



**Investor Relations Contact:**  
Nicole Stansell  
Primus Guaranty, Ltd.  
212/697-1992  
[investorrelations@primusguaranty.com](mailto:investorrelations@primusguaranty.com)

**Media Contact:**  
Steven Kennedy  
Kennedy & Company  
914/961-2436 ext. 13  
[steven@kennedycom.com](mailto:steven@kennedycom.com)

FOR IMMEDIATE RELEASE

**PRIMUS GUARANTY, LTD. REPORTS  
SECOND QUARTER 2010 FINANCIAL RESULTS**

**Hamilton, Bermuda – August 12, 2010** – Primus Guaranty, Ltd. (“Primus Guaranty” or “the Company”) (NYSE:PRS) today announced its financial results for the second quarter ended June 30, 2010.

- GAAP net loss available to common shares for the second quarter 2010 was \$188.4 million, or \$4.84 per diluted share, compared with GAAP net income available to common shares of \$596.9 million, or \$14.46 per diluted share, for the second quarter 2009. GAAP net loss available to common shares for the second quarter 2010 was primarily attributable to a net unrealized mark-to-market loss of \$194.8 million on Primus Financial Products, LLC (“Primus Financial”)’s consolidated credit swap portfolio.
- Economic Results for the second quarter 2010 were \$6.8 million, or \$0.18 per diluted share, and include \$15.3 million of premium income, \$5.5 million of asset management fees, \$10.1 million of net realized losses from credit mitigation activities within Primus Financial’s portfolio of credit swaps and \$2.7 million of gains from retirement of long-term debt. Economic Results for the second quarter 2009 were \$47.5 million, or \$1.15 per diluted share, and include \$22.2 million of premium income, \$0.4 million of asset management fees and \$33.2 million of gains from retirement of long-term debt.
- Economic Results book value per common share was \$7.55 at June 30, 2010, compared with Economic Results book value per common share of \$7.30 at March 31, 2010 and \$8.48 at December 31, 2009.
- Primus Asset Management (“PAM”) managed Primus Financial, other structured credit vehicles and funds totaling \$17.4 billion at June 30, 2010, including \$3.3 billion of third-party assets. At June 30, 2010, the notional principal of Primus Financial’s consolidated credit swap portfolio totaled \$14.1 billion. At June 30, 2009, PAM managed Primus Financial and other structured credit vehicles totaling \$22.8 billion, including \$1.5 billion of third-party assets. At June 30, 2009, the notional principal of Primus Financial’s consolidated credit swap portfolio totaled \$21.3 billion.

## **Buyback Authorization**

- Today, the Company announces that its Board of Directors has authorized an additional expenditure of up to \$5 million of available cash for the purchase of the Company's common shares and/or 7% Senior Notes. Purchases will be made at management's discretion. The total authorized capacity for buybacks of the Company's common shares and/or 7% Senior Notes is \$45 million, of which approximately \$12.7 million is currently available under the buyback program, including the additional \$5 million authorization.

## **Strategy Update**

- During the second quarter 2010, the Company retained Berkshire Capital Securities LLC, a leading investment bank in the asset management field, to advise on strategic alternatives for the Company's asset management business. The Company expects this process to be completed by the end of 2010.

## **Consolidation of CLOs under Management**

- Effective January 1, 2010, the Company adopted ASC Topic 810, *Consolidation*, which required it to consolidate the assets, liabilities, revenues and expenses of the collateralized loan obligations ("CLOs") under its management. Although these CLOs are consolidated, the assets of the CLOs are not available to the Company for general operations or in satisfaction of the Company's debt obligations. The Company does not have any rights to or ownership of these assets. Similarly, the Company does not have any obligation to settle the liabilities of the CLOs. The Company has no contractual obligation to fund or provide other financial support to any CLO. As a result of the adoption of ASC Topic 810, *Consolidation*, the Company established an "appropriated retained earnings from CLO consolidation" account in the equity section of the condensed consolidated statement of financial condition as required under the standard.

