OFFERING CIRCULAR

EURO 2,000,000,000
BANQUE CENTRALE DE TUNISIE
Euro Medium Term Note Programme

This Offering Circular supersedes all previous offering circulars and is valid for a period of one year from the date hereof. Any Notes (as defined below) to be issued after the date hereof under the Programme (as defined below), which has been supplemented as at the date hereof as described herein, are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

Under this Euro 2,000,000,000 Euro Medium Term Note Programme (the **"Programme"**), *Banque Centrale de Tunisie* (the **"Bank"** or the **"Issuer"**) may, from time to time, subject to compliance with all relevant laws, regulations and directives, issue notes (the **"Notes"**). **The Notes will not be guaranteed by, and will not constitute obligations of, the Republic of Tunisia** (**"Tunisia"**, the **"State"** or the **"Republic"**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 2,000,000,000 (or its equivalent in other currencies determined at the time of the agreement to issue), subject to any duly authorised increase. The Notes may be denominated in U.S. dollars, Japanese yen, Euros and such other currencies as may be agreed between the Issuer and the relevant Dealers (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 9 and any additional Dealer appointed under the Programme from time to time pursuant to the terms of an amended and restated Programme Agreement dated 3 August, 1999 (as may be amended from time to time, the **"Programme Agreement"**), which appointment may be for a specific issue or on an ongoing basis (each a **"Dealer"** and together, the **"Dealers"**). References in this Offering Circular to the **"relevant Dealer"**, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, shall be to all Dealers agreeing to subscribe for such Notes.

The Notes will have maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement and will bear interest on a fixed or floating rate basis. Notes will be issued in Series (each a **"Series"**), with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates and related matters). Notes in each Series may be issued in one or more tranches (each a **"Tranche"**) on different issue dates. Details applicable to each particular Series or Tranche will be supplied in a pricing supplement to this Offering Circular (each a **"Pricing Supplement"**) which will contain the terms of, and pricing details for, each issue of Notes. This Offering Circular may not be used to consummate sales of Notes unless accompanied by a Pricing Supplement.

Application has been made for the Notes to be listed on the Luxembourg Stock Exchange. The Notes are expected to be designated as eligible for trading on the Portal Market, a subsidiary of the Nasdaq Stock Market, Inc. The Programme provides that Notes may be listed on such further stock exchange(s) as may be agreed upon by and among the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in a Pricing Supplement which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

Notes may be issued in bearer and/or registered form (respectively, **"Bearer Notes"** and **"Registered Notes"**). Notes of each Tranche will be represented by either a Temporary Bearer Global Note, a Permanent Bearer Global Note, a Registered Global Note and/or Definitive Notes (each as defined herein) as indicated in the applicable pricing supplement. See **"Form of the Notes"** below.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme has been rated by each of Moody's Investors Service, Inc., Standard and Poor's Ratings Services, a division of McGraw Hill Companies, Inc. and Fitch Inc. Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Merrill Lynch International

Dealers

ABN AMRO | **BNP PARIBAS**
Citigroup | **Credit Suisse First Boston**
Deutsche Bank | **Dresdner Kleinwort Wasserstein**
Goldman Sachs International | **JPMorgan**
Merrill Lynch International | **Morgan Stanley**
SG Corporate & Investment Banking | **UBS Investment Bank**

The date of this Offering Circular is 17 March 2004.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information with respect to the Issuer, Tunisia and the Notes to be issued by it which is material in the context of the Programme and the issue and offering of the Notes thereunder, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that this Offering Circular does not omit to state any material fact necessary to make such information, in light of the circumstances under which it was made, not misleading in any material respect, that the opinions or intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer accepts responsibility for the information contained in this Offering Circular.

The Luxembourg Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission to the Luxembourg Stock Exchange is not to be taken as an indication of the merits of the Issuer or the Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Offering Circular shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or the Programme Agreement or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Fiscal Agent or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or an offer by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and Tunisia.

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuer or Tunisia is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or Tunisia during the life of the Programme. Investors should review, *inter alia*, the documents deemed incorporated herein by reference when deciding whether or not to purchase any Notes.

The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers (save for the approval of this document as listing particulars by the Luxembourg Stock Exchange) which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will

result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and the United Kingdom. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "Subscription and Sale" below.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Unless otherwise provided with respect to a particular Series (as defined on page 19) of Registered Notes, the Registered Notes of each Tranche of such Series sold outside the United States in reliance on Regulation S under the Securities Act will be represented by a Permanent Global Note in registered form, without interest coupons (a "Regulation S Global Note"), deposited with a custodian for, and registered in the name of a nominee of the common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") for the accounts of their respective participants. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue (the "Distribution Compliance Period"), beneficial interests in the Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear and Clearstream, Luxembourg. The Registered Notes of each Tranche of such Series sold in private transactions to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("QIBs") will be represented by a Rule 144A Global Note in registered form, without interest coupons (a "Registered Global Note", and, together with a Regulation S Global Note, "Registered Global Notes"), deposited with a custodian for, and registered in the name of a nominee of, The Depositary Trust Company ("DTC"). Registered Notes in definitive form will, at the request of the holder (save to the extent otherwise indicated in the applicable Pricing Supplement), be issued in exchange for interests in the Registered Global Notes upon compliance with the procedures for exchange as described in "Form of the Notes".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any state securities commission in the United States nor has the SEC or any state securities commission passed upon the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

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

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IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES, THE DEALER (IF ANY) DISCLOSED AS THE STABILISING MANAGER IN THE APPLICABLE PRICING SUPPLEMENT OR ANY PERSON ACTING FOR HIM MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF A SERIES (AS DEFINED BELOW) OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER OR ANY AGENT OF HIS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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.$"**, and **"$"** are to the currency of the United States of America, references to **"Japanese yen"**, **"JPY"** and **"¥"** are to the currency of Japan; references to **"GBP"** are to the currency of the United Kingdom; and references to **"EUR"**, **"Euro" and** "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union. References in this document to **"billions"** are to thousands of millions, to **"Tunisia"**, the **"State"** or the **"Republic"** are to the Republic of Tunisia and to the "Government" are to the Government of Tunisia.

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

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

	Average Annual Exchange Rates[1] *(TD per unit of currency indicated)*				
	1999	2000	2001	2002	2003
USD	1.1884	1.3716	1.4390	1.4212	1.2877
1,000 JPY	10.4891	12.6904	11.7993	11.3004	11.0600
EURO	1.2646	1.2633	1.2877	1.3418	1.4573

(1) Average annual interbank rates

On 4 March, 2004, the closing U.S. dollar/Tunisian dinar rate of exchange as reported by the Bank was TD 1.2528 = U.S.$1.00, the closing Japanese yen/Tunisian dinar rate of exchange was TD 11.2636 = JPY1,000 and the closing Euro/Tunisian dinar rate of exchange as reported by the Bank was TD 1.5282 = Euro 1.00.

Certain monetary amounts included in this Offering Circular 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.

JURISDICTION AND ENFORCEMENT

The Issuer is an instrumentality of a foreign state. Consequently, it may be difficult for investors to obtain or realise upon judgments against the Issuer in the English courts. The Issuer has irrevocably submitted to the non-exclusive jurisdiction of the courts of England for purposes of any suit, action or proceeding arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Receipts and/or Coupons (each as defined below) 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 Issuer has irrevocably waived any objection which it may have to the laying of the venue of any such Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum.

In addition, to the extent that the Issuer 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 agrees for the benefit of the Noteholders not to claim, and irrevocably waives, such immunity, to the fullest extent permitted by the laws of such jurisdiction. The ability to enforce foreign judgments in Tunisia is dependant, 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 **"Condition 20"**.

The Notes will be obligations of the Issuer only and will not constitute obligations of the Republic.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited annual financial statements of the Issuer, and

(b) all supplements and amendments to this Offering Circular circulated by the Issuer from time to time in accordance with the provisions of the Programme Agreement described below,

except that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

In addition, such documents will be available free of charge from the principal office in Luxembourg of Deutsche Bank Luxembourg S.A. in its capacity as listing agent (the **"Luxembourg Listing Agent"**) for the Notes listed on the Luxembourg Stock Exchange.

The Issuer will, in connection with the listing of the Notes on the Luxembourg Stock Exchange or any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to the Offering Circular upon the Issuer becoming aware that (i) there has been a significant change affecting any matter contained in this Offering Circular or (ii) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the Offering Circular if it had arisen before the Offering Circular was issued. In the event that a supplement to the Offering Circular is produced pursuant to such undertakings a copy of such supplement will accompany this Offering Circular. Any such supplement to the Offering Circular will also be available from the specified office of the Fiscal Agent and the Luxembourg Listing Agent in Luxembourg. See **"General Information – Documents Available"**.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as supplemented, materially inaccurate or misleading, a new Offering Circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may, from time to time, issue Notes denominated in U.S. dollars, Japanese yen, Euro or in any other currency, subject to the terms more fully set forth herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed upon by and between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set forth in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under **"Form of the Notes"** below.

This Offering Circular and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange in an aggregate nominal amount of the Notes which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed Euro 2,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the Euro equivalent of Notes denominated in another Specified Currency (as defined below) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the first preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and

(b) the Euro equivalent of Zero Coupon Notes (as defined below) shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by the more detailed information provided elsewhere in this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, by the applicable Pricing Supplement. Words and expressions used in this Summary and not otherwise defined shall have the meanings ascribed to such words and expressions in **"Form of the Notes"** and **"Terms and Conditions of the Notes"** below. References to a specific **"Condition"** shall be deemed to refer to the relevant Condition set forth in the Terms and Conditions of the Notes.

Issuer:	Banque Centrale de Tunisie
Description:	Euro Medium Term Note Programme
Arranger:	Merrill Lynch International
Dealers:	ABN AMRO Bank N.V. BNP PARIBAS Citigroup Global Markets Limited Credit Suisse First Boston (Europe) Limited Deutsche Bank AG London Dresdner Bank AG London Branch Goldman Sachs International Merrill Lynch International J.P. Morgan Securities Ltd. Morgan Stanley & Co. International Limited Société Générale UBS Limited
	Pursuant to the terms of the Programme Agreement, the Issuer may issue to persons other than Dealers and may terminate the appointment of any Dealer or appoint further Dealers for a particular Tranche of Notes or as Dealers to the Programme.
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG London
Registrar, Transfer Agent, Paying Agent and Exchange Agent:	Deutsche Bank Trust Company Americas
Paying Agent and Transfer Agent in Luxembourg and Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A.
Size:	Up to Euro 2,000,000,000 (or its equivalent in other currencies calculated as described in **"General Description of the Programme"**) outstanding at any time, subject to any duly authorised increase.
Distributions:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	U.S. dollars, Japanese yen and Euro and, subject to compliance with all relevant laws, regulations and directives, such other currencies as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Pricing Supplement (each a **"Specified Currency"**). Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements (see **"Subscription and Sale"** below).

Issuance in Series:	Notes will be issued in Series, with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates and related matters). The Notes in each Series may be issued in one or more Tranches on different issue dates.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Notes with a Maturity of Less than One Year:	Notes with a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least GPB100,000 or its equivalent, see "*Subscription and Sale*".
Amortisation:	If specified in the Pricing Supplement the Notes will be redeemed in the Amortisation Amounts and on the Amortisation Dates set forth in the applicable Pricing Supplement.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or at a premium over, par.
Form of the Notes:	The Notes will be issued in bearer or registered form as described in **"Form of the Notes"** below. Bearer Notes may not be delivered in exchange for Registered Notes.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed upon by the Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement) and on redemption. Interest will be calculated on the basis of the Fixed Coupon Amount specified in the applicable Pricing Supplement, or in the case of interest required to be calculated for a period of other than a full year, on the basis of the Fixed Day Count Fraction specified in the applicable Pricing Supplement.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement in the form of the Interest Rate and Currency Exchange Agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, the **"ISDA Definitions"**); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the applicable Pricing Supplement. The margin (if any) relating to such floating rate (the **"Margin"**) will be as set forth in the applicable Pricing Supplement.

	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Pricing Supplement). Interest on Floating Rate Notes in respect of each Interest Period, as set forth in the applicable Pricing Supplement, will be payable on the relevant Interest Payment Date on the basis of the actual number of days in the Interest Period concerned divided by 360 unless otherwise indicated in the applicable Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption:	The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer or the Noteholders, upon giving not less than 30 nor more than 60 days irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement. The Pricing Supplement may provide that Notes may be redeemed in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Withholding Tax:	The principal of and interest on the Notes will be payable by the Issuer without withholding or deductions for or on account of taxes imposed by or in the Republic, except as otherwise required by law. If the Issuer is required by law to deduct or withhold any taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or in the Republic, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as necessary to enable holders of Notes to receive, after such deductions or withholding, the amounts they would have received in the absence of such withholding or deductions. See Condition 8.
Denomination of Notes:	Notes which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not (a) have a minimum denomination of less than EUR 1,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement (the "**Specified Denominations**"), subject to compliance with all applicable legal and/or central bank requirements.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross-default provision as further described in Condition 10.

Status of the Notes:	The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 4 of the terms and conditions of the Notes relating to the Issuer's negative pledge covenant), unsecured obligations of the Issuer which will rank at least *pari passu* in priority of payment among themselves and at least *pari passu* with all other present and future unsecured (subject to Condition 4) Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer. The Notes will not be guaranteed by and will not constitute obligations of the Republic.
Listing:	Application has been made for Notes to be issued under the Programme to be listed on the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Unlisted Notes may also be issued. The Pricing Supplement relating to each Tranche of Notes will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.
Rating:	The Programme has been rated by each of Moody's Investors Service, Inc., Standard and Poor's Ratings Services, a division of McGraw Hill Companies, Inc. and Fitch Inc. Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Governing Law:	The Programme Agreement and the Notes will be governed by, and construed in accordance with, English law.
Submission to Jurisdiction:	The Issuer will submit to the non-exclusive jurisdiction of the courts of England. See **"Jurisdiction and Enforcement"** above.
Selling Restrictions:	There are selling restrictions in relation to the United States, United Kingdom, Japan, The Netherlands and other jurisdictions in connection with the offering and sale of a particular Tranche of Notes. See **"Subscription and Sale"** below.

FORM OF THE NOTES

The Notes of each Series will be in bearer form or registered form.

Each Tranche of Notes in bearer form will initially be represented either by a Temporary Bearer Global Note (a **"Temporary Bearer Global Note"**) or a Permanent Bearer Global Note (a **"Permanent Bearer Global Note"**) which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg. Beneficial interests in a Temporary Bearer Global Note will be exchangeable for either beneficial interests in a Permanent Bearer Global Note or, where specified in the applicable Pricing Supplement (subject to such notice period as specified in the applicable Pricing Supplement), for Definitive Notes on or after the date which is 40 days after the date on which the Temporary Bearer Global Note is issued. Such exchange will be made only upon the delivery of written certification (in the form set out in the Temporary Bearer Global Note) to Euroclear and/or Clearstream, Luxembourg, as the case may be, as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. Each Permanent Bearer Global Note may be exchanged for Definitive Bearer Notes (save to the extent otherwise indicated in the applicable Pricing Supplement) only in the limited circumstances described in the Permanent Bearer Global Note and herein, in each case in accordance with the procedure described in **"Terms and Conditions of the Notes"**.

While any Note is represented by a Temporary Bearer Global Note, payments of principal and interest (if any) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or any other such depositary, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On the expiry of the 40 day period referred to above, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Bearer Global Note without receipts, interest coupons or talons or for Definitive Bearer Notes with, where applicable, receipts or interests coupons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement) in each case against certification of beneficial ownership as described in the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date.

In the case of a Permanent Bearer Global Note held by a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg, payments of principal and interest (if any) on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification. Unless otherwise specified in the applicable Pricing Supplement, a Permanent Bearer Global Note will only be exchangeable (free of charge), in whole but not in part for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached if (a) an Event of Default (as defined in Condition 10) occurs in respect of any Note of the relevant Series, or (b) Euroclear or Clearstream, Luxembourg or DTC or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or in fact does so or (c) if so specified in the applicable Pricing Supplement.

Pursuant to the Fiscal Agency Agreement (as defined below) the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN which is different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until 40 days after the date on which the Temporary Bearer Global Note in respect of such further Tranche is issued. At the end of such 40 day period the common code and ISIN thereafter applicable to the Notes of the relevant Series will be notified by the Fiscal Agent to the relevant Dealer(s).

Unless otherwise provided with respect to a particular Series of Registered Notes, the Registered Notes of each Tranche of such Series offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Note which will be deposited with a common depositary for, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg. Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 11 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes for each Tranche of such Series may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a Restricted Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described in Condition 12(b), to receive physical delivery of definitive Notes in fully registered form.

The Restricted Global Note and the Registered Notes in definitive form, if any, will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal on the Registered Notes will be made on the relevant payment date to the persons shown on the Register at the close of business on the business day (being for this purpose a day on which banks are open for business in New York City) immediately prior to the relevant payment date. Payments of interest on the Registered Notes will be made on the relevant payment date to the persons in whose name such Notes are registered on the Record Date (as defined in Condition 5(b)) immediately preceding such payment date.

For so long as any of the Notes is represented by a Global Note deposited with a common depositary or registered in the name of a nominee for the common depositary of Euroclear or Clearstream, Luxembourg or so long as DTC or its nominee is the registered holder of a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or, as the case may be, DTC as a holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC or its nominee as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose, in the case of Notes represented by a Bearer Global Note, the bearer of the relevant Global Note or, in the case of a Registered Global Note, the common nominee of Euroclear and Clearstream, Luxembourg or the nominee of DTC, as the case may be, in whose name the relevant Global Note is registered, shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Fiscal Agency Agreement (and the expression **"Noteholder"** and **"Holder of Notes"** and related expressions shall be construed accordingly).

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be. No beneficial owner of an interest in a Registered Global Note will be able to exchange or transfer such interest, except in accordance with the applicable procedure of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

The following legend will appear on all Bearer Global Notes, Definitive Bearer Notes, receipts, interest coupons and talons (or in the book or record where the Notes are held in book-entry form):

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended, provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on bearer notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of bearer notes, receipts or interest coupons.

Any reference in this section **"Form of the Notes"** to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer(s) and the Fiscal Agent.

The Pricing Supplement applicable to each Tranche of Notes will contain such of the following information as is applicable in respect of such Notes. See **"Form of the Pricing Supplement"** below.

FORM OF THE PRICING SUPPLEMENT

Pricing Supplement dated [ ]

Banque Centrale de Tunisie

Issue of [Aggregate Nominal Amount of Tranche]
[Title of Notes] under the Euro 2,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated ● [and the supplemental Offering Circular dated ●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a [Information Memorandum/Offering Circular/Prospectus] with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the [Information Memorandum/Offering Circular/Prospectus] dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the [Information Memorandum/Offering Circular/Prospectus] dated [current date] [and the supplemental [Information Memorandum/Offering Circular/Prospectus dated ●], save in respect of the Conditions which are extracted from the [Information Memorandum/Offering Circular/Prospectus] dated [original date] and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	Issuer:		Banque Centrale de Tunisie
	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		(*If the Notes must be redeemed before the first anniversary of their date of issue, the minimum denomination may need to be GBP100,000 or the equivalent in any other Specified Currency.)*
	(i)	Series	[ ]
	(ii)	Tranche:	[ ]
5.	(i)	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	(ii)	Net proceeds	[ ] [*(Required only for listed issues)*]

6.	Specified Denominations:	[ ] (minimum denominations of Notes may not be less than Euro 1,000 (or nearly equivalent in another currency) for Notes which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union).
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date	[ ]
8.	Maturity Date:	[ ] [(*Specify date or* (*for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*)]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [*specify reference rate, +/-*] [ ] per cent. Floating Rate] [Zero Coupon] [Other *(specify)*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Instalment] [Other *(specify)*]
11.	Change of Interest or Redemption/ Payment Basis:	[(*Specify details of any provisions for convertibility of Notes into another interest or redemption/ payment basis*)]
12.	Put/Call Option:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:	[Luxembourg/other (*specify*)/None]
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted]
	(iii) Fixed Coupon Amount(s):	[ ] per [ ] in Nominal Amount
	(iv) Broken Amount(s)	[(*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*[(*s*))]

	(v)	Day Count Fraction:	[30/360/Actual/Actual (ISMA/ISDA)/other]
	(vi)	Determination Date:	[ ] [in each year *(insert regular interest payment date, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual(ISMA).*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Periods:	[ ]
	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
	(iv)	Business Centre(s):	[ ]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ *other (give details)*]
	(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
	(vii)	Screen Rate Determination: – Reference Rate: – Interest Determination Date(s): – Relevant Screen Page:	 [ ] [ ] [ ]
	(viii)	ISDA Determination: – Floating Rate Option: – Designated Maturity: – Reset Date:	 [ ] [ ] [ ]
	(ix)	Margin(s):	[+/-] [ ] per cent. per annum
	(x)	Minimum Interest Rate:	[ ] per cent. per annum
	(xi)	Maximum Interest Rate:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	
	(xiii)	Fall back provisions rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ] (*Insert details*)
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Any other formula/basis of determining amount payable	[ ]

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ]
		(b) Maximum Redemption Amount:	[ ]
	(iv)	Notice period:	[ ] *N.B. If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.*
19.	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iii)	Notice period:	[ ] *N.B. If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.*
20.	Final Redemption Amount of each Note:		[ ] per Note of [ ] specified denomination/*other*/see Appendix]
21.	Early Redemption Amount		
Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or an event of default and/or the method of calculating the same (if required or if different from that set out in the conditions):			[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of the Notes:	[Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] [Registered Notes]:
23.	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*.] (*Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii) and 16(iii) relate*)
24.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
25.	Details relating to Instalment Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made:	[Not Applicable/*give details*]
26.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable. The provisions [annexed to the Pricing Supplement] apply.]
27.	Consolidation provisions:	[Not Applicable. The provisions [in Condition ●] [annexed to the Pricing Supplement] apply.]
28.	Other terms or special provisions.	[Not applicable/give details]

DISTRIBUTION

29.	(i) If syndicated, names of Managers	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any)	[Not Applicable/*give names*]
30.	If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
31.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[Yes/No] [TEFRA D/TEFRA C/TEFRA not applicable]
32.	Additional selling restrictions:	[Not Applicable/*give names*]

OPERATIONAL INFORMATION

33.	ISIN:	[ ]
34.	Common Code:	[ ]
35.	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
36.	Delivery:	Delivery [against/free of] payment
37.	Additional Paying Agent(s) (if any)	[ ]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Euro 2,000,000,000 Euro Medium Term Note Programme of Banque Centrale de Tunisie.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By...

Duly authorised

DTC INFORMATION – REGISTERED NOTES

DTC will act as securities depositary for the Restricted Global Notes and may act as securities depositary for Regulation S Global Notes if so specified in the applicable Pricing Supplement. The Restricted Global Notes (and any applicable Regulation S Global Notes) will be issued as fully registered securities registered in the name of Cede & Co. The deposit of such Notes with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Registered Notes; DTC's records reflect only the identity of the participants to whose accounts such Notes are credited, which may or may not be the beneficial owners of the Registered Notes.

DTC has advised the Issuer as follows: ''DTC is a limited-purpose trust company organised under the New York Banking Law, a **''banking organisation''** within the meaning of New York Banking Law, a member of the Federal Reserve System, a **''clearing corporation''** within the meaning of New York Uniform Commercial Code and a **''clearing agency''** registered pursuant to the provisions of section 17A of the United States Exchange Act of 1934. DTC holds securities that its participants (**''Participants''**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct Participant, either directly or indirect (**''Indirect Participants''**). The rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission.''

Neither DTC nor Cede & Co. will consent or vote with respect to the Registered Notes represented by the Registered Global Notes. However, DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by the Registered Global Notes (including, without limitation, the delivery of consent, the exercise of voting rights, or the presentation of a Registered Global Note for exchange as described above) at the direction of one or more Agent Members to whose account with DTC interests in a Registered Global Note are credited and only in respect of such portion of the aggregate principal amount of the Registered Notes as to which such Agent Member or Agent Members has or have given such direction.

Purchases of Registered Notes represented by the Registered Global Notes under the DTC system must be made by or through direct Participants, which will receive a credit for the Registered Notes on DTC's records. The ownership interest of each actual purchaser of a Registered Note (a **''Beneficial Owner''**) held through DTC is in turn recorded on the Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase but are expected to receive written confirmations regarding details of the transaction, as well as periodic statements of their holdings, from the Participants or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfer of ownership interests in Registered Notes represented by the Registered Global Notes held by DTC are accomplished by entries made in the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Registered Notes represented by the Registered Global Notes from DTC, except in the event that the use of the book-entry systems for the Notes is discontinued.

Principal and interest payments on Registered Notes represented by the Registered Global Notes held by DTC will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Fiscal Agent, on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in **''street name''**, and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., is the responsibility of the Issuer or the Fiscal Agent or Paying Agent, as the case may be. Disbursements of payment received by DTC to Direct Participants shall be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants and Indirect Participants.

The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in a Registered Global Note to such persons may require that such interests be exchanged for Registered Notes in definitive form. Because DTC can only act on behalf of Participants which, in turn, act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Registered Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of a physical registered certificate.

DTC may discontinue providing its services as securities depositary with respect to Registered Notes at any time by giving reasonable notice to the Issuer or the Fiscal Agent. Under such circumstances, in the event that a successor securities depositary is not obtained, Registered Notes in definitive form would be delivered to individual Noteholders. In addition, the Issuer may decide to discontinue use of the systems of book-entry transfers through DTC (or a successor securities depositary). In that event, Registered Notes in definitive form would be delivered to individual Noteholders.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Global Note and each Definitive Note, in the case of Definitive Notes only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Bearer Global Note, Permanent Bearer Global Note, Registered Global Note and Definitive Note (each as defined in ***"Form of the Notes"*** *above). Terms used in this Offering Circular and not otherwise defined herein have the meanings ascribed thereto in the applicable Pricing Supplement. References to a specific* ***"Condition"*** *shall be deemed to refer to the relevant Condition set forth in the Terms and Conditions of the Notes.*

This Note is one of a Series (as defined below) of Notes issued by Banque Centrale de Tunisie (the **"Issuer"**) pursuant to an amended and restated Fiscal Agency Agreement dated 3 August, 1999 (such Fiscal Agency Agreement as supplemented by a First Supplemental Agency Agreement dated 10 October, 2000, by a Second Supplemental Agency Agreement dated 22 January, 2002 and by a Third Supplemental Agency Agreement dated 17 March, 2004 and as it may be further modified and/or supplemented and/or restated from time to time, the **"Fiscal Agency Agreement"**) and made between the Issuer and Deutsche Bank AG London, acting through its principal corporate office in London, as fiscal agent (the **"Fiscal Agent"**, which expression shall include any successor fiscal agent), and as paying agent and the other paying agents named therein (the **"Paying Agents"**, which expression shall, unless the context otherwise requires, include any successors in their capacity as such and any substitute or any additional paying agents, respectively, which are appointed in accordance with the Fiscal Agency Agreement), Deutsche Bank Trust Company Americas, New York office as registrar (the **"Registrar"**, which expression shall include any successor registrar), exchange agent (the **"Exchange Agent"**, which expression shall include any successor exchange agent) and transfer agent and Deutsche Bank Luxembourg S.A. as transfer agent (each, a **"Transfer Agent"**, which expression shall include any successor transfer agent).

References herein to the **"Notes"** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination (as indicated in the applicable Pricing Supplement) in the Specified Currency (as indicated in the applicable Pricing Supplement);

(ii) (in the case of Bearer Notes) Definitive Bearer Notes issued in exchange (or part exchange) for a Global Note;

(iii) (in the case of Registered Notes) Definitive Registered Notes; and

(iv) any Global Note.

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (**"Coupons"**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**"Talons"**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**"Receipts"**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes, in definitive or global form, do not have Receipts or Coupons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the ''applicable Pricing Supplement'' are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **"Noteholders"** shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **"Receiptholders"** shall mean the holders of Receipts and any reference herein to **"Couponholders"** shall mean the holders of any Coupons, and shall, unless the context otherwise requires, include any holders of Talons.

As used herein, **"Tranche"** means Notes which are identical in all respects (including as to listing) except that a Tranche of Notes may comprise Notes of more than one Specified Denomination. As used herein, **"Series"** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except that a Series of Notes may comprise Notes of more than one Specified Denomination and the Issue Price, Issue Date, Interest Commencement Date (if any) and/or the amount of the first payment of interest (if any) may be different in respect of different Tranches.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **"Deed of Covenant"**) dated 3 August, 1999, and made by the Issuer. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (**"Euroclear"**), Clearstream Banking, société anonyme (**"Clearstream, Luxembourg"**) and DTC.

Copies of the Fiscal Agency Agreement, the Pricing Supplement applicable to this Note and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar, the Transfer Agent and the Fiscal Agent save that the applicable Pricing Supplement in relation to an unlisted Note will only be available for inspection by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Fiscal Agent, the Registrar, the Transfer Agent or the relevant Paying Agent, as the case may be, as to its holding of Notes and as to its identity. The Noteholders, Receiptholders and Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Fiscal Agency Agreement, the applicable Pricing Supplement and the Deed of Covenant which are applicable to them.

Words and expressions defined in the Fiscal Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between these Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are in bearer form (**"Bearer Notes"**) or in registered form (**"Registered Notes"**). Definitive Notes will be serially numbered in the Specified Currency and the Specified Denomination(s).

Bearer Notes may not be delivered in exchange for Registered Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note or a combination of any of the foregoing, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set forth below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration in accordance with the provisions of the Fiscal Agency Agreement. The Issuer, the Fiscal Agent, the Registrar, the Transfer Agent and any Paying Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon and the Registered Holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set forth in the next succeeding paragraph.

For so long as any of the Notes are represented by a Bearer Global Note held by a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg and for so long as a nominee for the Common Depositary of Euroclear and Clearstream, Luxembourg or a nominee of DTC is the registered holder of a Registered Global Note, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or, as the case may be, DTC, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC, as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent, the Registrar, the Transfer Agent and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Bearer Global Note or, in the case of a Registered Global Note registered in the name of a nominee for the Common Depositary for Euroclear and Clearstream, Luxembourg or the nominee of DTC shall be treated by the Issuer, the Fiscal Agent, the Registrar, the Transfer Agent and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expression **"Noteholder"** and related expressions shall be construed accordingly).

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be.

References to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer(s) and the Fiscal Agent and specified in the applicable Pricing Supplement.

2. Exchange of Permanent Bearer Global Notes

(a) Exchanges of Permanent Bearer Global Notes

Holders of interests in a Permanent Bearer Global Note may exchange such interests in whole but not in part free of charge for Definitive Bearer Notes, if (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces its intention permanently to cease business or in fact does so; (ii) an Event of Default (as defined in Condition 10) has occurred and is continuing with respect to any Note of the relevant Series or (iii) if so specified in the applicable Pricing Supplement.

(b) Costs of exchange

Exchange will be effected without charge by or on behalf of the Issuer, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it. Any such taxes shall be payable by the Noteholder.

3. Status of the Notes

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer which rank at least *pari passu* in priority of payment, without any preference among themselves and at least *pari passu* with all other present and future unsecured (subject to Condition 4) Indebtedness (as defined below) of the Issuer. The Notes are not guaranteed by and do not constitute obligations of the Republic of Tunisia.

"Indebtedness" means all indebtedness of the Issuer including those in respect of deposits held by the Issuer.

4. Negative Pledge

The Issuer undertakes that, so long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or permit to be created or to subsist any Encumbrance (as defined below) over any of its present or future undertakings, assets or revenues to secure External Indebtedness (as defined below) of the Issuer, other than:

(i) any Encumbrance arising in the ordinary course of banking transactions;

(ii) any Encumbrance created, at the time of purchase, on any asset purchased after the date of issue of the Notes, provided that such Encumbrance is created solely and exclusively to secure the due payment of the purchase price of such asset; or

(iii) any Encumbrance created on revenues arising solely and exclusively from any asset acquired or constructed after the date of issue of the Notes, provided that such Encumbrance is created solely and exclusively to secure the due payment of financing contracted solely and exclusively for the acquisition or construction of such asset;

unless the Notes shall also be secured by such Encumbrance equally and rateably with the External Indebtedness so secured.

For the purposes of the foregoing:

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

"External Indebtedness" means any Indebtedness of the Issuer which is or, at the option of the holder of such indebtedness, may be payable in a currency other than the lawful currency of Tunisia; and

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

5. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its nominal amount from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Fixed Interest Date(s) in each year and on the Maturity Date so specified if that does not fall on a Fixed Interest Date.

The first payment of interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount specified in the applicable Pricing Supplement.

If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount specified in the applicable Pricing Supplement.

If interest is required to be calculated for a period ending other than on a Fixed Interest Date, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions, **"Fixed Day Count Fraction"** means:

(i) if **"Actual/Actual – ISMA"** is specified in the applicable Pricing Supplement,

  (a) if the relevant period is equal to or shorter than the Determination Period during which it falls, the number of days in the relevant period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

  (b) if the relevant period is longer than one Determination Period, the sum of:

(x) the number of days in such relevant period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such relevant period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

''Determination Period'' means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

''Determination Date'' means each relevant Fixed Interest Date (except that the first Determination Date shall be deemed to be the Interest Commencement Date), unless otherwise specified in the applicable Pricing Supplement; and

(ii) if **"30/360"** is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"sub-unit" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

(A) the Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(B) if no express Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, each an **"Interest Period"**).

If a business day convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) then, if the business day convention specified is:

(1) the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below in this subparagraph (1) shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred, in any case where Specified Periods are specified in accordance with Condition 5*(b)(i)*(B) above; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In addition, if (i) the Floating Rate Convention is specified in the applicable Pricing Supplement, (ii) Specified Periods are specified in accordance with Condition 5*(b)(i)*(B) above and *(iii)* any Interest Payment Date falls on the last Business Day in any month, then each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred.

In this Condition, **"Business Day"** means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Financial Centre specified in the applicable Pricing Supplement; and

(B) either (1) in relation to interest payable in a Specified Currency other than Euro, a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (2) in relation to interest payable in Euro, a day on which the TARGET System is open.

In these conditions **"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period (being the period from and including one Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date) will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), **"ISDA Rate"** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**"LIBOR"**) or on the Euro-zone inter-bank offered rate (**"EURIBOR"**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), (i) **"Floating Rate"**, **"Calculation Agent"**, **"Floating Rate Option"**, **"Designated Maturity"** and **"Reset Date"** have the meanings given to those terms in the ISDA Definitions; and (ii) the definition of **"Banking Day"** in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line the word "general". **"Eurozone"** means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union. **"ISDA Definitions"** means the 2000 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series published by the International Swaps and Derivatives Association, Inc.

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(a) the offered quotation; or

(b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) If the Relevant Screen Page is not available or, if in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph the Rate of Interest for the relevant Interest Period shall be determined as provided in the preceding paragraph by reference to such other page (the **"Alternative Screen Page"**) on such other information vendor service as is then displaying in the case of (A) above, information comparable to that appearing on the Relevant Screen Page when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, information comparable to that appearing on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(3) If no Alternative Screen Page is available or, if in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case at the time specified in the preceding paragraph the Fiscal Agent shall request if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time) or approximately 11.00 a.m. (Brussels time), as the case may be, on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

(4) If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the relevant Interest Determination Date, for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market or, if the Reference Rate is

EURIBOR to leading banks in the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Fiscal Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London interbank market as at 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR to leading banks in the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(5) In this paragraph (B), **"Reference Banks"** means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(6) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Fiscal Agent, in the case of Floating Rate Notes, or the Calculation Agent, if such an agent is appointed, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent will calculate the amount of interest (the **"Interest Amount"**) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(1) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if **"Actual/365 (Fixed)"** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if **"Actual/360"** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(4) if **"30/360," "360/360"** or **"Bond Basis"** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(5) if **"30E/360"** or **"Eurobond Basis"** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined herein) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15.

