

3. Drawing up and monitoring the budget

The Bank's budget, drawn up on the basis of projected needs formulated by the various departments, is submitted for approval by the board. Operating costs came to 59.2 MTD and outlays for investment to 7.3 MTD for 2010, compared to 54.8 MTD and 8.2 MTD respectively in 2009. The main category is staff costs, up from 44.1 MTD in 2009 (79% of the budget) to 46.7 MTD in 2010 (80%). Operating costs are financed from Bank operating proceeds mainly from placement of assets in foreign currency, while outlays for investment are financed from Central Bank core funds. Monitoring of budgetary implementation is intended mainly to identify in a timely manner any expenditure exceeding authorised budgetary allocations so as to take the necessary corrective action.

- MANAGEMENT ANALYSIS

1. Financial balance at the Central Bank of Tunisia

The table of resources/uses found below shows the financial balance of the Bank as at 31 December 2010.

FINANCIAL BALANCE		(In MTD)		
	2010	2009	Variation	
NET RESOURCES	12,796.1	13,257.3	- 461.2	
Net fiduciary resources	5,789.7	5,276.1	513.6	
Net bank refinancing	512.1	2,006.1	-1,494.0	
Net position with the clients	6,173.6	5,653.5	520.1	
Others	320.7	321.6	- 0.9	
NET USES	12,796.1	13,257.3	- 461.2	
Gold and foreign currency	12,796.1	13,257.3	- 461.2	

The above-mentioned table, which has grouped various headings from the published balance sheet in order to provide better analysis, shows that the Bank's patrimony dropped by 461.2 MTD to 12,796.1 MTD in 2010, down from 13,257.3 MTD in 2009. In terms of net resources, the increase in fiduciary money and that of net position with clients were largely offset by the drop in bank refinancing.

As for net uses, the drop in foreign currency holdings had a predominant effect on the negative trend of «gold and foreign currency heading».

BANK REFINANCING		(In MTD)		
	2010	2009	Variation	
Asset	588.6	91.3	497.3	
Financing for lending institutions tied to monetary policy operations	563.0	65.0	498.0	
Securities purchased in the framework of open market operations	25.6	26.3	- 0.7	
Liability	1,100.7	2,097.4	- 996.7	
Current accounts of banks accounted for in the reserve requirement	842.7	363.4	479.3	
Commitments towards lending institutions tied to monetary policy operations	258.0	1,734.0	-1,476.0	
NET BANK REFINANCING	512.1	2,006.1	-1,494.0	

OPERATIONS WITH THE CLIENTS

(In MTD)

	2010	2009	Variation
Asset	673.6	641.7	31.9
Advance to the State for subscriptions to Monetary Funds	648.6	616.7	31.9
Standing advance to the State	25.0	25.0	0.0
Liability	6,847.2	6,295.2	552.0
Government accounts and other sums for the Treasury	4,621.0	3,917.3	703.7
Foreign institutions' current accounts in dinars	522.7	573.3	-50.6
Foreign currency commitments towards Tunisian Authorised Intermediaries (resident banks)	1,490.9	1,680.6	-189.7
Other credit account	212.6	124.0	88.6
NET POSITION WITH THE CLIENTS	6,173.6	5,653.5	520.1

GOLD AND FOREIGN CURRENCY

(In MTD)

	2010	2009	Variation
Asset	13,753.6	14,022.9	-269.3
Cash holdings	4.4	4.4	0.0
Subscriptions to international institutions	2.4	2.4	0.0
IMF reserve position	124.6	42.6	82.0
AMF subscription in foreign currency	45.9	42.6	3.3
Assets and investment in special drawing rights	541.0	501.9	39.1
Foreign currency assets	13,002.9	13,397.5	-394.6
Foreign currency share holding	32.4	31.5	0.9
Liability	957.5	765.6	191.9
Allocations in special drawing rights	604.4	560.7	43.7
Foreign accounts in foreign currency		44.6	-44.6
Intervention on the money market in foreign currency/non resident banks	14.3	6.7	7.6
Foreign currency of Authorised intermediaries/non resident banks	4.5	3.6	0.9
Difference on conversion	334.3	150.0	184.3
Gold and foreign currency	-12,796.1	-13,257.3	461.2

2. Transactions with monetary funds and SDR accounts**2-1. Transactions with monetary funds**

Under the terms of articles 1 and 2 of law n°77-71 of 7 December 1977, the Central Bank of Tunisia, in its quality as financial agent for the Tunisian State, is in charge of relations with the International Monetary Fund (IMF) and the Arab Monetary Fund (AMF), at which the Bank represents the State and carries out subscriptions for shares regularly approved by the Tunisian State. This is done by means of an advance to the Treasury both for the portion payable in foreign currency and the portion payable in local currency. The advance figures under the assets column of the Bank's balance sheet, under the heading «Advance to the State for subscription to monetary funds».