## **CypressTree Awards**

- The Company granted equity awards to employees of CypressTree Investment Management, LLP who joined Primus in connection with its previously announced acquisition of CypressTree on July 9, 2009. The awards, which consist of a total 378,000 restricted share units of common shares of Primus Guaranty, were made to ten non-executive employees concurrently with the closing of the CypressTree acquisition. One-third of the awards vested on July 9, 2010 and the remaining awards will vest on each of the second and third anniversaries of the transaction closing date.

## **Earnings**

A copy of this press release and the financial supplement, including additional credit swap portfolio and historical data, will be available in the Investor Relations section of the Company's Web site at [www.primusguaranty.com](http://www.primusguaranty.com). Also available on the Web site is a letter to the shareholders from the Company's Chief Executive Officer, which discusses the Company's performance, key strategic developments and other issues.

## **Economic Results**

In managing its business and assessing its growth and profitability from a strategic and financial planning perspective, the Company believes it is appropriate to consider both its U.S. GAAP net income (loss) available to common shares as well as certain non-GAAP financial measures called “Economic Results”. We define Economic Results as GAAP net income (loss) available to common shares (which reflects the deduction of net income (loss) attributable to non-parent interests) adjusted as follows:

- Unrealized gains (losses) on credit swaps sold by Primus Financial are excluded from GAAP net income (loss) available to common shares;
- Realized gains from early termination of credit swaps sold by Primus Financial are excluded from GAAP net income (loss) available to common shares;
- Realized gains from early termination of credit swaps sold by Primus Financial are amortized over the period that would have been the remaining life of the credit swap. The amortized gain is included in Economic Results;
- A provision for CDS on ABS credit events is included in Economic Results; and
- A reduction in provision for CDS on ABS credit events upon termination of credit swaps is included in Economic Results.

Economic Results includes realized and unrealized gains and losses on credit swap transactions undertaken by the Primus Absolute Return Credit Fund. The Company believes that quarterly fluctuations in the fair market value of Primus Financial’s credit swap portfolio have little or no effect on the Company’s business operations and that Economic Results provides a useful, alternative view of the Company’s economic performance.

## **About Primus Guaranty**

Primus Guaranty, Ltd. is a Bermuda company with operations in New York, Boston and London. Through its subsidiaries, the company is a leading manager of corporate credit assets and provider of credit protection. Primus manages assets in structured credit funds and operating companies, across a range of asset classes – including investment grade, high yield and leveraged loans – using both cash and synthetic instruments.

## **Safe Harbor Statement**

Some of the statements included in this press release and other statements Primus Guaranty may make, particularly those anticipating future financial performance, business prospects, growth and operating strategies, market performance, valuations and similar matters, are forward-looking statements that involve a number of assumptions, risks and uncertainties, which change over time. For those statements, Primus Guaranty claims the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Any such statements speak only as of the date they are made, and Primus Guaranty assumes no duty to, and does not undertake to, update any forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements, and future results could differ materially from historical performance. For a discussion of the factors that could affect the Company’s actual results please refer to the risk factors identified from time to time in the Company’s SEC reports, including, but not limited to, Primus Guaranty’s Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission.

**Primus Guaranty, Ltd.**  
**Condensed Consolidated Statements of Financial Condition (Unaudited)**  
*(in thousands except share amounts)*