"London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, Receiptholders and Couponholders shall attach to the Fiscal Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Fiscal Agency Agreement.

6. Payments

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee in a city in which banks have access to the TARGET System or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. References to **"Specified Currency"** will include any successor currency under applicable law.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of any Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of the Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

In respect of Definitive Bearer Notes, payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Definitive Bearer Note. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in Definitive Bearer Form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons failing to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note in Definitive Bearer Form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Global Note (or, as provided in the Fiscal Agency Agreement, the Fiscal Agent) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the Holder of such Global Note (or the Fiscal Agent, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note (or, as provided in the Fiscal Agency Agreement, the Fiscal Agent). No person other than the holder of such Global Note (or the Fiscal Agent, as the case may be) shall have any claim against the Issuer in respect of any payments due on that Global Note.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency or conversion into U.S. dollars in accordance with the provisions of the Fiscal Agency Agreement.

Payments of principal (other than instalments of principal (if any) prior to the final instalment) in respect of Registered Notes (whether in definitive or global form) will be made in the manner provided in paragraph (a) above to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose the day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant Payment Date against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Note at the specified office of one of the Registrar or a Transfer Agent in Luxembourg.

Payment of interest due on a Registered Note (whether in definitive or global form) and payment of instalments (if any) of principal on a Registered Note, other than the final instalment, will be made in the manner specified in paragraph (a) to the person in whose name such Note is registered at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the **"Record Date"**) prior to such due date. In the case of payment by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holders registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Note is required by credit or transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **"Payment Day"** means any day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation;

(ii) a Business Day (as defined in Condition 5(b)(i)); and

(iii) in relation to Notes denominated or payable in Euro, a day on which the TARGET System is open.

(d) Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any Additional Amounts (as defined in Condition 8) which may be payable with respect to principal under Condition 8;

(ii) the Amortisation Amounts of the Notes;

(iii) the Final Redemption Amount of the Notes;

(iv) the Early Redemption Amount of the Notes;

(v) the Optional Redemption Amount(s) (if any) of the Notes;

(vi) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vii) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(viii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Fiscal Agency Agreement.

7. Amortisation, Redemption and Purchase

(a) Amortisation

If specified in the applicable Pricing Supplement, the Notes will be redeemed in the amounts (**"Amortisation Amounts"**) and on the dates (**"Amortisation Dates"**) set forth in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) below.

(b) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(c) Redemption at the Option of the Issuer

If the Issuer is specified in the applicable Pricing Supplement as having an option to redeem, the Issuer may, having given:

(i) not less than 30 nor more than 60 days' irrevocable notice to the Holders in accordance with Condition 15; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Fiscal Agent and (in the case of a redemption of Registered Notes), the Registrar;

(which notices shall be irrevocable), redeem all or part of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes (or, as the case may be, parts of Registered Notes) to be redeemed (**"Redeemed Notes"**) will be selected individually by lot without involving any part only of a Bearer Note, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or, as the case may be, DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **"Selection Date"**). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Holders in accordance with Condition 15 at least 5 days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders

If the holders of Notes are specified in the applicable Pricing Supplement as having an option to redeem, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 30 nor more than 60 days' irrevocable notice or such other period of notice as is specified in the applicable Pricing Supplement the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. If the Holders of Notes are not specified in the applicable Pricing Supplement as having an option to redeem then such Holders of Notes shall not have any option to redeem such Notes as described in this sub-paragraph (d).

To exercise the right to require redemption of this Note, the holder of this Note must deliver such Note to the specified office of any Paying Agent, in the case of Bearer Notes, or any Transfer Agent or the Registrar in the case of Registered Notes at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or Registrar falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or Registrar (a **"Put Notice"**). In the Put Notice the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(e) Early Redemption Amounts

For the purpose of Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the **"Amortised Face Amount"**) equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) Instalments

Instalment Notes will be redeemed in the amount of the relevant instalment set forth in the applicable Pricing Supplement (the **"Instalment Amounts"**) and on the date(s) of each instalment with respect to the relevant Instalment Note (the **"Instalment Dates"**). In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Purchases

The Issuer may at any time purchase Notes at any price (provided that, in the case of Bearer Notes in definitive form, these are purchased together with all unmatured Receipts and Coupons appertaining thereto) in the open market or otherwise. Such Notes may be held or resold or, at the discretion of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(h) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with, in the case of Definitive Bearer Notes, all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (g) above (together, in the case of Definitive Bearer Notes, with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

(i) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (b), (c) or (d) above or upon its otherwise becoming due and repayable is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Notes becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

(j) *Obligation to Redeem*

Upon the expiry of any notice as is referred to in paragraph (b), or (c) above, the Issuer shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Republic of Tunisia, or any political subdivision of, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments of other governmental charges is required by law. In such event, the Issuer will pay such additional amounts (**"Additional Amounts"**) as may be necessary in order that the net amounts received by the Noteholders, Receiptholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

(i) by, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of Tunisia other than the mere holding of such Note, Receipt or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Amounts on duly presenting the same for payment on such thirtieth day; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the **"Relevant Date"** means the date on which such payment first becomes due, except that, if the full amount payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which notice is given to the holders in accordance with Condition 15 that the full amount has been received.

9. Prescription

The Notes (whether in Bearer or Registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default

If any of the following events shall have occurred and be continuing (an **"Event of Default"**), the Holder of any Note then outstanding may, by written notice given to the Issuer at the specified office of the Fiscal Agent, declare such Note to be due and payable and such Note shall accordingly become immediately repayable at its Early Redemption Amount as determined in accordance with

Condition 7(e), together with accrued interest unless prior to the receipt of such notice the Issuer cures or otherwise makes good such Event of Default with respect to such Note:

(i) the Issuer defaults in the payment of (i) any principal on or in respect of the Notes in the relevant Series for more than seven days or (ii) interest due and payable on or in respect of the Notes in the relevant Series for more than 14 days; or

(ii) the Issuer 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

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

(iv) 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 declares that it is generally unable to pay its debts as they fall due or enters into any arrangement or composition with or for the benefit of its creditors or declares or imposes a moratorium on the payment of External Indebtedness of, or assumed or guaranteed by, it; or

(v) the Issuer 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 the Issuer to cease to be the central bank of the Republic of Tunisia; or

(vi) the Issuer shall be adjudicated or found bankrupt or insolvent or any order shall be made by a competent court or administrative agency or the Issuer shall apply for the appointment of a receiver or trustee or other similar official insolvency proceedings in relation to the Issuer or a substantial part of its assets or proceedings shall be instituted to wind up or dissolve the Issuer; or

(vii) in the event of a sale or transfer of all or substantially all of the assets of the Issuer, unless the obligations of the Issuer are unconditionally and irrevocably adopted by the successor company and the Republic of Tunisia shall have unconditionally and irrevocably guaranteed all the obligations owed under the Notes; or

(viii) for any reason whatsoever its obligations under the Notes are declared to be no longer binding on, or enforceable against, the Issuer; or

(ix) if as a consequence of a default, as defined in any instrument evidencing, securing or protecting any External Indebtedness of the Issuer, the maturity of such indebtedness is accelerated so that it becomes due and payable prior to its stated maturity, or any such External Indebtedness is not paid at maturity, and such acceleration is not rescinded or annulled or such non-payment is not cured.

11. Replacement of Notes, Receipts and Coupons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of (i) the Fiscal Agent or the Paying Agent in Luxembourg (in the case of Bearer Notes) or (ii) the Registrar or the Transfer Agent in Luxembourg (in the case of Registered Notes), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, indemnity and security as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Transfer and Exchange of Registered Notes and replacement of Notes, Receipts, Coupons and Talons

(a) Form of Registered Notes

Registered Notes of each Tranche sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (**the "Securities Act"**), will initially be represented by a Permanent Global Note in registered form, without interest coupons (the **"Regulation S Global Note"**), registered in the name of a nominee of the Common Depositary for Euroclear and Clearstream, Luxembourg or if the applicable Pricing Supplement so states, deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg. Notes in definitive form issued in exchange for Regulation S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act are referred to herein as **"Regulation S Notes"**. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue (the **"Distribution Compliance Period"**), beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg. After expiry of such Distribution Compliance Period, beneficial interests in a Regulation S Note may be held through DTC directly, by a participant in DTC, or indirectly, through a participant in DTC.

Registered Notes of each Tranche sold in private transactions to qualified institutional buyers within the meaning of Rule 144A under the Securities Act (**"QIBs"**) will initially be represented by a Permanent Global Note in registered form, without interest coupons (the **"Rule 144A Global Note"** and, together with the Regulation S Global Note, the **"Registered Global Notes"**) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes in definitive form issued in exchange for Restricted Global Notes or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Notes, are referred to herein as **"Rule 144A Notes"**.

Rule 144A Notes shall bear the legend set forth in the Rule 144A Global Note (the **"Legend"**), such Notes being referred to herein as **"Legended Notes"**. Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall (save as provided in Condition 12(f)) deliver only Legended Notes or refuse to remove such Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Subject as otherwise provided in this Condition 12, Registered Notes in definitive form may be exchanged or transferred in whole or in part in the authorised denominations for one or more definitive Registered Notes of like aggregate nominal amount.

(b) Exchange of interests in Registered Global Notes for Registered Notes in definitive form

Interests in the Regulation S Global Note and the Rule 144A Global Note will be exchangeable for Registered Notes in definitive form if (i) Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, notifies the Issuer that it is unwilling or unable to continue as depositary for such Registered Global Note or (ii) if applicable, DTC ceases to be a **"Clearing Agency"** registered under the Securities Exchange Act 1934 or either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business, and a successor depositary or alternative clearing system satisfactory to the Issuer and the Fiscal Agent is not available, or (iii) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (iv) if the applicable Pricing Supplement so permits, a written request for one or more Registered Notes in definitive form is made by a holder of a beneficial interest in a Registered Global Note; provided that in the case of (iv) such written notice or request, as the case may be, is submitted to the Registrar by the beneficial owner not later than 60 days prior to the requested date of such exchange. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Registered Notes in definitive form to be delivered provided that, notwithstanding the above, no Regulation S Notes in definitive form will be issued until the expiry of the applicable Distribution Compliance Period.

(c) Transfers of Registered Global Notes

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a common nominee of Euroclear and Clearstream, Luxembourg or a successor of such nominee or a nominee of DTC or to a successor of DTC or such successor's nominee.

(d) Transfers of interest in Regulation S Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Note to a transferee in the United States will only be made:

(i) upon receipt of the Registrar of a written certification substantially in the form set out in the Fiscal Agency Agreement, amended as appropriate (a **"Transfer Certificate"**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities law of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(e) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(f) Exchanges and transfers of Registered Notes generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will be transferable and exchangeable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg as the case may be (the **"Applicable Procedures"**).

Upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement) by the holder or holders surrendering the Registered Note for registration of the transfer of the Registered Note (or in the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar, or as the case may be, the relevant Transfer Agent prescribe, including any restrictions imposed by the Issuer on transfers of Registered Notes originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, as its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of a Registered Note in definitive form for an interest in, or to a person who takes delivery of such Note through, a Registered Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Registered Note in definitive form to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(g) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7 the Registrar shall not be required, unless so directed by the Issuer,

(a) to register the transfer of Registered Notes (or parts of Registered Notes) or to effect exchanges of interests in any Registered Global Notes for an interest in the other Registered Global Notes or interests in Registered Global Notes for Definitive Registered Notes or vice versa during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or

(b) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(h) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

(i) Costs of exchange or registration

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions (except for the expenses of delivery by other than regular mail (if any) and, if the Issuer shall so require, for the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto which will be borne by the Noteholder) will be borne by the Issuer.

13. Fiscal Agent, Paying Agents, Exchange Agent, Transfer Agents and Registrar

The names of the initial Fiscal Agent, the initial Registrar and the other initial Paying Agents, the initial Exchange Agent and the initial Transfer Agents and their initial specified offices are set forth below.

The Issuer is, with the prior written approval of the Fiscal Agent, entitled to vary or terminate the appointment of any Paying Agent or the Registrar or the Exchange Agent or any Transfer Agent and/or appoint additional or other Paying Agents or additional or other Registrars, Exchange Agents or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar, Exchange Agent or Transfer Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent in the case of Bearer Notes, and a Transfer Agent (which may be the Registrar) in the case of Registered Notes, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

(ii) there will at all times be a Paying Agent with a specified office in a city in continental Europe (which shall be Luxembourg, so long as the Notes are listed on the Luxembourg Stock Exchange);

(iii) so long as the Notes are listed on the Luxembourg Stock Exchange, there will at all times be a Transfer Agent in Luxembourg;

(iv) there will at all times be a Fiscal Agent;

(v) there will at all times be a Transfer Agent having specified office in a place approved by the Fiscal Agent;

(vi) so long as any of the Registered Global Notes are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;

(vii) there will at all times be a Registrar with a specified office in New York City and, so long as the Notes are listed on any stock exchange, in such place as may be required by the rules and regulations of the relevant stock exchange; and

(viii) the Issuer will ensure that it maintains a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 15.

In acting under the Fiscal Agency Agreement, the Fiscal Agent, the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Fiscal Agent and do not assume any obligation or trust for or with any Holders.

14. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

15. Notices

(a) Publication of Notices

All notices shall be published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the Financial Times or any other daily newspaper in London and the Luxemburger Wort in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication in one or both such newspapers (as applicable).

(b) Notices through Clearing Agents

Except in the case of Notes listed on the Luxembourg Stock Exchange (in which instance notice shall be given as provided in this Condition 15(a)), until such time as any Notes in definitive form are issued (provided that, in the case of Notes listed on a stock exchange, the rules of the stock exchange allow the same) and so long as the Note(s) in global form is or are held in its/their entirety on behalf of Euroclear, Clearstream, Luxembourg or DTC, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or DTC for communication by them to the Holders in each case on the business day immediately before the preceding interest payment date. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg or DTC.

(c) Effect of Certain Notices

Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with reference to other Holders.

(d) Notices to the Issuer and Any Agent

Except as otherwise expressly provided herein, any request, demand, authorisation, direction, notice, consent, election, waiver or other act of holders of the Notes or other document provided or permitted by the Fiscal Agency Agreement to be made upon, given or furnished to, or filed by any holder of Notes with:

(i) the Fiscal Agent shall be sufficient for every purpose hereunder and under the Fiscal Agency Agreement if made, given, furnished or filed in writing to the Fiscal Agent at its office specified herein or pursuant to the Fiscal Agency Agreement to the attention of Corporate Trust and Agency Services; or

(ii) the Issuer shall be sufficient for every purpose hereunder and under the Fiscal Agency Agreement (unless otherwise herein or therein expressly provided) if made, given, furnished or filed in writing to or with the Issuer at the address specified on the signature pages of the Fiscal Agency Agreement, or at any other address previously furnished in writing to the Fiscal Agent by the Issuer.

Any such notice by a holder of Notes may be furnished or filed by any standard form of telecommunications, including telecopier, telex or telegram so long as such notice is confirmed in writing by the holder of Notes or its agent and delivered promptly by airmail to the Fiscal Agent or the Issuer, as the case may be or, so long as the Notes are represented by a Global Note, through the relevant Clearing Agent's internal communication system utilised for communication with its respective member organisations to the Paying Agent via Euroclear, Clearstream, Luxembourg or, as the case may be, DTC, in such manner as the Paying Agent and Euroclear, Clearstream, Luxembourg or DTC, as the case may be, may approve for this purpose. The Issuer or the Fiscal Agent, as the case may be, may require any Holder of Notes giving notice to furnish proof of its holding of Notes.

16. Meetings of Holders, Modification and Waiver

(a) **Unless otherwise stated in the relevant Pricing Supplement, the provisions of this Condition 16 (a) shall be applicable to the Notes of any Series.** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders of any Series to consider any matter affecting their interests, including the modification of these Conditions or the provisions of the Fiscal Agency Agreement, provided that no modification of the Conditions or the Fiscal Agency Agreement may be made without the written consent or affirmative vote (by person or by proxy) of persons holding or representing no less than 75% in aggregate nominal amount of Notes then represented at the relevant meeting of Noteholders of such Series which would (i) change the due date for any amount payable by the Issuer under the Notes of such Series; (ii) reduce or cancel any portion of the nominal amount of the Notes or the amount of interest or any other amount payable under the Notes or modify the rate of interest on the Notes of such Series; (iii) modify the currency of payment under the Notes of such Series; (iv) change the identity of any person obligated under the Notes of such Series or the release, in whole or in part, of any such person; or (v) modify the provisions of the Conditions or the Fiscal Agency Agreement relating to the quorum required at any meeting of Noteholders of such Series or the percentage of Noteholders of such Series required to pass any resolution or otherwise modify the provisions summarised in this paragraph. A resolution duly passed in accordance with the provisions of the Fiscal Agency Agreement at any meeting of Noteholders of such Series will be binding on all Noteholders of such Series, whether or not they are present at the meeting and whether or note they vote in favour.

(b) **Only if so specified in the relevant Pricing Supplement, the provisions of this Condition 16 (b) shall be applicable to the Notes of the relevant Series.** The Issuer may modify any of the terms or provisions contained in the Notes in any way with the written consent or affirmative vote (by person or by proxy) of persons holding not less than 66 2/3% in principal amount of the Notes at the time outstanding, provided that no such action may be taken without the consent of the holder of each Note affected thereby, (i) to modify the maturity of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payments of the Notes, (iv) to permit the Bank to redeem the Notes in circumstances other than as originally set forth in the terms and conditions thereof, (v) to reduce the proportion of the principal amount of the Notes the vote or consent of the holders of which is necessary to modify, amend or supplement the Fiscal Agency Agreement or the terms and conditions of the Notes or to make, take or give any request, demand, authorisation, direction, notice, consent, waiver or other action provided thereby to be made, taken or given, or (vi) to change the obligation of the Bank to pay additional amounts as provided in Condition 8.

(c) **The provisions of this Condition 16 (c) shall be applicable to the Notes of each Series.** The Issuer, without the consent of the Noteholders of any Series, may make any modification to any of these Conditions or any of the provisions of the Fiscal Agency Agreement which in its opinion is for any of the following purposes:

(i) to add to the covenants of the Issuer for the benefit of the Noteholders of such Series or to surrender any right or power conferred upon the Issuer in the Fiscal Agency Agreement; or

(ii) to add any additional Events of Default; or

(iii) to evidence and provide for the acceptance of appointment under the Fiscal Agency Agreement by a successor Fiscal Agent or other Agent and to add to or change any of the provisions of the Fiscal Agency Agreement as shall be necessary to provide for or facilitate the administration of the Fiscal Agency Agreement; or

(iv) to cure any ambiguity, to correct or supplement any provision herein or in the Fiscal Agency Agreement that may be inconsistent with any other provision herein or therein or that is otherwise defective or to make any other provision with respect to matters or questions arising under the Fiscal Agency Agreement as the Issuer may deem necessary or desirable; provided that such action pursuant to this clause (iv) shall not adversely affect the interest of the Noteholders of such Series in any material respect; or

(v) to make any other change that does not adversely affect the rights of any Noteholder of such Series.

Any such modification shall be binding on the Noteholders of such Series and shall be notified to the Noteholders of such Series by the Issuer in accordance with Condition 15 as soon as practicable.

The Fiscal Agency Agreement also provides that certain modifications to the Fiscal Agency Agreement may not be made without the consent of the Fiscal Agent, the Registrar, the Exchange Agent, the Transfer Agents and the Paying Agents.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Indemnification of the Fiscal Agent and Other Agents

The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent, the Registrar, the Exchange Agent, the Transfer Agent and the Paying Agents and for their relief from responsibility, including provisions relieving them from taking action unless indemnified to their satisfaction. The Fiscal Agent, the Registrar, the Exchange Agent, the Transfer Agent and each Paying Agent is entitled to enter into business transactions with the Issuer without accounting for any profit. The Fiscal Agent, the Registrar, the Exchange Agent, the Transfer Agent and the Paying Agents are agents of the Issuer and none of them is a trustee or fiduciary for any of the Noteholders.

20. Governing Law and Submission to Jurisdiction

The Fiscal Agency Agreement, the Notes, Receipts and Coupons shall be construed and interpreted in accordance with English law, which shall govern them and any controversy or claim arising out of or relating to any of them, without reference to conflicts of laws principles. The Issuer irrevocably agrees for the benefit of each Noteholder that the courts of England, shall have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Fiscal Agency Agreement, the Notes, Receipts and/or Coupons 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.

To the extent that the Issuer 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 agrees for the benefit of the Noteholders not to claim, and irrevocably waives, such immunity, to the fullest extent permitted by the laws of such jurisdiction.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction pursuant to any such Proceedings in such other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer 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.

In addition, the Issuer will appoint the Tunisian Ambassador for the time being to the Court of St James's as its authorised agent upon which process may be served in any such action by any Noteholder.

USE OF PROCEEDS

The net proceeds from the sale of the Notes offered pursuant to the Programme will be applied by the Issuer to increase its foreign currency reserves in accordance with applicable law. See **"The Bank—Functions of the Bank—Banker to the State"**. The proceeds from the Note offerings will be converted into dinars and made available by the Bank to the State on substantially the same terms and conditions as the Notes.

THE BANK

General

The Bank is the central bank of the Republic of Tunisia. The Bank was founded as a national public entity and started its operations on 3 November, 1958. It is an independent legal identity with financial autonomy, according to the *Loi portant Création et Organisation de la Banque Centrale de Tunisie* (Loi No. 58-90 of 19 September, 1958, the **"Organisation Law"**). The Organisation Law provides that the primary purpose of the Bank is to defend the dinar, the Tunisian currency, and to maintain its stability. To that end, the Bank controls the circulation of bank notes and the distribution of credit in Tunisia. It is also charged with the oversight and maintenance of the orderly functioning of the banking and financial systems.

The principal office of the Bank is located at 25, rue Hedi Nouira in Tunis. The Bank also has 11 offices throughout Tunisia, in the cities of Bizerte, Gabes, Gafsa, Jendouba, Kasserine, Kairouan, Medenine, Monastir, Nabeul, Sfax and Sousse. The Bank has no foreign offices, but has several correspondents overseas. As of 31 December, 2003, the Bank employed 1,184 persons.

Relationship with the State

Pursuant to the Organisation Law, the capital of the Bank is subscribed and held entirely by the State of Tunisia (the **"State"**). The President of Tunisia appoints the Governor and Deputy Governor of the Bank and appoints the members of the Administrative Board of Directors (the **"Administrative Board"**), the main body responsible for the overall management and control of the Bank. The State also appoints an Auditor of the Bank's operations and accounts. The Bank reports to the Minister of Finance on the status of its accounts every ten days. See **"–Organisation"**.

The State exercises supervisory power over the operations of the Bank. The Bank is not under the direction of any Minister. Rather, the Bank is directly responsible to the President of the Republic to whom it must submit its annual financial statements and management report. The performance by the Bank of its responsibilities is not subject to prior review or approval by any public authority, although the Bank's borrowings with greater than two years maturity and the Bank's decisions with regard to the issuance of currency must be approved by presidential decree.

By law, the accounts of the Bank may never be in deficit at the end of a fiscal year. If the year end income statement of the Bank shows a loss, the Organisation Law requires that loss to be covered from the general and special reserves of the Bank. If these reserves are insufficient to cover the loss, the Organisation Law requires the Tunisian Treasury to cover the balance. The Bank can be liquidated only by a law providing the terms of its liquidation.

In its dealings with third parties, the Bank is deemed to be a commercial entity. The Bank is therefore subject to applicable commercial law, but only to the extent that such law is not superseded by a law specific to the Bank or by provisions of the Organisation Law.

Functions of the Bank

The principal functions of the Bank as stipulated in the Organisation Law are:

- to issue currency in Tunisia, with respect to which the Bank has the exclusive right;
- to control and manage Tunisia's reserves;
- 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;
- to collaborate with the Ministry of Finance in the development and implementation of the monetary and credit policy of the government;
- to oversee and maintain the proper functioning of the Tunisian banking and financial systems, including assuring 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; and
- otherwise to act as banker to the State.

Issuing Currency

The Bank has the exclusive right, on behalf of the State, 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 presidential decree. Bank notes and coins are the obligations of the Bank, and such obligations are not required to be backed by gold or other assets.

Managing Tunisia's Reserves

The Bank generally controls and manages Tunisia's gold and foreign currency reserves. Tunisia's reserves take the form of gold, direct holdings of foreign currency by the Bank, and special drawing rights (**"SDRs"**) issued by the International Monetary Fund (the **"IMF"**) to Tunisia. The Bank buys and sells gold and financial instruments denominated in foreign currencies and may undertake debt obligations denominated in foreign currencies.

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

	Reserves *(in millions of U.S. dollars)*					
	1998	1999	2000	2001	2002	2003
Gold (1)	4.0	3.5	3.2	3.0	3.3	3.6
SDRs (2)(3)	7.9	31.4	8.6	9.1	10.7	11.2
Foreign currency(2)	1,865.7	2,222.8	1,792.0	1,957.2	2,281.7	2,926.9
IMF reserve position	0.0	25.7	24.9	25.1	28.1	30.0
TOTAL	1,877.6	2,283.4	1,828.7	1,994.4	2,323.8	2,971.7

(1) Gold reserves are valued at the rate of one gram = TD 0.6498475

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

(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 the Bank. Tunisia's IMF reserves represent the undrawn balance of SDRs allocated by the IMF and available to the Bank. Since the increase in IMF quotas in 1999, Tunisia has not made any drawing on this reserve position.

Strong agricultural and industrial exports contributed to an increase in foreign currency reserves of US$2,926.9 million as of 31 December, 2003, the equivalent of 90 days of imports, as compared to 80 days in 2002 and 74 days in 2001.

Overseeing Convertibility of the Dinar and Exchange Rates

The currency of Tunisia, the dinar, became convertible in 1993 in conformity with Article VIII of the Statutes of the IMF. An authorisation from the Bank is therefore not required for current account transactions in foreign currency. Moreover, foreign investors may repatriate the proceeds of investments in Tunisia made in accordance with law. See **"The Tunisian Economy – Economic Reform Programme – Structural Reforms – Investment Liberalisation"**.

The buying and selling rates of the dinar against foreign currencies are now freely established by Tunisian banks on the interbank foreign exchange market created in March 1994. The Bank may intervene to maintain the stability of the dinar. The Bank quotes on a daily basis three, six and twelve month call options in U.S. dollars and euro, designed for Tunisian residents. See **"– Financial Information – Significant Accounting Principles Applied to the Financial Statements"**.

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

	Average Annual Exchange Rates(1) (TD per unit of currency indicated)				
	1999	2000	2001	2002	2003
USD	1.1884	1.3716	1.4390	1.4212	1.2877
1,000 JPY	10.4891	12.6904	11.7993	11.3004	11.0600
EURO	1.2646	1.2633	1.2877	1.3418	1.4573

(1) Average annual interbank rates

On 4 March, 2004, the closing U.S. dollar/Tunisian dinar rate of exchange as reported by the Bank was TD 1.2528 = U.S.$1.00, the closing Japanese yen/Tunisian dinar rate of exchange was TD 11.2636 = JPY1.000 and the closing Euro/Tunisian dinar rate of exchange as reported by the Bank was TD 1.5282 = Euro 1.00.

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

Formulating and Implementing Monetary and Credit Policy

The Organisation Law requires the government to consult the Governor of the Bank with respect to matters relating to monetary and credit policy or which might have an impact on the monetary situation in Tunisia. The Bank formulates and implements the monetary and credit policy in collaboration with the Ministry of Finance. The Bank is also responsible for advising the President of all developments that might affect monetary stability.

Monetary policy before 1987 was characterised by strict controls on the volume and composition of credit and interest levels. Commercial banks were required to obtain prior authorisation from the Bank for most of their lending activity. An essential part of the government's efforts to enhance the role of the private sector in the economy and the free operation of market mechanisms has been the liberalisation of the banking sector. See **"The Tunisian Economy – Economic Reform Programme"**. Since 1987, the requirement of prior authorisation by the Bank for loans has been eliminated. Interest rates are now freely set except for those designed to offer incentives for small savings accounts and demand deposits. During 1996, the Bank eliminated the requirement for banks to make mandatory loans to designated priority sectors of the economy. These loans nonetheless continue to have a significant impact on the liquidity of the financial system.

One of the objectives of the liberalisation of the Tunisian banking sector was to create conditions for more effective indirect monetary management. The development of a money market was an essential step in this direction. The Bank discontinued all rediscounting and preferential credit activities in 1996.

The Bank manages the money supply principally through two refinancing facilities: the call for tenders (*appel d'offres)* and the seven day uptake allowance (*prise en pension à 7 jours)*. The *appel d'offres* is a weekly auction of a pre-set amount of funds having a maturity of up to seven days. Should the Bank wish to decrease liquidity, it uses this mechanism to borrow a pre-set amount of funds for seven days. The *prise en pension* is a repurchase facility designed to provide banks with additional liquidity at a higher interest rate. Since May 2000, the Bank has accepted Treasury bills and Treasury bonds as collateral for the *appel d offres* operations. In addition, the Bank accepts all refinanceable credits, including Treasury bills and Treasury bonds as collateral for the *prise en pension* operations.

The Bank's procedures for refinancing underwent two major changes during 2001. The first concerned uptake allowances. In order to encourage banks to better manage their treasury needs and improve collection of claims, the Bank adopted in March 2001 a new monetary policy whereby the Bank no longer automatically grants banks a *prise en pension* to finance their financial needs at the end of each day. The second concerned the call for tenders procedure. In November 2001 the Bank launched its first auction of three-month Treasury bonds. This call for tenders is issued monthly on the first Tuesday of each month.

With a view to limiting Tunisian banks' recourse to the refinancing available from the Bank strictly to liquidity requirements, since January 2002 banks have been able to refinance by issuing uptake allowances lasting from one to seven days, instead of the previously required seven day duration.

As part of the Bank's policy of diversifying and modernising monetary instruments, it introduced in April 2003, for the first time, open market transactions in Treasury bonds.

Until October 2000, the daily interest rate on the money market, the *appel d'offre,* the over night loan rate and the over night deposit rate were all fixed at 5.875%. On 20 October, 2000, in order to allow banks to manage their treasury operations more effectively, the Bank disconnected these rates, fixing the over night deposit rate at 5.8125% (i.e., 1/16 of a percentage point below the *appel d'offre* rate) and the over night loan rate at 5.9375% (i.e., 1/16 of a percentage point above the call for tenders rate). This measure resulted in a slight fluctuation of interbank rates, with the result that they have become less linked to the auction rate.

The overnight deposit rate is set at 1/32 of a percentage point below the call for tenders rate and the overnight loan rate at 1/32 above the call for tenders rate. Since 19 June 2003, these rates are, respectively, 4.96875% and 5.03125%.

The instrument of monetary policy held by the Bank were enriched by the introduction of Open Market transactions at the end of April 2003. The first operation amounted to 15.6MTD. It is expected that these transactions will stimulate the secondary market in government securities and help establish a yield curve.

In order to improve financial market liquidity, and with a view to helping the development of the secondary market for state securities and a more dynamic interbank market, the set of financial products put at the disposal of operators was enriched through the introduction of repurchase agreements. These consist of the purchase of stocks, negotiable securities and public or private deeds, with a commitment to resell them at a price agreed upon at the purchase date. This instrument will certainly help revive the capital markets and boost the role of SICAVs (investment funds).

During 2003, the Bank reduced its main interest rate, the appel d'offres rate, twice; on 27 March the appel d'offres rate was changed from 5.875% to 5.5%. The second reduction was taken on June 19 and the appel d'offres rate was fixed at 5%.

As of 16 May, 2002, the Bank changed the rate of required reserves from 2% for all deposits to a range from 0 to 2% (depending on the nature and duration of deposits) in order to encourage banks to collect stable resources. The required reserves are not applied to deposits with a duration greater than two years and the rate applied to savings accounts is fixed at 1%.

The penalty rate with respect to reserve requirement insufficiency compared to the required amount was lowered to TMM (average money market rate) + 2.5 % compared to TMM + 5 % previously.

Moreover, refinancing provided by the Bank to banks which do not correspond to loans given in line with the norm fixed by Title II of circular Nº 87-47 are considered, as of 15 July 2003, as an advance in current accounts to which the intervention rate of the Bank on the money market plus 2.5 % is applied, as compared to a margin of 5 % earlier.

The term "money market" also includes certificates of deposits and commercial paper with maturities of up to five years and Treasury bills. The minimum maturity for certificates of deposit (CDs) was shortened by circular No 2000-12 of 6 November, 2000 from 3 months to 10 days, leading to a substantial increase in issues. In addition, the issuing bank may repurchase the CDs it has issued.

The same circular allows corporations which are either listed on the Tunis Stock Exchange or rated by an authorised rating agency to issue commercial paper without the backing of a bank guarantee. Moreover, such a guarantee is not needed when issuers and subscribers belong to the same group.

The following table presents the amount of money in circulation at the dates indicated:

	Money Supply 31 December,					
	1998	1999	2000	2001	2002	2003
	(in millions of TD, except percentages)					
Money supply, M1[(1)]	4,790	5,554	6,128	6,745	6,623	7,008
% Growth over prior period	7.1	15.9	10.3	10.1	(1.8)	5.8
Money supply, M2[(2)]	10,726	12,816	14,551	16,052	16,666	17,820
% Growth over prior period	5.6	19.5	13.5	10.3	3.8	6.9

Source: The Bank

(1) M1 includes cash and checking accounts.

(2) M2 includes M1 and all short term deposits.

Aggregate M2 increased by 6.9% in 2003, compared to 3.8% in 2002. This reflects the recovery in the amount of available money and the increase of quasi-money. During this period, the available money (M1) increased by 5.8% after a 1.8% decrease in 2002. This was due to the increase in fiduciary money and more particularly of money held in banks, which witnessed a remarkable recovery. Available quasi-money rose by 7.7% in 2003, as in 2002. This is attributable to the increase, though at a lesser pace than in the previous year, of forward deposits and other financial products (7.7% in 2003 compared to 24.1% in 2002), to the recovery of the outstanding balance of certificates of deposits (0.6% in 2003 compared to 20.8% in 2002), and the faster growth of special savings accounts (6.3% in 2003 compared to 4% in 2002).

Banking Regulation and Supervision

The Bank is responsible for supervising the operations and financial condition of Tunisian banks and specialised credit institutions, as well as those of the branches of foreign banks in Tunisia. The Bank regulates banking and specialised credit institutions by monitoring their compliance with regulations such as reserve and credit control requirements. The Bank collects the relevant information from such institutions and is authorised to enforce those regulations if violations are discovered. The Bank also promulgates minimum capital ratios and other requirements to help preserve the solvency of banks and specialised credit institutions. Although the Bank has no legal or regulatory obligation to support institutions facing difficulties, the Bank may do so to maintain the integrity of the banking system. See **"The Banking System – Banking Regulation and Supervision"**.

To further strengthen measures to be followed by banks in the area of prudential regulation, the Bank introduced a liquidity ratio in February 2001 meant to maintain a balance between a bank's use of funds and its resources. This ratio, which should be greater than 100% measures risk weighted current assets against risk-weighted current liabilities.

