Tunisie Valeurs
BIEN PLACÉE POUR MIEUX PLACER

Stock File - BIAT

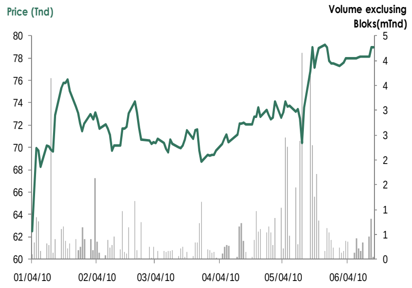
June 18 2010

Research Department

Cs(+) | Hold (+)

Price: 41.220Dt

Leadership Confirmed



Shareholding:

MABROUK Group:	34%
TTS Group:	10%
MENINX Holding:	8%
Other:	48%

Market Capitalization: 1336.4MDt

+Highest YTD: 81.250Dt
(January 4th)

+Lowest YTD: 64.110Dt
(May 24th)

YTD Performance (BIAT/Market):
+25.8%/+15.8%

Valuation Ratios:
(BIAT/Sector)

P/E_{2010e}:	18.8x/14.3x
P/B_{2009}:	2.6x/ 1.9x
$Yield_{2010e}$:	2.4%/ 2.4%
ROE_{2009e}:	12%

Analyst:
Abderrahman AKKARI

Summary

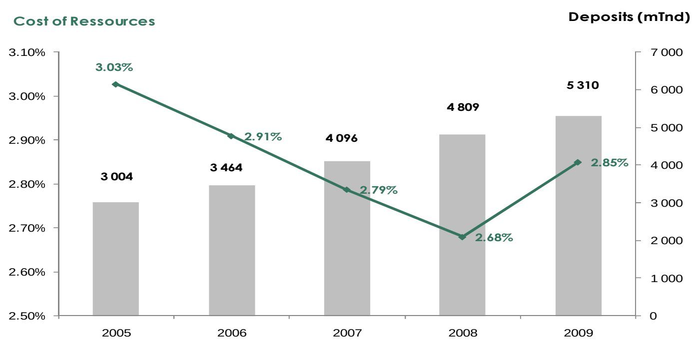
The Publication of the 2009 financial statements of BIAT was a big surprise for the market. While the release of indicators of activity was indicative of a moderate growth in earnings, they stood at 60MDt (a consolidated profit de63.7MDt), versus 33.7 in 2008 (+78%). This event somewhat unexpected comes as the major banks in the market this year have suffered the double impact of the economic downturn and declining interest rates which negatively impacted their earnings.

On the other hand, BIAT this year confirmed its status of the first private bank in Tunisia. The bank holds the largest market share of deposits with 17% (and 25% of total foreign currency deposits of the sector). As for the loan book, the bank ousted BH and moved to third place of the ranking behind STB and BNA with 13.3% market share.

The market seems to applaud the performance. The share price of BIAT gained 73.8% in 2009, and 25.8% so far in 2010. The bank has already passed second largest stock market capitalization and follows very closely PGH with only 40MDt of difference in their market valuation.

The Ressources:

Customer deposits rose by 10.4% in 2009 to 5 310MDt. This increase comes after the bank suffered a outflows in the first quarter of 2009. Indeed, the economic environment earlier this year has forced some foreign firms repatriate some of their deposits from Tunisia.



Most importantly, BIAT proudly displays the lowest cost of resources in the sector that stood in December at 2.85% (against an industry average of around 3.6%). This constitutes a major advantage for the bank by giving it a considerable room for maneuver against the competition that more and more does not hesitate to sell off the margin to gain market share

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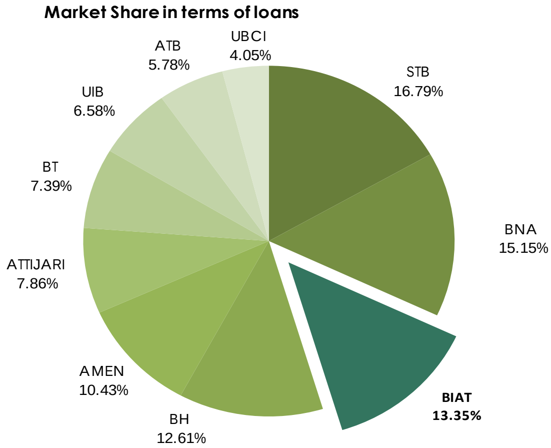
Cost of ressources: An important competitive advantage

Loans: a solid and steady market share.

Loans:

After a difficult start of the year, BIAT rectified the bar and closed on the fiscal year 2009 on growth of its loan book of 17.72% at 3 522MDt. This performance is remarkable because it occurs in a difficult economic environment, and it allows the bank to substantially improve its market share of credits. This growth is mainly due to:

Þ The new business relationships that the bank has managed to establish with major industrial groups in Tunisia.
Þ Greater participation in the financing of public investments, which were the sole area of public banks. These companies are seeking important funding in foreign and local currency. BIAT (and other private banks including the BT and AMEN BANK) have captured 40% of lending to these companies.
Þ Major investments undertaken by the MABROUK Group (the main shareholder of the bank) to which BIAT has largely participated.



