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## Various Rating Actions Taken On 43 Tranches In 10 European RMBS Transactions Following Bank Rating Actions

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### OVERVIEW

- On June 9, 2015, we took various rating actions on certain U.K. and German banks.
- Under our current counterparty criteria, our ratings in structured finance transactions may be constrained by our long- or short-term issuer credit rating on a counterparty.
- Consequently, we have taken various rating actions on 43 tranches in 10 European RMBS transactions.

LONDON (Standard & Poor's) July 6, 2015--Standard & Poor's Ratings Services today took various credit rating actions on 43 tranches in 10 European residential mortgage-backed securities (RMBS) transactions.

Specifically, we have:

- Lowered and removed from CreditWatch negative our ratings on 36 tranches in eight transactions; and
- Removed from CreditWatch negative our ratings on seven tranches in three transactions (see list below).

On Feb. 18, 2015, we placed on CreditWatch negative our ratings on these RMBS tranches for counterparty reasons (see "377 European Structured Finance Ratings Placed On CreditWatch Negative Following Bank Rating Actions").

On June 9, 2015, we took various rating actions on certain U.K. and German commercial banks following the introduction of well-formed bank resolution frameworks in these countries, the ongoing regulatory impetus to have systemic banks hold sizeable buffers of bail-in capital that the authorities could use to recapitalize them, and the associated reduced prospects for extraordinary government support (see "S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review").

Certain banks currently act as counterparties in European structured finance RMBS transactions.

The overarching principle behind our current counterparty criteria is the replacement of a counterparty when the rating on the counterparty falls below a minimum eligible rating (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Without the incorporation of replacement mechanisms or equivalent remedies in the terms of the agreement with the counterparty, and if there are no other mitigating factors, the rating on the supported security is generally no higher than the long-term issuer credit rating (ICR) on the counterparty or the counterparty's ICR plus one notch for any supported security that contains a replacement provision that is in line with previous versions of our counterparty criteria.

The 36 ratings that we have today lowered and removed from CreditWatch negative are constrained, due to counterparty risk, at our long- or short-term ICR or long-term ICR plus one notch (depending on the replacement provisions in place) on the lowest-rated counterparty to which the transaction is exposed.

The seven ratings that we have today removed from CreditWatch negative are supported by the ICR on a dependent counterparty, the rating on which we affirmed on June 9, 2015.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 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
- Multiple-Use Special-Purpose Entity Criteria--Structured Finance, May 7, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications,

*Various Rating Actions Taken On 43 Tranches In 10 European RMBS Transactions Following Bank Rating Actions*

July 12, 2012

- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Understanding Standard & Poor's Rating 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
- U.K. RMBS Index Report Q4 2014/Q1 2015: Collateral Performance Remains Stable As Economic Growth Slows, May 29, 2015
- 377 European Structured Finance Ratings Placed On CreditWatch Negative Following Bank Rating Actions, Feb. 18, 2015
- 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**

Issuer	Issue description	Series (if applicable)	Class (if applicable)	Rating to	Rating from	CUSIP	ISIN
Paragon Mortgages (No. 10) PLC	EUR269 mil, £187.5 mil, US\$1.1 bil mortgage-backed floating-rate notes		A1	A-2 (sf)	A-1 (sf)/Watch Neg	69912UAA3	US69912UAA34
Paragon Mortgages (No. 10) PLC	EUR269 mil, £187.5 mil, US\$1.1 bil mortgage-backed floating-rate notes		A2a	AA (sf)	AA (sf)/Watch Neg	--	XS0235419396
Paragon Mortgages (No. 10) PLC	EUR269 mil, £187.5 mil, US\$1.1 bil mortgage-backed floating-rate notes		A2b	AA (sf)	AA (sf)/Watch Neg	--	XS0235419800
Paragon Mortgages (No. 11) PLC	EUR389.6 mil, £165.5 mil, US\$985 mil mortgage-backed floating-rate notes		A1	AA+/A-2 (sf)	AA+/A-2 (sf)/Watch Neg	69911MAA2	US69911MAA27
Paragon Mortgages (No. 12) PLC	EUR477 mil, £187 mil, US\$1.811 bil mortgage-backed floating-rate notes	12	A1	AA+/A-2 (sf)	AA+/A-1 (sf)/Watch Neg	69913BAA4	US69913BAA44
Paragon Personal and Auto Finance (No. 3) PLC	EUR358 mil, £204.5 mil mortgage-backed floating-rate notes		A1	AA (sf)	AA (sf)/Watch Neg	--	XS0219226841
Paragon Personal and Auto Finance (No. 3) PLC	EUR358 mil, £204.5 mil mortgage-backed floating-rate notes		B1	AA (sf)	AA (sf)/Watch Neg	--	XS0219227658

*Various Rating Actions Taken On 43 Tranches In 10 European RMBS Transactions Following Bank Rating Actions*

