

Various Ranking Actions Taken On Credit Fondiario As A Master, Primary, And Special Servicer In Italy

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OVERVIEW

- We raised to ABOVE AVERAGE from AVERAGE our rankings on Credito Fondiario as a master servicer of residential and commercial mortgages, and unsecured loans in Italy.
- We assigned our AVERAGE rankings to Credito Fondiario as a special servicer of residential and commercial mortgages in Italy.
- At the same time, we affirmed our ABOVE AVERAGE rankings on Credito Fondiario as a primary servicer of residential mortgages and commercial mortgages in Italy.
- Credito Fondiario is a bank that supplies servicing support and has 221 staff based in Rome, Milan, and Genova.
- The outlook on the rankings is stable.

LONDON (S&P Global Ratings) Aug. 6, 2018--S&P Global Ratings today raised to ABOVE AVERAGE from AVERAGE its overall rankings on Credito Fondiario SpA (CF) as a master servicer of residential and commercial mortgages and unsecured loans in Italy, and affirmed its ABOVE AVERAGE rankings on CF as a primary servicer of residential and commercial mortgages in Italy. At the same time, we assigned our overall AVERAGE rankings to CF as a special servicer of residential and commercial mortgages in Italy. The outlook on all of our

rankings is stable.

Our MANAGEMENT AND ORGANIZATION subrankings on CF are ABOVE AVERAGE for all rankings. Our LOAN ADMINISTRATION subrankings on CF are ABOVE AVERAGE as a primary and master servicer and AVERAGE as a special servicer.

Our rankings reflect:

- The accomplished management team's ability to set and deliver substantial business growth.
- CF's functional organization, which is supported by an effective governance model.
- The experienced professionals leading internal control functions.
- The servicer's continuous focus on IT system development.
- CF's proven ability to board complex portfolios.
- Fast growing master servicer operations, backed by experienced staff and a well-known third-party accounting system, which was successfully audited in 2017.
- The appropriate special servicing workflow embedded in the loan management systems in use, and the workforce supporting it, duly sized to minimize operational risks.
- The company's solid track record as a primary servicer of secured mortgages, which are managed by a team with a long tenure using a robust accounting system.

In line with our criteria, the raising of our overall master servicer ranking on CF to ABOVE AVERAGE was driven by the raising to ABOVE AVERAGE of our master servicer loan administration subrankings for residential and commercial mortgages and unsecured loans in Italy. In turn, the increase in the master servicer loan administration subrankings were driven by the management's successful execution of portfolio growth over the past two years while concurrently maintaining generally sound performance, leveraging the same experienced personnel, systems, and controls as their primary servicing business.

OUTLOOK

The outlook is stable across the rankings because CF offers a reliable service in all its different roles. The servicer applies a mix of systems that are widely used in the Italian banking sector and it also implemented a well-designed property loan-management system. Its staff have relevant backgrounds, and are integrated with external consultants. Additionally, CF is effectively consolidating its special servicing operations.

Since our prior review (see "Servicer Evaluation: Credito Fondiario SpA", published on June 30, 2017), CF reported the following key changes:

- Appointment as master servicer of almost €26 billion of non-performing loans (NPLs) originated and securitized by Monte dei Paschi di Siena SpA during the first half of 2018, which turned the master servicing business

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into a key pillar of CF's activity.

- Expansion of the special servicing activity, including the acquisition and ongoing integration of Banca Carige SpA's servicing NPLs platform.
- Strengthening of the special servicing activity through the unit's restructuring and the appointment of an external senior manager as head of special servicing.
- Appointment of an external senior manager as head of the newly established team working on the unlikely-to-pay loans.
- Implementation of a new organizational structure, including new functions.
- Appointment of the new general manager in April 2017 and the new chief financial officer in May 2018 following the former's move to chief business officer and deputy general manager.
- Launch of a two-year long project to support continuous IT system improvements.

FINANCIAL POSITION

The financial position is SUFFICIENT.

RELATED CRITERIA

- Criteria - Structured Finance - Servicer Evaluations: Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Criteria - Structured Finance - Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

RELATED RESEARCH

- Select Servicer List, June 18, 2018
- Servicer Evaluation: Credito Fondiario SpA, June 30, 2017

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