On the other hand, the network expansion of the bank has promoted the development of retail banking. BIAT which largely increased its product offering now rests on a very extensive distribution platform (133 branches with a plan to open 10 additional branches every year).

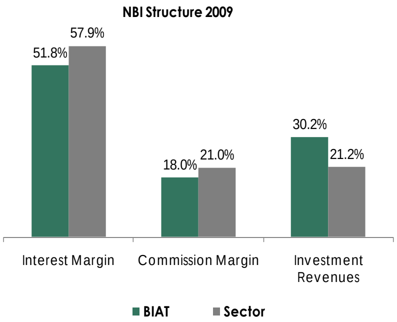
Net Banking Income:

The NBI suffered a decreasing interest rates. Only 0.9% of growth

The diversification of revenues is needed

A suggested the release of the activity indicators, the significant rise in profits is not the result of an achievement level of NBI. Indeed, it displays a timid growth of 0.9% to 262.9MDt. This is explained by lower interest income in 2009 which showed a decrease of 4% to 261MDt. Like the Tunisian banks, the NBI of BIAT is largely based on its interest margin (54%). The performance level of the volume of commitments was unfortunately unable to cushion the impact of lower rates. This finding highlights the extreme sensitivity of the Tunisian Banks to the interest rates fluctuations. It also increases the pressure on their leaders to overcome this deficiency, and diversify their sources of income.

Analystes:
Rym GARGOURI BEN HAMADOU Lilia KAMOUN Abderrahman AKKARI Alo MBAREK



Thanks again to their extensive network, the management of the bank is confident in its ability to improve this situation. Indeed, studies have shown that the offer of products and services at the counters of Tunisian banks remains far below what is observed in comparable countries. The bank has therefore extended its product offering around its existing customers. This offer will not be limited to the traditional banking services, but extended to other services such as insurance or securities brokerage, asset management etc. It is however important to note that this is a difficult challenge for our banks. Not only do they have to adapt their information systems if they intend to offer new services, but they also have to make a more specific training of their sales force in order to make them more specialized in what they will be doing.

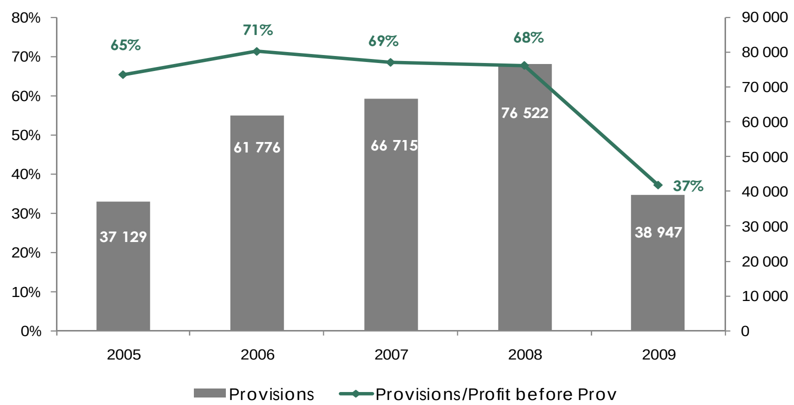
Risk Management

Finally BIAT reached the threshold of 70% coverage.

The bank has been forced for years to allocate large amounts of provisions. These amounts have reached their peak in 2008 with 74MDt (which represented 69% of profits before provisions). To our surprise, BIAT allocated to provisions in 2009 only 36.7MDt. It is true that this amount has enabled BIAT reach the threshold of coverage required by the Central Bank of 70%, and has greatly relieved at the same time profits. But this measure seems to us somewhat risky, especially in this particular economic climate.

It is important to note that given the changing economic environment, it would have been much more prudent for the bank to adopt more conservative provisioning policy by allocating larger amount to provisions. These measures could prevent the bank against possible difficulties that might know some customers, and thus avoid the cost of high risk in the coming years

A risk level that needs to be closely monitored in this specific economic climate.



As for the amount of NPLs, it was established in late 2009 at 445MDt, representing 11.6% of total gross loans of the bank (15% required by the BCT

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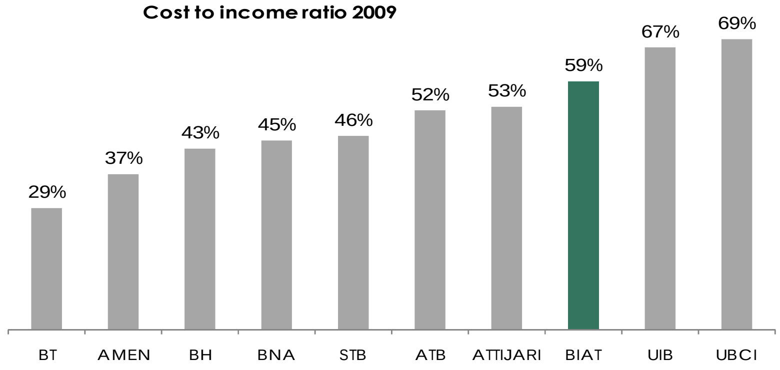
Cost to Income Ratio:

La maîtrise des charge: le grand chantier du management.