Banker to the State

The Bank is the sole banker to the State. The Bank holds the State's current account balances and provides full cash management services to the State. In addition, the Bank acts as the State's receiving bank and paying agent in relation to the issue, service and redemption of Treasury bills and other government debt obligations.

The Organisation Law authorises the Bank to borrow in foreign currency in the international financial markets for its own account and for the account of the State. Since 1992, the State has accessed the international financial markets through syndicated international bank loans which it signed directly, and through bonds, denominated in yen, dollars and euro issued by the Bank. See **"– Sources of Funds of the Bank" and "Public Debt – External Public Debt"**.

The proceeds from the bond offerings were converted into dinars and made available by the Bank to the State on the same terms and conditions as the original bonds. It is expected that proceeds from the bonds offered pursuant to this Offering Circular will also be made available by the Bank to the State.

Borrowings of the Bank are not guaranteed by, and do not constitute obligations of, the State. The Organisation Law, however, provides that if the Bank incurs a loss in any year (after taking into account all expenses, including debt service) which is not covered by its reserves, the remaining amount will be reimbursed by the Tunisian Treasury.

The Bank is authorised to provide short-term funding to the State to facilitate the operations of the Treasury and the financing of public expenditures. Such funding is permitted up to a limit of 5% of the ordinary revenues of the State for the preceding budget year, and funds cannot be outstanding for more than 240 days, consecutive or otherwise, in the course of one calendar year. This practice was effectively terminated in 1970 with the passage of a law authorising the Bank to refinance the State's short-term borrowings that had accumulated at such date. Pursuant to this law, the Bank granted a TD 42,500,000 advance to the State, of which TD 25,000,000 took the form of a permanent advance accruing interest at a rate of 0.5% per annum; and TD 17,500,000 took the form of an advance repayable in 35 annual payments of TD 500,000 each, the first of which was made on 1 July, 1975, and the last of which will be made on 1 July, 2009, accruing interest at a rate of 3% per annum on the total amount outstanding. As of 31 December, 2003, the outstanding balance of this advance was TD 3,053,125 million.

The Bank is the legal representative of the State with respect to the IMF and the Arab Monetary Fund. The Bank, on behalf of the State, paid the initial subscriptions and continues to pay the State's contributions to these organisations. Such payments, in both foreign currency and 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 *Dinars Arabes de Compte,* as the case may be. As of 31 December, 2003, the total of advances made to the State in this manner was TD 530,920,248 million.

The Bank also discounts or purchases bills of exchange and guaranteed notes with maturities of less than three months payable to the order of the Treasury. The bills of exchange and guaranteed notes represent customs duties and indirect taxes due to the Treasury by importers and others and the guarantees are issued by commercial banks.

The Bank is also the depositary for the State and holds deposits for Tunisian banks, including their general reserves.

Capitalisation

The initial capital of the Bank at its organisation in 1958 was TD 1,200,000. The Organisation Law provides that the Bank's capital may be increased by incorporating reserves upon the approval of the Bank's Administrative Board, as authorised by presidential decree. Following two such capital increases, the capital of the Bank at 31 December, 2003 was TD 6,000,000.

The Organisation Law also requires that 15% of annual net surplus be incorporated into a legal reserve until such legal reserve amounts to 50% of the Bank's capital. The legal reserve reached 50% of capital, or TD3,000,000, as of 1988, and no net surplus has been incorporated into the legal reserve since that time.

The following table sets forth information about the capitalisation and long-term debt of the Bank at 31 December, 1999, 2000, 2001, 2002 and 2003:

	At 31 December,				
	1999	2000	2001[2]	2002[2]	2003[2] (unaudited)
	(in thousands of TD)				
Capital[1]	6,000	6,000	6,000	6,000	6,000
Reserves[2]	–	–	71,720	75,930	76,158
Special reserve	16,817	21,817			
Legal reserve	3,000	3,000			
Surplus carried forward	401	573	973	2,348	2,567
Total	26,218	31,390	78,693	84,278	84,725
Long-term debt[3]	3,436,428	3,882,807	4,657,061	5,867,349	7,200,814

(1) The Bank's capital comprises TD 6,000,000 which has been subscribed by the Tunisian State. Such capital is not in the form of shares and is not transferable except pursuant to the Organisation Law.

(2) Under Tunisian accounting standards regarding capital stock and other equity, which were revised in 2002, resources from social funds were recorded under the item « Reserves ». In addition, the provision for the construction of buildings is no longer accounted for under the heading ''Provisions'' but rather under the heading ''Reserves''. The capitalisation as of 31 December, 2001, set forth above, has been restated to reflect these changes.

(3) Consists of bond offerings by the Bank, the proceeds of which were made available to the State. Under the current accounting policies of the Bank, this debt is not shown on the Bank's balance sheet.

Since 31 December, 2003, there has been no material change to the capitalisation of the Bank.

Sources of Funds of the Bank

In addition to the Bank's own capital and cash generated from operations, the major sources of funds for the Bank's activities are issues of banknotes and coins and deposits by the State, public entities and commercial banks (including banks' mandatory reserves).

The following table sets forth the outstanding amounts of certain selected liabilities on the balance sheet of the Bank at 31 December of each of the years indicated:

	At 31 December,				
	1999	2000	2001	2002	2003
	(in thousands of TD)				
Notes and coins in circulation	2,093,525	2,379,600	2,526,742	2,663,114	2,809,048
Current accounts of banks and financial institutions	86,859	53,285	325,558	114,969	184,316
Current accounts of the government	318,045	370,542	583,161	583,791	769,573
Allocation of SDRs[1]	59,050	62,603	62,828	62,061	61,726
Other liabilities[2]	839,269	1,027,029	1,075,188	1,085,207	1,010,478
Special account for economic co-operation[3]	319,428	317,352	319,863	336,249	342,430

(1) SDRs made available by the IMF to Tunisia, which have been drawn down and are repayable by the Bank.

(2) Various deposits and accounts, including those of the Bank's employees, dinar-denominated IMF and Arab Monetary Fund (''AMF'') accounts and the Bank's account for any borrowings effected on the money market.

(3) Represents amounts drawn by the Bank, as intermediary on behalf of the State, pursuant to economic and technical co-operation agreements between Tunisia and certain countries. The liability is offset by an asset on the Bank's balance sheet reflecting loans made for use in connection with economic and technical co-operation programmes.

Organisation

The Organisation Law provides that the President appoints the Governor and Deputy Governor of the Bank, the members of the Administrative Board, the main body responsible for the overall management of the Bank, and the Auditor.

Management

The Governor is the legal representative of the Bank. The Governor manages the business of the Bank, carries out all laws related to the Bank and Board decisions, and presides over Board meetings. The government consults the Governor whenever it considers matters concerning the currency or credit or other matters which may have repercussions on the currency or money supply of Tunisia. The Governor is charged with presenting to the President of the Republic the balance sheet and income statement of the Bank for each year, as well as an annual report on the operations of the Bank, by 31 December of the following year. The financial statements of the Bank are published in the official gazette of the Republic within one month of presentation to the President. The Governor is appointed by presidential decree for a renewable six-year term and may be removed only by decree.

The Governor is assisted by a Deputy Governor appointed by presidential decree upon the proposal of the Governor. The Deputy Governor supervises the daily operation of all of the departments of the Bank. In the event of the absence of the Governor or an impediment which prevents the Governor from performing his duties, the Deputy Governor carries out the functions of the Governor.

The Board is composed of the Governor, the Deputy Governor and eight board Members. The Governor acts as Chairman of the Board. The Board is responsible for the internal regulation of the Bank and the manner in which the Bank carries out its operations. Subject to approval by presidential decree, the Board makes all decisions as to the creation, issuance and withdrawal of banknotes and coins. The Board also decides, taking into consideration the prevailing economic and monetary situation and the Bank's operating costs, the interest rates and commissions to be paid to the Bank for its operations. Additionally, the Board advises the Treasury on the terms of all issues by the Treasury of short-, medium- and long-term debt.

The eight Members of the Board are appointed by presidential decree upon the proposal of the Prime Minister for renewable three-year terms. Four of the eight Members are selected for their professional experience in the economic and financial sectors, and the remaining four are selected on the basis of service in positions of authority in an economic or financial capacity within the government or service in public or semi-public organisations participating in the economic development of the Republic.

The Auditor is charged with the responsibility of conducting the year-end audit of the financial statements of Bank and submits the financial statements and his report thereon to the Minister of Finance. Unlike auditors appointed by the Minister of Finance to other public entities, the Bank's Auditor has no veto power over the decisions of the Bank. The Auditor may, however, make proposals to the Administrative Board. If the proposals are not adopted, the Auditor may request that the proposals be entered in the minutes of the Board meeting and inform the Minister of Finance of these proposals. The Auditor is appointed by presidential decree upon the proposal of the Minister of Finance from among the civil servants of the Central Administration of Finance and must hold at least the rank of director. The Auditor's term is terminated by presidential decree upon the proposal of the Minister of Finance.

The audit performed by the Auditor is much more restricted in scope than an audit conducted by an independent accounting firm in the United States or most European countries. With the exception of limited verification and random checks undertaken personally, the Auditor relies on figures supplied by the Bank's accounting department and the report of the internal control department of the Bank.

The current Governor is Taoufik Baccar. The current Deputy Governor is Laroussi Bayoudh. The current members of the Board and the Auditor, as well as their respective positions or primary occupations, are as follows:

Name	Position
Board of Directors	
Members chosen on the basis of public office	
Mongi Safra	Primary Advisor to the Presidency of the Republic
Hamed Gaddour	Managing Director of Treasury at the Ministry of Finance
Ridha Touiti	President and Chairman of the *Office de Commerce de Tunisie*
Abdelhamid Triki	Managing Director of Economic Forecasting at the Ministry of Development and International Cooperation
Members chosen on the basis of private sector experience	
Ezzedine Ben Mustapha	Vice President of *l'Union Tunisienne de 1'Agriculture et de la Péche*
Mohamed Bousbia	President and Chairman of the *Société Frigorifique et brasserie de Tunis,* a major Tunisian brewing and bottling company
Hedi Djilani	President of the *Union Tunisienne de l'Industrie, du Commerce et de 1'Artisanat,* the Tunisian employers' organisation, and President and Chairman of Lee Cooper, a foreign-owned manufacturer of clothing for export
Neji Mhiri	Chairman of "*Hotels El Mouradi*"
Auditor	
Chedli Aissa	Managing Director of Tax Control at the Ministry of Finance

Financial Information

Accounting Standards and Principles

The Bank's fiscal year is the calendar year. The financial statements of the Bank consist of a balance sheet and an income statement prepared on an annual basis.

The Organisation Law provides that the Bank is not subject to the public accounting standards and principles of the State, and the Bank's budget is not annexed to the budget of the State. Currently, the Bank maintains and closes its accounts according to principles determined by its Administrative Board in a manner generally consistent with the current accounting system established by Tunisian law for private enterprises. On 30 December, 1996, a law was passed establishing a new accounting system for Tunisian entities based on accounting standards and principles which are substantially the same as those set forth in the International Accounting Principles Convention. In addition, specific accounting principles relating to the activities of banking institutions in general went into effect on 1 January, 1998. The Bank has been amending its accounting standards and principles to bring them closer to the presentation required by International Accounting Standards.

The accounting principles applied to the Bank's financial statements vary in certain significant respects from U.S. generally accepted accounting principles (**"U.S. GAAP"**) and International Financial Reporting Standards (**"IFRS"**). The most significant differences between the accounting standards presently used for the preparation of the Bank's financial statements and U.S. GAAP or IFRS are that the Bank's financial statements do not include a statement or summary of cash flows and that the Bank's financial statements do not include notes. There are other classification and presentation differences and additional disclosure required under U.S. GAAP or IAS. The Bank does not believe, however, that such differences or disclosures are material to the financial statements as a whole.

As the Bank is a national public entity, the *Décret fixant 1'organisation et les modalités de fonctionnement de la chambre des entreprises publiques de la Cour des Comptes* (Décret No. 82-528 of 17 March, 1982) applies to the Bank, and it is subject to the ultimate review of the *Cour des Comptes,* or Court of Accounts. See **''Public Finance – Overview – Legal Framework and Budgetary Process'' and ''– Court of Accounts''.**

The significant variations in revenues and expenditures associated with money market operations reflect the shift in monetary stance from absorbing liquidity (in 1998 and 1999) to providing liquidity (in 2000, 2001, 2002 and 2003). Proceeds from transactions on the money market decreased by TD 25.7 million, falling from TD 48.3 million to TD 22.6 million from the end of 2002 to the end of 2003. This trend marked the decrease of the banking sector's need for liquidity and the decrease of the interest rate on calls for bids.

The format of the Bank's income statement has also been revised in 2001 by including the amounts previously included under the line items ''Profits from prior years'' and ''Exceptional profits'' under the line item ''Other revenues'' and the amounts previously included under the line items ''Losses from prior years'' and ''Exceptional losses'' under the line item ''Other expenses''. The income statement for the year ended December 31, 2000 presented below has been restated below in line with these changes. In addition, starting with the 2001 financial statements the social fund allocation will be recorded in the year following the income statement date as part of the net surplus paid to the government. In prior years it had been recorded on December 31 as an expenditure in such year.

The format of the Bank's balance sheet has been revised in 2002 by: (i) changing the treatment of employee loans which were previously treated as liabilities related to employee compensation to assets; (ii) capitalising certain moveable assets and depreciating over their useful life which were previously expensed in the year of acquisition; (iii) shifting the line item where reserves for future capital expenditures were recorded from ''Provisions'' to ''Reserves'' and (iv) reallocation of the ''Legal Reserve'' into the ''Reserves". The income statement treatment for the recognition of foreign exchange gains and losses was also revised for the 2002 financial statements. The financial statements as at and for the year ended 31 December, 2001 have been restated below in line with these changes.

Income Statement

	Year ended 31 December,				
	1999	2000	2001[1]	2002	2003 (unaudited)
			(in TD)		
REVENUES					
Interest on bills	33,230,421	4,729,340	–	–	–
Interest from money market operations	4,387,281	14,146,110	49,715,740	48,274,168	22,574,846
Interest from term investments in foreign currency	72,987,221	124,912,802	103,701,592	76,863,410	72,416,072
Other revenues from foreign currency transactions[2]	21,050,113	67,028,979	64,241,443	65,386,212	71,981,465
Proceeds from transactions with international organisations	1,030,815	2,139,120	4,573,226	2,476,844	3,416,217
Interest from funds advanced to the State	207,500	269,094	254,094	239,094	224,094
Interest from overdraft accounts of banks and financial institutions	1,339,262	595,057	1,592,641	355,019	246,510
Other revenues [3]	2,440,893	2,295,280	2,505,567	2,214,748	8,284,164
Recovery of provision	-	-	-	-	4,000,000
Foreign exchange adjustment account[4]	91,748,943	73,171,751	92,848,471	-	-
Profits from prior years[5]	516,681	91,643	-	-	-
Exceptional profits	874,255	122,115	-	-	-
Total revenues	229,813,385	289,501,291	319,432,774	195,809,495	183,143,368
EXPENDITURES					
Administrative expenses	32,117,000	36,893,000	38,204,000	40,792,700	44,149,491
Interest on money market operations	11,652,355	4,593,833	12,429	545,714	424,794
Interest paid on currency transactions	8,988,159	12,909,636	12,071,152	8,147,116	5,927,398
Other expenses on currency transactions	77,878	46,500,756	1,153,460	2,258,762	21,791,352
Commission on transactions with international organisations[6]	7,760,395	9,509,364	8,350,998	5,258,461	5,095,726
Other expenses[7]	117,816	196,182	269,327	1,544,707	1,514,657
Depreciation of fixed assets	1,652,716	1,685,098	1,696,341	1,751,885	1,990,147
Social fund allocation[8]	2,000,000	2,150,000	-	-	-
Provision allocation	5,000,000	1,954,468	-	-	170,110
Foreign exchange adjustment account[9]				10,291,578	-
Losses from prior years	102,443	678,658	-	-	-
Exceptional losses	173,344	29,760	-	-	
Total expenditures	69,642,106	117,100,755	61,757,707	70,590,923	81,063,675
Net surplus	160,171,279	172,400,536	257,675,067	125,218,572	102,079,693

(1) Restated for accounting policy changes implemented during 2002. See notes (3) and (7) below.

(2) Includes commission and other non-interest income from foreign currency operations as well as interest income from foreign deposits other than term investments.

(3) Since 2001, this item includes the profits from prior years and the exceptional profits.

(4) Foreign exchange gains resulting from the adjustment of foreign currency accounts.

(5) Represents adjustments to prior years' accounts. These amounts are included under "Other Revenues" in 2001.

(6) Represents annual membership obligations and other fees and commissions, excluding initial subscription obligations recorded on the Balance Sheet.

(7) Beginning in 2001, this item includes the losses from prior years and the exceptional losses.

(8) Beginning in 2001, the Social Fund Allocation is booked as an element of net surplus. Thus, it is no longer considered an expenditure of the relevant year.

(9) Foreign exchange losses resulting from the adjustment of foreign currency accounts.

Balance Sheet

	1999	2000	2001(1)	2002	2003 (unaudited)
			Year ended 31 December, (in TD)		
ASSETS					
Gold reserves	4,390,671	4,408,975	4,411,406	4,401,676	4,402,477
Subscriptions to international organisations(2)	2,371,792	2,371,793	2,371,793	2,371,793	2,371,793
Reserve Tranche position(3)	32,272,367	34,440,330	36,543,075	37,537,906	36,432,549
SDR reserves(4)	39,459,378	11,924,567	13,303,117	14,295,481	13,634,122
Foreign currency reserves	2,795,315,997	2,481,232,143	2,855,114,127	3,052,627,721	3,550,145,086
Special account for economic cooperation(5)	290,758,185	298,972,061	306,688,834	305,272,100	318,959,287
Current account of the Postal Service(6)	4,999,758	4,999,481	4,996,338	4,999,049	4,999,999
Special U.I.B. advance(7)	92,500,000	–	–	–	–
Current collection of bills and checks	44,146,914	97,565,814	112,536,084	91,517,605	12,865,134
Bills for collection from the State(8)	43,826,783	20,752,233	30,246,572	22,020,266	24,639,019
Money market advances(9)	–	449,000,000	854,200,000	502,000,000	435,000,000
Bonds purchased / Open Market Operations	–	–	–	–	5,183,253
Purchased bank credits(10)	726,513,000	645,789,333	565,065,667	484,342,000	403,618,333
Permanent advance to the State	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Repayable advance to the State	5,053,125	4,553,125	4,053,125	3,553,125	3,053,125
Advance to the State for IMF and AMF subscriptions	472,600,906	503,233,712	533,154,612	547,318,512	530,920,248
Equity holdings(11)	23,217,329	24,884,698	25,760,891	25,181,034	24,659,667
Fixed assets	11,722,925	11,039,304	10,594,896	11,704,710	15,274,639
Other debtors	19,054,082	20,958,345	18,298,343	20,133,650	20,786,531
Temporary accounts	33,558,310	27,638,011	22,097,879	19,244,163	36,328,993
	4,666,761,522	4,668,763,925	5,424,436,759	5,173,520,791	5,468,274,255

(1) Restated for accounting policy changes implemented during 2002.

(2) Excluding IMF and AMF subscriptions.

(3) Foreign exchange deposits representing the unused portion of the SDRs made available to the Bank by the IMF.

(4) Undrawn balance of SDRs made available by the IMF to Tunisia. See "Functions of the Bank".

(5) Loans by the Bank, as intermediary on behalf of the State, for use in connection with economic and technical cooperation programmes.

(6) Deposit with the Postal Service constituting an advance to the State in connection with the operation of postal checking centres.

(7) Special advance made in 1992 to assist the *Union Internationale des Banques*. This advance was repaid as of 31 December, 2000.

(8) Obligations of the State presented to the Bank for collection. Counterpart to "Deposits of bills for collection" under "Liabilities, Capital and Surplus".

(9) Reflects the Bank's intervention in the money market to provide liquidity.

(10) Bank credits incurred by the *Office des Céréales* and the *Office National de l'Huile* to finance government arrears with respect to food subsidies, purchased by the Bank at the end of 1996.

(11) Consists of the Bank's equity interest in the *Union Tunisienne de Banques,* the *Programme de Financement du Commerce Inter-Arabe* and the *Banque Africaine d'Import-Export*. See "The Republic of Tunisia – International Relations".

Balance Sheet

	Year ended 31 December,				
	1999	2000	2001[1]	2002	2003 (unaudited)
			(in TD)		
LIABILITIES, CAPITAL AND SURPLUS					
Notes and coins in circulation	2,093,525,084	2,379,599,918	2,526,741,689	2,663,114,480	2,809,047,705
Current accounts of banks and financial institutions	86,859,356	53,285,361	325,558,182	114,969,354	184,316,493
Current accounts of the government ..	318,045,421	370,542,423	583,160,558	583,790,818	769,572,974
Money Market Borrowing[2]	468,500,000	–	–	–	-
Allocation of SDRs[3]	59,050,307	62,602,916	62,828,166	62,060,643	61,725,747
Other liabilities[4]	839,268,980	1,027,028,649	1,075,188,019	1,085,207,113	1,010,478,046
Deposits of bills for collection[5]	44,679,297	21,682,978	30,246,572	23,037,680	26,188,750
Special account for economic cooperation[6]	319,427,913	317,351,991	319,863,082	336,249,048	342,430,132
Provisions[7]	22,977,761	22,977,762	4,000,000	4,000,000	–
Special reserve [7]	16,816,905	21,816,905	–	–	–
Legal reserve[8]	3,000,000	3,000,000	–	–	–
Reserves[8]	–	–	71,719,792	75,930,275	76,157,560
Surplus carried forward[9]	401,390	572,669	973,206	2,348,272	2,566,844
Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Other creditors	63,544,130	64,457,892	75,826,741	4,640,954	15,881,928
Temporary accounts	164,493,698	145,443,925	84,655,685	86,953,582	61,828,383
Net surplus[10]	160,171,280	172,400,536	257,675,067	125,218,572	102,079,693
	4,666,761,522	4,668,763,925	5,424,436,759	5,173,520,791	5,468,274,255

(1) Restated for accounting policy changes implemented during 2002. See notes 7 and 8 below.

(2) Reflects the Bank's intervention in the money market to absorb liquidity.

(3) SDRs made available by the IMF to Tunisia which have been drawn down and are repayable by the Bank. See **"Functions of the Bank – Managing Tunisia's Reserves"**.

(4) Various deposits and accounts, including those of the Bank's employees, dinar-denominated IMF and AMF accounts and the Bank's account for borrowings effected on the money market.

(5) Represents the counterpart to **"**Bills for collection from the State**"**. Discrepancies between the two items represent bills held but not yet collected at year end.

(6) Represents amounts drawn by the Bank, as intermediary on behalf of the State, pursuant to economic and technical cooperation agreements between Tunisia and certain countries.

(7) In 2002, the provision for future construction/improvements of the Bank's real estate was transferred from provisions to the Special Reserve.

(8) Includes the special reserve, legal reserve, social fund reserve and amounts provisioned for the construction of new branches of the Bank.

(9) Portion of prior year's surplus retained and not paid to the Treasury as a dividend.

(10) Income statement amount representing excess of total annual revenues over total annual expenditures. The Administrative Board of the Bank decides annually how much of the net surplus at the preceding year-end to appropriate for the Tunisian Treasury, with the balance, if any, paid into the Bank's carry-forward account for the current year.

Significant Accounting Principles Applied to the Financial Statements

The following is a summary, prepared by the Bank, of certain significant accounting principles applied to the Bank's financial statements.

(1) *Foreign Currency Translation.* Assets and liabilities denominated in foreign currencies and in SDRs are translated into dinars at the exchange rate in effect on 31 December of the relevant year. The difference between the exchange rate in effect on the day of a transaction and the translation rate is reflected in the financial statements as a loss or gain. Expenses payable in foreign currency are reported in their dinar equivalent at the rate reported on the day of the transaction.

(2) *Property.* The Bank's tangible assets, principally its Tunis head office and its 11 branches, are stated at their historical cost. They are subject to straight-line depreciation at a rate of 5% per year. Assets such as computer equipment, office furniture and equipment and transportation equipment are directly reported as expenses at the time of their acquisition. Beginning in 2002 (and as restated for 2001), however, the accounting treatment has been changed in order to comply with both National and

International Accounting Standards. The main changes consist in booking, as assets, the computer equipment, the office furniture and equipment and the transportation equipment.

(3) *Cash Flow Statements.* The Bank does not publish cash flow statements.

(4) *Gold Reserves.* Gold reserves are valued at the rate of one gram = TD0.6498475. 80% of the Bank's gold reserves are held in the vaults of the Bank and 20% are held by foreign banks.

(5) *Off-Balance Sheet Items.* The Bank's off-balance sheet items consist primarily of certain foreign debts, as well as certain limited derivative transactions undertaken by the Bank. The Bank's foreign debts and the proceeds therefrom are not recorded on the Bank's balance sheet when the proceeds are immediately re-lent to the State. The Bank's use of derivatives has been limited, and the Bank's strategy in such transactions is to cover itself fully. The kinds of derivative transactions that the Bank has engaged in to date have been limited to interest, currency and exchange swaps and forward exchange transactions.

The following table presents certain information about the Bank's off-balance sheet obligations at 31 December of each of the years indicated:

	At 31 December,				
	1999	2000	2001[1]	2002	2003 (unaudited)
			(in TD)		
Bond[1] and other credits					
Yankee bonds [2]	1,146,964,197	1,198,198,225	1,262,365,781	1,074,460,781	936,397,400
Japanese yen denominated bonds, Global Samurai and Global yen [3]	1,790,306,644	2,178,127,922	2,885,911,038	2,832,846,013	3,466,210,180
Euro bonds[4]	499,156,875	506,480,625	508,784,062	480,735,281	1,000,698,727
Global Dollar[5]	–	–	–	1,479,307,020	1,283,054,979
Other credits	669,275,494	664,830,793	607,110,524	524,665,969	514,452,927
Interest rate and currency swaps					
Interest rate swaps (relating to loans by two Tunisian development banks)	74,405,042	81,922,167	86,309,375	79,156,125	–
Currency swaps (relating to Japanese yen bonds and Global Samurai)	516,318,374	–	–	975,929,526	1,017,578,823
Forward exchange transactions	466,290,585	–	–	–	173,635,393
Exchange swaps	–	–	–	–	420,365,705
Total off-balance sheet items	5,162,717,211	4,629,559,732	5,350,480,780	7,447,100,715	8,812,394,134

(1) Includes principal amounts and interest to be accrued to the date of redemption. The proceeds of each of the bonds described in footnotes (2) to (5) below were converted into dinars and made available by the Bank to the State on the same terms and conditions as the original bonds.

(2) Includes US$250,000,000 7½% Notes due 2007 and US$150,000,000 Bonds due 2027.

(3) Includes Japanese yen denominated Samurai bonds with maturities between 2004 and 2011, Global Samurai JP¥ 35,000,000,000 3.3% bonds due 2010, JP¥35,000,000,000 2.27% bonds due 2006, Global JP¥15,000,000,000 4.3% bonds due 2030, JP¥20,000,000,000 4.2% bonds due 2031 and private placement JP¥ 30,000,000,000 3.5% bonds due 2033.

(4) Includes €225,000,000 7.5% Notes due 2009 and €330,000,000 6.25% Notes due 2013

(5) Includes US$650,000,000 Notes due 2012.

Auditor's Report

Auditor's Statement on the Accounts of the Bank for the Fiscal Year 2002 Submitted to the Minister of Finance

Mr Minister

In compliance of the legal prescriptions covered by law No 58-90 of 19 September 1958 dealing with the creation and organization of the Central Bank of Tunisia and subsequent texts and in fulfilment of the mission with which you have entrusted me, it is my honour to inform you that I have verified the accounts of the Central Bank of Tunisia drawn up as of 31 December 2002 as per the law.

The control consists of a series of verifications and random checks to make sure that the balance sheet, the profits and losses accounts and the table of distribution of the result for the fiscal year are in compliance with the entries on the books of the Central Bank of Tunisia, and with the legal prescriptions; as well as the availability of sufficient proofs for the accuracy of amounts drawn on the financial statements.

On the basis of these works and, notably, the notes relative to accounting data, the presented accounts reflect, accurately, the consistency of the operations and the statement of the Central Bank of Tunisia and may be considered in compliance with the provisions of the law in force.

Thus, balance sheet and the profits and losses accounts attached may be considered accurate, reflecting correctly the situation of the Central Bank of Tunisia as of 31 December, 2002.

The Auditor

Chedli Aissa

THE BANKING SYSTEM

Overview

Prior to independence, Tunisia had no real banking system. The network of principally French bank branches and agencies throughout Tunisia was created to finance the colonial economy and was an extension of the French banking system. Following independence in 1956, the government set out to build a Tunisian public banking system and created the *Société Tunisienne de Banques* in 1957 and the *Banque Nationale Agricole* in 1959. The structure of Tunisia's modern banking system began to appear between 1962 and 1967 pursuant to a policy of consolidation which led to the creation of certain banks such as the *Union Internationale de Banques* and the publication of the *Loi sur l'exercice de la profession bancaire* (Loi No. 67-51 of 7 December, 1967, the **"Banking Law"**).

A new banking law aiming at the elimination of the distinction between commercial banks, investment banks and merchant banks, was adopted by the Parliament on 10 July, 2001 (loi 2001-65). This new legal framework permits universal banking. These banks are authorised to collect public savings, to grant credit and offer a wide range of financial services. The new law also aims to prepare credit institutions to better face external competition, as Tunisia is strongly committed to a further liberalisation of its economy, notably in its financial services area within the context of the Association Agreement with the European Union and its commitments *vis-à-vis* the WTO.

This reform also establishes a system of "Deposit Guarantees" which will provide protection for depositors if a bank is unable to repay deposits to its clients. This takes the form of a collective mechanism in which all banks must participate, with the obligation of responding to any call from the Bank to reimburse customers who have deposits at a bank encountering difficulty, in line with conditions which will be set out in a supporting text.

Under this law credit institutions will be authorised to do transactions that are not considered as banking operations such as bank insurance. Bank insurance business consists of the distribution, through the banking network, of life insurance and other products promoted by insurance companies. This distribution is regulated pursuant to a convention established between insurance companies and banks.

Today, the Tunisian banking system consists of 14 commercial banks, five development banks, which are currently converting to universal banks, eleven leasing companies, eight offshore banks which deal primarily with non-residents, two merchant banks, seven offices representing foreign banks in Tunisia, two factoring companies and other financial institutions. The development bank, Banque de Coopération du Maghreb Arabe (BCMA), is in the process of liquidation. The Bank regulates the banking sector.

Efforts are currently underway by the government to restructure and modernise the banking sector in anticipation of the increased foreign competition in the financial industry, which is expected to result from the eventual extension of the European Union Association Agreement to trade in services, including banking services (See **"The Republic of Tunisia - International Relations"**). One of the areas receiving focus is the development of stronger relations between deposit banks and development banks. As part of this process, the government has merged *Société Tunisienne de Banque* (STB) with *Banque Nationale de Développement Touristique* (BNDT) and *Banque de Développement Economique de Tunisie* (BDET) in December 2000, creating the largest bank in Tunisia based on loans and deposits. Union Internationale de Banques (UIB) was privatised in November 2002, with Société Générale holding 52% of its share capital.

As at 31 December, 2003, there were only four State-owned banks in the Tunisian banking sector (STB, BNA, BH and BTS). These four banks control 46.0% of total bank assets. Tunisia has a network of 857 banking agencies, one for every 11,700 inhabitants.

Structure

Deposit Banks

The Tunisian banking system includes 14 commercial, deposit-taking banks and the *Office National des Postes* (**"ONP"**), which provides certain banking services, such as savings and checking accounts, to the public. As of 30 November, 2003, the commercial banks and the ONP together held assets equal to approximately TD 30,366 million.

Of the deposit banks, *Banque Nationale Agricole* (BNA), *Banque de l'Habitat* (BH), *Société Tunisienne de Banque* (STB) and *Banque Tunisienne de Solidarité* (BTS) are majority-owned directly or indirectly by the State. With the exception of Amen Bank, all privately held banks have foreign financial institutions among their shareholders.

The following table presents the deposit-taking banks in Tunisia, their respective dates of creation and their paid-in capital at 31 December, 2003:

Deposit-Taking Banks

	Year of Creation	Paid-in Capital at 31 December, 2003
		(in thousands of TD)
Banque Nationale Agricole (BNA)	1959	233,000
Société Tunisienne de Banque (STB)	1957	124,300
Banque du Sud (BS)	1968	100,000
Union Internationale de Banques (UIB)	1964	70,000
Banque Internationale Arabe de Tunisie (BIAT)	1976	100,000
Banque de l'Habitat (BH)	1989	75,000
Amen Bank	1967	70,000
Arab Tunisian Bank (ATB)	1982	35,000
Union Bancaire pour le Commerce et l'Industrie (UBCI)	1961	35,000
Banque de Tunisie (BT)	1884	40,000
Citibank[(1)]	1989	10,000
Banque Franco-Tunisienne (BFT)	1879	5,000
Banque Tunisienne de Solidarité	1998	40,000
Arab Banking Corporation (ABC)[(1)]	1999	18,000

Source: The Bank

(1) Citibank and Arab Banking Corporation operate in two different capacities in Tunisia: as on-shore, deposit-taking banks and as off-shore banks, through two distinct entities.

These banks may receive deposits from the public and engage in short-term financing, working capital lending, and other activities typical of such institutions.

Development Banks

Tunisia's five development banks support development projects in various sectors of the Tunisian economy, such as in agriculture, fishing, tourism and industry. All of the banks are joint ventures 50% owned by the State and 50% owned by another country. As of 31 December, 2003, they held assets collectively of approximately TD 1,196.2 million.

These specialist institutions are currently in the process of being transformed into universal banks and may then be eligible for privatisation. However, in October 2001 it was decided to liquidate the Arab Maghreb Cooperation Bank (BCMA).

The following table presents the development banks in Tunisia, their respective dates of creation and their paid-in capital at 31 December, 2003:

Development Banks

	Year of Creation	Paid-in Capital at 31 December, 2003
		(in thousands of TD)
Banque Tuniso-Koweitienne de Développement (BTKD)	1981	100,000
Société Tuniso-Saoudienne d'Investissement et de Développement (STUSID)	1981	100,000
Banque Arabe Tuniso-Libyenne de Développement et du Commerce Extérieur (BTLD)	1983	100,000
Banque de Tunisie et des Emirats d'Investissement (BTEI)	1982	90,000
Tunisian Qatar Bank (TQB)	1982	30,000

Source: The Bank

Off-Shore Banks

Tunisia's off-shore banks deal mainly with non-resident customers, although they also engage in offshore activities with resident customers. Under Tunisian foreign exchange control laws and regulations, they are treated as non-residents. They are not subject to restrictions on the repatriation of revenue or profits or on their transactions with other non-residents.

The majority of these banks are owned by foreign financial institutions and, as of 31 December, 2003, the off-shore banks held assets of approximately TD 1,898.8 million.

The following table presents the offshore banks in Tunisia, their respective dates of creation and their paid-in capital at 31 December, 2003:

Off-Shore Banks

	Year of Creation	Paid-in Capital at 31 December, 2003
		(in thousands of US$, unless otherwise indicated)
Union Tunisienne de Banque (UTB)	1979	Subsidiary of UTB (Paris)
Tunis International Bank (TIB)	1982	25,000
Bank Ettamouil Tounsi Saoudi (BEST)..	1983	50,000
Alubaf International Bank (AIB)	1985	25,000
North Africa International Bank (NAIB)	1983	30,000
Citibank[(1)]	1976	Subsidiary of Citibank (New York)
Loan and Investment Bank Co. (LINC)	1980	TD 250,000
Arab Banking Corporation (ABC)(1)	1993	6,000

Source: The Bank

(1) Citibank and Arab Banking Corporation operate in two different capacities in Tunisia: as on-shore, deposit-taking banks on the one hand and as off-shore banks on the other, through two distinct entities.

