



Fitch Affirms CIFG's "AAA" Ratings Following Review of Subprime

Exposures [Ratings](#)

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Fitch Ratings-Paris/NY/London/Singapore-22 November 2007: Fitch Ratings has affirmed the following ratings with a Stable Rating Outlook:

CIFG Guaranty
CIFG Assurance North America, Inc.
CIFG Europe
Insurer financial strength (IFS) 'AAA'

The affirmation of CIFG's ratings is based on the announcement today that the shareholders of CIFG's direct parent company Natixis -- Banque Federale des Banques Populaires and Caisse Nationale des Caisses d'Epargne et de Prevoyance -- have committed to provide capital support of approximately US\$1.5 billion to CIFG. In addition, Banque Federale des Banques Populaires and Caisse Nationale des Caisses d'Epargne et de Prevoyance have decided to acquire 100% of CIFG's capital. The capital support is being provided in light of deterioration in the credit quality of CIFG's insured portfolio, mainly related to structured finance collateralized debt obligations (SF CDOs) backed by subprime residential mortgage-backed securities (RMBS).

The level of capital support is based on the increase in modeled claims-paying resources needed to support a minimum 'AAA' rating threshold under Fitch's financial guaranty capital model, Matrix. As announced on Nov. 5, 2007, Fitch stated it would be conducting an updated assessment of the underlying ratings of insured SF CDOs backed by subprime RMBS for all the 'AAA' financial guarantors rated by Fitch. At the time of that announcement, CIFG was identified as having a "high probability" of contraction in its modeled capital cushion, and accordingly, CIFG is the first financial guarantor for which Fitch has completed its updated analysis of underlying SF CDOs.

CIFG's SF CDO exposure totaled approximately \$9.2 billion as of Sept. 30, 2007, with a significant proportion of CIFG's SF CDOs being 'mezzanine' CDO securities that were largely backed initially by U.S. subprime collateral rated 'BBB' and lower. Based on Fitch's analysis, a number of the underlying transactions, which were originally rated 'AAA', have suffered material collateral deterioration. This caused Fitch to downgrade the ratings assessment of several of these transactions to low investment grade or non-investment grade rating categories. The extent of the downgrades has effectively doubled the modeled capital needed by CIFG to support the 'AAA' rating stress under Matrix. In conducting its analysis, Fitch has used its own assessments for various SF CDO transactions not originally rated by Fitch.

Fitch notes that the \$1.5 billion figure discussed above represents modeled capital needs at a 'AAA' confidence level. Any actual future claims potentially incurred by CIFG on its insured SF CDO portfolio (i.e. "expected losses"), should be significantly lower than the amount of modeled 'AAA' capital.

CIFG Guaranty, CIFG Assurance North America, Inc. and CIFG Europe are subsidiaries of CIFG Holding. CIFG Holding is directly owned by Natixis, a large French banking company that provides asset management, corporate and investment banking, private equity and private banking and several specialized services. Natixis is owned 34.4% by Caisse Nationale des Caisses d'Epargne et Prevoyance, 34.4% by Banque Federale des Banques Populaires, with the balance being publicly traded.

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