2-2. Accounts in Special Drawing Rights (SDR)

SDR accounts appear in both the assets and liabilities columns of the Central Bank of Tunisia's balance sheet:

* The asset accounts regrouped under the heading «Assets and investment in SDRs» are:

- the mirror account of the SDR account opened in the name of the Central Bank of Tunisia on the books of the IMF which, as of 31 December 2010, posted a balance of 241.8 million SDRs, the equivalent on this same date of 535.7 million dinars,

- the account of the Central Bank's contribution to the fiduciary fund PRGF¹-HIPC², administered by the International Monetary Fund, which comes to 2.4 million SDRs, the equivalent of 5.2 million dinars, and

- the liabilities account «SDR allocations», the balance of which is made up of accumulated amounts of SDRs allocated by the International Monetary Fund to Tunisia, in its quality as a member country. Posting 272.8 million SDRs as of 31 December 2010, these allocations are to be returned to the International Monetary Fund if any SDRs are cancelled. They therefore constitute an open-ended commitment to IMF.

3. Claims on the State

Claims on the State appear in the assets column of the Central Bank of Tunisia's balance sheet under the following two headings :

- Advance to the State for subscription to monetary funds, and

- Permanent advance to the State.

4. Commitments to the State

Commitments to the State are summarised under the liabilities heading on the balance sheet entitled «Government accounts». It is composed of the Treasury's current account, special accounts in foreign currency that record drawings on external loans and grants to the State or to public establishments with a State guarantee, counterpart fund accounts in dinars for external grants and loans, and special fund accounts held by the Central Bank of Tunisia on behalf of the State (the industrial promotion and decentralization fund, the fund to promote handicrafts and small trades, and various accounts in dinars).

The above-mentioned accounts are kept on the books of the Central Bank of Tunisia exclusive of fees, their balances must remain a credit ones or nil, and they do not draw interest.

5. Bank refinancing

5-1. Types of intervention on the money market

Bank refinancing is manifested in the form of the Central Bank intervention on the money market in dinars in order to regulate bank liquidity and orient short term interest rates in line with the objective of price stability, using monetary policy instruments such as reserve requirements, call for bids and auctions, open market transactions, sales with repurchase options, 24 hour injection and tapping, permanent facilities or 24 hour credit or deposit, and 1 to 7 day allowance uptakes.

5-2. Impact on accounts

When the Central Bank of Tunisia is involved in a positive net situation on the money market, the corresponding outstanding balance appears under the assets column of the balance sheet entitled «financing to lending institutions linked to monetary policy operations». The outstanding balance of the portfolio of securities purchased in the framework of open market transactions appears under the assets column bearing this same heading. If there is a negative net situation, the outstanding balance of Central Bank intervention on the money market appears in the liabilities column «Commitments to lending institutions linked to monetary policy operations». In 2010, the net outstanding balance of facilities granted to lending institutions came to 305 MTD as at 31 December, compared to a net outstanding balance for commitments of 1669 MTD posted on 31 December 2009.

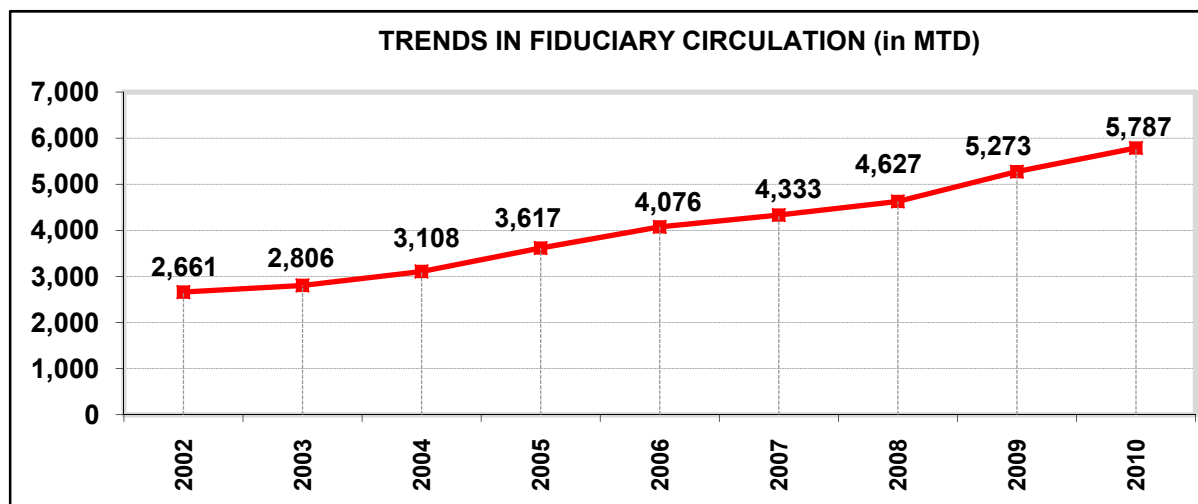
¹ The Poverty Reduction and Growth Facility.

