Moody's lowered the outlook on The Republic of Tunisia's long-term foreign currency debt rating to negative from stable as a result of delays towards fiscal consolidation and external vulnerabilities from current account imbalances and an increase in gross external debt.

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

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

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

Risks relating to the Notes

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

The Issuer will pay principal and interest on the Notes in Euros. 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 Euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro 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 Euros would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

The Notes are subject to interest rate risks

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

Credit ratings may not reflect all risks

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or, any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact which the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments

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

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

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

Definitive Notes not denominated in an integral multiple of €100,000 or its equivalent may be illiquid and difficult to trade

The Notes have denominations consisting of a minimum of €100,000 plus integral multiples of €1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. Any holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a certificate in definitive form (a "**Note Certificate**") in respect of such holding (should Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to €100,000.

If Note Certificates are issued, holders should be aware that Note Certificates which have a denomination that is not an integral multiple of €100,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of €100,000.

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

The Notes will at all times rank at least pari passu with all other unsecured and unsubordinated obligations of The Republic of Tunisia. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with

respect to any other unsubordinated and unsecured obligations of The Republic of Tunisia and, in particular, will have no obligation to pay other unsubordinated and unsecured obligations of The Republic of Tunisia at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Issuer may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured and unsubordinated creditors of The Republic of Tunisia as payments fall due.

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

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

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

Any modification or actions relating to Reserved Matters (as defined in the Conditions), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75% of the aggregate principal amount outstanding of the Notes and to multiple series of debt securities which may be issued by the Issuer with the consent of both (i) the holders of $66^{2/3}$% of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple debt securities with the consent of only 75% of the aggregate principal amount outstanding of all debt securities being aggregated, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, inter alia, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk, therefore, that the Conditions may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different series of debt securities and as such, without a minimum percentage of the Noteholders having voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

OVERVIEW

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

The Republic of Tunisia

The Republic of Tunisia is situated in north-west Africa on the Mediterranean Sea and shares borders with Algeria to the west and Libya to the east and the south. Tunisia has an area of approximately 164,000 square kilometres, of which approximately one-quarter is pasture or forest and one-quarter is cultivated. The population of Tunisia was approximately 10.7 million in 2011, 10.8 million in 2012, 10.9 million in 2013, 11.0 million in 2014 and in 11.2 million in 2015. The four largest cities in Tunisia are the capital, Tunis, with approximately 1.1 million inhabitants, and Sfax, Nabeul and Sousse, with approximately 1.0 million, 0.8 million and 0.7 million inhabitants, respectively, in 2015.

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

Parliamentary elections were held on 26 October 2014 with the secularist party, Nidaa Tounes, led by Mr. Béji Caid-Essebsi, winning a plurality with 86 of the 217 parliamentary seats. In November 2014, the first round of presidential elections was held with neither of the two leading candidates, President Marzouki and former Prime Minister, Mr. Caid-Essebsi, winning an outright majority. On 22 December 2014, following a second round of elections, Mr. Caid-Essebsi, the then leader of Nidaa Tounes, was elected as the new President. On 5 January 2015, President Caid-Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become Head of Government and form a new Government. As Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election, in February 2015, a coalition government was formed comprising members of Nidaa Tounes, the Ennahda Movement, the centrist UPL party and the centre-right Afek Tounes. In January 2016, Mr. Essid announced a cabinet reshuffle pursuant to which 12 new ministers were appointed. In July 2016, the Chamber of the People's Deputies passed a vote of no confidence in Mr. Essid's Government. In August 2016, in line with the provisions of the 2014 Constitution, the Chamber of the People's Deputies passed a vote of confidence in a new government led by Mr. Youssef Chahed, a member of Nidaa Tounes.

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

In 2015, real GDP growth slowed to 0.8%, primarily as a result of a slowdown in activity in the manufacturing, tourism and mining sectors, due to strikes and work stoppages in the mining industry, protests against the lack of job opportunities in Autumn 2015 and a decline in tourist arrivals following the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. The real GDP growth in 2015 was primarily due to increased agricultural production as a result of a good harvest in 2015. In 2016, real GDP is estimated to have grown by 1.5% to TD 86,720.7 million, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector.

The Bank is the central bank of The Republic of Tunisia. The Bank was founded as a national public entity and commenced operations on 3 November 1958. The Bank has maintained its status as an independent legal entity with financial autonomy after the 14 January 2011 Revolution and pursuant to its new organisation law, Law № 2016-35 (the "**New Organisation Law**"), which was adopted by the Chamber of the People's Deputies in April 2016. See "*The Bank and the Banking Sector*".

The following table sets forth the main economic indicators for Tunisia as at, and for the periods, indicated:

Principal Economic Indicators[1]

	2012	**2013**	**2014**	**2015**	**2016**[2]
GDP at current market prices (*TD millions*)	70,354.4	75,145.9	80,808.8	85,480.2	91,272.0[3]
% change	9.1%	6.8%	7.5%	5.8%	6.8[3]
GDP at constant prices of last year (*TD millions*)	67,008.2	72,069.8	76,840.9	81,481.6	86,720.7[3]
% change[4]	3.9%	2.4%	2.3%	0.8%	1.5[3]
GDP per capita at current market price (*TD*)	6,522.1	6,965.7	7,489.9	7,992.2	8,458.2[3]
GDP per capita at constant prices of last year (*TD*)	6,211.9	6,680.6	7,122.1	7,551.6	8,036.4[3]
% change	7.2%	7.5%	6.6%	6.0%	6.4[3]
Unemployment rate (*% of labour force*)	16.7%	15.3%	15.0%	15.4%	15.5%[5]
Consumer price index (*% change*)	5.1%	5.8%	4.9%	4.9%	4.2%
Balance of merchandise trade (*TD millions*)	(11,630.3)	(11,808.1)	(13,635.8)	(12,047.6)	(9,326.6)[5]
Balance of invisibles[6] (*TD millions*)	3,053.4	2,634.4	2,448.1	594.4	(399.6)[5]
Current account deficit (*TD millions*)	(5,812.4)	(6,301.5)	(7,368.9)	(7,551.7)	(5,877.5)[5]
% of GDP	(8.3%)	(8.4%)	(9.1%)	(8.8%)	(6.4%)[5]
Overall balance of payments (*TD millions*)	2,168.4	(1,094.6)	1,594.6	783.1	(1,426.0)[5]
State budget deficit[7] (*TD millions*)	(3,852.9)	(5,207.3)	(4,074.3)	(4,094.4)	5,219.0
% of GDP[4]	(5.5%)	(6.9%)	(5.0%)	(4.8%)	(5.7%)
Net foreign exchange reserves at end of period (*TD millions*)	12,575.6	11,603.0	13,097.4	14,102.0	12,934.7
Total public debt (*TD millions*)	31,420.1	34,986.8	41,054.4	46,922.0	55,870.5
% of GDP	44.7%	46.6%	50.8%	54.9%	61.2%

Notes:

(1) Certain figures in this table have been revised and differ from previously published figures.

(2) Provisional data.

(3) Estimated.

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

(5) Figure as at 30 September 2016.

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

(7) Excluding privatisation receipts.

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

The Offering

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

Issuer:	Banque Centrale de Tunisie, acting on behalf of The Republic of Tunisia. References in this Prospectus to the "**Issuer**" are to Banque Centrale de Tunisie, acting on behalf of The Republic of Tunisia for the purposes of issuing the Notes as described in this Prospectus.
Description of the Notes:	€850,000,000 5.625% Notes due 2024
Issue Price:	99.296%
Issue Date:	17 February 2017
Global Co-ordinator	NATIXIS
Joint Lead Managers and Joint Bookrunners:	Commerzbank Aktiengesellschaft J.P. Morgan Securities plc NATIXIS
Fiscal Agent, Transfer and Paying Agent:	Citibank N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Maturity:	Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount, together with accrued interest, on 17 February 2024.
Interest:	The Notes will bear interest from and including the Issue Date. Interest on the Notes will be payable annually in arrear on 17 February in each year, commencing on 17 February 2018. The Notes will bear interest at a rate of 5.625% per annum.
Optional Redemption:	There will be no optional redemption of the Notes by the Issuer or any Noteholder prior to their maturity on 17 February 2024.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision, as further described under "*Terms and Conditions of the Notes—Negative Pledge*".
Events of Default:	The Conditions provide that holders of the Notes who hold at least 25% in aggregate principal amount of the relevant Notes then outstanding may declare such Notes to be immediately due and payable at their principal amount together with accrued interest if any one or more of the events described under *"Events of Default"* in the Conditions occurs. A declaration of acceleration may be rescinded in certain circumstances by the resolution in writing of the holders of at least 50% in aggregate principal amount of the outstanding Notes.
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to *"Terms and Conditions of the Notes—Negative Pledge*") unsecured obligations of The Republic of Tunisia and shall at all times rank *pari passu* and without any preference among themselves. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsecured and unsubordinated obligations of The Republic of Tunisia and, in particular, shall have no obligation to pay other unsecured and unsubordinated obligations of The Republic of Tunisia at the same time or as a condition of paying sums due on

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

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

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

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

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

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

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

Form and Denomination: .... The Notes will be in registered form, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will initially be represented by an unrestricted Global Note.

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

Selling and Transfer Restrictions:	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on the sales and transfer thereof. See "*Subscription and Sale*".
Use of Proceeds:	The net proceeds of the issue of the Notes are expected to be approximately €842,741,000 after deduction of commissions but before expenses to be paid by the Issuer. The Republic of Tunisia intends to use the proceeds of the issue of the Notes for its general budgetary purposes.
Ratings:	The Notes are expected to be rated Ba3 by Moody's and B+ by Fitch. Each of Moody's and Fitch is established in the EU and registered under the CRA Regulation.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. See "*Risk Factors*".
ISIN/Common Code:	XS1567439689/156743968

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the Notes was authorised by a resolution of the Board of Banque Centrale de Tunisie, which was passed on 13 January 2017 and was approved by Decree № 2017-72 dated 20 January 2017 and published in the *Official Gazette* № 6 on 20 January 2017. A fiscal agency agreement dated 17 February 2017 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer (as defined below), Citibank N.A., London Branch as fiscal agent and principal paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents referred to therein. The Notes have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 17 February 2017 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Registrar**" and the "**Transfer Agents**". "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the forms of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and any Transfer Agents. The holders of the Notes (the "**Noteholders**") are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. References herein to the "**Issuer**" are to Banque Centrale de Tunisie acting as agent for, and on behalf of, The Republic of Tunisia. All capitalised terms that are not defined in these terms and conditions (the "**Condition**s") will have the meanings given to them in the Fiscal Agency Agreement.

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

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of €100,000 and higher integral multiples of €1,000.

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

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

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

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

2 Transfers of Notes

(a) **Transfer**: A holding of Notes may, subject to Condition 2(d) below, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of

a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

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

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

3 Status

Banque Centrale de Tunisie is authorised under the Law Creating and Organising the Central Bank of Tunisia (Law № 2016-35 of 25 April 2016), to act as agent for, and on behalf of, The Republic of Tunisia in the raising of funds. The Notes constitute direct, general, unconditional, unsubordinated and, subject to Condition 4, unsecured obligations of The Republic of Tunisia which shall at all times rank *pari passu* and without any preference among themselves. The obligations of The Republic of Tunisia under the Notes shall, subject to Condition 4, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of The Republic of Tunisia. The full faith and credit of The Republic of Tunisia is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all other obligations pursuant to the Notes. This Condition 3 does not require the Issuer to effect equal or rateable payment(s) at any time with respect to any such other unsecured and unsubordinated obligations of The Republic of Tunisia and, in particular, the Issuer shall have no obligation to pay other unsecured and unsubordinated obligations of The Republic of Tunisia at the same time or as a condition of paying sums due under the Notes and vice versa.

4 Negative Pledge

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

In these Conditions:

"**Agency**" means any political sub-division, regional government, ministry, department, authority or statutory corporation of The Republic of Tunisia or the government thereof (whether or not such statutory corporation is autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision making power to direct management, the composition of management or otherwise) of The Republic of Tunisia or the government thereof and/or one or more Agencies;

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

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

"**Permitted Security Interest**" means:

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

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

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

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

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

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

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

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

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

5 Interest

The Notes bear interest on their outstanding principal amount from and including 17 February 2017 at the rate of 5.625% per annum, payable annually in arrear in the amount of €56.25 per Calculation Amount (as defined below) on 17 February in each year (each an "**Interest Payment Date**") commencing on 17 February 2018. 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 day-count fraction will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

In these Conditions, the period beginning on and including 17 February 2017 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 €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, 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 17 February 2024.

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

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

7 Payments

(a) **Method of Payment**:

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

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "Record Date"). Payments of interest on each Note shall be made in Euros by transfer to an account in Euros maintained by the payee with a bank in a European city in which banks have access to the TARGET System.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

(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 Euros, payment instructions (for value on the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the

specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent (which may be the Fiscal Agent) and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

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

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

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

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.

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

9 Events of Default

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

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

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

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

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

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

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

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

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

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

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

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

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

10 Prescription

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

11 Replacement of Certificates

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

12 Meetings of Noteholders; Written Resolutions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made

or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

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

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

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

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

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

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

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

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

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

(e) **Reserved Matters**

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

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

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

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

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

Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

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

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

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

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

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

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

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

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

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

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

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

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

(f) **Information**

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

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

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

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

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

(g) **Claims Valuation**

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

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

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

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

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

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

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

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

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

(j) **Publication**

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

(k) **Exchange and Conversion**

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

13 Aggregation Agent; Aggregation Procedures

(a) **Appointment**

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

(b) **Extraordinary Resolutions**

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

(c) **Written Resolutions**

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

(d) **Certificate**

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

The certificate shall:

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

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

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

(e) **Notification**

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

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

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

(g) **Manner of publication**

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

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

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

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

14 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

15 Notices

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

16 Currency Indemnity

Euros 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 Euros (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 Euro 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 Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

17 Contracts (Rights of Third Parties) Act 1999

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

18 Governing Law and Jurisdiction

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

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

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

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

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

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

PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

1. Accountholders

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

2. Cancellation

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

3. Payments

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

All payments in respect of the Notes represented by the Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

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

4. Notices

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

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

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

5. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

6. Exchange

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

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

7. Relationship of Participants with Clearing Systems

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

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to be approximately €842,741,000, after deduction of commissions but before other expenses to be paid by the Issuer. The Republic of Tunisia intends to use the proceeds of the issue of the Notes for its general budgetary purposes.

THE REPUBLIC OF TUNISIA

Area

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

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

Population

The rate of population growth in Tunisia is one of the lowest in the Arab world and is declining. From 2001 to 2012, the population grew at an average annual rate of 1.1%, as compared to an average annual rate of 2.4% for the period 1984 to 1994. The falling birth rate is the result of higher standards 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 10.7 million in 2011, 10.8 million in 2012, 10.9 million in 2013, 11.0 million in 2014 and in 11.2 million in 2015. The four largest cities in Tunisia are the capital, Tunis, with approximately 1.1 million inhabitants, and Sfax, Nabeul and Sousse, with approximately 1.0 million, 0.8 million and 0.7 million inhabitants, respectively, in 2015. According to information published by the World Bank, approximately 33% of the population lived in rural areas of Tunisia in 2015. Since the revolution in Libya in 2011, Tunisia has experienced an inflow of Libyan and other migrants and refugees fleeing the continued violence in Libya. See "*Risk Factors—Risks relating to The Republic of Tunisia—Regional and international considerations could negatively affect the Tunisian economy—Conflict in Libya*".

Social and Demographic Development

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

Comparative Statistics[1]

	Tunisia	Egypt	Morocco	Jordan	Philippines	South Africa	Indonesia	United Kingdom
Gross national income *per capita* (*U.S.$*)[2]	3,970	3,340	3,040	4,680	3,540	6,050	3,440	43,340
Average annual growth of GDP (*%*)[2]	0.8	4.2	4.4	2.4	5.8	1.3	4.8	2.3
Life expectancy: Male (*years*)[3]	72	69	73	72	65	55	67	80
Life expectancy: Female (*years*)[3]	77	73	75	76	72	59	71	83
Adult Male literacy rate (*%*) ages 15-24 years old[4]	90	84	89	99	96	96	97	—
Adult Female literacy rate (*%*) ages 15-24 years old[4]	73	68	62	98	97	93	94	—
Under 5 mortality (*per 1,000 live births*)[5]	14	24	28	18	28	41	27	4
National poverty rate (*%*)[6]	15.5	25.2	8.9	14.4	25.2	53.8	11.3	—

Notes:

(1) Figures are for 2015, except where indicated.

(2) Figures are calculated based on the World Bank atlas method. The atlas method represents the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad.

(3) Survey years: Tunisia, 2014; Egypt, 2014; Morocco, 2014; Jordan, 2014; Philippines, 2014; and United Kingdom, 2014.

(4) Survey year: 2015. United Kingdom, n/a.

(5) Survey year: 2015.

(6) Survey years: Tunisia, 2014; Egypt, 2010; Morocco, 2007; Jordan, 2010; Philippines, 2012; South Africa, 2010; Indonesia, 2014; United Kingdom, n/a.

Sources: The World Bank, World Development Indicators.

Recent History

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

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

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

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

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

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

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

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

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

On 5 January 2015, in accordance with the 2014 Constitution, President Caid-Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become the Head of Government and form a new Government. As Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election, in February 2015, a coalition government was formed, comprised of members of Nidaa Tounes, the Ennahda Movement, the centrist UPL party and the centre-right Afek Tounes.

In October 2015, the Nobel Peace Prize for 2015 was awarded to the Tunisian national dialogue quartet (the "**Quartet**"), an informal gathering of four key organisations in Tunisia: (i) the UGTT (*Union Générale Tunisienne du Travail*), (ii) the Tunisian Confederation of Industry, Trade and Handicrafts (*Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat*), (iii) the Tunisian Human Rights League (*La Ligue Tunisienne pour la Défense des Droits de l'Homme*) and (iv) the Tunisian Bar Association (*Ordre National des Avocats de Tunisie*). The Nobel Peace Prize rewarded the Quartet for its contribution to the building of a pluralistic democracy in Tunisia following the 14 January 2011 Revolution and, in particular, for helping the National Constituent Assembly find the consensus that led to the adoption of the 2014 Constitution. The Quartet is not a standing organisation or body and has not played any significant role since its assistance in resolving the constitutional deadlock.

In 2015, Tunisia suffered three terrorist attacks, the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. Daesh has claimed responsibility for all three attacks. The President declared a state of emergency in Tunisia in response to the Sousse Terrorist Attack, which was lifted in October 2015. A further state of emergency was declared following the Tunis Bus Terrorist Attack, which remains in effect. See "*Risk Factors—Risks Relating to The Republic of Tunisia—Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia*" and "*—National Security*".

In May 2015 and January 2016, there were protests against labour conditions and the lack of job opportunities, particularly for young people. See "*Risk Factors—Risks Relating to Tunisia—Tunisia has faced significant political unrest since December 2010*" and "*The Tunisian Economy—Employment and Labour*".

Recent tensions within Nidaa Tounes resulted in the resignation of 28 members of the Chamber of the People's Deputies from the party in January 2016, including a number of senior figures. These resignations reduced Nidaa Tounes' seats in the Chamber of the People's Deputies to 58. As a result, Nidaa Tounes no longer holds the largest number of seats in the Chamber of the People's Deputies. Mr. Mohsen Marzouk, the former Secretary General of Nidaa Tounes, has also announced the creation of a new political party, Machrou Tounes. In January 2016, the Head of Government, Mr. Habib Essid, announced a cabinet reshuffle pursuant to which 12 new ministers were appointed, including new ministers of the Interior, Justice and Foreign Affairs. The reshuffle, which was approved by the Chamber of the People's Deputies, left only one representative of the Ennahda Movement in the Government.

In July 2016, the Chamber of the People's Deputies passed a vote of no confidence in Mr. Essid's Government. In August 2016, in line with the provisions of the 2014 Constitution, the Chamber of the People's Deputies passed a vote of confidence in a new government led by Mr. Youssef Chahed, a member of Nidaa Tounes.

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

Political System

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

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

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

The principal aims of the 2014 Constitution are to build:

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

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

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

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

(v) the independence of the judiciary;

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

(vii) equality among all regions.

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

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

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

Legislative Branch

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

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

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

Executive Branch

The 2014 Constitution confers the executive power jointly on the President and the Government, which is presided over by the Head of Government (*chef du gouvernement*) (*i.e.*, the Prime Minister). On 22 December 2014, following a second round of elections, Mr. Caid-Essebsi, the then leader of Nidaa Tounes, was elected as the new President. On 5 January 2015, President Caid-Essebsi solicited Mr. Habib Essid, an independent figure selected by Nidaa Tounes, to become the Head of Government and form a new Government. As Nidaa Tounes did not win an absolute majority of the parliamentary seats in the October 2014 election, in February 2015, a coalition government was formed comprising members of Nidaa Tounes, the Ennahda Movement, the UPL and Afek Tounes.

In January 2016, the Head of Government, Mr. Habib Essid, announced a cabinet reshuffle pursuant to which twelve new ministers were appointed, including new ministers of the Interior, Justice and Foreign Affairs. Following this reshuffle the Ennahda Movement held one ministerial portfolio, the Ministry of Employment.

In July 2016, the Chamber of the People's Deputies passed a vote of no confidence in Mr. Essid's Government. In August 2016, President Essebsi appointed Mr. Youssef Chahed, a member of Nidaa Tounes, as Head of Government. In line with the requirements of the 2014 Constitution, the Government presented its programme to the Chamber of the People's Deputies in August 2016.

The Government programme is based upon the Carthage Declaration, which was published in July 2016 and outlined a number of policy priorities for a new unity government, including: (i) establishing security and stability; (ii) strengthening and protecting democratic transition and fostering respect for the Constitution; and (iii) strengthening public and private sectors of the economy. A number of political parties and organisations signed the Cartharge Declaration prior to the formation of the Government, including the Ennahda movement, Nidaa Tounes, Afaq Tunis, the Movement of Tunisia Project, the Free National Union, the Tunisian Republican Party, the Social Democratic Path, the People's Movement and the National Constitutional Initiative, as well as the UGTT.

The Government programme builds on the Carthage Declaration by identifying six key aims: (i) combatting terrorism; (ii) increasing economic growth with a focus on job creation; (iii) combatting corruption; (iv) improving fiscal and social policies; (v) implementing targeted regional and local development initiatives; and (vi) increasing government efficiency. The Government programme also identifies the need to implement the reforms set out in the Orientation Paper. See "*The Tunisian Economy—The Orientation Paper 2016-2020 and Development Plan*".

Mr. Chahed's cabinet comprises 26 ministers and 14 state secretaries, with Nidaa Tounes retaining three ministries and four state secretaries and the Ennahda Movement increasing is representation from one to three ministries and three state secretaries. The Council of Ministers also includes five ministers from the smaller parties al-Joumhouri, al-Massar, the Democratic Alliance, the People's Movement and al-Moubadara, as well as a number of ministers affiliated with *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat* ("**UTICA**"), Tunisia's leading business and trade association. The Free Patriotic Union, which held four ministries in the former Government, holds no ministerial portfolios.

See “*Risk Factors—Risks Relating to The Republic of Tunisia—Tunisia faces significant socio-economic challenges, including high unemployment among university graduates, as well as significant regional disparities*” and “*The Tunisian Economy—The Orientation Paper 2016-2020 and Development Plan*”.

The President is elected for a five-year term by universal, free, direct and secret popular elections. The President’s role includes appointing the Head of Government and, after consultation with the Head of Government, setting policies in the realms of defence, foreign relations and national security related matters. The President represents The Republic of Tunisia and signs and publishes the laws adopted by the Chamber of the People’s Deputies. The President may dissolve the Chamber of the People’s Deputies in accordance with the Constitution. The President is the Supreme Chief of the Tunisian Armed Forces and, with the approval of the Head of Government, appoints and removes senior and diplomatic officers.

In the event of the resignation, death or absolute incapacity of the President, or if the office of the President becomes permanently vacant for any other reason, the Constitutional Court shall meet, acknowledge the vacancy and notify the speaker of the Chamber of the People’s Deputies, who must immediately assume the presidency for a period of not less than 45 days and not more than 90 days, while presidential elections are held. During this period, the interim president is not permitted to amend the constitution, call a referendum or dissolve the Chamber of the People’s Deputies.

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

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

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

The Head of Government is responsible for:

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

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

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

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

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

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

The Judicial Branch

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

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

Supreme Judicial Council

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

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

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

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

Judicial System Organisation

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

Administrative Judiciary

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

Financial Judiciary

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

Constitutional Court

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

The 2014 Constitution provides for a constitutional court, which is an independent judicial body, composed of 12 members, three-quarters of whom must be legal experts with at least 20 years' of experience. In November 2015, the Chamber of the People's Deputies passed an organic law establishing the Constitutional Court. This law was promulgated by the President in December 2015. As at the date of this Prospectus, however, the members of the constitutional court have not been appointed and, accordingly, the interim constitutional court is still sitting.

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

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

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

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

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

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

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

Political Parties

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

Tunisia's political landscape consisted of more than 100 political parties during the period leading up to the National Constituent Assembly elections held on 23 October 2011. In accordance with Decree-Law № 2011-87, political parties based upon religion, language, race or sex are prohibited. In 2012, a wave of consolidation among Tunisian political parties occurred. In April 2012, a new party named the Social Democratic Path was created bringing together the Ettajdid Party, the Tunisian Labor Party and independent deputies from the Democratic Modernist Pole. This initiative was aimed at unifying democratic centrist forces. Currently, the two major political parties are the Ennahda Movement, a moderate islamist party which held 89 of the 217 seats in the National Constituent Assembly elected in October 2011 and 69 seats in the Chamber of the People's Deputies in the October 2014 elections, and Nidaa Tounes, a secularist party which was formed as a result of a political initiative unifying secular forces in Tunisian politics in June 2012 and which won 86 seats in the Chamber of the People's Deputies in the October 2014 elections (although the number of seats currently held by Nidaa Tounes is 58).

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

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

Representation of Political Parties in the Chamber of the People's Deputies immediately following the October 2014 Parliamentary Elections

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

Source: Independent High Authority for Elections (ISIE).

Tensions within Nidaa Tounes resulted in the resignation of 28 members of the Chamber of the People's Deputies from the party in January 2016, including a number of senior figures. These resignations reduced Nidaa Tounes' seats in the Chamber of the People's Deputies to 58. As a result, Nidaa Tounes no longer holds the largest number of seats in the Chamber of the People's Deputies (the Ennahda Movement holds 69 seats). Mr. Mohsen Marzouk, the former Secretary General of Nidaa Tounes, has also announced the creation of a new political party, Machrou Tounes.

Press and Media

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

There has been broad public participation in the process of media policy reform in Tunisia. The most important step in this reform process was the creation of the Independent National Authority of Reform of Information and Communication (the "**INRIC**") on 2 March 2011. The INRIC was an independent advisory body tasked with reforming the information and communication sector in line with international standards on freedom of expression. The INRIC contributed to the drafting of Decree-Law № 2011-116 of 2 November 2011, which provided for the creation of an independent regulator for broadcasting, the Independent High Authority for Audio Visual and Communication (the "**HAICA**"), in accordance with the principles of strengthening democracy, human rights and the rule of law, reinforcing and protecting freedom of expression and enhancing the quality and the diversity of the public and private broadcasting sector. In May 2013, the HAICA replaced the INRIC. Decree-Law № 2011-116 grants the HAICA the power to evaluate broadcasting services' licencing applications, enforce compliance with the rules and regulations governing the broadcasting sector and implement sanctions.

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

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

Health

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

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

The Tunisian healthcare system has good primary healthcare facilities across the country (2,109 primary healthcare centres and 109 district hospitals as at 31 December 2014), a dynamic private sector and an extended workforce. Specialised resources (including in the private sector), however, are unevenly distributed. The public sector covers approximately two-thirds of consultations and 90% of hospitalisations, but significant human and financial resources are not distributed evenly between the public and private sectors. A significant proportion of health expenditure (42.5%) continues to be borne directly by households as out-of-pocket expenditures, although 92% of the population is covered by a financial protection scheme.

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

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

Education

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

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

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

The Tunisian higher educational system suffers from a mismatch between the curriculum offered to students and the needs of the Tunisian economy. This is demonstrated by an unemployment rate among graduates of 31.2% in 2015, which was twice as high as the average unemployment rate of 15.2%. The graduate unemployment rate was 31.9% in the nine months ended 30 September 2016. To address the high level of unemployment among university graduates in Tunisia, in February 2016, the World Bank Group's Board of Executive Directors approved a U.S.$70 million project to support ongoing reforms to improve the quality of university management and teaching, as well as to seek to ensure students are graduating with skills in demand in the labour market. See "*Risk Factors—Risks Relating to The Republic of Tunisia—Tunisia faces significant socio-economic challenges, including high unemployment among university graduates, as well as significant regional disparities*" and "*The Tunisian Economy—Employment and Labour*".

Pensions

Pensions paid to current retirees or other beneficiaries (for old age, disability or otherwise) are financed exclusively by contributions of individuals and (where employed) their employer, including the Government in respect of state-owned sector employees and state-owned enterprises. Pensions and other benefits available to an individual vary among different industries, as well as between the public and private sector.

The general legal age of retirement in Tunisia is 60, although the Government has submitted a draft law to the Chamber of the People's Deputies to increase the retirement age for public sector employees to 62. This age is reduced for individuals working in certain professions, depending on the nature of their role. In the public sector, pensions are

generally based on the individual's final salary (provided the individual has been in the post for a minimum of three years). In the private sector, pensions are based on average wages earned during the previous ten years.

The National Retirement and Social Security Fund (the "**CNRPS**") posted an annual deficit of TD 431 million (approximately 0.4% of GDP) for 2015 and currently has no available cash reserves. In 2014, the Government transferred TD 250 million to the CNRPS for the benefit of certain state-owned entities experiencing financial difficulties, in particular state-owned transportation companies, against receivables from such entities.

The Government is considering reform options for the pension system, including reviewing the parameters for calculating pensions, the rate of contributions and benefits, and the proposal to raise the retirement age for public sector employees is expected to ease short-term pressures on the pension system.

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

International Relations

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

European Union

Tunisia has had accords with the EU since 1969. A co-operation agreement with the European Economic Community in 1976 established a preferential status for Tunisia. In July 1995, The Republic of Tunisia and the EU entered into an agreement (the "**Association Agreement**") with the aim of establishing a free trade area between The Republic of Tunisia and the EU within 12 years. Following the creation of the Euro-Mediterranean Partnership in Barcelona in November 1995, the Association Agreement entered into force in March 1998 and launched a new generation of Euro-Mediterranean agreements. The Association Agreement provided for the dismantling of tariffs between the EU and Tunisia and, in 2008, Tunisia and the EU entered into a Free Trade Area, the first between the EU and a Mediterranean partner. In December 2009, the EU signed a bilateral protocol with Tunisia on the establishment of a dispute settlement mechanism, which entered into force in September 2011.

On 14 December 2011, the Council of the EU adopted negotiating directives for Deep and Comprehensive Free Trade Agreements ("**DCTFA**") with several non-EU countries, including Tunisia. In October 2015, the EU and Tunisia held a preliminary round of negotiations for a DCTFA. The DCTFA is aimed at improving market access opportunities and the investment climate, as well as supporting ongoing economic reforms in Tunisia. This agreement will extend free trade beyond the scope of the Association Agreement to include trade in services, government procurement, intellectual property rights and investment protection with a goal of leading to a gradual integration of Tunisia's economy into the EU single market. A further round of negotiations took place in April 2016. During these negotiations, the EU reaffirmed its commitment to continue to provide technical and financial support to Tunisia, and representatives from both the EU and Tunisia addressed strategic reforms, including, *inter alia*, measures for support and reform of trade in agricultural and fishery products, sanitary measures, public procurement, customs, transparency, competition and state aid, trade in services and investment, technical barriers to trade and trade and sustainable development.

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

Tunisia also has bilateral agreements with several EU member countries, including Germany, France, Italy and the United Kingdom, primarily dealing with development assistance and the protection and encouragement of FDI in Tunisia. In 2012, Tunisia signed a bilateral investment treaty with Switzerland, which was ratified by the Chamber of the People's Deputies in April 2014.

United States

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

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

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

In July 2012, July 2014 and August 2016, the Bank, acting on behalf of The Republic of Tunisia, issued bonds in aggregate principal amounts of U.S.$485 million, U.S.$500 million and U.S.$500 million, respectively, which are guaranteed by the U.S. Agency for International Development, acting on behalf of the United States of America.

Maghreb and Other Arab Nations

Tunisia has solid ties with other Maghreb countries and the Arab world, in general. The Union of the Arab Maghreb or Arab Maghreb Union (the "**AMU**") was established on 17 February 1989, when the five founding members, Algeria, Tunisia, Morocco, Libya and Mauritania, signed the Treaty of Marrakesh to promote substantial political and economic integration in the region. This treaty has not, as yet, produced its anticipated effect due to a number of issues that have arisen and which have led at times to various differences between member states. The AMU's Council of Heads of State has not met since the 2-3 April 1994 Tunis summit.

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

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

Tunisia has played an instrumental role in the efforts made to reconcile the opposing parties in Libya. On 22 March 2016, the Government hosted a meeting of representatives of Libya's neighbouring countries, Tunisia, Egypt, Sudan, Chad and Niger, as well as delegates from the Arab League, the African Union, the EU and the UN, which called for the UN-backed unity government, then residing in Tunis, to take office in Tripoli as soon as possible. However, the unity government failed to gain the support of all factions in Libya. In August 2016, Libya's Tobruk-based parliament voted to reject the UN-backed unity government by a vote of 89 to 15. Militant attacks along the Tunisian-Libyan border in March and July 2016 have resulted in the temporary closure of certain checkpoints. See *"Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has been affected by, and will continue to be affected by, the ongoing conflict in Libya"*.

Others

In November 2001, The Republic of Tunisia became a signatory to two UN 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 Middle East and North Africa Financial Action Task Force against money laundering and terrorist financing. In February 2008, The Republic of Tunisia adopted the UN Convention against Corruption. See "*Risk Factors—Risks relating to The Republic of Tunisia—Failure to adequately address actual and perceived risks of corruption may adversely affect Tunisia's economy and its ability to attract FDI*".

At the Tunisia 2020 investment conference held in Tunis in November 2016, Tunisia's partners and donors (including a number of countries and international development agencies) announced more than TD 34 billion (approximately €14 billion) of pledges and commitments for loans and aid for Tunisia between 2016 and 2020. See "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

National Security

In 2015, Tunisia suffered three terrorist attacks, the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. Daesh claimed responsibility for the three terrorist attacks. The President declared a state of emergency in Tunisia in response to the Sousse Terrorist Attack, which was lifted in October 2015. A further state of emergency was declared following the Tunis Bus Terrorist Attack, which remains in effect. The Tunisian border with Libya at Ras-Jdeir was closed in March 2016 following an attack on an army base and police station in the eastern town of Ben Guerdane, and has been subsequently closed on a number of occasions since then. More recently, in July 2016, the Ras Jadir border crossing was closed to vehicle traffic as a result of an attack, and the alternate Sehiba-Wazin crossing was temporarily restricted by the Tunisian army. On 29 August 2016, Islamic militants attacked an army patrol in the Kasserine region, killing three soldiers and wounding seven others. While there have been no significant terrorist attacks since the Tunis Bus Terrorist Attack, there have also been other instances of terrorism in Tunisia in the past, including the assassination of opposition leaders in February 2014 and July 2014, which, in turn, prompted protests. See "*Risks relating to The Republic of Tunisia—Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia*".

In response to such events, the Government has taken a number of measures to increase national security and combat terrorism and extremism.

In August 2015, the Chamber of the People's Deputies passed the AML/CFT Law as an organic law. See "*The Republic of Tunisia—Political System—Legislative Branch*". The AML/CFT Law introduced a number of provisions to combat terrorism in Tunisia, including the criminalisation of financing the travel, recruitment and training of terrorist fighters. These offences are punishable by a custodial sentence of between six and twelve years, as well as by a fine of between TD 50,000 and TD 100,000. The AML/CFT Law also established a court division dedicated to terrorist-related cases and established a National Commission for the Fight Against Terrorism, which is responsible for reviewing and monitoring terrorist and terrorist financing related risks, as well as overseeing the implementation of UN Security Council resolutions in the field of terrorist financing.

The Government has also adopted a national strategy to combat extremism and terrorism, which was drafted with the assistance of the UN Counter-Terrorism Committee and the UN Office on Drugs and Crime. The four key pillars of this strategy are:

- *Prevention:* The strategy highlights the need to eliminate the direct and indirect recruitment of persons by terrorist groups, and targets, among other things, the criminalisation of acts of incitement to commit terrorist attacks, the promotion of anti-extremist training and dialogue, the management of social and political issues and the promotion of peace in the region and international co-operation to fight terrorism and extremism. The strategy provides for the alignment of Tunisian anti-terrorist legislation with international conventions and UN resolutions and for the establishment of a national intelligence agency to co-ordinate anti-terrorism activities with other authorities and security services.

- *Protection:* The strategy targets, among other things, better communication between intelligence and securities services, the issuance of more secure travel documents, increased international border co-operation and border security and stronger legislation relating to the transfer of funds and terrorist financing.

- *Prosecution*: The strategy provides, among other things, for the strengthening of national anti-terrorism legislation, the implementation of decisions of the National Security Supreme Council and the National Commission of the Fight Against Terrorism, the strengthening of international, national and regional judicial co-operation and improved use of international intelligence agencies, including INTERPOL.

- *Response*: The strategy provides for crisis management guidelines to be developed to allow for an immediate response in the event of a terrorist attack and highlights the necessity to build the capacity of security and defence forces. The strategy also provides commitments to assist and support victims of terrorist attacks and to strengthen legislation to ensure the adequate protection of witnesses to such attacks.

The Government has increased spending on national security and defence, including the hiring of additional security personnel. In August 2015, the Chamber of the People's Deputies approved a revised budget for 2015, which included a

package of urgent measures to help alleviate the short-term economic effect of the Sousse Terrorist Attack and provided for an increase in security spending. See "*Public Finance—Overview—Legal Framework and Budgetary Process*".

In February 2016, the Minister of Defence announced the completion of a 200 km barrier along a section of Tunisia's border with Libya, which is intended to increase border security, as well as the proposed installation of electronic monitoring systems along the border. European and American military trainers are working with Tunisian forces to improve electronic surveillance along the border.

The Government's programme, which was approved by the Chamber of the People's Deputies in August 2016, has identified improving national security and fighting terrorism as top priorities.

THE TUNISIAN ECONOMY

Background

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

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

Between 2001 and 2011, Tunisia's real GDP grew by an average of 4.9% per year. While real GDP contracted by 1.9% in 2011 due to the effects of the 14 January 2011 Revolution, real GDP grew by 3.9% in 2012 and 2.4% in 2013, despite the effect of the Eurozone crisis and other economic uncertainties. Real GDP grew by 2.3% in 2014, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, and growth in the manufacturing and services sector. In 2015, real GDP growth slowed to 0.8%, primarily as a result of a slowdown in activity in the manufacturing, tourism and mining sectors, due to strikes and work stoppages in the mining industry, protests against the lack of job opportunities in Autumn 2015 and a decline in tourist arrivals following the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. The real GDP growth in 2015 was primarily due to increased agricultural production as a result of a good harvest in 2015. In 2016, real GDP is estimated to have grown by 1.5% to TD 86,720.7 million, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector.

Recent Developments and Reforms

Following the 14 January 2011 Revolution, the Government developed a strategy, which aimed to introduce necessary structural reforms while responding to the social and economic demands which led to the 14 January 2011 Revolution.

In March 2013, the Government issued guidelines, which provided for a series of structural reforms and investments aimed at creating conditions for accelerated growth and job creation to ensure regional balance and inclusive development. The 2013 guidelines were based on five pillars: (i) economic reforms; (ii) infrastructure modernisation; (iii) strengthening of the social sectors of education and employment; (iv) regional balance; and (v) promotion of sustainable development.

The 2013 guidelines were subsequently consolidated with the reforms being undertaken by the Government under the SBA with the IMF. Structural reforms agreed pursuant to the SBA included, *inter alia*, the introduction of a new tax code, the introduction of an investment code and the design and implementation of certain labour market reforms, including a national employment strategy.

In October 2015, the IMF completed its sixth review of Tunisia's performance under the SBA, which enabled the immediate disbursement of approximately U.S.$301.6 million, bringing total disbursements under the arrangement to SDR 1.0 billion (approximately U.S.$1.4 billion). The IMF noted that all quantitative performance criteria under the SBA had been met, although progress on structural reforms, including in banking and fiscal areas, had been challenging.

The following table sets forth a summary of the key reform measures announced by the Government since 2015, together with the status of such measures as at the date of this Prospectus:

Key Reform Initiatives[(1)]

Reform	**Status**
Introduction of a new competition law	Law adopted by the Chamber of the People's Deputies in September 2015. See "—*Competition Law*".
Development of a legal framework for public private partnerships ("**PPPs**")	Law adopted by the Chamber of the People's Deputies in November 2015. See "—*Role of the Government in the Economy; Privatisations—Public-Private Partnerships*".
Introduction of an organic law for freedom of information	Law adopted by the Chamber of the People's Deputies in March 2016.
Introduction of a renewable energy law	Law adopted by the Chamber of the People's Deputies in May 2015. See "—*Non-Manufacturing Industries—Electricity*".
Introduction of a new organisation law for the Bank	Law adopted by the Chamber of the People's Deputies in April 2016. See "*The Bank and the Banking System*".
Introduction of a new bankruptcy law	Law adopted by the Chamber of the People's Deputies in April 2016. See "—*The Bank and the Banking System—Banking Regulation and Supervision—Improving Claims Recovery and Bankruptcy Law.*"
Introduction of a new banking law	Law adopted by the Chamber of the People's Deputies in July 2016. See "*The Bank and the Banking System—Reforms*".
Introduction of a new investment code	Law adopted by the Chamber of the People's Deputies in September 2016. See "*Foreign Trade and Balance of Payments—Foreign Direct Investment—Investment Code*".
Introduction of a law on communal land (*les terres collectives*)	Law adopted by the Chamber of the People's Deputies in August 2016.
Introduction of a new organic budget law	Draft law submitted to the Chamber of the People's Deputies for review and approval. See "*Public Finance—Overview—Legal Framework and Budgetary Process*".
Establishment of a National Council for Social Dialogue	Draft law approved by the Council of Ministers in June 2015. To be approved by the Chamber of the People's Deputies. See "—*Employment and Labour*".
Increasing the retirement age	Draft law submitted to the Chamber of the People's Deputies for review and approval. See "*The Republic of Tunisia—Pensions*".
Introduction of new anti-corruption law	Draft law approved by Council of Ministers in June 2016. To be approved by the Chamber of the People's Deputies.