The Arab Investment Company (S.A.A.), Crédit Lyonnais, Banca Di Monte di Paschi di Siena, Société Générale, Agence Française de Développement et Proparco, Banca di Roma, Bank of Valetta PLC, American Express Tunisie and Crédit Industriel et Commercial (CIC-banques) also have representative offices in Tunisia.

Financial Companies having Merchant Banking Activities

Tunisia has two financial companies that undertake merchant banking activities, the International Maghreb Merchant Bank (IMMB) and *Banque dAffaires de Tunisie* (BAT). The former bank was created in 1995 with initial capital of TD 3 million, and with the participation of the International Finance Corporation and foreign and domestic private investors. It specialises in consulting and assisting in all aspects of the creation, development and restructuring of business enterprises. In addition, Tunisian monetary authorities approved the establishment in 1998 of BAT, Tunisia's other merchant bank. BAT was promoted by the *Société Tunisienne de Banque,* had initial capital of TD 3 million (which has since been increased to TD 4.5 million) and benefits from the technical and financial support of foreign banking partners.

Other Financial Institutions

Other financial institutions in Tunisia include eleven leasing companies, among them one company operating in the southern region of the country, two factoring companies and one leasing company which practices factoring within a specialised department. There are also approximately 141 portfolio management companies and one savings company (*Office d'Epargne Postale,* or **"CEP"**). An export credit insurance agency also operates in Tunisia.

Banking Regulation and Supervision

The banking system is generally regulated by the Bank according to the terms of the Banking Law, as amended. The Banking Law, together with subsequent regulations promulgated by the Bank, have aimed at improving competition and efficiency in the banking sector, while also introducing more stringent risk requirements.

A general policy of liberalisation resulted in the abolition in 1996 of most interest rate restrictions as well as required lending to certain priority economic sectors. Additional reforms, including the creation of a public information registry with statistical information related to the credit environment and the banking sector, are underway to modernise and strengthen the banking system further, to improve transparency and to prepare the sector for international competition. The key measures being introduced and implemented during the next five years include the elimination of barriers separating deposit-taking banks and development banks, the revision of the regulations governing the banking sector to encourage innovation and reduce inefficiencies, the development of improved information systems to enhance and secure bank operations as well as provide better access to financial data, and an increase in professional training to improve bank management standards.

The key event of 2001 was the complete revamping of banking legislation, a necessary step in providing a more liberal environment for banking activity.

The new banking law (Law no. 2001-65 of 10 July, 2001) eliminated the old distinction between deposit and investment banks and established the idea of what is generally called a universal bank or a full-service bank. The new legislation defines a lending institution as ''any legal entity which carries out banking operations in a professional capacity", granting them the right to perform other services such as advice and support in managing assets, financial management and engineering and capital acquisition in companies already in operation or start-up ventures. A lending institution may be a bank or a financial institution, although only banks can accept deposits from the public, regardless of duration and form.

The major provisions of existing banking legislation and regulations are summarised below.

Capital Requirements

According to the Banking Law, deposit and investment banks are required to have initial minimum capital of TD 10,000,000. Financial companies are required to have initial minimum capital of TD 3,000,000. These requirements also apply to all foreign bank agents and branches operating in Tunisia. Banks are able to increase their capitalisation by incorporating retained earnings and issuing new stock.

Mandatory Reserves and Minimum Liquidity Ratio

Prior to May 2002, each bank was required to maintain with the Bank a reserve equal to 2% of its total deposits.

Pursuant to Bank circular no. 2002-05 of 6 May, 2002, however, the Bank established a new scale for mandatory reserves as follows:

- 2% of outstanding demand deposits and other due amounts, certificates of deposit with a duration of less than three months and of any shortfall in the required liquidity ratio;
- 1% of the outstanding balance of certificates of deposit, term deposit accounts, Treasury bills and other financial products of an initial duration of between 3 and 24 months;
- 1% of the outstanding balance of savings accounts with a contractual duration of between 3 and 24 months and the outstanding balance of special savings accounts;
- 0% of the outstanding balance of any deposit regardless of its form with an initial or contractual duration exceeding 24 months.

The Bank introduced a liquidity ratio to further strengthen measures to be followed by banks in the area of prudential regulations. This ratio is intended to help banks maintain better balance between their use of funds and their resources. Banks will henceforth have to maintain a liquidity ratio which can be no lower than 100%. This ratio measures risk-weighted current assets and weighted current liabilities. Any shortfall in meeting the regulatory standard will be added to the base used in calculating mandatory reserves requirements currently set at 2%.

Capital Adequacy Ratios and Loan Classification

Tunisian Banks must maintain a risk-weighted capital ratio of 8% based upon the asset risk-weighting criteria of the Basle Accord. Until the implementation of the new banking legislation on 19 March, 1999, only Tier One capital (fully paid-in equity and disclosed general reserves) was able to be included. No other forms of capital are currently employed by Tunisian banks.

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 categories and corresponding reserve requirements are as follows:

Delinquency	Loan Loss Provision(1)
0 to 90 days past due	0%
90 to 180 days past due	20%
180 to 360 days past due	50%
more than 360 days past due	100%

(1) Other factors may be considered in determining the amount of a loan loss provision, including the general financial situation of the borrower and the sector in which it operates.

As of 30 June, 2003, only one private sector bank, BFT, which holds 0.45% of total depository banks' assets, was not in compliance with the capital adequacy ratio of 8% imposed by the Bank.

Lending Limits

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

Participation Limits

In the area of rules for prudential management, the new law stipulated that financial institutions are subject to prudential regulations just as banks are; and that no more than 10% of their capital stock can be invested in a given company and they cannot, either directly or indirectly, own more than 30% of the capital of a given company. The Bank may authorise a bank to participate in an enterprise at a level above the 30% limit, only if the aim of this participation is claims recovery.

Banks are authorised to participate in financial companies without regard to the above limits.

Savings Fostering:

In order to increase savings among Tunisians, the Bank issued circular nº2003-10 on 15 September, 2003, to review savings account conditions. This review covered two main areas:

- improving savings account remuneration by instituting a fidelity bonus and modifying the value date and the interest periods; and
- softening account conditions by removing limits on savings amounts, eliminating the limit on the number of accounts and introducing the ability of banks to deliver an electronic card to register withdrawal and payment operations.

In addition, banking law nº2001-65 will permit banks to offer insurance products. A legal framework for banking insurance activity was implemented and a convention was signed between banks and insurance companies to agree the conditions for this activity.

Improving claims recovery:

To improve legal recovery of banking claims, some articles of the Code of Civil and Commercial Procedure have been modified by law nº 2002-82 of 3 August, 2002. This reform seeks to make legal procedures more flexible, particularly the procedure for carrying out judgements and foreclosing on real estate.

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 must be published each year in a Tunisian newspaper and, in the case of banks with listed shares, they must be published semi-annually in the publication of the Capital Markets Commission. 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 condition 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, which must be delivered to the Bank monthly.

Transparency

New measures have been taken to ensure increased compliance by banks of transparency rules and to allow for direct and permanent access of customers to financial information, notably concerning banking conditions. As a result, lending institutions have been required to publish their loan and deposit conditions as well as the fee schedule for frequent customer transactions. This takes the form of putting notices on notice boards and circulating leaflets to the public, stating the rates for transactions. These leaflets are to be updated whenever any change is introduced and customers must be informed at least ten days prior to any change going into effect. In a similar vein, in Bank circular no. 2001-12 of 4 May, 2001, the Bank introduced new 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 agent. To strengthen the credit culture and to increase financial transparency, the Bank issued a circular nº 2003-03 dated 28 February, 2003, requiring banks to communicate information about their clients' recent financial status to the Bank.

To improve the transparency of Tunisian banks and financial institutions, a decree of the Minister of Finance was issued on 1 December, 2003, covering accounting standards relating to:

- consolidated financial states (Accounting Standards nº 35)
- participations in associated enterprises (Accounting Standards nº 36)

- participations in co-enterprises (Accounting Standards nº 37)
- enterprise groupings (Accounting Standards nº 38)
- information about linked parts (Accounting Standards nº 39)

A new law nº 2003-75 on combating money laundering and the financing of terrorism was issued on 10 December, 2003, in accordance with international, regional and bilateral conventions relating to fighting criminal activities and terrorism.

Liquidation

In case of a serious event, including the violation of Tunisian banking legislation, regulations or the conditions pursuant to which a bank's accreditation was granted, the accreditation of a bank may be revoked, and the Minister of Finance, after obtaining the advice of the Bank, may appoint a liquidator and set the terms and schedule of the bank's liquidation. The liquidator is required to keep the Bank informed with regard to the progress of the liquidation process.

The Governor of the Bank may, if the situation appears to justify or require such action, call upon the shareholders of the troubled bank to provide it with necessary financial support. The Governor may also call upon and organise the members of the banking community to take such measures as are necessary to protect deposit holders' interests, third party interests, and the general reputation of the industry. Furthermore, the banking law nº2001-65 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 banks. Technical assistance from the IMF was conducted in November 2002 to fix the mechanism's conditions and the Bank is now studying different implementation methods.

If a bank fails to comply with banking regulations, the Bank may issue a warning to the management or board of directors of such bank. If justified by the situation, the Bank may also issue an order to the bank requiring it to increase its capital or to take certain reserves, or forbidding it to distribute dividends.

The Bank may appoint a provisional administrator with the power to manage the bank or to declare the termination of payments. Such appointment may be made at the request of a bank's administration if they feel they can no longer guarantee the proper functioning of the institution, or upon the initiative of the Bank.

THE REPUBLIC OF TUNISIA

Location, Area and Population

The Republic of Tunisia is situated in northwest Africa on the Mediterranean Sea and shares borders with Algeria to the west and Libya to the east and the south. Tunisia has an area of approximately 164,000 square kilometres, of which approximately one-quarter is pasture or forest and one-quarter is cultivated.

Tunisia includes the easternmost ridges of the Atlas mountains, which rise to 1,500 metres; however, most of Tunisia is low lying and bordered by a long Mediterranean coastline. The relatively mountainous north registers Tunisia's highest average regional rainfall of 500 millimetres a year, and contains the country's best agricultural lands. The central steppe region is semi-arid and comprises low plateau and plains. The arid Sahara region of the south consists of desert and stony plains, with seasonal salt lakes. Overall, the Tunisian climate is mild, temperate in coastal areas and hotter and drier in the southern regions.

According to the latest census taken in 1999, the population of Tunisia was 9.512 million. The population of Tunisia was estimated to be 9.878 million in 2003. The rate of population growth in Tunisia is one of the lowest in the Arab world and is declining. From 1984 to 1999, the population grew at an average annual rate of 1.5%, (1.14% in 2003) compared with an average annual rate of 2.3% for the period 1975 to 1984. The falling birth rate is the result of a higher standard of living and education, improved health, the promotion of women's rights and the entry of more women into the workforce, as well as a national birth control programme sponsored by the Tunisian government. See **"Social and Demographic Development"**.

Most of Tunisia's population is concentrated along the Mediterranean coastline, with 1.8 million people living in greater Tunis (includes Tunis, Ariana, Manouba and Ben Arous). Increasing numbers of Tunisians are moving to towns. According to the 1999 census, 62.4% of Tunisians lived in towns, compared to 53% in 1953. In December 2002 it was calculated that there were approximately 800,000 Tunisians living abroad, 75% of which were living in Europe (mainly in France), and the remainder were living in Arab states and the Maghreb, which comprises, in addition to Tunisia, Algeria, Libya, Morocco and Mauritania.

Arabic is the official language of Tunisia, although French is widely spoken in business. In schools, French is often spoken in the classroom and the study of English is compulsory at the primary level. Although the official religion is Islam, the Constitution guarantees the freedom of religion.

Social and Demographic Development

Tunisia can be classified as a lower middle income, developing country. GDP per capita in 2002 was TD 3,056 million (US$ 2,150), growing to TD 3,268 (US$ 2,538) in 2003. According to government estimates, 80% of Tunisians are "middle class" (defined in 2001 by Tunisia's National Statistics Institute as per capita expenditure of between TD 400 and 2,400 per year), up from 41.5% in 1975. The 1999 census indicated that approximately 80% of Tunisians own their own home, 47% of which comprised three or more rooms. The government estimates that 94.6% of Tunisian homes have electricity (100% in urban areas) and 91.6% have running water (100% in urban areas). Government figures also indicate that in 2001 there was one doctor for every 1,284 Tunisian residents, rising to one doctor for every 1,155 Tunisian residents in 2002.

The following table sets forth selected 2000 and 2001 comparative statistical data:

	Tunisia	Algeria	Egypt	Morocco	South Africa	Mexico	China	United States
GDP per capita(1)(2)	$6,769	$5,319	$3,750	$3,787	$9,565	$8,969	$4,329	$31,872
Life expectancy (in years)(3)								
Men	70	69	66	66	47	70	69	74
Women	74	73	69	69	49	76	72	80
Adult illiteracy rate(2)								
Men	18	23	33	37	14	6	8	–
Women	38	42	55	63	15	10	23	–
Infant mortality(2)								
(per thousand live births)	21	39	35	39	56	24	31	7

Source: The World Bank

(1) Adjusted for purchasing power.

(2) 2001 data.

(3) 2000 data.

The government has made significant efforts to combat and alleviate poverty. Government statistics indicate that the rate of absolute poverty fell from an estimated 75% at independence in 1956 and 33% in 1966 to 6.2% in 1995 and to 4.2% in 2000, when it reportedly affected approximately 400,000 individuals (see definition below). The World Bank estimated in 1995 that 70% of Tunisia's poor live in rural areas, with the majority concentrated in the north-west and west-central regions of the country. The World Bank also estimated that the rural poverty rate was 13.1%, compared to 3.5% in urban areas, and that more than 75% of Tunisia's poor are of working age, between 31 and 60 years old.

Households suffering poverty in 1995 were defined by the government as those whose annual per capita income was below TD 389 in urban areas and below TD 170 in rural areas. These criteria are based on World Health Organisation and the United Nations Food and Agriculture Organisation standards relating to the income necessary to meet minimum dietary requirements.

The following table illustrates the declining percentage of the population estimated by the government to be below the poverty line between 1956 and 2000:

Percentage of population below poverty line(1)

1975	1980	1985	1990	1995	2000
22.0	12.9	7.7	6.7	6.2	4.2

Source: Ministry of International Cooperation and Foreign Investment

(1) The poverty line is defined as per capita annual income below:

	1975	980	1985	1990	1995	2000
			(in TD)			
Urban	87	120	190	278	389	428
Rural	43	60	95	139	170	221

Constitution, Government and Political System

Tunisia is a republic governed according to the Constitution (Destour) of 1959. Since the fall of Carthage in the second century BC, the land which is modern day Tunisia was held for long periods under such foreign powers as the Romans, Byzantines, Arabs, Ottomans and French. The French made Tunisia a protectorate in 1881, and Tunisia ultimately gained independence on 20 March, 1956.

In comparison to that of neighbouring Algeria, Tunisia's struggle for independence was relatively peaceful. In 1934, Habib Bourguiba became the leader of Tunisia's nationalist movement when he formed the Neo-Destour Party, a splinter group from the ruling Destour Party. Mr. Bourguiba's new party sought reform and ultimately independence for Tunisia. A year after independence, the Chamber of Deputies voted to depose Tunisia's hereditary ruler (the Bey), and Tunisia became a republic on 25 July, 1957, with Mr. Bourguiba as its first president.

Tunisia's Constitution provides for the separation of the executive, legislative and judicial powers. Executive power is vested in the President, legislative power is vested in the Chamber of Deputies and the newly created Chamber of Advisors, and judicial power is vested in the judiciary.

The President is elected every five years by direct suffrage by all Tunisians over the age of 20 years. The President is simultaneously head of state, head of the executive, guardian of the Constitution and laws, and chief of the armed forces. The President exercises executive power, and is assisted by the government, headed by the Prime Minister. The President defines the principal orientations and goals and the general policies of the State. He presides over the cabinet (the Counsel of Ministers, or *Conseil des Ministres*). He also promulgates laws and treaties and appoints civil and military leaders, upon the proposal of the government.

Following independence, Mr. Habib Bourguiba served as Tunisia's President for 31 years. Mr. Zine al-Abidine Ben Ali succeeded Mr. Bourguiba as President in 1987 and won re-election in April 1989, March 1994 and October 1999.

The government, led by the Prime Minister, is charged with implementing the State's general policy in accordance with the strategy and objectives defined by the President. The government is accountable for its management to the President. The executive branch of the government is headed by the Cabinet, which currently consists of 25 Ministers, 20 Secretaries of State and a General Secretary.

The Chamber of Deputies may challenge the government by passing a vote of no confidence. If adopted by an absolute majority of the Chamber, such a motion would force the President to accept the government's resignation. If during the term of the same Chamber of Deputies, a second no confidence motion is adopted by a two third majority of the Chamber, the President may either accept the government's resignation or dissolve the Chamber of Deputies.

Prior to the Constitutional reform in 2002, the Chamber of Deputies was Tunisia's elected, single chamber legislature. The Chamber of Deputies has 182 seats. Since 1999, 148 deputies are elected on a first-past-the-post basis and 34 seats are reserved for opposition parties and distributed on a proportional basis. The 34 seats occupied by opposition parties are currently distributed as follows: 13 seats to the *Mouvement des Démocrates Socialistes,* 7 seats to the *Parti de l'Unité Populaire,* 7 seats to the *Union Démocratique Unioniste,* 5 seats to the *Mouvement du Renouveau* and 2 seats to the *Parti Social Libéral.* The *Rassemblement Constitutionnel Démocratique* (**"RCD"**) occupies all 148 seats which are distributed on a first-past-the-post basis.

The legislative power is currently exercised by the Chamber of Deputies. Following implementation of the recently enacted constitutional reforms, most legislation will be approved by the Chamber of Deputies, as well as the newly created Chamber of Advisors.

The members of the Chamber of Deputies are elected, for a term of five years, by universal, free, direct and secret suffrage. The Chamber of Deputies, along with the President of the Republic, has the power to introduce legislation. It reviews and votes on matters of ordinary and fiscal law, as well as constitutional matters.

The Chamber of Advisors was created as a result of constitutional reforms which were adopted on 1 June, 2002 and, upon its establishment, will be composed of members who may not be greater than two thirds of the number of members of the Chamber of Deputies.

The members of the Chamber of Advisors are elected as follows:

- in part, on a regional basis, each region having one or two members determined according to the size of the local population and elected by the vote of regional elected officials;
- in part, on a national level by the qualifying members of designated professional organisations; and
- in part, by nomination of the President of the Republic.

The mandate of the members of the Chamber of Advisors is six years. The Chamber of Advisors may not introduce new legislation but passage of ordinary and fiscal laws will require approval of the Chamber of Advisors. The Chamber of Advisors will not vote on matters of constitutional law or international treaties.

The judiciary comprises administrative, regular civil and criminal courts, the Courts of Appeals, the Supreme Court, the Council of Competence Conflicts and military tribunals. Since 1996, the Council of Competence Conflicts is responsible for the resolution of jurisdictional conflicts between administrative and judicial authorities. Magistrates, who comprise judges and public prosecutors, are appointed by presidential decree following the proposal of the *Conseil Superiéur de la Magistrature* (**"CSM"**). The CSM is presided over by the President and consists of magistrates who have been elected by their peers. The compensation, promotion and discipline of judges is the responsibility of the CSM. The public prosecutors are subject to the authority of the Ministry of Justice.

The Constitutional Council was created by decree, before being recognised in 1995 by the Constitution, to examine the conformity and the compatibility with the Constitution of laws which are submitted by the President of the Republic. The Council has to be informed of any bills and treaties designated by the Constitution. The President can also submit to the Constitutional Council any questions related to the organisation and operations of state institutions. The Constitutional Council's opinions must be communicated to the President of the Republic. The Constitutional Council's opinion takes precedence over all other authorities unless its opinions are related to questions about the organisation and the day to day running of state institutions. In 2002, following the constitutional reform, the Constitutional Council has the authority to review matters concerning the election of the President and the members of the Chamber of Deputies and the Chamber of Advisors. It also reviews the compliance of referenda with constitutional requirements.

Tunisia is currently divided into 24 regional governorates each administered by a Board and a Governor. These Boards have financial autonomy and independently manage regional affairs. The governorates are further sub-divided into 257 municipalities with municipal boards elected by direct universal suffrage every five years.

Additional constitutional reforms implemented in 2002 include:

- revision of the conditions of eligibility to be President, including increasing the maximum age of candidates to 75 (from 70);
- incorporating already existing laws on human rights and public liberties into the constitution; and
- clarifying presidential succession in the event of the death or disablement of the President.

As a result of these amendments President Zine al-Abidine Ben Ali will be permitted to stand for President again in the next two elections, the first of which is expected in 2004.

Exceptionally, for the 2004 presidential elections, each party can put forward one of the members of its high executive committee as candidate, on the condition that the latter has been such a member for five years and that the party has at least one deputy in the Chamber of Deputies.

This procedure was instituted by the constitutional law nº 2003-34 of May 13, 2003, in derogation from paragraph 3 of Article 40 of the Constitution and Article 66 of the Election Code, according to which any candidate for presidential elections must be sponsored by 30 citizens who are either members of the Chamber of Deputies or presidents of town councils.

There are eight political parties in Tunisia: the ruling RCD and seven officially recognised opposition parties. The RCD, headed by the current President, Zine al-Abidine Ben Ali, is the direct descendent of the Neo-Destour party which took power at independence in 1956. In the April 1989 legislative election, the RCD won all seats in the Chamber of Deputies and in the 1994 and 1999 legislative elections, the RCD won all the seats that were distributed on a first-past-the-post basis.

In accordance with the terms of the Constitution, political parties based upon religion, language, race or sex (including Islamist parties) are prohibited.

The largest of the opposition parties is the centre-left *Mouvement des Démocrates Socialistes* (MDS), which currently holds thirteen seats in the Chamber of Deputies. The far-left *Harakat Ettajdid* (HE, Renewal Party), the former Tunisian communist party, holds five seats. The pan-Arab, centre-left *Parti de l'Unité Populaire* (PUP) holds seven seats. The pan-Arab, centrist *Union Démocratique Unioniste* (UDU) holds seven seats. The left-wing *Rassemblement Socialiste Progressiste* (RSP) does not hold any seats whilst the Parti Social Libéral (PSL) holds two seats in the Chamber of Deputies. A seventh opposition party, Le Forum Democratique pour le Travail et les Libertés (FDTL) was legally recognised on 25 October, 2002.

The RCD continued to demonstrate strength in the May 2000 municipal elections, winning 3,885 of the 4,128 seats. The MDS won 78 seats; the PUP 42 seats; the UDU 35 seats; the PSL 12 seats; the HE 9 seats and independent candidates won a total of 67 seats.

The Republic is a signatory to the United Nations International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the other major international human rights accords. Nonetheless, Tunisia's human rights record has been the subject of some controversy. The government believes that much of the criticism is based on unreliable information and is unwarranted and that its human rights record is consistent with Tunisian cultural, social and political values, the guarantees contained in the Tunisian Constitution and Tunisia's obligations under international conventions. In 2002, national solidarity and pluralism were consecrated into the Constitution as the foundation of the Tunisian Republic. The Constitution also regulates police custody.

International Relations

Tunisia has traditionally taken a moderate and pro-Western stance in international affairs. Mr. Ben Ali has continued this pro-Western alignment, while at the same time striving to develop closer ties with other Arab countries, especially those of the Maghreb.

Tunisia's relations with its neighbours, Algeria and Libya, have been relatively stable. Relations with Algeria have been good, and Tunisia has been a strong ally of the Algerian government in its fight against Islamic fundamentalists. Relations with Libya have also been relatively good in recent years. Tunisia supports Libya's efforts to end international sanctions, but strictly and consistently enforces the UN resolutions applicable to that country.

In 1989 Tunisia joined Algeria, Libya, Morocco and Mauritania to found the Arab Maghreb Union (AMU) in order to promote regional peace and prosperity by building a Maghreb economic union and a common market of 80 million people. Although member states' domestic concerns often override the AMU's regional ambitions, Tunisia continues to support the AMU as a framework for a future Maghreb common market. As a result it has also pursued bilateral agreements with its neighbouring countries. Tunisia has signed free trade agreements with Morocco, Egypt and Jordan, under which tariffs will be progressively reduced.

Tunisia is a member of a number of international and regional organisations including the United Nations, the African Union, the Arab League, the International Bank for Reconstruction and Development, the International Monetary Fund, the International Development Association, the International Finance Corporation, the African Development Bank, the Arab Monetary Fund, the *Banque Africaine d'Import-Export* (AFREXIM BANK) and *the Programme de Financement du Commerce Inter-Arabe,* among others. Tunisia was a signatory of the General Agreement on Tariffs and Trade (GATT). On 23 January, 1995, Tunisia ratified the Uruguay Round Agreement, which had been signed in Marrakech in April 1994, and is now a founding country member of the World Trade Organisation (WTO).

Tunisia has had agreements with the European Union (EU) since 1969, and a 1976 co-operation agreement with the EU established preferential status for Tunisia. In April 1995, Tunisia entered an Association Agreement with the EU which aims to establish a free trade area between Tunisia and the EU within 12 years. The Association Agreement was ratified by the Chamber of Deputies in July 1996 and has been ratified by all of the EU member states.

In addition to the phased removal of tariff and non-tariff barriers to trade, the Association Agreement addresses market access for manufactured goods, trade rules, harmonisation of standards, and financial and technical assistance to upgrade Tunisian industries and services in the areas of education, training and other social fields. The timetable for implementation may be extended if Tunisia believes its industries are not yet ready for competition. Tunisia also has independent bilateral agreements with several EU member countries, mostly dealing with development assistance and the protection and encouragement of foreign direct investment in Tunisia.

In November 2001 Tunisia became a signatory to two United Nations treaties relating to terrorism: the International Convention for the Suppression of Terrorist Bombings and the International Convention for the Suppression of the Financing of Terrorism.

THE TUNISIAN ECONOMY

General

The Tunisian economy has undergone significant change since the mid-1980's, both with respect to the relative importance of the various economic sectors and with respect to the role of the State in economic activity. Following independence in 1956, the economy relied principally upon agriculture, oil and phosphates and was characterised by State control and protectionism. Manufacturing and tourism began to develop in the early 1970s, and by the end of the 1980s had grown into important sectors of the Tunisian economy. The government has also undertaken macro-economic policies combined with an economic reform programme aimed at rationalising and strengthening the competitiveness of the Tunisian economy by transforming it from one dominated by the State to one largely based on market principles.

The share of the Tunisian economy represented by agriculture and fishing, although declining through the period 2000-2002, remains relatively high, at 14.1% of GDP at factor cost expressed in constant (1990) prices in 2003, up from 12.3% in 2002. The diversification of the economy and its increased openness have resulted in tourism, despite the negative impact of 11 September, 2001 on tourism globally, and manufacturing contributing 5.1% and 20.3%, respectively, to the economy during 2003, as against 5.3% and 21% a year before. Trade has also played an important role historically in the Tunisian economy, as a result of the country's small domestic market and its proximity to major markets.

The Tunisian economy is facing a number of important challenges and how it responds to these challenges will determine in large part whether it will be able to achieve sustained economic growth in the future. The continued movement toward a market-oriented and private sector-driven economy will require social adjustments. In addition, trade liberalisation and the resulting integration of Tunisia into the world economy will require a significant improvement in the competitiveness of Tunisian enterprises. The government believes that a significant percentage of Tunisian enterprises would face serious difficulties upon the removal of trade barriers, and the mise á niveau, or upgrading, programme has been introduced to begin addressing this problem. Similarly, one of the principal objectives of the Ninth Plan described below is to continue the process of integrating the Tunisian economy into the world economy. See **"– Development Planning"**.

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

Principal Economic Indicators

	1999	2000	2001	2002	2003(*)
GDP at current market prices (in TD millions)	24,671.5	26,685.3	28,741.4	29,890.1	32,283.3
% change	*9.4%*	*8.2%*	*7.7%*	*4.0%*	*8.0%*
GDP at constant (1990) prices (in TD millions)	16,414.5	17,181.3	18,016.7	18,318.4	19,334.3
% change	*6.1%*	*4.7%*	*4.9%*	*1.7%*	*5.5%*
GNP per capita at current market rates (in TD)	2,495.7	2,654.4	2,830.8	2,911.2	3,117.5
GNP per capita at constant (1990) prices (in TD)	1,660.4	1,709.0	1,774.5	1,784.1	1,867.1
% change	*4.7%*	*2.9%*	*3.8%*	*0.5%*	*4.7%*
Unemployment rate (% of labour force)	*15.8%*	*15.6%*	*15.0%*	*14.9%*	*14.3%*
Consumer price index (% change)	*2.7%*	*2.9%*	*1.9%*	*2.7%*	*2.7%*
Balance of merchandise trade (in TD millions)	(3,104)	(3,733)	(4,161)	(3,762)	(3,696)
Balance of invisibles(1) (in TD millions)	2,001	2,122	2,138	1,750	1,652
Current account deficit (in TD millions)	(535)	(1,126)	(1,209)	(1,060)	(951)
% of GDP	*(2.2%)*	*(4.2%)*	*(4.2%)*	(3.5%)	(2.9%)
Overall balance of payments	818.0	(333.0)	374.0	199.0	496.0
Gross foreign currency reserves at end of period (in TD millions)	2,746.9	2,422.6	2,810	3,011	3,503
Budget deficit(2) (in TD millions)	(872.7)	(653.0)	(994.4)	(577.8)	(1,026.3)
% of GDP(2)	*(3.5%)*	*(2.4%)*	*(3.5%)*	(1.9%)	(3.2%)
Total public debt (in TD millions)	15,246.7	16,641.3	18,038.0	18,403.1	19,429.8
% of GDP	*61.4%*	*62.4%*	*62.8%*	61.6%	60.2%

Source: Ministry of Development and International Cooperation and the Bank

(*) Provisional data.

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

(2) Excluding repayment of principal of internal and external public debt. See "Public Debt".

Economic Reform Programme

The government's economic reform programme, which began at the end of 1986, has included structural reform, including the privatisation of public enterprises, financial sector reform and tax reform.

Structural Reforms

The structural reform programme that the government launched in 1986 aimed at improving resource allocation and increasing competition by moving the economy towards a market orientation. The main elements of the programme have been price liberalisation, reform of public sector enterprises (including principally privatisation), investment liberalisation, trade liberalisation and currency convertibility.

Price Liberalisation. Until 1986, the domestic prices of most goods in Tunisia, except non-essential agricultural products, were subject to price controls, while the cost of services was generally free from control. Agricultural producer prices were the first to be liberalised in 1986, and all agricultural producer prices, except for cereals and milk, are now free from control.

Tunisia then embarked on the liberalisation of producer prices in the manufacturing sector, and by early 1993, 87% of manufactured goods were not subject to price controls, although price regulation continues to apply to approximately 19% of total sales of all goods.

In mid-1988, price liberalisation was extended to cover distribution, where margins were fully controlled. By early 1995, controls on distribution margins had been removed for products accounting for more than 75% of production (compared with 30% in 1991), equivalent to some 80.6% of domestic consumption. The government intends to pursue further price liberalisation.

Reform of Public Sector Enterprises. From independence in 1956 onwards, an important element of government policy has been to promote the development and industrialisation of the Tunisian economy through heavy investment in the public enterprise sector. Public enterprises played a key role in the economy in the mid- 1980s, accounting for between one-quarter and one-third of employment, GDP and investment. As a result, public sector reform was viewed as an important element in the overall restructuring of the economy.

By 1985, the public enterprise sector included approximately 550 public or semi-public entities. During the first half of the 1980s, the overall financial performance of the sector deteriorated, increasing both its indebtedness and its need for financial support by the government.

Managerial responsibilities for a large number of enterprises were transferred to non-governmental shareholders. Enterprises engaged in marketable production in competitive sectors of the economy were privatised and non-viable entities were totally or partially liquidated. Enterprises that were to remain under government control were restructured and their relationship with the government was clarified. In the first phase, the privatisation programme was directed mainly at small and medium size enterprises.

In 1996, in response to World Bank concern about the slow pace of the privatisation effort, the government stated its intention to sell TD 1,413 million of assets from a list of 63 public companies over five years, beginning with five of the six state cement factories. The management of the privatisation programme within the government was also strengthened, with the creation of a privatisation department within the Ministry of Economic Development. In 1998, the government sold two large and profitable cement operations for TD 410 million. A third cement company was sold for TD 311 million in January 2000. Between 1987 and November 2002, the government has realised proceeds for 2,320 million Tunisian Dinars from the privatisation of 163 enterprises in different sectors, including tourism, banking, manufacturing and others. These transactions included the outright sale of 81 companies, the partial sale of assets from 30 companies and the closing down of 38 others. In 2002 through November 7, 2002, the government had realised proceeds of TD 815 million from the privatisation of 4 enterprises, including the first half of the proceeds from the sale of the second GSM mobile telephone concession for USD 454 million. In 2003 there were no major privatisations; despite this, the 12 companies that were privatised generated a revenue of TD 37 million. The outlook for 2004 suggests that there will be some major activity in this area, with a list of approximately 40 companies, including some very large businesses, being proposed for privatisation. While some of the privatisation revenues will be earmarked for capital projects and special initiatives (such as the Employment Fund), the bulk has been used for and, in future is, intended for debt reduction.

Investment Liberalisation. Pursuant to the *Code des Investissements Industriels* adopted in 1987, the requirement of prior approval for direct investments where investors were not seeking State aid (including tax, customs and other financial advantages) was abolished and replaced by a registration procedure. Investments in industries where production is destined for export only were also granted this advantage.

This system was extended by specific investment codes for each economic sector. These multiple special incentives often overlapped and provided for different treatment of economic sectors. This resulted in distortions in the allocation of resources among sectors and high budgetary costs. In response to these problems, a new investment law, the *Code d'Incitation aux Investissements,* was introduced in 1993. This code harmonised the principal investment incentives of the previous codes and eliminated those directed only at specific sectors or that were no longer justified by the current economic environment.

In 1996, the law was further liberalised in connection with portfolio investments on the secondary market to permit non-Tunisian nationals to acquire up to 50% of the capital of Tunisian enterprises without prior approval.

Trade Liberalisation. Tunisia embarked on a major import liberalisation programme in 1986. As of January 1988, quotas on imports of raw materials, spare parts, semi-finished products and capital goods had been largely liberalised, with the exception of certain goods produced for the most part by start-up industries or imported by other industries that were considered to be poorly integrated. As a result, the percentage of imported goods not subject to quotas rose from approximately 18% of total imports prior to the programme to 53%.

Further quota restrictions were lifted between 1991 and 1993, bringing the percentage of goods not subject to import restrictions to 93% and increasing the share of domestic production subject to import competition to approximately 83%.

As of 31 December, 1999, approximately 97% of imported goods were free from quotas. As indicated below, customs duties were also simplified, so that by the end of 1999 average tariff rates had been reduced to 33.6%. Export duties have also been removed, except for a limited list of products.

