



Rating Action: Nexgen Financial Holdings Limited

CORRECTION TO HEADLINE AND TEXT: MOODY'S SAYS THAT THE NEXGEN FINANCIAL SOLUTIONS GROUP (IRELAND) DISPLAYS RELATIVELY GOOD CREDIT FUNDAMENTALS, DESPITE ITS SMALL SIZE AND EXPOSURE TO SOME MARKET RISKS

Moody's said that the credit fundamentals of the Nexgen Financial Solutions group (which is consolidated under the Nexgen Financial Holdings Limited holding company) are relatively good, despite the group's small size and dependence on continually originating client deals.

Created in 2001 and trading under the name of Nexgen Financial Solutions, the Nexgen group is headed by Nexgen Financial Holdings Limited, an Irish holding company based in Dublin. The group structures capital market-related financial solutions with a view to offering innovative, tailor-made financing and risk transfer solutions. The main operating companies are Nexgen Capital Limited which undertakes the group's capital markets transactions, Nexgen Re Limited which engages in financial reinsurance and Nexgen Financial Solutions Limited which handles the structuring and the marketing of transactions. The group also makes limited investments in arbitrage and financial transactions for its own account in order to raise its commercial and risk expertise.

While its ownership structure is diversified, Nexgen's largest shareholder is the French financial institution CDC Ixis (rated Aaa for senior guaranteed debt and Aa1 for non-guaranteed obligations) which regroups all the open-market wholesale, investment banking and asset management activities of its parent Caisse des Dépôts et Consignations with 38% of the capital at end-2002. The second largest shareholder is Singapore Technologies with 21% of the capital. In addition, the staff owns 22% of the capital. All shareholders are locked into a non-sale agreement expiring at the end of 2005.

The rating agency said that a key area of strength for the Nexgen group is its high-quality staff which combines know-how in structured finance, derivatives and reinsurance which the group leverages into multi-layered transactions mixing these different techniques. However, Moody's pointed to the fact that, because the group is effectively selling intellectual innovation, this situation clearly puts a particular onus on Nexgen to actively and continually exploit its staff members' business connections as well as to team-up with financial partners such as advice-orientated investment banks.

Moody's further observed that, owing to its current specialization in financial solutions providing equity-linked funding and risk transfer, the Nexgen group is presently exposed to a variety of market risks, mainly equity and volatility risks but also interest rate, currency, counterparty and insurance risks. Given the multi-layered nature of Nexgen's financial concepts, the group is also exposed to correlation risk. Finally, the group is exposed to credit risk. The rating agency said that the group's risk limits and outstandings are small, especially relative to its large equity base. Moody's views the group's risk management attitude as relatively conservative. The rating agency concluded by saying that maintaining tight controls over and effective protections against the risk components of its transactions will be a challenge for Nexgen going forward.

Moody's analysis for the Nexgen group is part of its Bank Credit Strength Assessment service, provided at the request of non-rated financial institutions. The BCSA service is not accompanied by public ratings on the group's debt or financial strength. Moody's subscribers can access the BCSA report on Nexgen at www.moody.com.

Nexgen Financial Holdings Limited is based in Ireland. The group operates out of Dublin, Paris and Singapore. At end-2002, the group had total assets of USD299 million.

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5408-4110; Hilary Parkes in Toronto +1-416-214-1635; Lorraine Yee in Hong Kong +852-2916-1112; Luiz Tess in São Paulo +55-11-3443-7444; or Benito Solis in Mexico City +525-261-8784 or visit our web site at www.moodys.com

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