Note:
(1) Where laws have been adopted by the Chamber of the People's Deputies, implementation measures for such laws are in the process of being adopted.

In October 2015, the Government and the Bank requested the replacement of the SBA with the extension of a new facility under the IMF's EFF, and the SBA expired in December 2015. In May 2016, the IMF Executive Board approved the 48-month, U.S.$2.9 billion EFF to support Tunisia's economic and financial reform priorities set out in a five-year development plan, which is based on the Orientation Paper 2016-2020. SDR 227.29 million (approximately U.S.$319.5 million) of funds under the EFF were made available for immediate disbursement, with the remaining amount to be disbursed in phases, subject to eight programme reviews. See "—*Orientation Paper 2016-2020 and Development Plan*" and "*Public Debt—International Institutions—IMF*".

Orientation Paper 2016-2020 and Development Plan

In September 2015, the Ministry of Development, Investment and International Co-operation published the Orientation Paper setting out a strategic development plan for Tunisia for the period 2016-2020. The Orientation Paper was approved by the Council of Ministers in May 2016. The Orientation Paper, which was subject to a wide public consultation, aims to encourage prosperity and economic confidence, entrench religious and civic values and establish the basis for good governance and respect for human rights. In particular, the reforms contemplated by the Orientation Paper target an average GDP growth rate (at market prices) of 5.0% between 2016 and 2020, the reduction of the current account deficit from 8.9% in 2015 to 6.8% in 2020 and the reduction of the unemployment rate from 15.2% as at 31 December 2015 to approximately 11.0% as at 31 December 2020.

The main principles of the Orientation Paper are as follows:

- *Encouraging principles of good governance:* The Orientation Paper aims to entrench principles of transparency and accountability and to introduce structural reforms to modernise administrative practices, combat corruption and encourage the participation of all stakeholders in policy development.

- *Transforming the Tunisian economy from a low value added economy to an economic hub:* The Orientation Paper aims to transform the Tunisian economy to increase its competitiveness and meet Tunisia's employment needs. In order to effect this transformation, the Orientation Paper sets out reforms to diversify Tunisia's production capabilities, with a particular focus on areas with high employment creation potential, promote investment, develop Tunisia's digital economy, strengthen Tunisia's export capacity and enhance Tunisia's integration into the global economy. Economic reforms, targets and infrastructure projects identified in the Orientation Paper include, among others:

    - extending Tunisia's highway and expressway network from 420 km in 2015 to 1,200 km in 2020;

    - extending the Tunisian railway to link Tunis with inland towns and the southern governorates of Kairouan, Kasserine, Sidi Bouzid and Medenine;

    - enhancing the value added of export sectors from 15% in 2015 to 20% in 2020;

    - reducing the unemployment rate from 15.2% in 2015 to approximately 11% in 2020, with a particular emphasis on job creation for graduates and inland populations;

    - increasing FDI flows by 80% by 2020;

    - improving Tunisia's ranking in the World Bank's *Doing Business Survey* from 60th in 2015 to 40th by 2020;

    - increasing export activities to account for 42% of GDP by 2020; and

    - encouraging e-administration activities and off-shoring activities in the digital sector.

- *Strengthening human development and promoting social inclusion:* The Orientation Paper aims to improve human development and social inclusion through the provision of quality education and training to improve employability, the protection and strengthening of women's rights, the promotion of dialogue with corporate entities, the improvement of living conditions and reform of the social welfare system. Social reforms and targets identified in the Orientation Paper include, among others:

    - increasing the participation of women in the labour market from 28.5% in 2014 to 35% in 2020;

    - achieving a 2.0% increase in labour productivity by 2020;

    - building 100,000 social housing units by 2020;

    - reducing the absolute poverty rate from 4.6% in 2014 to 2.5% by 2020; and

    - devoting a minimum of 20% of GDP to social expenditure and transfers.

- *Reducing regional disparities:* The Orientation Paper aims to reduce regional disparities by establishing links between regions, promoting regional development, developing and adjusting the regional development funding system, improving living conditions at the regional and local level and strengthening decentralisation initiatives.

- *Ensuring sustainable development:* The Orientation Paper aims to ensure sustainability through the promotion of the green economy. This is expected to be achieved by monitoring and rationalising of the use of natural resources, promoting modern agricultural techniques to ensure food security, protecting the environment, controlling energy consumption, increasing the share of renewable energy in the energy mix and mitigating the risks of natural and technological disasters.

The Orientation Paper was reformulated as a development plan for the period 2016-2020, which was adopted by the Council of Ministers on 4 May 2016 and was presented to the Chamber of the People's Deputies in May. It is expected that the development plan will be adopted by the Chamber of the People's Deputies in the coming months. The reforms identified in the Orientation Paper also form part of the Government's programme. See "*—Government Programme*".

When drafting the budget, the organic budget law requires the Government to have regard to any economic development plan in force. Accordingly, the Government will be required to take the development plan into account when drafting the budget. See "*Public Finance—Overview—Legal Framework and Budgetary Process*".

The EFF from the IMF has been extended to support Tunisia's economic and financial reform priorities set out in the five-year development plan based on the Orientation Paper. The targets and principles set out in the Orientation Paper also formed the basis for the Country Partnership Framework 2016-2020 prepared with the World Bank, the IFC and the Multilateral Investment Guarantee Agency and approved by the World Bank Group's Board of Executive Directors in May 2016.

Government Programme

In August 2016, Mr. Chahed's Government presented its programme to the Chamber of the People's Deputies. On 26 August 2016, the Chamber of the People's Deputies passed a vote of confidence in the Government and approved the Government's programme by a margin of 167 to 22 votes, with five abstentions.

The Government programme is based upon the Carthage Declaration, which was published in July 2016 and outlined a number of policy priorities for a new unity government, including: (i) establishing security and stability; (ii) strengthening and protecting democratic transition and fostering respect for the Constitution; and (iii) strengthening public and private sectors of the economy. A number of political parties and organisations signed the Cartharge Declaration prior to the formation of the Government, including the Ennahda movement, Nidaa Tounes, Afaq Tunis, the Movement of Tunisia Project, the Free National Union, the Tunisian Republican Party, the Social Democratic Path, the People's Movement and the National Constitutional Initiative, as well as the UGTT.

The Government programme builds on the Carthage Declaration by identifying six key aims: (i) combatting terrorism; (ii) increasing economic growth with a focus on job creation; (iii) combatting corruption; (iv) improving fiscal and social policies; (v) implementing targeted regional and local development initiatives; and (vi) increasing government efficiency. The Government programme also identifies the need to implement the reforms set out in the Orientation Paper. See "*—Orientation Paper 2016-2020 and Development Plan*".

On 28 September 2016, Mr. Chahed announced a set of further social and economic reform measures, which include, *inter alia*: a proposal to postpone wage increases until 2019; establishing an economic reform programme to increase economic growth from 3% to 4% over the next three years; the launch of a road modernisation programme in 72 municipalities, establishing a social housing programme for poor and disadvantaged groups; creating seven new waste recycling centres in 2017; creating an environmental police service by the end of 2016; establishing a taxation reform programme, with a view to lowering income tax rates for disadvantaged groups; creating a tax police service and providing additional tax auditors; and identifying and increasing protections for whistleblowers.

Tunisia 2020 Investment Conference

The Tunisia 2020 investment conference, which was held in Tunis in November 2016, was aimed at attracting financing for the projects set out in the Government's 2016-2020 development plan described above. The conference was attended by more than 4,500 delegates, including representatives from approximately 70 countries. More than TD 34 billion (approximately €14 billion) in loans and aid for Tunisia were announced at the conference, of which TD 15 billion represented firm commitments and TD 19 billion represented pledges made to Tunisia. Most of these pledges are tied to specific infrastructure and development projects, two of which have been started, while the funds offered under the remaining pledges are expected to be provided during the course of such projects.

Key firm commitments signed at the conference include:

- TD 2.5 billion in loans and aid from *L'Agence Française de Développement*;
- TD 1.8 billion in funding from Saudi Arabia (including TD 1.1 billion in project financing, a TD 450 million credit line and a TD 220 million grant);
- TD 260 million in loans and a TD 30 million grant from Germany's KfW Development Bank;
- TD 500 million in grants from the EU;
- TD 6.8 billion in financing for infrastructure and private sector development from the European Investment Bank;
- TD 3.3 billion in loans from the Arab Fund for Economic and Social Development;
- TD 309 million in financing from the African Development Bank; and
- TD 115 million in loans from the EBRD.

Key pledges made at the conference include:

- TD 2.8 billion in funding from Qatar;
- TD 1.1 billion in loans from Kuwait to finance economic and social development projects;
- TD 220 million, representing a deposit with the Bank by Turkey to finance investment projects;
- TD 560 million in loans from Switzerland over the next seven years;
- TD 8.7 billion to finance development projects by the African Development Bank;
- TD 4.4 billion of financing by the World Bank; and
- financing between TD 3.3 billion and TD 4.4 billion from the Islamic Development Bank.

A number of agreements with and between private sector participants to finance specific economic projects were also announced during the conference, including, *inter alia*, transactions with Peugeot PSA to establish a pick-up truck manufacturing plant, La Cigale Hotels for the construction of a business tourism complex in Gammarth and IGH to finance the construction of two hospitals, as well as a partnership agreement between Eni and Etap for the development of certain renewable energy projects and a partnership agreement between Telnet and Airbus Safran to support the development of the space industry in Tunisia.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*" and "*The Republic of Tunisia—Recent History*".

Role of the Government in the Economy; Privatisation

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

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

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

Public-Private Partnerships

In November 2015, the Chamber of the People's Deputies passed a law on PPPs, which amended the 2008 Concession Act. This law further defines the legal framework for PPPs, develops a formal PPP policy and establishes administrative centres for PPPs. The law provides for financing instruments to support PPPs, including the use of securities and Government guarantees. The implementation of these measures are expected to encourage the participation of PPPs in the development of large infrastructure projects. In June 2016, three decrees were adopted to support the implementation of the PPP law and to harmonise regulations relating to PPPs.

Economic Performance

The relative diversification of the Tunisian economy has historically increased its resilience to external shocks. Between 2001 and 2011, Tunisia's real GDP grew by an average of 4.9% per year. While real GDP contracted by 1.9% in 2011 due to the effects of the 14 January 2011 Revolution, real GDP grew by 3.9% in 2012 and 2.4% in 2013, despite the effect of the Eurozone crisis and other economic uncertainties. Real GDP grew by 2.3% in 2014, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, and growth in the manufacturing and services sector. In 2015, real GDP growth slowed to 0.8%, primarily as a result of a slowdown in activity in the manufacturing, tourism and mining sectors, due to strikes and work stoppages in the mining industry, protests against the lack of job opportunities in Autumn 2015 and a decline in tourist arrivals following the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. The real GDP growth in 2015 was primarily due to increased agricultural production as a result of a good harvest in 2015. In 2016, real GDP is estimated to have grown by 1.5%, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia has faced significant political unrest since December 2010*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia*".

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

Gross Domestic Product(1)

	2011	**2012**	**2013**	**2014**	**2015**	**2016**(2)
Total GDP						
At current prices (*TD millions*)	64,492.4	70,354.4	75,145.9	80,808.8	85,480.2	91,272.0
At constant last year prices (*TD millions*)	61,845.8	67,008.2	72,069.8	76,840.9	81,481.6	86,720.7
% change(3)	(1.9)	3.9	2.4	2.3	0.8	1.5
Per capita GDP						
At current prices (*TD*)	6,044.8	6,522.1	6,965.7	7,489.9	7,922.2	8,458.2
At constant last year prices (*TD*)	5,796.8	6,211.9	6,680.6	7,122.1	7,551.6	8,036.4
% change	1.2	7.2	7.5	6.6	6.0	6.4

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.
(2) Estimated.
(3) % change = GDP at constant market prices of the year / GDP at current market prices of last year.

Source: Ministry of Development, Investment and International Cooperation

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

Gross Domestic Product by Category of Demand at Current Prices[1]

	2011	2012	2013	2014	2015	2016[2]
	(TD millions)					
Private consumption	42,529.5	46,665.2	50,853.5	55,158.5	59,828.5	64,300.5
Government consumption	11,609.0	12,818.2	14,010.3	15,115.4	16,347.3	18,025.1
Gross fixed investment	14,096.0	15,824.2	16,465.6	16,608.9	16,622.0	17,791.0
Changes in stocks	1,072.7	1,687.3	968.2	2,803.0	1,905.8	779.2
Exports of goods and services	31,299.2	34,154.4	35,292.6	36,328.2	33,908.5	34,288.1
Imports of goods and services	36,113.9	40,794.9	42,433.9	45,205.3	43,131.9	(43,912.0)
GDP at current prices	**64,492.4**	**70,354.4**	**75,145.9**	**80,808.8**	**85,480.2**	**91,272.0**
% change	2.3	9.1	6.8	7.5	5.8	6.8

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.

(2) Estimated.

Source: Ministry of Development, Investment and International Cooperation

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

Major Components of GDP[1]

	2011		2012		2013		2014		2015		2016[2]	
	(TD millions, except percentages)											
Private consumption	41,051.6	66.4%	44,400.8	66.3%	48,065.2	66.7%	52,582.0	68.4%	57,033.9	70.0%	62,006.3	71.5%
Government consumption	11,116.9	18.0%	12,212.6	18.2%	13,369.4	18.6%	14,374.6	18.7%	15,568.9	19.1%	16,845.9	19.4%
Gross fixed investment	13,533.8	21.9%	14,955.8	22.3%	15,855.8	22.0%	16,037.5	20.9%	15,891.0	19.5%	17,090.3	19.7%
Changes in stocks	(64.1)	(0.1%)	858.3	1.3%	(26.2)	0.0%	1,909.5	2.5%	2,761.7	3.4%	425.4	0.5%
Exports of goods and services	29,885.5	48.3%	32,645.1	48.7%	34,818.8	48.3%	34,763.2	45.2%	34,600.5	42.5%	33,615.8	38.8%
Imports of goods and services	(33,647.9)	(54.4%)	(38,064.4)	(56.8%)	(40,065.7)	(55.6%)	(42,825.9)	(55.7%)	(44,374.4)	(54.5%)	(43,263.1)	(49.9%)
GDP at constant last year prices	**61,845.8**	**100.0%**	**67,008.2**	**100.0%**	**72,069.8**	**100.0%**	**76,840.9**	**100.0%**	**81,481.6**	**100.0%**	**86,720.7**	**100.0%**
% change[3]		(1.9)		3.9		2.4		2.3		0.8		1.5

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.

(2) Estimated.

(3) % change = GDP at constant market prices of last year.

Source: Ministry of Development, Investment and International Cooperation

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

Gross Domestic Product by Sector of Origin at Current and Constant Last Year Prices[1]

	Current Prices					Constant Prices				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
	(TD millions)									
Primary sector (Agriculture and Fishing)	5,505.1	6,392.3	6,701.1	7,239.9	8,301.3	5,241.0	5,825.0	6,149.4	6,925.7	7,906.0
Secondary sector	19,221.0	20,851.3	21,591.4	22,013.7	22,750.2	17,222.1	19,412.1	20,742.2	21,458.1	21,634.9
Mining	267.2	429.1	346.6	476.3	472.5	229.4	301.0	479.4	401.1	445.8
Energy	5,340.4	5,678.4	5,770.0	5,433.5	5,450.1	4,161.8	5,228.0	5,497.1	5,606.6	5,198.6
Gas and petroleum product	4,483.2	5,892.8	6,001.0	4,287.0	4,213.2	3,329.1	4,318.6	4,497.9	4,426.7	4,012.6
Electricity	650.5	756.5	908.6	900.3	971.9	630.9	696.8	771.8	936.4	933.6
Water	206.7	214.4	231.0	246.2	265.0	201.8	212.6	227.4	243.5	252.4
Manufacturing	10,706.5	11,427.8	11,953.2	12,604.0	13,236.4	10,138.3	10,930.1	11,602.3	12,088.6	12,602.4
Agriculture and food processing	1,888.9	2,066.6	2,238.5	2,222.3	2,457.1	1,817.0	1,981.7	2,118.6	2,179.2	2,340.1
Construction mat's, ceramics and glass	907.2	1,031.7	1,125.9	1,249.6	1,304.2	860.5	979.7	1,072.0	1,187.1	1,242.1
Mechanical and electrical industries	3,438.7	3,672.0	3,858.8	4,192.8	4,410.1	3,240.6	3,464.1	3,678.4	3,988.4	4,180.2
Oil refining	150.7	124.9	59.3	143.3	123.1	170.5	159.3	115.4	54.6	117.3
Chemicals industry	900.3	1,145.4	1,130.5	1,124.0	1,115.5	799.3	1,050.1	1,182.5	1,105.3	1,064.4
Textiles, leather and clothing	2,187.4	2,109.1	2,204.6	2,276.6	2,350.5	2,093.3	2,096.7	2,152.4	2,199.9	2,249.3
Tobacco	89.9	97.3	101.2	106.4	112.9	82.9	90.4	99.1	102.5	108.6
Miscellaneous industries	1,143.5	1,180.8	1,234.3	1,289.0	1,363.0	1,074.2	1,108.2	1,183.9	1,271.6	1,300.6
Building and civil engineering	2,906.9	3,101.7	3,290.5	3,499.9	3,591.2	2,692.5	2,953.0	3,163.4	3,361.7	3,387.9
Tertiary sector (services)	26,226.7	28,614.4	30,824.5	32,573.1	34,101.3	24,954.1	27,451.5	29,908.6	31,605.3	32,413.4
Hotels, cafés, restaurant	2,628.1	3,073.9	3,248.5	3,367.8	3,067.4	2,477.4	2,924.3	3,051.3	3,243.1	2,963.6
Telecommunications	3,116.4	3,363.5	3,566.1	3,748.8	3,960.5	3,222.1	3,413.9	4,107.9	3,774.3	3,921.2
Transport	4,743.4	5,228.7	5,308.4	5,552.6	5,485.9	4,607.8	5,065.0	5,240.6	5,334.9	5,274.9
Financial company	2,340.8	2,613.4	2,911.3	3,134.0	3,457.3	2,296.9	2,443.4	2,806.1	3,013.2	3,231.2
Commercial services	5,379.5	5,904.5	6,586.4	7,151.5	7,684.9	4,874.6	5,524.9	6,042.8	6,784.0	7,215.9
Other services	7,737.2	8,192.3	8,956.4	9,361.9	10,159.8	7,248.0	7,847.4	8,416.7	9,203.1	9,539.7
Less: imputed financial services	(874.7)	(1,042.1)	(1,078.1)	(1,212.4)	(1,290.0)	(921.1)	(928.2)	(1,112.4)	(1,108.9)	(1,254.9)
Non market services activities	11,000.1	12,226.1	13,378.7	14,530.2	15,543.9	10,546.9	11,651.8	12,784.0	13,811.8	14,942.4
GDP at factor cost	61,078.2	67,042.1	71,417.7	75,144.4	79,406.7	57,043.0	63,412.2	68,471.8	72,691.9	75,641.6
Indirect taxes (net of subsidies)	3,414.2	3,312.4	3,728.2	5,664.4	6,073.5	4,802.9	3,596.0	3,598.0	4,149.0	5,840.0
Total GDP	**64,492.4**	**70,354.4**	**75,145.9**	**80,808.8**	**85,480.2**	**61,845.8**	**67,008.2**	**72,069.8**	**76,840.9**	**81,481.6**
GDP growth rate (%)	2.3	9.1	6.8	7.5	5.8	(1.9)	3.9	2.4	2.3	0.8

Note:
(1) Certain figures in this table have been revised and differ from previously published data.

Source: Ministry of Development, Investment and International Cooperation

In 2011, real GDP decreased by 1.9% to TD 61,845.8 million. This decrease was primarily due to the internal instability surrounding the 14 January 2011 Revolution, which affected all industries, including non-manufacturing industries (which decreased by 9.8%, as compared to an increase of 3.6% in 2010), tradable services (which decreased by 3.7%, as compared to an increase of 5.4% in 2010) and, in particular, tourism (which decreased by 21.7%, as compared to an increase of 3.6% in 2010). Decreases were also experienced in the manufacturing industries (which decreased by 2.7% in 2011, as compared to an increase of 3.0% in 2010), particularly the chemical industry. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure*

on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Impact of the 14 January 2011 Revolution".

In 2012, real GDP grew by 3.9% to TD 67,008.2 million. This recovery was evident, in particular, in the services sector (which increased by 4.7%, as compared to a decrease of 3.7% in 2011), particularly tourism (which increased by 11.3% in 2012) and transport (which increased by 6.8% in 2012). Manufacturing industries increased by 2.1% in 2012, with increases, in particular, in the construction materials, ceramics and glass, as well as the agriculture and food processing sectors; the mechanical and electrical industries, as well as the chemical industry, however, recovered more slowly.

In 2013, real GDP grew by 2.3% to TD 72,069.8 million. The deceleration in GDP growth was primarily due to the decrease in the growth of non-manufacturing industries (which decreased by 3.0% in 2013), due, in particular, to a decline in gas and petroleum production (by 8.6% in 2013, as compared to a decrease of 3.7% in 2012) and the slowdown of tradable services (which increased by 4.5%, as compared to an increase of 4.7% in 2012), in particular in the tourism and transport sectors.

In 2014, real GDP grew by 2.3% to TD 76,840.9 million, primarily due to growth in the agricultural sector, which enjoyed a strong harvest, as well as growth in the services sector.

In 2015, real GDP growth slowed to 0.8%, primarily as a result of a slowdown in activity in the manufacturing, tourism and mining sectors, due to strikes and work stoppages in the mining industry, protests against the lack of job opportunities in Autumn 2015 and a decline in tourist arrivals following the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack. The real GDP growth in 2015 was primarily due to increased agricultural production as a result of a good harvest in 2015.

In 2016, real GDP is estimated to have grown by 1.5%, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector.

The following table sets forth GDP estimates for 2016 at factor cost, broken down by sector of origin, at current prices and constant last year prices:

Estimated 2016 Gross Domestic Product by Sector of Origin at Current and Constant Last Year Prices

	Current Prices	Constant Prices
	(TD millions)	
Primary sector (Agriculture and Fishing)..	8,384.0	7,981.7
Secondary sector	24,032.7	22,852.4
Mining	599.7	568.4
Total Energy	5,363.5	5,110.1
Gas and petroleum product	4,042.2	3,844.6
Electricity...	1,030.4	989.8
Water	290.9	275.7
Building and civil engineering	3,849.3	3,648.6
Manufacturing.......................................	14,220.2	13,525.3
Agriculture and food processing	2,465.1	2,347.7
Construction mat's, ceramics and glass	1,402.9	1,336.1
Mechanical and electrical industries ...	4,873.2	4,610.4
Oil refining	123.3	117.5
Chemical and rubber industries...........	1,277.1	1,216.3
Textiles, leather and clothing	2,494.1	2,386.7
Tobacco	118.4	114.4
Miscellaneous industries	1,466.1	1,396.2
Tertiary sector (services)..........................	36,805.3	34,972.9
Hotels, cafés, restaurant	3,220.5	3,102.6
Telecommunications	4,260.1	4,217.9
Transport.................	5,883.7	5,592.9
Financial company	3,794.7	3,563.1
Fixing...	313.2	298.3
Commercial services	8285.9	7,780.2
Other services	11,047.1	10,417.9
Less: imputed financial services	(1,371.2)	(1,336.4)
Non market services activities	16,892.0	16,022.2
GDP at factor cost....................................	84,742.7	80,492.9
Indirect taxes (net of subsidies)................	6,529.2	6,227.8
Total GDP	**91,272.0**	**86,720.7**
GDP growth rate (%)	6.8	1.5

Source: Ministry of Development and International Cooperation

In 2016, real GDP is estimated to have grown by 1.5% to TD 86,720.7 million, primarily due to growth in the manufacturing, market services and mining sectors, which was primarily due to increased activity in the chemical industry and the tourism and transport services sectors, as well as a reduced number of strikes in the mining sector.

Real GDP growth is forecast to be 2.5% in 2017, according to estimates prepared by the Ministry of Development, Investment and International Cooperation.

Tunisian Exports of Goods

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

Tunisian Exports of Goods[(1)(2)]

	For the year ended 31 December					For the six months ended 30 June 2016[(3)]	
	2011	2012	2013	2014	2015	2015	2016
				(TD millions)			
Energy[(4)]	3,649.5	4,450.4	4,209.7	3,741.7	1,986.3	1,113.3	555.6
Food and agriculture	2,592.4	2,577.2	2,740.6	2,297.1	4,008.9	2,478.3	1,587.0
Mining, phosphates and by products	1,300.6	1,649.6	1,657.9	1,618.0	1,110.4	396.3	767.2
Textile, clothing, leather and footwear	6,378.1	5,927.8	6,227.2	6,460.9	6,002.5	3,146.8	3290.1
Electrical and mechanical	9,277.5	9,714.8	10,364.6	11,574.1	11,450.7	5,772.3	6,447.8
Other	1,893.8	2,227.9	2,501.2	2,714.9	3,048.4	1,530.8	1607.6
Total exports (FOB)	**25,091.9**	**26,547.7**	**27,701.2**	**28,406.7**	**27,607.2**	**14,437.8**	**14,255.3**

Notes:

(1) The information on Tunisian exports of goods by principal category (both in the table above and in the individual discussions of the different industry sectors below) is being provided here to give an indication of the relative importance of the different sectors for Tunisia's foreign trade.
(2) Export figures for particular categories of goods are different from GDP figures for the corresponding sectors. Export figures reflect the total value of goods exported in a particular category in the relevant year, while GDP figures reflect the "value added" by a particular sector of the Tunisian economy. As a result, export figures for a particular category of goods may significantly exceed the GDP figures for the corresponding industry sectors to the extent the relevant sectors rely on the importation of expensive raw materials to produce the relevant goods for exports, and the "value added" (from raw materials to finalised product) of the relevant sector is low.
(3) Interim figures are not necessarily indicative of full year results.
(4) Excludes royalties paid to Tunisia for international pipeline trans-shipments. See "*—Industry—Non-Manufacturing—Industries—Natural Gas*".

Sources: Ministry of Regional Development and Planning and the Bank

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

Agriculture and Fishing

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

Annual Production of Principal Agricultural and Seafood Products[(1)]

	2011	2012	2013	2014	2015
			(in thousands of tonnes, except where noted)		
Cereals	2,300	2,273	1,295	2,371	1,308
Eggs (*millions*)	1,683	1,773	1,881	2,038	2,348
Potatoes	360	350	385	390	400
Tomatoes	1,284	1,357	1,013	1,288	1,350
Olive oil[(2)]	120	182	220	74	340
Citrus fruits	352	360	330	355	400
Dates	190	193	195	199	223
Meat	238	234	238	242	246
Seafood	109	118	122	127	128

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.
(2) For comparability purposes, olive oil production figures are presented according to the year of the corresponding olive harvest. Actual production generally occurs in the year following the harvest.

Source: Ministry of Development, Investment and International Cooperation

The share of GDP at factor cost contributed by the agriculture and fishing sector has varied from one growing season to the next, primarily due to climatic conditions prevailing during the relevant period. In 2011, the agriculture and fishing sector's contribution to GDP was 9.2% of GDP, primarily due to a strong cereal harvest. Agriculture and fishing was broadly stable in 2012, with the sector's contribution to GDP remaining at 9.2%. In 2013, the agriculture and fishing sector's contribution to GDP decreased to 9.0% of GDP, primarily due to a decline in cereal production. In 2014, the agriculture and fishing sector's contribution to GDP was 9.5% of GDP, primarily due to an improved cereals crop of

approximately 23.7 million quintals, as compared to 13.0 million quintals in 2013. In 2015, the agriculture and fishing sector's contribution to GDP increased to 10.5%, primarily due to an increase in olive oil production. In 2016, the agriculture and fishing sector's estimated contribution to GDP decreased to 9.2%, primarily due to decreased olive oil production.

Agriculture

Tunisia is one of the world's major producers and exporters of olive oil. Thanks to its co-operation agreement with the EU, Tunisia exports agricultural products on advantageous terms to EU markets. Agriculture employs about 16% of the Tunisian workforce, albeit seasonally. Agricultural land covers approximately 10 million hectares, and approximately 64% of Tunisia's cultivated land is dedicated to two main crops: olives and cereals (mostly hard wheat).

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

As agricultural output has historically been subject to Tunisia's irregular rainfall, Tunisia implemented a water strategy in 1990. In the framework of this strategy, several dams, reservoirs and deep wells were constructed, which contributed to an increase in the quantities of water reserves that amounted to approximately 4.3 billion cubic metres as at 31 December 2013, as compared to 2.8 billion cubic metres at the beginning of the strategy in 1990.

Tunisia's agricultural strategy is based primarily on: (i) consolidation of food safety; (ii) development of the competitiveness of the agricultural sector; (iii) the growth of exports in agricultural products and food; (iv) sustainable management of natural resources through better consideration of the effect of external environmental factors on agriculture; and (v) optimum utilisation of available water resources, particularly for agriculture, and an increased focus on the utilisation of non-traditional water resources, especially the desalination of sea water and the use of treated water.

For the 2015-16 growing season, cereal planted areas are estimated to cover 1,450 thousand hectares. Olive oil and date production is estimated to be 340 thousand tonnes and 223 thousand tonnes, respectively, as compared to 340 thousand tonnes and 220 thousand tonnes for the 2014-15 agricultural growing season.

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

Fishing

Primarily as a result of the reforms to the fishing sector introduced in 2009, which led to the promulgation of Law № 2009-17 of March 2009 concerning the closure of fisheries for natural stock regeneration, fisheries production increased by 2.0% in 2010, as compared to 2009, to 102,000 tonnes. Seafood exports increased by 3.7% in quantity and by 1.5% in value, as compared to 2009, to reach 16,900 tonnes and TD 185 million, respectively. The slower increase in value, as compared to quantity, was due to decreases in export prices.

In 2011, fisheries production increased by 6.3%, as compared to 2010, to 109,000 tonnes, primarily due to an increase of coastal and farmed fishing production. Seafood exports increased by 27.8% in quantity and 37.3% in value, as compared to 2010, to reach 21,600 tonnes and TD 254 million, respectively, primarily as a result of increased production.

In 2012, fisheries production increased by 7.8%, as compared to 2011, to 117,600 tonnes. Seafood exports decreased by 21.3% in quantity and 16.0% in value, as compared to 2011, to reach to 17,000 tonnes and TD 213 million, respectively, primarily as a result of higher international market prices.

In 2013, fisheries production increased by 3.9%, as compared to 2012, to 122,200 tonnes. Seafood exports decreased in 2013 by 12.7% in quantity but increased by 5.0% in value, as compared to 2012, to 14,830 tonnes and TD 223.7 million, respectively, primarily as a result of higher international market prices.

In 2014, fisheries production increased by 3.5%, as compared to 2013, to 126,500 tonnes. Seafood exports increased in 2014 by 4.1% in quantity and by 3.5% in value, to 15,432 tonnes and TD 231.5 million, respectively, primarily as a result of higher international market prices.

In 2015, fisheries production decreased by an estimated 1.2%, as compared to 2014, to 128,000 tonnes. Seafood exports increased by 0.8% in quantity and by 9.0% in value to 15,563 tonnes and TD 252.4 million, respectively, primarily as a result of higher international market prices.

In the six months ended 30 June 2016, seafood exports decreased by 7.4% in quantity and by 13.2% in value to 8,537 tonnes and TD 105.5 million, respectively, primarily due to a decrease in local seafood production, particularly fish farming.

Agricultural Products Trade

In 2010, agricultural imports increased by 38.6% from 2009 levels, primarily due to an increase in cereals imports (which increased by 65.0% in quantity and by 77.9% in value). In 2010, exports increased by 1.2%, notwithstanding a decrease in exports of olive oil (which decreased by 22.1% in quantity and by 16.7% in value). As a result, there was an agricultural products trade deficit of TD 557 million in 2010.

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

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

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

In 2014, the agricultural products trade deficit continued to increase, by 24.0% to TD 1,381 million, primarily due to a 15.7% decrease in food exports, as compared to 2013. This increase was partially offset by a 3.3% decrease in food imports in 2014.

In 2015, the agricultural products trade deficit decreased by 93.4% to TD 91 million, primarily due to a 78.0% increase in food exports, which was partially offset by a 9.0% increase in food imports. The principal reason for the increase in exports in 2015 was the increase in olive oil exports, which reached a record of TD 1,892 million in 2015.

In the six months ended 30 June 2016, the agricultural trade balance decreased to a deficit of TD 368 million, as compared to a surplus of TD 368 million in the corresponding period in 2015, primarily due to a decline of 65.6% in olive oil exports as a result of a reduced olive harvest.

Industry

The industrial sector of the Tunisian economy comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering). The industrial sector is largely export-driven and is dependent upon the import of capital goods, spare parts, and raw materials. As a result, the sector is vulnerable to global price fluctuations and external market demand dynamics. Value added for industrial activity decreased by 5.7% in 2011, by 1.0% in 2012, by 0.5% in 2013, by 0.6% in 2014 and by 1.7% in 2015. The contribution of industry to GDP at factor cost was 28.6% in 2015, 29.5% in 2014, 30.2% in 2013, 30.6% in 2012 and 30.2% in 2011. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Fluctuations in Prices of Imported Goods.*"

The development strategy in the industrial sector continues to focus on execution of the upgrading programme that was launched early in 1996 and implementation of various other action plans aiming to strengthen the competitiveness and attractiveness of the sector. In addition, efforts have been made to improve product quality and pursue and standardise the industrial processes in conformity with international standards. The goal of this policy is to modernise the sector and thus help it meet the challenges of liberalised international trade, in particular the promotion of partnership and foreign investment and increasing exports to reduce Tunisia's current account deficit. Steps taken to implement these goals include facilitating administrative procedures (including establishing "one-stop-shop" facilities and replacing the authorisations system with a specifications system), strengthening training and research and development institutions (including allocating 1.25% of GDP to research and development activities and encouraging high-technology studies and engineering in schools) and modernising basic infrastructure (including through the creation of industrial zones, techno-parks and industrial and technological centres and improving telecommunications, ports and laboratories

infrastructure). As a result of these developments, the turnover and added value of companies that benefitted from this policy increased by 102% and 79%, respectively, between 1995 and 2006, according to Government estimates.

The Government believes that an increase in competitiveness and the continued development of the industrial sector are essential for Tunisian industry to compete successfully in international markets, particularly in connection with the free trade area which is being established between Tunisia and the EU pursuant to the EU Association Agreement, as well as in the context of negotiations for a DFTCA with the EU.

In 2015, the industrial production index decreased by 1.7%, as compared to a decrease of 0.1% in 2014.

Manufacturing Industries

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

The contribution of the manufacturing industries to GDP at factor cost was 17.8% in 2011, 17.4% in 2012, 16.9% in 2013 and 16.6% in 2014. The estimated share of GDP contributed by manufacturing industries in 2015 was 16.7%. The estimated share of GDP contributed by manufacturing industries in 2016 was 15.6%. The decrease in the contribution of the manufacturing industries to GDP since 2011 is primarily due to the increasing contribution of other economic sectors to GDP over the period.

The growth rate for added value of manufacturing industries expressed in real terms decreased by 2.7% in 2011, before increasing by 2.1% in 2012, 1.5% in 2013 and 1.1% in 2014. The growth rate for added value expressed in real terms is estimated to have remained flat in 2015 and to have decreased by 2.2% in 2016.

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

Value Added by Manufacturing Industries at Constant Last Year Prices

	2011	**2012**	**2013**	**2014**	**2015**[(1)]	**2016**[(1)]
	(TD millions, except percentages)					
Food	1,817.2	1,981.7	2,118.6	2,179.2	2,340.1	2,347.7
Construction materials, ceramics and glass	860.5	979.7	1,072.0	1,187.1	1,242.1	1,336.1
Mechanical and electrical	3,240.6	3,464.1	3,678.4	3,988.4	4,180.2	4,610.4
Chemicals	799.3	1,050.1	1,182.5	1,105.3	1,064.4	1,216.3
Textile, clothing, leather and footwear	2,093.3	2,096.7	2,152.4	2,199.9	2,249.1	2,386.7
Oil refining	170.5	159.2	115.4	54.6	117.3	117.5
Tobacco industries	82.7	90.4	99.1	102.5	108.6	114.4
Wood, paper and plastics	1,074.2	1,108.2	1,183.9	1,271.6	1,300.6	1,396.2
Total	**10,138.3**	**10,930.1**	**11,602.3**	**12,088.6**	**12,602.4**	**13,525.3**
% of GDP at factor cost	17.8	17.2	16.9	16.6	16.7	16.8

Note:

(1) Estimated.

Source: Ministry of Development, Investment and International Cooperation

Value Added by Manufacturing Industries at Current Prices

	2011	2012	2013	2014	2015[1]	2016[1]
	(TD millions, except percentages)					
Food	1,888.9	2,066.6	2,238.5	2,222.3	2,457.1	2,465.1
Construction materials, ceramics and glass	907.2	1,031.7	1,125.9	1,249.6	1,304.2	1,402.9
Mechanical and electrical	3,438.7	3,672.0	3,858.8	4,192.8	4,410.1	4,873.2
Chemicals	900.3	1,145.4	1,130.5	1,124.0	1,115.5	1,277.1
Textile, clothing, leather and footwear	2,187.4	2,109.1	2,204.6	2,276.6	2,350.5	2,494.1
Oil refining	150.7	124.9	59.3	143.3	123.1	123.3
Tobacco industries	89.8	97.3	101.2	106.4	112.9	118.4
Wood, paper and plastics	1,143.5	1,180.8	1,234.4	1,289.0	1,363.0	1,466.1
Total	**10,706.5**	**11,427.8**	**11,953.2**	**12,604.0**	**13,236.4**	**14,220.2**

Note:

(1) Estimated.

Source: Ministry of Development, Investment and International Cooperation

Food Industry

The principal products of the food industry are cereal products, dairy products, canned goods (principally tomato paste), sugar and confectionery, oils and fat (principally olive oil and processed seed oils) and beverages (principally mineral water and carbonated beverages). The food industry contributed 18.0% of the value added (in real terms) by manufacturing industries in Tunisia in 2014 and 3.0% of GDP at factor cost (as compared to 18.3% and 3.1%, respectively, in 2013). In 2015, the food industry contributed 18.6% of the value added (in real terms) by manufacturing industries in Tunisia and 3.1% of GDP at factor cost. In 2016, the food industry is estimated to have contributed 17.4% of the value added (in real terms) by manufacturing industries in Tunisia and 2.9% at factor cost. Fluctuations in the contribution of the value added (in real terms) of the food industry are primarily due to annual changes in olive oil production.

Construction Materials, Ceramics and Glass Industries

The principal products manufactured by these industries include cement, lime, clayware, mosaic and earthenware tiles and bottles and glasses. These industries contracted by 2.3% in 2011 and grew by 8.0% in 2012, 3.9% in 2013 and 5.4% in 2014. In 2015, the construction materials, ceramics and glass industries contracted by 0.6%. In 2016, the construction materials, ceramics and glass industries are estimated to have grown by 2.5%. Growth in these industries between 2012 and 2014 was primarily due to new construction and the opening of a new cement plant. In 2015, the construction materials, ceramics and glass industries contributed 9.9% of the value added (in real terms) by manufacturing industries in Tunisia and 1.6% of GDP at factor cost, as compared to 9.8% of the value added (in real terms) by manufacturing industries in Tunisia and 1.6% of GDP at factor cost in 2014. In 2016, the construction materials, ceramics and glass industries are estimated to have contributed 9.9% of the value added (in real terms) by manufacturing industries in Tunisia and 1.7% of GDP at factor cost.

Mechanical and Electrical Industries

The mechanical and electrical industries include the iron and steel industry and the automobile and household appliance industries. The iron and steel industry produces cast iron, steel rods, round iron bars for concrete, drawn wire and metal structures. The automobile and household appliance industries are engaged essentially in assembly. The automobile industry assembles trucks, buses and mini-buses. The household appliance industry principally assembles television sets and electric meters. The mechanical and electrical industries grew by 3.8% in 2011, 0.7% in 2012, 0.2% in 2013 and 3.4% in 2014, demonstrating the resilience of the sector despite declining European demand. In 2014, the mechanical and electrical industries contributed to 33.0% of the value added (in real terms) by manufacturing industries in Tunisia and 5.5% of GDP at factor cost (as compared to 31.7% and 5.4%, respectively, in 2012). In 2015, the mechanical and electrical industries contributed 33.2% of the value added (in real terms) by manufacturing industries and 5.5% of GDP at factor cost. In 2016, the mechanical and electrical industries are estimated to have grown by 4.5% and to have contributed 34.1% of the value added (in real terms) by the manufacturing industries in Tunisia and 5.9% of GDP at factor cost.

In 2015, the Government adopted a strategy to further develop the aeronautic industry in Tunisia, which has been identified as a growing and profitable sector. This strategy targets, among other things, increasing the number of aviation companies operating in Tunisia from 70 in 2015 to 150 by 2025, increasing the number of people employed in

the aviation industry from 12,000 in 2015 to 30,000 by 2025, developing existing industrial infrastructure and providing incentives, including investment grants, to aerospace companies.

Chemicals Industry

The phosphate processing industry is the most active part of the chemicals industry, producing, among other things, fertilisers and phosphoric acid. Other products include rubber, basic chemicals and pharmaceuticals. The chemicals industry contracted by 38.9% in 2011, grew by 16.6% in 2012 and 3.2% in 2013 and contracted by 2.2% in 2014. The significant contraction in 2011 was due to a decrease in production across all areas of the phosphate by-products industry, in particular diammonium phosphate ("**DAP**") (which decreased by 66.4%) and phosphoric acid (which decreased by 57.3%), primarily due to internal instability and lower demand from certain foreign customers, as well as greater international competition, which resulted in slower growth in the chemicals industries. Although the chemicals industry has grown overall since 2012, production in the phosphate sector has not yet returned to pre-2011 levels. In 2015, the chemicals industry is estimated to have contracted by 5.3% due to work stoppages in several plants organised by unemployed protesters at the beginning of the year. In 2014, the chemicals industry contributed 9.1% of the value added (in real terms) by manufacturing industries in Tunisia and 1.5% of GDP at factor cost. In 2015, the chemicals industry contributed 8.4% of the value added (in real terms) by manufacturing industries in Tunisia and 1.4% of GDP at factor cost. In 2016, the chemicals industry is estimated to have grown by 9.0% and to have contributed 8.9% of the value added (in real terms) by manufacturing industries in Tunisia. In 2016, the chemicals and rubber industry contributed 1.5% of GDP at factor cost. See "*—Non-Manufacturing Industries—Mining*".

