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Various Rating Actions Taken In U.K. RMBS Transaction Paragon Secured Finance (No. 1) Following Review

Primary Credit Analyst:

Florent Stiel, Paris(33) 1-4420-6690; florent.stiel@standardandpoors.com

OVERVIEW

- We have reviewed the latest investor report and loan-level data for Paragon Secured Finance (No. 1).
- Following our review, we have raised our ratings on the class B and C notes.
- At the same time, we have affirmed our rating on the class A notes.
- Paragon Secured Finance (No. 1) is backed by a pool of second-ranking mortgages (more than 99% of the pool) on residential properties in England, Wales, Scotland, and Northern Ireland.

PARIS (Standard & Poor's) July 31, 2015--Standard & Poor's Ratings Services today raised its credit ratings on Paragon Secured Finance (No. 1) PLC's class B and C notes. At the same time, we have affirmed our rating on the class A notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the April 2015 investor reports and loan-level data. The transaction has seen a decrease in arrears. Total arrears have decreased since our July 22, 2013 review and currently represent 13.13% of the pool, up from 16.98% (see "Ratings Affirmed In U.K. RMBS Transactions Paragon Personal And Auto Finance (No. 3) And Paragon Secured Finance (No. 1)"). Moreover, we have observed a large increase in seasoning over the same period. The weighted-average seasoning of the loans is now 103 months.

Our current weighted-average foreclosure frequency (WAFF) calculations have decreased and our weighted-average loss severity (WALS) calculations have decreased

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for this transaction since our July 2013 review. The current WAFF and WALs at each rating level for this transaction are listed below.

Rating level	WAFF (%)	WALS (%)
AAA	43.27	99.23
AA	33.22	97.14
A	26.60	92.59
BBB	20.05	89.33
BB	13.52	86.31
B	11.24	82.73

The available credit enhancement for all classes of notes has increased due to the increase in the reserve fund to £15.9 million from £13.5 million and the deleveraging of the pool. The transaction is currently paying pro rata as all of the documented pro rata triggers are satisfied. We have considered this in our cash flow analysis. The reserve fund remains fully funded and there is a high level of excess spread in the transaction. We have therefore raised to 'A- (sf)' from 'BBB- (sf)' and to 'BB (sf)' from 'B (sf)' our ratings on the class B and C notes, respectively. We have also affirmed our 'AA+ (sf)' rating on the class A notes.

The transaction bank account provider is Barclays Bank PLC. Following our June 9, 2015, downgrade of Barclays Bank, it breached its documented replacement trigger (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). Currently, we are still within the remedy period. According to the transaction documents, in order to maintain the current rating on the notes, the transaction bank account provider must take remedial action within the remedy period indicated in our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). We have received a provisional proposal from Paragon Group regarding remedial action, which we are assessing.

Our credit stability analysis indicates that the maximum projected deterioration that we would expect at each rating level over one- and three-year periods, under moderate stress conditions, are in line with our credit stability criteria (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

RELATED CRITERIA AND RESEARCH

Related Criteria

Various Rating Actions Taken In U.K. RMBS Transaction Paragon Secured Finance (No. 1) Following Review

- Criteria - Structured Finance - General: Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance - May 29, 2015
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD - March 02, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions - October 09, 2014
- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria-- Structured Finance - September 13, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions - June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications - July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts - May 31, 2012
- Criteria - Structured Finance - RMBS: U.K. RMBS Methodology And Assumptions - December 09, 2011
- General Criteria: Methodology: Credit Stability Criteria - May 03, 2010
- General Criteria: Understanding Standard & Poor's Rating Definitions - June 03, 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
- Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets, Feb. 5, 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 Affirmed In U.K. RMBS Transactions Paragon Personal And Auto Finance (No. 3) And Paragon Secured Finance (No. 1), July 22, 2013

RATINGS LIST

Paragon Secured Finance (No. 1) PLC

£300 mil mortgage-backed floating-rate notes

Class	Identifier	Ratings	
		To	From
A	XS0208202415	AA+ (sf)	AA+ (sf)
B	XS0208202688	A- (sf)	BBB- (sf)
C	XS0208202845	BB (sf)	B (sf)

Complete ratings information is available to subscribers of RatingsDirect at

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www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

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