

**Announcement: [Ambac Assurance Corporation](#)**

**Moody's comments on Ambac's announced capital increase**

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New York, March 05, 2008 -- Moody's Investors Service notes that Ambac Financial Group has announced a capital raise of at least \$1.5 billion. In Moody's view, this new equity and equity linked capital through a public offering represents an important component of Ambac's overall plan to strengthen the credit profile of its financial guaranty insurance subsidiary, Ambac Assurance Corporation. The ratings of Ambac Financial Group and its insurance operating subsidiaries are currently under review for possible downgrade, reflecting the weakened capital profile of the group as a result of its mortgage and mortgage-related CDO exposures.

Moody's said that it will evaluate Ambac's ability to raise capital at reasonable terms in today's difficult market environment as an indication of the company's financial flexibility and overall level of support from investors. Ambac is pursuing a number of initiatives to strengthen risk-adjusted capitalization, including the recently announced equity offering, a reduction in holding company dividends to shareholders, a six-month moratorium on the writing of new structured finance business, and targeted reinsurance strategies. The company is also implementing substantive changes to its underwriting and risk management guidelines, including the discontinuation of certain structured finance and asset management activities, as well as the tightening of single risk limits. Moody's views this shift in risk strategy as a very important element in the company's efforts to reduce the volatility in its insured portfolio that has become evident with deterioration in the US residential mortgage market.

Moody's believes that a successful equity offering, in combination with Ambac's other capital strengthening activities and risk management initiatives, would likely result in the confirmation of Ambac's Aaa insurance financial strength rating.

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. Ambac reported a net loss for 2007 of approximately \$3.3 billion, and had shareholders' equity of about \$2.3 billion as of December 31, 2007.

New York  
James Eck  
Vice President - Senior Analyst  
Financial Institutions Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Jack Dorer  
Managing Director  
Financial Institutions Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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