Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Hecho Relevante de EdT FTPYME PASTOR 3 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **EdT FTPYME PASTOR 3 FONDO DE TITULIZACION DE ACTIVOS** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Standard & Poor's Ratings Services** ("**S&P**"), con fecha 21 de noviembre de 2016, comunica que ha elevado la calificación asignada a la siguiente Serie de Bonos emitidos por el Fondo:
  - **Serie C**: **B- (sf)** (anterior **CCC- (sf)**)

Se adjunta la comunicación emitida por S&P.

Madrid, 22 de noviembre de 2016.

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Rating Raised On SME CLO Transaction EDT FTPYME PASTOR 3's Class C Notes Following Review

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OVERVIEW

- We have reviewed the performance of EDT FTPYME PASTOR 3, using data from the September 2016 servicer report and October 2016 payment date, and have performed our credit and cash flow analysis applying our European SME CLO criteria.
- Following our review, we have raised to 'B- (sf)' from 'CCC- (sf)' our rating on the class C notes.
- EDT FTPYME PASTOR 3 is a cash flow CLO transaction that securitizes loans to SMEs. The collateral pool comprised both secured and unsecured loans at closing. The transaction closed in December 2005.

LONDON (S&P Global Ratings) Nov. 21, 2016--S&P Global Ratings today raised to 'B- (sf)' from 'CCC- (sf)' its credit rating on EDT FTPYME PASTOR 3, FONDO DE TITULIZACION DE ACTIVOS' class C notes.

Today's upgrade follows our assessment of the transaction's performance using the available servicer reports, as well as the application of our criteria for European collateralized loan obligations (CLOs) backed by small and midsize enterprises (SMEs) and other relevant criteria (see "Related Criteria").

CREDIT ANALYSIS

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Based on our review of the current pool and since our previous review in March 2016, the pool has experienced stable performance as recoveries on previously defaulted assets have exceeded new defaults, such that current defaults have fallen by €719,000 and the reserve fund has been replenished by this amount. While the reserve fund is still well below its required amount of €16.4 million, the current balance of €1.5 million provides nearly double the amount of credit enhancement that was available at our previous review when the balance was €747,000 (see "Rating Affirmed On SME CLO Transaction EDT FTPYME PASTOR 3's Class C Notes," published on March 23, 2016).

The underlying pool is highly seasoned with a pool factor (the percentage of the pool's outstanding aggregate principal balance compared with the closing date) of about 2%. According to the servicer reports, the cumulative defaults account for 4.63% of the closing pool balance (unchanged from our March 2016 review).

The current reserve fund available is equal to 15.8% of the class C notes' current balance, up from 5.7% at our previous review. The combination of the amortization of the class C notes and the replenishment of the reserve fund have contributed to this large increase.

We have applied our European SME CLO criteria to determine the scenario default rates (SDRs) for this transaction. The SDR is the minimum level of portfolio defaults we expect each CLO tranche to be able to support the specific rating level using Standard & Poor's CDO Evaluator.

In accordance with our previous review, and with no additional information received since then, we categorize the originator as moderate (based on tables 1, 2, and 3 in our criteria), which factored in Spain's Banking Industry Country Risk Assessment (BICRA) of 5 (as the country of origin for these SME loans is Spain). This resulted in a downward adjustment of one notch to the 'b+' archetypical European SME average credit quality assessment to determine loan-level rating inputs and applying the 'AAA' targeted corporate portfolio default rates. As a result, our average credit quality assessment of the pool is 'b'.

We further applied a portfolio selection adjustment of minus three notches to the 'b' credit quality assessment, in accordance with our previous review and in the absence of any mitigating data. As a result, our average credit quality assessment of the pool to derive the portfolio's 'AAA' SDR was 'ccc'. We therefore assumed that each loan in the portfolio had a credit quality that is equal to our average credit quality assessment of the portfolio.

We have assessed Spain's current market trends and developments, macroeconomic factors, and the way these factors are likely to affect the loan portfolio's creditworthiness to determine our 'B' SDR. Considering the performance of the transaction and the default trends we have observed in the past eight to 10 quarters, we reduced the 'B' SDR assumption we made at our previous review.

The SDRs for rating levels between 'B' and 'AAA' are interpolated in accordance with our European SME CLO criteria.

RECOVERY RATE ANALYSIS

At each liability rating level, we assumed a weighted-average recovery rate (WARR) by considering the asset type (secured/unsecured), its seniority (first lien/second lien), and the country recovery grouping (see table 7 in "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013). We also factored in the actual recoveries from the historical defaulted assets, to derive our recovery rate assumptions to be applied in our cash flow analysis.

COUNTERPARTY RISK

The transaction features an interest rate swap. Cecabank S.A. (BBB/Stable/A-2) is the swap counterparty. We have reviewed the swap counterparty's downgrade provisions under our current counterparty criteria, and, in our opinion, they do not fully comply with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). As our long-term rating on Cecabank is higher than our rating on the class C notes, we did not apply any additional stresses in our cash flow analysis.

CASH FLOW ANALYSIS

We subjected the capital structure to various cash flow scenarios, incorporating different default patterns, recovery timings, and interest rate curves to generate the minimum break-even default rate (BDR) for each rated tranche in the capital structure. The BDR is the maximum level of gross defaults that a tranche can withstand and still fully repay the noteholders, given the assets and structure's characteristics. We then compared these BDRs with the SDRs outlined above.

SUPPLEMENTAL TESTS

Our rating on the class C notes is constrained by the failure of all applicable supplemental tests.

Following our assessment of the transaction's performance and the application of our relevant criteria, our cash flow results indicate that the available credit enhancement for the class C notes is commensurate with a higher rating than that currently assigned. We have therefore raised to 'B- (sf)' from 'CCC- (sf)' our rating on the class C notes.

EDT FTPYME PASTOR 3 is a cash flow CLO transaction that securitizes loans to SMEs. The collateral pool comprises both secured and unsecured loans. The transaction closed in December 2005.

RELATED CRITERIA

- Criteria - Structured Finance - CDOs: Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs - August 08, 2016
- Criteria - Structured Finance - CDOs: European SME CLO Methodology And Assumptions - January 10, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria - June 24, 2013
- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance - September 13, 2013
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment - May 28, 2009
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts - May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria - May 03, 2010
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings - October 01, 2012
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions - June 25, 2013
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions - October 09, 2014

RELATED RESEARCH

- Banking Industry Country Risk Assessment Update: November 2016, Nov. 4, 2016
- Europe's Economic Outlook After The Brexit Vote, July 4, 2016
- Who Has The Most To Lose From Brexit? Introducing The Brexit Sensitivity Index, June 9, 2016
- Rating Affirmed On SME CLO Transaction EDT FTPYME PASTOR 3's Class C Notes, March 23, 2016
- 2015 EMEA Structured Credit Scenario And Sensitivity Analysis, Aug. 6, 2015
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014