Fitch Ratings-London/Milan-30 January 2015: Fitch Ratings has affirmed Tunisie Factoring's (TF) National Long-term Rating at 'BBB(tun)' and Union de Factoring's (UF) National Long-term Rating at 'BB(tun)'. The Outlooks on both National Long-term Ratings are Stable. A full list of ratings actions is provided at the end of this rating action commentary.

The rating actions follow a periodic review of Tunisian factoring companies' National Ratings. National Ratings reflect the creditworthiness of an issuer relative to the best credit and to peers in the country.

KEY RATING DRIVERS - NATIONAL RATINGS AND SENIOR DEBT TF's National ratings reflect Fitch's opinion of a limited probability of support, if required, from main direct 57% shareholder, Tunisie Leasing (TL, BBB+(tun)/Stable/F2(tun)). While Fitch considers TF as a strategically important subsidiary of TL, we consider the probability of support being provided as limited due to TL's moderate ability to support, as reflected in its National Long-term rating. The Stable Outlook is in line with that on TL's National Long-term rating.

TF is the leading factoring company in Tunisia. It has maintained sound asset quality ratios through prudent loan growth. Single debtor concentration risk is high but this is mitigated by TF's adequate risk management procedures and prudent credit risk approach. Fitch considers TF's capital ratios as satisfactory and leverage as adequate. Profitability has been resilient despite increased funding costs. Liquidity is inherently tight but remains well-managed, despite pressures on the Tunisian financial sector.

UF's National and senior debt ratings are driven by its standalone creditworthiness. UF's National Long-term Rating reflects UF's modest but improving asset quality, adequate profitability and satisfactory capital ratios. It also takes into account UF's higher risk appetite and tight liquidity. The latter, in Fitch's opinion, benefits from ordinary support made available by UF's bank shareholders, in case of need.

UF's market position has strengthened over the past years in Tunisia (45% market share at end-1H14, up from 36% at end-2011), reflecting a more aggressive commercial strategy. Fitch views UF's asset quality as weak, although it has improved over the past years. The impaired loans ratio is high (11.3% at end-1H14); this, however, largely comprises legacy exposures dating back to 2008 (around 85% of total impaired loans). The portfolio originated post-2008 is performing adequately. Fitch expects asset quality to slightly improve in 2015. Concentration risk per obligor is material, in common with the factoring sector.

Fitch considers UF's profitability as adequate despite pressure on net interest margins. We expect profitability to be stable in 2015, on increased revenues generation and cost efficiencies. Offsetting factors include increasing loan impairment charges due to continued decline in write backs since 2011.

Fitch views UF's capital as satisfactory. We do not factor in any shareholders' support in its ratings because of UF's fragmented shareholding base (Arab Tunisian Bank (ATB, BB/Negative, 22.2%), Banque Nationale Agricole (12.5%) and Amen Bank (9.2%)) and as a result shareholder support cannot be relied upon in Fitch's view. The agency considers UF's liquidity as tight, due to its reliance on short-term debt and the lack of contingency funding plans. However, liquidity risk has to date been mitigated by ordinary support from its bank shareholders.