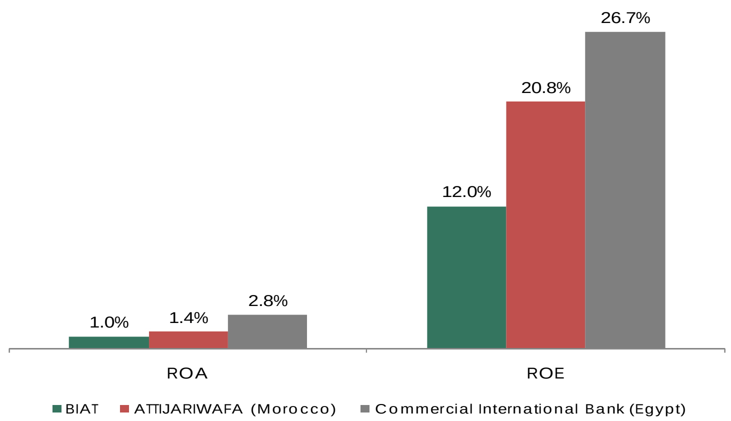
While the component of risk management seems better mastered, it is clear that BIAT still struggling to reduce its operating costs. The cost to income ratio of the bank has deteriorated sharply this year from 53.9% in 2008 to 59.1% in 2009. This is the result of a share of the low performance level of NBI, and secondly to the consequent increase in operating expenses which rose from 139.2MDt to 155.4MDt (+11.1%). This increase is largely attributed to higher salaries and wages (+13.7% to 109.2MDt). BIAT continues to reduce its workforce by offering early retirement to the pension, a move which would pay off in the mid and long term.



Profitability:

Une rentabilité en deçà des ses pairs étrangers.

With a net profit increase of 78%, BIAT significantly improves its profitability ratios. The ROE of the bank now stands at 12% (against 7.4% in 2008), and a ROA of 1.02% (against 0.6% in 2008). Despite this improvement, this level of profitability remains, like other Tunisian banks well below the averages in comparable markets to Tunisia. BANK ATTIJARIWAFA, that displays in Morocco a positioning similar to that of BIAT in Tunisia, displays an ROE of 20.8% and ROA of 1.4%. Same finding for the Commercial International Bank (CIB), the largest Egyptian private bank that displays an ROE of 26.7% and an ROA of 2.8%. This observation leads us again to consider the trades necessitated modernization and banking services in Tunisia.



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Outlook and Recommandation:

Préserver les acquis en terme de gestion des risques.

The restructuring process largely completed, the management of the bank is now looking to future challenges to what BIAT should deal with: the preservation of achievments in terms of asset quality, modernization of banking services and resistance against increasing competition. It is clear that today BIAT holds considerable advantages which are likely to strengthen its already strong position in the banking landscape. Especially, the emergence of a core shareholder active in many other areas, will favour the consolidation of other financial services around the bank.

Un bénéfice qui devrait dépasser les 70MDt en 2010.

Regarding 2010, we believe that better value for operating expenses and a decrease in cost of risk will allow the bank to maintain a double digit growth in profits. This is confirmed by the indicators of the first quarter shows a slight improvement in revenues (+2.2%) and a net decrease in expenses (-4.2%). At this rate, we believe that the bank will post a NBI increase of 6% and a profit of 70MDt is perfectly feasible for BIAT.

Un cours boursier qui reflète le potentiel bénéficiaire de la banque.

Despite a marked improvement in profits, the rise in the price changes experienced by BIAT up the title on valuation levels much higher than the market. Bank trafficking today 2.6 times its equity 2009 and one PE2010e 18, cons averaging 1.6 and 14.1 per banking and 1.9 and 16 for entire market. This leads to renew our recommendation retain title BIAT with prospects posi

	2007	2008	2009	2010e
Loans	2 739 680	2 991 726	3 522 011	3 733 331
var		9.20%	17.73%	6.00%
Deposits	4 096 779	4 809 165	5 310 645	5 894 816
var		17.39%	10.43%	11.00%
NBI	228 626	260 538	262 910	276 055
Var		13.96%	0.91%	5.00%
Provisions	66 715	76 522	38 947	42 063
var		14.70%	-49.10%	8.00%
Cost to Income Ratio	59%	53%	59%	56%
Net Profit	**21 503**	**33 744**	**60 091**	**71000**
var		56.93%	78.08%	18.15%

Analystes:
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