Textile, Clothing and Leather

The principal products of the textile, clothing and leather industries are cotton and woollen yarn, fabric, apparel and hosiery. This industry depends upon foreign markets for its supply of raw materials, especially the fabric and yarn as it exports most of its production (85% are garments). This industry was affected in 2003 by slowing external demand (especially from the EU), tougher international competition tied to China's membership in the World Trade Organisation (the "**WTO**"), as well as by the phasing out of the multifibre agreements in 2005 that governed trade in textile products. In order to promote exports and increase the added value of this industry, which remains a focus of Government policy, the Government developed a strategy encouraging clothing companies to shift from sub-contracting to co-contracting and final product production. This strategy aims to maintain the level of competitiveness and the know-how in the Tunisian textile, clothing and leather industry, and the Government has implemented a training scheme for university and professional education to provide the industry with the human resources required in order to work with European partners. The textile, clothing and leather industry grew by 0.2% in 2011, contracted by 4.1% in 2012, grew by 2.1% in 2013 and contracted by 0.2% in 2014. In 2015, the textile, clothing and leather industry contracted by 1.2%. The contractions in each of 2011, 2012, 2014 and 2015 were primarily due to declining demand in the EU, while the growth in 2013 was primarily due to improved economic conditions in the EU. In 2016, the textile, clothing and leather industry is estimated to have grown by 1.5%.

The textile, clothing and leather industry accounted for 24.3% of total exports for manufacturing industries in 2015, as compared to 27.3% in 2014, 27.6% in 2013, 27.9% in 2012 and 31.3% in 2011. Exports of textile, clothing and leather increased by 5.7% in 2011, decreased by 7.1% in 2012, increased by 5.1% in 2013, increased by 3.8% in 2014 and decreased by 7.5% in 2015. Investment in the textile, clothing and leather industry increased by an estimated 26.9% in 2016, and decreased by 14.2% in 2015, 10.9% in 2014 and 5.9% in 2013, increased by 12.7% in 2012 and decreased by 20.4% in 2011 and by 8.2% in 2010.

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

In 2014, the textile, clothing and leather industry contributed 18.2% of the value added (in real terms) by manufacturing industries in Tunisia and 3.0% of GDP at factor cost (as compared to 19.2% and 3.3%, respectively, in 2012). In 2015, the textile, clothing and leather industry contributed 17.8% of the value added (in real terms) by manufacturing industries in Tunisia and 3.0% of GDP at factor cost. In 2016, the textile, clothing and leather industry is estimated to have contributed 17.6% of the value added (in real terms) by manufacturing industries in Tunisia and 3.0% of GDP at factor cost.

Wood, Paper and Plastics Industries

Growth in the wood, paper and plastics industries was 3.2% in 2011, 3.1% in 2012, 0.3% in 2013, 3.0% in 2014 and 0.9% in 2015. In 2016, the wood, paper and plastics industries are estimated to have grown by 2.4%. In 2014, the wood, paper and plastics industries contributed 10.5% of the value added (in real terms) by manufacturing industries in Tunisia and 1.7% of GDP at factor cost (as compared to 10.2% and 1.7%, respectively, in 2013). In 2015, the wood,

paper and plastics industries contributed 10.3% of the value added (in real terms) by manufacturing industries in Tunisia and 1.7% of GDP at factor cost. In 2016, the wood, paper and plastics industries are estimated to have contributed 10.3% of the value added (in real terms) by manufacturing industries in Tunisia and 1.7% of GDP at factor cost.

Non-Manufacturing Industries

Non-manufacturing industries include mining (principally raw calcium phosphate, iron ore and sea salt), energy (primarily the generation and distribution of electricity and the production of crude oil and natural gas) and the building and civil engineering sectors. In 2011, these industries contributed to 12.4% at factor cost (at constant prices), increasing to 13.4% in 2012 and 13.3% in 2013, before decreasing to 12.9% in 2014 and 11.9% in 2015. The non-manufacturing industries contracted by 9.8% in 2011, 0.4% in 2012, 3.0% in 2013, 2.8% in 2014 and 4.0% in 2015. This continuous contraction over the period was primarily due to difficulties experienced in the mining sector since the 14 January 2011 Revolution as a result of social unrest, as well as the sharp contraction of the energy sector in 2011, followed by only modest growth of the sector in 2012 and 2013 and a further contraction of the sector in 2014 and 2015, primarily due to the decrease added value from extraction activities.

Building and Civil Engineering

The building and civil engineering industries contracted by 1.3% in 2011, before growing by 1.6% in 2012, 2.0% in 2013 and 2.2% in 2014. In 2015, the building and civil engineering industries contracted by 3.2%. In 2016, the building and civil engineering industries are estimated to have grown by 1.6%. The share of GDP contributed by the building and civil engineering industries in 2014 was 4.6%. The growth of the industries in 2014 was primarily due to the increase in cement production and the continued recovery of the building industry. The share of GDP contributed by the building and civil engineering sector in 2015 was 4.5%. The contraction in the building and civil engineering industries in 2015 was primarily due to decreased investment. The estimated share of GDP contributed by the building and civil engineering sector in 2016 was 4.5%.

Mining

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

Calcium Phosphate

	For the year ended 31 December					**For the six months ended 30 June**	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Output tonnes (*in millions of tonnes*)	2.28	2.60	3.07	3.55	3.24	0.94	1.85
Total value exported (*TD millions*)	27.0	20	3.8	18	1	0.4	0.6
% of total exports	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%

Source: Ministry of Development, Investment and International Cooperation

Iron Ore and Salt

	For the year ended 31 December					**For the six months ended 30 June**	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
			(in thousands of tonnes)				
Iron ore	168	215	245	321	285	145	126
Sea salt	1,588	1,273	1,223	1,194	1,400	700	700

Source: Ministry of Development, Investment and International Cooperation

The mining industry, which includes principally calcium phosphate, iron ore and sea salt mining, contributed 0.4% to GDP at factor cost in 2011, 0.5% in 2012, 0.7% in 2013, 0.6% in 2014 and 0.6% in 2015. The estimated share of GDP at factor cost contributed by the mining sector in 2016 was 0.7%.

The depletion of reserves of iron ore and of certain non-ferrous metals, combined with the low level of stocks of lime phosphate, indicate that the mining sector will experience only moderate growth, if any, in the future. The mining industry contracted by 52.9% in 2011, before growing by 12.7% in 2012, 11.7% in 2013 and 15.7% in 2014, then contracting by 6.4% in 2015. The significant decrease in production in 2011 was primarily due to circumstances surrounding the 14 January 2011 Revolution and in particular, strikes, which led to a decrease in production and exports. The contraction of the mining industry in 2015 was primarily due to work stoppages organised by unemployed

protestors in early 2015. In 2016, the mining sector is estimated to have grown by 20.3%, primarily due to an increase in phosphate production.

Iron ore production decreased by 2.3% in 2011, before increasing by 28% in 2012, 14.0% in 2013 and 31.0% in 2014 and decreasing by 12.0% in 2015. Sea salt production increased by 1.0% in 2011, before decreasing by 19.8% in 2012, 3.9% in 2013, 2.4% in 2014 and increasing by 17.3% in 2015.

Phosphates Sector, Mining and Chemical Processing

According to statistics published by the U.S. Geological Survey in March 2016, Tunisia is the eighth largest producer of phosphate rock in the world.

Production of lime phosphate decreased by 69.1% in 2011, which was primarily due to the social unrest surrounding the 14 January 2011 Revolution, before increasing by 12.0% in 2012 and 26.0% in 2013. The growth in 2012 and 2013 was primarily due to the resumption of production activities in 2012.

The phosphate mining and by-products sector has been marked by an ongoing upward trend in international prices for the main phosphate products, together with an increase in the prices of the main raw materials, due mainly to growing world demand. Taking advantage of this positive international context, exports by Tunisia's phosphate mining and by-products sector were TD 1,301 million in 2011, TD 1,650 million in 2012, TD 1,658 million in 2013 and TD 1,618 million in 2014. The share of the sector in the country's overall exports decreased to 5.2% in 2011, before increasing to 6.21% in 2012 and decreasing to 5.98% in 2013 and 5.7% in 2014. In 2015, exports of the phosphate mining and by-products sector accounted for 4.0% of total sector exports, reflecting a 31.4% decrease in sector exports, as compared to 2014. Exports of the phosphate mining and by-products sector increased by 93.6% in the six months ended 30 June 2016, as compared to the corresponding period in 2015.

Production in the phosphate sector, in particular, production of DAP was affected by the social unrest in the mining sector as a result of the 14 January 2011 Revolution, which led to a temporary halt in production, as well as difficulties in the transport sector, which affected the transportation of phosphate products. In early 2015, production suffered from several work stoppages organised by unemployed protestors.

Exports of calcium phosphate decreased by 66.9% in 2011, 26.0% in 2012 and 80.6% in 2013. Exports of calcium phosphate increased by 48.5% in 2014, before decreasing by 94.4% in 2015. In the six months ended 30 June 2016, exports of calcium phosphate increased by 46.8%, as compared to the corresponding period in 2015.

Exports of DAP (in value) decreased by 61% in 2011, before increasing by 51% in 2012 and decreasing by 2.6% in 2013 and 13.5% in 2014. DAP sales accounted for 26.2% of sector exports in 2014 and 20.4% of sector exports in 2015. In the six months ended 30 June 2016, DAP sales accounted for 26.6% of sector exports. This increase was primarily due to a 161% increase in DAP sales in the six months ended 30 June 2016, as compared to the corresponding period in 2015.

Phosphoric acid sales decreased (in value) by 23% in 2011, before increasing by 16% in 2012, decreasing by 29% in 2013 and increasing by 14.2% in 2014. Phosphoric acid sales accounted for 27.1% of the phosphate mining and by-products sector exports in 2014, as compared to 23.2% in 2013, 30.6% in 2012 and 28.6% in 2011. In 2015, phosphoric acid sales are estimated to have decreased by 27.0% by value and by 43.4% by quantity, as compared to 2014. Phosphoric acid sales are estimated to have represented 28.9% of sector exports in 2015. In the six months ended 30 June 2016, phosphoric acid sales increased by 205.7% by value and by 221% by quantity, as compared to the corresponding period in 2015.

Imports of phosphate mining and by-product sector products decreased by 3.5% in 2011, before increasing by 42.5% in 2012, decreasing by 8.3% in 2013 and increasing by 5.4% in 2014. The rate of coverage of imports by exports fell to 173.6% in 2014, as compared to 187.4% in 2013, 171.1% in 2012 and 192.3% in 2011. In 2015, imports in the phosphate mining and by-product sector decreased by 27.1%, as compared to 2014. In the six months ended 30 June 2016, imports of phosphate mining and by-product sector products increased by 19.5%, as compared to the corresponding period in 2015.

Purchases of non-refined sulphur and ammonium nitrate are estimated to represent 46.2% of the sector's total imports in 2015, as compared to 50.6% in 2014, 49.3% in 2013, 53.5% in 2012 and 46.3% in 2011. Most such purchases were made by the Tunisian Chemical Group as raw materials to produce phosphate by-products from raw phosphate. Imports of non-refined sulphur decreased by 7.1% in 2011, before increasing by 66.4% in 2012, decreasing by 20.6% in 2013, increasing by 5.0% in 2014 and decreasing by 32.3% in 2015. In the six months ended 30 June 2016, imports of non-refined sulphur and ammonium nitrate increased by 37.7%, as compared to the corresponding period in 2015.

Purchases of ammonium nitrate decreased by 65.0% in 2011, before increasing by 62.0% in 2012, decreasing by 7.0% in 2013, increasing by 12.6% in 2014 and decreasing by 35.1% in 2015. These fluctuations are primarily due to significant fluctuations in the price of ammonium nitrate in the international markets over recent years and, to a lesser extent, due to fluctuations in imported quantities. In the six months ended 30 June 2016, the purchase of ammonium nitrate increased by 51.5%, as compared to the corresponding period in 2015.

Energy

The share of GDP contributed by the energy sector was 7.3% in 2011, 8.2% in 2012, 8.0% in 2013, 7.7% in 2014 and 6.9% in 2015. The growth in the contribution of the energy sector to GDP between 2011 and 2013 was primarily due to higher international commodity prices. The decline in the contribution of the energy sector to GDP in 2014 and 2015 was primarily due to lower international commodity prices. The estimated share of GDP contributed by the energy sector in 2016 was 6.3%.

National primary energy resources decreased by 6.0% in 2015 to 5.2 million tonnes of oil equivalent ("**TOE**"), having decreased by 11.0% to 5.5 million TOE in 2014 and by 13.1% in 2013 to 6.2 million TOE. Demand for primary energy has increased in recent years, increasing by 0.4% to 9.3 million TOE in 2015, 4.9% in 2014 to 9.2 million TOE and 2.3% in 2013 to 8.8 million TOE. As a result, the balance of primary energy deficit was approximately 4.1 million TOE in 2015, 3.7 million TOE in 2014 and 2.5 million TOE in 2013, as compared to 1.7 million TOE in 2012 and 1.0 million TOE in 2011. This is reflected in the balance of trade deficit for the energy sector, which was TD 3,472 million in 2015, TD 3,821 million in 2014, TD 2,765 million in 2013, TD 1,897 million in 2012 and TD 1,028 million in 2011. In the six months ended 30 June 2016, the balance of trade deficit for the energy sector decreased by TD 497 million to TD 1,498 million, as compared to the corresponding period in 2015, primarily due to a decline in international oil prices.

In 2015, petroleum and its derivatives accounted for 48.9% of total energy consumption, electric power (primary electricity) accounted for 0.5% of total energy consumption and natural gas accounted for 50.6% of total energy consumption, as compared to 46.5%, 0.5% and 53.0%, respectively, in 2014 and 44.7%, 0.4% and 54.9%, respectively, in 2013.

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

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

Electricity

The share of GDP contributed by the electricity and water sector was 1.5% in 2011, 1.4% in 2012, 1.5% in 2013, 1.6% in 2014 and 1.6% in 2015. The estimated share of GDP contributed by the electricity and water sector in 2016 was 1.2%.

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

Law № 2004-72 on the use of energy, sets the efficient use of energy as a national priority and as the most important element of an effective policy for sustainable development. The law states three principal goals: energy conservation, the promotion of renewable energy sources and the substitution of forms of energy currently used for renewable/sustainable options wherever this offers technical, economic and ecological benefits. Since 2005, and the creation of a national energy fund (in accordance with Law № 2005-106), Tunisia has established a framework to increase energy efficiency and develop renewable energy sources. Decree № 2005-2234, which was amended by Decree № 2009-362, established financial incentives with a range of options for the introduction of renewable energy in rural and agricultural facilities. Grants are paid to the supplier of the equipment after installation. For electricity generation in the agricultural sector, a grant of 40% of the cost (up to a maximum of TD 20,000), is available for lighting and water pumping systems in rural areas when they make use of solar or wind energy. Financial assistance is available for biogas systems through a grant of 40% of the cost (up to a maximum of TD 20,000), for the production of biogas in farms and a 20% subsidy of the cost (up to a maximum of TD 100,000) for combined heat and electricity from biogas plants. In respect of cogeneration projects, the public subsidy is also 20% of the cost (up to a maximum of TD 500,000 per project). For solar buildings, a subsidy of 30% of the cost is offered with a maximum of TD 3,000/kW and TD 15,000 per house. Since 2005, the Government has also offered financial incentives to reactivate and develop a sustainable market for solar water heaters in the residential sector, which is supported by a grant from the National Energy Conservation Fund.

Total domestic production of electricity was 18,256 million kWh in 2015, 17,697 million kWh in 2014, 17,053 million kWh in 2013, 16,844 million kWh in 2012 and 15,297 million kWh in 2011, of which 14,851 million kWh, 14,117 million kWh, 13,947 million kWh, 13,680 million kWh and 11,902 million kWh, respectively, was produced by the Tunisian Electricity and Gas Company ("**STEG**"). STEG is a state-owned company created in 1962. STEG's electricity production increased by 2.9% in 2011, 14.9% in 2012, 2.0% in 2013, 1.2% in 2014 and 5.2% in 2015. STEG generated 734 million kWh in additional electricity in 2015, as compared to 170 million kWh in 2014, 267 million kWh in 2013 and 1,778 million kWh in 2012.

The majority of Tunisia's electricity production comes from gas thermal plants, which accounted for more than 90% of electricity production in 2015. There are eight hydraulic power plants in Tunisia (with combined power capacity of 66 MW). Hydraulic electricity accounted for 54 million kWh in 2011, 110 million kWh in 2012, 60 million kWh in 2013, 56 million kWh in 2014 and 70 million kWh in 2015. Tunisia has a total installed wind power capacity of 245 MW. STEG has conducted a number of programmes to develop wind energy in Tunisia, including the installation of a 120 MW power plant in Bizerte in 2012, which was extended by a further 70 MW in 2013.

Domestic electrical consumption totalled 14,991 million kWh in 2015, 14,760 million kWh in 2014, 14,319 million kWh in 2013, 14,065 million kWh in 2012 and 12,901 million kWh in 2011, of which 7,939 million kWh, 7,940 million kWh, 7,799 million kWh, 7,686 million kWh and 7,148 million kWh was of high and medium-voltage current, respectively.

Approximately 63.7% of the total consumption of high- and medium-voltage electricity in 2015 was by the industrial sector. The mining, chemicals, petroleum, construction materials and ceramics and glass industries continue to be the highest consumers of electrical energy. Consumption in all these industries, except iron, steel and metallurgical plants, increased in 2015. Low-voltage electricity consumption grew by 3.4% in 2015 to 7,052 million kWh of low-voltage electricity consumption, having increased by 4.6% to 6,820 million kWh in 2014, by 2.2% in 2013 to 6,520 million kWh, by 10.9% in 2012 to 6,379 million kWh and by 1.5% to 5,753 million kWh in 2011.

The Government aims to generate 12% of electricity from renewable sources by 2020, and 30% by 2030. In order to help it achieve these targets, in May 2015, the Chamber of the People's Deputies adopted a law in respect of electricity production from renewable sources. This law aims, through the encouragement of the use of renewable energy for electricity production, to increase investment in the energy sector, create approximately 10,000 new jobs, reduce debt at STEG and preserve the environment through reduced emissions from pollution. Tunisia has also committed to be part of the DESERTEC "super-grid" that is expected to connect renewable energy sources, principally in Africa, with consumers in Europe by a high-voltage transmission system.

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

Electricity Production and Consumption[1]

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**[2]	**2015**	**2016**
				(kWh millions)			
STEG production	11,902	13,680	13,947	14,117	14,851	6,908	6,922
Private independent production	3,318	3,100	3,047	3,489	3,314	1,554	1,714
Self-consumption purchases from generators	694	631	692	690	690	n/a[3]	n/a[3]
Purchases from generators	43	63	84	92	91	43	29
Total domestic production	**15,279**	**16,847**	**17,053**	**17,697**	**18,254**	**8,505**	**8,665**
Net exchanges with Algeria	16	4	8	(21)	(50)	(14)	(12)
Losses in transit	2,255	2,737	2,707	2,700	3,166	n/a[3]	n/a[3]
Exports	3	63	84	67	47	0	70
Total energy available for consumption	**13,640.0**	**14,607.0**	**14,887.0**	**15,550.0**	**15,854.0**	**8,491.0**	**8,732.0**
High-and-medium-voltage consumption							
Mining industries	286	305	324	332	305	148	162
Metallurgical industry.	304	281	284	284	268	135	143
Chemical industry	352	415	463	463	467	229	219
Construction materials	1,332	1,484	1,531	1,600	1,659	853	825
Paper industry and publishing	148	148	134	122	146	73	77
Textile industries	540	548	519	497	479	247	237
Food industries	614	643	654	672	703	328	317
Miscellaneous industries	927	976	1,001	1,016	1,027	508	519
Agricultural	495	532	556	548	564	262	291
Pumping	536	557	563	577	616	287	310
Transport	312	330	311	305	302	143	139
Tourism	513	604	568	567	463	198	147
Service	789	863	891	957	940	439	438
Sub-total	**7,148.0**	**7,686.0**	**7,799.0**	**7,940.0**	**7,939.0**	**3,850**	**3,824**
Low-voltage consumption	**5,753.0**	**6,379.0**	**6,520.0**	**6,820.0**	**7,052.0**	**3,382**	**3,502**
Total Domestic Consumption	**12,901.0**	**14,065.0**	**14,319.0**	**14,760.0**	**14,991.0**	**7,232.0**	**7,326.0**

Notes:
(1) Certain figures in this table have been revised and differ from previously published data.
(2) Provisional data.
(3) Figure unavailable.

Source: Ministry of Energy and Mines

Oil

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

Crude Oil Production and Exports[1]

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**[1]	**2015**	**2016**[1]
Crude oil production (*millions of tonnes*)	3.2	3.2	2.8	2.5	2.3	1.2	1.1
Crude oil exported (*millions of tonnes*)	2.7	2.4	2.2	2.2	1.8	0.9	0.9
Total value exported (*TD millions*)	3,232	3,069	2,911	2,698	1,401	734	597
Crude oil imported (*millions of tonnes*)	0.3	1.1	1.1	1.2	0.9	0.5	0.4
Total value imported (*TD millions*)	399	1,646	1,584	1,560	737	452	245

Note:
(1) Certain figures in this table have been revised and differ from previously published data.

Source: Ministry of Energy and Mines

Since oil production began in 1966 in the El Borma field in the south of Tunisia, El Borma has been the heart of the Tunisian oil industry, although its production levels are in decline. There are 53 oil production fields in Tunisia, of which Hasdrubal, El Borma, Adam, Ashtart and Sherouk collectively produce approximately 50% of total national oil

production. The Hasdrubal field, which started production at the end of 2009, has high levels of oil production, with its share of the domestic production having increased from 9% in 2011 to 14% in 2012, 16% in 2013, 15% in 2014 and 13% in 2015. The decrease in oil production in 2015 was primarily due to the decline in production from mature oil fields.

Due to the natural decline of the most important, mature wells, except Hasdrubal, crude oil production has decreased steadily from 3.7 million tonnes in 2010, by 10% to 3.3 million tonnes in 2011, by 3% to 3.2 million tonnes in 2012, by 9% to 2.9 million tonnes in 2013, by 10% to 2.6 million tonnes in 2014 and by 11% to 2.3 million tonnes in 2015.

Shipments of oil to the Tunisian Refining Industries Company ("**STIR**"), which is owned by the state, were 1.1 million tonnes in 2013, 1.2 million tonnes in 2014 and 0.9 million tonnes in 2015.

The share of crude oil in total primary energy production was 47.1% in 2011, 47.2% in 2012, 46.9% in 2013, 47.5% in 2014 and 46.9% in 2015.

Exports of crude oil decreased by 27.0% to 2.7 million tonnes in 2011, by 11.1% in 2012 to 2.4 million tonnes, by 8.3% to 2.2 million tonnes in 2013, remained stable at 2.2 million tonnes in 2014 and decreased by 18.2% in 2015 to 1.8 million tonnes, as a result of the decrease in production. In the six months ended 30 June 2016, exports of crude oil decreased by 16.7% to 0.4 million tonnes, as compared to the corresponding period in 2015.

In 2011, imports in value of crude oil increased by 177% while quantities of imports registered a modest increase, as compared to 2010 levels. In 2012, imports of crude oil increased by quantity by 249% and in value by 312% as compared to 2011. For the first time, Libya was not the main supplier of Tunisia's crude oil after it ceased exporting due to the internal conflict. Imports of crude oil increased in quantity by 3.6% to 1.1 million tons in 2013, and decreased in value by 3.7% from TD 1,646 million in 2012 to TD 1,584 million in 2013. In 2014, imports of crude oil decreased in quantity by 2.1% to 1.1 million tonnes in value and by 2.5% from TD 1,555 million in 2013 to TD 1,516 million in 2014. In 2015, imports of crude oil decreased in quantity by 32.9% to 0.9 million tonnes and in value by 56.9% to TD 737 million. In 2015, the Government increased the quota of locally produced oil allocated for use by STIR, the national oil company, which reduced its reliance on imports. In addition, two stoppages of production at STIR for planned cleaning and maintenance works also reduced STIR's crude oil imports in 2015.

In the six months ended 30 June 2016, imports in crude oil by value decreased by 54.1% and quantity decreased by 32.9%, as compared to the corresponding period in 2015, primarily due to a decrease in local demand for refined petroleum products for use in electricity production in the six months ended 30 June 2016.

Natural Gas

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

Natural Gas Production and Consumption

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015[(1)]**	**2015**	**2016[(1)]**
	(TOE thousands, net calorific value)						
Production							
Miskar	1,193	916	845	716	713	344	308
Other	1,402	1,599	1,656	1,585	1,518	752	636
Total production	2,595	2,515	2,501	2,301	2,231	1,096	944
Total Royalties	959	924	559	299	317	159	380
Imports	1,048	1,480	1,840	2,370	2,212	986	1,107
Total supply	**4,602**	**4,919**	**4,900**	**4,970**	**4,760**	**2,241**	**2,431**
Consumption							
STEG	3,152[(2)]	3,447[(2)]	2,932	2,986	2,832	1,224	1,328
IPP	—	—	556	628	601	282	311
Other (industrial, residential and tertiary use)	1,148	1,265	1,321	1,282	1,252	702	658
Total domestic consumption	4,300	4,712	4,809	4,896	4,686	2,208	2,297
Exports[(3)]	302	261	82	45	56	22	130
Total consumption	**4,602**	**4,973**	**4,891**	**4,941**	**4,741**	**2,230**	**2,247**

Notes:

(1) Provisional data.

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

(3) Exports of gas tax portion.

Source: National Observatory of Energy

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

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

In 2011, production decreased by 4.9% to 2.6 million TOE. In 2012, production further decreased by 3.1% to 2.5 million TOE. In 2013, production decreased by 0.6% to 2.6 million TOE. In 2014, production decreased by 8.0% to 2.3 million TOE and in 2015 production decreased by 3.0% to 2.2 million TOE. The contribution of the Miskar deposit decreased to 1.2 million TOE in 2011, to 0.9 million TOE in each of 2012 and 2013 and to 0.7 million TOE in each of 2014 and 2015. This decrease is due to the natural decline of quantities of natural gas at the Miskar deposit.

National production of natural gas comes primarily from Miskar, the main gas field, which accounted for approximately 27.7% of domestic consumption in 2011,19.4% in 2012, 17.6% in 2013, 14.6% in 2014 and 15.2% in 2015.

National natural gas consumption decreased by 2.0% in 2011, before increasing by 10.0% in 2012, decreasing by 2.0% in 2013, increasing by 2.0% in 2014 and decreasing by 4.0% in 2015.

Petroleum Fuel Production

In 2011, petroleum fuel production increased by 119.2%, as compared to 2010, to 0.8 million TOE. In 2012, fuel production increased by 127.2%, as compared to 2011, to 1.8 million TOE. In 2013, fuel production decreased by 2.4%, as compared to 2012, to 1.8 million TOE. In 2014, fuel production decreased by 2.7%, as compared to 2013, to 1.8 million TOE. In 2015, fuel production decreased by 19.3%, as compared to 2014, to 1.4 million TOE. Between 2010 and 2012, the gasoline production unit at STIR was not in production and all gasoline production demand was instead satisfied through imports. The gasoline production unit at STIR recommenced operations in 2012.

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

Petroleum Fuel Production[1]

	For the year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	(in thousands of TOE)				
Liquefied petroleum gas	103	121	122	117	99
Super and unleaded gasoline	0	0	0	0	0
Paraffin oil	42	39	53	55	56
Diesel	260	679	653	551	420
Fuel oil	246	603	486	447	402
Other	162	404	376	379	293
Total	**812**	**1,845**	**1,690**	**1,559**	**1,270**

Note:
(1) Certain figures in this table have been revised and differ from previously published figures.

Source: National Observatory of Energy

National fuel consumption has been increasing since 2011. In 2012, fuel consumption was 3.8 million TOE, an increase of 4%, as compared to 2011. In 2013, fuel consumption was 3.9 million of TOE, an increase of 2%, as compared to 2012. In 2014, fuel consumption was 4.3 million of TOE, an increase of 10%, as compared to 2013. In 2015, fuel consumption was 4.5 million of TOE, an increase of 5%, as compared to 2014.

Services

Transportation

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

Transport contributed 8.1% to GDP at factor cost in 2011, 8.0% in 2012, 7.7% in 2013, 7.3% in 2014 and 7.0% in 2015.

In 2011, the transportation sector contracted by 15.1% in 2011 (particularly in the air transport sector), before growing by 7.1% in 2012, 3.0% in 2013 and 0.5% in 2014 and contracting by 5.0% in 2015.

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

These reforms have been supported by the completion of a number of privatisations, especially in the sector of road merchandise transport, which is now handled entirely by private operators. The transportation sector was also strengthened in 1997 by the creation of two new maritime transport companies, *Gaz Marine* and the *Compagnie Générale Maritime (COGEMA)*. A private air transport company, *Mediterranean Air Service (MAS)*, which specialises in air freight, also began operating in 1999.

In 2011, investments in the transportation sector decreased by 16.9% to 12.2% of gross fixed capital formation ("**GFCF**"). In 2012, investments in the transportation sector increased by 41.1% to 15.4% of the total GFCF. In 2013, investments in the transportation sector decreased by 22.0% to 11.5% of total GFCF. In 2014, investments in the transportation sector increased by 9.8% to 12.5% of the total GFCF. In 2015, investments in the transportation sector increased by 0.9% to 12.6% of total GFCF.

Telecommunications

Telecommunications contributed 5.6% to GDP at factor cost in 2011, 5.4% in 2012, 6.0% in 2013 and 5.2% in each of 2014 and 2015. Tunisia's telecommunications network has developed rapidly in recent years and the Government has taken steps to reduce the cost of international communication and mobile phone communication. Tunisia's telecommunications network totalled 933,000 fixed lines and 14.7 million mobile lines as at 30 June 2016, as compared to 943,000 fixed lines and 14.6 million mobile lines as at 31 December 2015 and 949,000 fixed lines and 14.3 million mobile lines as at 31 December 2014.

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

There are three main mobile operators in Tunisia: Tunisie Telecom (which is 65% state-owned), Ooredo (formerly TUNISIANA) and Orange Tunisie. In 30 March 2016, each of these operators was granted a 4G spectrum licence.

In 2014, the Government adopted a national strategic plan for the telecommunications sector, Digital Tunisia 2018, which has since been replaced by Digital Tunisia 2020. This plan covers six strategic areas, infrastructure, e-government, customs, e-business, offshoring and innovation. A number of projects have been identified to be conducted in accordance with this strategy, which also aims to create job opportunities in the e-tourism, e-health and e-transport sectors.

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

The capital markets have been enhanced through the establishment of an alternative market, which allows companies (including SMEs) to list on the stock exchange with lighter requirements, while preserving security and transparency for investors and providing opportunities for companies listed on the alternative market future access to the main market.
The number of companies listing on the BVMT has increased in recent years. In 2013, 12 new companies were listed on the BVMT, in 2014, six new companies were listed, in 2015, two new companies were listed and, in 2016, one new company was listed. Four companies have also obtained the approval of the BVMT's board of directors to finalise their listings in 2017. As at 31 December 2016, 79 companies were listed on the BVMT.

In 2013, the benchmark index of the BVMT declined by 4.3%, as compared to a decline of 3.0% in 2012. In 2014, the benchmark index increased by 16.2% and, in 2015, the benchmark index decreased by 0.9%. In 2013, transactions on the secondary market of the BVMT decreased by 26.2% to TD 1,534 million. In 2014, transactions on the secondary market of the BVMT were TD 1,777 million, an increase of 15.8%, as compared to 2013. In 2015, transactions on the secondary market of the BVMT increased by 20.4% to TD 2,140 million. The average daily volume of transactions was TD 8.6 million in 2015 and TD 7.2 million in 2014. In 2016, transactions on the secondary market of the BVMT decreased by 18.6% to TD 1,741 million. The average daily volume of transactions was TD 6.9 million in 2016, as compared to TD 8.6 million in 2015.

The following table sets forth the main BVMT indicators as at, or for the periods indicated:

Main Tunis Stock Exchange Indicators[(1)]

	As at, or for the year ended, 31 December				
	2012	**2013**	**2014**	**2015**	**2016**[(2)]
Volume of public offerings through call for saving	2,244	2,430	3,783	3,950	3,874
Treasury Bonds	*1,524*	*1,739*	*3,207*	2,343	3,373
Corporate equities and bonds	*720*	*691*	*576*	*1,649*	*501*
Tunis Stock Exchange index in points (*base 1000 on 31 Dec 1997*)	4,579.9	4,381.3	5,090	5,042	5,489
Stock exchange capitalisation (*TD millions*)	13,780	14,093	17,324	17,830	19,300
Stock exchange capitalisation/GDP (*%*)	19.6%	18.8%	21.4%	20.9%	21.1%
Number of companies quoted	59	71	77	78	79
Overall volume of transactions	2,930	3,885	2,597	4,000	2,765
Equities	*1,943*	*1,457*	*1,651*	*1,995*	*1,651*
Bonds	*135*	*77*	*126*	*144*	*90*
Over the counter and other transactions	*852*	*2,351*	*820*	*1,861*	*1,024*

Notes:
(1) Certain figures in this table have been revised and differ from previously published data.
(2) Certain figures for 2016 are provisional.

Sources: BVMT and CMF.

Tourism

Tourism (hotels, cafes and restaurants) has traditionally been an important source of foreign receipts. Security concerns in Tunisia and in the region, in particular as a result of the 14 January 2011 Revolution and, more recently, following the Bardo Museum Terrorist Attack and the Sousse Terrorist Attack, have had a significant negative impact on the number of tourists visiting Tunisia. See "*Risk Factors—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Reduction in tourism receipts*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Terrorist attacks and other activities of Daesh and other Islamist militant groups in Tunisia have had, and may continue to have, a material adverse impact on security, the economy and the political situation in Tunisia*".

Hotels, cafes and restaurants, collectively contributed 4.1% to GDP in 2011, 4.4% in 2012, and 4.3% in 2013. The contribution of hotels, cafes and restaurants to GDP decreased to 4.2% in 2014 and 3.6% in 2015 as a result of the factors referred to above. The estimated share of GDP contributed by hotels, cafes and restaurants in 2016 was 3.9%.

In 2012, the value added of the tourism sector at constant prices increased by 11.3% and earnings from tourism in foreign currency increased by 30.5%, as compared to 2011. The number of tourist entries increased by 24.4%, as compared to 2011, to 6.0 million, primarily due to improved political and social stability in 2012.

In 2013, the value added of the tourism sector at constant prices decreased by 0.7% and earnings from tourism in foreign currency increased by 1.5%, primarily due to slower recovery in the number of tourist entries from certain countries and a reduction in the number of overnight stays. The number of tourist entries increased by 5.3% in 2013, as compared to 2012, to 6.3 million, reflecting the continued recovery of the tourism sector since the 14 January 2011 Revolution.

In 2014, foreign tourist entries decreased by 3.2% to 6.1 million, primarily as a result of a decrease in tourist arrivals from the Maghreb, most notably tourists from Libya (which decreased by 21.3%, as compared to 2013), and a decrease in French tourists (by 6.1%, as compared to 2013).

In 2015, foreign tourist entries decreased by 30.8%, to 4.2 million, primarily as a result of the impact of the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack on tourists visiting Tunisia.

In the six months ended 30 June 2016, there were 1.5 million tourist arrivals, as compared to 1.9 million tourist arrivals in the corresponding period in 2015, primarily due to the same reasons.

In 2016, foreign tourist entries increased by 7.7%, to 4.5 million, primarily due to an 8.5% increase in entries by tourists from European countries, despite a 36.9% decrease in entries by tourists from Germany, Italy and the United Kingdom. Entries by tourists from the Maghreb also increased by 7.9%, as compared to 2015, primarily due to a 22.1% increase in

entries by Algerian tourists. There were more than 600,000 entries by tourists from Russia in 2016, which also contributed to the increase.

According to figures published by the IMF, following the Bardo Museum Terrorist Attack and the Sousse Terrorist Attack, tourist arrivals from Europe declined by 72% in July 2015, as compared to July 2014. According to estimates prepared by the National Tourism Office, in the third quarter of 2015, between 85% and 90% of registered hotels (of which there are over 800) were experiencing financial difficulties or were in the process of closing. In 2015, tourist receipts decreased to TD 2,415 million, from TD 3,626 million in 2014, representing a decrease of 33.4%. In the nine months ended 30 September 2016, tourist receipts decreased to TD 1,808 million, from to TD 1,975 million in the corresponding period in 2015, representing a decrease of 8.5%, despite an increase in visitors from 3.3 million in the nine months ended 30 September 2015 to 3.4 million in the corresponding period in 2016, primarily due to lower numbers of visitors from western European countries who generally spend more than tourists from other countries.

In response to the terrorist attacks, a number of foreign governments issued travel advisories to their nationals recommending against all non-essential travel to Tunisia, a number of which remain in place. In addition, certain travel companies cancelled their summer programme to Tunisia for 2016.

The following table sets forth certain key tourism indicators for the periods indicated:

Tourism Indicators[1]

	For the year ended 31 December					For the nine months ended 30 September	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**[2]
Investments[3] (*in TD millions*)	280	320	350	280	290	n/a[4]	n/a[4]
Overnight stays (*in millions*)	20.6	30.0	30.0	29.1	16.2	14.0	14.8
Number of visitors (*in millions*)	4.8	6.0	6.3	6.1	4.2	3.3	3.4
Receipts (*in TD millions*)	2,433	3,175	3,221	3,626	2,415	1,975	1,808

Notes:
(1) Certain figures in this table have been revised and differ from previously published data.
(2) Provisional data.
(3) Includes, for example, construction or renovation of hotels and other investments in tourist facilities.
(4) Data unavailable.

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

Commerce

The commerce sector includes trade in agricultural and agri-food products, raw materials, equipment, fuel, vehicles and 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 and the competitiveness of Tunisian businesses and also led to changes in consumer habits.

The added value of the commerce sector to GDP at factor cost was 8.5% in 2011, 8.7% in 2012, 8.8% in 2013, 9.3% in 2014 and 9.5% in 2015.

The commerce sector grew by 2.2% in 2011, 2.7% in 2012, 2.3% in 2013, 3.0% in 2014 and 0.9% in 2015. In 2016, the commerce sector is estimated to have grown by 1.2%.

Competition Law

In 2015, the Chamber of the People's Deputies passed a competition law (Law № 2015-36 of 15 September 2015), which aims to reduce government intervention in the economy and promote competition based on supply and demand through the removal of the discretionary application of business regulations and the opening up of key product markets. The key provisions of the competition law include the expansion of the Competition Board (*Conseil de la Concurrence*) to include four independent members (as compared to two independent members), the requirement for the Competition Board to be consulted on draft laws which affect competition, the reduction of the response time for Government ministries to respond to merger and takeover applications, the obligation for decisions regarding merger and takeover applications to be reasoned, the alignment of exemptions under the law to those imposed in the EU and the strengthening of sanctions for anti-competitive practices.

Employment and Labour

In 2015, the total labour force in Tunisia was 3.991 million people, of whom approximately 3.386 million were employed.

The official unemployment rate, as published by the National Institute of Statistics, was 18.9% in 2011, 16.7% in 2012, 15.3% in 2013, 15.0% in 2014 and 15.4% in 2015. In the nine months ended 30 September 2016, the unemployment rate was 15.5%. The high unemployment rate in 2011 was due to a weakened economy following the 14 January 2011 Revolution, which has continued to remain at a high level due, in particular, to slower than planned economic growth and the lack of employment opportunities, in particular, for young people.

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

Employment and Labour Trends[1]

	For the year ended 31 December				For the nine months ended 30 September
	2012	**2013**	**2014**	**2015**	**2016**
Total labour force (*in millions*)................	3.92	3.94	3.87	3.99	4.05
Official unemployment rate[2].................	16.7%	15.3%	15.0%	15.4%	15.5%

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.

(2) Calculations made in accordance with International Labour Organisation guidelines.

Source: Ministry of Professional Formation and Employment

The 14 January 2011 Revolution was accompanied by strikes and sit-ins in certain sectors, in particular, in the mining sector. The high rate of unemployment (in particular among university graduates) was one of the main causes of the 14 January 2011 Revolution. Unemployment among university graduates, in particular, was 33.1% in 2011, 33.2% in 2012, 31.9% in 2013, 30.4% in 2014, 31.2% in 2015 and 31.9% in the nine months ended 30 September 2016. A number of Government programmes implemented over the years have not been able to reverse the structural causes of unemployment, in particular among university graduates and the Tunisian higher educational system suffers from a mismatch between the curriculum offered to students and the needs of the Tunisian economy.

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

The number of Tunisians returning from Libya has exacerbated unemployment. See "*Risk Factors—Risks relating to The Republic of Tunisia—Regional and international considerations could negatively affect the Tunisian economy—Conflict in Libya*.". The impact of the recent terrorist attacks in Tunisia and the subsequent decline in tourism receipts is also expected to lead to an increase in unemployment in 2016, as the significant difficulties in the tourist sector result in numerous lay-offs and less seasonal job opportunities.

Job creation, particularly in non-agricultural sectors, is a priority of the Government and features prominently in the Government budget.

In 2011, after the 14 January 2011 Revolution, net job losses were 106,700 jobs and affected in particular the agriculture and fisheries (41,300) and construction (25,500) sectors. In 2012, 85,100 jobs were created, although approximately 17,900 jobs were lost in the administration sector, 6,200 jobs were lost in the tourism sector and 4,100 jobs were lost in the agriculture and fisheries sector. In 2013, job creation reached 112,900 jobs; however, similarly to 2011, the agriculture and fisheries sector remained affected by job losses, which reached 13,200 losses in 2013. In 2014, 45,000 jobs were created, including 12,100 in the other tradable services sector, although 8,500 jobs were lost in the agriculture and fisheries sector. In 2015, net job loss totalled 11,700, affecting, in particular, the tourism (21,500), agriculture and fisheries (11,600) and transport and telecommunications (10,600) sectors. However, 40,100 jobs and 2,400 jobs were created in the other tradable services and construction sectors, respectively.