The government has stated that it plans to continue liberalising imports until all quota restrictions, with certain limited exceptions, are removed. The government has also reduced compensatory duties and will eliminate all such duties by 2006. Finally, the EU Association Agreement aims at establishing a free trade area between Tunisia and the EU by 2008.

Currency Convertibility. In early 1993, the Tunisian dinar became convertible in conformity with Article VIII of the Statutes of the International Monetary Fund and a law liberalising all payments for current account transactions was passed. With regard to capital account transactions, Tunisian law provides that foreign investors may repatriate in foreign currency capital investments in Tunisia made in accordance with domestic law. See **"– Investment Liberalisation."** Tunisian exporters may, within certain limits, make investments abroad free of exchange controls. Other outward investment by Tunisian nationals, however, remains subject to exchange controls and other regulatory limitations.

Financial Sector Reforms

The liberalisation of the banking system began in 1987.

An immediate objective of the financial sector reforms was to improve monetary management, thereby reducing inflationary pressure, and a medium-term objective was to modernise the financial system and to prepare the financial sector for international competition.

An integral part of the reform effort has also been to develop and further deepen the financial markets through:

- the introduction of new instruments and the elimination of distortions; and
- the strengthening of prudential regulation, and the enhancement of the role of market forces.

To encourage direct financing through the financial markets, new and more flexible financial instruments were authorised, including in 1988, commercial paper issued by non-financial institutions and certificates of deposit issued by commercial banks. Open- and closed-end mutual funds were first established in 1988, transferable Treasury bills were introduced in late 1989 and negotiable Treasury bills were introduced in 1993. However, the issuance of Treasury bills in this form has ceased and new categories of bonds have gradually been introduced. The BTAs (*Bons du Trésor Assimilables*) and the BTCTs (*Bons du Trésor à Court Terme*) were introduced respectively in December 1997 and in August 1999. The bonds issued since 1999 are issued in a manner which allows the Treasury to raise funds on different dates whilst preserving the same due date with respect to each category of bond.

Before liberalisation, bank lending had been controlled by quotas which defined how much had to be lent to specific sectors of the economy and determined the interest rate which should be charged, depending on the nature of the borrower and the term of the facility. Preferential interest and refinancing rates and mandatory lending to priority sectors were eliminated in late 1996, thereby completing the liberalisation of interest rates, except for those designed to offer incentives for small savings accounts and demand deposits. See **"The Banking System – Banking Regulation and Supervision".**

In 1998 legislation was adopted which introduced the legal framework for such financial techniques as securitisation, factoring and collection companies. Laws have been passed to eliminate the double taxation of capital income, reduce legal fees for the recovery of bad loans through court actions, provide a tax exemption on capital gains from the sale of shares, permit a tax credit on interest arrears for loans in default, and increase the tax exemption of 75% available for provisions (an increase from 30%). The government reduced corporate tax rates for companies which float 30% or more of their shares on the stock exchange. The authorities have stepped up bank monitoring and supervision activities.

Given their leading role in the mobilisation of long term savings and in channelling these resources towards productive investments, the capital markets continue to benefit from measures that seek to boost and make the markets more dynamic. In this context, operating conditions for stock savings accounts were the object of a number of modifications seeking to encourage private individuals to favour long term savings. Sums deposited in such accounts assigned up to at least 80% for stock acquisition in listed companies and 20% for the purchase of bonds equivalent to Treasury bonds (BTA) may now also be used to acquire stocks or shares of mutual funds investing in securities (OPCVM).

Insurance sector

Like the banking system, the insurance sector (a growth sector for mobilising savings, especially long term savings) has benefited over the past few years from a number of measures intended to consolidate financial bases and make them sounder, so as to be able to stand up to foreign competition.

– New imperatives for monitoring and supervising the activity of insurance companies

In order to consolidate the financial base of insurance companies, the capital of limited liability insurance companies increased from TD 3 million to TD 10 million and that of insurance companies dealing solely in one category of insurance rose from TD 1 million to TD 3 million. The joint fund resources of mutual insurance companies were also consolidated so that funding can now reach TD 1.5 million, as against just 500,000 dinars previously. The solvency margin providing for all transactions was redefined .

– Empowerment of banks to handle a number of insurance products

Banks can now issue insurance contracts on behalf of and for one or several insurance companies, as per the terms of an agreement. Relations between insurance companies and banks will be in line with the terms of a framework agreement established by insurance company and bank professional structures and approved by the Minister of Finance. Insurance transactions that can be provided to the public by banks include insurance for agricultural risk, insurance on loans and security insurance, assistance insurance and life and capitalisation insurance.

Tax Reform

Tax reform has been directed at replacing a distortionary and complicated direct and indirect tax system with one that is relatively simple and more rational economically, with the objective of encouraging economic growth and increasing government tax receipts. As noted above, certain tax reforms were adopted to promote the development of the financial sector.

A multitude of indirect taxes was gradually reduced and finally replaced in 1988 by a value added tax on production. In 1989, the value added tax was extended to wholesale distribution with the exception of foodstuffs, to which the tax was subsequently extended in 1996.

The former mixture of direct taxes, which was complicated and unevenly applied, was replaced in 1990 by new direct taxes on personal income and corporate profits. The maximum marginal tax rate on income and corporate profits is now 35%.

Customs duties have been lowered and simplified, so that by the end of 1999 average tariff rates had been reduced to 33.6% (as compared to 40% in 1986). Export duties have also been largely removed. Registration and stamp duties have been simplified and rationalised, and the double taxation of capital income has been eliminated.

Development Planning

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

Although the Plans began at a time when the government exercised significant control over the economy and before the economic reform programme, the Plans continue to be useful as statements of government policy. Although required to be approved by law under the Constitution, the Plans do not themselves have the force of law. The government's failure to meet specified goals or targets contained in the Plans is not sanctionable and the government may revise the objectives of the Plans annually.

The Seventh Plan (1987-1991) coincided with the first years of the economic reform programme and had external and internal deficit reduction as its main objectives. The Eighth Plan (1992-1996) aimed at rapid GDP growth by emphasising the liberalisation of the economy and improvements in its efficiency, while continuing to consolidate the social progress of the previous Plans. The Ninth Plan (1997-2001) also emphasised growth in order to reduce unemployment, raise the standard of living and reduce internal and external imbalances in the economy and society. A key objective of the Ninth Plan was to maintain a sustainable growth rate while at the same time meeting the competitive challenges associated with full integration into the world economy. The main objective of the Tenth Plan is to improve and consolidate the social and economic performances already achieved. In addition, during the period 2002-2006, the goal is to include the greater integration of the Tunisian economy into the world economy.

Economic Performance

GDP grew in real terms during the Seventh Plan (1987-1991) at an average annual growth rate of 4.2%. During the Eighth Plan (1992-1996), GDP grew at an average annual rate of 4.6% in real terms. The Eighth Plan had as its goal real annual GDP growth of 6%. Following an increase of 7.8% in 1992, GDP growth in real terms in 1993,1994 and 1995 was only 2.2%, 3.2% and 2.4%, respectively, principally reflecting the impact of the drought, including poor harvests, and the relatively weak level of economic recovery of Tunisia's European trading partners. By 1996, the economy had recovered for the most part from the effects of the drought and the weak economic recovery in Europe, with real annual GDP growth reaching 7.1%. Economic growth was 5.4% in 1997.

Despite global economic turmoil, the Tunisian economy posted a solid year of growth in 1998. Real GDP growth was 4.8%. Private and public consumption increased by 5.3% in real terms while investments rose by 5.8%. The widening of the trade deficit resulted in net exports putting a slight drag on growth.

Real GDP growth was 6.1% in 1999. Domestic demand was the main driver behind the growth. Private and public consumption increased 5.3% in real terms while investment rose by 8.5%. The widening of the trade deficit again had the effect of net exports putting a drag on growth.

Real GDP growth was 4.7% in 2000. Domestic demand continued to be the main driver behind economic growth that year. Private and public consumption increased by 5.3% in real terms while investment rose by 7.0 %. The widening of the trade deficit again resulted in net exports putting a drag on growth.

Despite the general slowdown in world economic growth, the Tunisian economy continued to grow in 2001 at a relatively constant rate. Although the third consecutive drought year and the events of 11 September, 2001 had a negative impact, Tunisian GDP grew 4.9% in real terms during 2001, to TD 18,016.7 million (in 1990 prices), 61.3% of GDP (in 1990 prices) was from private consumption, 15.5% from government consumption, 24.5% from gross fixed investment and 1.0% from changes in stock. The remainder of Tunisia's GDP (in 1990 prices) was composed of TD 8,654.4 million, or 48%, from exports of goods and services, offset by TD 9,059.6 million, or (50.3)% from imports of goods and services. 2001 GDP at current prices reached TD 28,741 million.

In 2002, the Tunisian economy suffered from a fourth consecutive drought, and the general slow down in world economic growth. Tunisian GDP grew by 1.7% in real terms during 2002 to TD 18,318 million (in 1990 prices), 62.5% of GDP (at current prices) was from private consumption, 16.5% from government consumption and 25.2% from gross fixed investment. The remainder of Tunisia's GDP (in current prices) was composed of TD 13,400.2 million, or 44.8% from exports of goods and services, offset by TD 14,666.5, or 49% from imports of goods and services. 2002 GDP at current prices reached TD 29,890 million.

In 2003, Tunisian GDP grew by 5.5% in real terms to TD 19,334 million (in 1990 prices). 62.2% of GDP (at current prices) was from private consumption, 16.6% from government consumption and 24.2% from gross fixed investment. The remainder of Tunisia's GDP (in 1990 prices) was composed of TD 14,335.0 million, or 44.4%, from exports of goods and services, offset by TD 15,522.8, or (48.1)%, from imports of goods and services. 2003 GDP at current prices reached TD 32,283 million.

Tunisia has successfully reduced inflation. As measured by the consumer price index, it decreased to 2.7% in 2002 and averaged 2.6% over the period 1998 to 2002. The growth in the Consumer Price Index was 2.7% both in 2002 and in 2003.

The following table sets forth certain information with respect to total and per capita GDP at current prices and constant (1990) prices for the years indicated:

Gross Domestic Product

	1999	2000	2001	2002	2003(*)
Total GDP					
At current prices					
(in millions of TD)	24,671.5	26,685.3	28,741	29,890.1	32,283.3
At constant (1990) prices					
(in millions of TD)	16,414.5	17,181.3	18,017	18,318.4	19,334.3
Real change (%)	6.1%	4.7%	4.9%	1.7%	5.5%
Per capita GDP					
At current prices (in TD)	2,609.1	2,790.3	2,971.3	3,055.9	3,268.3
At constant (1990) prices (in TD)	1,735.9	1,796.6	1,862.6	1,872.8	1,957.4
Real change (%)	4.7%	3.5%	3.7%	0.5%	4.5%

Source: Ministry of Development and International Cooperation

(*) Provisional data.

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

Gross Domestic Product by Category of Demand At Current Prices

	2000	2001	2002	2003(*)
Private consumption	16,181.4	17,508.3	18,698.8	20,082.6
Government consumption	4,165.0	4,527.4	4,925.8	5,359.2
Gross fixed investment	7,020.3	7,527.0	7,540.0	7,805.0
Changes in stocks	260.0	476.9	(8.2)	224.3
Exports of goods and services	11,783.5	13,558.7	13,400.2	14,335.0
Imports of goods and services	(12,724.9)	(14,856.9)	(14,666.5)	(15,522.8)
GDP at current prices	26,685.3	28,741.4	29,890.1	32,283.3
% Change..	8.2%	7.7%	4.0%	8.0%

Source: Ministry of Development and International Cooperation

(*) Provisional figures.

The following table illustrates the major components of GDP at constant (1990) prices by category of demand for the years indicated:

Gross Domestic Product by Category of Demand At Constant (1990) Prices

	2000		2001		2002		2003(*)	
	(in TD millions, except percentages)							
Private consumption	10.487.8	61.0%	11,054.1	61.3%	11,485.3	62.7%	12,025.1	62.2%
Government consumption	2,654.2	15.4%	2,786.9	15.5%	2,906.7	15.9%	3,037.6	15.7%
Gross fixed investment	4,242.9	24.7%	4,416.7	24.5%	4,299.6	23.5%	4,321.1	22.4%
Changes in stocks	71.8	0.4%	164.2	1.0%	4.5	0.0%	254.3	1.3%
Exports of goods and services ..	7,716.9	44.9%	8,654.4	48.0%	8,468.6	46.2%	8,804.0	45.5%
Imports of goods and services ..	(7,992.3)	(46.5%)	(9,059.6)	(50.3%)	(8,846.2)	(48.3%)	(9,107.7)	(47.1%)
GDP at constant (1990) prices ..	17,181.3	100.0%	18,016.7	100.0%	18,318.4	100.0%	19,334.3	100.0%
% Change..	4.7%	4.9%		1.7%	5.5%			

Source: Ministry of Development and International Cooperation

(*) Provisional figures.

The following table illustrates GDP at factor cost, broken down by sectors of origin, at current prices and constant (1990) prices for each of the years indicated:

Gross Domestic Product by Sector of Origin at Current and Constant (1990) Prices

	Current Prices *(in millions of TD)*				Constant (1990) Prices *(in millions of TD)*			
	2000	2001	2002	2003(*)	2000	2001	2002	2003(*)
Primary sector (Agriculture and Fishing)	3,297.5	3,330.5	3,085.7	3,891	2.283.0	2,237.3	1,991.2	2,421.3
Mining	234.4	241.7	242.9	256.0	149.2	150.7	147.7	152.1
Energy								
Gas and petroleum product	804.9	828.2	864.7	904.5	651.4	644.9	686.8	690.9
Electricity and Water	482.6	523.7	559.8	596.7	358.5	379.2	395.3	411.2
Total Energy	1,287.5	1,351.9	1,424.5	1,501.2	1,009.9	1,024.1	1,082.1	1,102.1
Manufacturing								
Agriculture and food processing ..	896.9	892.4	923.7	985.5	608.4	593.2	590.2	613.8
Construction materials, ceramics and glass	447.6	481.6	515.8	547.3	312.9	327.0	340.1	350.3
Mechanical and electrical industries	674.8	788.8	837.0	888.0	446.6	509.1	526.9	545.4
Chemical and rubber industries	528.4	554.8	588.7	609.3	323.7	331.8	343.4	346.8
Textiles, leather and clothing	1,683.4	1,922.4	1,980.1	2,069.2	1,008.0	1,129.0	1,134.6	1,157.3
Wood, paper and plastics	616.8	672.4	713.2	760.4	417.0	442.0	459.7	478.1
Total manufacturing	4,847.9	5,312.4	5,558.5	5,859.7	3,116.6	3,332.1	3.349.9	3,491.7
Building and civil engineering	1,252.4	1,390.2	1,518.0	1,616.7	819.3	876.7	929.3	966.4
Tertiary sector (services)								
Hotel, café, restaurant	1,632.4	1,722.2	1,692.9	1,791.1	880.1	902.1	861.5	883.0
Other non-administrative services								
Telecommunications and Transport	2,138.2	2,387.9	2,512.9	2,750.1	1,580.9	1,744.1	1,833.0	2,008.9
Rentals	883.8	951.0	1,018.5	1,090.8	576.3	599.4	623.3	648.3
Financial Companies	1,027.5	1,126.1	1,219.6	1,306.2	885.6	943.2	995.0	1,034.8
Commercial and other services	3,698.7	4,032.2	4,355.5	4,611.0	2,415.2	2,563.8	2,689.9	2,788.9
Less: imputed financial services	793.9	854.4	885.0	964.9	751.5	787.6	797.1	849.1
Administrative services								
Public administration expenses	3,499.6	3,748.1	4,014.9	4,300.0	2,161.0	2,247.4	2,337.3	2,430.8
Other	93.8	147.1	195.9	201.3	62.0	80.0	99.6	98.7
GDP at factor cost								
Indirect taxes (net of subsidies)	23,099.8	24,887.0	25,954.8	28,210.2	15,187.6	15,913.4	16,187.7	17,178.0
Total GDP	26,685.3	28,741.4	29,890.1	32,283.3	17,181.3	18,016.7	18,318.4	19,334.3
GDP growth rate (%)	8.2%	7.7%	4.0%	8.0%	4.7%	4.9%	1.7%	5.5%

Source: Ministry of Development and International Cooperation

(*) Provisional figures.

Principal Sectors of the Economy

Agriculture and Fishing

The share of the agricultural sector and fisheries in GDP at factor cost in current prices has varied from one growing season to the next; during 1997 it averaged 15.1% of GDP, in 1998, 14.6% and in 1999, 15.0%. In 2000, it decreased to 14.3%, it decreased again in 2001 to 13.4% and in 2002 to 11.9 % of GDP at factor cost. This has been principally as a result of drought conditions affecting the production of cereals and olive oil, other large scale crops and livestock. In 2003, the sectors' share in GDP increased to 13.8% due to a good production of olive oil and cereals because of adequate rainfall.

Tunisia's principal agricultural products are olives, citrus fruit, wine, dates and cereals (mainly wheat and barley). Tunisia is one of the world's main producers and exporters of olive oil. Because of its co-operation agreement with the EU, Tunisia exports agricultural products under advantageous terms to Western European markets. Agriculture employs about one-third of the Tunisian workforce, albeit seasonally. Approximately 60% of Tunisia's cultivated land is dedicated to two main crops: olives and cereals (mostly hard wheat).

Generally, agricultural output is susceptible to Tunisia's irregular rainfall. To help moderate climatic impact, some 80% of Tunisia's available water resources are used for irrigation. Nevertheless, rainfed agriculture still predominates, with only 300,000 irrigated hectares of a total of approximately 4.2 millions hectares under cultivation. The national water policy calls for the construction of several dams, reservoirs and deep wells to apply approximately 90% of Tunisia's water resources for agricultural purposes. 1997 and 1998 were relatively difficult for agriculture because of inadequate rainfall. Better climatic conditions in 1999 provided for much better crops during that year. However, in 2000 agriculture and seafood production declined, with output decreasing approximately 1.0% by value at constant prices. Drought continued into 2001 and 2002. As a result, the agriculture and fishing sector decreased by 2% for 2001 rather than the 6.5% increase that was initially forecast. The share of the agricultural and fisheries sector in GDP at factor cost and constant prices declined approximately by 1.7% in 2002 from 2001, principally as a result of the drought conditions affecting olive oil production and cereals, but increased again by approximately 1.8% between 2002 and 2003.

In 2002 a number of measures were implemented to help farmers through the drought conditions. Livestock farmers were aided in feeding their animals through imported animal fodder being exempted from customs duties, a subsidy of 2 dinars per quintal on the purchase cost of barley, free barley grants to small scale farmers and the opening of forest pastures to animals. A vaccination campaign was also intensified and debt rescheduling, as well as additional seasonal loans were provided. The 2003-2004 agricultural season started well, with good climate conditions. The estimated harvest figures for 2004 are positive, with projections of 200,000 tons of olive oil, 209,000 tons of citrus fruits and 1,700,000 tons of cereal crops, after a very good harvest of 2,900,000 tons in 2003.

Tunisia's second most important food export after olive oil is fish. Fisheries production of all forms decreased by 2.3% from 96,700 tons in 2002 to 94,500 tons in 2003. This decrease is due mainly to the drop of tuna fishing and coast fishing. Seafood exports decreased too in 2003, to 14,800 tonnes with a value of TD 144.7 million, from 17,500 tonnes with a value of TD 134.6 million in 2002.

The Tunisian government has instituted a number of initiatives to modernise and encourage the fishing industry. In 1996, it began to offer subsidies to encourage investment in new fishing boats and to develop coastal fish farms in the north of the country. A programme is also underway to upgrade processing factories and product quality to meet European standards. Between 1992 and 2000, the production of the sector increased by an average of 8% per year (TD 2,841 million in 1992 compared to TD 5,490 million in 2000) and exports rose from TD 224 million to TD 628 million. National authorities have accorded particular attention to this sector; Government policy seeks to upgrade the sector, train fishermen, reschedule debt for shipping entrepreneurs and adapt the administrative structure to better serve the sector. For example, a programme to promote fishing of blue fish was adopted at the Ministerial Council of 12 March, 2001, covering the various components of production, processing and distribution. Specific incentives were provided for such fishing, including an increase in the investment ceiling from 300,000 dinars to TD 1 million per initiative, with a 30% increase in the investment premium, up a maximum of 120,000 dinars. These measures yielded higher production in 2001. Reforms in the fishing sector continued in 2002, promoting blue fish, and a programme to develop aquaculture was adopted at the Ministerial Council of 6 May, 2002, covering investment, production and marketing. Despite this, there was a small drop in production of 1.9% in 2002 and 2.2% in 2003.

There was a worsening in the deficit in the balance of food, from TD 256.7 million in 2001, to TD 586.5 million in 2002, due to an increase in cereal imports and a decrease in olive oil exports (caused largely by lower domestic production). However, in 2003 the food deficit was reduced dramatically, due to an 8.2% increase in exports and an 11.5% decrease in imports.

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

Annual Production of Principal Agricultural and Seafood Products

	1999	2000	2001	2002	2003(*)
	(in thousands of tonnes, except where noted)				
Cereals	1,813	1,087	1,355	513	2,900
Eggs (million of units)	1,523	1,476	1,434	1,487	1,399
Potatoes	320	290	330	310	290
Tomatoes	930	950	750	810	900
Olive oil(1)	180	225	115	30	72
Citrus fruits	211	226	240	236	225
Dates	103	104	105	115	111
Meat	201	210	217	217	221
Seafood	93.2	95.1	98.6	96.7	94,5

Source: Ministry of Development and International Cooperation and the Bank

(*) Provisional figures.

(1) For comparability purposes, olive oil production and citrus fruits production figures are presented according to the year corresponding to the end of the relevant agricultural campaign. Actual production generally occurs in the year following the harvest.

Industry

The industrial sector of the Tunisian economy comprises manufacturing industries and non-manufacturing industries (including mining, energy, building and civil engineering). Value added for industrial activity rose by 2.9% in 2003, compared to 3.2% in 2002 and 5.7% in real terms in 2001. The contribution of industry to GDP at factor cost and constant prices fell to 33.3% in 2003, after a consecutive rise in the previous three years from 33.5% in 2000, to 33.8% in 2001 and to 34.3% in 2002. Ignoring the fall in 2003, the recent trends are consistent with the overall restructuring of the industrial sector since the 1980s, with the energy sector accounting for 6.4% of GDP in 2003 as compared to over 11.1% in 1985 and the contribution of manufacturing industries to GDP increasing slightly to 20.3% in 2003, compared to 19.0% in 1985. The industrial production general index suffered a slight drop (0.8%) in the first eleven months of 2003, due to a regression in energy production but a recovery in mining. The growth of the industrial sector in 2003 was 2.9% in real terms despite its share in GDP at factor cost and constant prices falling slightly to 33.3%.

The industrial sector is largely export-driven and is dependent upon the imports of capital goods, spare parts, and raw materials. As a result, the sector is vulnerable to world price fluctuations.

In 1992, the government implemented a policy of industrial modernisation. The objectives of this policy are to improve productivity, product quality and marketing through better management, improved financial controls, improved training and the introduction of modern technology. In 1995, the government created the Fund for the Development of Industrial Competitiveness, which finances up to 20% of the investment required by companies to modernise their management, technology and financial structures with a view to increasing their competitiveness. The programme is a voluntary scheme which aimed to enrol 2000 industrial companies by the end of 2001. As of 31 December, 2003, a total of 2,818 companies had applied to benefit from the programme. 1,649 applications had been approved as of that date, for a total of TD 2,646 million.

The government believes that an increase in competitiveness is essential if Tunisian industry is to compete successfully in international markets, particularly in the light of the free trade area which is being established between Tunisia and the EU pursuant to the EU Association Agreement. See **"The Republic of Tunisia – International Relations"**.

Manufacturing Industries

Since independence, manufacturing in Tunisia has evolved from small-scale craft and food processing activities to a more diversified range of industrial production. Many companies are engaged in processing Tunisia's raw materials, particularly food, minerals, wool, leather and crude oil. The sector is principally composed of small and medium-size family owned enterprises, and value added varies greatly depending upon the activity. The manufacturing industry is largely export oriented. In 2003, the manufacturing industry employed approximately 581,600 people, or more than 17.6% of the working population.

Value added in the textiles, leathers and clothing sectors and the mechanical and electrical sectors led the growth in the manufacturing industries during the 1997-2001 period. In 2001 to 2003 these sectors continued a strong export led performance, while the agriculture and food processing sectors real value added declined between 2000 and 2002, but then grew once more in 2003. Despite a speeding up of growth in manufacturing industries in 2003, the contribution of the manufacturing industries to GDP at factor cost (at constant prices) fell slightly from 21.0% in 2002 to 20.3% in 2003.

The contribution of the manufacturing industries to exports increased to 86.6% in 2001 and their share in imports accounted for 85.2%. In 2002, the contributions of manufacturing industries (excluding agrofood) to exports continued to grow (from 81.7% in 2001 to 82.7% in 2002) and their share in imports dropped from 81.6% in 2001 to 80% in 2002. In 2003, exports of manufacturing industries continued to do well, with a 5.2% increase over 2002 versus 3.9% a year before. In 2001, investment in manufacturing industries amounted to TD 1,022 million, compared with TD 953.2 million in 2000. In 2002, investment in manufacturing industries decreased to TD 975.0 million, but in 2003 it increased again by 4.6% to TD 1,020 million.

The following table sets forth the output of the principal manufacturing industries in the period 1999-2002 at constant (1990) prices.

Value Added by Manufacturing Industries at Constant (1990) Prices

	2000	2001	2002	2003(*)
		(in millions of 1990 TD)		
Food	608.4	593.2	590.2	613.8
Construction materials, ceramics and glass	312.9	327.0	340.1	350.3
Mechanical and electrical	446.6	509.1	526.9	545.4
Chemicals	323.7	331.8	343.4	346.8
Textiles, leather and clothing	1,008.0	1,129.0	1,134.6	1,157.3
Wood, paper and plastics	417.0	442.0	459.7	478.3
Total	3,116.6	3,332.1	3,394.9	3,491.7
% of GDP at factor cost	20.5%	20.9%	21.0%	20.3%

Source: Ministry of Development and International Cooperation
(*) *Provisional figures*

Food industry. The principal products of the food industry are cereal products, dairy products, canned goods (principally tomato paste), sugar and confectionery, oils and fat (principally olive oil and processed seed oils) and beverages (mainly mineral water and carbonated beverages). Stimulated essentially by good cereals harvests during the 1995-96 growing season and by record olive oil production during the 1996-97 season, growth in the food industries was appreciable in 1997, at 19.0% in real terms, compared with 1.9% the previous year. Despite a decline due to inadequate rainfall in 1998, the food industry recovered in 1999 and grew by 7.6% in 2000. However, following another difficult agricultural season the sector declined by 2.5% in 2001 and by 0.5% in 2002. This decline occurred largely due to the continuing fall in olive oil production, but was offset somewhat by a rise in the production of processed grain oils, vegetable fats, sugar, milk products and canned goods (except fish). In 2003, good climatic conditions led to an increase of 4% in the sector.

The food industry contributed 17.6% of the value added (in real terms) by manufacturing industries in Tunisia in 2003 and 3.6% of GDP at factor cost (17.4% and 3.6%, respectively, in 2002).

Construction materials, ceramics and glass industries. The principal products manufactured by this industry include cement, lime, clayware, mosaic and earthenware tiles and bottles and glasses. Activity picked up in this sector during 1998, with value added advancing by 4.3% in real terms. In 2000, growth was 7.8%, compared to 4.9% in 1999. In 2001, 2002 and 2003 these industries experienced slower growth of 4.5%, 4% and 3%, respectively, in real terms. In 2003, these industries contributed 10.0% of the value added (in real terms) by manufacturing industries in Tunisia and 2.0% of GDP at factor cost (10.0% and 2.1% respectively in 2002).

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. Activity in the mechanical and electrical industries picked up in 1997, with a 7.0% increase in value added in real terms, compared with 0.9% the year before. In 1998, growth continued at 8.6%; in 1999, growth was 6.3%; in 2000 growth was 6.8% and in 2001 the sector experienced strong growth of 14.0% in real terms. However, in 2002 and 2003, the economic slowdown in Europe led to a fall in growth to 3.5% in real terms. Despite this, in 2003 these industries contributed 15.6% of the value added (in real terms) by manufacturing industries in Tunisia and 3.2% of GDP at factor cost (respectively 15.5% and 3.3% in 2002).

Chemicals industry. The phosphate processing industry is the most active part of the chemicals sector, producing, among other things, fertilisers and phosphoric acid. Other products include rubber, basic chemicals and pharmaceuticals. The general drop in production all across the phosphate by-products branch because of lower demand from certain foreign customers has resulted in slackened growth in the chemicals industries. In 1998, growth was 3.9%, in 1999, 3.4%, in 2000, 5.0%, 2.5% in 2001, 3.5% in 2002 and 1% in 2003. In 2003, the chemical industry contributed 9.9% of the value added (in real terms) by manufacturing industries in Tunisia and 2.0% of GDP at factor cost (respectively 10.1% and 2.1% in 2002).

Textiles, leather and clothing industries. The principal products of the textile, leather and clothing industries are cotton and woollen yarn, fabric, apparel, hosiery, carpets and footwear. This sector depends upon foreign markets for its supply of raw materials and semi-finished products and exports a large proportion of its production. Growth in this sector increased to 6.3% in 1998 and was 2.6% in 1999, 6.3% in 2000 and 12.0% in 2001. Growth slowed to only 0.5% in 2002 due to a drop in foreign demand, particularly for weaving, apparel and footwear (although fabric finishing and hosiery continued to grow healthily), but picked up to 2% in 2003. In 2003, these industries contributed 33.1% of the value added (in real terms) by manufacturing industries in Tunisia and 6.7% of GDP at factor cost (respectively 33.4% and 7.0% in 2002).

Wood, paper and plastics industries. These industries registered 5.2% growth in real terms in 1999 compared to 6.1% in 1998. Growth in theses industries was 6.1% in 2000 and 6.0% in 2001, but slowed to 4.0% in 2002 and 2003. In 2003 these industries contributed 13.7% of the value added (in real terms) by manufacturing industries in Tunisia and 2.8% of GDP at factor cost (respectively 13.5% and 2.8% in 2002).

Building and Civil Engineering

After a rapid 10.2% growth in 2000, building and civil engineering grew more slowly, at 7.0% in real terms in 2001, 6.0% in 2002 and 4.0% in 2003. In 2003, these industries contributed 43.5% of the value added (in real terms) by non-manufacturing industries in Tunisia and 5.6% of GDP at factor cost (respectively 43.0% and 5.7% in 2002).

Non-Manufacturing Industries

Non-manufacturing industries include mining (principally 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 construction and the engineering sectors. The relative contribution of non-manufacturing industries to GDP has been in decline in recent years, and in 2003 amounted to 12.9% of GDP at factor cost. This decline reflects low world prices for phosphates and the fall in crude oil production due to declining recoverable reserves and steady growth in the manufacturing industries. The non-manufacturing industries grew at a rate of 3.8% in real terms in 2000 and 3.7% in 2001, compared to a 1998 level of 6.6%, due mainly to slightly weaker activity in each of the sectors except electricity and water. In 2002, the growth of the sector reached 5.3%, but fell to 2.8% in 2003.

Mining. The mining industry, which includes principally calcium phosphate, iron ore and sea salt, contributed 0.9% to GDP (TD 150.7 million) in 2001 and 0.9% (TD 147.7 million and TD 152.1 million, respectively) in 2002 and 2003. However, when combined with the phosphate derivatives industry, mining accounted for approximately 8.0% of Tunisia's foreign exchange earnings, or TD 765.0 million in 2001, falling to TD 725.0 million in 2002. Following three years of growth in mining activity, 1997 was marked by a decline in value added of about 5.0% in real terms. This resulted from a decline in the production of most ores, resulting principally from the closure of the Bougrine Mine in October 1996. This mine was reopened in April 1998 by a Canadian mining group. Nevertheless, the exhaustion of reserves of iron ore and of certain non-ferrous metals, combined with the tapping of stocks of calcium phosphate, suggest that the mining sector will experience only moderate growth, if not stagnation, in the future. The sector grew by 19.7% in 1998, 5.7% in 1999 and 5.0% in 2000, but only by 1.0% in 2001 and registered a decline of 2% in 2002, due principally to a decrease of 5% in marketable phosphates production. In 2003 the sector grew again by 3%.

Tunisia is the fourth largest producer of calcium phosphate in the world. Production of marketable calcium phosphate in 2002 amounted to approximately 7.6 million tonnes, down slightly on the 8.1 million tonnes sold in 2001. In 2003, production increased by 5.5% on the 2002 figures. Total sales of phosphates increased by 1.5% from 2001 to 2002 (to 7.6 million tonnes). However, after an increase (of 5.5% in volume and 4.1% in value) of exports in 2001, they then fell by 4.6% in volume and 5.8% in value to TD 45.7 million in 2002, due mainly to weak foreign demand and harsh competition amongst producing countries. This trend continued in 2003, with a decrease of 22.3% in volume and 27.6% in value, to 865,300 tons and TD 33.1 million.

Iron ore production of 198,000 tonnes in 2002 was a small decrease in production (2.9%) since 2001. The iron ore production in 2001 had increased by 11.5% since 2000, after a 17.6% decrease between 1999 and 2000 as a result of a 24.5% reduction in production by the Djerissa Iode mine. In 2002, the Djerissa Iode mine provided approximately 70% of all iron ore, with the rest coming from the Tamera-Douaria mine. The iron ore produced was supplied almost exclusively to the El Foulad iron and steel works.

The production of sea salt increased from 560,000 tonnes in 2002 to 700,000 tonnes in 2003. Sea salt is produced in Sfax, Sousse and Megrine. Sea salt is used almost exclusively for human consumption and for melting snow on roads. Exports of sea salt fluctuate according to weather conditions in Europe (the amount of snow) and thus amounted to 404,000 tonnes in 2000, 635,000 tonnes in 2001, 537,000 tonnes in 2002 and 738,400 tonnes in 2003.

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

Calcium Phosphate

	1999	2000	2001	2002	2003(*)
Output tons (millions)	8.0	8.3	8.1	7.7	8.1
Total value exported (in TD million	39.9	46.6	48.5	45.7	33.1
% of total goods export	0.6%	0.6%	0.5%	0.5%	0.3%

Source: Ministry of industry
(*)Provisional figures

Iron Ore, Salt, Lead and Zinc

	1998	1999	2000	2001	2002	2003
			(in thousands of tons)			
Iron	222	222	183	204	202	164
Sea Salt	466	455	620	654	560	700
Lead..	7.0	10.0	10.6	11.2	8	8
Zinc	57.1	89.2	75.0	72.9	64	66

Source: Ministry of industry

Energy

The resources of primary energy decreased by 4.1% in 2003, following a virtual stagnation in 2002, when production amounted to 6.450 million tonnes of oil equivalent (TOE), and a decline of 3.4% in 2001. Primary energy resources were 6,702,000 TOE in 2000, 6,472,000 TOE in 2001, 6,450,000 TOE in 2002 and 6,187,000 TOE in 2003. In 2002, energy consumption in Tunisia was divided among petroleum and its derivatives (56.7%), electrical power (0.3%), natural gas (42.1%) and other sources (0.9%). In 2003, energy consumption in Tunisia was also divided among petroleum and its derivatives (55.2%), electrical power (0.6%), natural gas (43.9%) and other sources (0.3%).

