

First Flexible No. 6 Class M Notes Rating Lowered And Class A Notes Rating Affirmed Following U.K. RMBS Criteria Update

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OVERVIEW

- After applying our 2011 U.K. RMBS criteria, we have lowered our ratings on the class M notes to 'BB- (sf)'.
• We have also affirmed and removed from CreditWatch negative our 'AA- (sf)' ratings on the class A notes.
• First Flexible No. 6 is a U.K. RMBS buy-to-let transaction.

LONDON (Standard & Poor's) June 6, 2012--Standard & Poor's Ratings Services today lowered to 'BB- (sf)' from 'A (sf)' its credit ratings on First Flexible No. 6 PLC's class M notes. We also affirmed and removed from CreditWatch negative our 'AA- (sf)' ratings on the class A notes (see list below).

These rating actions follow the application of our 2011 U.K. residential mortgage-backed securities (RMBS) criteria.

First Flexible No. 6 is a U.K. RMBS transaction with collateral consisting of a pool of first-ranking mortgages over freehold and leasehold buy-to-let (98.67%) and owner-occupied properties located in the U.K. In our opinion, the collateral pool has exhibited stable performance, with total arrears currently at 0.22% (or 0.77% including loans with receiver of rents in place) as of the most recent investor report for February 2012. Cumulative losses are also low and currently stand at 0.14%.

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

percentage of interest-only loans (93.26%) and the low interest and prepayment rate environment for buy-to-let mortgages in the U.K. This has led to slower deleveraging of the First Flexible No. 6 collateral.

Our credit and cash flow analysis of the transaction incorporates our updated 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.

The class M notes, however, are not able to pass our updated cash flow stresses at their current rating levels. The reserve fund is amortizing and is not available to cure principal losses throughout the life of the deal, but rather only at the final interest payment date. There is insufficient excess spread to mitigate the increase in required credit enhancement under our U.K. RMBS criteria.

The affirmation of the class A notes reflects sufficient credit enhancement to offset the increase in required credit enhancement. The class A notes were able to pass our updated cash flow stresses at higher ratings. However, as we do not view the currency swap documentation to be in line with our current counterparty criteria, the ratings on the transaction are capped by the issuer credit rating on J.P. Morgan Chase Bank N.A. (A+/Negative/A-1), plus one notch. After having breached its documented trigger of 'A-1+', after the downgrade of J.P. Morgan in November 2011, we have received confirmation from Paragon Finance PLC that collateral is being posted on this swap.

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.

First Flexible No. 6 is a U.K. RMBS transaction that securitizes buy-to-let mortgages originated by Mortgages Trust Ltd.

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
- 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
- Credit Stability Criteria, May 3, 2010

RATINGS LIST

First Flexible No. 6 PLC
€215 Million, £310 Million, US\$75 Million Mortgage-Backed Floating-Rate Notes

| Class | To | Rating | From |
|-------|----|--------|------|
|-------|----|--------|------|

RATINGS LOWERED

| | | | |
|----|----------|--|--------|
| M1 | BB- (sf) | | A (sf) |
| M2 | BB- (sf) | | A (sf) |

RATINGS AFFIRMED AND REMOVED FROM CREDITWATCH NEGATIVE

| | | | |
|----|----------|--|--------------------|
| A1 | AA- (sf) | | AA- (sf)/Watch Neg |
| A2 | AA- (sf) | | AA- (sf)/Watch Neg |
| A3 | AA- (sf) | | AA- (sf)/Watch Neg |

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