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

Job Creation[(1)]

	2011	2012	2013	2014	2015
			(number)		
Agriculture and Fisheries	(41,300)	(4,100)	(13,200)	(8,500)	(11,600)
Manufacturing	(1,500)	29,900	28,300	3,100	(1,600)
Mining and Energy	(14,800)	5,700	2,700	200	(6,500)
Construction	(25,500)	1,600	21,600	5,300	2,400
Transport and telecommunications	(11,400)	12,500	(600)	4,400	(10,600)
Tourism	(10,400)	(6,200)	13,500	6,300	(21,500)
Other tradable services	(21,700)	28,100	31,500	12,100	40,100
Administration	19,900	(17,600)	29,100	5,100	(2,400)
Total	**(106,700)**	**85,100**	**112,900**	**45,000**	**(11,700)**

Note:

(1) Certain figures in this table have been revised and differ from previously published data.

Source: National Statistics Institute and the Bank

Following the 14 January 2011 Revolution, the Government has taken a number of measures to promote job creation in the public and private sector. For example, the Government established the "AMAL" programme in March 2011, which has benefited 144,300 unemployed graduates actively seeking work by providing training and a monthly allowance of TD 200 at a total cost to date of TD 346 million. Wage increases for public and private sector employees have also been introduced. See "*—Prices and Wages—Wages*".

The Government has also taken a number of measures to increase the employability of school leavers (including graduates). These measures include: (i) improving the school system through the introduction of technical and technology-based education, improving the quality of teaching and strengthening the use of information technology; (ii) improving training opportunities through the strengthening of partnerships with businesses to design relevant training, improving the attractiveness of vocational training and encouraging better co-ordination between educational establishments and potential employers; (iii) improving higher education facilities through the promotion of international standards for teaching, the use of information technology and introducing policies of self-programming and self-management; and (iv) reviewing the policies for the funding of employment-related training programmes by the National Employment Fund.

The National Employment Fund aims to reduce unemployment among the most vulnerable categories of job seekers in three principal 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. As a result of the recent review of the National Employment Fund's policies, approximately 50 programmes were regrouped into six themed programmes, which permitted approximately 392,465 young persons to benefit from funded programmes and initiatives between 2011 and 2015. See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia faces significant socio-economic challenges, including high unemployment among university graduates, as well as significant regional disparities*".

The Government has also promoted the employment of graduates by paying the employers' share of social security contributions and has improved the legislative framework governing private investment, created the Tunisian Solidarity Bank (the "**BTS**") and the National Employment Fund and set up national and regional committees charged with the identification and creation of job opportunities.

Under the joint supervision of the Ministry of Finance and the Bank, the 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. The 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 154,403 loans for a total cost of TD 1,524,969 between its launch in 1998 and 31 December 2015, which is estimated to have generated approximately 252,000 jobs.

In January 2013, a "Social Pact" was signed by the Government, the UGTT and the *Union Tunisienne de l'industrie, du commerce et de l'artisanat*, which set out a broad framework for reforms, including in respect of unemployment. Tripartite working commissions, including representatives from the Government, business and labour unions, have

since renewed the dialogue envisaged in the "Social Pact". In June 2015, the Council of Ministers approved a draft law to establish a National Council for Social Dialogue and presented it to the Chamber of the People's Deputies. This council is intended to assist the implementation of the "Social Pact" through the organisation of social dialogue and the examination of socio-economic issues relevant to all parties to the "Social Pact".

In March 2016, the first session of Tunisia's National Dialogue on Employment was held. This national dialogue aims to reach an understanding of the problems facing Tunisia's labour market and to identify immediate solutions that could serve as the future foundations of a national employment strategy.

Role of Labour Unions and Strikes

Organised labour played an important role during the 14 January 2011 Revolution. The 14 January 2011 Revolution was accompanied by strikes and sit-ins in certain sectors, in particular, in the mining sector. The high rate of unemployment (in particular among university graduates) was one of the main causes of the 14 January 2011 Revolution.

Prior to the 14 January 2011 Revolution, there was only one principal trade union in Tunisia, the UGTT. Similar to other non-governmental organisations, the UGTT was subject to political influence under the former regime and trade unions have since reconstituted themselves. Following the 14 January 2011 Revolution, two new trade confederations, the Union of Tunisian Labour (the "**UTT**") and the General Confederation of Tunisian Labour (the "**UCGT**"), were established. As at the date of this Prospectus, there are five trade unions operating in Tunisia, the UGTT, the UTT, the UCGT, the Tunisian Labour Organisation (the "**OTT**") and the Tunisian Union of Young Workers (the "**UTJT**"). The UGTT is the largest trade union in Tunisia, with more than 800,000 members, accounting for more than 85% of total trade union members.

In May 2015, Autumn 2015, January 2016 and January 2017, there were protests against the lack of job opportunities, particularly for young people.

The table below sets forth details of strikes in the public and private sectors for the years indicated:

	Strikes				
	2012	**2013**	**2014**	**2015**	**2016**
Public Sector					
Number of strikes	90	68	77	50	31
Number of entities affected by the strikes	31	54	41	33	20
Number of strikers	38,437	32,345	70,012	61,306	10,535
Level of participation in the strikes	70%	58%	67%	61%	33%
Number of lost days	66,347	69,643	141,905	216,219	20,867
Private Sector					
Number of strikes	434	331	371	254	225
Number of entities affected by the strikes	380	278	271	289	162
Number of strikers	65,605	52,722	76,764	55,449	29,434
Level of participation in the strikes	65%	81%	75%	78%	64%
Number of lost days	242,996	150,411	209,767	128,157	94,625
Total					
Number of strikes	524	399	448	304	256
Number of entities affected by the strikes	411	332	206	322	182
Number of strikers	80,734	85,067	146,776	116,755	39,969
Level of participation in the strikes	52%	71%	58%	68%	51%
Number of lost days	241,212	220,054	351,672	344,376	115,492

Source: Ministry of Social Affairs.

Public Sector Employment

In order to address security needs and to combat high unemployment, between 2010 and 2014, public sector employment rose by 20.6%, to 663,200, before decreasing to 660,800 in 2015 and 660,100 in six months ended 30 June 2016. Approximately 40% of the increase in the public sector wage bill was for security and defence personnel, while the remainder related to the regularisation of contractual personnel, primarily those in low skilled categories. According to the IMF, the ratio of total public sector employment to total employment in Tunisia is approximately 24%, a level that is significantly higher than certain of its peer countries. As a result, the public sector wage bill has risen in recent years from 10.8% of GDP in 2010 to 13.0% of GDP in 2014 and 13.5% in 2015. In the 2016 budget, the public sector

wage bill was projected to be 14.4% of GDP, and the 2017 budget provides for public sector wages to decrease to 13.9% of GDP.

See "—*Prices and Wages*".

In September 2015, the Government and the UGTT entered into an agreement for further public sector wage increases to be implemented between 2016 and 2018, although certain elements of this agreement have been delayed. See "—*Prices and Wages—Public Sector Wages*".

Prices and Wages

Prices

In 2011, inflation decreased to 3.5%, primarily due to lower increases in the global prices of food products and energy, combined with lower demand. In 2012, inflation increased to 5.1%, primarily due to the increase in food and beverage prices (which increased by 7.5%, as compared to 2011), as a result of distortions in supply channels following the 14 January 2011 Revolution. In 2013, inflation increased to 5.8%, again, primarily due to an increase in food and beverage prices (which increased by 8.0% compared to the previous year), as well as wage increases and ongoing depreciation of the Tunisian Dinar against major foreign currencies, notably the Euro and the U.S. Dollar. In 2014, inflation decreased to 4.9%, primarily due to the slowdown in the increase of food prices. To address these inflationary pressures, the Bank increased its key interest rate by 25 basis points to 4.75% in June 2014. In 2015, inflation remained at 4.9%, following the Bank's decision, but also due to slower growth rates in food and manufacturing product prices, as well as a decrease in international commodity prices. Accordingly, in September 2015, the Bank was able to cut back its key interest rate by 50 basis points to 4.25%.

In the eleven months ended 30 November 2016, inflation was 3.7%, as compared to 4.9% in the corresponding period in 2015, primarily due to a deceleration in the growth of food commodity prices.

The IMF estimates that inflation (based on average consumer prices) will be 3.7% in 2016 and by 3.9% in 2017.

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

Inflation

	Industrial Selling Prices Index(1)	% Change(2)	Consumer Price Index(1)	% Change(2)
2011	105.9	5.8	103.5	3.5
2012	111.3	5.1	108.8	5.1
2013	113.2	1.8	115.1	5.8
2014	115.6	2.0	120.8	4.9
2015	121.4	5.1	126.6	4.9
January 2016	122.7	2.9	129.4	3.5
February 2016	122.4	2.0	128.9	3.3
March 2016	121.8	1.2	128.9	3.3
April 2016	122.2	1.2	129.8	3.4
May 2016	122.2	0.9	131.1	3.6
June 2016	123.2	1.6	130.6	3.9
July 2016	124.4	2.0	131.1	3.7
August 2016	124.0	1.5	131.6	3.8
September 2016	124.2	1.8	132.7	4.2
October 2016	123.9	1.3	133.6	3.9
November 2016	124.2	1.1	133.9	4.0
December 2016	n/a(3)	n/a(3)	134.4	4.2

Notes:
(1) Year 2010 price levels equate to 100.
(2) % changes are expressed in annual terms.
(3) Figure unavailable.

Sources: National Statistics Institute and the Bank

Wages

Minimum Wages in the Agriculture and Industry Sectors

Under the Tunisian Labour Code, the Government sets minimum wages for workers in agriculture, the SMAG, and industry, the SMIG, which are generally revised on an annual basis. The SMAG and the SMIG apply to both the public and private sector in these industries. In the private sector, the SMAG and the SMIG also apply to other sectors covered by the Tunisian Labour Code where there is no collective bargaining agreement for the relevant sector.

The Government, employers and the UGTT negotiate adjustments to these wages. The SMIG and the SMAG, expressed in nominal terms, increased by 5.0% and 7.4%, respectively, in 2011. In 2012, the SMIG and the SMAG, in nominal terms, increased by 5.0% and 29.0%, respectively. This increase in 2012 was primarily due to the decision of the post-revolutionary Government to align the SMIG and SMAG in an effort to improve the purchasing power of the most vulnerable population living in rural areas. In 2013, the SMIG and the SMAG, in nominal terms were unchanged. In 2014, the SMIG and SMAG, in nominal terms, each increased by approximately 6%, as compared to 2013. In 2015, the SMIG and SMAG, in nominal terms, increased by approximately 8.3% and 8.1%, respectively, as compared to 2014. The SMIG and SMAG did not increase in 2016.

The following table sets forth details regarding the minimum wages in Tunisia for the years indicated:

Minimum Wage[1]

	2011	2012	2013	2014	2015	2016
Inter-professional minimum wage (SMIG)						
Hourly SMIG (*in TD*)						
48 hour week	1.370	1.450	1.450	1.540	1.625	1,625
40 hour week	1.420	1.500	1.500	1.580	1.671	1,671
Monthly SMIG (*in TD*)						
48 hour week	298.080	320.000	320.000	348.096	376.192	376.192
40 hour week	258.386	277.671	277.671	302.751	327.831	327.831
Agricultural minimum wage (SMAG) per day (*in TD*)	9.000	11.608	11.608	12.304	13.000	13.000

Note:

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

Source: Ministry of Social Affairs.

Private Sector Wages

Other than increases to the SMIG and the SMAG, since 2011, there have been four successive wage increases for private sector employees who are members of trade unions, which took effect in 2011, 2012, 2014 and 2015. Pursuant to the 2015 wage increase, which was signed in January 2016 but has retroactive effect from 1 September 2015, a 6% increase in salaries was agreed, as well as a 10% increase in workers' transportation allowances and a TD 3 increase per worker in workers' attendance bonuses. The implementation of this wage increase is, however, subject to the amendment of the relevant collective bargaining agreements and the publication of the amendments to such bargaining agreements in the Official Journal.

While the inflationary impact of the 2015 wage increases cannot yet be analysed, as such wage increases are not in force, the Government believes that increases in inflation since 2011 have been primarily due to external factors, including a decline in customs control, the deterioration of the Dinar to U.S. Dollar exchange rate and the increase in smuggling and trading on the informal market, rather than as a result of private sector wage increases.

The table below sets forth details of private sector wage increases (for those sectors governed by the Tunisian Labour Code), as well as increases in consumer prices for the years indicated:

Private Sector Wage Increases

	2011	2012	2013	2014	2015	2016
			(%)			
Agreed increases in salaries	5.0	6.0	0.0	6.0	6.0	6.0
Increases in consumer prices	3.5	5.6	6.1	5.6	4.8	n/a[1]

Note:

(1) Figure unavailable.

Source: Ministry of Social Affairs.

Public Sector Wages

The public sector wage bill has risen in recent years from 10.7% of GDP in 2010 to 12.7% of GDP in 2014, 13.5% of GDP in 2015 and an estimated 14.4% of GDP in 2016 (according to preliminary figures). Wages, salaries, goods and services were TD 8,571 million (or 68.6% of current expenditures) in 2011, TD 9,638.9 million (or 65.9% of current expenditures) in 2012, TD 10,570.8 million (or 60.6% of current expenditures) in 2013, TD 11,483.4 million (or 66.4% of current expenditures) in 2014 and TD 12,626.3 million (or 73.3% of current expenditures) in 2015. In 2016, wages, salaries, goods and services were TD 14,240 million (or 76.9% of current expenditures), according to preliminary figures. The 2017 budget forecasts wages, salaries, goods and services to be TD 14,205 million in 2017, or 76.9%, of current expenditures.

In 2013, the Government implemented a wage freeze for the public sector in an attempt to contain the public sector wage bill. In December 2014, wage negotiations were reopened in the public sector, which resulted in a 5% general public sector wage increase. In August 2015, the Chamber of the People's Deputies approved a revised budget for 2015, which, among other things, included this increase in the public sector wage bill, as well as wage increases agreed in the education sector. Spending on public sector wages has also increased due to the hiring of additional security, in particular, following the terrorist attacks in 2015, as well as Government efforts to combat high unemployment by hiring new public sector employees. See "*The Republic of Tunisia—National Security*".

In September 2015, the Government and the UGTT entered into a further agreement to increase public sector wages in 2016 and 2017, with further increases to bonuses agreed for 2016, 2017 and 2018. Pursuant to the agreement, wage increases were introduced for civil servants and employees of state-owned companies with effect from 1 January 2016, with further increases scheduled to take effect from 1 January 2017. In addition, increases to bonuses were also agreed, which will be paid with effect from 1 July 2016, 1 April 2017 and 1 April 2018. Pursuant to the agreement, public sector wages increased by at least TD 50 per month, depending on seniority, and will be further increased by at least TD 50 per month (depending on seniority) with effect from 1 January 2017. In addition, the agreement provided for the establishment of Government and UGTT joint committees to examine employment regulatory matters, including, among other things, working conditions and the redeployment of workers in the public sector.

In order to reflect these wage increases and additional hires, the 2016 budget provided for a public sector wage bill that was TD 1.4 billion higher than in 2015.

The 2017 budget, however, provides for a partial wage freeze and delays the full implementation of the agreement with the UGTT; pursuant to the 2017 budget, 50% of the planned wage increase will be provided in the form of a tax deferral from January 2017 until November 2017, while the remainder of the planned wage increase will be settled in 2018.

The IMF has identified wage bill containment as a priority for the Government's structural reforms and as a condition for further disbursements. The Government has set a target to reduce the public sector wage bill to 12% of GDP by 2020, as compared to 14% of GDP provided for in the 2016 budget. The 2017 budget provides for public sector wages to decrease to 13.9% of GDP. In the short-term, the Government intends to introduce other measures to control the public sector wage bill, including imposing a three-year hiring freeze on public sector workers, save for defence and security personal, as well as introducing structural reforms to the civil service.

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

Informal Economy

Tunisia has a significant informal economy in terms of the production of both goods and services, which is a significant source of employment. Of the participants in the informal economy, a large proportion works in agriculture. The Government is implementing a number of policies to reduce the size of the informal sector and shift informal sector businesses and employees into the formal system.

In particular, in 2014, the Government adopted a strategy to combat smuggling and trading on the informal market. The key elements of this strategy include the strengthening of border crossings, including through increased co-ordination among border authorities, decreasing import taxes on certain products in order to decrease the price differential between products available from neighbouring countries and those available on the informal market, the establishment of development centres in border areas, which are aimed at providing alternative job opportunities, and the modernisation of anti-smuggling laws and regulations. In accordance with this strategy, in January 2016, a Governmental decree provided for the creation of national and regional commissions to work to combat parallel trade and smuggling and to monitor the prices and supply of goods in Tunisia.

See "*Risk Factors—Risks relating to The Republic of Tunisia—A significant portion of the Tunisian economy is not recorded*".

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Exports and Imports

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

As part of this strategy, Tunisia is working with the EU to establish a free-trade zone and, in October 2015, EU and Tunisia entered into negotiations for a DCTFA with the EU. Tunisia has been a member of the WTO since March 1995 and was the first country in the southern Mediterranean to conclude a free trade agreement with the EU. In addition, the creation of a free-trade zone with Arab countries over a seven year period beginning in 1998 and similar free-trade zones with certain individual countries, particularly Egypt, Jordan, Morocco and Turkey, has further exposed Tunisian products to foreign markets and competition. Although the EU's share of Tunisia's total foreign trade has, in general, declined in recent years, the EU remains Tunisia's principal trading partner and total trade with the EU accounted for 63.5% of the country's foreign trade in 2015 and 61.6% in 2014. In the six months ended 30 June 2016, exports to the EU accounted for 72.8% of Tunisia's total exports, and imports from the EU accounted for 56.0% of total imports. 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.

Trade with neighbouring Libya has declined in recent years, accounting for 0.1% of total imports and 3.8% of total exports in 2015, as compared to 0.2% and 4.0%, respectively, in 2014 and 1.8% and 5.1%, respectively, in 2013. This decrease is primarily due to the ongoing conflict in Libya. Informal trade between the countries does, however, remain important. In the six months ended 30 June 2016, trade with Libya accounted for 0.1% of total imports and 3.3% of total exports as compared to 0.1% and 4.0% in the corresponding period in 2015. See "*Risk Factors—Risks relating to the Republic of Tunisia—Tunisia has been affected by, and will continue to be affected by, the ongoing conflict in Libya*".

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

Total Exports (FOB) and Imports (CIF)

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
	(TD millions, except percentages)						
Total exports (FOB)	25,091.9	26,547.7	27,701.2	28,406.7	27,607.2	14,437.8	14,255.3
Variation	6.7%	5.8%	4.3%	2.5%	(2.8%)	—	(1.3%)
Total imports (CIF)	33,695.4	38,178.0	39,509.4	42,042.6	39,654.8	20,606.9	20,289.4
Variation	5.9%	13.3%	3.5%	6.4%	(5.7%)	—	(1.5%)
Balance	**(8,603.5)**	**(11,630.3)**	**(11,808.2)**	**(13,635.9)**	**(12,047.6)**	**(6,169.1)**	**(6,034.1)**

Source: National Statistics Institute

In 2011, foreign trade growth slowed with exports and imports increasing by 6.7% and 5.9%, in value, respectively. As a result, the trade deficit increased by 3.7% to TD 8,604 million. In 2012, exports increased by 5.8%, a slower rate of growth than in 2011, and imports increased by 13.3%, a higher rate of growth than in 2011. As a result, the trade deficit increased by 37.2% to TD 11,630 million. In 2013, foreign trade growth slowed, with exports and imports increasing by only 4.3% and 3.5%, respectively. As a result the trade deficit increased by 1.5% only to TD 11,808 million. In 2014, exports increased by 2.5% and imports increased by 6.4%, as compared to 2013. As a result, the trade deficit increased by 15.5% to TD 13,636 million. In 2015, exports contracted by 2.8% and imports contracted by 5.7%, by value. As a

result, the trade deficit decreased by 11.6% to TD 12,048 million. The decrease in exports in 2015 was primarily due to a 31.4% decrease in phosphate mining exports and a 46.9% decrease in energy sector exports, which were, in turn, primarily due to decreases in phosphate and energy production, as well as lower international energy prices, in 2015. This decrease was only partially offset by a 74.5% increase in agriculture and food industry exports, in particular, exports of olive oil. The decrease in imports in 2015 was primarily due to a 4.2% decrease in raw materials imports, a 3.4% decrease in semi-finished products imports and a deceleration in the growth of consumer goods imports, which was, in turn, primarily due to weaker economic growth in 2015, as compared to 2014.

In the six months ended 30 June 2016, exports decreased by 1.3% and imports decreased by 1.5%, as compared to the corresponding period in 2015. The decrease in exports in the six months ended 30 June 2016 was primarily due to a 65.6% decrease in olive oil sales, as compared to the corresponding period in 2015. The decrease in imports in the six months ended 30 June 2016 was primarily due to a decrease in energy imports. As a result, the trade balance decreased by 2.2% in the six months ended 30 June 2016, as compared to the corresponding period in 2015. According to preliminary figures, the trade deficit was TD 9,327 million.

The increase in the trade deficit in each of 2011, 2012, 2013 and 2014 was primarily due to increases in the deficit from energy and food balances. The overall deficit in energy and food balances was TD 5,020 million in 2014, as compared to TD 1,040 million in 2010. The decrease in the trade deficit in 2015 was primarily due to a corresponding decrease in the agricultural products trade deficit from TD 1,381 million in 2014 to TD 91 million in 2015, which was, in turn, primarily due to a 74.5% increase in food and agriculture exports in 2015, as compared to 2014. This increase in exports was primarily due to an increase in olive oil exports to TD 1,892 million in 2015.

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

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

Exports

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
				(TD millions)			
Energy[(1)]	3,649.5	4,450.4	4,209.7	3,741.7	1,986.3	1,113.3	555.6
Food and agriculture	2,592.4	2,577.2	2,740.6	2,297.1	4,008.9	2,478.3	1,587.0
Mining, phosphates and by products	1,300.6	1,649.6	1,657.9	1,618.0	1,110.4	396.3	767.2
Textile, clothing, leather and footwear	6,378.1	5,927.8	6,227.2	6,460.9	6,002.5	3,146.8	3,290.1
Electrical and mechanical	9,277.5	9,714.8	10,364.6	11,574.1	11,450.7	5,772.3	6,447.8
Other	1,893.8	2,227.9	2,501.2	2,714.9	3,048.4	1,530.8	1,607.6
Total exports (FOB)	**25,091.9**	**26,547.7**	**27,701.2**	**28,406.7**	**27,607.2**	**14,437.8**	**14,255.3**

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

Source: Ministry of Regional Development and Planning

Exports of electrical and mechanical goods, textile, clothing, leather goods and footwear and energy account for a substantial majority of Tunisia's exports, collectively representing 69.9% of exports in 2011, 75.7% in 2012, 75.1% in 2013, 76.7% in 2014 and 70.4% in 2015 and 72.2% in the six months ended 30 June 2016.

Exports of electrical and mechanical goods increased by 15.0% to TD 9,278 million in 2011, by 4.7% to TD 9,714.8 million in 2012, by 6.7% to TD 10,365 million in 2013 and by 11.7% to TD 11,574 million in 2014, before decreasing by 1.1% to TD 11,451 million in 2015. The increases in exports of electrical and mechanical goods in 2011 to 2014 were primarily due to an increase in demand from EU countries following their recovery from the Eurozone crisis. However, the slowdown in the rate of increase in exports of electrical and mechanical goods over the same period can be primarily attributed to decreased economic activity following the 14 January 2011 Revolution. In 2015, exports of electrical and mechanical goods decreased primarily due to a 19.8% decrease in the exports of parts for aircrafts.

In the six months ended 30 June 2016, exports of electrical and mechanical goods increased by 11.7% to TD 6,447.8 million, as compared to the corresponding period in 2015. This increase was primarily due to increased demand from European countries, particularly France, Germany and Italy, as well as the depreciation of the Tunisian Dinar against a number of major foreign currencies, which, in turn, increased the competiveness of Tunisian electrical and mechanical exports.

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

Imports

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
				(TD millions)			
Capital goods	7,180.6	8,202.4	8,037.2	8,837.8	8,462.8	4,388.8	4,498.8
Raw materials and semi-finished products	10,921.4	11,502.2	11,705.0	12,477.4	12,057.2	6,177.7	6,587.0
Energy	4,799.4	6,404.5	6,778.7	7,381.5	5,377.9	3,107.6	2,053.0
Food and agriculture	2,828.3	3,151.3	3,544.9	3,429.3	3,738.0	1,907.6	1,780.2
Consumer goods	7,965.7	8,917.6	9,443.6	9,916,6	10,018.9	4,962.5	5,370.4
Total imports (CIF)	33,695.4	38,178.0	39,509.4	42,042.6	39,654.8	20,606.9	20,289.4
Freight and insurance	(1,847.1)	(2,095.3)	(2,173.0)	(2,312.3)	(2,182.4)	(1,133.4)	(1,108.9)
Total imports (FOB)	**31,848.3**	**36,082.7**	**37,336.4**	**39,730.3**	**37,472.4**	**19,473.5**	**19,180.5**

Source: Ministry of Regional Development and Planning

Imports of raw materials, capital goods, and consumer goods account for a substantial majority of Tunisia's imports, collectively representing 77.4% of imports in 2011, 75.0% in 2012, 73.9% in 2013, 74.3% in 2014, 77.0% in 2015 and 85.8% in the six months ended 30 June 2016.

Imports of raw materials increased by 7.3% to TD 10,921 million in 2011, by 5.3% to TD 11,502 million in 2012, by 1.8% to TD 11,705 million in 2013 and by 6.6% to TD 12,477 million in 2014, before decreasing by 3.4% to TD 12,057 million in 2015. The increases in imports of raw materials between 2011 and 2014 were primarily due to increased domestic demand. The decrease in imports of raw materials in 2015 was primarily due to reduced economic growth, as well as a decrease in the prices of mining products and metals.

Imports of raw materials and semi-finished products increased by 6.6% to TD 6,587 million in the six months ended 30 June 2016, as compared to TD 6,178 million in the corresponding period in 2015. This increase was primarily due to increased domestic demand due to economic growth in the six months ended 30 June 2016.

Direction of Trade

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

Exports by Area of Destination

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
				(TD millions)			
European Union countries	19,163.7	18,951.2	19,753.0	21,101.7	20,586.8	10,769.0	10,384.1
Of which:							
France	*7,695.4*	*7,154.6*	*7,305.5*	*8,054.1*	*8,091.2*	*4,072.7*	*4,708.5*
Italy	*5,432.2*	*5,013.5*	*5,116.7*	*5,433.4*	*5,093.6*	*2,643.3*	*2,195.4*
Germany	*2,271.4*	*2,182.8*	*2,489.8*	*2,899.7*	*2,897.1*	*1,433.5*	*1,508.8*
Belgium	*473.4*	*557.2*	*563.2*	*520.8*	*494.6*	*275.9*	*267.5*
Spain	*1,079.4*	*1,150.2*	*1,304.2*	*1,006.1*	*1,372.8*	*881.3*	*498.9*
Middle East countries	2,524.7	2,847.7	2,963.3	3,056.7	3,024.7	1,631.4	1,654.8
Of which:							
Libya	*1,103.3*	*1,293.2*	*1,411.0*	*1,132.1*	*1,059.4*	*578.7*	*476.2*
Algeria	*656.0*	*757.0*	*789.8*	*1,049.5*	*1,094.9*	*539.3*	*717.3*
Morocco	*336.7*	*333.0*	*312.0*	*304.5*	*353.3*	*236.9*	*217.8*
United States	388.9	509.2	645.3	412.8	693.6	444.9	290.8
CIS	32.7	65.9	61.1	59.1	37.7	20.5	27.6
Other countries	2,981.9	4,173.7	4,295.9	3,776.4	3,264.4	1,572.0	1,898.0
Total exports (FOB)	**25,091.9**	**26,547.7**	**27,701.2**	**28,406.7**	**27,607.2**	**14,437.8**	**14,255.3**

Source: The Bank

Imports by Area of Origin

	For the year ended 31 December					For the six months ended 30 June	
	2011	2012	2013	2014	2015	2015	2016
	(TD millions)						
European Union countries	19,371.6	20,436.7	22,045,6	22,265.1	22,111.7	11,414.5	10,739.8
Of which:							
France	*6,184.5*	*6,282.3*	*7,215.3*	*6,856.7*	*7,056.4*	3,689.9	3,254.7
Italy	*5,339.8*	*5,415.3*	*5,721.8*	*6,154.7*	*5,910.6*	2,932.8	2,889.9
Germany	*2,487.7*	*2,630.8*	*2,826.7*	*2,946.3*	*2,901.1*	1,441.6	1,537.1
Belgium	*599.0*	*633.5*	*631.9*	*598.8*	*501.7*	*258.2*	*264.7*
Spain	*1,584.6*	*1,745.1*	*1,818.8*	*1,702.9*	*1,662.4*	*860.9*	*898.8*
Middle East countries	1,979.2	3,338.9	3,907.5	4,239.1	3,088.9	1,789.0	1,734.0
Of which:							
Libya	*31.5*	*492.6*	*664.6*	*95.4*	*38.2*	*20.9*	*18.4*
Algeria	*896.4*	*1,535.0*	*1,925.8*	*2,662.8*	*1,571.5*	*986.4*	*868.1*
Morocco	*131.7*	*202.6*	*155.8*	*199.0*	*248.5*	*121.2*	*123.2*
United States	1,245.7	1,237.5	1,286.1	1,212.3	1,207.0	634.2	662.8
CIS	2,730.8	3,290.2	2,896.7	4,028.3	3,020.7	1,650.9	1,176.1
Other countries	8,368.1	9,874.7	9,580,9	10,297.8	10,226.5	5,118.3	5,976.70
Total imports (CIF)	33,695.4	38,178.0	39,509.4	42,042.6	39,654.8	20,606.9	20,289.4
Freight and insurance	(1,847.1)	(2,095.3)	(2,173.0)	(2,312.3)	(2,182.4)	(1,133.4)	(1,108.9)
Total imports (FOB)	**31,848.3**	**36,082.7**	**37,336.4**	**39,730.3**	**37,472.4**	**19,473.5**	**19,180.5**

Source: The Bank

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

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

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

In 2014, total trade with the EU accounted for 61.6% of foreign trade, and exports to and imports from the EU increased by 6.8% and 1.0%, respectively, as compared to 2013. France, Italy, and Germany were Tunisia's largest trading partners within the EU, accounting for 28.4%, 19.1% and 10.2%, respectively, of total exports and 16.3%, 14.6% and 7.0%, respectively, of total imports. In 2014, exports to and imports from Middle Eastern countries increased by 3.2% and 8.5%, respectively, primarily due to increases in exports to and imports from Algeria.

In 2015, total trade with the EU accounted for 63.5% of foreign trade, and exports to and imports from the EU decreased by 2.4% and 0.7%, respectively, as compared to 2014. France, Italy, and Germany were Tunisia's largest trading partners within the EU, accounting for 29.3%, 18.5% and 10.5%, respectively, of total exports and 17.8%, 14.9% and 7.3%, respectively, of total imports. Exports to Algeria increased by 4.3% in 2015, as compared to 2014,

while imports from Algeria decreased by 41.0% in the same period. Imports from Algeria consist mainly of natural gas, which are affected by the availability of natural gas in the Tunisian domestic market. Imports from Morocco in 2015, as compared to 2014, increased by 24.9% and exports increased by 16.0%. The increase in imports was primarily due to a 60.8% increase in purchases of cars.

In the six months ended 30 June 2016, total trade with the EU accounted for 61.1% of foreign trade, and exports to and imports from the EU decreased by 3.6% and 5.9%, respectively, as compared to the corresponding period in 2015. France, Italy, and Germany were Tunisia's largest trading partners within the EU, accounting for 33.3%, 15.4% and 10.6%, respectively, of total exports and 16.0%, 14.2% and 7.6%, respectively, of total imports. Exports to Algeria decreased by 17.7% in the six months ended 30 June 2016, as compared to the corresponding period in 2015, while imports from Algeria decreased by 12.0% in the same period. Imports from Morocco in the six months ended 30 June 2016 increased by 1.7% and exports decreased by 8.1%, as compared to the corresponding period in 2015.

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

Balance of Payments

The balance of payments records the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of: (i) the current account, which comprises net exports of goods and services (the difference in value of exports minus imports), net factors revenue and net transfers; and (ii) the capital account, which comprises the difference between financial capital inflows and financial capital outflows. The current account of Tunisia's balance of payments for the last five years has been characterised by deficits, which were partially offset by capital account surpluses. Between 2011 and 2015, the current account deficit averaged 8.4% of GDP.

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

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

Balance of Payments

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**[1]
				(TD millions)			
Current account							
Goods							
Exports (FOB)[2]	25,091.9	26,547.7	27,701.2	28,406.7	27,607.2	14,437.8	14,255.3
Imports (FOB)[2]	(31,848.3)	(36,082.7)	(37,336.4)	(39,730.3)	(37,473.8)	(19,473.5)	(19,180.5)
Trade Balance	(6,756.4)	(9,535.0)	(9,635.2)	(11,323.6)	(9,866.6))	(5,035.7)	(4,925.2)
Services[3]							
Inflow	6,727.7	8,204.6	8,176.0	8,420.8	6,812.4	3,430.7	2,828.2
Outflow	(4,625.7)	(5,151.2)	(5,541.6)	(5,972.7)	(6,218.0)	(2,982.9)	3,248.4
Net	2,102.0	3,053.4	2,634.4	2,448.1	594.4	447.8	(420.2)
Factors Revenues[4]							
Inflow	2,977.0	3,692.3	3,971.0	4,225.3	4,177.9	1,973.2	1,802.9
Outflow	(3,444.9)	(3,410.0)	(3,845.8)	3,350.2	(3,045.0)	(1,674.1)	(1,419.2)
Net	(467.9)	282.3	125.2	875.1	1,132.9	299.1	383.7
Current transfers							
Inflow	403.8	439.4	615.1	680.3	631.4	369.8	294.9
Outflow	(47.9)	(52.5)	(41.0)	(48.8)	(43.8)	(26.0)	14.9
Net	355.9	386.9	574.1	631.5	587.6	343.8	280.0
Balance — current account	**(4,766.4)**	**(5,812.4)**	**(6,301.5)**	**(7,368.9)**	**(7,551.7)**	**(3,945.0)**	**(4,681.7)**
Capital Account							
Grants (net)	258.7	701.2	186.3	509.9	440.7	155.0	28.2
FDI (net)	609.1	2,427.6	1,719.9	1,739.7	1,894.3	913.0	828.0
Portfolio investment (net)	(61.6)	(24.0)	130.0	122.1	299.5	182.0	(63.7)
Medium and long term borrowings							
Borrowings by The Republic of Tunisia (net)	505.8	2,851.6	429.5	3,776.4	4,231.1	1,998.0	(123.8)
Borrowings by business (net)	412.4	(247.2)	596.3	265.5	466.1	(71.1)	(54.3)
	918.2	2,604.4	1,025.8	4,041.9	4,697.2	1,926.9	(178.1)
Other MLT liabilities[5]	66.6[6]	—	816.8[6]	250.6[6]	195.7[6]	195.7[6]	—
Short-term capital (net)[7]	488.8	2,120.4	1,122.7	2,074.3	604.1	570.4	2,073.3
Balance — capital account	**2,279.8**	**7,829.6**	**5,001.5**	**8,738.5**	**8,131.5**	**3,943.0**	**2,687.7**
Adjustments	139.2	151.2	205.4	225.0	203.3	—	—
Overall balance	**(2,347.4)**	**2,168.4**	**(1,094.6)**	**1,594.6**	**783.1**	**(2.0)**	**(1,994.0)**

Notes:

(1) Provisional data.

(2) Based on customs statistics.

(3) Includes tourism receipts of TD 3,523 million in 2010, TD 2,433 million in 2011, TD 3,175 million in 2012, TD 3,221 million in 2013, TD 3,626 million in 2014, TD 2,355 million in 2015, TD 1,246 million in the six months ended 30 June 2015 and TD 773 million in the six months ended 30 June 2016.

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

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

(6) In 2011, TD 67 million corresponds to a deposit by Bank of Algeria with the Bank. In 2013, TD 817 million corresponds to a deposit from Qatar National Bank ("**QNB**") with the Bank. For 2014, TD 251 million corresponds to a deposit by the central banks of Algeria and Libya with the Bank. In 2015, U.S.$100 million corresponds to a deposit by Bank of Algeria with the Bank. In the six months ended 30 June 2015, TD 100 million corresponds to a deposit by Bank of Algeria with the Bank

(7) For the six months ended 30 June 2015 and 2016, short-term capital (net) and adjustment.

Source: The Bank

In 2011, the balance of payments registered a deficit of TD 2,347 million. This increase in the balance of payments deficit was primarily due to the widening of the current account deficit, which increased by TD 1,754 million to TD 4,776 million, representing 7.4% of GDP. The increase in the current account deficit was primarily due to the decrease in the surplus of the balance of services by TD 1,419 million, which was, in turn, a result of a 30.9% decrease in tourism receipts as a result of the instability in Tunisia following the 14 January 2011 Revolution. In addition, the

deficit balance of factor income increased by TD 172 million to TD 468 million in 2011, primarily due to a 4.4% decrease in workers' remittances and an increase in expenditures for capital income. In 2011, the capital account registered a surplus of TD 2,280 million, a decrease of 13.4% as compared to 2010. This decrease was primarily due to the 68.1% decrease in FDI, which was, in turn, primarily due to the 14 January 2011 Revolution. This decrease was primarily offset by an increase in other investments due to an increase in the amount of drawings on medium and long term facilities.

In 2012, the balance of payments registered a surplus of TD 2,168 million. This surplus was primarily due to the consolidation in net capital flows. The current account deficit, however, continued to widen in 2012, increasing by TD 1,046 million to TD 5,812 million, representing 8.3% of GDP. This increase was due to a 41.1% increase in the trade deficit to TD 9,535 million, as compared to TD 6,756 million in 2011, which was primarily due to a 13.3% increase in imports despite a 5.8% increase in exports. Conversely, the balance of services surplus grew by TD 951 million to TD 3,053 million, primarily due to a 30.5% increase in tourism receipts to TD 3,175 million. The balance of factor income and current transfers also improved in 2012, registering a surplus of TD 670 million, as compared to a TD 112 million deficit in 2011. The capital account registered a surplus of TD 7,830 million in 2012, an increase of 243.4%, as compared to 2011. This increase was primarily due to increases in all types of financing, as well as foreign investment. FDI increased by 298.6% to reach TD 2,428 million in 2012, while drawings on medium and long term borrowing capital increased by 183.6% to TD 2,604 million. Grants increased by 171.0% in 2012, primarily reflecting grants received from the EU (€117 million), Libya (U.S.$100 million) and Turkey (U.S.$50 million) received in 2012.

In 2013, the balance of payments registered a deficit of TD 1,095 million, primarily due to the widening of the current account deficit and a decrease in the capital account surplus. The current account deficit increased by TD 490 million to TD 6,302 million, representing 8.4% of GDP. This increase was primarily due to an increase in the trade deficit to TD 9,635 million, which reflected a 3.5% increase in imports and a 4.3% increase in exports. The balance of services decreased in 2013 by TD 419 million to TD 2,634 million, primarily due to a 9.8% decrease in transport receipts, a 36.2% decrease in receipts of gas pipeline royalties (such royalties being payable to the Government in respect of the two transcontinental gas pipelines linking Algeria to Italy) and the deceleration of tourism receipts, which increased by 1.5% in 2013, as compared to 30.5% in 2012. The factor income and current transfers surplus increased by TD 30.0 million to TD 699 million in 2013, primarily due to a 5.1% increase in workers' remittances to TD 3,721 million. The capital account registered a surplus of TD 5,002 million in 2013, a decrease of 36.1%, as compared to 2012. This decrease was primarily due to a 73.4% decrease in grants, as compared to 2012, and a 29.2% decrease in FDI, as compared to 2012. Expenditure for capital income in the form of transfers to remunerate foreign investments increased by 18.7% in 2013, while payment of interest on medium and long term debt decreased by 5.6% in 2013.

In 2014, the balance of payments registered a surplus of TD 1,595 million. This surplus was primarily due to the consolidation in net capital flows. The current account deficit, however, continued to widen in 2014, increasing by TD 1,067 million to TD 7,369 million, representing 9.1% of GDP. This increase was due to a 17.5% increase in the trade deficit to TD 11,323.6 million, as compared to TD 9,635.2 million in 2013, which was, in turn, primarily due to a 6.4% increase in imports, which was partially offset by a 2.5% increase in exports. The balance of services surplus contracted by TD 186 million in 2014 to TD 2,448 million, primarily due to a 9.2% increase in the freight services deficit and a 3.3% decrease in the other transport surplus. The balance of factor income and current transfers both improved in 2014, registering surpluses of TD 875 million and 632 million, respectively, in 2014, as compared to TD 125 million and 574 million, respectively, in 2013. The capital account registered a surplus of TD 8,739 million in 2014, an increase of 74.7%, as compared to 2013. This increase was primarily due to increases in other investments, Government and monetary authority medium-term loans and short-term capital, which were partially offset by decreases in FDI and business medium- and long-term loans. Grants increased by 173.7% in 2014, primarily reflecting grants received from the EU (€157 million).

In 2015, the balance of payments registered a TD 783 million surplus. The decline in the surplus, as compared to 2014, was primarily due to a continued widening of the current account deficit. The current account deficit increased by TD 183 million to TD 7,552 million in 2015, as compared to 2014, representing 8.8% of GDP. The increase in the current account deficit was primarily due to a TD 1,854 million contraction in the balance of services to TD 594 million, which was, in turn, a result of a 33.4% decrease in tourism receipts and a 12.0% decrease in transport receipts. The trade deficit decreased by 12.9% in 2015 to TD 9,867 million, which was, in turn, primarily due to a 5.7% decrease in imports and a 2.8% decrease in exports. The balance of factor income and current transfers surplus increased by TD 214 million to TD 1,721 million in 2015, which was partially offset by a 2.9% decrease in workers' remittances to TD 3,967 million. The capital account registered a surplus of TD 8,132 million in 2015, as compared to 8,739 million in 2014, a decrease of TD 607 million, or 6.9%. This decrease was primarily due to a 13.7% decrease in the other investment surplus and the corresponding decline in the short-term net capital flows surplus.