Electricity. In 2002, total domestic production of electricity was 11,281 million kWh, of which 8,270 million kWh was produced by the Tunisian Electricity and Gas Company ("STEG"). Production of electricity rose by 4% in 2003. STEG's production dropped by approx 1,500 million kWh (15.5%) between 2001 and 2002, but this was offset by the increase in private independent production (from 161 million kWh in 2001 to 2,070 million kWh in 2002. Electricity production by STEG thermal power plants continued to be fuelled mainly by natural gas, which accounted for 97% of this production, with almost all of the remainder produced using fuel oil.

Hydraulically produced electricity accounted for 90 million kWh in 1999. It declined to 64 million kWh in 2000 and further to 54 million kWh in 2001 reflecting the effect of drought, but increased again somewhat back to 64 million kWh in 2002. Domestic electrical consumption totalled 9,962 million kWh in 2002, of which 6,170 kWh was of high and medium-voltage current. About 68% of the total consumption of high and medium voltage current went to the industrial sector. High and medium voltage electricity consumption continued to rise (by 2.7%) in the first eleven months of 2003. The mining, chemicals, petroleum, construction materials and ceramics and glass industries continue to be the heaviest consumers of electrical energy. Low voltage consumption continued to grow, from 3,544 million kWh in 2001 to 3,792 million kWh in 2002.

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

Electricity Production and Consumption

	1998	1999	2000	2001	2002
	(in millions of kWh)				
Domestic Production					
STEG production[(1)]	7,936	8,639	9,222	9,787	8,270
Private independent production..	–	–	–	161	2,070
Self-producing	720	886	874	906	941
Total domestic production..	8,656	9,525	10,096	10,854	11,281
Net exchanges with Algeria	(4)	2	1	10	59
Losses in transit	(962)	(1,042)	(1,109)	(1,258)	(1378)
Total energy available for consumption	7,690	8,485	8,988	9,606	9.962
High-and-medium-voltage consumption					
Mining industries	441	605	619	671	661
Iron, steel and metallurgical plants..	187	216	217	220	209
Chemical and petroleum industries	612	630	637	641	652
Construction materials	921	916	998	1,030	1032
Paper industry and publishing	118	123	135	137	137
Textile industries	365	380	425	496	510
Food industries	373	407	421	433	457
Miscellaneous industries	352	376	420	467	535
Other sectors..	1,511	1,657	1,776	1,967	1,977
	4,880	5,310	5,648	6,062	6,170
Low-voltage consumption	2,810	3,175	3,340	3,544	3,792
Total Domestic Consumption	7,690	8,485	8,988	9,606	9,962

Source: Tunisian Electricity and Gas Company (STEG)

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

Crude oil production in 2002 increased by 1.6% from 2001, to about 3.5 million tonnes, after a decrease of 8.6% in 2001, but still remains below production levels achieved in 1996 and prior years. In addition, crude oil production fell by 9.6% in the first eleven months of 2003. Of a total of 3.5 million tonnes produced in 2002, 683,000 tonnes came from the El Borma field and 669,000 tonnes from Ashtart and under 200,000 tonnes from Sidi El Kilani. These figures represent drops of 10% (El Borma), 1.8% (Ashtart) and 54% (Sidi El Kilani) from the 2001 production, which itself had noted a significant decline in the percentage of crude oil produced at these three largest oil fields. The increase in crude oil production was due to increased yields at smaller oil fields, and the start up of the new Isis field (which produced over 9% of the total production in 2002). The share of crude oil in total primary energy production remained preponderant at about 53% in 2001, 55% in 2002 and 52% in 2003.

Oil research and exploration activities continued in 2002, eleven new wells being dug (compared to 4 in 2001), with 3 of these being confirmed strikes (as opposed to 2 in 2001). 35 operating licences were current as of the end 2002, after two new exploration licences had been granted. There were no major new developments in 2003.

Crude oil exports decreased again by 10.5% in value in 2003 after an increase of 12.3% in quantity and 2.6% in value, to TD 715.2 million in 2002, following the decrease in exports by 13.5% in quantity and 16.6% in value in 2001. In 2001 and 2002 Shipments to the Tunisian Refining Industries Company (STIR) remained at about the same 1.7 million ton level as the prior year.

Imported crude oil increased in quantity from 1.1 million tonnes in 2001 to 1.4 million tonnes in 2002, but decreased in value as the cost in 2001 was TD 308.4 million and in 2002 was TD 305.2 million. In addition to imports, purchases made locally from the quotas of foreign oil companies and paid for mainly in foreign currency, amounted to 77,300 tonnes valued at TD 20.5 million compared to 52,400 tonnes with a value of TD 13.0 million a year earlier.

The following table sets forth crude oil production and exports in constant (1990) prices during the period 1999-2003:

Crude Oil Production and Exports

	1999	2000	2001	2002	2003[(*)]
Output tons (millions)	4.0	3.7	3.3	3.5	n.a.
Total value exported (in TD millions)	458.4	835.7	697.3	715.2	640.2
% of total goods exports	6.6	10.4	7.3	7.3	6.2

Source: Ministry of Industry and National Statistics Institute
[(*)] *Provisional figures*

Natural Gas. 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 and ENI, the Italian oil and gas company, which call for the payment to Tunisia of pipeline user fees as well as royalties based on the volume of natural gas transported.

With the combined production of Miskar and the smaller, newer gas fields, most notably Zinia, the national level of gas production increased substantially to reach 1,899 billion cubic metres in 1998. The production declined in 1999 to 1,817 billion cubic metres, grew again in 2000 and 2001 to reach 2,254 billion cubic metres in 2001, fell again in 2002 to 2,149 billion cubic metres and increased slightly in 2003, to 2,167 billion cubic metres. The contribution of the Miskar deposit went from 660 million in 1996 to 1,763 billion cubic metres in 2003, constituting 81% of total gas production. Production at the El Borma field has become marginal. The first eleven months of 2003 showed another rise in natural gas revenues (3.6%) due to increased royalties (3.2%) and direct purchases from Algeria (20.1%).

Domestic consumption increased by 5.4% to 3,381 billion cubic metres in 2003, after a stagnation between 2001 and 2002 at 3,208 billion cubic metres, which followed increases of 11.3% in 2001, 6.0% in 2000, 4.9% in 1999 and 11.6% in 1998. Of this, 2,140 billion was taken by STEG. The remainder went to independent private producers of electricity, industrial consumers and the residential and services sectors. The number of people attached to the natural gas distribution network rose from 159,970 in 2002 to 183,000 in 2003. Exports continued their four-year decrease in 2003, falling by 5.0% to 495 million cubic metres.

The following table sets forth natural gas production and consumption during the period 1998-2002:

Natural Gas Production and Consumption

	1998	1999	2000	2001	2002	2003
			(in million of cubic metres)			
Production:						
Miskar	1,727	1,622	1,719	1,805	1,739	1,763
Other	172	195	266	449	410	410
Total production	1,899	1,817	1,985	2,254	2,149	2,167
Total Royalties	1,037	1,200	1,277	1,117	1.047	1,080
Imports..	430	721	459	467	533	629
Total supply	3,366	3,738	3,721	3,838	3,729	3,876
Consumption						
STEG	2,026	2,143	2,240	2,490	2,109	2,140
IPP	0	0	0	42	406	476
Other (industrial, residential and tertiary use)	566	576	642	677	693	764
Total Domestic Consumption	2,592	2,719	2,882	3,209	3,208	3,380
Exports..	774	1,019	839	629	521	495
Total Consumption	3,366	3,738	3,721	3,838	3,729	3,876

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

Petroleum Fuel Production. Motor fuel production remained stable as between 2001 and 2002, compared with a slight decrease from 1,969 million tonnes in 2000 to 1,916 million tonnes in 2001. Fuel oil and diesel oil represented approximately 32% and 25%, respectively of the total. Liquefied petroleum gas production, diesel, fuel oil and virgin naphta production rose in 2002, but the production of petrol fell significantly.

Motor fuel consumption remained stable at 3.8 million tonnes in 2002, after an increase of 1.9% between 2000 and 2001. Local production met 50.5% of consumer needs in 2002, down from 50.9% in 2001 and 53.1% in 2000. Imports, however, decreased by 2.2% in quantity and 3.9% in value from 2001, to 2.8 million tonnes worth TD 835.8 million.

The following table sets forth petroleum fuel production for the period 1998-2002:

Petroleum Fuel Production

	1998	1999	2000	2001	2002
			(in millions of tonnes)		
Liquefield petroleum gas	127	111	110	102	104
Super and unleaded gasoline	244	262	292	338	325
Regular gasoline	102	101	95	94	71
Paraffin oil	127	155	168	203	199
Diesel	560	511	537	468	481
Fuel oil..	631	623	653	593	604
Other	100	178	114	118	126
Total	1,891	1,941	1,969	1,916	1,910

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

Services

Transportation. Tunisia's transportation network includes seven international airports (including the new Airport of Gafsa), eight 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 5.9% to GDP at factor cost at constant prices in each of 2003 and 2002 and 6.5% in each of 2001 and in 2000. In 2003, added value in the transport sector increased by 2.5%, as compared to a 3.8% fall in real terms in 2002, mainly thanks to the resumption of maritime and air transportation during the second half of the year.

Reform in this sector continued in 2001 and 2002 to prepare it for international competition, principally by strengthening its economic competitiveness through containment of service costs. The major reforms involved improvement, restructuring, and the continued liberalisation of most means of transport, as well as updating the legal framework surrounding transport activities.

The focus of the Tenth Plan concerning transportation is to improve services, reduce costs, strengthen competitiveness and upgrade basic infrastructure through a number of road construction initiatives (including highways) and modernisation of port and airport facilities. The Tenth Plan also envisions greater private sector investment, with the aim to increase it from 26% to 60% during the five year term of the Plan.

These reforms had already been supported by a number of actions related to privatisation, especially in the sector of road merchandise transport, which is now handled entirely by private operators. The transport sector was also strengthened in 1997 by the creation of two new maritime transport companies, *Gaz Marine* and the *Compagnie Générale Maritime* (COGEMA). A new private air transport company, Mediterranean Air Service (MAS), which specialises in air freight, also began operating in 1999. Freight handled by this company in 2000 was up almost 18%, but its market share remains only 1,300 tonnes.

After two years of decreasing investment in transport, there was an increase of 1.9% in 2002 (with investment totalling TD 1,080 million in 2002, compared to TD 1,060 million in 2001). Investment in transport increased again in 2003 to reach TD 1,110 million.

The government continues to encourage investment to expand, improve and modernise this sector. In early 1996, a US$80 million programme was commenced to upgrade the two major ports in La Goulette and Rades. Also in early 1996, the government announced a schedule of construction, running into 2011, to construct 818 km of highway south to Libya and west to Algeria. In addition, a programme to modernise airport infrastructure has been underway to expand the capacity of airports in Tunis-Carthage, Monastir-Skanes and Djerba-Zarzis in order to accommodate the expected growth in the tourism industry. A major goal of the programme was the extension of the Tunis-Carthage international airport to improve air traffic fluidity. This extension was completed in 1999. A new airport in Enfidha is projected to be built in 2006. In addition, modernisation of the air fleet is continuing, with two new Airbus planes (300-600 and 320) being purchased in 2002 after the decommissioning of three Boeing 737-200s and an Airbus 300. The fleet of the company now amounts to 29 planes (18 Airbus and 11 Boeing).

Telecommunications. Tunisia's telecommunications network remains relatively weak, although the government has undertaken steps to lower costs, improve efficiency and expand availability of services. Currently, international lines are expensive and mobile phones and the internet are subject to certain controls. In 1996, *Office Tunisie Telecoms,* a new state-owned company, assumed responsibility from the Ministry of Communications to improve the network by installing new lines and digital switching centres, among other improvements. At year end 2001, Tunisia's telecommunications network totalled 1,100,000 fixed lines and 400,000 mobile lines (GSM), compared to 887,823 and 92,246 respectively in 2000. In addition, a second private operator was granted a national telecommunications licence during 2002.

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

The Banking Sector. The Tunisian banking sector consists of 14 commercial banks, five development banks, eleven leasing companies, eight off-shore banks, two merchant banks, and seven offices representing foreign banks. As of 31 December, 2003, Tunisia has approximately 857 banking branches, one for every 11,700 inhabitants. See **"The Banking System"**. The number of development banks was reduced from eight to five after the acquisition and merger by STB of BDET and BNDT and the liquidation of BCMA.

After the partial privatisation of Banque du Sud (BS) in 1997 and the merger-takeover of the Bank for Economic Development of Tunisia (BDET) and the National Bank for Tourism Development (BNDT) by the Tunisian Banking Company (STB) in 2000, the programme to restructure banking system continued in 2002 with the privatisation of the International Banking Union (UIB) and transformation of joint-venture development banks into full service banks. The transaction for privatising the UIB was finalised in November 2002, with the sale of 3,640,000 public shares, representing 52% of capital, to the French bank ''la Société Générale'' for TD 102.7 millions. This transaction, in the context of the State's privatisation programme, is a major event in that it is the first sale of a controlling share in a Tunisian bank to foreign interests.

In 2004, the authorities aim to achieve the complete privatisation of Banque du Sud (BS), for which a call to bid was submitted at the end of 2003.

Furthermore, with a view to enhanced competitiveness for development banks, it was decided that they shall be transformed into full service banks, after resolution of pending financial and social issues.

The programme to modernise the banking system has reached an advanced stage of implementation, particularly in the area of electronic clearing, which became operational for transfers, withdrawals, checks and drafts. These transactions now clear within 48 hours, regardless of the place of issue and of payment. Monetics (i.e., the use of electronic money) development also reflected significant advances in modernising the means of payment. By the end of November 2003, almost 760,000 payment cards had been issued. Along the same lines, a sector-focussed committee, chaired by the Bank was formed, beginning work at the end of October 2002. It is responsible for monitoring the programme to develop monetics, which seeks to make payment by card a widespread practice and to favour a move to electronic payment card technologies.

With a view to improving the information system within the framework of restructuring the information base, the file on loans to individuals became operational in November 2002. This improves the quality of information available to operators, to help them evaluate the risks in non-professional loans to individuals.

The electronic data exchange system between the BCT and banks, via its communication system, has become operational. The creation of both this new system and the electronic clearing system militated for the adoption of regulations governing bounced cheques, attempting to eliminate paperwork in procedures for presenting, verifying, regularising, and declaring non payment incidents (Central Bank of Tunisia circular to banks nº2002-10 of 25 June 2002).

The Stock Market. The *Bourse des Valeurs Mobiliéres de Tunis,* the Tunis Stock Exchange, which was created in 1969, was relatively dormant until 1990. The stock market's failure to perform according to government expectations in its first two decades of existence was caused by several factors which the government has subsequently attempted to correct.

Firstly, until the privatisations of several state entities, most large enterprises were publicly owned and private companies were family concerns. Recent public enterprise reform and the government's privatisation programme is intended to increase liquidity on the exchange.

Secondly, prior to the reforms, Tunisian tax law discriminated against equity financing in favour of debt financing. In 1990, a law on direct income taxation eliminated double taxation of capital income.

Thirdly, the government has undertaken measures to modernise the Tunis Stock Exchange and to initiate, conform and update accounting and reporting practices of participating companies. These reforms were intended to facilitate the transfer of shares, to make the brokerage process more efficient and to increase transparency in the market in order to promote investor confidence and activity.

Efforts were undertaken from 1995 onwards to modernise the capital market, with a reorganisation that separated the functions of control from those of management. Efforts at modernisation continued in 1997, aimed at giving the Tunis market appropriate techniques for quotation and operation and a secure infrastructure that would meet international standards. The new system of electronic quotation has covered all stocks quoted on the exchange since June 1997. The Tunis Stock Exchange has also assumed management of the Market Guarantee Fund, the function of which is to ensure successful completion of all transactions handled by stockbrokers.

Also among the government's reforms was the establishment of a clearing company to streamline settlements. In October 1996, supported by a French government grant, the Tunis Stock Exchange introduced a new computerised dealing and settlement system, based upon the Paris Bourse system, called SUPERCAC. The Tunisian system is believed to be the first of its kind in an emerging market. The goal of the new system was to enhance investor confidence in the Tunisian market through increased transparency and immediacy, and also to facilitate trading of Tunisian stocks.

The general regulations for the organisation and functioning of the Tunis Stock Exchange were approved by the Capital Market Council (CMF) in February 1997. This new 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.

In the primary market, issues in 2002, particularly of short term public securities and debenture loans, increased for the second year running. Bond-SICAV (mutual fund) products which are perceived as safer investments in a climate of decreasing stock market activity, continued to attract investors. In July 2001, all legislation governing mutual fund investment was unified in a single code.

Tunisia's banks play a very significant role on the Tunis Stock Exchange. At 31 December, 2002, 11 of the 46 companies listed on the stock exchange were banks. In addition, over 49.5% of the securities listed, and over 41.5% of the aggregate capitalisation of the exchange, were held by banks. Many Tunisian banks have also created their own mutual funds and brokerage services.

Stock market activity slowed considerably in 2001 and 2002, with a significantly lower volume of trading and a drop in the main market indicators. Four new companies were posted on the board in 2001, and only 2 companies in 2002 after a total lack of new postings in 2000. Also, one previously posted company withdrew from quotation in 2001.

Lower stock prices led to a drop in stock market indices, after two years of strong growth. The TUNINDEX index gained 131 points in 2003 after losing 148 and 176 points, respectively, in the two preceding years. The Tunis Stock Exchange (BVMT) index fell by 60 points (6.0%), below the 1000 point mark, closing the year at 940 points, compared to a drop of 213 points in 2002.

The following table presents the main Tunis Stock Exchange indicators for the periods indicated:

Main Tunis Stock Exchange Indicators

	1999	2000	2001	2002	2003
Volume of public offerings	1,708	2,789	2,976	2,752[(1)]	2,378
Tunis Stock Exchange index in points (base 100 on 30 September, 1990)	810.2	1,414.9	996.1	782.9	939.8
Stock exchange capitalisation (in TD millions)	3,326	3,889	3,275	2,834	2,976
Stock exchange capitalisation/GDP, (in %)	13.5%	14.6%	11.4%	9.5%	9.2%
Number of companies quoted ..	44	42	45	46	45
Overall volume of transactions (in TD millions)	880.5	1,814	1,204	1,006	947

Source: Tunis Stock Exchange, Capital Market Commission

(1) Includes the merger of BDET and BNTD with STB.

Finally, legislation limiting the ownership of a Tunisian company by non-Tunisians was liberalised to permit non-Tunisians to acquire up to 50% without prior governmental approval. The ceiling had previously been 10% for listed companies and 30% for unlisted companies.

Tourism. The end of 2001 was hard for tourism, post the events of 11 September, with all the main indicators down for the fourth quarter of 2001. Non-resident entries were down by 18.6%, nights spent at hotels were down 26.7% and tourist earnings in foreign currencies were down by 4.1% compared with the same period in 2000. For the whole of 2001, indicators for tourism also did not act as expected. Non-resident arrivals increased by 6.5% over 2000 levels, but the number of nights spent at hotels fell by 0.5%. Income from foreign currencies increased by 11.7% to TD 2,340.6 million, compared to TD 2,095 million in 2000. The effects of 11 September, 2001 continued to be felt in 2002. Also, on 11 April, 2002, a gas transportation truck struck the outside wall of the Ghriba Synagogue, one of Africa's oldest synagogues, and exploded killing sixteen people, including a number of tourists visiting the site. A slowdown in tourist activity followed these two events. Total receipts decreased an estimated 13.7% in 2002 (TD 2,021 million as compared to TD 2,340.6 million in 2001), with added value decreasing by 4.5% in real terms in 2002, after increasing by 2.5% in 2001. The contribution of the sector to GDP at factor cost was 5.7% at constant prices on average between 1999 and 2002. The situation did not improve in the first eleven months of 2003, with a 2.7% reduction in the number of non-resident bednights (a 3.5% reduction in European bednights) and a growth of 6.1% in Maghreb bednights over 2002. However, the number of tourists increased in 2003 by 1% versus a decrease of 6% in 2002. Tourist earnings in foreign currency also fell by 4.6% in 2003.

Western Europeans, mainly French, Italian, German and British tourists, represented 55.5% of Tunisia's annual visitors in 2003, down from 57.6% in 2002. Tunisia has also developed new markets in central and eastern Europe. Although still small, these new markets generally showed rapid growth, with an increase in entries from Poland of 48.3% in 2003.

In 1990, the government launched a new investment code for tourism that offered tax, customs and other financial incentives to foreign and local investors. The code contributed to the growth of investment in the sector, which in 2003 reached TD 320 million, representing 4.1% of total investment. Most of this investment was used to build hotels. In accordance with the strategy to improve integration and increase diversification in this sector, a share of invested monies was devoted to tourism-oriented activities, especially casinos. In addition, money provided to promote and market tourism increased by 50% between 2001 and 2002, reaching TD 46 million in 2003.

The following table sets forth certain information on tourism activity during each of the years indicated:

Indicators of Tourism Activity

	1999	2000	2001	2002	2003
Investments (TD millions)..	331	324	360	340	320
Number of beds (thousands)	192.0	197.5	205.6	214	220
Overnight stays (millions)	33.2	33.2	33.0	25.9	24.3(*)
Number of visitors (millions).. ..	4.8	5.1	5.4	5.1	5.1
Receipts (TD millions)	1,954	2,095	2,341	2,021	1,929

Source: Tunisian Tourism Board; Ministry of Development and International Cooperation and the Bank

(*) *For the first eleven months of 2003.*

Commerce

Despite a number of adverse factors, such as the effects of drought and the unfavourable international conditions on tourism and foreign trade, domestic trade performed reasonably well in 2002 and 2003, helped by economic reforms which improved the investment climate, the competitiveness of Tunisian businesses and changes in consumer habits. Activity in this sector was helped, in particular, by improved production in the manufacturing industries and in consumer goods. It was also supported by an increase in consumption similar to recent years, aided by the continued containment of prices (itself aided by increased competition due to customs duty reductions with the European Union and modernisation of commercial outlets, such as the increase in the number of supermarkets), rising wages, diversification of supply and generally better payment terms. Added value in domestic trade was 4.5% in real terms in 2002 and 3.5% in 2003. The trade sector's contribution to growth was 10.3% in 2003, as compared to 10.5% in 2002.

Employment and Labour

In 2003, the total labour force in Tunisia numbered 3.5 million people, of whom approximately 3 million were employed. Women represent approximately 24% of the labour force. At year end 2003, the rate of unemployment was 14.3%, down from the 2002 figure of 14.9%.

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

Employment and Labour Trends

	1999	2000	2001	2002	2003
Total labour force (in millions)	2.69	3.00	3.30	3.40	3.46
Official unemployment rate[(1)] ..	15.8%	15.6%	15.0%	14.9%	14.3%

Source: The Bank

(1) Calculations made following International Labour Organisations guidelines. The unemployment rate represents the number of unemployed individuals aged 18 to 59 as a proportion of the active population.

Job creation, particularly in non-agricultural sectors, has been a priority of the Tunisian government and features prominently in the Tenth Plan and the annual State budget. Jobs in the non-farming sectors, including fisheries, increased by 65,000 in 2003, compared to 62,600 in 2002 and 69,300 in 2001 These figures remain below demand for additional jobs, which was approximately 83,000 in 2003 and 82,000 in 2002. The rate of coverage of this demand for job creation was approximately 78.3% in 2003, up from 76.3% in 2002. The level of unemployment is also influenced by the number of workers affected by the various forms of dismissal, particularly layoffs with and without compensation. The sectors most affected by layoffs are textiles and clothing, mechanical, metallurgical and electrical industries, services, and food industries, as a result of ongoing restructuring within these industries. Fishing and agriculture also suffered in 2002, due to a drop in the number of olives produced (as a result of the drought) and a decrease in fishing catches, but recovered somewhat in 2003.

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

Job Creation in Fisheries and Non-Agricultural Activities

	1999	2000	2001	2002	2003
Fisheries	600	600	1,200	350	650
Mining and Energy	(600)	100	500	220	250
Building & Civil Engineering ..	3,000	3,600	5,000	4,770	4,850
Manufacturing Industries	18,400	20,400	20,800	18,000	18,400
Transport & Telecom	7,100	6,000	6,200	6,000	6,000
Tourism	2,900	3,700	3,000	1,600	2,000
Other Services	24,200	24,000	25,800	25,000	24,650
Administration	7,400	8,600	6,800	6,660	8,200
Total	63,000	67,000	69,300	62,600	65,000

Source: Ministry of Development and International Cooperation and the Bank

The Tunisian Solidarity Bank (BTS) experienced a 15% drop in 2001 in the financing of micro-projects, with overall loans down from TD 49.2 million in 2000 to TD 41.8 million. It financed 10,186 projects worth TD 64.4 million likely to create almost 16,000 jobs, compared to 12,322 projects worth TD 62.5 million in 2001 and 14,552 projects worth TD 73.2 million creating more than 19,000 jobs in 2001. The breakdown of BTS funding by branch of activity is dominated by handicrafts and services, each absorbing TD 16.8 million (about 40% of the total): 41.4% for services, up from 34.5% in 2001, and 40% for handicrafts, down from 43.6% in 2001. The eastern regions of the country continued to benefit most from these loans, absorbing 67% of the total compared to almost 71% in 2000, particularly the northeast

(TD 12.5 million or about 30%). Beneficiaries were mostly in the 18-29 (46.6%) and 30-39 (36.7%) year old age groups. This compares to 39.4% and 41% a year earlier.

The State took a number of initiatives in 2002 to improve employment opportunities. It promoted the employment of graduates by paying employers' share of social security contributions for them (for January 2002 to December 2004), it improved the legislative framework governing private investment, and set up national and regional committees charged with the identification and creation of job opportunities.

In 2002, programmes to support job creation and consolidation were able to tap into funds from the State budget amounting to some TD 105.6 million (down from TD 113 million in 2001), TD 80 million (more than 75%) of which are reserved to the National Employment Fund (21-21). This fund is meant to strengthen mechanisms to create jobs by promoting individual micro-projects and implementing targeted vocational training programmes to improve qualifications and aptitude for job seekers, notably those young people encountering integration difficulty on the job market. These activities drew on an allocation of TD 80 million in 2001 and 2002, as compared to TD 60 million in 2000. The number of beneficiaries increased from 41,505 in 2000 to 105,000 in 2002, and in 2002 39,000 individuals gained employment or a livelihood and 66,000 had registered for upgrading and vocational training programmes to guarantee their insertion into professional life.

In 2003, the Integrated Rural Development Programme (PDRI) worked with a continually decreasing amount of TD 43,000 in funding raised on the State budget compared to TD 1.9 million in 2002 and TD 3.4 million in 2001; all was spent in the agricultural sector. This created 8 jobs in 2003, as compared with 236 in 2002.

There have been no significant strikes or work stoppages in Tunisia.

Prices and Wages

Prices

The Tunisian government has implemented a number of initiatives to contain inflation, including the reorganisation of commercial trade and distribution, the strengthening of domestic and foreign competition through price and import liberalisation, and the reorganisation of public finances to contain the budget deficit. Reforms have included the creation of new government bodies, such as the National Trade Council and the Competition Council, created in April 1995, as well as the adoption of a competition and price law. The Competition Council, in particular, was instituted to prevent and penalise anti-competitive practices and thereby ensure transparency of prices and limit economic concentrations that hinder the free functioning of market mechanisms.

As of year end 1999, retail prices were fully liberalised for approximately 81% of domestic consumption, and producer prices were freely set for approximately 87% of domestic production. This compares with retail and producer price control of 70% and 30%, respectively, in 1991. Most of the remaining controls at the production stage concern the agro-industries and construction materials. At the distribution stage, controls still prevail in other sectors, such as agriculture and fishing and mechanical and electrical industries, and are motivated by weak competition.

As a result of these reforms and the return of agricultural supply and demand to more normal levels after three years of drought, inflation (as measured by changes in the consumer price index) declined from 6.3% in 1995 to a low of 2% in 2001. Growing consumption and a bad year for agriculture led to a rise in the price of food (of 3.7%) and pushed inflation to 2.7 % for 2002, which then remained at the same level in 2003.

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

Inflation

	Industrial selling Prices Index(1)	% Change(3)	Consumer Price Index(2)	% Change(3)
1993-2002				
1993	114.4	3.9%	119.1	4.0%
1994	118.2	3.3%	124.6	4.7%
1995	123.9	4.8%	132.4	6.3%
1996	129.9	4.8%	137.3	3.7%
1997	132.5	2.0%	142.4	3.7%
1998	137.1	3.5%	146.8	3.1%
1999	139.0	1.4%	150.8	2.7%
2000	142.0	2.2%	100.0	2.9%
2001	144.5	1.8%	102.0	2.0%
2002	148.2	2.6%	104.8	2.7%
2003	151.8	2.4%	107.6	2.7%
January	149.0	0.8%	105.8	1.3%
February	148.9	0.7%	105.8	1.2%
March	149.3	1.1%	105.8	1.4%
April	150.4	1.7%	106.1	1.6%
May	150.7	1.7%	106.5	2.0%
June	151.0	2.4%	106.6	2.5%
July	151.2	2.6%	107.0	2.6%
August	152.6	3.0%	107.9	3.2%
September	154.0	3.5%	109.1	3.9%
October	154.7	3.7%	109.8	4.1%
November	154.7	3.6%	110.2	4.3%
December	155.1	4.1%	110.6	4.5%

Source: National Statistics Institute

(1) 1990 equals 100

(2) 1990 equals 100 till 1999 and afterwards 2000 equals 100

(3) % changes are expressed in terms of annual sliding

Wages

Under the Labour Code, the government sets minimum wages for workers in agriculture, the *salaire minimum agricole garanti* (**"SMAG"**), and industry, the *salaire minimum interprofessionel garanti* (**"SMIG"**). The government, employers and the *Union Générale des Travailleurs Tunisiens* (**"UGTT"**) negotiate adjustments in these wages.

In 1990, Tunisian employers and Labour representatives negotiated a three-year wage agreement pursuant to which wages rose in line with increases in the consumer price index. Similar three-year wage agreements have been reached as the previous agreement expired, with the most recent adopted in May, 2002. Wage increases contemplated under this new collective agreement, which will be in effect until May, 2005, will be approximately 3% to 5% per annum.

Wages continued to increase in 2003 and contributed to improving workers' purchasing power. Total salaries in 2003 increased by 7.8% over 2002 (a lower increase than the 8.1% as between 2002 and 2001). The wage aggregate rose 5.7% in agriculture and fisheries, 8.1% in the non-agricultural production sectors, and 7.6% in government service. These rates are considerably higher than the 2.7% inflation rate recorded in 2003. Thus the average annual real wage in these three types of sector increased to total TD 2,270 in the agricultural sector, TD 5,410 in non-agricultural production, and TD 9,810 in state employment.

The following table presents trends in the minimum wage for Tunisia over the periods indicated:

	August 1998	May 1999	August 1999	May 2000	July 2001	July 2002	July 2003
Inter-professional minimum wage (SMIG)							
Hourly SMIG (in millimes)							
48 hour week..	831	860	870	899	940	974	1,015
40 hour week..	875	904	916	945	986	1,020	1,061
Monthly SMIG (in TD)							
48 hour week..	172.848	178.880	180.960	186.992	195.520	202.592	211.120
40 hour week..	151.664	156.691	158.771	163.798	170.905	176.799	183.906
Agricultural minimum wage (SMAG) per day (in TD)	5.309	5.509	5.609	5.809	6.059	6.259	6.509

Environment

Prior to 1988, the government did not have a specific environmental policy. The government subsequently created a ministry responsible for the environment, the *Ministre de 1'Environnement et de l'Aménagement du Territoire,* as well as an environmental enforcement agency, the *Agence Nationale pour la Protection de 1'Environnement.* The administration is in the process of developing new environmental standards and a framework for the prevention of pollution that combines economic and ecological regulations, market-based incentives, stepped-up monitoring, and the execution of agreements negotiated between industries and the authorities. The administration's strategy has two main goals: the clean-up of historically heavily polluted areas corresponding roughly to major population and industrial centres and the promotion of **"clean"** industrial growth with acceptable environmental impact.

The government has also embarked on an environmental policy aimed at the conservation of energy and non-renewable resources. To that end, the government is developing the use of bio-gas in rural zones to decrease dependence on firewood and promoting the distribution and use of solar energy panels and water heaters.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Exports and Imports

Tunisia's external trade policy since 1987 has been to promote exports in order to enhance Tunisian economic strength and its balance of payments, as well as to integrate the Tunisian economy into the world economy. The level of total exports has increased by approximately four times over the period 1987 to 1999, with average annual growth of 13.5% in current prices, compared with average annual growth of 3% during the period 1982 to 1986. After rapid growth in 2000 and 2001 (14.9% and 19.1%), in 2002 growth in the level of exports was only 2.2%, but rose again in 2003 as exports grew by a further 6.1%. During the period 2000 to 2003, despite unfavourable international conditions, the average annual growth in exports was 10.6%.

Measures and incentives were adopted to give impetus to exports as part of the national strategy to strengthen the economy's competitiveness by confronting the new context of trade globalisation and increased international competition. This new context will intensify as trade protections are removed and tariffs are dismantled. Tunisia has undertaken this process in the framework of its commitments to the EU for the establishment of a free-trade zone. In addition, the decision to create a free-trade zone with Arab countries over a ten-year period beginning in 1998 and of similar zones with certain individual countries, particularly Egypt, Jordan and Morocco will further expose Tunisian products to foreign competition

Since the mid-1970s, Tunisia has evolved from being an exporter primarily of raw materials (oil, agricultural produce and phosphates) to an exporter of manufactured goods. Export receipts in 2003 were derived primarily from manufactured goods (over 85% of total receipts), the principal categories of which were textiles and leather goods and electrical and mechanical goods.

Despite unfavourable international conditions, Tunisian exports rose by 2.2% in 2002 and imports were down by 1.4%. The result was a decrease in the balance of trade deficit, to TD 3,762 million, for the first time since 1996. This trend continued for 2003, despite strong import growth late in the year bringing a rise in imports of 3.9%, as an increase in exports of 6.1% brought the trade deficit down by a further 1.8% to TD 3,696 million.

The currency effect on foreign payments was mixed in 2003 because of the appreciation of the euro against the dinar by an average, on the interbanking market, of 8.6% and the depreciation of the Japanese yen by 2.1% and the US dollar by 9.4%.

The year 2002 was notable for a significant increase in the volume of trade in non-food manufactured products, a recovery in the level of trade in primary agricultural products and fish and a drop in the sale of energy and mining products. This progress was supported by higher foreign demand, especially from the European Union, which is Tunisia's main trading partner. Exports in the agricultural, fisheries and agro-food industries sector increased by 11.0% in 2001 after a decline of 10.6% in 2000; imports rose by 18.6% in this sector in 2001. Excluding this sector, the increase in foreign trade was slightly greater than that in the overall balance of trade, at 19.9% for exports and 16.5% for imports, compared with 9.7% and 18.2% in 2000. In 2003, the trade deficit, expressed FOB-CIF, diminished by 1.8% in correlation with the improvement of the main product group balances. As a consequence of the improvement in the climatic conditions, exports in the agricultural, fisheries and agro-food industries sectors increased by 8.2%, with imports decreasing by 11.5%.

