MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades ratings of Series C Notes in EdT FTPYME PASTOR 3, FTA, a Spanish SME ABS

15 Dec 2017

London, 15 December 2017 -- Moody's Investors Service, ("Moody's") has today upgraded the rating of the Series C notes in EdT FTPYME PASTOR 3, FTA. The rating action reflects the increased levels of credit enhancement for the notes, as a result of the deleveraging of the transaction following repayment of the underlying collateral.

....EUR15.4M (Current outstanding balance EUR 6.54 M) Series C Notes, Upgraded to B1 (sf); previously on Jan 23, 2015 Affirmed Caa1 (sf)

EdT FTPYME PASTOR 3, FTA is a transaction backed by loans to Spanish small and medium-sized enterprises. The deal closed in 2005. The loans were originated by Banco Pastor, S.A. but are now serviced by Banco Popular Espanol, S.A (Baa3 / P-3). The transaction is heavily amortised and only around 1.3% of the closing portfolio remains outstanding. Consequently, there are significant individual obligor concentrations within the remaining performing collateral pool, with the top 5 borrowers currently comprising approximately 29% of the performing collateral pool. In total, there are approximately 60 loans with non-zero balances remaining in the pool.

RATINGS RATIONALE

The rating action is prompted by:

-deal deleveraging resulting in an increase in credit enhancement for the affected tranche.

Revision of Key Collateral Assumptions:

As part of the rating action, Moody's reassessed its default probability and recovery rate assumptions for the portfolio reflecting the collateral performance to date.

The performance of the transaction has been steady. Total delinquencies have decreased in the past year, to 17.46% in October 2017 from 34.77% in January 2017. 90 days plus arrears currently stand at 6.77% of current pool balance compared to 6.13% of the pool in January 2017. Cumulative defaults currently stand at 4.67% of original pool balance, comparable with 4.63% in January 2017.

The current default probability has been maintained at 29.0% of the current performing portfolio balance and the assumption for the fixed recovery rate remains at 25%. The maintenance of the portfolio credit enhancement at 35.40%, combined with the other key collateral assumptions, results in a CoV of 19.52%.

Moody's has incorporated the sensitivity of the ratings to borrower concentrations into the quantitative analysis. In particular, Moody's considered the credit enhancement coverage of large debtors in the transaction as it shows significant exposure to large debtors. The results of this analysis limited the potential upgrade of the rating on the Series C Notes to B1 (sf) as note credit enhancement is of the same magnitude as the exposure to the top 5 debtors.

Increase in Available Credit Enhancement

Sequential amortization and non-amortising reserve funds led to the increase in the credit enhancement available in this transaction.

For instance, the credit enhancement for the Series C notes affected by today's rating action increased to 28.94% in November 2017 from 18.28% in January 2017.

Counterparty Exposure

Today's rating actions took into consideration the notes' exposure to relevant counterparties, such as servicer, account banks or swap providers.

Moody's considered how the liquidity available in the transactions and other mitigants support continuity of note payments, in case of servicer default, using the CR Assessment as a reference point for servicers. The rating of the notes is not constrained by operational risk.

Moody's matches banks' exposure in structured finance transactions to the CR Assessment for commingling risk with a recovery rate assumption of 45%.

Moody's assessed the exposure to Cecabank S.A. acting as swap counterparty. Moody's analysis considered the risks of additional losses on the notes if they were to become unhedged following a swap counterparty default by using the CR Assessment as reference point for swap counterparties. Moody's concluded that the rating of the notes is not constrained by the swap agreement entered between the issuer and Cecabank S.A.

Moody's also assessed the default probability of the transaction's account bank providers by referencing the bank's deposit rating. The ratings of the note is not constrained by the issuer account bank exposure.

The principal methodology used in this rating was "Moody's Global Approach to Rating SME Balance Sheet Securitizations" published in August 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating:

Factors or circumstances that could lead to an upgrade of the rating include (1) performance of the underlying collateral that is better than Moody's expected, (2) deleveraging of the capital structure and (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the rating include: (1) performance of the underlying collateral that is worse than Moody's expected, (2) deterioration in the notes' available credit enhancement, (3) deterioration in the credit quality of the transaction counterparties, and (4) an increase in sovereign risk.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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