In the six months ended 30 June 2016, the balance of payments registered a TD 1,994 million deficit, as compared to a deficit of TD 2 million in the corresponding period in 2015. The increase in the deficit, as compared to the corresponding period in 2015, was primarily due to the widening of the current account deficit and the reduction of the capital account surplus. The current account deficit increased by TD 737 million to TD 4,682 million in the six months ended 30 June 2016, as compared to the corresponding period in 2015, representing 5.1% of GDP. The increase in the current account deficit was primarily due to the TD 420 million services account deficit in the six months ended 30 June 2016, as compared to a TD 448 million surplus in the corresponding period in 2015. The services account deficit in the six months ended 30 June 2016 was primarily due to a 38.0% decrease in tourism receipts, which reflected the impact of the Bardo Museum Terrorist Attack, the Sousse Terrorist Attack and the Tunis Bus Terrorist Attack and related security concerns, as well as a 15.1% decrease in transport receipts. The capital account registered a TD 2,727 million surplus in the six months ended 30 June 2016, as compared to a TD 3,943 million surplus in the corresponding period in 2015, reflecting a decrease of TD 1,216 million, or 30.8%. The reduction in the capital account surplus was primarily due to reduced net FDI, which declined to TD 828.0 million from TD 913.0 million, and reduced grants, which declined to TD 28.2 million from TD 155.0 million.

According to preliminary figures, the balance of payments registered a deficit of TD 1,426 million for the nine months ended 30 September 2016, a current account deficit of TD 5,878 million (or 6.4% of GDP) for the nine months ended 30 September 2016 and a net services account deficit of TD 400 million for the nine months ended 30 September 2016.

Trade Deficit and Workers' Remittances

The trade deficit increased by TD 3,317 million, or 50.7% over the period 2010-2015. Exports increased by TD 706 million, or 2.5%, in 2014, as compared to 2013. Exports decreased by TD 800 million, or 2.8%, in 2015, as compared to 2014. The trade deficit decreased by TD 1,459 million, or 12.9%, in 2015, as compared to 2014. In the six months ended 30 June 2016, the trade deficit decreased by TD 135 million, or 2.2%, as compared to the corresponding period in 2015.

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

The trade deficit is partly offset by a surplus in the services account, which derives principally from tourism receipts, remittances from workers living abroad and, to a lesser extent, from royalties from natural gas pipelines. The continuing strength of workers' remittances from the estimated 1.3 million Tunisians living abroad at the end of 2014 has helped to ease current account deficit levels. Workers' remittances have risen in recent years as a result of the increasing number of tax, customs and financial incentives given to Tunisians working abroad and the depreciation of the Dinar compared to the main currencies subject to remittance, principally the Euro. Since 1994, approximately three-quarters of total workers' remittances have been in the form of bank transfers, postal orders or foreign bank notes. Contributions in kind consist mainly of motor vehicles.

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

Workers' Remittances

	For the year ended 31 December					For the six months ended 30 June	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016[(1)]**
	(TD millions, except percentages)						
Cash	2,165	2,634	2,719	2,896	2,863	1,369	1,275
Contributions in kind	657	905	1,002	1,088	1,004	446	397
Total	**2,822**	**3,539**	**3,721**	**3,984**	**3,867**	**1,815**	**1,672**
Total as % of GDP	*5.0*	*5.0*	*4.9*	*4.9*	*4.5*	*2.1*	*1.8*

Note:
(1) Provisional data.

Source: The Bank

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

In 2012, workers' remittances increased by 25.4% to TD 3,539 million, primarily due to a 21.7% increase in cash to TD 2,634 million. Contributions in kind increased by 37.7% in 2012 to TD 905 million. This increase was primarily due to an extension of the FCR car importation scheme for Tunisian expatriates. *See* "*Risk Factors—Regional and international considerations could negatively affect the Tunisian economy—Conflict in Libya*".

In 2013, workers' remittances increased by 5.1% to TD 3,721 million, representing a slower rate of growth than in 2012. This increase was primarily due to a 3.2% increase in cash to TD 2,719 million and the 10.7% increase in contributions in kind to TD 1,002 million.

In 2014, workers' remittances increased by 7.1% to TD 3,984 million. This increase was primarily due to a 6.5% increase in cash to TD 2,896 million and a 8.6% increase in contributions in kind to TD 1,088 million.

In 2015, workers' remittances decreased by 2.9% to TD 3,867 million. This decrease was primarily due to a 1.1% decrease in cash to TD 2,863 million and a 7.7% decrease in contributions in kind to TD 1,004 million.

In the six months ended 30 June 2016, workers' remittances decreased by 7.8% to TD 1,672 million, as compared to TD 1,815 million in the corresponding period in 2015. This decrease was primarily due to a 6.8% decrease in cash to TD 1,275 million as compared to the corresponding period in 2015 and a 11.1% decrease in contributions in kind to TD 397 million, as compared to the corresponding period in 2015.

Foreign Exchange Reserves

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

Foreign Exchange Reserves

	As at 31 December					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Net foreign exchange reserves (*TD millions*)	10,581.3	12,575.6	11,603.0	13,097.4	14,102.0	12,934.7
Days of imports	113	119	106	112	128	111

Source: The Bank

Net foreign exchange reserves declined in 2011 to TD 10,581.3 million, the equivalent of 113 days of imports, as at 31 December 2013, primarily due to the uncertain political environment following the 14 January 2011 Revolution and the corresponding negative impact on the Tunisian economy. Net foreign exchange reserves increased in 2012 to TD 12,576 million, the equivalent of 119 days of imports, as at 31 December 2012, primarily due to increased drawings on medium- and long-term capital facilitates. Net foreign exchange reserves decreased in 2013 to TD 11,602 million,

the equivalent of 106 days of imports, as at 31 December 2013, primarily due to a high level of the current account deficit, which was partially offset by a surplus in the balance of financial operations and capital.

Net foreign exchange reserves increased in 2014 to TD 13,097 million as at 31 December 2014, the equivalent of 112 days of imports, primarily due to external Government financings in 2014, including budget support received from the IMF, EU and Algeria, as well as the U.S.$500 million bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by the U.S. Agency for International Development and the ¥50 billion bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by Japan Bank for International Cooperation.

Net foreign exchange reserves increased in 2015 to TD 14,102 million as at 31 December 2015, the equivalent of 128 days of imports, primarily due to revenues received from olive oil exports, the U.S.$1 billion bond issuance by the Bank and the entry into of a number of bilateral and multilateral loans, which offset the decrease in tourism receipts in 2015.

Net foreign exchange reserves declined in 2016 to TD 12,934.7 million as at 31 December 2016, the equivalent of 111 days of imports. This decline was primarily due to the continued current account deficit.

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

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

Foreign Direct Investment

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

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

At the Tunisia 2020 investment conference held in Tunis in November 2016, Tunisia's partners and donors (including a number of countries and international development agencies) announced more than TD 34 billion (approximately €14 billion) of pledges and commitments for loans and aid for Tunisia between 2016 and 2020. See "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

Sectors

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

Foreign Direct Investment by Industry[1]

	For the year ended 31 December					For the nine months ended 30 September	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**[2]
				(TD millions)			
Energy	1,063.4	886.0	1,077.4	891.7	970.4	730.2	780.0
Manufacturing industries	330.6	531.6	507.1	454.3	563.6	422.3	473.7
Of which:							
Chemicals and rubber industries	*52.6*	*64.5*	*56.8*	*27.5*	*24.0*	*n/a*[3]	*n/a*[3]
Construction materials industry	*12.4*	*128.0*	*26.5*	*94.9*	*39.8*	*n/a*[3]	*n/a*[3]
Mechanical industries	*41.6*	*80.3*	*75.9*	*31.7*	*89.9*	*n/a*[3]	*n/a*[3]
Services sector	219.6	1,081.8	218.0	452.5[4]	421.7[5]	227.3	115.6
Of which:							
Tourism and real estate	22.9	77.0	18.5	52.3	85.9	66.4	5.9
Telecommunications	193.6	757.6[6]	88.0	83.2	98.4	79.3	91.7
Financial sector	0.0	243.2	99.4	225.5	155.6	2.2	4.9
Others	3.1	4.0	12.1	91.5	81.8	79.4	13.1
Agriculture	2.3	4.6	11.3	7.9	9.3	8.9	9.7
Total	**1,615.9**	**2,504.0**	**1,813.8**	**1,806.4**	**1,965.0**	**1,408.7**	**1,379.0**
Total, excluding energy	552.5	1,618.0	736.4	914.7	994.6	678.5	599.0

Notes:

(1) Certain figures in this table have been revised and differ from previously published figures.

(2) Provisional data.

(3) Figure unavailable.

(4) Includes TD 100.7 million, TD 78.3 million and TD 36.8 million from the capital increases of Qatar National Bank, Tunisia (QNB), "Union Internationale de Banques" and "Zitouna Bank", respectively, TD 49 million from the acquisition by the investment fund "Abraaj" of a majority shareholding in the Polyclinic Taoufik and the TD 42.2 million from the purchase by the "Actis" investment fund of "Université Centrale".

(5) Includes TD 96 million and TD 67 million from the acquisition by the "Abraaj" investment fund of shareholdings in "JM Holding" and "Polyclinic Taoufik", respectively, as well as TD 45 million from the capital increase of "Wifack International Bank".

(6) 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.

Source: The Bank

FDI in agriculture is insignificant because of investment restrictions on foreign ownership of agricultural land. The total amount of FDI increased from TD 679 million in 1990 to TD 1,965 million in 2015. In 2010, FDI flows decreased by 5.0% to TD 2,165 million, as compared to 2009. In 2011, FDI flows decreased by 25.4% to TD 1,616 million, primarily due to the instability surrounding the 14 January 2011 Revolution. In 2012, FDI flows increased by 55.0% to TD 2,504 million, primarily due to increased FDI flows to manufacturing industries and other FDI. In 2013, FDI flows decreased by 27.6% to TD 1,814 million, primarily due to transfers to non-residents of shares in companies confiscated by the Tunisian government in an amount of TD 855 million. In 2014, FDI flows decreased by 0.4% to TD 1,806 million, primarily due to a 17.2% decrease in FDI inflows to the energy industry and a 10.4% decrease in FDI inflows to manufacturing industries, which was only partially offset by a 107.6% increase in FDI inflows to the services sector. In 2015, FDI flows increased by 8.8% to TD 1,965 million, primarily due to a 8.8% increase in FDI inflows to the energy industry and a 24.1% increase in FDI inflows to manufacturing industries.

In 2011, FDI in the energy sector decreased by 19.3% to TD 1,063 million, as compared to TD 1,317 million in 2010. FDI in the manufacturing sector decreased by 42.4% to TD 331 million in 2011, while FDI in the chemicals and rubber sectors decreased from TD 79 million in 2010 to TD 53 million in 2011. In the services sector, FDI decreased by 19.1% to TD 220 million in 2011, as compared to TD 272 million in 2010. FDI in the telecommunication sector increased by 52.8% in 2011 to TD 194 million, as compared to TD 127 million in 2010, primarily due to network extension projects by three mobile operators in Tunisia and not as a result of a sale of shares of Tunisie Telecom (this operation was accounted for in the volume of FDI in 2006).

In 2012, FDI increased in all sectors, except the energy sector. FDI in the manufacturing sector increased by 60.7% to TD 532 million in 2012, as compared to TD 331 million in 2011. This increase was primarily due to increased investment in the construction materials and mechanical industries sectors, which attracted TD 128 million and TD 80 million of FDI, respectively, in 2012, as compared to TD 12 million and TD 42 million in 2011. FDI in the services sector increased by 391.8% to TD 1,082 million, as compared to TD 220 million in 2011, primarily due to

increased FDI in the telecommunications sector, primarily due to the transfer by the state of 15% of the share capital of Tunisiana to Qatar Telecom. FDI in the financial sector also increased in 2012 to TD 243 million, of which TD 218 million was due to the sale of 13% of the Bank of Tunisia to foreign entities, and the remainder was due to the participation of non-residents in the capital increase of Attijari Bank. FDI in the energy sector decreased by 16.7%, as compared to 2011, to TD 886 million.

In 2013, FDI decreased in all sectors, except the energy sector. FDI in the energy sector increased by 21.6% to TD 1,077 million, following decreases to FDI in the energy sector of 16.7% in 2012 and 19.3% in 2011. This increase was primarily due to increased investment in energy exploration, resulting in an increase of FDI for energy exploration from TD 317 million to TD 551 million, while FDI for energy development was TD 526 million in 2013. FDI in the manufacturing sector decreased by 4.6% to TD 507 million. FDI in the services sector decreased by 79.8% to TD 218 million in 2013, as compared to 2012, primarily due to the transfer of Tunisia's entire shareholding in the Tunisian-Qatari Bank. FDI in the telecommunications sector accounted for TD 88 million of FDI to the services sector in 2013, while the tourism and real estate accounted for TD 19 million in 2013.

In 2014, total FDI decreased by 0.4% to TD 1,806 million, as compared to TD 1,814 million in 2013. This decrease was primarily due to decreases in FDI in the energy and manufacturing sector by 17.2% and 10.4% to TD 892 million and TD 454 million, respectively. This decrease was partially offset by an 107.6% increase in FDI in the services sector to TD 453 million, of which TD 101 million, TD 78.3 million and TD 36.8 million represented the participation of non-residents in the capital increases of Qatari National Bank-Tunisia (QNBT), "*Union Internationale de Banques*" and "Zitouna Bank", respectively, as well as TD 49 million of FDI inflows from the acquisition by the Abraaj Group of "Polyclinic Taoufik" and TD 42.2 million of FDI inflows from the acquisition of "*Université Centrale*" by the "*Actis*" investment fund.

In 2015, total FDI increased by 8.8% to 1,965 million. This increase was primarily due to an increase in FDI in the energy and manufacturing sectors by 8.8% and 24.1% to TD 970 million and TD 564 million, respectively. FDI inflows to the services sector decreased by 6.8% in 2015 to TD 422 million, primarily due to a reduced level of capital injections into foreign-owned banks and reduced investment activity, as compared to 2014.

In the nine months ended 30 September 2016, total FDI decreased by 2.1% to TD 1,379 million, from TD 1,409 million for the corresponding period in 2015. This decrease was primarily due to the TD 112 million, or 49.1%, decrease in FDI to the services sector, as compared to the corresponding period in 2015. These decreases were primarily due to non-recurring FDI in 2015 related to the acquisition and extension of hotel complexes, as well as the acquisition of shares in a polyclinic.

FDI Sources

The following table sets forth information on the sources of FDI for the periods indicated:

Foreign Direct Investment

	For the year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
			(in TD millions)		
Australia	23.8	32.0	163.1	19.8	6.1
Austria	242.6	327.2	247.2	138.0	374.8
Belgium	5.9	7.1	9.1	3.6	1.0
Canada	175.6	157.1	217.3	64.9	45.5
France	224.5	393.2	261.0	279.8	304.3
Finland	0	0	0.2	0.0	0.0
Germany	36.3	102.0	63.4	54.0	71.7
Great Britain	224.9	114.6	202.3	325.3	382.0
Italy	276.4	243.6	155.8	94.0	88,3
Japan	0	12.4	0	8.5	13.2
Kuwait	7.9	40.2	18.3	1.3	4.4
Norway	7.2	8.9	0.5	0.0	0.0
Portugal	3.7	1.0	2.1	86.3	1.0
Saudi Arabia	0.1	0.4	1.5	37.4	52.9
Spain	10.7	24.4	38.6	17.0	44.2
Sweden	85	5.2	13.1	53.8	80.8
Switzerland	18.8	10.9	29.3	2.6	12.5
The Netherlands	19.5	3.2	22.0	3.2	27.7
Turkey	1.0	0.2	1.3	0.6	0.5
United States	52.5	62.1	27.6	32.2	16.1
UAE	82.5	62.0	39.4	33.4	138.9
Other	117.0	896.3	300.7	550.7	299.1
Total	**1,615.9**	**2,504.0**	**1,813.8**	**1,806.4**	**1,965.0**

Source: The Bank

FDI from the EU amounted to TD 1,146 million in 2011, representing 70.9% of total FDI. FDI from Arab countries declined by 26.8% to TD 169 million in 2011. FDI from the EU amounted to TD 1,226 million in 2012, representing 49.0% of total FDI flows. FDI from Arab countries increased by 462.1% to TD 950 million in 2012. FDI from the EU amounted to TD 1,034 million in 2013, representing 57.0% of total FDI flows. FDI from Arab countries decreased by 75.2% to TD 236 million in 2013. FDI from the EU amounted to TD 1,300 million in 2014, representing -72.0% of total FDI flows. FDI from Arab countries increased by 30.5% to TD 308 million in 2014. FDI from the EU amounted to TD 1,473 million in 2015, representing 75.0% of total FDI flows. FDI from Arab countries increased by 11.4% to TD 343 million in 2015.

Investment Code

In September 2016, the Chamber of the People's Deputies approved a new investment code. The investment code aims to promote investment in all economic sectors, encourage regional and inclusive development, as well as human capital development, create employment opportunities, increase exports and encourage the internationalisation of Tunisian companies.

The main principles of the investment code are:

- aligning the objectives of the investment code with the objectives set out in the Orientation Paper (see "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan*");
- developing a legal investment framework governing market access, the provision of investment guarantees, tax incentives and financial benefits, as well as an institutional and procedural framework for investment;
- gradually opening up sectors to investment through the progressive removal of governmental authorisations for certain investments;
- simplifying investment-related procedures and reducing the time period for required government approvals;

- creating a Higher Council of Investment (*Conseil Supérieur de l'Investissement)* responsible for managing all investments projects;
- creating the Tunisian Forum for Investment (*l'Instance Tunisienne de l'Investissement*), as a source for investment proposals, to manage projects of national importance and to co-ordinate with the private sector,
- creating the Tunisian Investment Fund (*le Fond Tunisien de l'Investissement*) to provide investment financing; and
- simplifying and strengthening investment incentives, setting national investment targets and focusing on a wide range of investment incentives, including grants, equity participations, loans and guarantees.

PUBLIC FINANCE

Overview

Legal Framework and Budgetary Process

The Budget Law (Organic Law of Budget № 2004-42 of 13 May 2004 modifying and supplementing Law № 67-53 of 8 December 1967 (the "**Budget Law** ")) and the 2014 Constitution provide the legal framework and timetable for the preparation of the annual state budget. Article 66 of the 2014 Constitution provides that the Chamber of the People's Deputies shall adopt draft finance laws and the budget in accordance with the provisions of the Budget Law. A new draft budget law (the "**New Budget Law**") is under review and discussion in the Chamber of the People's Deputies. The New Draft Budget Law is expected to improve budget preparation, introduce medium-term budgeting, increase transparency and streamline existing control procedures.

Under the Budget Law, the fiscal year of The Republic of Tunisia is the calendar year. By July of each year, the heads of each administrative department 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 annual Finance Law, containing the annual budget.

Under the Budget Law, the annual finance law authorises all expenses and revenues of the state in the framework of the objectives of the economic development plan and with the objective of balancing the budget. The draft New Budget Law includes similar provisions and requires the Head of Government to determine the general orientations of the budget with regard to the general policy of the state provided for in the economic development plan.

The annual Finance Law regulates Government expenditures and revenues for the forthcoming fiscal year. The Finance Law includes provisions which determine the amount, and authorise the collection of, public revenue, set the ceiling for guarantees that may be granted by The Republic of Tunisia and authorise borrowings and obligations which may be undertaken on behalf of The Republic of Tunisia.

In addition to the annual Government budget, the Finance Law also includes the annexed budgets of certain state-owned entities. The purpose of the separate, annexed budgets is primarily to segregate the accounts of certain state entities that operate relatively autonomously in order to promote sound financial management within these entities, while keeping their revenues and expenditures within the overall framework and budgetary objectives of the Finance Law.

Pursuant to Article 66 of the 2014 Constitution, the proposed Finance Law must be presented to the Chamber of the People's Deputies no later than 15 October and ratified no later than 10 December of each year. The President may resubmit the draft Finance Law to the Chamber of the People's Deputies for a second reading within two days following ratification by the Chamber of the People's Deputies, in which case, the Chamber of the People's Deputies must meet to debate the draft Finance Law during a three day period. During this period, or after the expiry of the period exercise of the right of resubmission, the draft Finance Law may be contested by certain persons before the Constitutional Court, (see *"The Republic of Tunisia—Political System—The Judicial Branch—Constitutional Court*") which must issue a decision within five days and inform the President who, in turn, must inform the speaker of the Chamber of the People's Deputies. The Chamber of the People's Deputies must ratify the proposed Finance Law within three days following its receipt of the decision of the Constitutional Court. If the constitutionality of the proposed Finance Law is confirmed or if the proposed Finance Law is voted in a second reading after its resubmission to the Chamber of the People's Deputies and once the period for claims of unconstitutionality or for the exercise of the presidential right of resubmission have expired, the President shall promulgate the proposed Finance Law within two days. In any event, promulgation of the proposed Finance Law must take place before 31 December of each year.

Pursuant to Article 66 of the 2014 Constitution, if the proposed Finance Law is not adopted by 31 December, expenditures under the proposed Finance Law can be implemented in three month tranches by order of the President, while revenues shall continue to be collected in accordance with the laws in force.

The National Constituent Assembly approved the Finance Laws of 2012, 2013, and 2014. The Chamber of the People's Deputies approved the Finance Law of 2015 on 26 December 2014. A revised Finance Law for 2015 was approved in August 2015 and included a package of urgent measures to help alleviate the short-term economic effect of the Sousse Terrorist Attack (amounting to approximately 0.5% of GDP) and an increase in security spending (amounting to approximately 0.2% of GDP). The revised Finance Law also included an increase in the public sector wage bill as a result of a 5% general public sector salary increase and wage increases agreed in the education sector.

The Finance Law of 2016 was approved by the Chamber of the People's Deputies on 26 December 2015. A revised Finance Law for 2016 (the "**2016 Supplemental Budget**"), which included an increase to the public sector wage bill as

a result of wage increases in the security and education sectors, and an increase in investment in security, was presented to the Chamber of the People's Deputies for approval on 15 December 2016 and was approved on 27 December 2016. The Finance Law of 2017 was presented to the Chamber of the People's Deputies for approval on 15 October 2016 and was approved on 10 December 2016.

Components of Revenue and Expenditure

As further described below, the main sources of revenue of The Republic of Tunisia are consumption taxes (the most important in terms of revenue-raising being the value-added tax ("**VAT**")), income tax (personal and corporate) and various non-fiscal revenue sources including petroleum revenue, gas royalties and earnings of state-owned industrial and commercial enterprises. The main expenditures of The Republic of Tunisia are subsidies and transfers, wages and salaries as current expenditures, investment as a capital expenditure and debt service.

State expenditures are limited to those provided for in the annual budget as enacted. The Republic of Tunisia's accounts are audited by the Court of Accounts (*Cour des Comptes*), which prepares a report to be presented to the President, the President of the Chamber of the People's Deputies, the Head of Government and the President of the Supreme Judicial Council prior to publication in accordance with Article 117 of the 2014 Constitution.

The mission of the Court of Accounts is to monitor the management of public finance. Accordingly, the Court of Accounts has jurisdiction to examine the management and accounts of The Republic of Tunisia, all regional and local governmental bodies, state-owned 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.

Public Accounts

The following table sets forth a summary of the revenues and expenditure of The Republic of Tunisia for the fiscal years 2012 to 2015, preliminary results for 2016, the budget for 2016 (original and as supplemented) and the 2017 budget.

Summary of Revenues and Expenditures

	2012	2013	2014	2015	2016 *(prelim. and 2016 Supplemental Budget)*[1]	2016 *(original budget)*	2017 *(budget)*
			(TD millions, except percentages)				
Tax Revenue							
Direct taxes[2]	6,089.2	7,118.0	8,169.4	7,815.7	7,795.0	8,778.0	9,161.0
Indirect taxes [3]	8,775.4	9,203.8	10,504.2	10,671.7	11,040.0	11,822.0	12,464.0
Total tax revenues	**14,864.6**	**16,321.8**	**18,673.6**	**18,487.3**	**18,835.0**	**20,600.0**	**21,625.0**
As % of GDP	21.1%	21.7%	23.1%	21.6%	20.4%	21.9%	22.0%
Non-tax revenues							
Petroleum revenues and gas royalties	210.5	109.7	121.5	188.4	312.0	523.0	800.0
Interest[4]	25.6	22.9	28.7	32.8	30.0	30.0	30.0
Grants[5]	632.8	224.8	369.8	292.0	200.0	150.0	250.0
Privatisations and confiscated assets	1,299.0	1,549.4	96.3	70.2	526.9	200.0	200.0
Debt recoveries[6]	183.2	151.6	133.2	149.3	162.1	160.0	160.0
Other non-tax revenues[7]	1,272.7	1,612.3	937.1	940.7	1,395.0	993.0	755.0
Total non-tax revenues	**3,623.8**	**3,670.7**	**1,686.6**	**1,673.4**	**2,626.0**	**2,056.0**	**2,195.0**
Total revenues (gross)[8]	**18,488.4**	**19,992.5**	**20,360.2**	**20,160.7**	**21,461.0**	**22,656.0**	**23,820.0**
As % of GDP	26.3%	26.6%	25.2%	23.6%	23.3%	24.0%	24.2%
Total revenues (net)[9]	**18,305.2**	**19,840.9**	**20,227.0**	**20,011.4**	**21,298.9**	**22,496.0**	**23,660.0**
As % of GDP	26.0%	26.4%	25.0%	23.4%	23.1%	23.9%	24.1%
Current expenditures							
Wages, salaries, goods and services	9,638.9	10,577.8	11,483.4	12,627.6	14,240.0	14,054.8	14,786.4
Subsidies and transfers	4,997.1	6,869.9	5,801.3	4,600.1	4,179.4	4,317.0	5,112.6
(Of which total subsidies (oil, food and transport))[10]	3,624.1	5,514.0	4,154.2	2,882.9	2,230.0	2,612.0	2,700.0
(Of which oil price subsidies)[10]	2,111.0	3,734.0	2,353.0	918.0	197.0	579.0	650.0
Current expenditures non allocated	—	—	—	—	99.7	247.7	366.2
Total current expenditures	**14,636.0**	**17,447.7**	**17,284.7**	**17,227.7**	**18,519.1**	**18,619.5**	**20,265.2**
Interest Payments							
Internal debt	681.1	843.9	949.3	956.9	1,166.0	998.0	1,145.0
External debt	586.5	570.2	566.4	687.5	848.0	852.0	1,070.0
Total interest payments	**1,267.6**	**1414.1**	**1,515.7**	**1,644.4**	**12,014.0**	**1,850.0**	**2,215.0**
Capital expenditures							
Direct investment[11]	1,651.1	1,683.9	1,633.7	2,355.9	2,690.1	2,590.1	2,507.3
Capital transactions[12]	1,928.2	1,665.4	2,162.5	1,407.2	1,492.5	1,544.5	1,686.7
Direct payments[13]	464.6	479.0	470.0	493.9	517.0	517.0	673.4
Debt repayment[14]	107.7	197.1	125.0	178.0	125.0	100.0	125.0
Loans and advances of treasury	(367.7)	(25.8)	251.3	43.9	—		—
Other capital expenditures	722.0	564.2	525.5	541.9	445.0	598.5	688.3
Capital expenditures non allocated	—	—	—	—	150.4	150.4	554.1
Total capital expenditures	**4,505.9**	**4,563.8**	**5,168.0**	**5,020.8**	**5,420.0**	**5,500.5**	**6,234.8**
Total expenditures, loans and advances (gross)[8]	**20,409.5**	**23,425.6**	**23,968.4**	**23,892.9**	**25,953.1**	**25,970.0**	**28,715.0**
Total expenditures, loans and advances (net)[9]	**20,226.3**	**23,274.0**	**23,835.2**	**23,743.6**	**25,791.0**	**25,810.0**	**28,555.0**
Budget deficit[15]	(1,921.1)	(3,433.1)	(3,608.2)	(3,732.2)	(4,492.1)	(3,314.0)	(4,895.0)
As % of GDP	(2.7%)	(4.6%)	(4.5%)	(4.4%)	(4.9%)	(3.5%)	(5.0%)
Budget deficit[16]	(3,852.9)	(5,207.3)	(4,074.3)	(4,094.4)	5,219.0	(3,664.0)	(5,345.0)
As % of GDP	(5.5%)	(6.9%)	(5.0%)	(4.8%)	(5.7%)	(3.9%)	(5.4%)
GDP (at current market prices)	70,354.4	75,151.8	80,816.2	85,480.0	92,272.0	94,219.0	98,311.0

Notes:

(1) The preliminary results for 2016 are based on interim results for the nine months ended 30 September 2016 and projections to the end of 2016 and are subject to amendment and revision. The 2016 Supplemental Budget was compiled on the basis of the same interim results and projections, and, accordingly, the preliminary results for 2016 and the 2016 Supplemental Budget figures are the same.

(2) Includes individual income tax and corporate tax.

(3) 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.

(4) Includes interest payable to the state on loans, primarily to Tunisian state-owned entities.

(5) Includes grants made to the state.

(6) Includes repayment of loans made to Tunisian public and private sector entities which had been previously written off.

(7) Includes primarily earnings payable to the state by public sector commercial and industrial entities.
(8) Includes debt repayments and loans.
(9) Excludes debt repayments and loans.
(10) Since the Finance Law of 2015, petroleum revenues and oil subsidies have been recorded gross.
(11) Primarily infrastructure investment, including development of water and irrigation resources, water and soil conservation, and development programmes.
(12) Loans granted by the state to finance specific long-term investment projects of state-owned entities.
(13) Direct payments made to external lenders which financed the purchase of imported equipment and other durables by Tunisian public and private sector entities on behalf of the state.
(14) Other loans granted by the state (net of repayments), including, generally, loans and advances made to state-owned entities.
(15) Including privatisation and grants.
(16) Excluding privatisation and grants and confiscated assets.

Source: Ministry of Finance

Preliminary Results for 2016

Preliminary results for 2016 are based on interim results for the nine months ended 30 September 2016 and are subject to amendment and revision.

Total tax revenues are expected to be TD 18,835 million in 2016 (based on preliminary results), as compared to TD 18,487 million in 2015, reflecting an increase of TD 348 million, or 1.9%. See "—*Tax Revenues*".

Non-tax revenues principally include revenues from interest and dividend payments payable to The Republic of Tunisia from various publicly-owned entities and revenues from the sale of Government petroleum resources and royalties from natural gas pipelines. Non-tax revenues are expected to be TD 2,626 million in 2016 (based on preliminary results), as compared to TD 1,673 million in 2015, reflecting an increase of TD 953 million, or 57%. This increase was primarily due to increases in revenue from privatisations and confiscated assets. Non-tax revenues are expected to account for 12.2% of total gross revenues in 2016 (based on preliminary results), as compared to 8.3% in 2015.

Total net revenues are expected to be TD 21,299 million in 2016 (based on preliminary results), as compared to TD 20,011 million in 2015, reflecting an increase of TD 1,288 million, or 6.4%. This increase was primarily due to the increases in tax and non-tax revenues, as described above.

Since 2010, approximately 48% of Government expenditures have been in respect of wages and salaries of public sector employees and for goods and services utilised in Government service. Other major areas of Government expenditure include debt service on The Republic of Tunisia's public debt, infrastructure investment, particularly for roads, the development of irrigation resources and water and soil conservation, investments to support the security forces and the national defence against terrorism and direct payments and loans to public and private Tunisian businesses. See "*Risk Factors—Risks Relating to The Republic of Tunisia—Future increases in public sector wages could have an inflationary impact on prices*".

Total current expenditures are expected to be TD 18,519 million in 2016 (based on preliminary results), as compared to TD 17,228 million in 2015, reflecting an increase of TD 1,291 million, or 7.5%. This increase was primarily due to a 12.8% increase in wages, salaries, goods and services and a 99.7 million increase of non-allocated current expenditures, which was only partially offset by a 9.1% decrease in subsidies and transfers. Total current expenditures are expected to account for 71.4% of total gross expenditures in 2016 (based on preliminary results), as compared to 72.1% in 2015.

Total capital expenditures are expected to be TD 5,420 million in 2016 (based on preliminary results), as compared to TD 5,021 million in 2015, reflecting an increase of TD 399 million, or 7.9%. This increase was primarily due to increases in non-allocated capital expenditures and direct investment. Total capital expenditures are expected to account for 20.9% of total gross expenditures in 2016 (based on preliminary results), as compared to 21.0% in 2015.

As a result of the foregoing, the budget deficit is expected to be TD 4,492 million in 2016 (based on preliminary results), as compared to TD 3,732 million in 2015, reflecting an increase in the deficit of TD 760 million, or 20.4%, as compared to 2015.

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

Results for 2015

Total tax revenues were TD 18,487 million in 2015, as compared to TD 18,674 million in 2014, reflecting a decrease of 186 million, or 1.0%. See "—*Tax Revenues*".

Non-tax revenues principally include revenues from interest and dividend payments payable to The Republic of Tunisia from various state-owned entities and revenues from the sale of Government petroleum resources and royalties from natural gas pipelines. Non-tax revenues were TD 1,673 million in 2015, as compared to TD 1,687 million in 2014, reflecting a decrease of TD 13 million, or 0.8%. Non-tax revenues accounted for 8.3% of total gross revenues in each of 2015 and 2014.

Total net revenues were TD 20,011 million in 2015, as compared to TD 20,227 million in 2014, reflecting a decrease of TD 216 million, or 1.1%. This decrease was due to the decrease in tax revenues and non-tax revenues as described above.

Total current expenditures were TD 17,228 million in 2015, as compared to TD 17,285 million in 2014, reflecting a decrease of TD 57 million, or 0.3%. This decrease was primarily due to a TD 1,435 million decrease in oil subsidies, which was partially offset by a TD 1,144 million increase in wages, salaries, goods and services. Total current expenditures accounted for 72.1% of total gross expenditures in 2015, as compared to 72.1% in 2014.

Total capital expenditures were TD 5,021 million in 2015, as compared to TD 5,168 million in 2014, reflecting a decrease of TD 147 million, or 2.8%. This decrease was primarily due to a TD 755 million decrease in capital transactions, which was partially offset by a TD 723 million increase in direct investments, which reflected increased investment in security and defence expenditure. Total capital expenditures accounted for 21.0% of total gross expenditures in 2015, as compared to 21.6% in 2014.

As a result of the foregoing, the budget deficit (including privatisation, confiscation and grants) was TD 3,732 million in 2015, as compared to TD 3,608 million in 2014, reflecting an increase in the deficit of TD 124 million, or 3.8%. The budget deficit (excluding privatisation, confiscation and grants) was TD 4,094 million in 2015, as compared to TD 4,074 million in 2014, reflecting a decrease in the deficit of TD 20 million, or 0.5%.

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

Tax Revenues

The following table sets forth the components of tax revenue of The Republic of Tunisia for the fiscal years 2012 to 2015, the preliminary results for 2016, the budget for 2016 (original and as supplemented) and the budget for 2017.

Components of Tax Revenues

	2012	2013	2014	2015	2016 *(prelim. and 2016 Supplemental Budget)*[(1)]	2016 *(original budget)*	2017 *(budget)*
			(TD millions, except percentages)				
Direct taxes							
Personal income taxes	3,187.9	3,707.4	4,095.3	4,974.8	6,030.0	5,390.0	6,219.4
Corporate income taxes	2,901.3	3,410.6	4,074.1	2,840.9	1,765.0	3,388.0	2,941.6
Total direct taxes	**6,089.2**	**7,118.0**	**8,169.4**	**7,815.7**	**7,795.0**	**8,778.0**	**9,161.0**
Indirect taxes							
Taxes on domestic products							
Value added tax	2,032.6	2,037.4	2,450.1	2,640.9	2,400.0	3.007.0	3,083.5
Excise tax	1,062.3	1,121.1	1,272.0	1,185.4	1,495.0	1.626.0	1,731.0
Other taxes	1,905.0	2,163.8	2,602.9	2,763.5	2,891.5	3,072.0	3,152.1
Total taxes on domestic products	**4,999.9**	**5,322.3**	**6,325.0**	**6,589.8**	**6,786.5**	**7,705.0**	**7,966.6**
Taxes on external products							
Import taxes	702.2	718.3	817.1	814.2	657.0	516.0	696.3
Export taxes	13.3	10.6	8.2	11.0	3.0	7.0	3.7
Total Customs duties	**715.5**	**728.9**	**825.3**	**825.2**	**660.0**	**523.0**	**700.0**
Value added tax	2,343.3	2,414.6	2,656.5	2,416.4	2,690.0	2,690.0	2,837.0
Excise taxes	535.2	534.9	578.9	587.5	645.0	651.0	687.0
Other taxes	181.5	203.1	118.5	252.7	258.5	253.0	273.4
Total taxes on external products	**3,775.5**	**3,881.5**	**4,179.3**	**4,081.8**	**4,253.5**	**4,117,0**	**4,497.4**
Total indirect taxes	**8,775.4**	**9,203.8**	**10,504.2**	**10,671.7**	**11,040.0**	**11,822.0**	**12,464.0**
Total tax revenues	**14,864.6**	**16,321.8**	**18,673.6**	**18,487.3**	**18,835.0**	**20,600.0**	**21,625.0**
As % of GDP	21.1%	21.7%	23.1%	21.6%	20.4%	21.9%	22.0%

Note:

(1) The preliminary results for 2016 are based on interim results for the nine months ended 30 September 2016 and projections to the end of 2016 and are subject to amendment and revision. The 2016 Supplemental Budget was compiled on the basis of the same interim results and projections, and, accordingly, the preliminary results for 2016 and the 2016 Supplemental Budget figures are the same.

Source: Ministry of Finance

Preliminary Results for 2016

Total tax revenues are expected to be TD 18,835 million in 2016 (based on preliminary results), as compared to TD 18,487 million in 2015, reflecting an increase of TD 348 million, or 1.9%.

Direct taxes are expected to be TD 7,795 million in 2016 (based on preliminary results), as compared to TD 7,816 million in 2015, reflecting a decrease of TD 21 million, or 0.3%. This decrease was primarily due to a TD 1,076 million decrease in corporate tax revenues.

Personal income taxes are expected to account for 32.0% of total tax revenues in 2016 (based on preliminary results), as compared to 26.9% in 2015. Personal income tax is divided into 5 income brackets and marginal tax rates ranging from 15% to 35% (no tax is due on income below TD 1,500 per year).

Indirect taxes are expected to be TD 11,040 million in 2016 (based on preliminary results), as compared to TD 10,672 million in 2015, reflecting an increase of TD 368 million, or 3.5%. This increase was primarily due to a 4.2% increase in taxes on external products, including an 11.3% increase in VAT and a 9.8% increase in excise taxes, which was only partially offset by decreases in customs duties.

VAT is expected to account for 27.0% of total tax revenues in 2016 (based on preliminary results), as compared to 27.4% in 2015. The VAT rate is 18% on most goods and services, 6% on basic consumer goods and 12% on most retail shop sales. In addition, the rate on exports was fixed at 10% as of 1 January 2009. Excise duties are also payable on a number of products, including tobacco, petroleum and alcohol, as are import, export and other customs duties

Results for 2015

Total tax revenues were TD 18,487 million in 2015, as compared to TD 18,674 million in 2014, reflecting a decrease of TD 186 million, or 1.0%.

Direct taxes were TD 7,816 million in 2015, as compared to TD 8,169 million in 2014, reflecting a decrease of TD 354 million, or 4.3%. This decrease was primarily due to a 30.3% decrease in revenue from corporate income taxes, which was partially offset by a 21.5% increase in revenue from personal income taxes.

Personal income taxes accounted for 26.9% of total tax revenues in 2015, as compared to 21.9% in 2014. Personal income tax is divided into 5 income brackets and marginal tax rates ranging from 15% to 35% (no tax is due on income below TD 1,500 per year).

Indirect taxes were TD 10,672 million in 2015, as compared to TD 10,504 million in 2014, reflecting an increase of TD 167 million, or 1.6%. This increase was primarily due a 7.8% increase in revenue from value added tax on domestic products.

VAT (on domestic and external products) accounted for 27.4% of total tax revenues in 2015, as compared to 27.3% in 2014.

The 2016 and 2017 Budgets

The Finance Law of 2016 was approved by the Chamber of the People's Deputies on 26 December 2015. A revised finance law for 2016, the 2016 Supplemental Budget, which was based on budgetary results for the nine months ended 30 September 2016, was presented to the Chamber of the People's Deputies for approval on 15 December 2016 and was approved on 27 December 2016. The 2016 Supplemental Budget included an increase to the public sector wage bill, as a result of wage increases in the security and education sectors, and an increase in investment in security. The 2016 Supplemental Budget assumed a GDP growth rate of 1.5% for 2016 (as compared to 2.5% in the original 2016 budget), an average oil price of U.S.$50 per barrel (as compared to U.S.$55 per barrel in the original 2016 budget) and an annual exchange rate of TD 2.120 = U.S.$1.00 (as compared to TD 1.970 = U.S.$1.00 included in the original 2016 budget). The 2016 Supplemental Budget provided for a budget deficit of 5.7% of GDP (excluding privatisation, confiscation and grants), as compared to 3.9% of GDP provided for in the original 2016 budget.

The 2017 budget aims to achieve further fiscal consolidation, while preserving priority spending, through the registering of a nominal increase in revenues (through increased tax collection and the introduction of an exceptional tax on corporate profits), an increase of energy subsidies, primarily as a result of moderate international oil prices. In respect of public sector wages, the 2017 budget provides for a partial wage freeze and delays the full implementation of the agreement with the UGTT; pursuant to the 2017 budget, 50% of the planned wage increase will be provided in the form of a tax deferral from January 2017 until November 2017, while the remainder of the planned wage increase will be settled in 2018 (see "*The Tunisian Economy—Prices and Wages—Public Sector Wages*"). The 2017 budget also assumes the completion of reforms of the public and private sector pension funds, which are yet to be negotiated with the relevant parties, including the trade unions.

The 2017 budget forecasts GDP growth at 2.5% and a budget deficit of 5.0% of GDP (including privatisation, confiscation and grants) in 2017 and 5.4% of GDP (excluding privatisation, confiscation and grants) and assumes that global Brent oil prices will average U.S.$50.0 per barrel (with an exchange rate of TD 2.25 = U.S.$1.00), as compared to U.S.$44 per barrel in 2016. Although subsidised prices of gas and electricity may be adjusted in 2017, the 2017 budget provides for a 229.9% increase in oil subsidies (to TD 650 million), as compared to the 2016 Supplemental Budget (TD 197 million), due to a projected decline in domestic crude oil production coupled with an increase in global oil prices.