² Heavily Indebted Poor Countries.

As for the impact on results accounts, intervention transactions on the money market in 2010 generated net proceeds of 12.7 MTD, compared to a net charge of 37.7 MTD in 2009. This is because the negative position of the global volume of refinancing that characterised the first five months of 2010 resulted in a charge of 15.6 MTD. But the change of conditions over the following months helped bring in interest amounting to 28.3 MTD from intervention transactions of the Issuing Institute on the money market in the form of injection of liquidity.

6. Fiduciary currency

Since 2002, the value of fiduciary money has more than doubled, up from 2661 MTD to 5787 MTD in 2010.



7. Results : Analysis of net proceeds from activities

Central Bank of Tunisia results came to 252.1 MTD in 2010, compared to 258.1 MTD in 2009, a drop of 6 MTD.

(In thousand dinars)

	2010	2009
Management of reserves	88,337.3	140,693.5
Proceeds	121,357.3	173,805.1
Charges	33,020.0	33,111.6
Transactions with international institutions	2,233.9	3,870.1
Proceeds	4,202.2	4,491.0
Charges	1,968.3	620.9
Monetary policy operations	12,702.8	- 37,664.0
Proceeds	28,290.2	2,018.3
Charges	15,587.4	39,682.3
Other operations	211.5	2,429.9
Proceeds	6,567.1	6,583.7
Charges	6,355.6	4,153.8
Exchange commissions	48,610.2	25,789.3
Exchange difference on current operations	9,234.4	49,412.7
Exchange difference on monthly adjustments	150,000.0	129,230.8
Staff costs	- 46,725.1	- 44,113.8
General operating charges	-12,551.7	-11,572.0
Financial year result	252,053.3	258,076.5

The decrease in results from one year to the next was influenced in particular by the 52.3 MTD drop in net proceeds from management of reserves, due mainly to a sharp reduction in yields from US and German Treasury bonds. The notable 50.3 MTD increase in net results in monetary policy operations helped mitigate the impact of this decrease.

On another front, the 22.8 MTD increase from 2009 to 2010 in fees for foreign exchange transactions more than offset the 19.4 MTD drop in foreign exchange results, which included a lower level of gains on exchange for current operations (-40.2 MTD) and an increase in gains on exchange for adjustment of foreign currency accounts (20.8 MTD).

7-1. Management of reserves

(In thousand dinars)

	2010	2009
Proceeds	121,357.3	173,805.1
Interest on forward deposit	22,758.4	22,000.9
Interest on securities	70,431.0	134,964.4
Gains on transfer of securities	25,837.5	12,882.1
Spreading out tied to securities in foreign currency off listing	2,282.2	3,816.4
Other proceeds	48.2	141.3
Charges	33,020.0	33,111.6
Charges on interventions on the money market in foreign currency	4,496.8	9,084.0
Spreading out of premiums over securities in foreign currency	18,670.3	13,811.4
Charges on foreign currency swap tied to external loans	8,992.7	9,245.2
Charges for management of foreign currency securities	707.7	779.2
Other charges	152.5	191.8
Net result of transactions tied to management of reserves	88,337.3	140,693.5

Transactions in the framework of management of foreign exchange reserves yielded proceeds of 121.4 MTD in 2010, compared to 173.8 MTD a year earlier. These proceeds were made up essentially of interest on the securities portfolio (made up exclusively of bonds and French, US and German Treasury bonds) as well as interest on deposits in foreign currency at foreign correspondents.

Management of the securities portfolio also helped to post gains on sales coming to 25.8 MTD in 2010 vs. 12.9 MTD in 2009, following a drop in yields on these securities.

