

Fitch Affirms Arab Tunisian Bank at 'BBB+'; Outlook Stable

Fitch Ratings-London/Paris/Tunis-20 July 2010: Fitch Ratings has affirmed Arab Tunisian Bank's (ATB) Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB+' with Stable Outlook. A full rating breakdown is provided at the end of this comment.

ATB's Long- and Short-term IDRs and Support Rating are driven by a high probability of support from its majority (64.2%) shareholder, Arab Bank plc (AB, rated 'A-/Outlook Stable'). The Tunisian bank's Individual rating reflects its sound profitability, relatively high liquidity and increasing capital base. However, the ratings also factors in asset quality issues and concentration in the funding base.

In 2009, ATB's operating profitability was slightly weakened by a low interest rate base, reducing the net interest margin (NIM) to 2.79% from 3.02% in 2008. Gross loan growth slowed to 9.8% from 25% in 2008 amid sluggish economic conditions. Operating returns on average equity and asset held up quite well at 16.7% and 1.4% respectively, after ATB reduced loan impairment charges to TND8.4m from TND11.4m.

ATB's risk is mainly credit-oriented. Notwithstanding the steady improvement in asset quality (gross impaired loans of 203.3Mio TND or 11.2% of gross loans (2008: 209.2Mio TND or 12.4%), asset quality remained constrained by a high exposure to a group of large corporates (top 20 largest exposure standing for nearly 30% of gross loan portfolio). At end 2009, net impaired loans accounted for 17.6% of equity (2008: 22.4%).

ATB is mainly funded by client deposits, which represent nearly 80% of non-equity funding at end-2009. Notwithstanding the deposit concentration (top 20 customers accounting for nearly 30% of total client funding), liquidity risk is mitigated by a satisfactory level of liquid assets (49% of total assets at end-2009, of which 25.4% placed with AB), the issuance of TND50m subordinated bonds and the bank's ability to call on AB's credit lines in times of stress. ATB's liquidity is tightly controlled by AB. ATB's tier 1 ratio stood at 11.8% at end-2009.

ATB is a medium-sized Tunisian bank, which provides a full range of retail banking services through 101 branches. At end-2009 it had 8.9% and 5.6% shares of the system's deposits and credit respectively.

ATB

Long-term foreign and local currency Issuer Default Ratings (IDRs) affirmed at 'BBB+'; Outlook Stable Outlook.

Short-term local and foreign currency IDRs affirmed at 'F2'

Individual Rating affirmed at 'D'

Support Rating affirmed at '2'

National Long-term rating affirmed at 'AA(tun)'; Outlook Stable

National Short-term rating affirmed at 'F1+(tun)'

Contacts: Wassel Madani, Tunis, Tel: +216 71 840 902; Sonia Trabelsi, Tunis, Tel: +216 71 844 805.

Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(tun)' for National ratings in Tunisia. Specific letter grades are not therefore internationally comparable.

Additional information is available at www.fitchratings.com.