If international oil prices stay below the budgeted price, there could be a further decrease in the budget deficit in 2017, as every U.S.$10 per barrel by which oil prices fall is estimated to generate an approximate net gain of TD 470 million for the budget. However, while lower oil prices reduce The Republic of Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar. If oil prices increase, there could be an increase in the budget deficit as every U.S.$10 per barrel by which oil prices rise is estimated to generate net additional expenses of TD 470 million for the budget. There can be no assurance that the Government's current budget deficit forecast for 2017 will not be increased. *See "Risk Factors—Risks relating to The*

Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Oil price vulnerability and subsidies".

Subsidies

The protection of vulnerable segments of the population remains an import goal of the Government and, in order to achieve this goal, the Government offers subsidies on basic products, including food, transportation and energy to low-income Tunisians. Prior to 2014, Government spending on subsidies had increased year-on-year. Accordingly, the Government has made efforts to reform its subsidy policies, particularly in respect of energy subsidies.

In recent years, and in response to higher than expected average oil prices in 2011 to 2013, the Government maintained high subsidies on oil products, resulting in an increase in total subsidies (including oil, food and transport) of 91.3% in 2011 (to approximately 4.4% of GDP), 26.3% in 2012 (to approximately 5.1% of GDP) and 52.1% in 2013 (to approximately 7.3% of GDP). In the 2014 and 2015 budgets, the Government introduced programmes to reduce energy subsidies, and further cuts to subsidies were provided for in the 2016 budget (as supplemented). In 2014, oil subsidies decreased by 37.0%, as compared to 2013, and, in 2015, oil subsidies decreased by 61.0%, as compared to 2014. In 2016, based on preliminary figures, oil subsidies decreased by 78.5%, as compared to 2015. Lower global oil prices and reduced production contributed to these decreases in oil subsidies. Although subsidised prices of gas and electricity may be adjusted in 2017, the 2017 budget provides for a 229.9% increase in oil subsidies (to TD 650 million), as compared to the 2016 Supplemental Budget (TD 197 million), due to a projected decline in domestic crude oil production coupled with an increase in global oil prices. See "*Risk Factors—Risks Relating to the Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Oil price vulnerabilities and subsidies*".

The table below sets forth details on the Government's spending on subsidies for the years indicated:

Subsidies

	2012	2013	2014	2015	2016 *(prelim. and Supplemental Budget)*[1]	2016 Original Budget	2017 Budget
				(TD millions)			
Energy Subsidies	2,111	3,734	2,353	918	197	579	650
Basic Products	1,236	1,450	1,417	1,549	1,600	1,600	1,600
Transportation	277	330	384	416	433	433	450
Total	**3,624**	**5,514**	**4,154**	**2,883**	**2,230**	**2,612**	**2,700**

Note:

(1) The preliminary results for 2016 are based on interim results for the nine months ended 30 September 2016 and projections to the end of 2016 and are subject to amendment and revision. The 2016 Supplemental Budget was compiled on the basis of the same interim results and projections, and, accordingly, the preliminary results for 2016 and the 2016 Supplemental Budget figures are the same.

Source: Ministry of Finance

In 2016, the Government's total spending on subsidies was TD 2,230 million (based on preliminary results) (of which TD 197 were energy subsidies, TD 1,600 million were subsidies for basic products and TD 433 million were subsidies for transportation), as compared to TD 2,883 million in 2015 (of which TD 918 million were energy subsidies, TD 1,549 million were basic products and TD 416 million were transportation subsidies).

Food and Transportation Subsidies

Subsidies for basic products and transportation have increased since 2011, primarily due to programs implemented by the Government to support vulnerable segments of the Tunisian population. Such support programs, include a household support program introduced in June 2014, which increased cash transfers to vulnerable households by 10%, broadened the number of beneficiary families in the existing cash transfer programme from 220,000 in 2013 to 250,000 in 2014 and provided additional transfers of TD 10 per month per child to vulnerable families with school children (up to three per family). In addition, approximately 550,000 Tunisians benefit from cards entitling them to discounts on food and other basic products.

The Government is finalising the introduction of a unique social identification number system, which is intended to be used as the basis for a new registry of vulnerable households. This registry, which is expected to be introduced during 2017, is expected to permit the Government to better target its subsidy spending.

Energy Subsidies

Since 2011, the Government has adopted a number of measures to reduce energy subsidies. In September 2012, gasoline and diesel prices and electricity tariffs were increased by an average of 7%. In March 2013, the Government raised the prices of these products further by an average of 7-8%.

In January 2014, the Government adopted a programme to reduce subsidies on oil products by TD 657 million (0.8% of GDP) through adjustments of petroleum products prices and electricity and gas tariffs, especially for energy-intensive sectors, including cement factories. Under this scheme, adjustments to fuel prices are triggered if there is a cumulative U.S.$ 6 per barrel increase in fuel prices within any given quarter. In July 2014, gas prices increased by 6.4% and diesel prices increased by approximately 7%. Electricity tariffs and natural gas prices also increased for medium- and low-voltage consumers in 2014, with 10% increases in January 2014 and May 2014. In parallel, subsidies to cement companies were reduced by 50% in January 2014 and were eliminated in June 2014.

In order to smoothen large fluctuations in international prices and help ensure full cost recovery and appropriate tax collection, the Government took the opportunity of lower international oil prices to replace the existing price adjustment mechanism for petroleum products with an automatic symmetric price adjustment mechanism in the original Finance Law for 2016. This automatic price adjustment mechanism was due to take effect from July 2016. Pursuant to this mechanism, domestic prices of petrol, diesel 50 and ordinary diesel will be automatically adjusted every three months in line with changes to international market prices, thereby depoliticising the setting of prices for energy prices and reducing Government subsidies. The first application of the automatic price adjustment mechanism in July 2016 resulted in an increase in the price of petrol by TD 0.040 per litre and a decrease in the price of diesel 50 and ordinary diesel by TD 0.030 per litre and TD 0.060 per litre, respectively. As a result, the Government intervened and decided to maintain the price of petrol at TD 1.650 per litre and decreased the price of diesel 50 and ordinary diesel to TD 1.420 and TD 1.140 per litre, respectively. The second application of the automatic price adjustment mechanism in October 2016 resulted in a reduction of the price of ordinary diesel by TD 0.001 per litre, an increase of TD 0.001 per litre in the price of diesel 50 an increase of TD 0.010 per litre in the price of petrol. As a result, the Government intervened and maintained the prices it set in July 2016. The Government has announced that application of the automatic price adjustment mechanism (without intervention) will take effect from January 2017 and is expected to be applied every three months. No adjustment has occurred to date in 2017. The automatic price adjustment mechanism is scheduled to be evaluated in July 2017. In addition, the Government is continuing to subsidise other energy products, including liquefied petroleum gas, natural gas, fuel and electricity.

Although the Government's reforms of its subsidies policies have resulted in savings, the cost to the Government of subsidies remains linked to international commodity prices, particularly crude oil. As a result, significant subsidy savings were made in 2014, 2015 and 2016 as a result of lower international oil prices.

Every additional U.S.$10 per barrel of crude oil is estimated to generate approximate net additional expenses of TD 470 million for the budget in 2017. In addition, while lower oil prices reduce The Republic of Tunisia's energy costs, such reduced costs could be partially or completely offset by the appreciation of the U.S. Dollar against the Tunisian Dinar. Every appreciation of the U.S. Dollar by TD 0.010 is estimated to generate approximate net additional expenses of TD 16 million for the budget and additional revenue of TD 10 million. When crude oil prices rise, most of the resulting costs are borne by the Government. If the costs of subsidies rise, or the Government is not successful in further reforming the subsidy system, there could be a material adverse effect on The Republic of Tunisia's budget deficit and economy. See "*Risk Factors—Risks relating to The Republic of Tunisia—The Tunisian economy faces significant challenges, which has increased pressure on Tunisia's public finances and has led to rising current account deficits and Government budget deficits—Oil Price vulnerability and subsidies*".

Tax Reforms

The Government has implemented a number of reforms in the tax sector over the last five years, including halving the corporate tax difference between the onshore and offshore sectors and the modification or simplification of the presumptive tax system. The tax reforms that have been implemented in recent years include:

- reducing the rate of corporation tax from 30% to 25% with effect from 1 January 2015;
- increasing the rate of corporation tax for export profit tax to 10% with effect from 1 January 2014 for entities incorporated after this date;
- taxing dividend distributions at a rate of 5% with effect from 1 January 2015;
- removing certain categories of items subject to VAT;

- reducing certain customs duties in the Finance Law for 2016;
- prohibiting cash payments for tax amounts due in excess of TD 5,000, with effect from 1 January 2016;
- restricting the presumptive tax regime to apply only to companies with annual revenues of less than TD 100,000 and for such regime only to apply for a maximum of three years (introduced in the Finance Law for 2016).

The Government has also announced its intention to restructure the current three tiered VAT system (comprising a 18% general rate, a 12% rate for certain professional services (*i.e.*, lawyers and experts, services rendered to hotels and the transportation of certain goods) and a 6% rate for products and services of necessity (*i.e.*, doctors' fees and pharmaceutical products)) to a two tiered system comprising rates of 18% and 6%.

These, among other measures, including further income tax reforms, a reduction in the rate of corporation tax and the rationalisation of tax incentives, are expected to be included in a new tax code, which has been submitted to the Chamber of the People's Deputies and discussed at the National Tax Consultation in November 2014. As at the date of this Prospectus, the new tax code has not been approved by the Chamber of the People's Deputies.

The Ministry of Finance has also prepared a new tax reform strategy, which is expected to increase tax revenues by 1.5% of GDP in the medium-term. This tax reform strategy, which is subject to the approval of the Council of Ministers, is expected to be implemented between 2016 and 2019 and comprises the following key reforms:

- modernising the tax administration through, *inter alia*, administrative reorganisation, simplification of tax procedures and improvement of risk management, management control and internal audit tools; and
- improving transparency and increasing efforts to combat tax evasion.

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 New Organisation Law, the Bank may also borrow in foreign currency in the international financial markets, either on its own behalf, or acting on behalf of The Republic of Tunisia, as agent.

In the past, The Republic of Tunisia has accessed the international financial markets through a number of syndicated international bank loans, which it signed directly, as well as through a number of bond offerings and private placements (denominated in Japanese Yen, U.S. Dollars and Euros) issued by the Bank, as agent, on behalf of The Republic of Tunisia. In addition, The Republic of Tunisia has entered into a number of loan facilities with multilateral and bilateral partners.

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 on behalf of The Republic of Tunisia, the relevant proceeds of the bond issue are made available to The Republic of Tunisia, subject to the terms and conditions of those bonds, and are converted into Tunisian Dinars. The Notes being issued pursuant to this Prospectus are being issued by the Bank acting on behalf of The Republic of Tunisia, as agent, and, therefore, constitute obligations of The Republic of Tunisia. See "*Risk Factors—Risks Relating to the Notes—The Republic of Tunisia is a sovereign state, and the Bank is an instrumentality of The Republic of Tunisia, and it may, therefore, be difficult for investors to obtain or realise judgments of courts in other countries or The Republic of Tunisia*".

The following table sets forth Tunisia's overall public debt as at the dates indicated:

Public Debt[1]

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016**[2]
			(TD millions)		
Internal debt	11,706.3	15,024.1	16,273.4	17,028.3	19,534.7
External debt[3]	19,713.8	19,962.7	24,781.0	29,893.7	36,335.8
Total debt	**31,420.1**	**34,986.8**	**41,054.4**	**46,922.0**	**55,870.5**
% of GDP	44.7	46.6	50.8	54.9	61.2

Notes:
(1) Certain figures in this table have been revised and differ from previously published figures.
(2) Provisional data.
(3) Disbursements under the IMF SBA are accounted for as external debt and amounted to TD 2,521 million as at 31 December 2015. Disbursements under the IMF EFF are accounted for as external debt and accounted for TD 3,503.3 million as at 31 December 2016.

Sources: Ministry of Finance and the Bank.

See "*Risk Factors—Risks relating to The Republic of Tunisia—High levels of debt could have a material adverse effect on Tunisia's economy and its ability to service its debt, including the Notes*".

The following table sets forth information with regard to the evolution of Tunisia's public debt and debt service as at the dates indicated:

Public Debt and Debt Service Levels

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016**[1]
			(TD millions)		
Total Debt	**31,420.0**	**34,986.8**	**41,054.4**	**46,922.0**	**55,870.5**
Interest Payments					
Internal debt	681.1	843.9	949.3	956.9	1,159.6
External debt	586.5	570.2	566.4	687.5	816.8
Total	**1,267.6**	**1,414.1**	**1,515.7**	**1,644.4**	**1,976.4**
Principal Payments					
Internal debt	925.1	1,332.6	2,277.3	1,791.9	1,694.9
External debt	1,927.2	1,676.6	1071.9	1,177.0	1,382.0
Total	**2,852.3**	**3,009.2**	**3,349.2**	**2,968.9**	**3,076.9**
Total Debt Service					
Internal debt	1,606.2	2,176.5	3,226.6	2,748.8	2,854.5
External debt	2,513.7	2,246.8	1,638.3	1,864.5	2,198.8
Total	**4,119.9**	**4,423.3**	**4,864.9**	**4,613.3**	**5,053.3**

Note:
(1) Provisional data.

Sources: Ministry of Finance and the Bank.

Internal Debt

Prior to 1991, domestic financing of the fiscal deficit was achieved primarily through the placement of ten-year Treasury investment bonds at below-market rates with domestic banks, which were required to purchase the bonds. As part of a financial liberalisation programme, the Government has, since 1991, relied mainly on Treasury bills at market-related interest rates to finance the deficit. Treasury bills were first introduced in 1989 and their terms have been modified on several occasions. These securities, which have maturities ranging from 13 weeks to 15 years, are placed through weekly auctions to domestic banks, which then sell them to the public. The rates for Treasury bills bid by the banks have remained virtually constant with respect to the key interest rate, and the interest rates for the shortest maturities are only slightly lower than for the longest-maturity Treasury bills.

The following table sets forth trends in Tunisia's internal public debt at the dates indicated:

Internal Debt

	2012	2013	2014	2015	2016[(1)]
	(TD millions, except percentages)				
Total Public Debt					
Investment bonds and other	4,127.9	6,819.5	6,886.2	6,821.2	7,052.6
Treasury bills	7,578.3	8,204.6	9,387.2	10,207.1	12,482.1
	11,706.2	**15,024.1**	**16,273.4**	**17,028.3**	**19,534.7**
Debt Service					
Principal					
Investment bonds and other	128.7	199.6	231.4	245.7	200.7
Treasury bills	796.4	1,133.0	2,045.9	1,546.2	1,494.2
	925.1	**1,332.6**	**2,277.3**	**1,791.9**	**1,694.9**
Interest					
Investment bonds and other	163.1	284.5	321.9	341.7	344.9
Treasury bills	518.0	559.4	627.4	615.2	814.7
	681.1	**843.9**	**949.3**	**956.9**	**1,159.6**
Total Internal Debt Service	**1,606.2**	**2,176.5**	**3,226.6**	**2,748.8**	**2,854.5**
% of total gross revenues	8.7%	10.9%	15.8%	13.6%	13.3%

Note:
(1) Provisional data.

Source: Ministry of Finance

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

52-Week Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(in TD millions)*
01/12/2016	01/03/2017	4.62	5.000	5.000
01/26/2016	02/07/2017	4.65	5.000	10.000
05/10/2016	05/23/2017	4.68	10.000	20.000
06/28/2016	06/27/2017	4.60	5.000	25.000
09/27/2016	10/10/2017	4.79	6.700	31.700
10/04/2016	10/10/2017	4.90	5.000	36.700
10/11/2016	10/10/2017	4.90	2.000	38.700
11/01/2016	11/07/2017	4.82	9.000	47.700
11/08/2016	11/07/2017	4.81	9.750	57.450
12/06/2016	12/05/2017	4.80	5.000	62.450
12/13/2016	12/05/2017	4.81	7.000	69.450
12/27/2016	01/02/2018	4.81	7.000	76.450
Total..........			**76.450**	

Four-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(in TD millions)*
01/15/2014	01/15/2018	5.707	4.500	4.500
02/12/2014	01/15/2018	5.724	18.100	22.600
03/12/2014	01/15/2018	5.736	8.000	30.600
04/10/2014	01/15/2018	5.744	49.200	79.800
09/10/2014	01/15/2018	5.777	2.500	82.300
10/15/2014	01/15/2018	5.792	54.500	136.800
11/12/2014	01/15/2018	5.814	20.000	156.800
12/10/2014	01/15/2018	6.046	120.000	276.800
02/11/2015	01/15/2018	5.996	40.000	316.800
03/11/2015	01/15/2018	6.014	19.200	336.000
06/10/2015	01/15/2018	6.038	23.000	359.000
07/15/2015	01/15/2018	6.049	20.100	379.100
08/12/2015	01/15/2018	6.111	15.100	394.200
09/09/2015	01/15/2018	6.111	35.000	429.200
10/13/2015	01/15/2018	6.124	37.800	467.000
02/10/2016	01/15/2018	5.603	2.000	469.000
03/09/2016	01/15/2018	5.627	10.000	479.000
Total..........			**479.000**	

Six-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(in TD millions)*
02/11/2015	01/13/2021	6.384	50.600	50.600
03/11/2015	01/13/2021	6.394	142.500	193.100
04/15/2015	01/13/2021	6.417	106.600	299.700
06/10/2015	01/13/2021	6.464	140.900	440.600
07/15/2015	01/13/2021	6.494	62.000	502.600
08/12/2015	01/13/2021	6.553	83.100	585.700
09/09/2015	01/13/2021	6.558	107.700	693.400
06/15/2016	02/11/2022	6.720	215.400	215.400
07/13/2016	02/11/2022	6.994	300.900	516.300
09/14/2016	02/11/2022	7.255	217.000	733.300
Total..			**1426.700**	

Seven-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
10/12/2011	10/12/2018	6.080	66.500	66.500
11/09/2011	10/12/2018	6.057	41.000	107.500
12/14/2011	10/12/2018	6.084	51.800	159.300
01/11/2012	10/12/2018	6.123	10.500	169.800
02/15/2012	10/12/2018	6.134	26.900	196.700
03/14/2012	10/12/2018	6.142	42.300	239.000
04/11/2012	10/12/2018	6.142	33.800	272.800
06/13/2012	10/12/2018	6.134	1.800	274.600
07/11/2012	10/12/2018	6.142	28.000	302.600
08/15/2012	10/12/2018	6.144	23.940	326.540
09/12/2012	10/12/2018	6.151	28.300	354.840
10/10/2012	10/12/2018	6.174	64.500	419.340
11/14/2012	10/12/2018	6.170	3.200	422.540
12/12/2012	10/12/2018	6.150	38.500	461.040
01/16/2013	10/12/2018	6.130	20.500	481.540
02/13/2013	10/12/2018	6.080	30.000	511.540
03/13/2013	10/12/2018	6.040	54.200	565.740
04/10/2013	10/12/2018	6.050	45.200	610.940
05/15/2013	10/12/2018	6.800	89.750	700.690
06/12/2013	02/12/2020	6.204	63.700	63.700
07/17/2013	02/12/2020	6.220	66.100	129.800
08/14/2013	02/12/2020	6.210	75.280	205.080
09/11/2013	02/12/2020	6.214	97.850	302.930
10/09/2013	02/12/2020	6.220	89.400	392.330
11/13/2013	02/12/2020	6.230	119.000	511.330
12/11/2013	02/12/2020	6.224	90.350	601.680
09/10/2014	02/12/2020	6.153	62.200	663.880
10/15/2014	02/12/2020	6.174	61.700	725.580
01/15/2014	10/14/2020	6.253	105.000	105.000
02/12/2014	10/14/2020	6.244	188.000	293.000
03/12/2014	10/14/2020	6.254	143.500	436.500
04/10/2014	10/14/2020	6.266	182.250	618.750
11/12/2014	10/14/2020	6.304	38.300	657.050
12/10/2014	10/14/2020	6.397	244.000	901.050
10/13/2015	04/13/2023	6.649	224.000	224.000
11/11/2015	04/13/2023	6.499	70.000	294.000
11/25/2015	04/13/2023	6.542	92.000	386.000
12/09/2015	04/13/2023	6.580	51.200	437.200
12/23/2015	04/13/2023	6.604	44.400	481.600
02/10/2016	04/13/2023	6.631	271.500	753.100
10/12/2016	10/12/2023	7.554	123.000	123.000
11/09/2016	10/12/2023	7.461	4.000	127.000
11/30/2016	10/12/2023	7.175	440.780	567.780
12/14/2016	10/12/2023	7.229	168.000	735.780
04/13/2016	01/12/2024	6.724	171.200	171.200
05/11/2016	01/12/2024	6.798	65.700	236.900
Total........			**4,053.100**	

Ten-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
07/11/2007	07/11/2017	6.914	26.800	26.800
09/12/2007	07/11/2017	6.900	50.400	77.200
10/10/2007	07/11/2017	6.891	27.000	104.200
11/14/2007	07/11/2017	6.891	61.200	165.400
12/12/2007	07/11/2017	6.897	38.300	203.700
02/13/2008	07/11/2017	6.851	37.600	241.300
06/11/2008	07/11/2017	6.740	20.000	261.300
10/15/2008	07/11/2017	6.553	50.500	311.800
11/12/2008	07/11/2017	6.442	77.000	388.800
12/10/2008	07/11/2017	6.296	89.500	478.300
01/14/2009	07/11/2017	6.132	45.000	523.300
02/11/2009	07/11/2017	5.672	30.000	553.300
02/19/2014	07/11/2017	5.746	190.651	743.951
03/11/2009	03/11/2019	4.942	58.700	58.700
04/15/2009	03/11/2019	4.803	27.700	86.400
08/05/2009	03/11/2019	5.039	46.000	132.400
09/09/2009	03/11/2019	5.061	15.000	147.400
10/14/2009	03/11/2019	5.099	42.000	189.400
11/11/2009	03/11/2019	5.113	60.000	249.400
12/09/2009	03/11/2019	5.139	70.000	319.400
01/13/2010	03/11/2019	5.132	77.000	396.400
02/10/2010	03/11/2019	5.140	30.000	426.400
03/10/2010	03/11/2019	5.161	12.400	438.800
04/14/2010	03/11/2019	5.208	22.500	461.300
05/12/2010	03/11/2019	5.238	32.000	493.300
06/09/2010	03/11/2019	5.309	34.000	527.300
07/14/2010	03/11/2019	5.428	18.200	545.500
08/11/2010	03/11/2019	5.607	70.000	615.500
09/14/2011	03/11/2019	6.170	32.900	648.400
09/10/2014	04/10/2024	6.393	41.000	41.000
10/14/2014	04/10/2024	6.404	40.000	81.000
11/12/2014	04/10/2024	6.426	13.000	94.000
12/10/2014	04/10/2024	6.543	40.500	134.500
02/11/2015	04/10/2024	6.514	58.300	192.800
03/11/2015	04/10/2024	6.434	64.800	257.600
04/15/2015	04/10/2024	6.550	50.700	308.300
06/10/2015	04/10/2024	6.570	7.300	315.600
07/15/2015	04/10/2024	6.591	44.800	360.400
08/12/2015	04/10/2024	6.617	23.500	383.900
09/09/2015	04/10/2024	6.648	3.400	387.300
03/09/2016	04/10/2024	6.684	241.200	628.500
10/13/2015	10/14/2026	6.724	147.100	147.100
11/11/2015	10/14/2026	6.534	100.100	247.200
11/25/2015	10/14/2026	6.650	108.600	355.800
12/09/2015	10/14/2026	6.668	71.200	427.000
12/23/2015	10/14/2026	6.694	14.600	441.600
02/10/2016	10/14/2026	6.713	160.100	601.700
03/09/2016	10/14/2026	6.738	78.700	680.400
04/13/2016	10/14/2026	6.764	106.400	786.800
05/11/2016	10/14/2026	6.799	30.700	817.500
06/15/2016	03/11/2026	6.830	72.400	72.400
07/13/2016	03/11/2026	7.060	169.300	241.700
09/14/2016	03/11/2026	7.313	56.500	298.200
10/12/2016	03/11/2026	7.632	12.000	310.200
11/09/2016	03/11/2026	7.618	2.000	312.200
11/30/2016	03/11/2026	7.352	49.283	361.483
12/14/2016	03/11/2026	7.454	102.200	463.683
Total			**3,302.034**	

Ten-Year Zero Coupon Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
10/12/2008	12/10/2018	0.000	100.350	100.350
Total			**100.350**	

Twelve-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
08/11/2010	08/11/2022	5.606	10.000	10.000
03/09/2011	08/11/2022	5.979	8.600	18.600
04/13/2011	08/11/2022	6.123	19.800	38.400
05/11/2011	08/11/2022	6.143	8.500	46.900
06/15/2011	08/11/2022	6.201	66.300	113.200
07/13/2011	08/11/2022	6.203	7.100	120.300
08/10/2011	08/11/2022	6.216	14.000	134.300
10/12/2011	08/11/2022	6.214	22.000	156.300
11/09/2011	08/11/2022	6.190	23.200	179.500
12/14/2011	08/11/2022	6.203	33.000	212.500
01/11/2012	08/11/2022	6.201	6.000	218.500
02/15/2012	08/11/2022	6.223	17.800	236.300
03/14/2012	08/11/2022	6.232	57.600	293.900
04/11/2012	08/11/2022	6.233	21.000	314.900
06/13/2012	08/11/2022	6.264	6.020	320.920
07/11/2012	08/11/2022	6.262	9.000	329.920
08/15/2012	08/11/2022	6.263	5.900	335.820
09/12/2012	08/11/2022	6.262	20.800	356.620
10/10/2012	08/11/2022	6.262	2.500	359.120
11/14/2012	08/11/2022	6.270	4.500	363.620
12/12/2012	08/11/2022	6.280	5.400	369.020
01/16/2013	08/11/2022	6.280	5.000	374.020
02/13/2013	08/11/2022	6.260	19.300	393.320
03/13/2012	08/11/2022	6.260	35.000	428.320
04/10/2013	08/11/2022	6.270	22.500	450.820
05/15/2013	08/11/2022	6.280	33.000	483.820
06/12/2013	08/11/2022	6.304	17.400	501.220
08/14/2013	08/11/2022	6.310	5.800	507.020
09/11/2013	08/11/2022	6.314	8.200	515.220
10/09/2013	08/11/2022	6.324	5.000	520.220
11/13/2013	08/11/2022	6.324	16.795	537.015
12/11/2013	08/11/2022	6.324	10.670	547.685
01/15/2014	08/11/2022	6.321	60.500	608.185
02/12/2014	08/11/2022	6.323	43.600	651.785
03/12/2014	08/11/2022	6.334	53.090	704.875
04/13/2016	04/13/2028	6.887	34.000	34.000
05/11/2016	04/13/2028	7.017	101.200	135.200
06/15/2016	04/13/2028	7.139	77.500	212.700
07/13/2016	04/13/2028	7.349	94.900	307.600
09/14/2016	04/13/2028	7.634	55.800	363.400
10/12/2016	04/13/2028	7.827	121.500	484.900
11/09/2016	04/13/2028	7.792	110.160	595.060
11/30/2016	04/13/2028	7.578	20.959	616.019
12/14/2016	04/13/2028	7.602	121.200	737.219
Total			**1,442.094**	

Fifteen-Year Bonds - Full Repayment at Maturity

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding as at 31 December 2016
Month/Date/Year	*Month/Date/Year*	*(%)*	*(TD millions)*	*(TD millions)*
05/09/2007	05/09/2022	7.183	25.000	25.000
06/13/2007	05/09/2022	7.183	38.900	63.900
07/11/2007	05/09/2022	7.180	8.000	71.900
11/14/2007	05/09/2022	7.154	25.200	97.100
12/12/2007	05/09/2022	7.158	25.600	122.700
02/13/2008	05/09/2022	7.100	19.900	142.600
10/15/2008	05/09/2022	6.816	4.500	147.100
01/14/2009	05/09/2022	6.500	41.100	188.200
02/11/2009	05/09/2022	6.192	68.000	256.200
03/19/2014	05/09/2022	6.369	98.489	354.689
04/23/2014	05/09/2022	6.370	7.698	362.387
10/07/2014	05/09/2022	6.338	176.331	538.718
10/19/2015	05/09/2022	6.618	129.200	667.918
Total..			**667.918**	

Source: Ministry of Finance

In May 2014, the Government initiated a "national borrowing campaign" to issue Government securities of small denominations. This campaign resulted in large subscriptions by the public and Tunisian banks amounting to TD 955 million.

External Debt

External public debt as a percentage of GDP was 28.0% at 31 December 2012, as compared to 39.8% as at 31 December 2016.

The following table sets forth Tunisia's external public debt as at the dates indicated:

External Debt

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016[(1)]**
	(TD millions, except percentages)				
Total External Debt	19,713.8	19,962.7	24,781.0	29,894.8	36,335.8
% of GDP	28.0.%	26.6%	30.7%	34.9%	39.8%
Debt Service					
Principal	1,927.2	1,676.6	1,071.9	1,177.0	1,382.0
Interest[(2)]	586.5	570.2	566.4	687.5	816.8
Total External Debt Service	**2,513.7**	**2,246.8**	**1,638.3**	**1,864.5**	**2,198.8**
% of total gross revenues	13.6%	11.2%	8.0%	9.2%	10.2%

Notes:
(1) Provisional data.
(2) Figures in this table may differ from those set out elsewhere in this Prospectus due to differing rounding conventions.

Source: Ministry of Finance and the Bank

The following table sets forth the breakdown by currency of Tunisia's external public debt as at the dates indicated:

External Public Debt by Currency

	As at 31 December 2016				
	2012	**2013**	**2014**	**2015**	**2016[(1)]**
	(% of total external public debt)				
Euros	53.6	53.5	43.2	40.9	40.0
U.S. Dollars	22.7	23.5	27.2	31.2	31.9
Japanese Yen	18.0	16.8	16.4	14.4	13.8
Other[(2)]	5.7	6.2	13.2	13.5	14.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes:
(1) Provisional data.
(2) Including disbursements under the SBA and the EFF with the IMF.

Sources: Ministry of Finance and the Bank

The following table sets forth details of The Republic of Tunisia's issuances of external public debt on the international capital markets as at 31 December 2016:

External Public Debt by International Issue

Issue	Maturity Date	Interest Rate	Principal Amount on Issue	Principal Amount Outstanding as at 31 December 2016
Banque Centrale de Tunisie Japanese Yen Bonds – Sixth Series (1997)	August 2017	4.35%	¥12,500,000,000	¥12,500,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – First Series (2000)	August 2030	4.30%	¥15,000,000,000	¥15,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Second Series (2001)	March 2031	4.20%	¥20,000,000,000	¥20,000,000,000
Banque Centrale de Tunisie Japanese Yen Private Placement (2003)	February 2033	3.50%	¥30,000,000,000	¥30,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Seventh Series (2007)	August 2027	3.28%	¥30,000,000,000	¥30,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2012)	December 2022	1.19%	¥25,000,000,000	¥25,000,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2013)	August 2023	2.04%	¥22,400,000,000	¥22,400,000,000
Banque Centrale de Tunisie Japanese Yen Bonds – Guaranteed by JBIC (2014)	October 2024	1.61%	¥50,000,000,000	¥50,000,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds – Second Series (1997)	September 2027	8.25%	U.S.$150,000,000	U.S.$150,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds (2012)	April 2017	2.5%	U.S.$500,000,000	U.S.$500,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds– Guaranteed by USAID (2012)	July 2019	1.686%	U.S.$485,000,000	U.S.$485,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds– Guaranteed by USAID (2014)	July 2021	2.452%	U.S.$500,000,000	U.S.$500,000,000
Banque Centrale de Tunisie Euro Bonds (2005)	June 2020	4.50%	€400,000,000	€400,000,000
Banque Centrale de Tunisie Euro Bonds (2015)	January 2025	5.75%	U.S.$1,000,000,000	U.S.$1,000,000,000
Banque Centrale de Tunisie U.S. Dollar Bonds– Guaranteed by USAID (2016)	August 2021	1.416%	U.S.$500,000,000	U.S.$500,000,000

Source: The Bank

The following tables set forth a breakdown by creditor type of the external debt of the Government as at the dates indicated:

External Public Debt by Creditor Type[1]

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016**[2]
			(TD millions)		
Bilateral sources	**4,896.6**	**4,918.8**	**5,527.2**	**5,542.9**	**5,951.8**
France	2,341.3	2,549.2	2,479.1	2,309.4	2,380.1
Germany	209.8	205.6	181.1	170	215.6
Japan	1,151.2	929.0	885.4	878.1	978.4
United States	46.5	43.5	43.7	41.2	39.9
Italy	360.4	424.9	452.5	479.2	563.1
Saudi Arabia	38.8	38.8	166.3	220.1	272.2
Other	748.6	727.9	1,319.1	1,444.9	1,502.5
Multilateral sources	**9,166.6**	**9,851.1**	**12,113.2**	**14,732.9**	**18,144.7**
International Bank for Reconstruction and Development	3,183.5	3,287.1	3,599.9	4,596.0	5,125.9
African Development Bank	3,771.4	4,179.1	4,299.3	4,781.0	6,268.5
European Investment Bank	1,182.7	1,247.4	1,193.0	1,171.1	1,357.9
Arab Fund for Economic and Social Development	712.8	743.3	758.8	753.4	941.6
IMF	0.0	0.0	1,857.70	2,521.5	3,503.3
Other	316.2	394.1	404.5	909.9	947.5
International financial markets	**5,650.6**	**5,192.7**	**7,140.6**	**9,617.9**	**12,239.3**
Euro	1,496.0	905.8	905.7	880.6	970.4
U.S. Dollars	1,763.7	1,863.6	3,045.4	5,309.3	7,225.5
Japanese Yen	2,390.9	2,423.3	3,189.6	3,428.0	4,043.4
Total	**19,713.8**	**19,962.7**	**24,781.0**	**29,893.7**	**36,335.8**

Note:
(1) Certain figures in this table have been revised and differ from previously published figures.
(2) Provisional data.

Sources: Ministry of Finance and the Bank

External Public Debt by Creditor Type

	As at 31 December					
	2011	2012	2013	2014	2015	2016[(1)]
	(% of total external public debt as at the relevant date)					
Bilateral sources	**27.7**	**24.8**	**24.7**	**22.3**	**18.5**	**16.4**
France	12.7	12.3	13.1	10.0	7.7	6.5
Germany	1.3	1.1	1.0	0.7	0.5	0.6
Japan	7.9	5.8	4.7	3.5	2.9	2.7
United States	0.3	0.3	0.2	0.1	0.1	0.1
Italy	2.1	1.8	2.1	1.8	1.6	1.6
Saudi Arabia	0.2	0.2	0.2	0.7	0.7	0.7
Other	3.2	3.3	3.4	5.5	5.0	4.2
Multilateral sources	**44.2**	**46.5**	**49.3**	**48.9**	**49.3**	**49.9**
International Bank for Reconstruction and Development (World Bank)	14.6	16.3	16.6	14.5	15.3	14.1
African Development Bank	16.9	19.1	20.9	17.3	15.9	17.3
European Investment Bank	6.7	6.0	6.2	4.8	3.9	3.7
Arab Fund for Economic and Social Development	4.5	3.6	3.7	3.0	2.5	2.6
IMF	—	—	—	7.4	8.4	9.6
Other	1.5	1.5	1.9	1.9	3.3	2.6
International financial markets	**28.1**	**28.7**	**26.0**	**28.8**	**32.2**	**33.7**
Euros	8.5	7.6	4.6	3.6	2.9	2.7
U.S. Dollars	7.2	8.9	9.3	12.3	17.8	19.9
Japanese Yen	12.5	12.1	12.1	12.9	11.5	11.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:
(1) Provisional data.

Sources: Ministry of Finance and the Bank

From 2010 to 2013 and 2014 to 2016, the share of outstanding public debt owed to multilateral institutions increased, while public debt owed to bilateral partners decreased. Most multilateral cooperation comes from the African Development Bank and the World Bank, and to a lesser extent the European Investment Bank. Liabilities from bilateral assistance are owed mainly to France and Japan. Tunisia has also received significant funding from the IMF. The disbursements borrowed from the IMF under the SBA and the EFF and allocated to the state budget are classified by the Ministry of Finance as government external debt.

See "*—International Institutions—IMF*" and "*Risk Factors—Risks relating to The Republic of Tunisia—A deterioration in the level of support by its multilateral and bilateral creditors could have a material adverse effect on Tunisia*".

The following table sets forth an overview, by currency, as at 31 December 2016 of Tunisia's total (principal and interest) external public debt coming due in each of the years indicated:

External Public and Private Debt Coming Due by Currency[(1)]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
							(TD millions)						
Euros	1,078.3	1,156.5	1,025.1	1,930.8	1,045.0	935.2	850.4	911.7	819.1	767.5	844.3	809.0	564.1
U.S. Dollars	1,875.3	712.1	1,718.3	495.1	2,863.7	483.9	517.4	506.9	2,722.7	334.4	604.8	281.4	237.3
Japanese Yen	508	245	227	219	200	668	604	1126	113	104	686	72	68
SDRs	665.9	1,238.5	925.7	337.6	139.9	135.9	132.0	126.1	122.4	60.6	0.5	0.5	0.4
Kuwaiti Dinars	144.7	158.1	156.3	165.2	173.8	131.3	109.2	49.3	31.4	24.9	23.2	22.3	16.6
Saudi Riyals	13.7	35.9	31.1	30.6	27.3	24.8	24.0	21.4	20.3	19.9	19.5	19.2	18.8
Islamic Dinars	20.6	19.7	18.8	11.9	11.0	10.5	5.1	4.9	3.5	2.1	1.1	0.0	0.0
U.A.E Dirhams	4.8	4.7	4.6	4.5	3.6	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Canadian Dollars	5.6	5.6	5.5	5.4	4.8	4.7	3.4	2.9	0.5	0.5	0.4	0.4	0.4
Swiss Francs	12.8	1.7	1.5	1.5	1.4	1.4	1.3	0.7	0.2	0.0	0.0	0.0	0.0
South Korean Won	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chinese Yuan	4.0	1.1	1.1	1.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
British Pounds	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**4,338.3**	**3,581.7**	**4,117.7**	**3,205.3**	**4,473.8**	**2,399.9**	**2,248.4**	**2,751.4**	**3,835.2**	**1,316.2**	**2,182.0**	**1,206.2**	**907.4**

Note:
(1) Disbursed and outstanding debt, including monetary authority's debt.

Source: The Bank

Debt Record

Since independence in 1956, Tunisia has not defaulted on the principal or interest of any debt obligation.

International Institutions

Considerable financing from official bilateral and other multilateral sources, as well as debt rescheduling, have supported Tunisia's public finances and financial strategy.

IMF

Tunisia has been a member of the IMF since 14 April 1958. Tunisia's economic development has been supported by the following IMF arrangements: one Compensatory Facility, eight Stand-By Facilities and two Extended Credit Facilities.

In June 2013, the IMF approved a 24-month SBA in favour of Tunisia in an amount equal to U.S.$1.6 billion. The main aims of the arrangement were to achieve macroeconomic stability, facilitate stronger and more inclusive growth and protect the most vulnerable citizens of Tunisia. In May 2015, the Executive Board of the IMF approved a seven-month extension of the SBA to 31 December 2015 to provide time for the Tunisian authorities to implement the necessary policy measures under the SBA, particularly banking and fiscal reforms. In October 2015, the IMF completed its sixth review of Tunisia's performance under the SBA, which enabled the immediate disbursement of approximately U.S.$301.6 million, bringing total disbursements under the arrangement to SDR 1.0 billion (approximately U.S.$1.4 billion). The IMF noted that all quantitative performance criteria under the SBA had been met, although progress on structural reforms, including in banking and fiscal areas, had been challenging.

In October 2015, the Government and the Bank requested the replacement of the SBA with the extension of a new facility under the IMF's EFF and the SBA expired in December 2015. In February and March 2016, the IMF, the Bank and the Government held talks to discuss the potential extension of an arrangement under the EFF. On 15 April 2016, the IMF announced that Tunisian authorities and IMF staff had reached a staff-level agreement for the EFF, subject to approval by the IMF's Executive Board. On 20 May 2016, the IMF's Executive Board approved the extension of a 48-month, U.S.$2.9 billion extended arrangement under the EFF to support Tunisia's economic and financial reform priorities set out in the Government's five-year development plan. SDR 227.29 million (approximately U.S.$319.5 million) of funds were made available for immediate disbursement under the EFF, with the remaining amount to be disbursed in phases, subject to eight programme reviews. See "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*" and "*The Tunisian Economy—Recent Developments and Reforms*".

The World Bank

The portfolio of World Bank loans to Tunisia is primarily for the financing of governance, environment, rural development, human development and water infrastructure projects.

In June 2011, the World Bank approved a loan of U.S.$500 million as support to the budget, which has been disbursed, under the First Governance, Opportunities and Jobs Development Policy Loan Program. This loan was the first in a series of single-tranche multi-sector operations to support the Government in its efforts to implement a programme of social and economic reforms.

The second loan under this programme was approved in 2012 in a principal amount of €387 million, which has also been disbursed.

In April 2014, the World Bank approved a loan in a principal amount of U.S.$250 million under the Second Governance, Opportunities and Jobs Development Policy Loan Program, which has been disbursed.

In October 2015, the World Bank approved a loan in a principal amount of U.S.$500 million under the Third Governance, Opportunities and Jobs Development Policy Loan Program, which has been disbursed.

In May 2016, the World Bank Group's Board of Executive Directors endorsed the Country Partnership Framework 2016-2020, pursuant to which up to U.S.$5 billion in loans are intended to be made available over a five-year period. The targets and principles set out in the Orientation Paper formed the basis for the Country Partnership Framework 2016-2020, which is primarily aimed at creating opportunities for young people and supporting the private sector, particularly in the southern and western parts of Tunisia.

