

FITCH AFFIRMS PARAGON NO.1; OUTLOOK STABLE

Fitch Ratings-London-08 May 2012: Fitch Ratings has affirmed Paragon Secured Finance (PSF1), comprising loans originated by Paragon Personal Finance Limited, as follows:

Class A (ISIN XS0208202415): affirmed at 'AAAsf'; Outlook Stable;

Class B (ISIN XS0208202688): affirmed at 'Asf'; Outlook Stable;

Class C (ISIN XS0208202845): affirmed at 'BBBsf'; Outlook revised to Stable from Negative.

The affirmation reflects the stable performance of the transaction and the sufficient level of credit enhancement available to the rated notes.

As of January 2012, loans in arrears by more than three months stood at GBP12.5m, 9.9% of the current portfolio, a decrease from January 2011 levels of GBP12.9m. The stable performance of the underlying loans is also reflected in the fact that there were no period defaults reported in the last two payment dates. Based on the limited pipeline of loans in arrears, Fitch expects limited defaults in the coming periods. As a result the agency has affirmed the ratings of the notes.

The transaction features a provisioning mechanism whereby defaulted loans defined as loans in arrears by more than 12 months are fully provisioned. In January 2012, period gross excess spread stood at 1% of the current pool balance. Fitch expects excess spread to remain sufficient to cover any defaults in the upcoming periods and thus no reserve fund draws are foreseen in the next 18 months. For this reason, the Outlook on the junior class is revised to Stable.

The stable performance of the transaction has permitted the pro-rata amortisation of the notes since May 2011. The notes are expected to revert to sequential amortisation once the ratio of current total note balance to the sum of current balance of class A and class B notes is more than 1 : 2.169. Future sequential amortisation of notes, combined with a non-amortising reserve fund is expected to lead to a further build-up of credit enhancement.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by,

or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor and Servicer Reports.

Applicable criteria, 'Global Structured Finance Rating Criteria', dated 04 August 2011, 'EMEA Residential Mortgage Loss Criteria' dated 16 August 2011, and 'EMEA Residential Mortgage Loss Criteria Addendum - UK' dated 12 August 2011, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=646569

EMEA Residential Mortgage Loss Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649450

EMEA Criteria Addendum - United Kingdom - Mortgage Loss and Cash Flow Assumptions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648050

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