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## AVERAGE Ranking Assigned To CNF As A Special Servicer Of Consumer Loans In Italy; Outlook Positive

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### OVERVIEW

- We have assigned our AVERAGE ranking to CNF as a special servicer of consumer loans in Italy.
- At the same time, we have affirmed our ABOVE AVERAGE ranking on CNF as a special servicer of insurance contracts-related debt in Italy.
- Our outlook on the rankings is positive.
- CNF was established in 2007 as a debt collector of small credits.

LONDON (Standard & Poor's) July 27, 2015--Standard & Poor's Ratings Services has assigned its overall AVERAGE ranking to Credit Network & Finance S.r.l. (CNF) as a special servicer of consumer loans in Italy. At the same time, we have affirmed our ABOVE AVERAGE overall ranking on CNF as a special servicer of defaulted debt linked to insurance contracts. Our outlook is positive.

Our rankings reflect our assessment of the company's operations based on the major ranking factors in our criteria (see "Related Criteria").

CNF was established in 2007 as a debt collector of credits originated by non-life insurance contracts in Italy. The servicer is a credit collection agency compliant with Article 115 of the Italian Home Office Security Law (Testo Unico Leggi Pubblica Sicurezza, T.U.L.P.S). Today, it is a market leader in this sector. Since 2011, CNF has owned the majority stake in AptaDigital's capital, an IT service provider.

In 2012, CNF acquired Geo Gestioni, a call center company, to further expand its debt collection capacity. During the same year, the servicer diversified its business by managing early arrears of consumer loans on behalf of small Italian banks. The servicer has also acquired some portfolios comprising non-performing consumer loans through CNF Finanziaria, a special-purpose entity (SPE) established in 2013 and compliant with article 106 of the Italian banking law. In 2015, the servicer signed a partnership agreement with Italo Sicav, a new Maltese SPE to collect further funding and acquire more nonperforming loan portfolios.

In June 2015, the company became an SPA--public limited company--with capital of €6 million.

CNF also owns 17% of Corvallis' capital, a business process outsourcing (BPO) provider to big companies. It also co-founded Information Technology Outsourcing (I.T.O.), a BPO provider for small and medium sized companies. The BPO business is out of the scope of our review.

#### MAJOR RANKING FACTORS

- CNF has been successful as a debt collector relating to non-life insurance contracts since its establishment in 2007. In 2015, it has confirmed its market leadership in this sector, managing 60% of the non-life insurance contracts-related debt in Italy.
- CNF has also reported an increasing consumer loans portfolio since entering this market in 2012. Despite the portfolio of consumer loans representing a smaller portion of the overall business, CNF forecasts further growth. The servicer is expecting to increase its portfolio of non-performing loans through further acquisitions and gain new mandates to manage early arrears for outstanding and potential new clients.
- CNF reported positive collection results in both asset classes. However, it has a shorter track record relating to its consumer credits business.
- The company has a stable and committed executive team, which has been further strengthened by the appointment of an experienced professional in a new role as head of legal affairs and compliance.
- The servicer uses a robust and automated property IT system, which is continuously updated by CNF's subsidiary and IT system creator, Aptadigital.
- In 2014, the staff turnover rate was higher than in the past, but the company considered this an outlier observation, and is expecting lower levels in future.
- Internal controls guarantees a relevant check of risks, processes and procedures, and we expect them to increase further as a result of a longer track record and coordination.

#### OUTLOOK

The outlook is positive as a special servicer of insurance credits and consumer loans. We could revise both rankings if--all else being equal--the servicer maintains its leadership position as an insurance debt collector,

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attracts new consumer loans business, has a lower staff turnover rate, further develops internal controls, and reports a longer positive track record as a consumer credit debt collector.

### MANAGEMENT AND ORGANIZATION

We have affirmed our ABOVE AVERAGE sub-ranking on CNF for management and organization as a special servicer of insurance-related debt and consumer loans.

The management and organization is supported by a stable and committed executive team, a well-organized structure, and a robust property IT system. CNF has proven its ability to achieve an ambitious business plan and we expect it to maintain its leadership position as a special servicer of insurance credits and to further develop as a special servicer of consumer loans.

In 2014, the servicer registered higher staff turnover than usual. This is because it internalized part of the legal service supporting its operations. The company forecasts a lower level in the future.

The internal controls comprise the internal audit, risk management, and compliance functions. These all report to the board and are independent from operations. They guarantee a reasonable level of controls, given the nature of CNF's business and the size of the company, in our opinion.

### LOAN ADMINISTRATION

We have raised to STRONG from ABOVE AVERAGE our sub-ranking on CNF for loan administration as a special servicer of insurance-related debt. CNF's operations provide a reliable and robust service as a debt collector for insurance companies. The company has a long track record of positive collection results for insurance-related debt. This has helped the company to be a market leader and to have a stable level of insurance-related debt servicing business.

We have assigned our AVERAGE sub-ranking on CNF for loan administration as a special servicer of consumer credits debt. The company achieved positive results for both third partys' early arrears and directly owned non-performing loans. The portfolio is still small but growing steadily. We will assess the opportunity to raise this ranking by the time of our next review if the company continues to report encouraging collection results and further portfolio growth.

### FINANCIAL POSITION

We deem CNF's financial position to be SUFFICIENT.

### RELATED CRITERIA AND RESEARCH

Related Criteria

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

Related Research

- Select Servicer List, published monthly

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