At the Tunisia 2020 investment conference in November 2016, the World Bank signed financing contracts in an amount of TD 40 million and pledged an additional TD 4.8 billion in financing by 2020. *See* "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

African Development Bank

Since the 14 January 2011 Revolution, Tunisia's partnership with the African Development Bank has mainly focused on providing support for reform efforts. In October 2011, the African Development Bank approved a U.S.$500 million loan agreement to support Tunisia in areas relating to economic growth and the reduction of regional disparities and, in November 2012, the African Development Bank approved a second loan in a principal amount of €387.6 million. In April 2015, the African Development Bank approved loans to support projects to enhance natural gas supply to underserved regions (€49.4 million), regional development and inclusive growth (€377 million), a reduction of regional disparity and to lower the unemployment rate (€183 million), infrastructure modernisation (€144 million) and road network modernisation (€192 million). In July 2016, the African Development Bank approved a €268 million loan to support reforms to modernise Tunisia's financial sector.

At the Tunisia 2020 investment conference in November 2016, the African Development Bank signed TD 309 million in financing contracts, including a TD 3 million grant. The African Development Bank also pledged to invest TD 3.7 billion and TD 5 billion in financing for development projects over a five year period. See "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

Arab Monetary Fund

The Arab Monetary Fund has supported reform efforts in Tunisia through loans directed governance reform, currency exchange and supporting the public finance sector. Since the 14 January 2011 Revolution, the Arab Monetary Fund has approved U.S.$322 million in loans to support fiscal and financial reforms. In addition, the Arab Trade Financing programme under the Arab Monetary Fund extended a U.S.$65 million line of credit to the Bank in 2013. Funds under each of these loans have been disbursed.

European Union

Tunisia benefits from certain loans from the EU. In 2011, the EU made grants in a principal amount of €90 million. In 2012, the EU made further grants in a principal amount of €100 million. In 2013, the EU made a fixed tranche grant in a principal amount of €65 million and a variable tranche grant in a principal amount of €45 million to Tunisia. Funds under each of these loans have been disbursed.

In 2014, the EU allocated €169 to Tunisia under the European Instrument for the Neighbourhood aimed at assisting Tunisia through its political transition process and to encourage reforms aimed at improving the investment climate and fostering trade and regulatory convergence with the EU. Also in 2014, the EU adopted a €300 million macro-financial assistance programme. The first tranche of €100 million under this programme was disbursed in 2015 and a second tranche of €100 million is expected to be disbursed in 2016.

In 2015, the EU committed an amount of €186.8 million to Tunisia under its Annual Action Programme for 2015. A portion of these funds were provided to assist the Government in its response to the Bardo Museum Terrorist Attack and the Sousse Terrorist Attack and the subsequent negative impact on the Tunisian economy. Other funds were used to support private sector, vocational training and employment programmes (€32 million), security sector reform programmes (€23 million), decentralisation and regional integration programmes (€43 million), programmes to support the Association Agreement and EU integration process (€12.8 million) and programmes in the cultural sector (€6 million). In December 2015, a second part of the 2015 Annual Action Programme was adopted in a total amount of €70 million to support Tunisia's social and economic reforms, as well as Tunisia's tourism sector.

In June 2016, the EU Council approved the lending of up to €500 million in macro-financial assistance to Tunisia to support economic stabilisation and the Government's reform agenda. This assistance will be available for a period of two and a half years and is expected to be provided in the form of loans to be disbursed in three instalments. The loans are expected to have a maximum average maturity of 15 years. The availability of the assistance is subject to agreement of a memorandum of understanding between the EU Commission and Tunisia, which is expected to set out economic policy and financial conditions, focusing on structural reform and public finance matters.

At the Tunisia 2020 investment conference in November 2016, the EU announced TD 500 million in grants for Tunisia by 2020. *See* "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

European Investment Bank

Following the 14 January 2011 Revolution, the European Investment Bank has capitalised on its long-term partnership with Tunisia and provided support aimed at addressing economic and social challenges. Since 2011, the European Investment Bank signed new financing operations totalling almost €1.5 billion for the implementation of new projects in key sectors of the Tunisian economy such as energy, private sector support, SMEs, infrastructure, education and social housing. In February 2016, the European Investment Bank announced the signing of finance contracts in an aggregate principal amount of €250 million to upgrade road infrastructure and increase support for entrepreneurs and project promoters in Tunisia. In May 2016, the European Investment Bank announced the granting of a €19 million loan to *Groupe Chimique Tunisien* to fund pollution reduction projects.

At the Tunisia 2020 investment conference, the President of the EIB announced that Tunisia would receive up to TD 6.8 billion of support by 2020, which will be aimed at promoting inclusive and sustainable growth, youth employment, financing infrastructure and private sector development. See "*The Tunisian Economy—Orientation Paper 2016-2020 and Development Plan—Tunisia 2020 Investment Conference*".

THE BANK AND THE BANKING SYSTEM

General

Banque Centrale de Tunisie is the central bank of The Republic of Tunisia. The Bank was founded as a national public entity and commenced operations on 3 November 1958. It is an independent legal entity with financial autonomy, pursuant to the New Organisation Law. The Bank has maintained its status as an independent legal entity after the 14 January 2011 Revolution. The independence of the Bank has been further strengthened under the New Organisation Law, Law № 2016-35, which was adopted on 25 April 2016 by the Chamber of the People's Deputies. See "—*General Functions of the Bank*".

The principal office of the Bank is located at 25, rue Hédi Nouira in Tunis. The Bank also has 11 offices throughout Tunisia in Bizerte, Gabes, Gafsa, Jendouba, Kasserine, Kairouan, Medenine, Monastir, Nabeul, Sfax and Sousse. The Bank has no foreign offices but has several correspondent bank relationships overseas. The Bank's telephone number is +216 71 12 20 00. As at 31 December 2015, the Bank employed 916 persons, as compared to 916 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. See "—*General Functions of the Bank*".

Relationship with The Republic of Tunisia

Pursuant to the New Organisation Law, the capital of the Bank is subscribed for, and held entirely by, The Republic of Tunisia. The Bank is required to present an annual report to the President, the President of the Chamber of the People's Deputies and the Head of Government in respect its monetary policy, financial stability and supervision of financial institutions activities. Pursuant to Article 80 of the New Organisation Law, the Governor of the Bank (the "**Governor**") is also required to submit an annual report, no later than 30 June of the following year, to the President, the President of the Chamber of the People's Deputies and the Head of Government, which outlines the quantitative and qualitative indicators relating to the implementation of the Bank's functions.

The Bank is also required to submit its annual financial statements, accompanied by an auditor's report, to the President, the President of the Chamber of the People's Deputies and the Head of Government. The Bank's annual financial statements must also be published in the *Official Gazette*. Every ten days, the Bank is required to submit its balance sheet to the Minister of Economy and Finance and to publish this balance sheet in the *Official Gazette*.

Any of the Bank's decisions with regard to the issuance of currency are subject to a decision of the Board (as defined below).

Pursuant to Article 71 of the New Organisation Law, the Head of Government may instruct a commission of enquiry to investigate or supervise any aspect of the Bank's performance.

By law, the accounts of the Bank must not be in deficit at the end of a fiscal year. If the year-end income statement of the Bank shows a loss, the New 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 New Organisation Law requires the Tunisian Treasury to cover the balance. Pursuant to Article 6 of the New Organisation Law, the Bank cannot be liquidated.

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 New Organisation Law. The provisions of the Public Accounting Code do not apply to the Bank.

Banker to The Republic of Tunisia

The Bank is the sole banker to The Republic of Tunisia. The Bank holds The Republic of Tunisia's current account balances and provides cash management services to The Republic of Tunisia. In addition, the Bank acts as The Republic of Tunisia's receiving bank and paying agent in relation to the issue, service and redemption of Treasury bills and other Government debt obligations. The New 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 (subject to certain legal limits). The issuance of, or participation in, a loan or *sukuk* for the account of The Republic of Tunisia must be approved by the Board, as well as by a Government decree, after consultation with the financial committee of the Chamber of the People's Deputies and following the request of the Minister of Economy and Finance.

Since 1992, The Republic of Tunisia has accessed the international financial markets through a number of syndicated international bank loans which it signed directly, as well as through a variety of bond offerings and private placements (denominated in Japanese Yen, U.S. Dollars and Euros) issued by the Bank, acting as agent for The Republic of Tunisia.

Japanese Yen proceeds from bond offerings denominated in Japanese Yen, U.S. Dollar proceeds from bond offerings denominated in U.S. Dollars and Euro proceeds from bond offerings denominated in Euros were converted into Tunisian Dinars and made available by the Bank to The Republic of Tunisia on the same terms and conditions as the original bonds. The Euro proceeds from the issuance of the Notes will also be made available to The Republic of Tunisia.

Borrowings by the Bank on its own behalf are not guaranteed by, and do not constitute obligations of, The Republic of Tunisia. The Notes issued pursuant to this Prospectus are issued by the Bank acting on behalf of The Republic of Tunisia as its agent and, accordingly, constitute obligations of The Republic of Tunisia and not of the Bank.

To enhance the independence of the Bank in conducting monetary policy, direct financing granted by the Bank to the Treasury (notably in the form of overdrafts, loans, or direct acquisition of securities issued by The Republic of Tunisia) was eliminated in 2006.

The Bank is the legal representative of The Republic of Tunisia with respect to the IMF and the Arab Monetary Fund. The Bank, on behalf of The Republic of Tunisia, paid the initial subscriptions and continues to pay The Republic of Tunisia's contributions to these organisations. Such payments, in both foreign currency and Tunisian Dinars, are accounted for as an advance to the Tunisian Treasury, the principal amount of which is the Dinar equivalent of the amount of the subscription expressed in SDRs or *Dinar Arabe de Compte*, as the case may be. Total advances made to The Republic of Tunisia in this manner was TD 810,562,581 as at 31 December 2015. Following the IMF's 14th General Review of the subscription quota to be paid by Tunisia, in February 2016, the quota was increased from SDR 286.5 million to SDR 545.2 million, which was paid by the Bank.

To ensure monetary and financial stability, Law № 2006-26 of 15 May 2006, which modified the previous organisation law for the Bank, enabled the Bank to cooperate with regulatory authorities in the financial and insurance sectors, so as to provide a cooperative regulatory framework. This ability was further affirmed by the New Organisation Law. The Bank is accordingly authorised to draw up agreements with the relevant regulators involving the exchange of information and experience, as well as training and joint inspection exercises. The Bank is also authorised to sign bilateral cooperation agreements with the supervisory authorities of foreign countries, providing for the exchange of information, especially when setting up agencies or branches of lending institutions in both countries and defining the modalities for exercising their supervisory responsibilities.

The Bank also discounts or purchases bills of exchange and guaranteed notes with maturities of less than three months payable to the order of the Treasury. The bills of exchange and guaranteed notes represent customs duties and indirect taxes due to the Treasury by importers and others and the guarantees are issued by commercial banks.

Mandate of the Bank

Under the New Organisation Law, the Bank has the general mandate of preserving price stability. With this aim, it pursues its monetary policy, controls money in circulation, supervises the sound operation of payment systems, supervises lending institutions and safeguards the stability and security of the financial system.

Organisation of the Bank

The direction and the management of the Bank are exercised by the Bank's Governor and its Board of Directors.

Roles and Responsibilities at the Bank

Governor

Pursuant to the 2014 Constitution, the Governor is appointed by the President upon a proposal of the Head of Government and the approval of such appointment by an absolute majority of the members of the Chamber of the People's Deputies. The Governor can be dismissed in the same manner or upon the request of a third of the members of the Chamber of the People's Deputies and by approval of an absolute majority of members. The Governor represents the Bank *vis-à-vis* third parties.

Deputy Governor

The Deputy Governor supports the Governor and supervises the operation of all the Bank's departments. In case of the Governor's absence or incapacity, the Deputy Governor carries out the Governor's duties. The Deputy Governor is

appointed by a presidential decree, upon a proposal submitted by the Governor of the Bank, after reaching a consensus on the candidate with the President, the President of the Chamber of the People's Deputies and the Head of Government. The Deputy Governor may be relieved of his duties by way of the same process through which he was appointed.

Board of Directors (Conseil d'Administration)

Under the New Organisation Law, the Bank's Board of Directors (the "**Board**") is composed of: the Governor; the Deputy Governor; the Chairman of the Council for Financial Markets; an official responsible for public debt at the Ministry of Finance; an official responsible for forecasts at the Ministry of Economic Development; two academics specialised in economic and financial matters appointed by government decree upon the proposal of the Governor of the Bank, following consultation with the Ministry of Higher Education; and two directors who previously held positions in banks and who have at least ten years of banking and financial experience to be appointed by governmental decree.

All members of the Board must have been Tunisian nationals for at least ten years and must be 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.

Nine members currently serve on the Board. Under the New Organisation Law, the Board is quorate when the Governor and five members are present. If this quorum is not reached, the meeting must be postponed to a date no later than two business days after the date of the scheduled meeting. At a postponed meeting, the Board is quorate when four members are present.

The Board adopts, *inter alia*, the internal regulations of the Bank and decides upon the manner in which to carry out the operations authorised or mandated under relevant laws.

The Board also decides on the creation and issue, as well as the withdrawal or the exchange, of banknotes and coins of the Bank (subject to approval by presidential decree) and sets the interest rates and commissions to be paid to the Bank for its operations, based on the economic and monetary situation and the Bank's operating costs.

Auditors

Control of the Bank's accounts is handled by two external auditors, which are appointed by the President, based on a recommendation by the Governor. The external auditors must be selected from the "Order List of Tunisian Auditors".

The Bank's two auditors carry out the following tasks, in compliance with the nature of the Bank's activity and applicable law:

- confirming that financial statements provide a true and fair view of the financial position of the Bank and assessing the Bank's internal control systems and the procedures for financial data dissemination;
- verifying inventory operations with respect to the Bank's desk, stocks and portfolio; and
- issuing an audit opinion on the financial statements.

The auditors are entitled to share with each other any document they consider necessary for carrying out their tasks.

Current Bank Representatives

The names of the Governor, the Deputy Governor, the Board members and the External Auditors in office as of the date of this Prospectus are as follows:

Governor:	Mr. Chedly Ayari
Deputy Governor:	Mr. Mohamed Rekik
Members:	Mr. Salah Essayel, Chairman of the Council for Financial Markets Mrs. Kaouther Ghomrasni, Official responsible for public debt, Ministry of Finance Mr. Lofti Fradi, Official responsible for forecasts, Ministry of Economic Development Mrs. Fatma Guermazi Siala, Academic member specialising in economic and financial matters Mr. Nouri Fethi Zouhair, Academic member specialising in economic and financial matters Mrs. Selma Bellagha, Director, Banking expert Mr. Sadok Attia, Director, Banking expert Mr. Mohamed Rekik, Deputy Governor of the Bank Mr. Chedly Ayari, Governor of the Bank
External Auditors:	Mourad Guellaty and Associates (Mourad Guellaty office) Cherif Ben Zina (CMC office)

Balance Sheet and Financial Statement of the Bank

The following tables set forth the balance sheet and financial statement of the Bank as at the dates indicated:

Balance Sheet of the Bank

	As at 31 December					As at 30 June
	2011	2012	2013	2014	2015	2016
			(TD)			
ASSETS						
Gold holdings	4,379,907	341,306,043	263,348,161	297,963,848	285,600,773	383,445,590
Subscriptions to international organisations[(1)]	2,371,793	2,371,793	2,371,793	2,371,793	2,371,793	2,371,793
IMF Reserve position[(2)]	122,806,100	134,234,666	136,604,685	139,444,285	153,124,384	345,871,258
Assets and investments in SDR[(3)]	557,585,444	580,961,437	612,128,579	523,021,758	349,243,634	99,348,194
Foreign currency assets	10,621,816,918	12,700,193,796	11,650,020,717	13,296,296,344	14,250,308,411	12,217,128,744
Refinancing to the lending institutions related to monetary policy transactions[(4)]	3,562,000,000	3,688,000,000	3,668,000,000	3,116,000,000	4,209,000,000	5,427,000,000
Securities purchased/open market	25,609,600	561,496,851	887,722,794	474,289,641	112,221,024	189,817,693
Advance to the State pertaining to Monetary Funds subscription	639,680,191	697,881,599	710,026,755	727,793,443	801,562,581	1,586,394,603
Standing advance to the State	25,000,000	—	—	—	—	—
Bills in collection[(5)]	—	—	—	—	—	—
Shareholding portfolio[(6)]	33,529,871	34,571,501	38,550,627	37,758,087	35,657,022	39,607,372
Fixed assets	31,579,963	37,914,130	35,495,152	36,647,628	34,719,337	42,451,635
Miscellaneous debtors	31,630,815	31,234,622	33,141,748	34,055,002	34,616,507	35,578,393
Memorandum accounts and accounts calling for adjustment	18,052,939	90,037,348	140,193,467	153,512,274	124,273,622	222,424,748
Total Assets	**15,676,043,541**	**18,900,203,786**	**18,177,604,478**	**18,839,154,103**	**20,392,699,088**	**20,591,440,023**

	As at 31 December					As at
	2011	2012	2013	2014	2015	30 June 2016
				(TD)		
LIABILITIES						
Banknotes and coins in circulation	7,090,129,085	7,164,460,393	7,615,770,976	8,514,946,860	8,856,352,569	9,699,315,319
Banks and financial institutions current accounts....................	189,802,837	518,933,220	443,551,792	539,691,842	194,032,958	297,226,387
Government's central account(7)	1,611,316,548	2,696,730,743	1,071,056,625	986,851,617	1,941,124,257	562,778,564
Government's special accounts(8)................			689,092,627	645,307,835	694,600,134	962,712,882
Commitments towards lending institutions related to monetary policy transactions(9)...........	—	988,000,000	8,000,000	172,000,000	25,000,000	6,000,000
Allocation of SDRs(10)	622,823,490	648,870,304	690,560,809	736,316,219	760,935,324	831,521,786
Current accounts in TND of foreign institutions	506,106,491	552,068,895	800,715,833	817,695,471	893,313,854	1,493,987,393
Commitments in foreign currency towards Tunisian authorised intermediaries	2,130,369,081	2,381,604,896	3,115,682,542	1,726,928,298	1,951,232,221	1,451,713,440
Foreign accounts in foreign currency	40,579,444	124,549,787	47,355,886	105,907,420	148,338,193	140,901,961
Other commitments in foreign currency	74,697,500	293,704,785	1,916,906,709	2,236,129,976	2,339,824,637	1,782,021,535
Current collection of values	7,083,546	41,761,259	4,844,473	76,942,310	77,413,140	91,537,555
Differences on conversion and revaluation................	367,958,344	922,157,546	1,232,236,697	1,675,309,908	1,847,337,003	2,438,886,667
Miscellaneous creditors....................	25,971,877	38,496,731	51,291,517	106,249,560	91,304,434	75,707,744
Provisions for costs to manufacture banknotes, coins and medals...............	4,633,903	28,400,000	15,485,259	7,742,630	0	0
Memorandum accounts and accounts calling for adjustment................	2,604,276,178	2,178,384,803	171,463,030	199,211,242	224,413,601	613,448,256
Total Liabilities..........	**15,275,748,324**	**18,578,123,362**	**17,874,014,775**	**18,547,231,188**	**20,045,222,325**	**20,447,759,489**
EQUITY						
Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Reserves(11)..................	98,379,683	100,503,768	110,751,542	111,144,069	116,159,036	137,662,808
Other equity................	961	612	2,588	1,480	17,726	17,726
Results carried forward(12)................	271,604	662,643	76,043	35,573	77,366	—
Total Equity prior to Financial Year Results....................	104,652,248	107,167,023	116,830,173	117,181,122	122,254,128	n/a
Financial Year Results(13).................	295,642,969	214,913,401	186,759,530	174,741,793	225,222,635	n/a
Total Equity prior to Allocation...........	**400,295,217**	**322,080,424**	**303,589,703**	**291,922,915**	**347,476,763**	n/a
Total Liabilities and Equity......................	**15,676,043,541**	**18,900,203,786**	**18,177,604,478**	**18,839,154,103**	**20,392,699,088**	**20,591,440,023**

Notes:

(1) Excluding IMF and AMF subscriptions.

(2) The Reserve Tranche Position is equal to Tunisia's quota less the IMF's holding of Tunisian dinars in the General Resources Account, excluding holdings acquired as a result of the use of Fund Credit. The Reserve Tranche Position in the IMF is a part of Tunisia's external reserves.

(3) Undrawn balance of SDRs made available by the IMF to Tunisia.

(4) Reflects the Bank's intervention in the money market to provide liquidity. Previously, this heading used to include the overall net debt outstanding balance of the Bank's intervention on the money market. In the case of overall net credit outstanding balance where liquidity tapping actions go beyond these injections, this outstanding balance would be entered in the liability balance sheet under "Commitments

towards lending institutions related to monetary policy operations" heading. In the 2013 financial year, there was a separate presentation of the Bank's intervention on the money market in the form of liquidity injection and liquidity tapping, without clearing between the two types of intervention.

(5) Obligations of the Government presented to the Bank for collection and the counterpart to "Deposits of bills in collection" under "Liabilities and Equity". Since 2012, this line item has been included in "Current collection of values". In fact, in the financial statements for previous financial years, bills in favour of the Treasury and not falling due yet were included in this line item and its counterpart is included under liabilities. Accordingly, given that these items are not considered assets or liabilities, it has been decided to deal with them in the same way as for cheques, the collection of which is ensured by the Bank in favour of the Treasury. Thus, only bills falling due and those in current collection are considered in the financial statements of the Bank.

(6) Consists of the Bank's equity interest in the *Tunisian Foreign Bank*, the *Programme de Financement du Commerce Inter-Arabe*, the *Banque Africaine d'Import-Export*, *the Société Interbancaire de Télécompensation,* the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and The *Banque Maghrébine d'Investissement et de Commerce Extérieur*.

(7) Since March 2014, the line item relating to the Government's accounts has been split into two; the Government's central account and the Government's special accounts. The Government's central account holds credit balances of accounts in domestic and foreign currency that can be used by the Treasury for its daily liquidity management purposes.

(8) Includes accounts with funds in domestic and foreign currency that cannot be used by the Treasury for its daily liquidity management purposes.

(9) Reflects the Bank's intervention in the money market to absorb liquidity.

(10) SDRs made available by the IMF to Tunisia which have been drawn down and are repayable by the Bank.

(11) Includes special reserve, legal reserve, social fund reserve and amounts provisioned for the construction of new buildings of the Bank.

(12) Portion of prior year's surplus retained and not paid to the Treasury as a dividend.

(13) Income statement amount representing excess of total annual revenues over total annual expenditures. The Administration Board of the Bank decides annually how much of the net surplus at the preceding year-end to appropriate for the Treasury, with the balance, if any, paid into the Bank's carry-forward account for the current year.

Source: The Bank

Financial Statement of the Bank by Sector

	As at 31 December					As at 31
	2011	**2012**	**2013**	**2014**	**2015**	**August 2016**
			(TD thousands)			
ASSETS						
Foreign Assets	11,315,158	13,454,756	12,700,549	14,294,379	15,075,325	12,929,389
Claims on the state	690,496	1,259,378	1,597,750	1,202,083	913,784	1,945,882
Claims on Banks	3,577,064	2,700,000	3,668,000	3,116,000	4,209,000	6,262,000
Securities Portfolio	105	105	105	105	105	105
Other	351,390	430,028	543,951	592,433	555,471	369,257
Total Assets	**15,934,213**	**17,844,267**	**18,510,355**	**19,205,000**	**20,753,685**	**22,506,633**
LIABILITIES						
Central Bank money	9,343,325	10,001,330	11,078,022	10,939,075	11,008,658	12,732,438
Claims of the state	655,641	137,683	206,879	624,754	145,520	227,116
Counterpart's funds	963,321	2,567,652	689,401	645,636	2,096,677	1,820,426
Commitments on abroad	782,447	1,133,835	3,004,378	5,043,438	5,990,952	6,254,272
Capital stock equity	112,315	148,769	132,316	124,924	122,254	143,751
Other	4,077,164	3,854,998	3,399,359	1,827,173	1,389,624	1,328,630
Total Liabilities	**15,934,213**	**17,844,267**	**18,510,355**	**19,205,000**	**20,753,685**	**22,506,633**

Source: The Bank

General Functions of the Bank

The principal functions of the Bank, as stipulated in the New Organisation Law, are: (i) to issue currency in Tunisia, exercising its exclusive right to do so; (ii) to control and manage Tunisia's reserves; (iii) within the framework of the overall economic strategy of the Government of Tunisia, to oversee the convertibility of the Dinar and implement foreign exchange policy; (iv) to oversee and maintain the proper functioning of the Tunisian banking and financial systems, including assuring the compliance by banks and other credit institutions operating in Tunisia with various regulations, the monitoring of capital requirement ratios and the imposition of reserve requirements; (v) otherwise, to act as banker to The Republic of Tunisia; (vi) to preserve price stability; (vii) to pursue its monetary policy; (viii) to control money in circulation and supervise the proper operation of payment systems; (ix) to maintain the stability and security of the financial system; and (x) to promote the quality of banking services in Tunisia. In addition, the New Organisation Law tasks the Bank with consumer protection in respect of banking services and introduces a mechanism by which the Bank may act as the lender of last resort.

Pursuant to Article 29 of the New Organisation Law, the Bank is also responsible for advising the Head of Government of all developments that might affect financial stability.

In order to harmonise the legal framework governing banking activity with that prevailing in developed countries, significant changes were introduced in 2006 to the previous Bank organisation law as well as to the law governing lending institutions in Tunisia. The amendment to the previous Bank organisation law (Law № 2006-26 of 15 May

2006) redefined the main prerogatives of the Bank with respect to the conduct of monetary policy. Further to this amendment, and continuing under the New Organisation Law, the Bank has a general mandate to preserve price stability and also supervise lending institutions and ensure the maintenance of stability and security of payment systems, while reinforcing the transparency policy with respect to dissemination and transmission of information, as well as boosting the independence of the Bank and reinforcing the control and auditing operations by subjecting the Bank's accounts to external auditing.

Due to the globalisation of financial services and the requirements of the Basel II regulations, reforms were also introduced in the New Banking Law (as defined below). These reforms were designed to introduce greater flexibility in conducting banking activity, strengthen the financial base of lending institutions (by, among other things, increasing the minimum capital requirements from TD 10 million to TD 25 million for banks, and from TD 3 million to TD 10 million for other financial institutions (except merchant banks)), as well as rules of good governance (through the establishment of appropriate internal control systems to permit and strengthen the ongoing assessment of internal procedures as well as an executive loan committee in charge of reviewing financing activity and conformity of the control system).

Issuance of Currency

The Bank has the exclusive right, on behalf of The Republic of Tunisia, to issue currency in Tunisia. The creation, issuance, withdrawal and exchange of bank notes and coins are the responsibility of the Bank, but are subject to approval by a decree of the Head of Government. Bank notes and coins are the obligations of the Bank, and such obligations are not required to be backed by gold or other assets.

Tunisia's Reserves

The Bank controls and manages Tunisia's gold and foreign currency reserves. Tunisia's reserves take the form of gold, direct holdings of foreign currency by the Bank and SDRs issued by the IMF to Tunisia.

The following table sets forth Tunisia's reserves as at the dates indicated:

Reserves

	As at 31 December					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
			(U.S.$ millions)			
Gold[1]	2.9	219.9	160.5	160.1	141.9	154.7
SDRs[2][3]	373.2	374.2	373.2	281.1	173.5	33.1
Foreign currency[2]	7,109.9	8,181.3	7,102.4	7,145.9	7,079.7	5,694.5
IMF reserve position[2][4]	82.2	86.5	83.3	74.9	76.1	150.2
Total	**7,568.2**	**8,861.9**	**7,719.4**	**7,662.0**	**7,471.2**	**6,032.5**

Notes:

(1) Since December 2013, the market price of gold reserves in the form of ingots have been valued using the morning London Fixing price (U.S.$37.27 per gram (equivalent of TD 85.85) of pure gold as at 31 December 2016).

(2) Converted into U.S. Dollars at the rate of exchange in effect as at the relevant date.

(3) SDRs are an asset created by the IMF to supplement the foreign currency and gold reserves of member states. They are assigned based on the amount of a member's IMF quota, or membership contribution, and may be drawn down to meet foreign payment and other obligations. The line item "SDRs" represents credit balances available to and investments made by the Bank with the IMF.

(4) Tunisia's IMF reserves position represents the Tunisia's quota less the IMF's holdings of Tunisian Dinars in its №1 account on the books of the Bank exclusive of assets from recourse to IMF loans. Since the increase in IMF quotas in 1999, Tunisia has not made any drawing on this reserve position.

Source: The Bank

As at 31 December 2016, foreign currency reserves were U.S.$5,694.5 million, the equivalent of 111 days of imports, as compared to U.S.$7,097.7 million, the equivalent of 128 days of imports as at 31 December 2015, and U.S.$7,149.3 million, or 112 days of imports as at 31 December 2014. Foreign currency reserves were the equivalent of 106 days of imports as at 31 December 2013, 119 days as at 31 December 2012 and 113 days as at 31 December 2011.

The decrease in foreign currency reserves in 2016 was primarily due to the continued current account deficit.

The decrease in foreign currency reserves in 2015 was primarily due to the decrease in tourist receipts, which was partially offset by amounts received from olive oil exports, the U.S.$1 billion bond issuance by the Bank and the entry into of a number of bilateral and multilateral loans.

The increase in foreign currency reserves in 2014 was primarily due to external Government financings in 2014, including budget support received from the IMF, EU and Algeria, as well as the U.S.$500 million bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by the U.S. Agency for International Development and the ¥50 billion bond issuance by the Bank, on behalf of The Republic of Tunisia, and guaranteed by Japan Bank for International Cooperation.

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

The following table sets forth the balances of the accounts maintained by the Government at the Bank as at the dates indicated:

Government Accounts

	As at 31 December					As at 30 June
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
			(TD millions)			
Tunisian Treasury current account	648.2	129.3	199.0	614.9	137.0	217.6
Account for receipt of privatisation funds from the privatisation of 35% of Tunisie Telecom(1)	—	—	872.0	372.0	402.4	—
Tunisian Government special account in foreign currency	922.8	2,068.2	586.1	507.6	1,962.8	1,137.8
Tunisian Government grants accounts	0.9	1.8	2.2	3.1	3.8	4.1
FOPRODI(2)	0.4	10.4	10.0	26.4	4.1	1.9
Tunisian Government -miscellaneous accounts	35.4	446.7	26.7	22.6	22.8	50.3
FONAPRAM(3)	0.7	—	0.6	3.9	4.9	5.8
Tunisian Government loans accounts	2.9	40.3	63.5	81.8	97.9	108.0
Total	**1,611.3**	**2,696.7**	**1,760.1**	**1,632.2**	**2,635.7**	**1,525.5**

Notes:

(1) Since March 2014, the privatisation receipts from the privatisation of 35% of the share capital of Tunisie Telecom have been accounted for in the Government's accounts. The 2013 figures have been included for comparative purposes.

(2) FOPRODI is the fund for industrial promotion and decentralisation.

(3) FONAPRAM is the national fund to promote handicrafts and small trades.

Source: The Bank

Convertibility of the Dinar and Exchange Rates

The currency of Tunisia, the Dinar, became convertible in 1993 in compliance with Article VIII of the Statutes of the IMF. An authorisation from the Bank is, therefore, not required to conduct transactions in foreign currency.

The buying and selling rates of the Dinar against foreign currencies are established by Tunisian banks on the interbank foreign exchange market created on 1 March 1994. The Bank may intervene to maintain the stability of the Dinar. Since 1987, the Bank has introduced several reforms to ease its exchange rate policy, notably through the creation in 1994 of a domestic foreign exchange market on which Dinar exchange rates are determined in accordance with supply and demand. The Bank's role is limited to the regulation of this market in accordance with the objectives of the policy changes aimed at maintaining the real value of the Dinar at a level, which reflects the fundamentals of the country and which preserves its external competitiveness.

Between 2011 and 2015, the Bank launched a set of foreign exchange market reforms aimed at deepening the exchange market and enhancing its capacity to provide the liquidity needed for the economy. The reforms were also aimed at reducing the Bank's interventions on the foreign exchange market. The main axes of these reforms were:

- replacing the Dinar reference exchange rate, which was formerly calculated on the basis of a currency basket, by fixing the exchange rate based on the average of interbank quotations;
- changing the Bank's method of intervention from passive (and more frequent) intervention to a more active form of intervention in which the Bank acts based on both its own initiative and interbank exchange rates; in accordance with the new method, the Bank will generally only intervene if there is a risk that the market is becoming stressed or illiquid;

- promoting market making within Tunisian banks and encouraging them to more actively manage their exchange positions in order to enhance market liquidity, through a foreign exchange market maker agreement introduced by Circular № 2014/04 dated 9 May 2014. This market maker agreement aims to assure a good functioning of the exchange market under accurate and consensus-based rules, which govern exchange transactions between counterparties on interbank market. Besides requiring market makers to systematically show quotations to any requesting counterparty, these rules fix the transaction currency, the minimum amount to be dealt and the maximum bid-ask spread to be displayed by the market maker when showing a quotation. Market makers must maintain an internal limit for foreign exchange positions of at least two thirds of the regulatory limit; and

- reducing current restrictions on hedging activities by introducing new instruments of exchange and interest rate risk management.

In February 2016, the Bank published Circular № 2016-01, which introduced a further set of reforms intended to strengthen the liquidity of the interbank market and facilitate greater exchange rate flexibility. These reforms include:

- lifting the obligation to back foreign currency and dinar parity transaction between banks by transactions in the real economy;

- introducing foreign exchange auctions, which are intended to strengthen the Bank's intervention tools and provide greater weight to market determination of the value of the Dinar;

- permitting banks to sell foreign currency banknotes against foreign currencies to the Bank, which is intended to increase the dynamism of market exchange rates and provide stable and predictable currency supply to the banking sector;

- reducing existing restrictions on exchange rate and interest rate hedging activities by removing the maturity ceiling on derivative instruments; and

- reducing the bid-ask spread for market makers.

As a result of the above reforms, the market share of the Bank's interventions in the foreign exchange market reduced from 38% in 2014 to 28% in 2015. The Bank aims to reduce such interventions further to less than 20% in 2016.

In 2016, the Government confirmed its intention to facilitate increased exchange rate flexibility and to introduce new instruments of exchange and interest rate risk management, including interest rate and cross currency swaps. These instruments are expected to be implemented by the end of 2017.

See "*Presentation Of Financial Information And Exchange Rates*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Any significant depreciation of the Tunisian Dinar against the U.S. Dollar, the Euro or other major currencies would have a material adverse effect on Tunisia's ability to repay its debt denominated in currencies other than the Tunisian Dinar, including the amounts due under the Notes*".

Monetary and Credit Policy

The following table sets forth the amount of money in circulation as at the dates indicated:

Money Supply

	As at 31 December					As at 31 August
	2011	2012	2013	2014	2015	2016[(1)]
	(in TD millions, except percentages)					
Money supply, M1[(2)]	19,007	20,007	20,877	22,542	24,444	25,719
% Growth over prior period.................	19.8	5.3	4.3	8.0	8.4	5.2
Money supply, M2[(3)]	44,652	48,327	51,681	55,908	58,828	61,351
% Growth over prior period.................	9.3	8.2	6.9	8.2	5.2	4.3

Notes:
(1) Provisional data.
(2) M1 includes cash and checking accounts.
(3) M2 includes M1 and quasi-money.

Source: The Bank

The M2 money supply increased by 6.9% in 2013, as compared to an 8.2% increase in 2012, reflecting the combined effect of the deceleration of the growth of the M1 money supply (4.3% in 2013, as compared to 5.3% in 2012) and the slower rate of increase of quasi-money (8.8% in 2013, as compared to 10.4% in 2012). The M2 money supply increased by 8.2% and the M1 money supply increased by 8.0% in 2014. The M2 money supply increased by 5.2% and the M1 money supply increased by 8.4% in 2015. The increased growth in M1 money supply in 2015 was primarily due to the acceleration of deposits at postal cheques centres. The deceleration of growth in M2 money supply in 2015 was primarily due to a decrease in the rate of growth of quasi-money, which was, in turn, primarily a result of the deceleration in the growth of forward deposits. The M2 money supply increased by 4.6% in the eight months ended 31 August 2016, primarily due to an increase in bills and coins in circulation and an increase in the rate of growth of quasi money. The M1 money supply grew by 5.2% in the eight months ended 31 August 2016, primarily due to a 5.3% increase in sight deposits at banks and a 13.9% increase in bills and coins in circulation, which reflected higher household expenditure as a result of the summer period, Ramadan and Eid El Fitr.

The outstanding balance of fiduciary money, one of the main components of M1 money supply, grew in 2013 by 10.3%, following a decrease of 3.7% in 2012. Bills and coins in circulation, which represent the main component of fiduciary money, grew by 6.3% in 2013 and by 1.0% in 2012. In 2014, fiduciary money grew by 11.7% and bills and coins in circulation grew by 11.8%. In 2015, fiduciary money grew by 4.1% and bills and coins in circulation grew by 4.0%, while fiduciary money grew by 9.6% and bills and coins in circulation grew by 9.5% in the six months ended 30 June 2016.

Overnight Deposit or Lending Facilities

Overnight deposit or lending facilities are taken at the end of a day, at the initiative of Tunisian banks, to enable banks to meet their liquidity needs or to invest their surpluses of liquidity. Overnight lending facilities are carried against collateral in the form of public deeds, claims or valuables of companies and private individuals at a rate of interest equal to the Bank's key rate (as described below) plus a fixed margin. The overnight deposit facility is remunerated at a rate of interest equal to the Bank's key rate less a fixed margin. The corridor of fluctuation of money market rates is tied to the overnight deposit facility rate as a floor and the overnight lending facility rate as a ceiling. As at the date of this Prospectus, the key rate is the median of the corridor.

During 2011, the Bank reduced its key rate twice, first to 4% at the end of June and again to 3.5% in early September 2011. In 2012, as inflation increased, the Bank increased its key interest rate by 25 basis points to 3.75% at the end of August 2012. Consequently, the limits of the corridor became 3.25% to 4.25%.

In response to persistent inflationary pressures, the Bank implemented the following additional measures: (i) at the end of February 2013, the Bank changed the limits of the corridor to 3.5% to 4.5%, while maintaining the key interest rate at 3.75%, which resulted in an asymmetric corridor; and (ii) in March 2013, the Bank increased the key interest rate by 25 basis points to 4%, while maintaining an asymmetric corridor of 3.75% to 4.75%. In response to rising inflation, the Bank further increased its key interest rate to 4.5% at the end of 2013 and introduced an adjustment to the corridor limits within a range of 25 basis points (4.25% to 4.75%).

In June 2014, the Bank raised its key interest rate to 4.75% and set the corridor limits at 4.5% to 5.0%. In October 2015, in response to a deceleration in inflation in the second half of 2015, the Bank cut its key interest rate to 4.25% in order to assist the Government's efforts to increase economic growth and job creation.

Discretionary Monetary Operations

Weekly Calls for bids

The Bank manages the money supply in Tunisia principally through its main discretionary monetary operations, calls for bids (*appels d'offres*). The *appel d'offres* is a weekly auction of a pre-determined amount of funds. Every week, the Bank invites bids for deposits or borrowing auctions as it deems necessary. Successful bids are accepted and ranked according to the rate that is bid (*i.e.*, a multiple rate auction). Eligible collateral for borrowers includes treasury bills and bonds and quality bank claims in the private sector.

In response to the substantial increase in refinancing to banks provided by the Bank due to bank liquidity tightening, the Bank has taken certain measures aimed at preserving its balance sheet. First, the Bank has boosted open-market operations and, since September 2013, has required banks benefitting from refinancing by the Bank to present at least 10% of required collateral in the form of public securities (Government bonds and treasury bills). This requirement was raised to 20% in January 2014 and to 40% in January 2015. In addition, in January 2014, the Bank imposed a haircut on private sector debt of 10%, which was subsequently increased to 25% in July 2014.

Open Market Operations

As part of a policy of diversifying and modernising monetary instruments, open market operations ("**OMOs**") were introduced for Treasury bills and Treasury bonds in April 2003. In such operations, the Bank announces its intention to engage in OMOs and invites bids. It determines a reference rate below which bids will be excluded and distributes the allotment to the highest price in the case of sales, and the lowest in the case of purchases. Settlement is effected on the same day. The Bank did not use OMOs in 2011. The Bank conducted OMOs since 2012 and 2013 to mitigate certain risks to its balance sheet. As a result, the outstanding balance of OMOs reached a peak of TD 1,017 million in March 2013, representing one fifth of overall refinancing. The balance as at 31 December 2015 decreased to TD 112 million. As at 30 June 2016, the balance increased to TD 189.8 million, due to the decision to conduct OMOs to support the structural liquidity needs of the Tunisian banking system and to promote the development of the secondary market for Government bonds. As at 31 October 2016, the outstanding balance of OMOs was TD 592.3 million.

Swap Exchange operations

The regulatory framework governing exchange rate swaps as an instrument of monetary policy was published in December 2013. According to such regulation, the Bank may initiate swap exchange operations with banks involving spot purchase or sale of Dinars against foreign currency, as well as the simultaneously resell or repurchase or carry out or forwarding of such swaps on predetermined dates and exchange rates. The Bank intends to use this monetary policy tool to improve liquidity and, accordingly, support the interbank interest rate.

Capital and Mandatory Reserve Requirements

Reserve requirements are used by the Bank as an instrument of monetary policy to create structural liquidity and to address excess liquidity prevailing on the money market. All Dinar-denominated deposits are subject to reserve requirements, with the exception of housing savings, project savings and investment savings accounts.

Despite a worsening global financial environment, the Tunisian banking system experienced excess liquidity between mid-2007 and mid-2010. To reduce this excess liquidity, the Bank tightened its monetary policy by increasing reserve requirements rates, first in February 2010 by raising reserve requirements rate for sight deposits to 10% and, subsequently, in April 2010 to 12.5%

In 2011, as a result of the 14 January 2011 Revolution, political and social unrest and violence in other parts of the region, as well as significant increases in global energy and commodity prices, had a significant negative impact on the Tunisian economy. In response to these events and to support the Tunisian economy, the Bank reduced reserve requirements on three occasions from 12.5% to 10% in March 2011, to 5% in April 2011 and to 2% in May 2011. At the same time, the Bank reduced its policy rate from 4.5% to 4% at the end of June 2011 and again to 3.5% at the beginning of September 2011. These measures were designed to reduce funding costs for Tunisian businesses and thereby to support economic recovery.