The following table presents total Tunisian exports (FOB) and imports (CIF) of goods for the years indicated:

Total Exports (FOB) and Imports (CIF)

	1999	2000	2001	2002	2003(*)
	(in millions of TD, except percentages)				
Total exports (FOB)	6,967	8,005	9,536	9,749	10,343
Annual variation	6.9%	14.9%	19.1%	2.2%	6.1%
Total imports (CIF)	10,071	11,738	13,697	13,511	14,039
Annual variation	6.1%	16.6%	16.7%	(1.4%)	3.9%
Balance	(3,104)	(3,733)	(4,161)	(3,762)	(3,696)

Source: National Statistics Institute

(*) Provisional information

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

Exports

	1999	2000	2001	2002	2003(*)
	(in millions of TD)				
Energy(1)	498.0	967.5	877.7	911.9	1,032.6
Food and agriculture	790.9	707.2	785.1	693.3	749.9
Chemical products	712.6	716.9	765.0	724.9	685.9
Textile and leather	3,396.5	3,726.8	4,615.5	4,733.1	4,880.6
Electrical and mechanical	1,120.1	1,323.1	1,777.2	1,954.2	2,149.7
Other	448.8	563.3	715.7	731.2	843.9
Total exports (FOB)	6,966.9	8,004.8	9,536.2	9,748.6	10,342.6

(*) Provisional information

(1) Excludes royalties paid to the Republic for international pipeline transshipments

Imports

	1999	2000	2001	2002	2003(*)
	(in millions of TD)				
Capital goods	2,648.5	2,998.1	3,213.5	2,964.4	2,865.3
Raw materials	2,615.9	3,053.9	3,649.6	3,626.9	4,085.6
Energy	641.8	1,198.1	1,273.4	1,227.1	1,456.2
Food and agriculture	670.9	782.4	926.6	1,143.0	894.1
Consumer goods	3,493.4	3,705.5	4,634.2	4,549.5	4,737.7
Total imports (CIF)	10,070.5	11,738.0	13,697.3	13,510.9	14,038.9
Freight and insurance	553.9	645.6	753.4	743.2	772.1
Total imports (FOB)	9,517.2	11,092.4	12,943.9	12,767.8	13,266.8

Source: Ministry of Development and International Cooperation

(*) Provisional information

Direction of Trade

The EU remains Tunisia's principal trading partner. In 2003, imports from the EU made up 71.3% of total Tunisian imports, and exports to the EU made up 80.7% of total Tunisian exports.

In 2003, Tunisia's main trading partners were France, accounting for 32.5% of total exports and 26.0% of total imports, Italy, accounting for 22.1% of total exports and 20.0% of total imports and Germany, accounting for 10.7% of total exports and 9.0% of total imports.

In 2003, Tunisia's exports to Arab Maghreb Union countries totalled approximately TD 661.0 million and accounted for 6.4% of total exports, compared to 5.5% in 2001. Imports from Arab Maghreb Union countries totalled TD 690.1 million, and accounted for 4.9% of total 2003 imports.

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

Exports by Area of Destination

	1998	1999	2000	2001	2002	2003(*)
			(in millions of TD)			
France	1,760.1	1,835.0	2,145.7	2,751.3	3,025.1	3,365.5
Italy	1,392.6	1,575.2	1,842.2	2,207.0	2,081.3	2,281.4
Germany	1,006.1	974.5	1,001.8	1,114.0	1,109.9	1,105.6
Belgium	392.5	401.6	406.1	464.2	415.2	405.9
Spain	226.5	375.8	434.4	460.0	460.9	481.8
Libya	251.5	286.5	288.9	357.5	464.9	453.8
Algeria	30.7	50.0	84.3	109.0	126.6	133.4
Morocco	45.7	43.6	34.8	58.7	72.2	69.7
United States	32.3	52.3	57.6	91.3	76.0	62.5
Former USSR	5.3	2.7	16.1	11.2	1.9	2.2
Other countries..	1,375.0	1,369.7	1,692.9	1,879.5	1,914.6	1,980.8
Total exports (FOB)	6,518.3	6,966.9	8,004.8	9,536.2	9,748.6	10,342.6

Source: The Bank; National Statistics Institute

(*) provisional information

Imports by Area of Origin

	1998	1999	2000	2001	2002	2003(*)
			(in millions of TD)			
France	2,569.4	2,694.4	3,088.1	3,509.5	3,454.7	3,653.0
Italy	1,887.2	1,856.4	2,243.4	2,620.3	2,632.5	2,804.7
Germany	1,143.4	1,122.0	1,126.3	1,308.8	1,205.5	1,267.8
Belgium	356.1	382.6	402.5	478.6	419.7	413.8
Spain	406.8	405.6	468.4	624.1	667.2	748.8
Libya	198.3	281.4	437.7	466.0	408.1	460.4
Algeria	57.0	63.1	119.9	119.1	128.1	167.5
Morocco	58.0	51.1	87.1	93.1	81.7	60.2
United States	328.0	433.7	540.8	551.5	427.2	345.3
Former USSR	178.0	194.8	258.3	314.6	263.8	295.3
Other countries..	2,307.3	2,585.4	2,9655	3,611.7	3,819.8	3,822.1
Total imports (CIF)	9,489.5	10,070.5	11,738.0	13,697.3	13,510.9	14,038.9
Freight and insurance	(521.9)	(553.9)	(645.6)	(753.4)	(743.1)	(772.1)
Total imports (FOB)	8,967.6	9,516.6	11,092.4	12,943.9	12,767.8	13,266.8

Source: The Bank; National Statistics Institute

(*) provisional information

Balance of Payments

Movements in Tunisia's external accounts have increasingly reflected the impact of the opening of the Tunisian economy through a continuing process of trade and exchange liberalisation. For the period 1991 to 1999, the average contribution to GDP of exports of goods and non-factor services increased by 1% over the average for the period 1986 to 1990. The average contribution to GDP of imports for the period 1991 to 1999 also increased 1% over the average for the period 1986 to 1990.

The deficit in the trade balance has persisted for several reasons. Exports of manufactured goods have grown strongly in the past decade, but this growth has been partly offset by a decline in more traditional exports of raw materials, notably crude oil and phosphates. The Tunisian economy is also dependent upon external markets for capital equipment. Therefore, economic expansion, and particularly expansion of industry, draws in capital goods and increases imports. Furthermore, the main exporting sectors in manufacturing, textiles and leather goods and mechanical and electrical industries use Tunisian labour to transform raw and semi-processed imports, such as cotton, cloth or vehicle components, into finished products for reexport. 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 invisibles account, which derives principally from tourism receipts, remittances from workers living abroad and, to a lesser extent, from royalties from the natural gas pipelines. The continuing strength of workers' remittances from the estimated 700,000 Tunisians living abroad, in particular, has helped to ease current-account deficit levels. Remittances have risen in recent years. Since 1994, roughly three-quarters of the total workers' remittances have been in the form of bank transfers, postal orders or foreign bank notes. Contributions in kind consist mainly of motor vehicles. Due to changes in the 2003 finance law, lower customs tariffs apply to a wider range of vehicles, but these lower tariffs only benefit authorized licensees. As a result, it is expected this will reduce the number of private vehicles being imported, with subsequent increase in the level of cash.

Workers' remittances

	1999	2000	2001	2002	2003(*)
			(in millions of TD)		
Total	1,020	1,091	1,334	1,522	1,584
Cash	732	810	1,014	1,124	1,189
Contributions in kind	288	281	320	398	395

Source: The Bank

(*) Provisional information

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

Balance of Payments

	1998	1999	2000	2001	2002	2003(*)
			(in millions of TD)			
Current account						
Goods						
Exports (FOB)(1)	6,518.3	6,966.9	8,004.8	9,536.2	9,749	10,343
Imports (FOB)(1)	(8,967.6)	(9,516.6)	(11,092.4)	(12,943.9)	(12,768)	(13,267)
Trade Balance	(2,449.3)	(2,549.7)	(3,087.6)	(3,407.7)	(3,019)	(2,924)
Services(2)						
Inflow	3,139.5	3,463.8	3,791.9	4,189.5	3,813	3,716
Outflow..	(1,430.1)	(1,462.8)	(1,670.1)	(2,051.5)	(2,063)	(2,064)
	1,709.4	2,001.0	2,121.8	2,138.0	1,750	1,652
Factors Revenues(3)						
Inflow	1,005.1	1,124.9	1,219.8	1,471.0	1,624	1,688
Outflow..	(1,093.9)	(1,177.1)	(1,447.8)	(1,520.3)	(1,519)	(1,477)
	(88.8)	(52.2)	(228)	(49.3)	105.0	211.0
Current transfers						
Inflow	68.0	71.3	79.7	128.6	121.0	131.0
Outflow..	7.9	5.0	11.6	18.7	17.0	21.0
	60.1	66.3	68.1	109.9	104.0	110.0
Balance – current account..	(768.6)	(534.6)	(1,125.7)	(1,209.1)	(1,060)	(951)
Capital Account						
Grants (net)	68.6	70.4	4.2	75.6	108	72
Foreign direct investment (net) ..	741.0	411.8	1,028.9	657.4	1,130	723
Portfolio investment (net)	37.6	11.8	(27.6)	(20.7)	9	18
Medium and long term borrowings (net)						
Borrowings by the State (net)..	(122.6)	364.4	120.2	1,093.8	539	
Borrowings by business (net) ..	(4.1)	191.6	185.6	176.4	549	
	(126.7)	556.0	305.8	1,270.2	1,088	634
Short-term capital (net)..	(162.2)	297.2	(476.7)	(364.6)	(1,028)	
Balance – capital account	558.3	1,347.2	834.6	1,617.9	1,307.0	1,447
Adjustments	(2.4)	5.4	(41.7)	(35.0)	(48.0)	–
Overall balance..	(212.8)	818.0	(332.8)	373.8	199.0	496.0

Source: The Bank

(*) Provisional information.

(1) Based on customs statistics.

(2) Includes tourism receipts of TD 1,712.8 million, TD 1,954.3 million, TD 2,095 million, TD 2,340.6 million, TD 2,021 million and TD 1,929 million for the years 1998 through 2003, respectively.

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

The balance of payments deteriorated in 1998. The current account deficit widened to about 3.4% of GDP due to a widening of the trade deficit. Import growth was around 7.9% versus 6% for export growth, pushing the trade deficit (FOB-FOB) to about US$2.1 billion, or 10.8% of GDP. Although their rate of growth slowed from 1997, tourism receipts and workers remittances increased in 1998, improving the current account. For the first time since the 1991 year end, foreign exchange reserves in 1998 were down from the prior year, as increased direct investment inflows did not fully compensate for lower than expected external debt issuance and the widening of the current account. At 31 December, 1998, gross foreign exchange reserves (excluding gold) were US$1.9 billion, down from US$2 billion at the start of 1998.

The balance of payments improved in 1999. The current account deficit narrowed to about 2.2% of GDP due to strong export performances in agricultural products (especially olive oil) and manufactured goods as well as a significant increase in tourism receipts. Import growth was around 6.1% versus 6.9% for export growth, increasing the trade deficit to about US$2.1 billion, or 10.3% of GDP. Tourism receipts and workers remittances continued to increase, improving the current account. At 31 December, 1999, gross foreign exchange reserves (excluding gold) were US$2.3 billion.

The balance of payments deteriorated in 2000. The current account deficit widened to about 4.2% of GDP reflecting a rise in the imports of investment goods, a deterioration in agricultural trade due to drought, a slowdown in the growth of tourism sector and the rise of oil prices. Import growth was around 16.6% versus 14.9% for export growth, increasing the trade deficit to about US$2.3 billion, or 11.6% of GDP. Tourism receipts and workers remittances continued to increase but at a lower level than achieved in the previous year. At 31 December, 2000, gross foreign exchange reserves (excluding gold) were US$1.8 billion.

The balance of payments improved in 2001, principally resulting from a substantial increase in medium and long term borrowings, particularly from multi-lateral sources. The current account deficit remained stable, at approximately 4.3% of GDP. Although import growth was around 16.7% versus 19.1% for export growth, the trade deficit increased to US$2.4 billion, or 12.0% of GDP. Tourism receipts and workers remittances continued to increase but at a higher level than achieved in the previous year. At December 31, 2001, gross foreign exchange reserves (excluding gold) were US$2.0 billion.

The balance of payments declined moderately in 2002. Nevertheless, the current account deficit shrunk to 3.5% of GDP, reflecting a slight improvement in the trade balance, which fell to TD 3,762 million, compared to TD 4,193 million in 2001. This is mainly due to a 2.6% increase in exports (particularly textiles and mechanical and electrical products) and a 1.4% decrease in imports, reflecting the decrease in raw material prices and the fact that some public projects necessitating imports were executed in 2001**.** At December 31, 2002, gross foreign exchange reserves (excluding gold) were USD 2,361.5 billion**.**

The balance of payments improved once more in 2003. The current account deficit shrank to 2.9% of GDP, due mainly to a slight decrease in the trade deficit. At December 31, 2003, net foreign exchange reserves (excluding gold) were USD 2,926.9, representing 90 days of imports as compared to 80 days in 2002.

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

Tunisia's External Debt by Creditor Type

	1999	2000	2001	2002	2003(*)
Bilateral sources	5,333.6	5,747.3	5,766.1	5,647.3	5,942.4
Multilateral sources	4,816.2	5,105.7	5,904.8	6,269.9	6,010.2
International financial markets ..	2,645.2	2,838.0	3,362.1	4,197.8	4,977.4
Total	12,795.0	13,691.0	15,033.0	16,115.0	16,930.0

Source: The Bank

(*) Provisional information.

Tunisia's outstanding public and private medium and long-term foreign debt rose from TD 12,795 million in 1999, to TD 13,691 million in 2000, to TD 15,033 million in 2001, to TD 16,115.0 million in 2002 and to TD 16,930 million in 2003, 17.8%, 7.0%, 9.8%, 7.2% and 5.1% increases, respectively. The amount of foreign debt carried by the government increased from TD 9.576.0 million in 1999 to TD 10,159.9 million in 2000, to TD 11,264.0 million in 2001, to TD 11,688.4 million in 2002 and to TD 12,496.2 million in 2003. Foreign debt carried by non-financial companies also increased in 2002, by 16.1%, compared to a 6.4% increase in 2001.

Foreign Direct Investment

An important objective of the State is to attract foreign investment. The government has simplified investment regulations for most sectors, offered fiscal incentives to investment, made the dinar convertible for current account transactions and guaranteed foreign investors' right to repatriate capital investments made in accordance with the law. Tunisia also concluded the EU Association Agreement, partly to encourage European investors and has created the Foreign Investment Promotion Agency to help attract American, Japanese and British investors, among others.

Cumulative Foreign Direct Investment (FDI) increased from TD 6,340 million in 1990 to TD 18,708.7 million in 2002. Annual FDI in Tunisia increased from TD 77.5 million in 1990 to TD 771.9 million in 2003.

The energy sector accounted for 47.2% of total foreign direct investment in 2003, as compared to 36.6% in 2002, 46.7% in 2001 and 30.2% in 2000. Investment in this sector was TD 364 million in 2003, a fall of TD 64 million from 2002, after consecutive increases in the previous years. The services sector experienced dramatic growth to TD 452 million in 2002, compared to TD 12 million in 2001. This significant increase in investment was principally the result of (i) the transfer by ORASCOM of the first TD 328 million payment for the license to run and market Tunisia's second GSM cell phone line and (ii) the sale of shares in Union International de Banques (UIB) to Société Générale, which contributed a further TD 103 million. Investment in the services sector fell to TD 130 million in 2003. The manufacturing industries received an amount of TD 263 million in 2003, an increase of TD 8 million over 2002, being 34.1% of total FDI.

In 2002, nearly 66.4% of total foreign investment in Tunisia originated from the European Union. The United States and Arab countries represented, respectively, 6.1% and 9.1%. While specific country by country data is not available, the total foreign investment in Tunisia in 2003 was TD 772 million. The following table presents additional information on the sources of foreign direct investment for the years indicated:

	1998	1999	2000	2001	2002
Argentina	2.0	0.8	9.3	0	0
Australia	7.4	7.8	3.1	0.3	7.7
Austria	0.2	0.3	0.1	2.4	0.2
Belgium	9.3	15.9	9.5	10.7	10.8
Canada	24.0	11.0	21.3	29.1	28.8
France	50.2	64.9	86.3	136.4	176.7
Finland	–	–	–	0.1	0
Germany	27.5	34.1	21.3	46.8	61.5
Great Britain	35.4	37.9	42.9	49.1	364.6
Hungary	18.8	5.2	–	–	–
Italy	47.9	68.0	163.0	84.4	85.9
Japan	–	14.7	46.4	31.2	7.7
Kuwait	–	18.4	21.5	16.9	184.0
Norway	1.5	1.9	4.0	22.9	4.8
Portugal	241.3	–	311.1	11.4	8.7
Romania	–	–	–	–	–
Saudi Arabia	21.7	26.8	19.7	7.6	26.7
Singapore	–	–	–	–	–
Spain	168.2	1.1	6.5	13.1	26.2
Sweden	0.1	2.2	0.6	6.9	8.6
Switzerland	7.8	8.9	7.8	11.0	12.4
The Netherlands	8.8	9.7	131.9	19.6	26.0
Ukraine	0.3	0.1	–	–	–
United States	52.0	56.2	122.7	102.7	71.4
Other	35.5	51.3	39.2	97.4	54.6
Total	759.9	437.2	1,068.2	700.0	1,167.3

Source: The Bank

The following table presents total foreign direct investment by industry for the years 1998 to 2003.

Foreign Direct Investment by Industry

	1998	1999	2000	2001	2002	2003
			(in millions of TD)			
Energy	201.8	194.8	323.4	327.3	428	364
Tourism and real estate	24.6	37.2	41.5	101.1	22	15
Manufacturing industries	523.3	197.9	688.3(1)	251.0	255	263
Other (including agriculture)	10.2	7.3	15.0	20.6	462(2)	130
Total	759.9	437.2	1,068.2	700.0	1,167	772
Total excluding energy	558.1	242.4	744.8	372.7	739	408

Source: The Bank

(1) Includes TD 362 million from the privatization of two cement companies and TD 104 million from the privatization of a chemical company, each of which were sold to non-residents.

(2) Includes TD 328 million in partial payment of second GSM cell phone license and TD 103 million for privatization of UIB.

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

PUBLIC FINANCE

Overview

Legal Framework and Budgetary Process

The *Loi Organique du Budget* (Loi No. 67-53 of 8 December, 1967, the **"Budget Law"**) provides the legal framework and timetable for the preparation of the annual State budget. Under the Budget Law, the fiscal year of the State is the calendar year. By August of each year, Administration Heads prepare expenditure projections for the coming year which they present to the Minister of Finance. The Minister of Finance examines these projections, calculates revenue projections, and prepares the proposed *Loi de Finances,* containing the annual State budget. The proposed *Loi des Finances* is then presented to the President of the Republic. During the final quarter of each fiscal year, but no later than 15 November, the President submits the proposal to the Chamber of Deputies.

The *Loi des Finances* regulates the presentation of the State's expenditures and revenues. The *Loi des Finances* includes provisions which determine the amount and authorise the collection of public revenue, set the ceiling for guarantees which may be granted by the State and authorise borrowings and obligations which may be undertaken on behalf of the State.

In addition to the State budget, the *Loi des Finances* also includes the annexed budgets of certain public entities endowed with legal personality and financial autonomy as well as certain industrial and commercial public-service entities lacking these characteristics. The purpose of the separate, annexed budgets is primarily to segregate the accounts of certain State entities that operate relatively autonomously in order to promote sound financial management within these entities, while keeping their revenues and expenditures within the overall framework and budgetary objectives of the *Loi des Finances.*

The Chamber of Deputies votes on the *Loi des Finances,* and the budget for each year must be approved by 31 December of the preceding calendar year.

The main sources of revenue for the State are consumption taxes (the most important in terms of revenue-raising being a value-added tax), 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 State are subsidies, transfers, wages and salaries as current expenditures, and investment as a capital expenditure.

State expenditure is limited to that provided for in the annual budget as enacted. The State's accounts are audited by the *Cour des Comptes* (the Court of Accounts) which then prepares a report which is presented to the Chamber of Deputies.

Court of Accounts

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 State, all regional and local governmental bodies, public entities and public industrial and commercial enterprises, as well as the accounts of any enterprise in which the State or regional or local governments own an interest.

The table below sets forth a summary of the revenues and expenditure of the State for the fiscal years 1999 to 2003 (and the budget for 2004):

Government Revenues and Expenditure

	1999	2000	2001	2002	2003 (revised budget)	2004 (budgeted)
			(in TD millions)			
Tax revenues						
Direct taxes[1]	1,385.0	1,596.8	1,827.7	2,024.6	2,176.9	2,397.0
Indirect taxes[2]	3,823.0	4,081.6	4,393.8	4,404.1	4,482.1	4,906.0
Total tax revenues	5,208.0	5,678.4	6,221.5	6,428.7	6,659.0	7,303.0
As % of GDP	*21.%*	*21.3%*	*21.6%*	*21.5%*	*20.6%*	*20.9%*
Non-tax revenues						
Petroleum revenues and gas royalties	266.3	176.8	194.4	194.8	184.9	186.0
Interest[3]	36.1	35.1	34.2	57.1	41.2	51.0
Grants[4]	83.2	34.2	78.6	118.1	74.5	86.0
Privatisations	0.9	342.2	11.0	339.0	7.6	125.0
Debt recoveries[5]	151.5	99.6	97.1	105.1	104.0	88.0
Other non-tax revenues[6]	386.2	506.2	445.4	609.8	756.4	619.0
Total non-tax revenues	924.2	1,194.1	874.1	1,423.9	1,168.6	1,155.0
Total revenues (gross)[a]	6,132.2	6,872.5	7,095.6	7,852.6	7,827.6	8,458.0
As % of GDP	*24.9%*	*25.8%*	*24.7%*	*26.3%*	*24.2%*	*24.2%*
Total revenues (net)[b]	5,980.7	6,772.9	6,998.5	7,747.5	7,723.6	8,370.0
As % of GDP	*24.2%*	*25.4%*	*24.4%*	*25.9%*	*23.9%*	*23.9%*
Current expenditures						
Wages, salaries, goods and services	3,147.6	3,621.9	3,915.0	4,186.0	4,489.6	4,791.5
Subsidies and transfers	954.8	743.3	789.2	824.7	846.5	877.5
Total current expenditures	4,102.4	4,365.2	4,704.2	5,010.7	5,336.1	5,669.0
Interest payments						
Internal debt	390.8	395.9	396.4	380.4	358.7	415.0
External debt	448.8	491.6	488.6	534.7	545.6	600.0
Total interest payments	839.6	887.5	885.0	915.1	904.3	1,015.0
Capital expenditures						
Direct investment[7]	731.4	785.8	834.5	843.4	896.2	974.5
Capital transactions[8]	456.0	486.4	510.6	528.1	548.7	595.5
Direct payments[9]	389.9	452.7	581.2	555.7	518.2	500.0
Debt repayment[5]	206.0	143.7	140.9	101.6	212.5	0.0
Loan and advances of Treasury	(37.6)	32.1	20.0	63.2	(20.9)	0.0
Other capital expenditures	317.2	372.1	413.6	412.6	458.8	441.0
Total capital expenditures	2,062.9	2,272.8	2,500.8	2,504.6	2,613.5	2,511.0
Total expenditures, loans and advances (gross)[a]	7,004.9	7,525.5	8,090.0	8,430.4	8,853.9	9,195.0
Total expenditures, loans and advances (net)[b]	6,647.4	7,282.2	7,852.0	8,223.7	8,537.4	9,107.0
Budget deficit[c]	(872.7)	(653.0)	(994.4)	(577.8)	(1,026.3)	(737.0)
As % of GDP	*(3.5%)*	*(2.4%)*	*(3.5%)*	*(1.9%)*	*(3.2%)*	*(2.1%)*
Budget deficit[d]	(666.7)	(509.3)	(853.5)	(476.2)	(813.8)	(737.0)
As % of GDP	*(2.7%)*	*(1.9%)*	*(3.0%)*	*(1.6%)*	*(2.5%)*	*(2.1%)*
GDP (at current prices)	**24,671.5**	**26,685.3**	**28,741.2**	**29,890.4**	**32,283.3**	**34,959.7**

Source: Ministry of Finance

(1) Includes individual income tax and corporate tax.

(2) Includes primarily value added tax, exercise duties, customs duties, tolls and other transportation duties, transfer taxes, registration and stamp taxes and net proceeds from government monopolies in gaming and the sale of tobacco and matches.

(3) Includes interest payable to the State on loans, primarily to Tunisian public sector entities.

(4) Includes grants made to the State.

(5) Includes recoveries of loans made to Tunisian public and private sector entities which had been previously written off.

(6) Includes primarily earnings payable to the State by public sector commercial and industrial entities.

(7) Primarily infrastructure investment, including development of water and irrigation resources, water and soil conservation, and development programmes.

(8) Loans granted by the State to finance specific long-term investment projects of public sector entities.

(9) Direct payments made to external lenders which financed the purchase of imported equipment and other durables by Tunisian public and private sector entities on behalf of the State.

(10) Other loans granted by the State (net of repayments), including, generally, loans and advances made to public sector entities.

(a) Includes debt recoveries.

(b) Excludes debt recoveries.

(c) Including debt recoveries and debt repayments.

(d) Excluding debt recoveries and debt repayments.

The main sources of tax revenues are individual and corporate income taxes and indirect taxes, particularly value added taxes (**"VAT"**) that have been expended to apply to more products and services, and other consumption taxes and excise duties.

The following table sets forth the components of tax revenue for 1999-2003 and for the 2004 budget:

Tax Revenues

	1999	2000	2001	2002	2003 (revised budget)	2004 (budgeted)
			(in TD million)			
Direct taxes						
Personal income taxes	892.7	1,021.8	1,152.8	1,213.9	1,309.0	1,476.0
Corporate income taxes ..	492.3	575.0	674.9	810.7	867.9	921.0
Total direct taxes	1,385.0	1,596.8	1,827.7	2,024.6	2,176.9	2,397.0
Indirect Taxes						
Taxes on domestic products						
Value added tax	877.6	960.5	980.7	995.6	1,073.0	1,222.0
Excise taxes	696.4	770.8	821.2	866.4	912.0	1,058.0
Other taxes	608.5	672.7	728.0	813.2	797.3	788.0
Total taxes on domestic products	2,182.5	2,404.0	2,529.9	2,675.2	2,782.2	3,068.0
Taxes on external products						
Import taxes	680.9	630.4	645.9	585.3	544.9	595.0
Export taxes	6.2	11.2	9.3	9.5	9.7	10.0
Total Customs duties	687.1	641.6	655.2	594.8	554.6	605.0
Value added tax	747.6	831.8	949.3	899.5	933.3	1,002.0
Excise taxes	161.4	145.5	200.7	178.5	161.2	195.0
Other taxes	44.4	58.7	58.7	56.1	50.8	36.0
Total taxes on external products	1,640.5	1,677.6	1,863.9	1,728.8	1,699.9	1,838.0
Total indirect taxes	3,823.0	4,081.6	4,393.8	4,404.1	4,482.1	4,906.0
Total tax revenues	5,208.0	5,678.4	6,221.5	6,428.7	6,659.0	7,303.0
Percent of GDP	21.1%	21.3%	21.6%	21.5%	20.6%	20.9%

Source: Ministry of Finance

In 2002, income taxes accounted for approximately 25.8% of total revenues. In 2003, this figure increased to 27.8%. Income tax for individuals has six income brackets and marginal tax rates ranging from 15% to 35% (with no tax due on incomes below TD 1,000). Corporate income tax is a system of two rates, a standard rate of 35% and a special rate of 10% which applies to enterprises in the agriculture, fishing and handicrafts sectors. In 2002, approximately 79.8% of personal taxes collected were withheld at source from salaries and interest and this is estimated at 79.6%[1] for 2003.

The VAT rate is 18% on most goods and services, 6% on basic consumer goods, 29% on luxury consumer goods and 10% on most retail shop sales. Excise duties are also payable on a number of products, including tobacco, petroleum and alcohol, as are import, export and other customs duties, although Tunisia has over the past few years been reducing its reliance upon these duties. For example, the tariff on automobile imports was reduced in 2002.

Non-tax revenues, which comprise approximately 15% of total revenues, principally include revenues from interest and dividend payments payable to the State from various public-owned entities and revenues from the sale of government petroleum resources and royalties from natural gas pipelines.

Approximately 50% of State expenditures are for wages and salaries of public employees and for goods and services utilised in government service. Other major areas of government expenditure include debt service on the State's public debt, investment in Tunisia's infrastructure, particularly for the development of irrigation resources and water and soil conservation, and direct payments and loans to public and private Tunisian businesses.

2004 Budget

The following presents the major economic assumptions used in the preparation of the 2004 budget:

	2004 Budgeted (annual % change)
Real GDP growth	5.6%
Consumption per head	6.8%
Investment (% of GDP)	24.5%
Exports of goods and services (at 1990 constant prices)	5.9%
Imports of goods and services (at 1990 constant prices)	5.6%
Inflation	2.5%
Savings (% of GNP)	23.3%
Current-account deficit (% of GDP)	2.8%

[1] Provisional data

PUBLIC DEBT

Overall Debt

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

	1998	1999	2000	2001	2002	2003(*)
			(in millions of TD)			
Internal debt..	5,240.4	5,670.7	6,481.4	6,774.0	6,714.7	6,933.6
External debt	8,127.1	9,576.0	10,159.9	11,264.0	11,688.4	12,496.2
Total debt..	13,367.5	15,246.7	16,641.3	18,038.0	18,403.1	19,429.8
% of GDP	59.3%	61.4%	62.4%	62.8%	61.6%	60.2%

Source: Ministry of Economic Development and 2002 Budget Report

(*) Provisional data

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

Public Debt and Debt Service Levels

	1999	2000	2001	2002	2003(*)	2004(**)
			(in millions of TD)			
Public debt outstanding						
Internal debt	5,670.7	6,481.4	6,774.0	6,714.7	6,933.6	7,663.0
External debt	9,576.0	10,159.9	11,264.0	11,688.4	12,496.2	12,598.0
Total debt	15,246.7	16,641.3	18,038.0	18,403.1	19,429.8	20,261.0
Interest payments						
Internal debt	390.8	395.9	396. 4	380.4	358.7	415.0
External debt	448.8	491.6	488.6	534.7	545.6	600.0
Total	839.6	887.5	885.0	915. 1	904.3	1,015.0
Principal payments						
Internal debt	1,851.1	2,475.3	2,124.5	2,845.3	1,900.7	2,400.0
External debt	781.0	1,371.0	843.2	925.0	849.4	1,135.0
Total	2,632.1	3,846.3	2,967.7	3,770.3	2,750.1	3,535.0
Total debt service						
Internal debt	2,241.9	2,871.2	2,520.9	3,225.7	2,259.4	2,815.0
External debt	1,229.8	1,862.6	1,331.8	1,459.7	1,395.0	1,735.0
Total	3,471.7	4,733.8	3,852.7	4,685.4	4,654.4	4,550.0

Source: Ministry of Finance and the Bank.

(*) Provisional data

(**) Budgeted

Internal Debt

Prior to 1991, domestic financing of the fiscal deficit was achieved through the placement of ten-year Treasury investment bonds (*bons d'équipement*) at below-market rates with domestic banks which were required to purchase the bonds. As part of the financial liberalisation programme, the government has, since 1991, relied mainly on Treasury bills (*bons du Trésor*) at market-related interest rates to finance the deficit. Treasury bills were first introduced in 1989 and modified on several occasions. These securities, which have maturities ranging from 13 weeks to 10 years, are placed through weekly auctions to the banks, which then sell them to the public. The rates for Treasury bills bid by the banks have remained virtually constant with respect to the *appel d'offres* rate, and the interest rates for the shortest maturities are only slightly lower than for the longest-maturity Treasury bills.

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

Internal Debt

	1998	1999	2000	2001	2002	2003(1)(*)	2004(**)
			(in millions of TD)				
Total internal debt							
Investment bonds and other	1,735.4	1,886.9	2,428.0	2,343.7	2,373.8	2,236.2	2,142.4
Treasury bills..	3,505.1	3,783.8	4,053.4	4,430.3	4,340.9	4,697.4	5,520.6
	5,240.5(1)	5,670.2	6,481.4	6,774.0	6,714.7	6,933.6	7,663.0
Debt service							
Principal							
Investment bonds and other	31.1	13.0	9.1	19.6	6.4	4.1	3.5
Treasury bills..	1,616.5	1,742.6	1,763.3	1,989.9	2,712.6	1,766.2	2,270.9
Other	96.5	95.5	702.9	115.0	126.3	130.4	125.6
	1,744.1	1,851.1	2,475.3	2,124.5	2,845.3	1,900.7	2,400.0
Interest							
Investment bonds and other	5.6	3.4	2.3	2.6	1.3	1.1	0.5
Treasury bills..	264.2	304.8	298.4	302.2	292.9	268.2	334.3
Other	70.6	82.6	95.5	91.5	86.2	89.6	80.2
	340.2	390.8	396.2	396.3	380.4	358.9	415.0
Total internal debt service.. ..	2,084.3	2,241.9	2,871.5	2,520.8	3,225.7	2,259.6	2,815.0
% of gross revenues	34.1%	36.6%	41.8%	35.5%	41.1%	28.9%	33.3%

Source: Ministry of Finance and BCT.

(1) Includes loan guaranteed by the State of TD 968.7 million and TD 901.9 million representing the reimbursement of debt of Office de Commerce and l'ONH.

(*) Provisional data.

(**) Budgeted.

External Public Debt

External public debt as a percentage of GNP was 40.6 % at 31 December, 2003. Tunisia has been accessing the international public debt markets since 1994.