But incurred charges in the framework of management of foreign exchange reserves in 2010 came to 33 MTD. These charges involved mainly the spreading out of premiums over securities in foreign currency (18.7 MTD) and foreign currency swap transactions in the framework of covering debenture loans labelled in Japanese yen (9 MTD).

7-2. Transactions with international institutions

(In thousand dinars)

	2010	2009
Proceeds	4,202.2	4,491.0
Reserve position remuneration	169.6	92.5
Interest on SDR assets	1,737.5	260.9
Gains on IMF reserve position adjustment	2,252.0	4,112.7
Interest on investment in SDR	43.1	24.9
Charges	1,968.3	620.9
IMF commissions on SDR allocations	1,960.3	615.5
Miscellaneous commissions	8.1	5.4
Net result transactions with international institutions	2,233.9	3,870.1

Net proceeds for transactions with international institutions fell by 1.6 MTD between 2009 and 2010, mainly because of the drop in gains on adjustment of the reserve position. The increase in commissions due to IMF on SDR allocations was offset by the increase in proceeds from interest on SDR assets.

7-3. Monetary policy operations

(In thousand dinars)

	2010	2009
Proceeds	28,290.2	2,018.3
Interest on money market intervention in the form of purchase on calls for bids	24,943.1	
Interest on 24-hour credit facilities	1,796.9	437.8
Proceeds on securities purchased firm	1,534.8	1,511.2
Penalizing interest with respect to the money market	15.4	
Interest on one-seven day allowance uptake		69.3
Charges	15,587.4	39,682.3
Charges on liquidity tapping through auctions	14,373.3	38,668.6
Interest on 24-hour deposit facilities	1,207.7	943.5
Charges on exceptional interventions on the money market		60.2
Commissions on operations of purchase and sale of Treasury bonds	6.4	10.0
Net result of intervention operations on the money market	12,702.8	-37,664.0

Refinancing operations helped generate net proceeds of 12.7 MTD in 2010, compared to net charges of 37.7 MTD in 2009, reflecting the move from excess liquidity for banks in 2009 to the need for liquidity prevailing in the second half of 2010.

7-4. Other operations

(In thousand dinars)

	2010	2009
Proceeds	6,567.1	6,583.7
Commissions on foreign bank notes of non residents	1,982.0	2,107.0
Interest collected on banks and financial institutions' accounts	1,332.2	316.1
Shareholding income	791.9	1,331.6
Remainder of unused budget credits	876.2	1,136.9
Other proceeds on miscellaneous operations	1,584.8	1,692.1
Charges	6,355.6	4,153.8
Interest paid on banks and financial institutions' accounts	1,147.4	
Allotments for fixed asset amortization	3,580.7	3,797.5
Other charges on miscellaneous operations	1,627.5	356.3
Net result of other operations	211.5	2,429.9

8. Management of foreign exchange reserves

Foreign exchange reserves are the instruments by which the Central Bank of Tunisia meets the economy's foreign currency needs in the area of external commercial and financial transactions abroad, while also maintaining its ability to intervene on the local foreign exchange market.

8-1. Overall management framework and trends in reserves for 2010

8-1.1. Overall framework for managing reserves

The Central Bank's strategy for managing reserves is based, in order of priority, on the following three principles :

- ensuring the security of reserves,
- ensuring their liquidity, and
- optimising their returns subject to the above-mentioned constraints.

- Ensuring the security of reserves

Protecting reserves against **credit risk** is always achieved through rigorous selection of counterparts among best-graded international financial institutions. The minimum rating for these counterparts (exclusive of the AMF, BIS and central banks) has been raised to A-. Furthermore, limits for forward bank deposits at counterpart institutions are determined on the basis of a set of criteria, notably credit rating by specialised international agencies. Limits involve both amount and maturity of deposit.

These limits were revised in January 2010, leading to (i) exclusion of a number of banks that no longer comply with the minimum score set for counterparts eligible to deposits with maturities of one week or more ; (ii) as well as to suspension of deposits at banks in countries known to have problems in their banking sector or latent risk in their public indebtedness.