|   | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|---|--------------------------|------------------------------|
|   | <b>2010</b>              | <b>2009</b>                  |
| <b>Assets</b>   |                          |                              |
| Cash and cash equivalents .....   | \$ 139,863               | \$ 299,514                   |
| Investments (includes \$368,314 and \$274,275 at fair value) .....  | 368,484                  | 274,444                      |
| Restricted cash and investments .....   | 129,734                  | 127,116                      |
| CLO cash and cash equivalents .....   | 117,357                  | -                            |
| CLO loans and securities, at fair value .....   | 2,422,961                | -                            |
| CLO other assets .....  | 56,095                   | -                            |
| Accrued interest and premiums .....   | 6,815                    | 6,163                        |
| Unrealized gain on credit swaps, at fair value .....  | 126                      | 2,207                        |
| Goodwill and other intangible assets, net .....   | 7,712                    | 8,017                        |
| Other assets .....  | 13,488                   | 15,286                       |
| Total assets .....  | <b>\$ 3,262,635</b>      | <b>\$ 732,747</b>            |
| <b>Liabilities and Equity (deficit)</b>   |                          |                              |
| <b>Liabilities</b>  |                          |                              |
| Accounts payable and accrued expenses .....   | \$ 4,596                 | \$ 7,855                     |
| Unrealized loss on credit swaps, at fair value .....  | 757,537                  | 691,905                      |
| Payable for credit events .....   | 4,632                    | 28,596                       |
| CLO notes, at fair value .....  | 2,266,583                | -                            |
| CLO other liabilities .....   | 87,968                   | -                            |
| Long-term debt .....  | 226,305                  | 244,051                      |
| Other liabilities .....   | 34,467                   | 9,787                        |
| Total liabilities .....   | <b>3,382,088</b>         | <b>982,194</b>               |
| <b>Equity (deficit)</b>   |                          |                              |
| Common shares, \$0.08 par value, 62,500,000 shares<br>authorized, 38,580,653 and 38,267,546 shares issued and<br>outstanding at June 30, 2010 and December 31, 2009 ..... | 3,086                    | 3,061                        |
| Additional paid-in capital .....  | 280,851                  | 280,685                      |
| Accumulated other comprehensive income .....  | 3,818                    | 2,148                        |
| Retained earnings (deficit) .....   | (729,428)                | (628,443)                    |
| Appropriated retained earnings from CLO consolidation .....   | 229,118                  | -                            |
| Total shareholders' equity (deficit) of Primus Guaranty, Ltd  | <b>(212,555)</b>         | <b>(342,549)</b>             |
| Preferred securities of subsidiary .....  | 93,102                   | 93,102                       |
| Total equity (deficit) .....  | <b>(119,453)</b>         | <b>(249,447)</b>             |
| Total liabilities and equity (deficit) .....  | <b>\$ 3,262,635</b>      | <b>\$ 732,747</b>            |

**Primus Guaranty, Ltd.**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
*(in thousands except per share amounts)*

|   | Three Months Ended<br>June 30, |                          | Six Months Ended<br>June 30, |                          |
|---|--------------------------------|--------------------------|------------------------------|--------------------------|
|   | 2010                           | 2009                     | 2010                         | 2009                     |
| <b>Revenues</b>   |                                |                          |                              |                          |
| Net credit swap revenue (loss) .....                              | \$ (189,708)                   | \$ 571,883               | \$ (102,178)                 | \$ 682,764               |
| Net CLO loss.....   | (124,842)                      | -                        | (47,249)                     | -                        |
| CLO interest income .....   | 19,510                         | -                        | 42,932                       | -                        |
| Asset management and advisory fees.....                           | 263                            | 387                      | 554                          | 806                      |
| Interest income.....  | 3,541                          | 1,125                    | 6,241                        | 3,498                    |
| Gain on retirement of long-term debt.....                         | 2,676                          | 33,189                   | 7,433                        | 38,948                   |
| Impairment loss on investments.....                               | -                              | (152)                    | -                            | (761)                    |
| Other income (loss).....  | (223)                          | 2,550                    | (154)                        | 2,474                    |
| Total revenues (losses).....                                      | <u>(288,783)</u>               | <u>608,982</u>           | <u>(92,421)</u>              | <u>727,729</u>           |
| <b>Expenses</b>   |                                |                          |                              |                          |
| CLO interest expense .....  | 8,258                          | -                        | 14,095                       | -                        |
| CLO other expenses .....  | 2,302                          | -                        | 3,292                        | -                        |
| Compensation and employee benefits .....                          | 5,766                          | 4,566                    | 11,191                       | 9,281                    |
| Professional and legal fees .....                                 | 2,308                          | 1,957                    | 3,947                        | 3,378                    |
| Interest expense.....   | 1,737                          | 2,310                    | 3,606                        | 5,068                    |
| Other .....   | 4,590                          | 2,146                    | 8,126                        | 4,105                    |
| Total expenses.....   | <u>24,961</u>                  | <u>10,979</u>            | <u>44,257</u>                | <u>21,832</u>            |
| Income (loss) before provision for income taxes .....             | (313,744)                      | 598,003                  | (136,678)                    | 705,897                  |
| Provision (benefit) for income taxes .....                        | (140)                          | 5                        | 3                            | 147                      |
| Net income (loss) .....   | <u>(313,604)</u>               | <u>597,998</u>           | <u>(136,681)</u>             | <u>705,750</u>           |
| Distributions on preferred securities of subsidiary ...           | 724                            | 1,070                    | 1,712                        | 2,014                    |
| Less: Net loss attributable to non-parent interests in CLOs ..... | <u>(125,934)</u>               | <u>-</u>                 | <u>(36,521)</u>              | <u>-</u>                 |
| <b>Net income (loss) available to common shares .....</b>         | <b><u>\$ (188,394)</u></b>     | <b><u>\$ 596,928</u></b> | <b><u>\$ (101,872)</u></b>   | <b><u>\$ 703,736</u></b> |
| Income (loss) per common share:                                   |                                |                          |                              |                          |
| Basic .....   | \$ (4.84)                      | \$ 14.76                 | \$ (2.63)                    | \$ 17.31                 |
| Diluted .....   | \$ (4.84)                      | \$ 14.46                 | \$ (2.63)                    | \$ 17.12                 |
| Average common shares outstanding:                                |                                |                          |                              |                          |
| Basic .....   | 38,903                         | 40,430                   | 38,795                       | 40,646                   |
| Diluted .....   | 38,903                         | 41,268                   | 38,795                       | 41,096                   |