As a result of the relaxation to reserve requirements, more than TD 1,400 million was released from banks' current accounts held at the Bank, but the current account deficit was negatively affected. Accordingly, the Bank introduced a

macro prudential measure aimed at constraining the ability of banks to grant consumer loans, by imposing a 50% reserve requirement on the outstanding amount of consumer loans. This rate was revised downward to 30% in 2013. In February 2015, the Bank withdrew the rate in order to limit the distortion in the functioning of the money market and in light of the adoption of a further macro prudential measure in July 2014, which limits the maximum repayment period for consumer loans to five years. In response to a continued worsening of bank liquidity, the Bank further reduced the reserve requirements on sight deposits to 1% and abolished the insufficiency of the liquidity ratio from the basis of calculation of the required reserves (putting an end to the connection between a monetary policy instrument and a prudential instrument).

In June 2014, the Bank increased its policy rate to 4.75%. In October 2015, the Bank reduced its policy rate to 4.25%.

For an overview of current capital and mandatory reserve requirements, see "*—Banking Regulation and Supervision*".

Money Market Instruments

The term "money market" includes certificates of deposits ("**CDs**") and commercial paper with maturities of up to five years and Treasury bills. The minimum maturity for both CDs and commercial paper is 10 days. Issuing banks may not repurchase CDs they have issued. CDs and commercial paper constitute dematerialised securities. Interests may be pre-paid for CDs and commercial paper with maturities of less than one year.

Corporations which are either listed on the BVMT, or rated by an authorised rating agency may issue commercial paper without the backing of a bank guarantee. Such a guarantee is also not needed when the issuer and subscribers belong to the same group.

Overview of the Banking System

Prior to independence, Tunisia had no real banking system. The network of principally French bank branches and agencies throughout Tunisia was created to finance the colonial economy and was an extension of the French banking system. Following independence in 1956, the Government set out to build a Tunisian public banking system and created the *Société Tunisienne de Banques* in 1957 and the *Banque Nationale Agricole* in 1959. The structure of Tunisia's modern banking system began to develop between 1962 and 1967 pursuant to a policy of consolidation which led to the creation of other banks such as the *Union Internationale de Banques* and the publication of the *Loi sur l'exercice de la profession bancaire* (Law № 67-51 of 7 December 1967).

See "*—Banking Regulation and Supervision*" for an overview of the current system of banking regulation and supervision in Tunisia.

As at the date of this Prospectus, the Tunisian banking system consists of 23 lending institutions acting as full-service banks, of which five banks are specialised (three Islamic Banks, one SME-financing Bank and one micro-finance Bank), eight leasing companies, seven off-shore banks which deal primarily with non-residents, two merchant banks, eight offices representing foreign banks in Tunisia and three factoring companies. The Bank regulates the banking sector.

As at 30 June 2016, five banks in the Tunisian banking sector were fully or partially state-owned: *Société Tunisienne de Banque* (STB) (83.4% owned by the state), *Banque Nationale Agricole* (BNA) (63.7% owned by the state), *Banque de l'Habitat* (BH) (56.7% owned by the state), *Banque Tunisienne de Solidarité* (BTS) (53.8% owned by the state) and *Banque de Financement des PME* (BFPME) (90.0% owned by the state). See "*—Banking Regulation and Supervision—Recapitalisation of State-Owned Banks*".

The BFPME was established in March 2005 and finances small and medium-sized enterprises. It is owned by The Republic of Tunisia and other state-owned institutions and works in partnership with the other banks and with the state-owned guarantee company (*Société Tunisienne de Garantie*) to finance all economic sectors, including information technology and communication, renewable energy projects and high value-added projects.

Islamic Banks include "Zitouna Bank", which obtained a universal banking licence in May 2010 and is offering sharia compliant banking products, "Al Baraka Bank", which was transformed from a non-resident bank to an on-shore bank in January 2014 and Wifack International Bank, which was transformed from a leasing company to an Islamic bank in November 2015.

As at 30 June 2016, the five state-owned banks controlled approximately 35.8% of total bank assets, as compared to 35.1% and 35.3% as at 31 December 2015 and 31 December 2014, respectively. As at 31 August 2016, Tunisia had a network of 1,774 banking sector branches, one for every 6,191 inhabitants.

Structure of the Banking System

The following table sets forth the financial position of Tunisian banks as at the dates indicated:

Banking System Balance Sheet

	As at 31 December					As at 31 August
	2011	**2012**	**2013**	**2014**	**2015**	**2016[1]**
			(TD thousands)			
Assets						
Deposits at the Bank	2,207,079	2,680,842	3,287,612	2,158,457	2,075,169	2,522,122
Cash balance	268,088	596,892	371,785	419,986	429,585	507,074
Foreign Assets	1,576,750	1,955,213	2,326,404	2,469,755	2,773,351	2,760,902
Claims on the state	3,567,555	3,685,527	4,112,975	5,806,662	7,194,771	8,388,089
Loans to the economy	43,941,981	47,684,642	51,206,459	56,010,863	5,935,022	63,200,698
Securities Portfolio	2,492,236	2,744,379	2,919,960	3,143,289	3,371,884	3,504,020
Other	9,250,176	10,266,745	11,188,276	12,888,226	13,809,911	14,584,418
Total Assets	**63,303,955**	**69,614,240**	**75,413,471**	**82,897,238**	**89,008,893**	**95,467,323**
Liabilities						
Monetary Deposits	10,598,921	12,244,211	12,313,400	13,168,847	14,133,995	14,739,384
Quasi-Money Deposits	24,502,318	26,838,435	29,124,064	31,322,270	32,240,415	33,465,996
External Liabilities	6,174,282	7,036,877	7,989,155	9,424,523	10,048,403	10,777,991
Advances from the Central Bank	3,569,537	2,748,746	3,697,418	3,130,056	4,222,601	6,268,714
Special Resources	1,211,806	1,317,615	1,367,151	1,403,251	1,686,720	1,674,615
Capital Stock Equity	8,595,097	9,702,604	10,470,767	12,384,520	13,954,475	15,104,626
Other	8,651,994	9,725,752	10,451,516	12,063,771	12,722,284	13,435,997
Total Liabilities	**63,303,955**	**69,614,240**	**75,413,471**	**82,897,238**	**89,008,893**	**95,467,323**

Note:
(1) Provisional data.

Source: The Bank

Deposit Banks

The Tunisian banking system includes 23 full-service lending institutions, deposit-taking banks and the *Office National des Postes* (the "**ONP**") which provides certain banking services, such as savings and checking accounts, to the public. As at 31 August 2016, the commercial banks held assets equal to approximately TD 95,467 million, as compared to TD 89,000 million and TD 82,897 million, as at 31 December 2015 and 31 December 2014, respectively.

Of the deposit-taking 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.

All of the state-owned banks are deposit banks.

All privately-held banks in Tunisia have foreign financial institutions among their shareholders.

Off-Shore Banks

Tunisia's off-shore banks deal mainly with non-resident customers, although they also engage in certain off-shore activities with resident customers. Under Tunisian foreign exchange control laws and regulations, off-shore banks are treated as non-residents and, accordingly, as at 31 December 2015, they are not subject to restrictions on the repatriation of revenue or profits or on their transactions with non-residents.

The majority of these banks are owned by foreign financial institutions and, as at 30 June 2016, off-shore banks had total assets of TD 4,308,460 million, as compared to TD 4,352,575 million and TD 3,547,954 million as at 31 December 2015 and 31 December 2014, respectively.

Financial Companies having Merchant Banking Activities

There are two financial companies that undertake merchant banking activities in Tunisia, the International Maghreb Merchant Bank (the "**IMMB**") and the *Banque d'Affaires de Tunisie* (the "**BAT**"). The IMMB was created in 1995 with an initial capital of TD 3 million and the participation of the IFC and foreign and domestic private investors. The IMMB specialises in consulting and assisting in all aspects of the creation, development and restructuring of business enterprises. In addition, in 1998, Tunisian monetary authorities approved the establishment of BAT. BAT was sponsored by the *Société Tunisienne de Banque*, and had an initial capital of TD 3 million (which has since been increased to TD 10 million). The BAT also benefits from the technical and financial support of foreign banking partners.

Other Financial Institutions

Other financial institutions in Tunisia include eight leasing companies (as compared to nine leasing companies as at 31 December 2014 as a result of the transformation of Wifack International Bank from a leasing company to an Islamic bank in November 2015), two factoring companies and one leasing company which practices factoring within a specialised department.

There are also approximately 174 portfolio management companies and one savings company, ONP. An export credit insurance agency also operates in Tunisia.

Banking Regulation and Supervision

The banking system is regulated by the Bank according to the terms of Law № 2016-48 of 11 July 2016, replacing Law № 2001-65 of 10 July 2001 (the "**New Banking Law**"). The New Banking Law was adopted by the Chamber of the People's Deputies on 11 July 2016. The New Banking Law, together with subsequent regulations promulgated by the Bank, is aimed at:

- improving competition and efficiency in the banking sector, while introducing more stringent risk requirements.
- ensuring that Tunisian banking legislation complies with the best international practices and standards; and
- harmonising the legal framework related to on-shore and off-shore banks.

The Bank is responsible for supervising the operations and financial condition of Tunisian bank, financial institutions and specialised credit institutions, as well as those of the branches of foreign banks in Tunisia. The Bank regulates the banking sector 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, financial institutions and specialised credit institutions.

The New Banking Law established a framework for preventive and remedial intervention and recovery in the event of the deterioration in the position of a bank, financial institution or specialised credit institution. The New Organisation Law provides for the intervention of the Bank to act as a "lender of last resort" in the event of such a deterioration.

The New Banking Law introduces changes to the operation and supervision of the banking sector, including the following measures:

- reorganising the banking sector, through the formal legal recognition of certain activities, including Islamic banking, factoring and leasing;
- reviewing the access conditions and the exercise of banking activity;
- strengthening banking governance;
- strengthening the Bank's prudential supervision;

- implementing a banking resolution and liquidation regime, in line with international best practices, including by ensuring that taxpayer exposure to loss and the sector's reliance on public support is reduced (see "—*Liquidation and Resolution*");

- improving the banking sector's compliance with applicable sanctions; and

- establishing an ex-ante deposit guarantee fund which complies with international standards. The aforementioned deposit guarantee fund provides protection for depositors if a bank is unable to repay deposits to its clients. It acts as a "PayBox Plus" which means that along with providing compensation to depositors, the guarantee fund participates in the bank resolution process.

A general policy of liberalisation, which was first introduced in 1987, resulted in the abolition of most interest rate restrictions in 1996, as well as required lending to certain priority economic sectors. Additional reforms, including the creation of a public information registry with statistical information related to the credit environment and the banking sector, are underway to modernise and strengthen the banking system further, to improve transparency and to prepare the sector for international competition.

See "—*Reforms in the Banking Sector*".

The major provisions of existing banking legislation and regulations are summarised below.

Capital Requirements

Under the New Banking Law, lending institutions are required to have an initial minimum capital of TD 50 million, leasing companies are required to have an initial minimum capital of TD 25 million, factoring companies and investment banks are required to have an initial minimum capital of TD 10 million and other credit institutions are required to have an initial minimum capital of TD 5 million. These requirements also apply to all foreign bank agents and branches operating in Tunisia. Banks are able to increase their capitalisation by incorporating retained earnings and issuing new stock.

Mandatory Reserves and Minimum Liquidity Ratio

Pursuant to Bank Circular № 2013-03 of 28 March 2013, as amended by circular № 2013-20 of 27 December 2013, the Bank established a new scale for mandatory reserves pursuant to which Tunisian banks must maintain the following mandatory reserves:

- 1% of outstanding demand deposits and other due amounts;

- 0% of the outstanding balance of CDs, term deposits accounts, Treasury cash voucher and other financial products of an initial duration of between three and 24 months;

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

- 0% of the outstanding balance of any other deposits, regardless of the form with an initial or contracted duration exceeding 24 months; and

- 30% of the increase in the outstanding balance of consumer loans by reference to the outstanding balance of September 2012. This requirement was subsequently removed by the Bank in February 2015 (pursuant to Circular № 2015-01).

Reserve requirements are calculated based on the level of eligible liabilities at the end of the previous month. The items used to calculate the mandatory reserve requirements are extracted from the monthly accounts of banks for the relevant period.

Circular № 2014-14 of 10 November 2014 introduced a new liquidity ratio for Tunisian banks, inspired by the Basel III requirements. According to this circular, banks are required to maintain a liquidity ratio of: (i) 60% from 1 January 2015; (ii) 70% from 1 January 2016; (iii) 80% from 1 January 2017; (iv) 90% from 1 January 2018; and (v) 100% from 1 January 2019. This liquidity ratio is calculated by dividing the outstanding balance of liquid assets by total net cash outflows over the following 30 calendar days. Only assets, liabilities and off balance sheet commitments in Dinars are taken into account in calculating this liquidity ratio.

Banks must provide the Bank with a monthly statement of their liquidity ratio within ten days of the end of each month. Banks that do not comply with the relevant minimum liquidity ratio may be fined 0.5% of the shortfall. Any bank that does not meet the minimum liquidity ratio for three consecutive months must submit an action plan to the Bank setting out the emergency measures to be taken to restore compliance with the ratio.

The following table sets forth the liquidity ratios for the banking sector as at the dates indicated:

Banking Sector Liquidity Ratios

	As at 31 December					As at 30 June
	2011	2012	2013	2014	2015[1]	2016[1]
			(%)			
State-owned banks	84.7	84.9	86.7	90.7	58.9	92.3
Private banks	92.9	91.5	94.9	99.1	105.1	109.3
Mixed banks[2]	—	—	90.8	96.5	69.4	118.3
Total banking sector	**89.4**	**89.2**	**92.6**	**96.6**	**83.3**	**102.8**

Notes:

(1) With effect from 1 January 2015, the Bank introduced a new liquidity ratio for Tunisian banks, inspired by Basel III requirements. Accordingly, 31 December 2015 and 30 June 2016 figures are not comparable with prior year figures.

(2) Banks of which the capital is owned 50% by The Republic of Tunisia and 50% by an Arab state.

Source: The Bank

Capital Adequacy Ratios and Loan Classification

Tunisian banks currently follow the Basel I regime, and the move toward compliance with Basel II is in process. Full compliance with the Basel II regime will require significant investment by the banking sector and is currently anticipated to be achieved by 2020. Circular № 2016-03 introduced a base indicator approach to operational risk, imposing a 15% capital requirement for average net banking income, to be calculated on the basis of the previous three financial years. The introduction of market risk capital requirements are also scheduled for 2017. Many aspects of Basel III are already implemented or in the process of implementation aiming to consolidate banking system financial foundation in terms of the level and quality of core funds as well as management of risks. Recent reforms include implementing new liquidity ratio requirements inspired by Basel III liquidity coverage ratio requirements. See "—*Mandatory Reserves and Minimum Liquidity Ratio*".

In 2012, the Bank issued Bank Circular № 2012-02, inviting Tunisian banks to implement collective provisions on their current loans and those classified as "class 1" at the end of 2011 in order to cover their latent risks mainly relating to rescheduled loans. Under Bank Circular № 91-24, loans classified as "class 1" are generally those with arrears of less than three months. These loans require special monitoring, but are not subject to individual provisioning requirements.

Bank Circular № 91-24 of 17 December 1991, which related to the division of risks and coverage and commitments, was amended by Bank Circular № 2012-09 of 29 June 2012, and introduced the following changes:

- increases of the minimum solvency ratio to 9% as at 31 December 2013 and to 10% as at 31 December 2014 and the implementation of a tier 1 ratio requirement of 6% for 2013 and 7% for 2014;
- extension of the rules relating to collective provisioning introduced in circular № 2012-02 and the inclusion of such provisions among supplementary core funds, which are limited to 1.25% of incurred risks; and
- from 31 December 2013, a requirement for the banks to deduct participations they hold in other lending institutions from their reported net equity on an individual basis.

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

The following table sets forth the categories and corresponding reserve requirements:

Reserve Requirements

Delinquency	**Loan Loss Provision**[1]
0 to 90 days past due	0%
90 to 180 days past due	20%
180 to 360 days past due	50%
more than 360 days past due	100%

Note:
(1) Other factors may be considered in determining the amount of a loan loss provision, including the general financial situation of the borrower and the sector in which it operates.

In order to consolidate the financial soundness of Tunisian banks and to improve the coverage of non-performing loans, the Bank issued circular № 2013-21 of 30 December 2013, which requires credit institutions to allocate additional provisions in respect of assets.

As at 30 June 2016, the overall capital adequacy ratio of the banking system was 12.3%, as compared to 12.0% as at 31 December 2015, 9.4% as at 31 December 2014 and 8.2% as at 31 December 2013. The increase in the capital adequacy ratio since 31 December 2014 was primarily due to the recapitalisation of two state-owned banks in September 2015. As at 30 June 2016, one bank did not meet the 10.0% regulatory capital adequacy ratio requirement. The average capital adequacy ratio of state-owned banks was 11.8% as at 30 June 2016, as compared to 12.3% for private sector banks. See "—*Recapitalisation of State-Owned Banks*".

The following table sets forth the capital adequacy ratios for the banking sector as at the dates indicated:

Banking Sector Capital Adequacy Ratios

	As at 31 December					**As at 30 June**
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
				(%)		
State-owned banks	10.5	10.5	3.6	4.0	11.6	11.8
Private banks	11.9	11.9	10.6	12.2	12.0	12.3
Mixed banks[1]	23.3	20.7	20.4	20.1	18.2	16.9
Total banking sector	**11.9**	**11.8**	**8.2**	**9.4**	**12.0**	**12.3**

Note:
(1) Banks of which the capital is owned 50% by The Republic of Tunisia and 50% by an Arab state.

Source: The Bank

Recapitalisation of State-Owned Banks

In order to address the capital needs of certain of Tunisia's state-owned banks, in September 2015, the Government completed the recapitalisation of two state-owned banks, *Banque de l'Habitat* and *Société Tunisienne des Banques*. The recapitalisation plan for *Banque de l'Habitat* was approved in February 2015 and the recapitalisation plan for *Société Tunisienne des Banques* was approved in June 2015. In August 2015, the Chamber of the People's Deputies passed a law for the recapitalisation of the banks and granted authority to use the recapitalisation funds of TD 1 billion allocated in the 2014 budget for this purpose.

Pursuant to the recapitalisation plan for *Banque de l'Habitat*, the capital of the bank was increased from TD 90 million to TD 170.0 million. The state's contribution to the recapitalisation was TD 38.7 million (as compared to TD 110 million allocated in the authorising law). The recapitalisation was completed in September 2015 and, as a result, *Banque de l'Habitat's* Tier 1 capital ratio increased to 7.3% and its capital adequacy ratio increased to approximately 10.1% as at 30 September 2015, as compared to 3.8% and 4.7%, respectively, as at 31 December 2014. The state's ownership interest in *Banque de l'Habitat* is 56.7%. As at 30 June 2016, *Banque de l'Habitat's* Tier 1 capital ratio was 10.6%.

Pursuant to the recapitalisation plan for *Société Tunisienne des Banques*, the capital of the bank was increased from TD 124.3 million to TD 776.8 million. The state's contribution to the recapitalisation of *Société Tunisienne des Banques* was TD 608.3 million. The recapitalisation was completed in September 2015 and, as a result, the state's

ownership interest increased to 83.4%, as compared to 51.0% prior to the recapitalisation. As at 30 September 2015, *Société Tunisienne des Banques'* Tier 1 capital ratio increased to 8.5% and its capital adequacy ratio increased to approximately 12.9%, as compared to (5.2)% and (9.6%), respectively, as at 31 December 2014. As at 30 June 2016, *Société Tunisienne des Banques'* Tier 1 capital ratio was 9.5% and its capital adequacy ratio increased to 13.6 %

The recapitalisation of *Banque Nationale Agricole en Tunisie* has not been completed and, according to the results of a recently completed audit, is no longer required. As at each of 30 September 2015 and 31 December 2014, *Banque Nationale Agricole en Tunisie*'s Tier 1 capital ratio was 6.0% and its capital adequacy ratio was 9.0%. As at 30 June 2016, *Banque Nationale Agricole en Tunisie*'s Tier 1 capital ratio was 7.1% and its capital adequacy ratio was 10.2%.

In the context of these recapitalisations, other corporate governance measures were introduced to improve the performance of *Banque de l'Habitat, Société Tunisienne des Banques* and *Banque Nationale Agricole en Tunisie*. These measures included: (i) implementing changes to the boards of directors of the each of the banks; (ii) separating the functions of the Director General and the Chairman of the Board at each of the banks; and (iii) nominating new General Managers for each of the banks.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory change and may require further support*" and "*Risk Factors—Risks relating to The Republic of Tunisia—Delays in implementing reforms could negatively affect the Tunisian economy*".

Lending Limits

Bank Circular № 2012-09 of 29 June 2012 tightened the standard for risk concentration and division limits, as well as loan limits relating to related party loans. The circular provides that:

- from 31 December 2013, the ratio of risk division is: (i) less than or equal to three times net capital stock (where the total of risk weighted assets on beneficiaries whose risk weighted assets for each one of them are higher than or equal to 5% of net capital stock); and (ii) less than or equal to 1.5 times net capital stock (where the total of risk weighted assets on beneficiaries whose risk weighted assets for each one of them are higher than or equal to 15% of net capital stock); and

- from 31 December 2013, related party lending (within the meaning of the New Banking Law) has been limited to 100% or less of net capital stock. Circular № 2016-03 reduces the exposure limit of related party lending from 100% to 75% in December 2017 and to 25% in December 2018.

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

Tunisian banks must submit a report to the Bank regarding its compliance with all prudential norms with its accounts on a quarterly basis.

Any failure to comply with a prudential standard is added with a 300% weighing to the total of risk weighted assets used for calculating the capital adequacy ratio. Moreover, a table of pecuniary fines according to the infringement with respect to prudential standards has been set form in circular № 2012-09 of 29 June 2012.

Participation Limits

According to the New Banking Law, all financial institutions are subject to the same prudential regulations as banks. Banks may not, either directly or indirectly, own more than 20% of the capital of another company or have an ownership interest in another company which has a value of more than 15% of their capital stock. Banks are authorised to hold a participatory interest in a company in excess of 20% only if the aim of such participation is the pursuit of claims recovery or logistical support to the bank. The total participation of the bank or financial institution may not exceed 60% of its equity.

Banks are authorised to hold participatory interests in financial companies without regard to the above limits.

Non-Performing Loans (NPLs) and Provisioning

The banking sector in Tunisia has historically experienced relatively high levels of NPLs. NPLs are measured in accordance with Bank Circular № 91-24, which prescribes rules for the classification of different categories of loans. A loan is considered to be an NPL if it is 90 days or more overdue.

The Bank estimates the level of NPLs across the banking sector at approximately 16.4% of total banking sector loans as at 30 June 2016, as compared to 16.6% as at 31 December 2015, 15.8% as at 31 December 2014 and 16.5% as at 31 December 2013. In addition, the Bank estimates that the provisioning ratio of all Tunisian banks for NPLs was approximately 58.2% as at 30 June 2016, 56.9% as at 31 December 2015, 58.0% as at 31 December 2014 and 56.4% of total banking sector loans as at 31 December 2013, significantly higher than in previous years (45.7% as at 31 December 2012 and 48.6% as at 31 December 2011) due to new provisioning rules introduced by the Bank under Bank Circular № 2013-21 to constitute additional provisions on assets with seniority in class 4 exceeding or equalling three years. As a result of these reforms, as well as prudential reforms regarding the level and quality of core funds and the risk management, the NPL coverage ratio was approximately 58.2% as at 30 June 2016 and is expected to rise to approximately 80% by 2018.

The following table sets forth the NPLs and provisioning ratios for the banking sector as at the dates indicated:

Banking Sector NPLs and Provisioning Ratios

	As at 31 December					**As at 30 June 2016**
	2011	**2012**	**2013**	**2014**	**2015**	
			(%)			
NPLs						
State-owned banks	17.8	20.2	25.0	24.7	26.2	25.6
Private banks	10.2	11.2	10.7	9.8	10.5	10.7
Mixed banks[(1)]	10.5	13.5	20.4	21.7	20.7	20.6
Total banking sector....................	**13.3**	**14.9**	**16.5**	**15.8**	**16.6**	**16.4**
Provisioning Ratios						
State-owned banks	40.7	40.3	50.3	52.4	53.5	56.6
Private banks	58.6	52.6	66.9	68.3	63.0	61.1
Mixed banks[(1)]	42.2	41.4	47.0	49.8	48.6	50.9
Total banking sector....................	**48.6**	**45.7**	**56.4**	**58.1**	**56.9**	**58.2**

Note:
(1) Banks of which the capital is owned 50% by The Republic of Tunisia and 50% by an Arab state.

Source: The Bank

See "*Risk Factors—Risks relating to The Republic of Tunisia—Tunisia's banking sector has experienced challenges during recent years, remains vulnerable to economic conditions, is undergoing regulatory change and may require further support*".

The Bank has been actively encouraging Tunisian banks to find ways to further reduce the level of NPLs and to further increase provisioning levels. See "*—Other Recent Laws and Regulations—Other Regulations*" below.

The high level of NPLs, however, remains an issue and there can be no assurance that the Tunisian banking sector will not need further support throughout 2016 and 2017. In particular, following the terrorist attack in Sousse in June 2015, a package of exceptional measures were passed to facilitate the rescheduling of loans granted to tourist establishments. The extension of such measures without a limit in time or the necessary recovery plans could result in an increase in NPLs in the tourism sector or lead to a request for such measures to be extended to borrowers in other sectors. 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*".

The Bank is also exploring other projects to increase NPL recovery, including: (i) establishing dedicated departments for NPL management and resolution in state-owned banks; (ii) reviewing the law applicable to the activities of recovery companies; and (iii) simplifying the procedures for NPL write-offs.

Foreign Exchange Exposure

The principal controls on foreign exchange exposure are that a single foreign exchange position may not exceed 10% of a bank's capital and reserves, and that the global foreign exchange position of a bank must not exceed 20% of its capital and reserves.

Savings Fostering

Interest rates for special savings accounts have been set freely since 1 April 2008, except that small savings accounts must not carry interest at less than a minimum of the money market rate minus 2%. In September 2011, the minimum rate applied on special savings accounts was set at 2% and there is an interest rate ceiling for demand deposits, which is also set at 2%.

The saving rate has been raised on a number of occasions since September 2011, to 2.75% in March 2013 (pursuant to Circular № 2013-04), to 3.25% in December 2013 (pursuant to Circular № 2013-08) and to 3.5% in May 2014 (pursuant to Circular № 2014-05), which has been in effect since July 2014.

Improving Claims Recovery and Bankruptcy Law

To improve legal recovery of banking claims, some articles of the Tunisian Civil Code and the Tunisian Code of Civil Procedure were modified by Law № 2002-82 of 3 August 2002. This reform sought to make legal procedures more flexible, particularly the procedure for carrying out judgments and foreclosing on real estate. Another modification of this code was introduced by Law № 2005-79 of 4 August 2005 to adopt a more flexible reserve price system for real estate and to allow the court to take into consideration the relevant market situation in establishing values.

In addition, Law № 95-34 which relates to firms with financial difficulties in order to protect the interests of creditors of such firms, enable banks to be more involved in the restructuring process of firms facing financial difficulties, and dissuade bad debtors from using the law with the intention of avoiding judiciary recovery. As a result, there will not be any judiciary suspension of the recovery procedures in cases when the recovery operations would not damage the firm's ability to recover its business.

In April 2016, the Chamber of the People's Deputies adopted a new bankruptcy law, which merges Law № 95-34 and Chapter IV of the Commerce Law in order to avoid duplication. The modernisation of Tunisia's bankruptcy regime is intended to improve debt recovery, reduce the number of NPLs, facilitate the access of new companies to bank lending and improve confidence between debtors and creditors.

Reporting and Periodic Examinations

All banks, including foreign bank agents and branches operating in Tunisia, are required to comply with accounting principles and standards set by the Bank. They are required to prepare year-end financial statements, including a balance sheet, a cash flow statement and a profit and loss statement, as of 31 December of each year, and to submit the financial statements to their respective shareholders not later than six months after year-end. The balance sheet and profit and loss statements in the case of banks with listed shares must be published each year and semi-annually in a Tunisian newspaper and in the publication of the Capital Market Council. Banks with listed shares are also required to publish certain quarterly indicators, within 20 days following the end of the relevant quarter, also in a Tunisian newspaper and in the publication of the Capital Market Council. The auditors of each bank or foreign bank agent or branch must submit to the Bank a copy of their annual report on the financial statements.

The Bank is authorised to request at any time that any bank or foreign bank agent or branch submit to an external audit, and banks, foreign bank agents and branches must submit to the Bank all documents and information, explanations and calculations necessary to permit the Bank to examine their operations. All banks, foreign bank agents and branches are subject to annual audits by their statutory auditors, as well as on-site examinations by the Bank at least every two years. The Bank also reviews the financial situation of banks, foreign bank agents and branches on an ongoing basis through the review of provisional financial results and other information, including a declaration of the bank's liquidity ratio that must be delivered to the Bank monthly.

Transparency

Banks are subject to transparency rules that allow for direct and permanent access by customers to financial information, notably concerning banking conditions. Lending institutions are required to publish their loan and deposit conditions as well as the fee schedule for frequent customer transactions. These conditions are made available to the public by putting notices on notice boards and circulating leaflets to the public, stating the rates for transactions. These leaflets must be updated whenever any change is introduced and customers must be informed at least ten days prior to any change going into effect. Also, the service Quality Watch publishes the fees applied by each bank on its website. In addition, in Bank Circular № 2001-12 of 4 May 2001, the Bank introduced measures intended to increase corporate transparency by having banks require customers that hold more than TD 5 million in financial commitments to prepare financial statements certified by a legally-accredited auditor.

Law № 2003-75 on combating money laundering and the financing of terrorism was adopted on 10 December 2003 and was amended on 12 August 2009, in accordance with international and regional conventions relating to fighting criminal activities and terrorism. Under the provisions of this law, a commission called "*La Commission Tunisienne des Analyses Financiéres*" (The Tunisian Financial Intelligence Unit or "**TFIU**") was established as an independent body charged with dealing with unlawful financing. This commission includes a committee which is in charge of preparing general directives with a view to helping banking and non-banking financial institutions detect and report any suspicious transactions, as well as research into initiatives aimed at combating unlawful financial networks, financing of terrorism and money laundering. The TFIU also includes an operational committee which is in charge of the analysis of and reporting on suspicious transactions and the setting up and management of a database of natural and legal persons which may be connected to unlawful financial operations.

To further improve risk management, Law № 2005-96, relating to the security of financial relations was adopted on 18 October 2005 to establish good corporate governance through a better division of responsibilities between different corporate bodies and better transparency by supplying reliable and available financial information to the market.

In order to align the Tunisian regulatory mechanism to the Financial Action Task Force ("**FATF**") recommendations introduced in February 2012 and develop a new approach based on risk-based supervisions, Circular № 2013-15 of 7 November 2013 introduced the following to be implemented by all Tunisian banks:

- the requirement for each bank to involve its board of directors and support committees (*i.e.*, internal audit and risk committees) in establishing and monitoring AML and CFT systems;
- the introduction of new requirements to strengthen the internal control system (*i.e.*, logistics and procedures) to ensure the prevention of the risk of money laundering;
- the requirement to introduce distinct systems for regular and enhanced new customer due diligence for persons who have been entrusted with a prominent function (heads of state, members of governments, parliamentarians and senior administration officials, those who have worked or are working on behalf of an international organisation) and to strengthen certain vigilance on entities such as associations, political parties and fund transfer companies;
- the requirements to establish clear internal procedures to ensure the proper application and compliance with AML and CFT legal and regulatory requirements and the adoption of technical specifications to be met by any information system regarding AML and CFT systems;
- the requirement to add certain provisions for institutions that outsource their information systems; and
- the requirement to strengthen the control in the monitoring of the AML/CFT system on an ongoing and permanent basis.

External auditors of the banks are required to assess the AML and CFT internal control systems of the banks and to report their findings to the Bank.

In 2015, the Chamber of the People's Deputies passed the AML/CFT Law which set out additional requirements in respect of "know your client", training, auditing and control procedures regarding suspicious transaction reports ("**STRs**"). The AML/CFT Law established the Tunisian Financial Intelligence Unit ("**FIU**"), the entity to and by which STRs are, respectively, made and analysed. The AML/CFT Law also established a court division dedicated to investigating terrorism and terrorist-financing related cases and established a National Commission for the Fight Against Terrorism. In line with FAFT recommendations, the AML/CFT Law extended the requirement to conduct client due diligence to credit establishments, microfinance institutions, the post office, traders and intermediaries, insurance and re-insurance companies, and a number of non-financial professions, including, among others, lawyers, accountants, estate agents and casinos. The AML/CFT Law empowers the National Commission for the Fight Against Terrorism to implement and monitor UN Security Council resolutions regarding the financing of terrorism and has introduced a number of new terrorist financing offences. See "*The Republic of Tunisia—National Security*".

The Government has prepared a draft anti-corruption law, which was approved by the Council of Ministers in June 2016 and has been submitted to the Chamber of the People's Deputies, to combat corruption and promote good governance. Three additional laws are also currently being prepared relating to protection for whistleblowers, the avoidance of conflicts of interest in the public sector and financial disclosures by senior government officials.

In December 2016, a two-year national anti-corruption strategy was adopted at the national anti-corruption conference held in Tunis. The strategy, which was developed by the National Anti-Corruption Commission, focuses on laying the foundations of good governance and combatting corruption, implementing principles of integrity and transparency,

strengthening accountability mechanisms and defining the roles of public entities and promoting co-operation among such entities. The strategy envisages the establishment of a committee, with representatives of public institutions, the National Anti-Corruption Commission, the private sector, civil society, the media, academics and well-known individuals from the cultural sector, to examine and report on progress under the national anti-corruption strategy.

In January 2016, Mr. Kamel Ayadi was appointed as Minister of Public Service Governance and the Fight Against Corruption. Mr. Chahed, the Head of Government, has also made combating corruption a pillar of the Government's programme.

See "*Risk Factors—Risks relating to The Republic of Tunisia—Failure to adequately address actual and perceived risks of corruption may adversely affect Tunisia's economy and its ability to attract FDI*".

Liquidation and Resolution

The New Banking Law established a new liquidation and resolution regime, in line with international best practices.

Resolution Phase

The New Banking Law provides for the establishment of a resolution committee with a broad range of powers, which include the power to:

- remove and appoint senior management and directors;
- appoint a special administrator to take control of and manage the affected financial institution;
- conduct bail-in activities;
- establish a temporary bridge institution;
- decrease the affected financial institution's capital in order to absorb accumulated losses (imposing such losses firstly on shareholders, and, subsequently, on holders of subordinated debt securities);
- increase the affected financial institution's capital, through sales of capital to new shareholders and conducting other securities issuances;
- conduct full or partial sales of assets, liabilities, branches or subsidiaries.

Liquidation Phase

If the resolution committee determines that resolution measures will not be sufficient, a liquidator will be appointed and a liquidation plan approved and followed.

As mentioned above, the New 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.

Reforms in the Banking Sector

In addition to the New Banking Law, a number of other initiatives aimed at improving the structure of the banking sector have been implemented. These measures include:

- the introduction of a base indicator approach to operational risk, by adopting a 15% capital requirement for average net banking income, to be calculated based on the previous three financial years (Circular № 2016-03);
- the publication of guidelines and principles for the implementation of a counterparty rating system (Circular № 2016-06);
- the implementation of a public information registry in 2007 with the aim of improving the quality of information about the financial condition and commitments of customers, which is an important prerequisite for the ultimate Basel Accords;
- the improvement of the quality of banking services in accordance with international standards (Circular № 2006-12 relating to the quality of the banking services);

- the development of the use of electronic debit cards by retail customers, with the aim of every banking and postal account having an electronic debit card by 2009. As of 31 December 2015, 3.0 million payment cards had been issued to approximately 13.4 million accounts in Tunisia (for both banking and postal accounts), as compared to 6.0 million accounts in 2013 and in 2012; and

- the further development of the financial markets and the insurance sector; in this respect, the Orientation Paper aims to increase the market capitalisation through the listing of major state-owned entities and to increase insurance penetration through, *inter alia*, reform of the governance framework for insurance companies.

The Bank has also adopted a five-year action plan to strengthen its banking supervision activities by 2020. This plan aims to:

- reform the legal, regulatory and operational framework to align it with Basel II and III standards;

- implement an effective framework for the operational surveillance of credit institutions (including on-site, off-site and oversight supervision); and

- develop and modernise supervision methods through the improvement of information systems and the formalisation of procedures.

Other Laws and Regulations

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

The code on providing financial services to non-residents (Law № 2009-94 of 12 August 2009) regulates financial and banking services provided by non-resident companies set up in Tunisia and was mainly intended to fill a regulatory gap. It was designed to provide a suitable framework for financial transactions among non-residents, to provide new financial tools to meet the needs and expectations of foreign investors, to introduce new supervisory tools and to promote Tunisia as a financial centre globally. The legal requirements of the code are limited exchange, tax and customs matters.

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.

The New Banking Law sets out the conditions for the approval, control and resolution of banks providing financial services to both residents and non-residents.

Other Regulations

In 2011, the Bank issued Bank Circular № 2011-06 relating to governance rules for banks, which covers (i) the strengthening of the role of the board of directors with responsibilities for setting the development strategy of banks as well as assisting and supervising the management, (ii) the appointment of two independent directors and another director representing the interests of minority shareholders, (iii) the establishment of three mandatory committees (internal audit permanent committee, risk management committee and the executive committee of credits), and (iv) the development by the board of directors of a Code of Ethics, Conflicts of Interest Policy for Management, as well as Communication Policies. These governance rules were included in the New Banking Law, which also introduced further governance measures, such as the requirement for the separation of functions of General Manager and Chairman of the Board and the requirement for non-executive directors.

TAXATION

Tunisian Taxation

The following is a summary of the principal Tunisian tax consequences of ownership of the Notes by beneficial owners who or which are not incorporated in or residents of The Republic of Tunisia for Tunisian tax purposes and do not conduct business activities in The Republic of Tunisia ("**Non-Tunisian Holders**"). This summary does not purport to consider all of the possible Tunisian tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary does not include any description of the tax laws of any state, local or foreign governments (other than The Republic of Tunisia) that may be applicable to the Notes or the holders thereof.

Persons considering an investment in the Notes should consult their own tax advisers concerning the application of Tunisian tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Payments of principal and interest on the Notes by The Republic of Tunisia to Non-Tunisian Holders will not be subject to Tunisian withholding tax. However, if any such withholding or any deduction for or on account of taxation is required by law in the future, the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except in certain limited circumstances described in "*Terms and Condition of the Notes—Taxation*".

Payments of principal and interest on the Notes by The Republic of Tunisia to Non-Tunisian Holders will not be subject to Tunisian income taxes in The Republic of Tunisia. Furthermore, Non-Tunisian Holders are not subject to Tunisian tax on any capital gains derived from a sale of the Notes. No Tunisian stamp duty will be imposed on Non-Tunisian Holders either upon the issuance of the Notes or upon a subsequent transfer of the Notes.

SUBSCRIPTION AND SALE

Each of Commerzbank Aktiengesellschaft, J.P. Morgan Securities plc and NATIXIS (collectively, the "**Joint Lead Managers**") has, pursuant to a subscription agreement entered into by them with the Issuer and dated 15 February 2017 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes.

The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities (including liabilities under the Securities Act) incurred in connection with the issue of the Notes. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated by the Joint Lead Managers in certain circumstances prior to payment of the net subscription money in respect of the Notes to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold by the Joint Lead Managers outside the United States in accordance with Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that it has complied and will comply with all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Republic of Tunisia

The Notes have not been and will not be registered or offered within The Republic of Tunisia. Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not be offering, selling or delivering, directly or indirectly, any Notes within The Republic of Tunisia except in compliance with all applicable laws and regulations of The Republic of Tunisia.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more (or any equivalent amount in another currency or such other amount as the Central Bank of Bahrain (the "**CBB**") may determine);

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000 (or any equivalent amount in another currency or such other amount as the CBB may determine); or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

The Republic of France

The Notes have not been and will not be offered or sold to the public in the Republic of France, and no offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The Notes may only be offered or sold in the Republic of France pursuant to article L. 411-2-II of the French Code *monétaire* et financier to (i) providers of third-party portfolio management investment services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a limited group of investors (*cercle restraint d'investisseurs*) acting for their own account, all as defined in and in accordance with articles L. 411-1, L. 411-2 and D. 411-1 to D. 411-4 of the French Code *monétaire* et financier.

Prospective investors are informed that:

(a) this Prospectus has not been submitted for clearance to the French financial market authority (*Autorité des marchés financiers*);

(b) individuals or entities referred to in article L. 411-2-II-2 of the French *Code monétaire et financier* may participate in the offering of the Notes for their own account, as provided under articles D. 411-1, D 411-2, D. 744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*; and

(c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier*.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither the Prospectus nor any offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither the Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither the Prospectus nor any other offering or marketing material relating to the offering, the Issuer or the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

General

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

The Bank and The Republic of Tunisia have each obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Bank's Board passed on 13 January 2017, approved by Decree № 2017-72 dated 20 January 2017 and published in the *Official Gazette* № 6 on 20 January 2017.

Listing and Admission to Trading

Application has been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List and for admission to trading of the Notes on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC), as amended.

The total expenses related to the admission to trading of the Notes are approximately €4,800.

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 2015.

Litigation

Neither the Bank nor The Republic of Tunisia is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank or The Republic of Tunisia is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position of the Bank and/or The Republic of Tunisia.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 156743968 and ISIN XS1567439689. The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Avenue J.F. 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. The source of third party information is identified where used.

Documents Available for Inspection

From the date of this Prospectus and for so long as any Note remains outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent:

- the Fiscal Agency Agreement, which includes the form of the Global Note;
- the Deed of Covenant;
- a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
- a copy of the annual budget of The Republic of Tunisia for the then current, and two previous, fiscal years; and

- a copy of the financial statements and accompanying auditors' report of the Bank for the then current, and two previous, fiscal years.

In addition, this Prospectus will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Joint Lead Managers Transacting with the Bank and/or The Republic of Tunisia

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Bank and/or The Republic of Tunisia and their affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank and/or The Republic of Tunisia or their respective affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Bank and/or The Republic of Tunisia routinely hedge their credit exposure to the Bank and/or The Republic of Tunisia consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Interested Persons

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

Yield

The initial yield in relation to the Notes is 5.75%, calculated on an annual basis. This is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

ISSUER

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