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Ratings Raised On U.K. RMBS Transaction Paragon Personal and Auto Finance (No. 3)'s Class C Notes; A, B, And D Affirmed

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OVERVIEW

- We have raised our ratings on the class C1 and C2 notes following the application of our 2012 counterparty criteria.
- The remainder of the outstanding notes in this transaction (classes A, B, and D) are not affected by our 2012 counterparty criteria, and we have affirmed their current ratings.
- Paragon Personal and Auto Finance (No. 3) is backed by a pool of second-ranking mortgages and a pool of auto loans, unsecured personal loans, and unsecured retail credit loans. Paragon Personal Finance, Colonial Finance (UK), and Paragon Car Finance originated the collateral.

LONDON (Standard & Poor's) July 4, 2012--Standard & Poor's Ratings Services today raised to 'AA- (sf)' its credit ratings on Paragon Personal and Auto Finance (No. 3) PLC's class C1 and C2 notes. At the same time, we affirmed our ratings on the remaining classes of notes in this transaction (see list below).

Today's rating actions reflect the application of our 2012 counterparty criteria. The reserve fund in this transaction is held with National Westminster Bank PLC (NatWest; A/Stable/A-1). Under our previous counterparty criteria, the reserve fund was considered to be "direct substantial support ", as it represents 9% of the closing pool balance, and the exposure period was greater than 365 days. At our most recent review (May 2012), we considered two scenarios--one in which the notes are given the benefit of the full 9% of the reserve fund where we capped the ratings at the level of our issuer credit

rating on NatWest, and one in which only 5% credit was given, where no ratings cap was applied.

However, the update to our counterparty criteria has removed the concept of "direct substantial" in relation to transaction accounts, and thus we can give full benefit to the reserve fund at all rating levels.

RATING ACTIONS

We have raised our ratings on the class C1 and C2 notes to 'AA- (sf)' from 'A (sf)', reflecting the results of cash flow analysis and the application of our 2012 counterparty criteria.

We have affirmed our ratings on the class A, B, and D notes.

Paragon Personal and Auto Finance (No. 3) is backed by a pool of second-ranking mortgages and a pool of auto loans, unsecured personal loans, and unsecured retail credit loans. Paragon Personal Finance, Colonial Finance (UK), and Paragon Car Finance originated the collateral.

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
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

RATINGS LIST

Class	Rating
To	From
Paragon Personal and Auto Finance (No. 3) PLC €358 Million And £204.5 Million Asset-Backed Floating-Rate Notes	

Ratings Raised

Ratings Raised On U.K. RMBS Transaction Paragon Personal and Auto Finance (No. 3)'s Class C Notes; A, B, And D Affirmed

C1	AA- (sf)	A (sf)
C2	AA- (sf)	A (sf)

Ratings Affirmed

A1	AA (sf)
A2	AA (sf)
B1	AA (sf)
B2	AA (sf)
D1	BBB (sf)
D2	BBB (sf)

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