

Rating Action: Ambac Assurance Corporation

Moody's reviews Ambac's Aaa rating for possible downgrade

New York, June 04, 2008 -- Moody's Investors Service announced today that it has placed the Aaa insurance financial strength ratings of Ambac Assurance Corporation ("Ambac") and Ambac Assurance UK Limited on review for possible downgrade. In the same rating action, Moody's also placed the debt ratings of Ambac Financial Group, Inc. (NYSE: ABK -- senior unsecured debt at Aa3) and related financing trusts on review for possible downgrade. Today's rating action reflects Moody's growing concerns regarding Ambac's overall credit profile, including the company's significantly constrained new business prospects and financial flexibility, as well as possible increased expected and stress loss projections among its mortgage-related risk exposures. Moody's noted that the most likely outcome of the ratings review would be a downgrade, with Ambac's insurance financial strength rating likely to remain in the Aa rating category. Prior to today's rating action, the rating outlook for Ambac was negative.

As a result of this review, the Moody's-rated securities that are guaranteed or "wrapped" by Ambac are also placed under review for possible downgrade, except those with higher public underlying ratings. A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

Moody's stated that the ratings review was prompted, in part, by concerns about the deterioration in ABK's financial flexibility since the company's \$1.5 billion capital raise in March 2008, as evidenced by the substantial decline in the firm's market capitalization and high current spreads on its debt securities, making it increasingly difficult to economically address potential shortfalls in the company's capital position should markets continue to worsen. Additionally, there is meaningful uncertainty surrounding Ambac's ability to regain market acceptance and underwriting traction within its target markets. These factors, in combination with the possibility of additional estimated expected and stress case losses on Ambac's insured portfolio, particularly among its mortgage-related exposures and other areas of the portfolio that may be susceptible to economic slowdown, continue to place pressure on the firm's Aaa insurance financial strength rating.

Moody's stated that its ratings review will focus on the degree to which the company's impaired franchise value and constrained financial flexibility impacts its insurance financial strength and debt ratings, an analysis of risks related to regulatory capital requirements, finalizing its assessment of Ambac's capital adequacy position relative to its current risk exposures, the timeframe and methods by which Ambac expects to address any capital shortfall, and an assessment of potential changes to Ambac's strategic direction, market opportunities and capital management philosophy should the company be downgraded. Moody's expects to complete its review of Ambac in the next few weeks.

LIST OF RATING ACTIONS

The following ratings have been placed on review for possible downgrade:

Ambac Assurance Corporation -- insurance financial strength at Aaa;

Ambac Assurance UK Limited -- insurance financial strength at Aaa;

Ambac Financial Group, Inc. -- senior unsecured debt at Aa3, junior subordinated debt at A1 and provisional rating on preferred stock at (P)A2;

Anchorage Finance Sub-Trusts I-IV -- contingent capital securities at Aa3; and

Dutch Harbor Finance Sub-Trusts I-IV -- contingent capital securities at Aa3.

Ambac Financial Group, Inc. (NYSE: ABK), headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. For the three months ended March 31, 2008, the company reported a GAAP net loss of approximately \$1.7 billion. As of March 31, 2008, ABK had shareholders' equity of approximately \$1.3 billion.

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