At the end of 2010, the Bank had active lines with 34 financial institutions (including 27 commercial banks with a rating of A+ or higher, two central banks, and two supranational banks), compared to more than 65 institutions prior to the subprime crisis. Moreover, the share of reserves invested as bank deposits with maturity of one week or more was reduced from almost 65% before the crisis to 45% at the end of 2010. The following table shows breakdown of reserves by type of credit risk as at 31 December 2010 :

BREAKDOWN OF FOREIGN EXCHANGE RESERVES BY CREDIT RISK AS AT 31 DECEMBER 2010
(in parenthesis : number of counterpart banking institutions by category of risk) (In %)

	Rating (S&P)	AAA (or equivalent)*	AA	AA-	A+	A	total
Bank deposits	Central banks	3.90 (2)					3.90
	Supranational	16.86 (2)					16.86
	Commercial banks	1.97 (1)	4.12 (2)	10.43 (8)	13.34 (16)	3.42 (3)	33.28
Securities	Sovereign	32.42					32.42
	Supranational & Governmental agencies	13.54					13.54
Total		68.69	4.12	10.43	13.34	3.42	100.0

* AMF, BIS and the Bank of France, which are not rated by agencies, are considered to have the equivalent of an AAA rating.

Investment in securities portfolio is limited to sovereign and supranational issues and to those of government agencies rated AAA. These transactions are settled through a process of delivery against payment via custodians (such as Euroclear or Clearstream) and the Federal Reserve, thus eliminating settlement risk for this type of transaction.

As for **market risk**, the Central Bank protects reserves against international exchange rate volatility by aligning in so far as possible the structure of reserves to that of settlements. Further fine tuning may be required to increase the share of foreign currencies with better prospects for foreign exchange and interest rates, thus preserving the purchasing power of reserves.

To limit interest rate risk, the overall duration of reserves was set at a maximum of 15 months.

Operational risk is kept down by separating responsibilities of the various departments in charge of management of reserves, with checks carried out at several levels. An integrated automated information system allows for this management with minimal manual intervention. Internal and

external audit missions also help to keep check on and improve the operational side of managing reserves.

- Ensuring the liquidity of reserves

In order to ensure the liquidity of reserves, the Central Bank invests in short term bank deposits and eligible securities (Treasury bills and sovereign bonds) that present a high degree of liquidity and a very deep secondary market.

The Central Bank must at all times have the means to cover payment ordered mainly by the Treasury and banks on behalf of economic operators.

To this end, there is close monitoring of the main agents trading in foreign currency. To meet needs for foreign currencies, a portion of reserves is kept immediately liquid, invested day to day. A second portion is placed in the form of bank deposits (for maturities of between one week and six months) or in Treasury bills (with a maximum maturity of one year), broken down in line with a payment schedule that ensures regular inflow of liquidity, thus constituting a sort of 'buffer' portfolio that can meet any unforeseen need for liquidity.

- Optimising returns

To optimize returns subject to constraints of preserving the capital and liquidity of reserves, investment decisions (choice of maturity, choice of instruments) are made taking into account prospects for interest rates and foreign exchange rates for the main reserve currencies. Particular attention goes to investment in bonds, which yield a higher return than monetary investments, but which carry the risk of capital losses. This orients the choice of positioning on the yield curve as well as the intention of holding the securities. The choice in 2010 of top quality spread instruments (notably supranational and AAA agency securities) helped boost proceeds from the bond portfolio and offset the drop in monetary proceeds, linked to an environment of exceptionally low rates on major international currencies.

8-1.2. Trends in foreign exchange reserves in 2010

8-1.2.1. Trends in the level of reserves

Tunisia's international reserves came to 9549 million US dollars at the end of 2010 (13,661 million dinars), a drop of 200 million dollars compared to the figure at the end of 2009.

