

## Ratings Raised On Paragon Mortgages 9's Class C U.K. RMBS Notes; Class A And B Notes Affirmed

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OVERVIEW

- We have reviewed Paragon Mortgages 9 by conducting our credit and cash flow analysis and applying our relevant criteria.
- Following our review, we have raised our ratings on the class Ca and Cb notes and affirmed our 'A- (sf)' ratings on the class Aa, Ab, Ac, Ba, and Bb notes.
- Paragon 9 is a U.K. buy-to-let transaction securitizing loans that Paragon Mortgages and Mortgage Trust originated. The transaction closed in July 2005.

LONDON (S&P Global Ratings) Oct. 5, 2018--S&P Global Ratings today raised its credit ratings on Paragon Mortgages (No. 9) PLC's class Ca and Cb notes. At the same time, we have affirmed our ratings on the class Aa, Ab, Ac, Ba, and Bb notes (See list below).

Today's rating actions follow our full analysis based on the most recent transaction information that we received from the servicer (dated June 2018), and reflect the transaction's current structural features. In our analysis, we have applied our European residential loans criteria and our current counterparty criteria (see "Methodology And Assumptions: Assessing Pools of European Residential Loans," published Aug. 4, 2017 and "Counterparty Risk Framework Methodology And Assumptions," published June 25, 2013).

The transaction is currently amortizing pro-rata, which has limited the build-up of credit enhancement since our previous review (see "Various Rating

*Ratings Raised On Paragon Mortgages 9's Class C U.K. RMBS Notes; Class A And B Notes Affirmed*

Actions Taken In UK RMBS Transactions Paragon Mortgages 7, 8 And 9 following Review," published on June 25, 2015). In this time, available credit enhancement has slightly increased to 27.17% for the class Aa, Ab, and Ac notes, to 19.37% for the class Ba and Bb notes, and to 5.57% for the class Ca and Cb notes.

Taking into account the U.K.'s current macroeconomic environment and the high proportion of interest-only loans backing the transactions, the asset principal pay downs have remained low. Therefore, the pools' characteristics have not changed significantly since our June 2015 review. However, our credit analysis benefitted from the increase in transactions' weighted-average seasoning, with the majority of the pool now in the >10-year bucket.

This transactions includes some classes of notes that are denominated in euros or U.S. dollars. However, the currency swap documentation does not fully comply with our current counterparty criteria. Therefore, in accordance with our current counterparty criteria, the maximum potential rating on the notes is equal to our long-term issuer credit rating (ICR) plus one notch on the swap provider, Natwest Markets N.V. (BBB+/Positive/A-2).

Taking into account the increased available credit enhancement and the counterparty cap, we have raised to 'A- (sf)' from 'BBB+ (sf)' our ratings on the class C notes. At the same time, we have affirmed our 'A- (sf)' ratings on the class A and B notes.

Paragon 9 is a U.K. buy-to-let transaction securitizing loans that Paragon Mortgages Ltd. and Mortgage Trust Ltd. originated. The transaction closed in July 2005.

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- 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 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012

*Ratings Raised On Paragon Mortgages 9's Class C U.K. RMBS Notes; Class A And B Notes Affirmed*

- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- U.K. RMBS Index Report Q2 2018, Sept. 5, 2018
- Outlook Assumptions For The U.K. Residential Mortgage Market, Sept. 4, 2018
- European Economic Snapshots For Q3 2018 Published, July 6, 2018
- Ratings On The United Kingdom Affirmed At 'AA/A-1+'; Outlook Remains Negative, April 27, 2018
- Criteria And Guidance: Understanding The Difference, Dec. 15, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Various Rating Actions Taken In UK RMBS Transactions Paragon Mortgages 7, 8 And 9 following Review, June 25, 2015

RATINGS RAISED

Paragon Mortgages (No. 9) PLC

| Class | Rating  |           |
|-------|---------|-----------|
|       | To      | From      |
| Ca    | A- (sf) | BBB+ (sf) |
| Cb    | A- (sf) | BBB+ (sf) |

RATINGS AFFIRMED

Paragon Mortgages (No. 9) PLC

| Class | Rating  |
|-------|---------|
| Aa    | A- (sf) |
| Ab    | A- (sf) |
| Ac    | A- (sf) |
| Ba    | A- (sf) |
| Bb    | A- (sf) |

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