

First Flexible No. 4 Class A And M Ratings Affirmed Following Application Of U.K. RMBS Criteria; Class B Rating Lowered

Surveillance Credit Analyst:

Jonathan Mintz, London; Jonathan_Mintz@standardandpoors.com

Secondary Contact:

Neil Monro, London (44) 20-7176-6733; neil_monro@standardandpoors.com

OVERVIEW

- We have carried out a credit and cash flow analysis in line with our 2011 U.K. RMBS criteria.
- We have affirmed our ratings on First Flexible No. 4's class A and M notes and lowered our rating on the class B notes.
- First Flexible No. 4 is backed by prime U.K. residential mortgages originated by Britannic Money.

LONDON (Standard & Poor's) June 1, 2012--Standard & Poor's Ratings Services today affirmed its credit ratings on First Flexible No. 4 PLC's class A and M notes, and lowered its rating on the class B notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received (dated April 2012). Our analysis reflects the application of our December 2011 U.K. residential mortgage-backed securities (RMBS) criteria.

The portfolio has a high concentration of buy-to-let loans (83.65%) and it benefits from a low weighted-average current loan-to-value ratio (51.24%) and highly seasoned loans (weighted average seasoning of 128 months). The arrears performance has been stable and remains low, consistently outperforming our U.K. prime RMBS index. Cumulative losses are currently equal to 0.02% of the issued notes.

Due to a high proportion of interest-only loans in the pool (81.96%), credit enhancement has not increased significantly since our last review in May 2011, particularly for the class A and M notes as they are currently paying pro rata.

We have applied our 2011 U.K. RMBS criteria and this has resulted in an increase in the credit enhancement to achieve each rating level. As a result, we have lowered to 'A (sf)' from 'A+ (sf)' our rating on the class B notes. We have affirmed our ratings on the class A and M notes as we view the available credit enhancement to be commensurate with the current rating levels for these classes of notes.

Due to the way that the First Flexible No. 4 transaction is structured, the nonamortizing reserve fund is not able to cure principal losses throughout the life of the transaction, but can be used to pay interest on the notes. However, the release of the reserve fund at the last interest payment date can be used to cure principal losses.

Our credit stability analysis indicates that the maximum projected deterioration that we would expect at each rating level for time horizons of one year and three years under moderate stress conditions, are in line with our credit stability criteria.

The notes are backed by portfolios of first-ranking residential mortgages secured over properties in the U.K. Britannic Money PLC, acquired by the Paragon Group of Companies PLC, originated the loans.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>

RELATED CRITERIA AND RESEARCH

- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

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- Methodology: Credit Stability Criteria, May 3, 2010
- U.K. Prime RMBS Index Report, published quarterly

RATINGS LIST

Class	To	Rating	From
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First Flexible No. 4 PLC
£500 Million Mortgage-Backed Floating-Rate Notes

Ratings Affirmed

A	AAA (sf)		
M	AA (sf)		

Rating Lowered

B	A (sf)		A+ (sf)
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Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

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