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TETRAGON FINANCIAL GROUP LIMITED (TFG) ANNOUNCEMENT

January 28, 2009

TFG today announces changes to certain IRR modeling assumptions and the establishment of a balance sheet reserve against potential unrealized losses arising from, among other things, ratings agency downgrades to its investments' underlying collateral. TFG also today announces dividend guidance for Q4 2008. References to "we" are to Polygon Credit Management LP (the "Investment Manager"). TFG is scheduled to publish fourth quarter and full year results and its Annual Report on or about February 27, 2009.

Changes to Certain IRR Modeling Assumptions:

The Investment Manager reviews, and adjusts as appropriate the investment portfolio's IRR modeling assumptions to factor in historic, current and potential market developments on the performance of TFG's investments.

The fourth quarter of 2008 evidenced dramatic market developments, including, a marked deterioration in economic outlook exhibited by poor employment reports, declining corporate earnings, increased bankruptcies and rising defaults. Furthermore, the quarter also exhibited an increasingly negative default outlook by various market participants, including rating agencies, with an associated significant increase in ratings agency downgrades and credits rated Caa1/CCC+ or below. The demonstrable impact of such developments on TFG's investments' underlying collateral (e.g., senior secured loans) has generally only recently begun to reveal itself. As one point of reference, as of December 31, 2008, the lagging 12-month institutional loan default rate increased to 3.75% by principal amount, according to S&P/LCD, up from 0.24% during 2007.¹ In comparison, TFG's lagging 12-month corporate loan default rate increased during 2008 to 2.81%, approximately 25% below the market rate.

Despite that, the potential impact of those and further similar developments on TFG's investments' performance has prompted adjustments to TFG's IRR modeling assumptions. We seek in this announcement to provide an update on certain of those IRR modeling changes, which are set out below (shown in no particular order):²

- **Constant Annual Default Rate:** We have increased the assumed constant annual default rate to approximately 6.4%, which is 3.0x the original base-case WARF-implied default rate, for the next three years, followed by a return to 1.0x (the original base-case WARF-implied default level) thereafter until maturity.
- **Recovery Rate:** We have reduced assumed recovery rates to approximately 55%, or approximately 0.8x of the original base-case assumed weighted-average recovery rate, for the next three years, followed by a return to 71% (the original base-case recovery rate)³ thereafter until maturity.

¹ Source: Standard & Poors, "Leveraged Lending Review 4Q2008", January 2009.

² Please note that TFG undertakes no obligation to update public disclosure with respect to these or other modeling assumptions, except as required by law.

³ The base-case weighted average recovery rate represents the weighted average of expected recoveries for a transaction based on our assumed recoveries for each asset class and each transaction's targeted asset mix, assuming 75% recovery for first lien U.S. loans, 70% for first lien European loans, 50% recovery on U.S. second lien and mezzanine loans, and 30% recovery for high yield bonds.

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- **Prepayment Rate:** We have reduced assumed loan prepayments to 7.5% p.a. for the next three years, followed by a return to the 20% p.a. (the original base-case prepayment rate) thereafter until maturity; we have also assumed a 0% prepayment rate on bonds throughout the life of the transaction as in the original base-case assumptions.
- **Reinvestment Price and Spread:** We have reduced the assumed reinvestment price to 87%, a level that generates an effective spread over LIBOR of approximately 735 bps on broadly U.S. syndicated loans, 745 bps on European loans, and 805 bps on middle market loans, for the next three years, followed by a return to par reinvestment price (the original base case reinvestment price) thereafter until maturity.

The net effect of these four changes for December 2008 month-end results was to reduce the weighted-average IRR by approximately 2.0% and the estimated fair value of TFG's investments by approximately \$59.0 million, in each case relative to the immediately preceding assumptions utilized. After giving effect to these changes and reflecting other relevant inputs during the fourth quarter, the weighted-average IRR ended the fourth quarter at 13.8% compared to 16.1% for November 2008.

Accelerated Loss Reserve:

In addition to the above, TFG is establishing a balance sheet reserve calculated on a deal-by-deal basis against potential unrealized losses arising from, among other things, rating agency downgrades to TFG's investments' underlying collateral (the "Accelerated Loss Reserve").⁴

The Investment Manager believes that negative loan migration, specifically migration to Caa1/CCC+ or below, may place pressure on the performance of certain of TFG's investments. Caa1/CCC+ or below rated asset exposure over pre-defined limits in such investments may temporarily cause cash diversion away from CLO equity tranches (TFG's investments) and into the reinvestment of new collateral, and, if significant enough, potential deleveraging of the CLO.

The Accelerated Loss Reserve seeks to address the impact this risk and other potential unrealized losses may have on the fair value of TFG's investments. For the quarter ending December 31, 2008, the Accelerated Loss Reserve totaled approximately \$141.0 million.

Dividend Guidance:

Given the current market environment, the Investment Manager expects to recommend that TFG declare a quarterly dividend between \$.03 and \$.05 per share. This is a preliminary estimate and a final determination will be made by the Board of Directors of TFG, subject to the approval of the voting shares of TFG, and will be announced on or about February 27, 2009 after the close of trading activity on Euronext Amsterdam by NYSE Euronext.

TFG shareholders may elect to receive any declared dividends in the form of additional TFG shares pursuant to the company's Optional Stock Dividend Plan. Please refer to the TFG website (www.tetragoninv.com) for additional information on TFG's Dividend Policy and Optional Stock Dividend Plan.

⁴ The Accelerated Loss Reserve like the life-to-date net loss reserve is investment-specific. Life-to-date net loss reserve is calculated by subtracting the actual collateral loss for each investment from its expected collateral loss, where the expected collateral loss is a function of expected collateral size, TFG's loss assumptions and the length of time the investment has been held. Whereas life-to-date net loss reserve is an adjustment imbedded in TFG's modeling assumptions, the Accelerated Loss Reserve is a direct adjustment to the fair value of an investment and the cumulative amount of such adjustments will be evidenced on TFG's financial statements.

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About Tetragon:

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol “TFG.”

Tetragon Financial Group Limited (TFG) currently invests through long-term funding vehicles such as collateralized loan obligations (CLOs) in selected securitized asset classes and aims to provide stable returns to investors across various interest rate and credit cycles.

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