

RESEARCH

Ratings Raised On Junior Notes In 4 U.K. RMBS First Flexible Transactions; A Notes Affirmed

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LONDON (Standard & Poor's) June 13, 2006-Standard & Poor's Ratings Services said today that it has raised its credit ratings on the junior notes issued by four U.K. RMBS issuers: First Flexible No.1 PLC (FF No.1), First Flexible No.3 PLC (FF No.3), First Flexible No.4 PLC (FF No.4), and First Flexible No.5 PLC (FF No.5). The ratings on these notes were removed from CreditWatch with positive implications, where they had been placed on May 23, 2006. At the same time, the ratings on the class A notes in these four transactions were affirmed (see list below).

The rating actions follow a full credit analysis of the most recent transaction information, including up-to-date loan-level data received by Standard & Poor's. The rating actions are driven by the well-seasoned pools, the significant increase in credit enhancement for all classes of notes, and the strong performance of the transactions.

FF No.1 and FF No.3 were originated by First Active Financial PLC. FF No.4 and FF No.5 were originated by Britannic Money PLC, which was subsequently acquired by the Paragon Group of Companies PLC.

"These transactions were originated between November 1999 and June 2002, and are, therefore, well seasoned. All of the reserve funds in the transactions are non-amortizing and are currently at their required level. This has contributed to the increase in credit enhancement at all levels as the transactions have paid down," said Standard & Poor's credit analyst Kate Livesey.

As of May 2006, the pool factors were 19.43% for FF No.1, 27.43% for FF No. 3, 45.42% for FF No.4, and 49.83% for FF No.5. There will be no redemption of the subordinate notes while the class A notes are outstanding, until five years after the date at which the last substitution was purchased. Thereafter, the notes may be redeemed pro rata subject to certain conditions. All the transactions are currently paying sequentially.

The performance of these transactions has been strong, with low levels of 90+ day and total delinquencies. As of May 2006, the percentage of loans that are 90+ days delinquent (including possessions, litigations, and receivers of rent) is 0.73% for FF No.1, 0.45% for FF 2, 0.64% for FF No.4, and 0.68% for FF No.5.

The majority of the loans backing these transactions are flexible mortgages. The terms of the flexible mortgage allow for borrowers to redraw amounts that have been paid in excess of the scheduled mortgage payments. If the borrower repays more than 20% of the scheduled principal balance, the borrower is required to pay a commitment fee of 1% of the amount by which the prepayment exceeds 20%. Redraw facilities were sized at closing to fund potential redraw requests in accordance with the transaction documents.

The notes are backed by a pool of first-ranking residential mortgages secured over freehold and leasehold owner-occupied, and investment home loan properties in the U.K.

Standard & Poor's will continue to closely monitor the performance of the transactions to ensure that the ratings on the notes remain consistent with the credit enhancement available.

Further information on this transaction is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. Alternatively, call Client Support Europe on (44) 20-7176-7176. Members of the media may contact the Press Office Hotline on (44) 20-7176-3605 or via media_europe@standardandpoors.com. Local media contact numbers are: Paris (33) 1-4420-6657; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

RATINGS LIST

Class	To	Rating	From
Ratings Removed From CreditWatch With Positive Implications And Raised			
First Flexible No.1 PLC £300 Million Mortgage-Backed Floating-Rate Notes			
B	AAA		A/Watch Pos
First Flexible No.3 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
B	AA		A/Watch Pos
First Flexible No.4 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
M	AA-		A/Watch Pos
B	A-		BBB/Watch Pos
First Flexible No.5 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
M	A+		A/Watch Pos
B	BBB+		BBB/Watch Pos

Ratings Affirmed

First Flexible No.1 PLC £300 Million Mortgage-Backed Floating-Rate Notes			
A	AAA		
First Flexible No.3 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
A	AAA		
First Flexible No.4 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
A	AAA		
First Flexible No.5 PLC £500 Million Mortgage-Backed Floating-Rate Notes			
A	AAA		

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