
Fitch Takes Rating Action on Tunisian NBFIs

Fitch Ratings has affirmed the Compagnie Internationale de Leasing's (CIL) National Long-Term Rating at 'BBB- (tun) and its Short-Term Rating at 'F3(tun)'. The rating actions follow completion of a peer review of eight Tunisian non-bank financial institutions (NBFIs). The Outlook is Stable.

A full list of rating actions is at the end of this rating action commentary.

National Ratings reflect the creditworthiness of an issuer relative to the country's best credit and relative to peers operating within that country.

KEY RATING DRIVERS

NATIONAL RATINGS AND SENIOR DEBT

The ratings of CIL are driven solely by the company's standalone creditworthiness. CIL's ratings reflect a reasonable market share (13%) and key financial metrics which are consistently above the average for many second-tier peers. CIL is the only rated Tunisian leasing company which writes business at floating rates, thereby reducing its exposure to market risk. This is credit positive and its performance metrics are consistently better than peers.

Rated Tunisian NBFIs are small by international measures, with equity ranging from the equivalent of around USD60 million to USD10 million and operate in high risk sectors. Customers of leasing and factoring companies are mainly SMEs which often do not publish audited financial statements.

The NBFIs operate almost exclusively in Tunisia where macro-economic conditions have been difficult since the 2011 'Arab Spring' uprising. Implementation of IMF-imposed reforms is slow, the political landscape is fragmented and liquidity conditions in the financial sector are tight. Funding conditions for rated NBFIs are becoming increasingly tough as high interest rates force up costs, most lending is extended at fixed rates, and liquidity conditions are tight. Bond issuance is low and bank loans are increasingly scarce as banks face tighter prudential liquidity restrictions and deposit inflows are slow. Funding and liquidity considerations have a high influence on the ratings of all Tunisian NBFIs.

Senior debt instruments issued by rated NBFIs are equalised with their National Ratings.

RATING SENSITIVITIES

NATIONAL RATINGS AND SENIOR DEBT

Potential for ratings to be upgraded on a standalone basis are limited given tough operating conditions. It will therefore be difficult for CIL to achieve a significant improvement in its standalone credit profile relative to other Tunisian companies in the foreseeable future. The NBFIs' business models and growth are reliant on continuous access to funding and their ratings are sensitive to changes in their funding profiles. Signs of strains in their ability to

access funding would likely trigger a downgrade of NBFIs ratings. Significant deterioration in asset quality and performance metrics would also likely trigger a downgrade.

A downgrade of the Tunisian sovereign will not necessarily impact the NBFIs' National Ratings because credit relativities may be preserved.

The rating actions are as follows:

Compagnie Internationale de Leasing
National Long-Term Rating: affirmed at 'BBB-(tun)'; Outlook Stable
National Short-Term Rating: affirmed at 'F3(tun)'
National senior unsecured debt rating: affirmed at 'BBB-(tun)'
National subordinated debt rating: affirmed at 'BB(tun)'

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