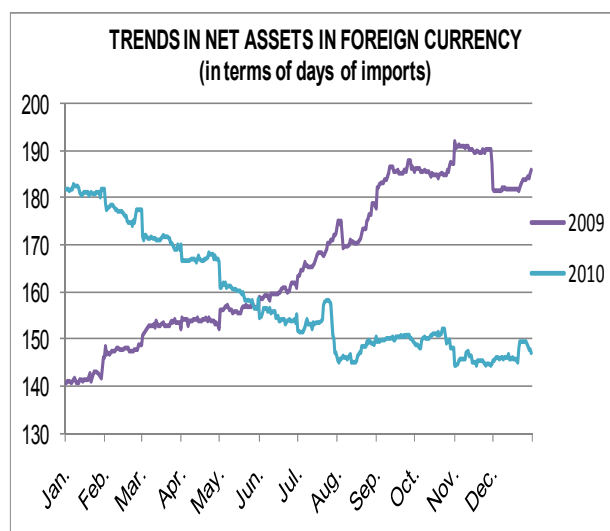
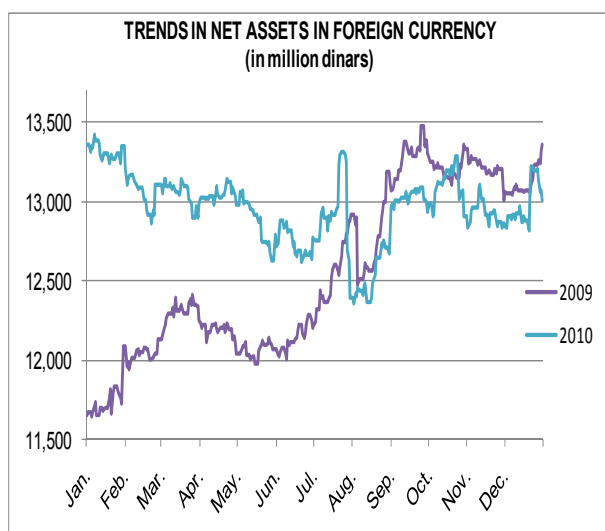
(In millions)

Line items-international reserves	2009		2010		Variation 2010/2009	
	TND	USD	TND	USD	TND	USD
Gross assets in foreign currency	13,397.5	9,364.3	12,991.3	9,080.4	-406.2	-283.9
- Net assets in foreign currency	13,352.9	9,333.1	13,002.9	9,088.5	-350.0	-244.6
- Foreign accounts in foreign currency	44.6	31.2	-11.6	-8.1	-56.2	-39.3
Assets and investment in SDRs	501.9	350.8	540.9	378.0	39.0	27.2
IMF reserve position	42.9	30.0	124.6	87.1	81.7	57.1
Gold holdings	4.4	3.1	4.4	3.1	0.0	0.0
Total international reserves	13,946.7	9,748.2	13,661.2	9,548.6	-285.5	-199.6

Figures are obtained as from those in TND converted at 1USD=1.4307 TND.

This decrease was due to the lower level of net assets in foreign currency, down from 9333 million dollars at the end of 2009 to 9089 million dollars at the end of 2010.

The combined effect of the lower level of net assets in foreign currency and the increase in daily average of imports meant a decrease in the level of assets expressed in days of imports from 186 at the end of 2009 to 147 at the end of 2010.



An analysis of foreign currency asset flows in 2010 shows a major increase of 646 million dollars in net expenditure flows. Aside from regular expenditure for foreign trade, trends in assets were marked by repayment of principal on the «Global Samurai I» debenture loan in the amount of 35 billion Japanese yen.

As for the other items of international reserves, there was a 36 million SDR increase in the IMF reserve position, following Tunisia's participation in the IMF's Financial Transaction Programme. Net assets in SDRs and in gold remained unchanged.

8-1.2.2. Trends in the structure of reserves

Structure by currency

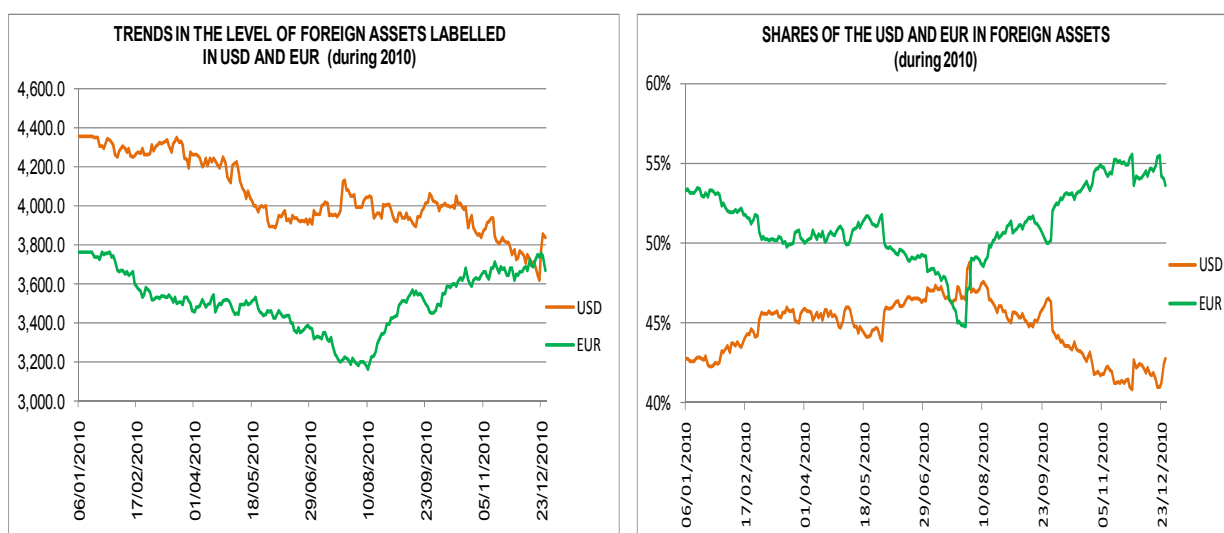
Foreign Exchange reserves at the end of 2010 were held mainly in euros (54%) and US dollars (42%), more or less unchanged compared to end 2009 figures.

