



## Global Credit Research Rating Action 1 OCT 2008

Rating Action: Primus Financial Products, LLC

Moody's takes rating actions on Primus Financial Products LLC and Primus Guaranty, Ltd.

New York, October 01, 2008 -- Moody's Investors Service announced today that it has (i) downgraded the counterparty rating of Primus Financial Products LLC ("Primus Financial"), and its Subordinated Deferrable Interest Notes, Series A and (ii) placed on review for possible downgrade Subordinated 2005 Deferrable Interest Notes, Series A-1, Subordinated 2005 Deferrable Interest Notes, Series B, and Perpetual NC-10 Floating Rate Cumulative Preferred Securities (Series I and Series II). Moody's also downgraded to Ba1, from Baa1, the senior unsecured and issuer ratings of Primus Guaranty, Ltd., and placed both ratings under review for further possible downgrade.

### PRIMUS FINANCIAL PRODUCTS LLC

Counterparty Rating

Prior Rating: Aaa

Prior Rating Date: 04/30/2002

Current Rating: Aa1 on review for possible downgrade

U.S. \$75,000,000 Subordinated Deferrable Interest Note, Series A

Prior Rating: Aaa

Prior Rating Date: 12/20/2005

Current Rating: Aa1 on review for possible downgrade

U.S. \$75,000,000 Subordinated 2005 Deferrable Interest Notes, Series A

Prior Rating: Aa2

Prior Rating Date: 12/20/2005

Current Rating: Aa2 on review for possible downgrade

U.S. \$50,000,000 Subordinated 2005 Deferrable Interest Notes, Series B

Prior Rating: Aa2

Prior Rating Date: 12/20/2005

Current Rating: Aa2 on review for possible downgrade

U.S. \$110,000,000 Perpetual NC-10 Floating Rate Cumulative Preferred Securities (Series I and Series II)

Prior Rating: A2

Prior Rating Date: 12/19/2002

Current Rating: A2 on review for possible downgrade

PRIMUS GUARANTY LTD.

Issuer Rating

Prior Rating: Baa1 on review for possible downgrade

Prior Rating Date: 09/11/08

Current Rating: Ba1 on review for possible downgrade

Senior Unsecured Debt Rating

Prior Rating: Baa1 on review for possible downgrade

Prior Rating Date: 09/11/08

Current Rating: Ba1 on review for possible downgrade

Primus Financial Products LLC is a wholly-owned subsidiary of Primus Guaranty, Ltd, and is an operating company whose business activity is providing credit protection in the form of credit default swaps (CDS).

According to Moody's, the rating actions are the result of significant deterioration in the credit quality of Primus Financial's CDS reference portfolio. In particular, Primus Financial has through its portfolio of reference obligations credit exposure to Lehman Brothers Holdings Inc. which filed for protection under Chapter 11 of the U.S. Bankruptcy Code on September 15, 2008; Washington Mutual Inc. which filed for protection under Chapter 11 of the U.S. Bankruptcy Code on September 26, 2008; and Fannie Mae and Freddie Mac, which were placed into the conservatorship of the U.S. government on September 8, 2008. The credit events associated with these names have resulted in Primus Financial not being adequately capitalized in respect of its previous ratings. Furthermore, Primus Financial has failed its counterparty capital shortfall test, and has substantial exposure to the financial sector which is currently experiencing significant stress. As a consequence, the respective expected losses to Primus Financial's counterparty rating and Notes' ratings are no longer consistent with the previous ratings.

Moody's said that the downgrade of Primus Guaranty Ltd.'s ratings reflect the substantial credit deterioration at its main operating company, Primus Financial Products and the adverse effect on its ability to generate incremental revenues. The rating agency added that stress at Primus Financial may also weaken the holding company's financial flexibility and create substantial uncertainty about the group's strategic direction. Such adverse developments are only partially mitigated by the current strong liquidity position at the holding company.

New York  
William May  
Managing Director  
Structured Finance Group

Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Ivan Jiang  
Vice President - Senior Analyst  
Structured Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including  
Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.