

## Primus Financial Products LLC 'AAA' Issuer Credit Rating Affirmed

NEW YORK (Standard & Poor's) Feb. 13, 2008—Standard & Poor's Ratings Services today affirmed its 'AAA' issuer credit rating on Primus Financial Products LLC (PFP).

The rating affirmation follows PFP's disclosure of the changes in the unrealized market value of its credit protection portfolio, which resulted from widening credit spreads. The reported fluctuations in the market value of PFP's credit swap portfolio didn't have a direct effect on our view of PFP's issuer credit rating due to the "continuation" structure that allows PFP to hold these positions through maturity rather than forcing it to liquidate them over a short time period. In addition, PFP does not post collateral in favor of any counterparties with regard to any swap positions that have a negative mark-to-market.

PFP's portfolio includes \$80 million in residential mortgage-backed securities (RMBS), or 0.33% of its overall portfolio. On Jan. 30, 2008, Standard & Poor's rating downgrades on six RMBS bonds totaling \$45 million triggered an option held by PFP's counterparties to physically settle the relevant credit default swaps by delivering the referenced bonds, at par, to PFP any time they are outstanding. As of Feb. 7, 2008, no counterparties have exercised this option and, therefore, no realized losses have occurred. PFP, however, reported a \$41 million capital provision that reflects the current market valuations of those six RMBS bonds.

Other than its 0.33% exposure to RMBS, PFP does not have exposure to structured finance or asset-backed securities. Its single-name corporate credit exposure is approximately 80.00% of the total overall portfolio, 2.15% of which represents single-name monoline insurer credit exposure. PFP also has 1.29% monoline insurer exposure across its tranche credit default swap portfolio, which makes up 20.00% of PFP's overall portfolio.

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Based on the most recent reports we received from PFP, its portfolio is passing all the rating-related tests, including the capital adequacy test. PFP's portfolio also shows passing results in additional stress scenarios, including those where PFP's capital is reduced by the full notional amount of its \$80 million RMBS exposure. This stress run showed, in our view, that PFP's portfolio could withstand the zero recovery on its RMBS portfolio with comfortable cushion in the capital.

In addition, we are correcting our internal data entry for PFP's issuer credit rating so that it will appear as an organizational level rating rather than a rating on specific instruments. Standard & Poor's will continue to monitor PFP's portfolio and provide updates as appropriate.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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