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Fitch Downgrades Paragon 11 and 14's Short-term Ratings

Fitch Ratings-London-04 June 2015: Fitch Ratings has downgraded Paragon Mortgages (No. 11) Plc and Paragon Mortgages (No. 14) Plc, as follows:

Paragon Mortgages (No. 11) Plc

Class A1 (XS0246900756): Short-term rating downgraded to 'F2sf' from 'F1sf'

Paragon Mortgages (No. 14) Plc

Class A1 (US69913FAA57): Short-term rating downgraded to 'F2sf' from 'F1sf'

The rating action follows the downgrade of the Royal Bank of Scotland's (RBS; BBB+/Stable/F2) Short-term rating to 'F2' from 'F1' (Fitch Downgrades Royal Bank of Scotland Group to 'BBB+' Upgrades VR to 'bbb+', 19 May 2015).

KEY RATING DRIVERS

The note tranches were structured to be issued on an annual, revolving basis. Unless noteholders exercised their right to retain the notes, they would be automatically tendered for remarketing. The remarketing bank would then first try to sell the notes in the open market or, if unsuccessful, would require the conditional purchaser to acquire them. Ultimately, the Short-term ratings on these notes reflect the ability of the conditional purchaser to acquire them every year. As a result, the Short-term ratings of these notes are credit-linked to the conditional purchaser.

RBS is the conditional purchaser for both Paragon 11 and 14. Following the downgrade of RBS's Short-term rating, Fitch is downgrading the Short-term ratings of the notes to the same level as RBS.

The Long-term ratings of the notes are unaffected.

RATING SENSITIVITIES

Rating action on RBS's Short-term rating would trigger equivalent rating action on the notes.

DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that were material to this analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pool ahead of the transaction's initial closing. The subsequent performance of the transaction over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

- Transaction reporting provided by The Paragon Group as at February 2015.

MODELS

No models were used in this analysis.

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Additional information is available at www.fitchratings.com.

Applicable Criteria

EMEA Residential Mortgage Loss Criteria (pub. 31 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864266)
Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175)
Criteria Addendum: UK - Residential Mortgage Loss and Cash Flow Assumptions (pub. 30 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748367)
Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (pub. 20 Feb 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115)
EMEA RMBS Cash Flow Analysis Criteria (pub. 31 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864265)
EMEA RMBS Master Rating Criteria (pub. 31 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864273)
Global Criteria for Lenders' Mortgage Insurance in RMBS (pub. 23 Jun 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749070)
Global Structured Finance Rating Criteria (pub. 31 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864268)

Additional Disclosures

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