

FITCH UPGRADES FBS'S RESIDENTIAL AND COMMERCIAL SPECIAL SERVICER RATINGS

Fitch Ratings-London-11 December 2015: Fitch Ratings has upgraded FBS SpA's (FBS) Italian Residential and Commercial Mortgage Special Servicer Ratings to 'RSS2+' and 'CSS2+' respectively from 'RSS2' and 'CSS2'. The agency has also affirmed the Asset Backed Securities (ABS) Special Servicer Rating at 'ABSS2'.

The upgrades reflect FBS's improving ability to manage the workout process for non-performing loans (NPLs).

Over the last 18 months, FBS has overhauled its technology infrastructure. The company has moved to a cloud-based system and has a new web-based servicing platform in place, providing an improved and more user-friendly environment for staff and management. The data warehouse has been rebuilt to support these enhancements.

FBS has adjusted its strategy and moved away from boarding smaller ABS loans and focused on taking new opportunities in the NPL market. This has been evidenced with the taking on of new corporate clients such as Banca Popolare Di Milano and Monte Dei Paschi Di Siena.

FBS continues to show improving financial conditions. The company does not benefit from the support of a rated parent. Revenues increased in 2014 and the company made a higher net profit for the third consecutive year. FBS has returned an operating profit for each of the last 17 years. It also continues to meet the Bank of Italy requirements for minimum Tier 1 regulatory capital.

The ratings are also supported by FBS's continued focus on delivering strong training and development programmes for company staff. The programmes include a balanced mix of internal and external courses with continued emphasis on team building and staff motivation. The focus on staff development has resulted in a staff turnover level comparable to peers and an increase in internal promotions over the last 12 months.

The upgrades are further supported by a mature risk management framework, which remains strong, comprising features such as ICAAP reporting, mid-term strategic business planning and regular internal audits covering end-to-end operations. The framework is supported by experienced individuals, each with longer company tenure than their equivalents at most FBS peers.

FBS continues to demonstrate broad servicing expertise. The external network of door-to-door collectors and the internal phone collection team have been in place for almost three years. FBS's network provides a wide range of borrower contacts and the ability to service smaller, mainly unsecured loans. It is now further embedded in the organisation and monitoring has been further enhanced.

At end-December 2014 FBS's servicing portfolio totalled a gross book value of EUR4.25bn with 158,485 loans. The portfolio comprised 13 securitised transactions, representing EUR2.76bn or 65% of the total portfolio. Unsecured debt under management represented EUR3.1bn (73%) of the total assets under management.

Fitch employed its global servicer rating criteria in analysing the servicer's operations and financial condition, with the former criteria including a comparison of similar Italian servicers as part of the review process.

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