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All Ratings Affirmed In U.K. RMBS Transaction First Flexible No. 5 Following Review

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OVERVIEW

- We have reviewed First Flexible No. 5's performance using the most recent collateral pool composition and investor report available to us, and conducted a credit and cash flow analysis of the transaction.
- Following our review, we have affirmed our ratings on all classes of notes in this transaction.
- First Flexible No. 5 is a U.K. RMBS buy-to-let transaction that securitizes mortgages that Britannic Money originated.

MILAN (Standard & Poor's June 4, 2015--Standard & Poor's Ratings Services today affirmed its credit ratings on First Flexible No. 5 PLC's class A, M, and B notes (see list below).

We have reviewed First Flexible No. 5's performance using the most recent collateral pool composition and investor report available to us, and conducted an updated credit and cash flow analysis of the transaction.

Since our previous review, the collateral pool has exhibited improving performance and delinquencies have decreased--with 30+ days arrears declining to 0.12% as of the most recent investor report for March 2015. (see "First Flexible No. 5 Ratings Affirmed And Removed From CreditWatch Negative Following U.K. RMBS Criteria Update," published on June 6, 2012). Receivers of rents in place represent 0.18% of the loans in the pool, while cumulative losses are also low and currently stand at 0.09%.

Available credit enhancement has remained stable at 46.9% for the class A notes, at 24.5% for the class M notes, and at 12.1% for the class B notes.

This is because the issuer has been paying the notes pro rata. The credit enhancement figures above include 12.1% from the reserve fund. However, the reserve fund is not available to cure principal losses throughout the life of the transaction, but can only do so on the final interest payment date. The reserve fund is currently at its documented target level and is not amortizing.

After applying our U.K. residential mortgage-backed securities (RMBS) criteria to this transaction, our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and an increase in the weighted-average loss severity (WALS) (see "U.K. RMBS Methodology And Assumptions," published on Dec. 9, 2011).

Rating level	WAFF (%)	WALS (%)	Loss coverage (%)
AAA	23.12	23.94	5.54
AA	15.18	15.93	2.48
A	13.27	7.66	1.02
BBB	8.10	4.84	0.39
BB	5.38	3.62	0.19
B	4.97	2.82	0.14

The decrease in the WAFF is mainly due to the higher seasoning of the portfolio, which is now 150 months, and the lower arrears in the pool. The increase in the WALS is mainly due to the application of higher market value decline assumptions, especially in the South East area where the pool is more concentrated.

Our updated analysis shows that the current available credit enhancement for all classes of notes continues to be commensurate with the currently assigned ratings. We have therefore affirmed our 'AAA (sf)' rating on the class A notes, our 'AA (sf)' rating on the class M notes, and our 'BBB+ (sf)' rating on the class 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 (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

First Flexible No. 5 is a U.K. RMBS transaction with collateral comprising a pool of first-ranking mortgages mostly over freehold and leasehold buy-to-let (88.85%) properties in the U.K. Britannic Money originated the mortgages in the pool.

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

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Updated Outlook Assumptions for the U.K. Residential Mortgage Market, Aug. 17, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- U.K. RMBS Index Report Q4 2014/Q1 2015: Collateral Performance Remains Stable As Economic Growth Slows, May 29, 2015
- Cheap Oil And An Expansive QE Program Underpin The Eurozone Recovery, April 2, 2015
- Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets, Feb. 5, 2015
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- First Flexible No. 5 Ratings Affirmed And Removed From CreditWatch Negative Following U.K. RMBS Criteria Update, June 6, 2012

RATINGS LIST

First Flexible No. 5 PLC
£500 Million Mortgage-Backed Floating-Rate Notes

Ratings Affirmed

Class	Rating
A	AAA (sf)
M	AA (sf)
B	BBB+ (sf)

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