**Primus Guaranty, Ltd.**  
**Regulation G and Other Disclosure**  
**Economic Results**  
**June 30, 2010**  
**(Unaudited)**

In managing its business and assessing its growth and profitability from a strategic and financial planning perspective, the Company believes it is appropriate to consider both its U.S. GAAP net income (loss) available to common shares as well as certain non-GAAP financial measures called "Economic Results". We define Economic Results as GAAP net income (loss) available to common shares (which reflects the deduction of net income (loss) attributable to non-parent interests) adjusted as follows:

- Unrealized gains (losses) on credit swaps sold by Primus Financial are excluded from GAAP net income (loss) available to common shares;;
- Realized gains from early termination of credit swaps sold by Primus Financial are excluded from GAAP net income (loss) available to common shares;;
- Realized gains from early termination of credit swaps sold by Primus Financial are amortized over the period that would have been the remaining life of the credit swap. The amortized gain is included in Economic Results;
- A provision for CDS on ABS credit events is included in Economic Results; and
- A reduction in provision for CDS on ABS credit events upon termination of credit swaps is included in Economic Results.

Economic Results includes realized and unrealized gains and losses on credit swap transactions undertaken by the Primus Absolute Return Credit Fund. The Company believes that quarterly fluctuations in the fair market value of Primus Financial's credit swap portfolio have little or no effect on the Company's business operations and that Economic Results provides a useful, alternative view of the Company's economic performance.

**Economic Results per GAAP Diluted Share**

(in 000's except per share amounts)

|  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|--|--------------------------------|-------------------|------------------------------|-------------------|
|  | 2010                           | 2009              | 2010                         | 2009              |
| <b>GAAP Net income (loss) available to common shares</b>   | <b>\$ (188,394)</b>            | <b>\$ 596,928</b> | <b>\$ (101,872)</b>          | <b>\$ 703,736</b> |
| <i>Adjustments:</i>  |                                |                   |                              |                   |
| Change in unrealized fair value of credit swaps sold (gain) loss by Primus Financial               | 194,963                        | (552,624)         | 67,827                       | (675,514)         |
| Realized gains from early termination of credit swaps sold by Primus Financial                     | -                              | -                 | -                            | -                 |
| Amortization of realized gains from the early termination of credit swaps sold by Primus Financial | 264                            | 368               | 558                          | 761               |
| Provision for CDS on ABS credit events   | -                              | (188)             | (2,374)                      | (15,242)          |
| Reduction in provision for CDS on ABS credit events upon termination of credit swaps               | -                              | 3,000             | 1,819                        | 27,628            |
| <b>Economic Results (loss)</b>   | <b>\$ 6,833</b>                | <b>\$ 47,484</b>  | <b>\$ (34,042)</b>           | <b>\$ 41,369</b>  |
| Economic Results earnings per GAAP diluted share   | \$ 0.18                        | \$ 1.15           | \$ (0.88)                    | \$ 1.01           |
| Economic Results weighted average common shares - GAAP diluted                                     | 38,903                         | 41,268            | 38,795                       | 41,096            |

