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## Various Rating Actions Taken In U.K. RMBS Transactions Paragon Mortgages 13 And 14 Following Counterparty Review

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### OVERVIEW

- On June 9, 2015, we took various rating actions on certain counterparties in Paragon Mortgages (No. 13) and Paragon Mortgages (No. 14).
- Following our review of Paragon 13 and 14, we have taken various rating actions on the notes in both transactions.
- Due to an error, we did not previously lower the short-term rating on the Paragon 13 and 14 class A1 notes to 'A-2 (sf)' from 'A-1 (sf)' to reflect the short-term ratings on the conditional note purchasers. Today's downgrade of the class A1 notes in both transactions corrects this error.
- Paragon 13 and Paragon 14 are U.K. buy-to-let transactions securitizing loans originated by Paragon Mortgages and Mortgage Trust. Paragon 13 closed in October 2006 and Paragon 14 closed in March 2007.

LONDON (Standard & Poor's) June 22, 2015--Standard & Poor's Ratings Services today took various credit rating actions in Paragon Mortgages (No. 13) PLC (Paragon 13) and Paragon Mortgages (No. 14) PLC (Paragon 14).

Specifically, we have:

- Lowered to 'A-2 (sf)' from 'A-1 (sf)' and removed from CreditWatch negative our short-term rating on the class A1 notes issued by Paragon 13 and Paragon 14; and
- Affirmed and removed from CreditWatch negative our long-term ratings on the class A1 and A2 notes issued by Paragon 13.

Today's rating actions reflect our application of our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions,"

published on June 25, 2013) following our rating actions on The Royal Bank of Scotland N.V. (RBS N.V.; BBB+/Stable/A-2); The Royal Bank of Scotland PLC (RBS PLC; BBB+/Stable/A-2) and HSBC Bank PLC (AA-/Stable/A-1+) (see "S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review," published on June 9, 2015).

On Feb. 18, 2015, we placed on CreditWatch negative for counterparty reasons our short-term rating on the class A1 notes issued by Paragon 13 and Paragon 14, and our long-term ratings on the class A1 and A2 notes issued by Paragon 13 (see "377 European Structured Finance Ratings Placed On CreditWatch Negative Following Bank Rating Actions").

We have assigned both long-and short-term ratings to the class A1 notes in these transactions. The short-term ratings address the possibility of the investor selling this class of notes to the conditional note purchasers at par within the year. We consider this feature to be a put feature under our ratings definitions (see "Standard & Poor's Ratings Definitions," published on Nov. 20, 2014). The long-term ratings address timely payment of interest and ultimate payment of principal on the notes. The class A1 notes are issued subject to a mandatory transfer condition, under which they are eligible to be sold to third parties annually, with the ultimate obligation to be sold to the conditional note purchasers established in the documentation.

In Paragon 13, the conditional note purchaser is RBS N.V.; in Paragon 14, it is RBS PLC. The conditional note purchaser in each transaction has to use funds on its balance sheet to fund the purchase of the notes. We therefore link the short-term rating on the class A1 notes in each transaction to the short-term ratings on the note purchasers. Due to an error, we did not lower the short-term rating on the class A1 notes to 'A-2 (sf)' in either Paragon 13 or Paragon 14 to reflect this link. We are today correcting this error by lowering to 'A-2 (sf)' from 'A-1 (sf)' our short-term rating on the class A1 notes in Paragon 13 to reflect the short-term rating on RBS N.V. and on the class A1 notes in Paragon 14 to reflect the short-term rating on RBS PLC. At the same time, we are removing from CreditWatch negative our ratings on these classes of notes following our June 9, 2015 resolution of the CreditWatch placements on RBS N.V. and RBS PLC.

At the same time, we have affirmed and removed from CreditWatch negative our ratings on the class A1 and A2 notes in Paragon 13 following our June 9, 2015 removal from CreditWatch negative of our long-term issuer credit rating (ICR) on HSBC Bank PLC. HSBC Bank provides the currency swap in this transaction and the long-term ratings on the notes are constrained by our long-term ICR on the swap provider, plus one notch.

Paragon 13 and Paragon 14 are U.K. buy-to-let transactions securitizing loans that Paragon Mortgages and Mortgage Trust originated. The transactions closed in October 2006 and March 2007, respectively.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Ratings Definitions, June 3, 2009

Related Research

- S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review, June 9, 2015
- 377 European Structured Finance Ratings Placed On CreditWatch Negative Following Bank Rating Actions, Feb. 18, 2015
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

RATINGS LIST

Class	To	Rating	From
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Paragon Mortgages (No. 13) PLC  
€480 Million, £194 Million, And \$1.85 Billion Mortgage-Backed Floating-Rate Notes

Short-Term Rating Lowered And Removed From CreditWatch Negative

A1	A-2 (sf)	A-1 (sf)/Watch Neg
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Ratings Affirmed And Removed From CreditWatch Negative

A1	AA (sf)	AA (sf)/Watch Neg
A2a	AA (sf)	AA (sf)/Watch Neg
A2b	AA (sf)	AA (sf)/Watch Neg
A2c	AA (sf)	AA (sf)/Watch Neg

Paragon Mortgages (No. 14) PLC  
€470.3 Million, £196.9 Million, And \$1.9 Billion Mortgage-Backed Floating-Rate Notes

Short-Term Rating Lowered And Removed From CreditWatch Negative

A1                    A-2 (sf)                    A-1 (sf)/Watch Neg

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