

**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 TITULIZACIÓN 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 Global Ratings (“S&P”)**, con fecha 10 de diciembre de 2018, comunica que ha elevado la calificación asignada a la siguiente Serie de Bonos emitidos por el Fondo:
  - **Serie C: BBB+ (sf)** (anterior **B- (sf)**)

Se adjunta la comunicación emitida por S&P.

Madrid, 11 de diciembre de 2018.



# (/en\_US/web/guest/home) Rating Raised On EDT FTPYME PASTOR 3's Class C SME CLO Notes Following Review

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[View Analyst Contact Information](#)

## OVERVIEW

We have reviewed EDT FTPYME PASTOR 3's performance, using data from the July 2018 management company report, and have performed our credit and cash flow analysis applying our European SME CLO criteria.

Following our review, we have raised to 'BBB+ (sf)' from 'B- (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) Dec. 10, 2018--S&P Global Ratings today raised to 'BBB+ (sf)' from 'B- (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 management company 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").

#### RATING RATIONALE

##### OPERATIONAL RISK

In our view, the originator Banco Pastor S.A. has satisfactory underwriting and servicing procedures. It has securitization experience, having previously originated other rated SME transactions.

##### ECONOMIC OUTLOOK

Over the next three years, we expect Spain's economic growth will surpass the eurozone average, including in real growth GDP per capita terms. We also expect economic performance to remain balanced, with domestic demand continuing as the main growth driver. In this context, we expect rising private consumption, favorable financial conditions, increasing investment activity, and an ongoing recovery in the housing and construction sectors. Absent the materialization of external risks, such as from mounting global protectionism, Spain's export sector is well positioned to benefit from its reinforced competitiveness, as demonstrated in the 5.2% increase in the share of Spain's goods and services exports in 2012-2017 according to the Organisation for Economic Co-operation and Development (OECD). That was the largest increase in OECD export market share of any of the larger eurozone member states.

##### CREDIT RISK

We have performed our credit analysis of the portfolio by taking into account

the receivables and borrowers' features. We have determined our default and recovery rate expectations for the portfolio by applying our criteria for European SME collateralized loan obligations (CLOs; see "European SME CLO Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceId/7693802)," published on Jan. 10, 2013). However, given the high level of concentration of obligors in the pool, the European SME criteria represented the starting point for the purpose of our current review.

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 less than 1%. According to the management company reports, the cumulative defaults account for 4.67% of the closing pool balance (only four basis points up from our Nov. 21, 2016 review; see "Rating Raised On SME CLO Transaction EDT FTPYME PASTOR 3's Class C Notes Following Review (/en\_US/web/guest/article/-/view/sourceId/9880818)").

The current reserve fund available equates to 41.9% of the class C notes' current balance compared to 15.8% at our last 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 our 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 4 (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 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 years, we maintained 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.

#### PAYMENT STRUCTURE AND CASH FLOW MECHANICS

We ran our credit analysis results and additional transaction-specific stresses through our cash flow model, which reflects the capital structure. In our cash flow analysis, we applied our European SME CLO criteria and applied standard stresses. These stresses relate to default timing and patterns, interest rate and basis risk, recovery timing, the reinvestment rate, servicing fees and other expenses, yield compression, and commingling, and liquidity stress. The class C notes pass our credit and cash flow analysis at the 'BBB+' rating level.

#### COUNTRY RISK

Our long-term unsolicited rating on Spain is 'A-'. Our updated criteria for rating single-jurisdiction securitizations above the sovereign require the tranches to have sufficient credit enhancement to pass at a severe stress level to qualify to be rated above the sovereign (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceId/9748207)," published on Aug. 8, 2016).

**COUNTERPARTY RISK**

The transaction has an interest rate swap. Cecabank S.A. (BBB/Positive/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 these criteria (see "Counterparty Risk Framework Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceId/7157027)," published on June 25, 2013). As our long-term rating on Cecabank is lower than our passing rating level on the class C notes, we did apply the additional stress of not giving credit to the swap provider in our cash flow analysis.

**LEGAL RISK**

We have considered the issuer to be a bankruptcy-remote entity at closing, in line with our legal criteria (see "Asset Isolation And Special-Purpose Entity Methodology (/en\_US/web/guest/article/-/view/sourceId/9733017)," published on March 29, 2017). We therefore consider the transaction's legal risk to be mitigated.

**RELATED CRITERIA**

Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology (/en\_US/web/guest/article/-/view/sourceld/9733017), March 29, 2017

Criteria - Structured Finance - CDOs: Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs (/en\_US/web/guest/article/-/view/sourceld/9725046), Aug. 8, 2016

Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions (/en\_US/web/guest/article/-/view/sourceld/8737366), Oct. 9, 2014

Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceld/7157027), June 25, 2013

Criteria - Structured Finance - General: Global Derivative Agreement Criteria (/en\_US/web/guest/article/-/view/sourceld/8058839), June 24, 2013

Criteria - Structured Finance - CDOs: European SME CLO Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceld/7693802), Jan. 10, 2013

General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts (/en\_US/web/guest/article/-/view/sourceld/7299006), May 31, 2012

General Criteria: Methodology: Credit Stability Criteria (/en\_US/web/guest/article/-/view/sourceld/5961504), May 3, 2010

#### RELATED RESEARCH

Banking Industry Country Risk Assessment Update: October 2018 (/en\_US/web/guest/article/-/view/sourcelId/10752495), Oct. 26, 2018

Spain 'A-/A-2' Ratings Affirmed; Outlook Positive (/en\_US/web/guest/article/-/view/sourcelId/10701282), Sept. 21, 2018

2017 EMEA Structured Credit Scenario And Sensitivity Analysis (/en\_US/web/guest/article/-/view/sourcelId/10156544), July 6, 2017

European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en\_US/web/guest/article/-/view/sourcelId/9914948), Dec. 16, 2016

Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en\_US/web/guest/article/-/view/sourcelId/9913417), Dec. 16, 2016

Rating Raised On SME CLO Transaction EDT FTPYME PASTOR 3's Class C Notes Following Review (/en\_US/web/guest/article/-/view/sourcelId/9880818), Nov. 21, 2016

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