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

External Public Debt

	1998	1999	2000	2001	2002	2003(*)
			(in millions of TD)			
Total external debt	8,127	9,576	10,160	11,264	11,688	12,496
% of GDP	36.0%	38.8%	38.1%	39.2%	39.1%	38.7%
Debt Service						
Principal	722	781	1,371	843	925	849
Interest..	430	449	492	489	535	546
Total external debt service	1,152	1,230	1,863	1,332	1,460	1,395
% of gross revenues	18.9%	20.1%	27.1%	18.8%	18.6%	17.8%

Source: The Bank

(*) Provisional data

The following table presents the breakdown by currency of Tunisia's external public debt as of 31 December, 2001, 2002 and 2003:

External Public Debt by Currency

	% of total external public debt as at 31 December,		
	2001	2002	2003(*)
US dollar	35.6	35.9	28.1
Japanese yen..	26.0	24.0	25.7
French franc	–	–	–
Deutschmark	–	–	–
Euro..	28.3	30.9	38.1
Other currencies of Euro zone	–	–	–
Other	10.1	9.2	8.1
Total	100.0	100.0	100.0

Source: The Bank

(*) Provisional data

The following table presents the breakdown by creditor type of the external debt of the Government as of 31 December, 1999 to 2003:

External Public Debt by Creditor Type

	% of total external public debt as at 31 December,				
	1999	2000	2001	2002	2003(*)
Bilateral sources	35.6%	34.8%	31.5%	29.3%	27.4%
France	8.4%	8.6%	8.1%	8.3%	8.8%
Germany	4.2%	3.9%	3.1%	2.9%	2.7%
Japan	6.1%	6.4%	5.9%	6.0%	6.1%
United States	5.4%	5.0%	4.3%	3.3%	2.4%
Italy	3.9%	3.8%	3.5%	3.3%	3.0%
Saudi Arabia	0.7%	0.5%	0.4%	0.2%	0.1%
Other	6.9%	6.6%	6.2%	5.3%	4.3%
Multilateral sources	38.1%	38.4%	40.6%	38.0%	36.6%
International Bank for Reconstruction and Development	17.4%	16.7%	17.2%	15.7%	15.3%
African Development Bank	11.2%	11.4%	12.7%	11.7%	10.9%
European Investment Bank	4.5%	4.7%	4.8%	5.1%	5.5%
Arab Fund for Economic and Social Development	3.9%	4.5%	4.9%	4.7%	4.1%
Other	1.1%	1.1%	1.0%	0.8%	0.8%
International financial markets	26.3%	26.8%	27.9%	32.7%	36.0%
International (other than Japan, US and Europe)	3.5%	3.8%	2.5%	8.2%	13.1%
Japan	14.5%	14.6%	17.6%	17.2%	16.2%
US	5.3%	5.5%	5.2%	4.6%	3.9%
Europe	3.0%	2.9%	2.6%	2.7%	2.8%
Total	100%	100%	100%	100%	100%

Source: The Bank

(*) Provisional information

Debt Record

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

INTERNAL DEBT OF THE REPUBLIC OF TUNISIA

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

Funded Internal Debt
Internal Debt of the Republic of Tunisia

Funded Internal Debt

1. Treasury Bonds

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 24 February, 2004
		(%)	*(in TD millions)*	*(in TD millions)*
(i) Fifty two – weeks Bonds – Full Repayment at Maturity				
18/02/2003	02/03/2004	6.610	12.500	12.500
25/02/2003	02/03/2004	6.570	5.000	5.000
05/03/2003	02/03/2004	6.560	5.000	5.000
11/03/2003	02/03/2004	6.640	3.500	3.500
18/03/2003	02/03/2004	6.500	11.000	11.000
25/03/2003	30/03/2004	6.440	12.000	12.000
08/04/2003	30/03/2004	6.026	39.000	39.000
15/04/2003	30/03/2004	5.940	20.000	20.000
22/04/2003	30/03/2004	5.799	40.500	40.500
29/04/2003	04/05/2004	5.776	47.500	47.500
06/05/2003	04/05/2004	5.804	72.000	72.000
13/05/2003	04/05/2004	5.810	41.000	41.000
20/05/2003	01/06/2004	5.810	21.000	21.000
27/05/2003	01/06/2004	5.780	20.000	20.000
03/06/2003	01/06/2004	5.800	21.000	21.000
10/06/2003	01/06/2004	5.802	21.500	21.500
17/06/2003	01/06/2004	5.810	5.500	5.500
24/06/2003	06/07/2004	5.800	5.000	5.000
02/09/2003	31/08/2004	5.296	31.000	31.000
09/09/2003	31/08/2004	5.268	34.500	34.500
16/09/2003	31/08/2004	5.289	80.000	80.000
23/09/2003	28/09/2004	5.297	92.000	92.000
30/09/2003	05/10/2004	5.314	103.100	103.100
07/10/2003	05/10/2004	5.301	18.000	18.000
14/10/2003	02/11/2004	5.300	12.000	12.000
21/10/2003	02/11/2004	5.300	24.000	24.000
28/10/2003	02/11/2004	5.304	23.500	23.500
04/11/2003	02/11/2004	5.317	31.900	31.900
11/11/2003	02/11/2004	5.300	9.300	9.300
18/11/2003	02/11/2004	5.290	8.400	8.400
24/11/2003	07/12/2004	5.288	6.000	6.000
02/12/2003	07/12/2004	5.290	10.000	10.000
09/12/2003	07/12/2004	5.284	8.500	8.500
16/12/2003	07/12/2004	5.260	4.000	4.000
23/12/2003	07/12/2004	5.249	5.500	5.500
30/12/2003	07/12/2004	5.240	4.500	4.500
13/01/2004	07/12/2004	5.220	10.000	10.000
20/01/2004	07/12/2004	5.200	10.000	10.000

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 24 February, 2004
		(%)	*(in TD millions)*	*(in TD millions)*
27/01/2004	08/02/2005	5.200	10.500	10.500
03/02/2004	08/02/2005	5.190	10.000	10.000
10/02/2004	08/02/2005	5.187	11.700	11.700
17/02/2004	08/02/2005	5.188	9.200	9.200
24/02/2004	08/02/2005	5.184	9.500	9.500
Total			980.100	980.100
(ii) Three-Year Bonds – Full Repayment at Maturity				
12/09/2001	12/09/2004	6.5000	2.000	2.000
10/10/2001	12/09/2004	6.5000	51.500	51.500
14/11/2001	12/09/2004	6.5000	40.000	40.000
12/12/2001	12/09/2004	6.5000	4.200	4.200
13/02/2002	12/09/2004	6.5000	21.000	21.000
13/03/2002	12/09/2004	6.5000	55.800	55.800
10/04/2002	12/09/2004	6.5000	10.900	10.900
12/06/2002	12/09/2004	6.5000	23.000	23.000
13/11/2002	12/09/2004	6.5000	40.100	40.100
11/12/2002	12/09/2004	6.5000	7.500	7.500
15/01/2003	12/09/2004	6.5000	11.100	11.100
Total			267.100	267.100
(iii) Four-Year Bonds – Full Repayment at Maturity				
11/10/2000	11/10/2004	6.7500	38.300	38.300
15/11/2000	11/10/2004	6.7500	97.500	97.500
05/12/2000	11/10/2004	6.7500	197.800	197.800
12/12/2000	11/10/2004	6.7500	150.200	150.200
17/01/2001	16/01/2005	6.7500	51.000	51.000
14/02/2001	16/01/2005	6.7500	26.000	26.000
14/03/2001	16/01/2005	6.7500	63.000	63.000
11/04/2001	16/01/2005	6.7500	20.000	20.000
09/05/2001	16/01/2005	6.7500	25.500	25.500
11/07/2001	16/01/2005	6.7500	5.500	5.500
10/10/2001	12/09/2005	6.7500	54.400	54.400
14/11/2001	12/09/2005	6.7500	43.000	43.000
12/12/2001	12/09/2005	6.7500	9.100	9.100
16/01/2002	12/09/2005	6.7500	500	500
13/02/2002	12/09/2005	6.7500	21.200	21.200
13/03/2002	12/09/2005	6.7500	19.500	19.500
10/04/2002	12/09/2005	6.7500	6.700	6.700
12/06/2002	12/09/2005	6.7500	10.000	10.000
09/07/2002	12/09/2005	6.7500	2.200	2.200
06/08/2002	12/09/2005	6.7500	32.200	32.200
09/10/2002	12/09/2005	6.7500	55.500	55.500
13/11/2002	12/09/2005	6.7500	26.200	26.200
11/12/2002	12/09/2005	6.7500	7.000	7.000
15/01/2003	12/09/2005	6.7500	11.100	11.100
13/02/2003	12/09/2005	6.7500	34.500	34.500

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 24 February, 2004
		(%)	*(in TD millions)*	*(in TD millions)*
10/04/2003	12/09/2005	6.7500	16.000	16.000
11/06/2003	12/09/2005	6.7500	77.000	77.000
Total			1.100.900	1.100.900
(iv) Five-Year Bonds – Full Repayment at Maturity				
10/03/1999	12/03/2004	6.000	3.792	3.792
12/05/1999	12/03/2004	6.000	20.776	20.776
14/07/1999	12/03/2004	6.000	9.000	9.000
15/09/1999	12/03/2004	6.000	4.000	4.000
13/10/1999	12/03/2004	6.000	24.440	24.440
10/11/1999	12/03/2004	6.000	7.000	7.000
15/12/1999	12/03/2004	6.000	24.000	24.000
12/01/2000	12/03/2004	6.000	3.000	3.000
12/04/2000	12/04/2005	6.3750	4.000	4.000
10/05/2000	12/04/2005	6.3750	1.300	1.300
14/06/2000	12/04/2005	6.3750	11.500	11.500
12/07/2000	12/04/2005	6.3750	22.800	22.800
09/08/2000	12/04/2005	6.3750	14.900	14.900
05/12/2000	12/04/2005	6.3750	4.500	4.500
06/05/2003	12/04/2005	6.3750	123.000	123.000
03/06/2003	01/06/2008	6.7500	5.000	5.000
01/07/2003	01/06/2008	6.7500	50.500	50.500
05/08/2003	01/06/2008	6.7500	8.800	8.800
02/09/2003	01/06/2008	6.7500	60.500	60.500
07/10/2003	01/06/2008	6.7500	30.300	30.300
04/11/2003	01/06/2008	6.7500	9.500	9.500
02/12/2003	01/06/2008	6.7500	51.000	51.000
06/01/2004	01/06/2008	6.7500	199.500	199.500
03/02/2004	01/06/2008	6.7500	17.200	17.200
Total			710.308	710.308
(v) Ten-Year Bonds – Full Repayment at Maturity				
10/03/1999	12/03/2009	6.5000	86.900	86.900
14/04/1999	12/03/2009	6.5000	137.633	137.633
12/05/1999	12/03/2009	6.5000	105.000	105.000
09/06/1999	12/03/2009	6.5000	28.500	28.500
14/07/1999	12/03/2009	6.5000	16.700	16.700
11/08/1999	12/03/2009	6.5000	3.000	3.000
15/09/1999	12/03/2009	6.5000	5.500	5.500
13/10/1999	12/03/2009	6.5000	11.400	11.400
10/11/1999	12/03/2009	6.5000	45.700	45.700
15/12/1999	12/03/2009	6.5000	61.146	61.146
12/01/2000	12/03/2009	6.5000	8.000	8.000
12/04/2000	12/04/2010	6.7500	17.000	17.000
10/05/2000	12/04/2010	6.7500	2.500	2.500
14/06/2000	12/04/2010	6.7500	11.500	11.500
12/07/2000	12/04/2010	6.7500	20.000	20.000
09/08/2000	12/04/2010	6.7500	20.100	20.100

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 24 February, 2004
		(%)	*(in TD millions)*	*(in TD millions)*
05/12/2000	12/04/2010	6.7500	14.700	14.700
17/01/2001	12/04/2010	6.7500	900	900
14/02/2001	12/04/2010	6.7500	3.700	3.700
14/03/2001	12/04/2010	6.7500	6.000	6.000
09/05/2001	12/04/2010	6.7500	2.000	2.000
11/07/2001	12/04/2010	6.7500	1.000	1.000
12/09/2001	12/04/2010	6.7500	2.500	2.500
10/10/2001	12/04/2010	6.7500	2.200	2.200
14/11/2001	12/04/2010	6.7500	1.300	1.300
12/12/2001	12/04/2010	6.7500	2.500	2.500
16/01/2002	12/04/2010	6.7500	2.000	2.000
13/02/2002	12/04/2010	6.7500	3.000	3.000
13/03/2002	12/04/2010	6.7500	6.000	6.000
06/01/2004	12/04/2010	6.7500	20.600	20.600
03/02/2004	12/04/2010	6.7500	222.800	222.800
Total			871.779	871.779

(vi) Ten-Year Bonds – Annual Repayment

03/05/1994	03/05/2004	10.5000	25.825	5.165
07/06/1994	07/06/2004	10.5000	24.030	4.806
06/07/1994	06/07/2004	10.5000	9.300	1.860
02/08/1994	02/08/2004	10.5000	2.930	586
06/09/1994	06/09/2004	10.5000	12.466	2.493
04/10/1994	04/10/2004	10.5000	2.600	520
01/11/1994	01/11/2004	10.5000	32.000	6.400
06/12/1994	06/12/2004	10.5000	10.050	2.010
03/01/1995	03/01/2005	10.5000	4.165	1.250
07/02/1995	07/02/2005	10.5000	7.100	2.130
07/03/1995	07/03/2005	10.5000	1.500	450
02/05/1995	02/05/2005	10.5000	9.000	2.700
06/06/1995	06/06/2005	10.5000	6.000	1.800
04/07/1995	04/07/2005	10.5000	2.000	600
01/08/1995	01/08/2005	10.5000	6.300	1.890
05/09/1995	05/09/2005	10.5000	2.500	750
03/10/1995	03/10/2005	10.5000	2.700	810
08/11/1995	08/11/2005	10.5000	16.866	5.060
05/12/1995	05/12/2005	10.5000	9.300	2.790
03/01/1996	03/01/2006	10.5000	4.320	1.728
06/02/1996	06/02/2006	10.5000	10.000	4.000
05/03/1996	05/03/2006	10.5000	2.750	1.100
02/04/1996	02/04/2006	10.5000	700	280
07/05/1996	07/05/2006	10.5000	5.320	2.128
04/06/1996	04/06/2006	10.5000	7.830	3.132
02/07/1996	02/07/2006	10.5000	1.850	740
06/08/1996	06/08/2006	10.5000	3.000	1.200
03/09/1996	03/09/2006	10.5000	1.590	636
01/10/1996	01/10/2006	10.5000	2.490	996
05/11/1996	05/11/2006	10.5000	25.865	10.346
07/01/1997	07/01/2007	9.5000	3.000	1.500

Date of Issue	Maturity Date	Interest Rate	Principal Amount	Disbursed Principal Amount Outstanding at 24 February, 2004
		(%)	*(in TD millions)*	*(in TD millions)*
04/02/1997	04/02/2007	9.0000	500	250
04/03/1997	04/03/2007	9.0000	7.350	3.675
01/04/1997	01/04/2007	8.7500	2.000	1.000
06/05/1997	06/05/2007	8.6900	12.500	6.250
03/06/1997	03/06/2007	8.7000	16.300	8.150
01/07/1997	01/07/2007	8.7500	12.500	6.250
05/08/1997	05/08/2007	8.8200	11.000	5.500
02/09/1997	02/09/2007	8.6900	10.450	5.225
07/10/1997	07/10/2007	8.7000	3.000	1.500
04/11/1997	04/11/2007	8.6400	13.250	6.625
01/12/1997	01/12/2007	8.6200	10.300	5.150
Total			354.497	121.431

(vii) Twelve-Year Bonds – Annual Repayment

02/07/2002	09/07/2014	8.250	206.500	206.500
30/07/2002	09/07/2014	8.250	68.600	68.600
03/09/2002	09/07/2014	8.250	21.500	21.500
01/10/2002	09/07/2014	8.250	14.500	14.500
05/11/2002	09/07/2014	8.250	21.700	21.700
03/12/2002	09/07/2014	8.250	6.000	6.000
07/01/2003	09/07/2014	8.250	8.900	8.900
04/02/2003	09/07/2014	8.250	3.000	3.000
03/03/2003	09/07/2014	8.250	10.750	10.750
01/04/2003	09/07/2014	8.250	15.600	15.600
06/05/2003	09/07/2014	8.250	35.200	35.200
03/06/2003	09/07/2014	8.250	27.700	27.700
01/07/2003	09/07/2014	8.250	21.350	21.350
05/08/2003	09/07/2014	8.250	26.400	26.400
02/09/2003	09/07/2014	8.250	41.500	41.500
07/10/2003	09/07/2014	8.250	48.500	48.500
04/11/2003	09/07/2014	8.250	184.100	184.100
02/12/2003	09/07/2014	8.250	127.100	127.100
Total			888.900	888.900

TAXATION

Tunisian Taxation

The following is a summary of certain Tunisian tax consequences resulting from the beneficial ownership of the Notes. 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. The summary does not include any description of the tax laws of any state, local or foreign governments (other than Tunisia) that may be applicable to the Notes or the Holders thereof.

Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of Tunisian tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As a general matter Tunisian law provides that interest payments in respect of securities denominated in foreign currencies to non-residents are not subject to withholding tax. All payments of principal and interest with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is deemed applicable to the Notes. In that event, subject to certain limited exceptions, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction. See **"Condition 8"**.

EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. It is expected that a number of third countries and territories will adopt similar measures with effect from the same date.

United States Tax Considerations

The following summary of certain United States federal income tax consequences to U.S. Holders (as defined below) of the purchase, ownership, and disposition of Notes issued by the Issuer deals only with the treatment of U.S. Holders who are original purchasers of such Notes at the issue price and who hold such Notes as capital assets (generally, assets held for investment). This summary is not a complete listing of all possible federal income tax consequences of an investment in Notes and does not deal with persons in special tax situations, such as financial institutions, insurance companies, tax-exempt institutions, dealers or traders in securities or currencies, persons who have elected mark-to-market accounting, persons holding such Notes as a hedge against currency risk, as part of an integrated transaction or **"conversion transaction"** or as a position in a **"straddle"** for U.S. tax purposes, persons entering into a **"constructive sale"** transaction with respect to a Note and persons whose functional currency is not the U.S. dollar. Persons considering the purchase of Notes should consult their tax advisers concerning any application of United States federal income tax laws to their particular situation, as well as any consequences arising under the laws of any other state, local or foreign taxing jurisdiction. The information set out in this section is based on current provisions of the Internal Revenue Code of 1986, as amended (the **"Code"**), the Treasury regulations promulgated thereunder and judicial or ruling authority, all of which are subject to change, which change may be retroactive.

As used herein, the term **"U.S. Holder"** means a beneficial owner of a Note that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions with respect to the trust, or (v) a partnership to the extent the interest therein is held by a person or entity described in clause (i), (ii), (iii) or (iv) of this paragraph.

Interest

Payments of interest on a Note (including additional amounts payable in accordance with Condition 8, if any) generally will be taxable to a U.S. Holder as ordinary income at the time such payments are accrued or are received (in accordance with the U.S. Holder's usual method of accounting for tax purposes). Such interest (along with any original issue discount on the Note, as described below) will constitute foreign source income for United States federal income tax purposes and, in general, will be treated as passive income (or, in the case of certain U.S. Holders, financial services income), for the purposes of computing the foreign tax credit allowable under U.S. federal tax law. The rules relating to foreign tax credits are extremely complex and U.S. Holders should consult with their own advisors with regard to the availability of a foreign tax credit and the application of the foreign tax credit rules to their particular situation. In the case of a U.S. Holder other than a corporation, the interest income, in general, will also constitute **"investment income"** for purposes of determining the deduction allowable for investment interest expense.

The amount of interest on a Note denominated in a currency other than the U.S. dollar (a **"Non-U.S. Dollar Note"**) that must be included in income of a U.S. Holder will be the U.S. dollar value of the interest payment at the time that such payment is accrued or received, in accordance with the U.S. Holder's method of tax accounting. Treasury Regulations provide that the exchange rate to be used for United States federal income tax purposes to convert foreign currency denominated interest payments into U.S. dollars for U.S. Holders that are required to accrue interest income on a Non-U.S. Dollar Note (pursuant to the original issue discount provisions, as described below, or because the U.S. Holder uses an accrual method of accounting for tax purposes) is the "average rate of exchange" for the period or periods during which such interest accrued unless an election is made to translate interest income at the spot rate on the last day of the interest accrual period (and in the case of an accrual period extending beyond the end of the taxable year, the spot rate on the last day of the taxable year). A U.S. Holder that is required to accrue interest income on a Non-U.S. Dollar Note will recognise foreign currency gain or loss as the case may be, on the receipt of an interest payment in U.S. Dollars if the exchange rate in effect on the date the payment is received differs from the exchange rate applicable for the accrual period. This foreign currency gain or loss will be treated as ordinary income or loss and not as additional interest income or interest expense.

Original Issue Discount

Notes with a term greater than one year may be issued with original issue discount (**"OID"**) for federal income tax purposes. Generally, OID will arise if the stated redemption price at maturity of a Note exceeds its issue price by more than a de minimis amount. For this purpose, the stated redemption price at maturity is equal to the aggregate of all payments of principal and interest required to be made over the life of the Note other than **"qualified stated interest"**. Only the portion of interest that is unconditionally payable at least annually at a single fixed, qualified floating or objective rate throughout the entire term of a debt instrument will be considered qualified stated interest. The issue price of a Note is the first price at which a substantial amount of Notes of the Series of which it is a part are sold for money (disregarding sales to bond houses, brokers or similar persons). If a Note is issued with OID, a U.S. Holder of the Note will be required to include amounts in gross income for federal income tax purposes under a **"constant yield"** method that will result in inclusion of amounts in income in advance of receipt of the cash payments to which such amounts are attributable.

An accrual basis holder of a short-term note (and certain cash method holders, including regulated investment companies, as set forth in Section 1281 of the Code) generally would be required to report interest income as interest accrues on a straight-line basis over the term of each interest period. Any cash basis holders of a short-term note would, in general, be required to report interest income as interest is paid (or, if earlier, upon the taxable disposition of the short-term note). However, a cash basis holder of a short-term note reporting interest income as it is paid may be required to defer a portion of any interest expense otherwise deductible on indebtedness incurred to purchase or carry the short-term note until the taxable disposition of the short-term note. A cash basis taxpayer may elect under Section 1281 of the Code to accrue interest income on all non-government debt obligations with a term of one year or less, in which case the taxpayer would include interest on the short-term note in income as it accrues, but would not be subject to the interest expense deferral rule referred to in the preceding sentence. Certain special rules apply if a short-term note is purchased for more or less than its principal amount.

OID on a Non-U.S. Dollar Note will be determined for any accrual period in the foreign currency in which the Note is denominated and then translated into U.S. Dollars in the same manner as interest income accrued by a U.S. Holder on the accrual basis, as described above. Likewise, a U.S. Holder will recognise foreign currency gain or loss when the OID is paid to the extent of the difference between the U.S. dollar value of such payment (determined by translating the foreign currency into U.S. dollars at the spot rate for foreign currency on the date received) and the U.S. dollar value of the accrued OID included in income.

Certain of the Notes (a) may be redeemable at the option of the Issuer prior to their stated maturity (a **"call option"**) and/or (b) may be repayable at the option of the Holder prior to their stated maturity (a **"put option"**). Notes containing such features may be subject to rules that differ from the general rules discussed above. Investors intending to purchase Notes with such features should consult their tax advisers, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Notes.

Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than stated interest will be considered to have purchased the Note at a premium and will not be required to include any OID in income. A U.S. Holder generally may elect to amortise the bond premium over the remaining term of the Note on a constant yield method. The amount amortised in any year will be treated as a reduction of the U.S. Holder's interest income from the Note. The basis for such Notes will be reduced to the extent that amortisable premium is applied to offset interest payments. In the case of a Non-U.S. Dollar Note, the amount of bond premium will be measured in the foreign currency in which the Note is denominated and will reduce the amount of interest income that is required to be translated into U.S. Dollars in any accrual period. Bond premium on a Note held by a U.S. Holder that does not make such an election will be recognised as a loss when the Note matures or will decrease the gain or increase the loss otherwise recognised on disposition of the Note. Once made, the election to amortise the bond premium on a constant yield method is to be applied to all debt obligations held or subsequently acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the United States Internal Revenue Service (the **"IRS"**).

Election to Treat All Income as OID

A U.S. Holder may elect to treat all interest and premium on any Note as OID and calculate the amount includable in gross income under the constant yield method described above. The election is to be made for the taxable year in which the U.S. Holder acquired the Note, and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisers regarding the desirability and consequences of this election.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange, retirement or other taxable disposition of a U.S. Dollar Note, a U.S. Holder generally will recognise capital gain or loss equal to the difference between the amount realised upon the sale, exchange, retirement or other taxable disposition (less any amount attributable to accrued interest, which will be taxed as such) and the adjusted tax basis of the Note. A U.S. Holder's tax basis in the Note will, in general, be the U.S. Holder's cost therefor, decreased by any amortised bond premium and by any payments received on the Note other than qualified stated interest and increased by any OID previously included in income by the U.S. Holder. For purposes of the U.S. foreign tax credit limitations, capital gain realised with respect to a Note generally will be treated as U.S. source gain, although a loss realised with respect to a Note may be treated as a foreign source loss. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to such capital gain will be lower than the maximum marginal federal income tax rate applicable to ordinary income if the Notes are held for more than one year. The net capital gain tax rate of individuals, estates and trusts is 20% for a capital asset held more than one year. The maximum net capital gain tax rate for corporate taxpayers is 35%. The deductibility of capital losses is subject to limitations.

Gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Non-U.S. Dollar Note also will be measured by the difference between the amount received and the tax basis in the Non-U.S. Dollar Note except that the amount of such gain or loss is measured in the foreign currency in which the Note is denominated and is translated into U.S. Dollars at the exchange rate in effect on the date of such sale, exchange or retirement. In addition, the U.S. Holder may recognise foreign currency gain or loss at the time of such sale, exchange or retirement (based on the difference between the tax basis in the Non-U.S. Dollar Note translated at the spot rate on the date of disposition and the same amount translated at the spot rate on the date the U.S. Holder acquired the Note) but the amount of any such gain cannot exceed the gain realised on the sale, exchange or retirement.

Floating Rate Notes

Notes may provide for interest based on a floating rate (**"Floating Rate Notes"**). Generally, the amount of OID, if any, is determined as if the Notes, (i) in the case of Floating Rate Notes paying interest at a qualified floating rate, had a fixed rate equal to the value of the floating rate on the issue date; or (ii) in the case of Floating Rate Notes paying interest at a qualified objective rate, had a rate that reflects the reasonably expected yield on the Notes. Qualified stated interest or OID allocable to an accrual period is subsequently adjusted to reflect differences in the amount of interest actually accrued or paid as payments are received. Prospective purchasers are advised to consult their tax advisers as to the proper accrual of income with respect to Floating Rate Notes.

Bearer Notes

Under Section 165(j) and 1287(a) of the Internal Revenue Code of 1986, as amended (the **"Internal Revenue Code"**), a U.S. Holder generally will not be entitled to deduct any loss on Bearer Notes or Coupons and must treat as ordinary income any gain realised on the sale or other disposition (including the receipt of principal) of Bearer Notes or Coupons. Exceptions to these rules may be available for financial institutions and certain persons holding through financial institutions that agree to comply with certain requirements.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to certain payments within the United States of interest and OID on Notes, including payments made by the U.S. office of a paying agent, broker of other intermediary, and to proceeds of a sale, redemption or other disposition of Notes through a U.S. branch of a U.S. or foreign broker. A 31% **"backup withholding"** tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest and OID, fails to certify that he is not subject to such withholding or fails to report interest and dividend income in full. In addition, certain penalties may be imposed by the IRS on the U.S. Holder who is required to supply information but fails to do so, or does so in an improper manner.

United States information reporting and backup withholding requirements generally will not apply to a payment made outside the United States of the proceeds of a sale of Notes through an office outside the United States of a non-United States broker. However, United States information reporting requirements (but not backup withholding) will apply to a payment made outside the United States of the proceeds of a sale of Notes through an office outside the United States that is a United States person that derives 50 percent or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States, or that is a controlled foreign corporation, unless the broker has documentary evidence in its files that the holder or beneficial owner is a non-United States person or the holder or beneficial owners otherwise establishes an exemption. Non-United States persons are generally exempt from the information reporting and backup withholding rules but may be required to certify their status on appropriate United States Internal Revenue Service Forms W-8 or W-8BEN.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or a credit against such beneficial owner's United States federal income tax liability provided the required information is furnished to the IRS.

Recently adopted United States Treasury regulations, which generally are effective for payments made after 31 December, 2000, modify in certain respects the backup withholding and information reporting rules. In general, the new regulations do not significantly alter the substantive requirements of these rules, but unify current procedures and forms and clarify reliance standards. A Non-U.S. person, however, may be required to follow new procedures to establish that it is not a U.S. person for purposes of the withholding rules. In conjunction with the new regulations, the Internal Revenue Service has issued revised tax forms to replace the existing Form W-8, as well as Forms 1001 and 4224. The old Form W-8 is valid until the earlier of (i) three years beginning on the date that the form is signed, or (ii) December 31, 2000. The new Form W-8BEN is valid for a person of three years beginning on the date that the form is signed. The information required to be filed on Form W-8BEN on or after the effective date may differ from that which is currently required. Prospective investors are urged to consult their own tax advisors regarding the new regulations.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the consequences of a purchase and sale of Notes, including, without limitation, (i) the applicability and effect of any state or local tax laws to which they may be subject and of any legislative or administrative changes in law and (ii) the availability of a credit or deduction for foreign withholding taxes.

SUBSCRIPTION AND SALE

The following is subject to change in the applicable Pricing Supplement. In addition, the Dealer(s) who have agreed to purchase Notes in a Series or Tranche from the Issuer will be specified in the applicable Pricing Supplement.

Each Dealer has, in an amended and restated programme agreement (the **"Principal Programme Agreement"**) dated 3 August, 1999 as supplemented by a First Supplemental Programme Agreement dated 10 October, 2000 (the **"First Supplemental Programme Agreement")**, by a Second Supplemental Programme Agreement dated 22 January, 2002 (the **"Second Supplemental Programme Agreement"** and by a Third Supplemental Programme Agreement dated 17 March, 2004 (the **"Third Supplemental Programme Agreement"**) and, together with the First Supplemental Programme Agreement, the Second Supplemental Programme Agreement and the Principal Programme Agreement as it may be further amended, supplemented and/or restated, the **"Programme Agreement"**), agreed with the Issuer a basis upon which it may from time to time agree to subscribe or procure subscribers for Notes. Any such agreement will extend to those matters stated under **"Form of the Notes"** and **"Terms and Conditions of the Notes"** above. In the Programme Agreement, the Issuer has agreed to reimburse each Dealer for certain of its expenses in connection with the issue of Notes under the Programme.

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 or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

To the extent that any Notes are sold in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver Notes of any Series (i) as part of its general distribution at any time or (ii) until 40 days after the completion of the distribution, as determined by the Relevant Dealer, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons and only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed that it will have sent to each dealer to which it sells the Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Note within the United States or to, or for the account or benefit of, U.S. persons. Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

Bearer Notes

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

Registered Notes

Offers, sales, resales and other transfers of Registered Notes in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be effected only pursuant to an exemption from the registration requirements of the Securities Act.

Offers, sales, resales and other transfers of Registered Notes made in the United States will be made only to institutional investors that are reasonably believed to qualify as qualified institutional buyers (as defined in Rule 144A) (each such institutional investor being hereinafter referred to as a **"qualified institutional buyer"** or **"QIB"**) in a transaction otherwise meeting the requirements of Rule 144A.

Registered Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising (as such terms are used in Rule 502 under the Securities Act) will be used in connection with the offering of the Notes in the United States and no directed selling efforts (as defined in Regulation S) shall be used in connection with the offering of the Notes outside of the United States.

No sale of Registered Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Each Registered Note shall contain a legend in substantially the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **"SECURITIES ACT"**). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF BANQUE CENTRALE DE TUNISIE (**"THE ISSUER"**) THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO THE ISSUER OR A DEALER (AS DEFINED IN THE OFFERING CIRCULAR), (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (**"RULE 144A"**), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) (RESALES DESCRIBED IN SUB-CLAUSES (1) THROUGH (4) OF THIS CLAUSE (A), **"SAFE HARBOR RESALES"**), OR (B) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION OF THE REGISTRATION OF TRANSFER OF ANY NOTES OTHERWISE THAN IN A SAFE HARBOR RESALE THE ISSUER OR THE REGISTRAR WILL REQUIRE DELIVERY OF (I) A LETTER IN THE FORM AVAILABLE FROM THE FISCAL AGENT OR THE REGISTRAR OR (II) SUCH OTHER DOCUMENTS OR OTHER EVIDENCE (INCLUDING BUT NOT LIMITED TO AN OPINION OF COUNSEL) THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION), OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, THE HOLDER THEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

The legend endorsed on each Regulation S Note shall cease to apply after expiry of the Distribution Compliance Period applicable thereto.

By its purchase of any Notes, each investor in the United States shall be deemed to have agreed to the restrictions contained in any legend endorsed on the Note purchased by it (to the extent still applicable) and each such purchaser shall be deemed to have represented to the Issuer, the seller and the Dealer, if applicable, that it is a QIB. Each investor (other than an investor in Regulation S Notes following expiry of the applicable Distribution Compliance Period), by its purchase of any Notes, also agrees to deliver to the transferee of any Note a notice substantially to the effect of the above legend.

Each prospective investor in the United States is hereby offered the opportunity to ask questions of, and receive answers from the Issuer and the Dealers concerning terms and conditions of the offering.

Pursuant to the Programme Agreement, the Issuer has agreed to indemnify the Dealers against, or to contribute to losses arising out of, certain liabilities, including liabilities under certain securities laws, in respect of Notes.

Each prospective purchaser of Notes offered in the United States or who is a U.S. person, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed as follows:

(a) such offeree acknowledges that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and

(b) such offeree agrees to make no photocopies of this Offering Circular or any documents referred to herein.

United Kingdom

Each Dealer has represented and agreed that:

(a) with respect to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **"FSMA"**) with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom;

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(d) with respect to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the **"Securities and Exchange Law"**) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of and otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The Netherlands

Each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than Euro 50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises), unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (''Wet toezicht effectenverkeer 1995'') is applicable and the conditions attached to such exemption or exception are complied with.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set forth in the applicable Pricing Supplement.

Purchasers of Notes sold by the Dealers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price and accrued interest, if any.

Although application has been made to list the Notes to be issued under the Programme on the Luxembourg Stock Exchange, each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

In connection with the issue and distribution of any Series of Notes under the Programme, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement, or if only one such Dealer is purchasing a Series of Notes, such Dealer, may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on such Dealer to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes and the increase to the size of the Programme have been duly authorised by resolutions of the Conseil d'Administration of the Issuer on 29 June, 1999, 27 July, 1999 and 11 March 2004.

Listing of Notes Issued under the Programme on the Luxembourg Stock Exchange

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. However, Notes may be issued under the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange. In connection with the listing of the Notes under the Programme on the Luxembourg Stock Exchange, a legal notice relating to the Programme and the status of the Issuer have been lodged with the Registre de Commerce et des Sociétés à Luxembourg, where such document may be examined and copies obtained upon request. Prior to the listing of any Notes in a Series or Tranche on the Luxembourg Stock Exchange, a legal notice relating to the issuance of Notes will be deposited with the Chief Registrar of the District Court of Luxembourg where such document may be examined and copies of such document may be obtained.

The Luxembourg Stock Exchange has allocated the Programme the No. 12172 for listing purposes.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection and can be obtained from the specified office of the Paying Agent (free of charge) for the time being in London and Luxembourg:

(i) the *status* of the Issuer;

(ii) the audited financial statements of the Issuer in respect of the financial years ended 31 December, 2002, 2001 and 2000. The audited financial statements of the Issuer in respect of the financial year ended 31 December, 2003 will be available on or about April 30, 2004. The Issuer does not publish interim financial statements;

(iii) the most recently published audited annual financial statements of the Issuer;

(iv) the Programme Agreement, the Fiscal Agency Agreement and the Operating and Administrative Procedures Memorandum;

(v) a copy of this Offering Circular;

(vi) any future offering memoranda, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note or such holder must produce evidence satisfactory to the Paying Agent as to the identity of such holder) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Material Change

Except as otherwise disclosed in this Offering Circular, there has been no adverse change in the condition (financial or otherwise) or general affairs of the Issuer, taken as a whole, that is material in the context of the Programme or the issue of Notes since 31 December, 2002.

Litigation

The Issuer is not involved in any litigation or arbitration proceedings which are material in the context of the issuance of Notes pursuant to the Programme and, so far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

Auditors

Chedli Aissa, statutory auditor to the Issuer, has audited the annual financial statements of the Issuer as at the end of and for the twelve month period ended 31 December 2002. Mohsen Taleb, former statutory auditor to the Issuer, has audited the annual financial statements of the Issuer as at the end of and for the twelve month periods ended 31 December, 2001 and 2000. Each of Chedli Aissa and Mohsen Taleb has given and has not withdrawn his written consent to the distribution of this Offering Circular with the inclusion herein of reports and references to their names in the form and context in which they appear.

Approvals

All necessary consents, approvals, registrations, authorisations or other orders of regulatory authorities required under the law of Tunisia in connection with the establishment of Programme or the issuance of the Notes by the Issuer will be obtained prior to the issue of the Notes.

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