STRUCTURE OF ASSETS BY CURRENCY AT YEAR END

	EUR		USD		JPY		GBP		OTHER	
	million	%	million	%	million	%	million	%	million TND	%
31-12-2009	3,759.9	53.1	4,342.7	42.5	12,680.6	1.3	179.9	2.8	39.4	0.3
31-12-2010	3,663.6	53.9	3,856.6	42.5	1,528.4	0.2	183.5	3.1	33.2	0.3

Since the beginning of 2010, the share of the euro followed a downward trend, accentuated in July by foreign exchange transactions to build up reserves in Japanese yen in order to settle the «Global Samurai I» loan, involving sale of 253 million euros. The share of the euro thus fell to 45% on 23 July 2010, down from 53% at the beginning of the year. But this trend then reversed starting in August, influenced in particular by income from tourism and worker remittances. Assets labelled in euros closed for the year at practically the same level as at the end of 2009, some 3700 million euros, the equivalent of about 4900 million US dollars.

The share of the US dollar was sustained throughout the year by income from oil and gas royalties as well as drawings on external loans. This involved in particular the 150 million USD loan granted to ETAP by ADB, bringing the share of the US dollar in overall foreign currency assets to its highest level of the year (48.8%) at the end of July. Also worth mentioning are IBRD and ADB loans to the Tunisian State at the end of the year for a total of 250 million US dollars.



Structure by instrument

Assets in foreign currency are held in three portfolios : a “working capital”, a liquidity portfolio and an investment portfolio.

The “**working capital**” is meant to meet the daily and immediate needs of economic actors for foreign currency. It is made up of bank deposits with a maturity of less than one week, the balances of current accounts of the Central Bank held at foreign banking institutions, and stock of foreign banknotes. At the end of 2010, the share of this portfolio came to 12% of overall gross assets in foreign currency, compared to 14% a year earlier. But these figures do not reflect the overall trend for this portfolio for the year as a whole. In effect, the average share of bank deposits with a maturity of less than one week was some 13% of foreign currency assets in 2010, vs. 6% in 2009.

The **liquidity portfolio**, acting as a buffer portion for “working capital” and representing 73% of foreign currency assets at the end of 2010, is made up of bank deposits with a maturity of between one week and six months and Treasury bills with a maximum maturity of one year. Bank deposits accounted for 59% of liquidity portfolio at the end of 2010, 29 percentage points more than the figure at the end of 2009, influenced by falling due of US Treasury bills maturities that were reinvested in bank deposits. Securities in liquidity portfolio were at the end of 2010 made up of French (95%) and German (5%) Treasury bills.

Investment portfolio meant to boost yield on reserves and made up of more than one year maturity accounted for 15% of assets in foreign currency at the end of 2010, compared to 7% at the end of 2009. This portfolio was marked by constitution of bonds labelled in US dollars for a total of 736 million entirely issued by supranational institutions and governmental agencies.

BREAKDOWN OF ASSETS IN FOREIGN CURRENCY BY INSTRUMENT

(In millions unless otherwise indicated)