Ratings List (cont.)							
Paragon Personal and Auto Finance (No. 3) PLC	EUR358 mil, £204.5 mil mortgage-backed floating-rate notes	A2	AA (sf)	AA (sf)/Watch Neg	--	XS0219227492	
Paragon Personal and Auto Finance (No. 3) PLC	EUR358 mil, £204.5 mil mortgage-backed floating-rate notes	B2	AA (sf)	AA (sf)/Watch Neg	--	XS0219229860	
Preferred Residential Securities 05-1 PLC	EUR188 mil, £271.2 mil mortgage-backed floating-rate notes	A2c	A- (sf)	A (sf)/Watch Neg	740378AF1	US740378AF16	
Preferred Residential Securities 05-1 PLC	EUR188 mil, £271.2 mil mortgage-backed floating-rate notes	B1a	A- (sf)	A (sf)/Watch Neg	740378AG9	US740378AG98	
Preferred Residential Securities 05-1 PLC	EUR188 mil, £271.2 mil mortgage-backed floating-rate notes	B1c	A- (sf)	A (sf)/Watch Neg	740378AJ3	US740378AJ38	
Preferred Residential Securities 05-1 PLC	EUR188 mil, £271.2 mil mortgage-backed floating-rate notes	C1c	A- (sf)	A (sf)/Watch Neg	740378AM6	US740378AM66	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	A2a	A- (sf)	A (sf)/Watch Neg	740377AD8	US740377AD84	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	A2c	A- (sf)	A (sf)/Watch Neg	740377AF3	US740377AF33	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	B1a	A- (sf)	A (sf)/Watch Neg	740377AG1	US740377AG16	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	B1c	A- (sf)	A (sf)/Watch Neg	740377AJ5	US740377AJ54	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	C1a	A- (sf)	A (sf)/Watch Neg	740377AK2	US740377AK28	
Preferred Residential Securities 05-2 PLC	EUR125 mil, £183.85 mil, US\$70.5 mil mortgage-backed floating-rate notes	C1c	A- (sf)	A (sf)/Watch Neg	740377AM8	US740377AM83	
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes	A2a	A- (sf)	A (sf)/Watch Neg	74038YAD8	US74038YAD85	
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes	A2b	A- (sf)	A (sf)/Watch Neg	74038YAE6	US74038YAE68	

*Various Rating Actions Taken On 43 Tranches In 10 European RMBS Transactions Following Bank Rating Actions*

Ratings List (cont.)							
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes		A2c	A- (sf)	A (sf)/Watch Neg	74038YAF3	US74038YAF34
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes		B1a	A- (sf)	A (sf)/Watch Neg	74038YAG1	US74038YAG17
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes		B1c	A- (sf)	A (sf)/Watch Neg	74038YAJ5	US74038YAJ55
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes		C1a	A- (sf)	A (sf)/Watch Neg	74038YAK2	US74038YAK29
Preferred Residential Securities 06-1 PLC	EUR107.6 mil, £288.432 mil, US\$145 mil mortgage-backed floating-rate notes		C1c	A- (sf)	A (sf)/Watch Neg	74038YAM8	US74038YAM84
Preferred Residential Securities 7 PLC	£600 mil mortgage-backed floating-rate notes		A2	A- (sf)	A (sf)/Watch Neg	--	XS0183097939
Preferred Residential Securities 7 PLC	£600 mil mortgage-backed floating-rate notes		B	A- (sf)	A (sf)/Watch Neg	--	XS0183101558
Preferred Residential Securities 7 PLC	£600 mil mortgage-backed floating-rate notes		C	A- (sf)	A (sf)/Watch Neg	--	XS0183102283
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		A1a1	A- (sf)	A (sf)/Watch Neg	--	XS0198309691
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		B1a	A- (sf)	A (sf)/Watch Neg	--	XS0198318411
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		C1a	A- (sf)	A (sf)/Watch Neg	--	XS0198319062
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		A1a2	A- (sf)	A (sf)/Watch Neg	--	XS0198313024
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		A1b	A- (sf)	A (sf)/Watch Neg	740380AG5	US740380AG52
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		A1c	A- (sf)	A (sf)/Watch Neg	--	XS0198318171
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, 8 US\$100 mil mortgage-backed floating-rate notes		B1c	A- (sf)	A (sf)/Watch Neg	740380AM2	US740380AM21

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Ratings List (cont.)							
Preferred Residential Securities 8 PLC	EUR108.5 mil, £336.2 mil, US\$100 mil mortgage-backed floating-rate notes	8	C1c	A- (sf)	A (sf)/Watch Neg	--	XS0198319229
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		A2a	A- (sf)	A (sf)/Watch Neg	76112XAD4	US76112XAD49
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		A2c	A- (sf)	A (sf)/Watch Neg	76112XAF9	US76112XAF96
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		M1a	A- (sf)	A (sf)/Watch Neg	76112XAG7	US76112XAG79
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		M1c	A- (sf)	A (sf)/Watch Neg	76112XAH5	US76112XAH52
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		M2a	A- (sf)	A (sf)/Watch Neg	76112XAJ1	US76112XAJ19
Residential Mortgage Securities 19 PLC	EUR250.5 mil, £528 mil mortgage-backed floating-rate notes		M2c	A- (sf)	A (sf)/Watch Neg	76112XAK8	US76112XAK81

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