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Research Update:

Ambac Assurance Corp. Ratings Placed On Credit Watch Negative

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Table Of Contents

Rationale

Ratings List

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Rationale

On Jan. 18, Standard & Poor's Ratings Services placed Ambac Assurance Corp.'s (Ambac) financial strength, financial enhancement, and issuer credit ratings and Ambac Financial Group Inc.'s senior unsecured, issuer credit, and hybrid security ratings on CreditWatch with negative implications.

At the same time, Standard & Poor's placed the preferred stock ratings of the committed capital facilities supported by, and for the benefit of, Ambac on CreditWatch with negative implications.

These actions follow this morning's announcement that Ambac Financial Group is not proceeding with a planned \$1.0 billion equity offering due to market conditions. Based on the results of our latest stress test, published on Jan. 17, Standard & Poor's identified a capital shortfall of approximately \$400 million in new capital in applying our ratings criteria. In our opinion, the decision not to proceed with the equity offering is symptomatic of an environment in which Ambac's capital-raising options are impaired. At the same time, the amount of additional capital that Ambac may need to sustain our view of the current ratings could continue to increase, reflecting the uncertainty surrounding the ultimate levels of subprime and other mortgage-related losses. Ambac continues to explore capital-raising options, but it is increasingly uncertain whether it can implement any of these over the near term. To the extent that Ambac is unable to raise sufficient capital over the near term in relation to its increased capital needs, these ratings could be lowered.

Lists of the insured ratings that have changed as a result of this action are posted at www.spviews.com. Go to the left hand navigation bar and click on "Deals Affected" to view or download the lists.

Ratings List

CreditWatch/Outlook Action

Ambac Assurance Corp.	To	From
Issuer Credit Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Financial Strength Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Senior Unsecured	AAA/Watch Neg	AAA
Financial Enhancement Rating		
Local Currency	AAA/Watch Neg/--	AAA/--/--
Subordinated		

Local Currency	AAA/Watch Neg	AAA
Ambac Assurance U.K. Ltd.		
Issuer Credit Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Financial Strength Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Financial Enhancement Rating		
Local Currency	AAA/Watch Neg/--	AAA/--/--
Ambac Financial Group, Inc.		
Issuer Credit Rating		
Local Currency	AA/Watch Neg/--	AA/Negative/--
Senior Unsecured		
Local Currency	AA/Watch Neg	AA
Subordinated		
Local Currency	A+/Watch Neg	A+
Anchorage Fin Sub-Trust I		
Anchorage Fin Sub-Trust II		
Anchorage Fin Sub-Trust III		
Anchorage Fin Sub-Trust IV		
Preferred Rating		
Local Currency	AA/Watch Neg	AA
Connie Lee Insurance Co.		
Issuer Credit Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Financial Strength Rating		
Local Currency	AAA/Watch Neg/--	AAA/Negative/--
Dutch Harbor Fin Sub-Trust I		
Dutch Harbor Fin Sub-Trust II		
Dutch Harbor Fin Sub-Trust III		
Dutch Harbor Fin Sub-Trust IV		
Preferred Rating		
Local Currency	AA/Watch Neg	AA

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings referenced herein can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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