Type of portfolio	Currency	31 December 2009			31 December 2010		
		TND	USD	Share in %	TND	USD	Share in %
Total gross assets		13,397.5	9,364.3	100.0	12,991.3	9,080.4	100.0
Investment portfolio		908.3	634.8	6.8	1,951.5	1,364.0	15.0
Securities	USD	0.0	0.0	0.0	1,053.4	736.3	8.1
	EUR	855.3	597.8	6.4	898.1	627.7	6.9
	Others	53.0	37.0	0.4	0.0	0.0	0.0
Liquidity portfolio		10,559.6	7,380.8	78.8	9,455.6	6,609.1	72.8
Deposits	USD	2,354.2	1,645.5	17.6	3,674.2	2,568.1	28.3
	EUR	266.8	186.5	2.0	1,484.0	1,037.3	11.4
	Others	446.9	312.4	3.3	376.4	263.1	2.9
Securities	USD	2,207.3	1,542.8	16.5	0.0	0.0	0.0
	EUR	5,284.4	3,693.6	39.4	3,921.0	2,740.6	30.2
	Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	USD	4,561.5	3,188.3	34.1	3,674.2	2,568.1	28.3
	EUR	5,551.2	3,880.1	41.4	5,405.0	3,777.9	41.6
	Others	446.9	312.4	3.3	376.4	263.1	2.9
“Working capital” Portfolio		1,929.6	1,348.7	14.4	1,584.3	1,107.4	12.2
Portfolio	USD	5.1	3.6	0.0	5.3	3.7	0.0
	EUR	76.6	53.5	0.6	85.4	59.7	0.7
	Others	8.8	6.2	0.1	27.4	19.2	0.2
Deposits	USD	1,120.6	783.3	8.4	784.8	548.5	6.0
	EUR	634.0	443.1	4.7	618.9	432.6	4.8
	Others	84.4	59.0	0.6	62.5	43.7	0.5
Total	USD	1,125.7	786.9	8.4	790.1	552.2	6.0
	EUR	710.6	496.6	5.3	704.3	492.3	5.5
	Others	93.2	65.2	0.7	89.9	62.9	0.7

8-2. Market activities
8-2.1. Main facts
8-2.1.1. Treasury bills portfolio

An amount of 1685 million dollars in US Treasury bills fell due in 2010. The very low level of remuneration for these bills motivated the strategic decision to give priority to the USD in banking investment.

TREASURY BONDS PORTFOLIO AS AT 31 DECEMBER

(In millions)

	2009		2010	
	EUR	USD	EUR	USD
US T-bills	-	1,685	-	-
French Treasury bills	2,090	-	1,950	-
German Bubills	705	-	100	-
Total	2,795	1,685	2,050	-

8-2.1.2. Bond portfolio

There was reintegration of supranational and government agency issues in 2010, which had been abandoned since the subprime crisis in the wake of growing concern, reflected on a widening of bid-ask spreads. 725 million dollars and 345 million euros were assigned to investments in KFW and EIB securities, which offered a higher yield than US or German government issues with equivalent maturities. Part of this investment came from falling due of the French and German securities over the year (290 million euros overall).

As for positioning on the yield curve, threshold levels for yields in 2010 (2.39% for US ten year securities in October and 2.11% for ten year European securities at the end of August, a downward adjustment of almost 144 and 128 base points respectively compared to figures at the beginning of the year) and the strong probability of a reversal in trends led to preference for the short term end of the curve.

BOND PORTFOLIO AS OF 31 DECEMBER

(In millions unless otherwise indicated)

Nature	2009			2010		
	EUR	USD	JPY	EUR	USD	JPY
German securities	185			75		
Share in global portfolio (in %)	37.86			7.48		
French securities	210			30		
Share in global portfolio (in %)	42.98			2.99		
EIB				205	360	
Share in global portfolio (in %)				20.45	26.87	
KFW				140	365	
Share in global portfolio (in %)				13.97	27.24	
Others	65		3,770	10		
Share in global portfolio (in %)	13.36		5.80	1.00		
Total	460		3,770	460	725	

The BCT decided to take advantage of the increase on part of portfolio securities' prices. Transfer of these securities helped achieve gains that amounted to 25.8 million dinars at end 2010.

In the area of foreign exchange, repayment of the "Global Samurai I" debenture loan in the amount of 35 billion yen required purchase of 30 billion yen against euros on the international foreign exchange market because of the low level of yen in reserves, linked to the virtually nil interest rate for this currency.

8-2.2. Result from management of reserves

Investment of foreign currency assets helped generate a 2010 figure of 71 million USD in management result, compared to 95 million in 2009. This drop reflects the low interest rates prevailing on the international money market, notably the segment for US Treasury bills, preventing reinvestment of bills that had come to maturity.

74% of 2010 result was generated by investment in euros and 22% by investment in US dollars. As a ratio of base, the securities portfolio alone accounted for 78% of above mentioned result.

Results posted at the end of 2010 as a ratio of average assets in foreign currency helped generate an average rate of return of 0.79%. Average rates were 1.15% for the euro and 0.39% for the US dollar.