**Economic Results Book Value per Share**

|  | June 30,<br>2010    | December 31,<br>2009 |
|--|---------------------|----------------------|
| <b>GAAP Shareholders' equity (deficit) of Primus Guaranty, Ltd.</b>                          | <b>\$ (212,555)</b> | <b>\$ (342,549)</b>  |
| <i>Adjustments:</i>  |                     |                      |
| Accumulated other comprehensive (income) loss  | (3,818)             | (2,148)              |
| Unrealized fair value of credit swaps sold (gain) loss by Primus Financial                   | 757,525             | 689,698              |
| Realized gains from early termination of credit swaps sold by Primus Financial               | (33,574)            | (33,574)             |
| Provision for CDS on ABS credit events   | (68,791)            | (66,417)             |
| Appropriated retained earnings from CLO consolidation  | (229,118)           | -                    |
| Amortized realized gains from the early termination of credit swaps sold by Primus Financial | 33,191              | 32,633               |
| Reduction in provision for CDS on ABS credit events upon termination of credit swaps         | 48,575              | 46,756               |
| <b>Economic Results Shareholders' Equity</b>   | <b>\$ 291,435</b>   | <b>\$ 324,399</b>    |
| Economic Results book value per share issued and outstanding                                 | \$ 7.55             | \$ 8.48              |
| GAAP book value per share issued and outstanding   | \$ (5.51)           | \$ (8.95)            |
| Common shares issued and outstanding   | 38,581              | 38,268               |

Primus Guaranty, Ltd.  
GAAP Net Credit Swap Revenue  
June 30, 2010  
(Unaudited)

**GAAP Net Credit Swap Revenue**

(in 000's)

|   | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|---|--------------------------------|-------------------|------------------------------|-------------------|
|   | 2010                           | 2009              | 2010                         | 2009              |
| <b>Net credit swap revenue components</b>                               |                                |                   |                              |                   |
| <i>Credit swaps sold - single name (Primus Financial)</i>               |                                |                   |                              |                   |
| Net premium income  | \$ 11,626                      | \$ 16,984         | \$ 24,192                    | \$ 34,217         |
| Realized gains  | -                              | 25                | -                            | 25                |
| Realized losses   | (7,073)                        | -                 | (26,296)                     | (9,850)           |
| Change in unrealized gains/(losses)                                     | (34,506)                       | 266,227           | 1,544                        | 316,683           |
| <i>Credit swaps sold - tranches (Primus Financial)</i>                  |                                |                   |                              |                   |
| Net premium income  | 3,583                          | 5,144             | 7,386                        | 10,231            |
| Realized gains  | -                              | -                 | -                            | -                 |
| Realized losses   | -                              | -                 | (35,000)                     | -                 |
| Change in unrealized gains/(losses)                                     | (164,691)                      | 289,816           | (75,293)                     | 334,524           |
| <i>Credit swaps undertaken to offset credit risk (Primus Financial)</i> |                                |                   |                              |                   |
| Net premium income (expense)  | (45)                           | 12                | (45)                         | 24                |
| Net realized gains (losses)   | (2,938)                        | -                 | (2,938)                      | -                 |
| Change in unrealized gains/(losses)                                     | 3,236                          | (739)             | 2,937                        | (748)             |
| <i>Credit swaps sold - ABS (Primus Financial)</i>                       |                                |                   |                              |                   |
| Net premium income  | 66                             | 94                | 133                          | 231               |
| Realized gains  | -                              | -                 | -                            | -                 |
| Realized losses   | -                              | (3,000)           | (1,819)                      | (27,628)          |
| Change in unrealized gains/(losses)                                     | 998                            | (2,680)           | 2,985                        | 25,055            |
| <i>Net credit swaps (PARC fund)</i>                                     | 36                             | -                 | 36                           | -                 |
| <b>Net credit swap revenue (loss)</b>                                   | <b>\$ (189,708)</b>            | <b>\$ 571,883</b> | <b>\$ (102,178)</b>          | <b>\$ 682,764</b> |