

RatingsDirect®

Various Rating Actions Taken In Spanish SME CLO Transaction FTPYME Bancaja 3 Following Review

Primary Credit Analyst:

Jean-david Ragot, London (44) 20-7176-3576; jean-david_ragot@standardandpoors.com

Secondary Contact:

Emanuele Tamburrano, London (44) 20-7176-3825; emanuele_tamburrano@standardandpoors.com

OVERVIEW

- Since our last review in 2011, FTPYME Bancaja 3's class A3(G) notes have continued to amortize, increasing the available credit enhancement for the class A3(G), B, and C notes.
- We have raised our ratings on the class B and C notes to reflect the continuing deleveraging and increased credit enhancement.
- We have affirmed our rating on the class A3(G) notes since this rating is constrained by our rating on the Kingdom of Spain.
- We have also affirmed our rating on the class D notes because the current credit enhancement for this class of notes is not commensurate with a higher rating.
- FTPYME Bancaja 3 closed in October 2004 and is collateralized by loans granted to Spanish SMEs originated by Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja).

LONDON (Standard & Poor's) Nov. 16, 2012--Standard & Poor's Ratings Services today raised its credit ratings on FTPYME Bancaja 3, Fondo de Titulizacion de Activos' (FTPYME Bancaja 3's) class B and C notes. At the same time, we have affirmed our ratings on FTPYME Bancaja 3's A3(G) and D notes (see list below).

Today's rating actions follow our assessment of the transaction's performance since our previous review of the underlying portfolio's credit quality and capital structure in June 2011 (see "S&P Takes Various Rating Actions In

Spanish CLO Of SMEs Transaction FTPYME Bancaja 3," published on June 6, 2011, on RatingsDirect on the Global Credit Portal). We have also applied our 2012 counterparty criteria, our criteria for rating European small and midsize enterprise (SME) securitizations, and our nonsovereign ratings criteria to this transaction (see "Counterparty Risk Framework Methodology And Assumptions," published on May 31, 2012; "Update To The Criteria For Rating European SME Securitizations," published on Jan. 6, 2009; and "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011).

We have performed our credit and cash flow analysis using data from the September 2012 trustee report. We have observed further amortization of the class A3(G) notes in accordance with the transaction documents. Based on the latest investor report, the current pool factor has decreased to 6.52% compared with 9.64% in June 2011. This has resulted in higher subordination for the class A3(G), B, C, and D notes.

We have also observed a small increase to 1.58% from 1.38% in cumulative defaults (which the transaction documents define as loans in arrears for more than 18 months), and higher regional concentration risk.

The number of loans has reduced to 421 from 2,455 at closing in 2004, with the top 10 obligors accounting for 25.24% of the outstanding pool balance. We have taken this increased concentration risk into account in our revised default assumptions.

Geographically, obligors are located across 14 regions of Spain. However, Valencia still accounts for about 55% of the outstanding balance, which reflects FTPYME Bancaja 3's historical location and origination activities.

The reserve fund now totals €1.4 million, which is less than the required level of €5 million under the transaction documents.

We subjected the capital structure to our cash flow analysis, based on the methodology and assumptions outlined in our 2009 European SMEs criteria. We used the reported portfolio balance that we considered to be performing, the reserve fund balance, and the current weighted-average coupon. We also incorporated our revised default and recovery rate assumptions into our cash flow model, which we consider to be appropriate in light of the transaction's past performance and Spain's current difficult market conditions. We incorporated various cash flow stress scenarios using various default patterns, interest rate scenarios, and recovery timings.

In our analysis, we also assumed a stressed commingling loss level of monthly interest and principal because the interest and principal collections are transferred to the issuer's account only once a month.

In our view, the increased credit enhancement due to the amortization of the notes has helped to mitigate the risk of higher defaults for the class A3(G) and B notes. We have also observed a significant increase in available credit

enhancement for the class C notes, and have therefore raised to 'BB (sf)' from 'B (sf)' our rating on this class of notes.

The effect of higher defaults, however, will make full repayment of the class D notes unlikely because the current credit enhancement for this class of notes is not commensurate with a higher rating. We have therefore affirmed our 'CCC (sf)' rating on the class D notes.

Although the results of our cash flow analysis suggest higher ratings for the class A3(G) and B notes, we have affirmed our 'AA- (sf)' rating on the class A3(G) notes and raised to 'AA- (sf)' our rating on the class B notes as a result of the application of our nonsovereign ratings criteria. Under these criteria, the highest rating we would assign to a structured finance transaction is six notches above the investment-grade rating on the country in which the securitized assets are located. Since our rating on Spain is currently 'BBB-/A-3' with a negative outlook, the maximum rating achievable in this transaction is 'AA- (sf)'.

The transaction benefits from an interest-rate swap providing a level of excess spread of 0.87% of the performing balance of the loans. However, we do not give any credit to the swap in this transaction as the swap counterparty is Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), on which we withdrew our rating in December 2008 (see "Caja de Ahorros de Valencia, Castellón y Alicante Ratings Withdrawn At Bancaja's Request," published on Dec. 10, 2008). Since no substitution of the swap provider has taken place since, Bancaja became an ineligible swap provider at the end of the remedy period that followed the rating withdrawal.

FTPYME Bancaja 3 closed in October 2004 and is collateralized by loans granted to Spanish SMEs originated by Bancaja.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>.

RELATED CRITERIA AND RESEARCH

- Counterparty Risk Framework Methodology And Assumptions, May 31, 2012
- Various Rating Actions Taken On 98 Tranches In 85 Spanish Securitizations Following Sovereign Downgrade, May 8, 2012
- Negative Rating Actions On 16 Spanish Banks Following Sovereign Downgrade, April 30, 2012

Various Rating Actions Taken In Spanish SME CLO Transaction FTPYME Bancaja 3 Following Review

- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- S&P Takes Various Rating Actions In Spanish CLO Of SMEs Transaction FTPYME Bancaja 3, June 6, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Update To The Criteria For Rating European SME Securitizations, Jan. 6, 2009
- Caja de Ahorros de Valencia, Castellón y Alicante Ratings Withdrawn At Bancaja's Request, Dec. 10, 2008

RATINGS LIST

Class	Rating
To	From
FTPYME Bancaja 3, Fondo de Titulizacion de Activos €900 Million Floating-Rate Notes	

Ratings Raised

B	AA- (sf)	A- (sf)
C	BB (sf)	B (sf)

Ratings Affirmed

A3(G)	AA- (sf)
D	CCC (sf)

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.