

## First Flexible No. 5 Ratings Affirmed And Removed From CreditWatch Negative Following U.K. RMBS Criteria Update

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### OVERVIEW

- Today's rating actions follow the application of our 2011 U.K. RMBS criteria.
- We have affirmed and removed from CreditWatch negative our ratings on all classes of notes in First Flexible No. 5.
- First Flexible No. 5 is a U.K. RMBS transaction.

LONDON (Standard & Poor's) June 6, 2012--Standard & Poor's Ratings Services today affirmed and removed from CreditWatch negative its credit ratings on all classes of notes in First Flexible No. 5 PLC (see list below).

On Dec. 12, 2011, we placed on CreditWatch negative our ratings on all classes of notes in the transaction following the publication of our December 2011 U.K. residential mortgage-backed securities (RMBS) criteria.

First Flexible No. 5 is a U.K. RMBS transaction with collateral consisting of a pool of first-ranking mortgages over freehold and leasehold owner-occupied and buy-to-let properties (84.19%) located in the U.K. In our opinion, the collateral pool has exhibited relatively stable performance, with total arrears currently at 0.63% (0.94% including foreclosed loans and loans with receiver of rents in place) as of the most recent investor report for May 2012. Cumulative losses currently stand at 0.07%.

The build-up of credit enhancement, however, has been limited due to the high

percentage of interest-only loans (81.96%) and low prepayment rate environment for buy-to-let mortgages in the U.K. This has led to slower deleveraging of the First Flexible No. 5 collateral pool and a limited build-up of credit enhancement. This is particularly true for the senior classes of notes, due to the current pro-rata amortization of the pool.

Our credit and cash flow analysis of the transaction incorporates the application of our 2011 U.K. RMBS criteria. In this transaction, our updated credit adjustments give rise to a higher weighted-average foreclosure frequency and a higher weighted-average loss severity--leading to an overall increase in the required credit enhancement.

Due to the way that the First Flexible No. 5 transaction is structured, the non-amortizing reserve fund is not able to cure principal losses throughout the life of the transaction, being only available to cover shortfalls in interest and senior expenses and topping-up of the reserve. However, the release of the reserve fund at the final interest payment date can be used to cure principal losses. In our view, current credit enhancement levels and excess spread are sufficient in this transaction to mitigate the increase in required credit enhancement required under our U.K. RMBS criteria. Consequently, we have affirmed and removed from CreditWatch negative our ratings on the class A, M, and B notes.

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 (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

#### 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 Reports 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
- European RMBS CreditWatch Placements Linked To Recent Bank Rating Actions, Dec. 21, 2011

- Ratings On 764 Tranches In 119 U.K. RMBS Transactions Placed On CreditWatch Negative After U.K. RMBS Criteria Update, Dec. 12, 2011
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Counterparty And Supporting Obligations Update, Jan. 13, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- Methodology: Credit Stability Criteria, May 3, 2010

RATINGS LIST

Class	To	Rating	From
First Flexible No. 5 PLC			
£500 Million Mortgage-Backed Floating-Rate Notes			
Ratings Affirmed And Removed From CreditWatch Negative			
A	AAA (sf)		AAA (sf)/Watch Neg
M	AA (sf)		AA (sf)/Watch Neg
B	BBB+ (sf)		BBB+ (sf)/Watch Neg

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