

FITCH AFFIRMS PARAGON NO.10 PLC

Fitch Ratings-London-02 September 2009: Fitch Ratings has today affirmed all seven tranches of Paragon Mortgages (No.10) Plc following a satisfactory review of the UK Buy-to Let RMBS transaction. A full rating breakdown is provided at the end of this comment.

The rating affirmation reflects that the transaction is performing in line with Fitch's expectations. The reserve fund was fully funded at close and currently accounts for 1.86% of the initial note balance and 3.64% of the current note balance. Loans in arrears by more than three months decreased to 1.86% (0.42% excluding receiver of rent cases) in June 2009 from 1.96% (0.38% excluding receiver of rent) in March 2009. Cumulative losses reached 0.15% in June 2009 from 0.09% in March 2009, whilst period losses increased to 0.11% from 0.06%.

The class A1 notes were issued subject to a mandatory transfer agreement, under the terms of which the issuer is obliged to make arrangements for the purchase of the A1 notes on the interest payment dates falling in September each year, commencing September 2005 until the final maturity of the A1 notes. Upon payment of the principal amount outstanding on the A1 notes, all rights in respect of these notes will be transferred to Barclays Bank PLC (Barclays) which is the re-marketing agent. Barclays will then be obliged to use reasonable efforts to identify purchasers for the A1 notes. If it is unable to do so, Barclays will give notice to Sheffield Receivables Corporation (Sheffield) to require them to purchase the A1 notes. Barclays is the liquidity provider to Sheffield and hence the Short-term 'F1+' rating assigned to the class A1 notes is dependent on the creditworthiness of the liquidity provider to the conditional note purchaser. This facility has now been extended until September 2010.

The rating actions are as follows:

Class A1 (ISIN US69912UAA34): Long-term rating affirmed at 'AAA'; Short-term rating affirmed at 'F1+'; Outlook Stable; assigned Loss Severity (LS) Rating LS-1

Class A2a (ISIN XS0235419396): affirmed at 'AAA'; Outlook Stable; assigned LS-1

Class A2b (ISIN XS0235419800): affirmed at 'AAA'; Outlook Stable; assigned LS-1

Class B1a (ISIN XS0235420139): affirmed at 'AA'; Outlook Positive; assigned LS-2

Class B1b (ISIN XS0235420303): affirmed at 'AA'; Outlook Positive; assigned LS-2

Class C1a (ISIN XS0235420485): affirmed at 'A'; Outlook Stable; assigned LS-1

Class C1b (ISIN XS0235420725): affirmed at 'A'; Outlook Stable; assigned LS-1

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