

SUMMARY OF THE TERMS AND CONDITIONS OF THE DEBENTURE BONDS AND RELATED MATTERS

The following is only a summary of, and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Offering Circular.

Key Characteristics of the Debenture Bonds

	Class A1 Debenture Bonds ¹	Class A2 Debenture Bonds	Class A3 Debenture Bonds ¹	Class A4 Debenture Bonds	Class A5 Debenture Bonds ¹
Denomination of Debenture Bonds²	£1,000, £10,000 and £100,000	£1,000, £10,000 and £100,000	£1,000, £10,000 and £100,000	£1,000, £10,000 and £100,000	£1,000, £10,000 and £100,000
Total Nominal Amount	£150,000,000	£200,000,000	£250,000,000	£350,000,000	£300,000,000
Issue Price	100 per cent.	100 per cent.	105 per cent.	105 per cent.	105 per cent.
Interest Rate³	3-month LIBOR ¹¹ plus a margin of 0.22 per cent. per annum up to (but excluding) the Interest Payment Date falling in December 2011 and thereafter 3-month LIBOR plus a margin of 0.22 per cent. per annum and a further margin of 0.33 per cent. per annum	3-month LIBOR ¹¹ plus a margin of 1.08 per cent. per annum up to (but excluding) the Interest Payment Date falling in December 2011 and thereafter 3-month LIBOR plus a margin of 1.08 per cent. per annum and a further margin of 1.62 per cent. per annum	5.860 per cent. per annum up to (but excluding) the Interest Payment Date falling in December 2014 and thereafter 3-month LIBOR plus a margin of 0.22 per cent. per annum and a further margin of 0.33 per cent. per annum	6.582 per cent. per annum up to (but excluding) the Interest Payment Date falling in December 2018 and thereafter 3-month LIBOR plus a margin of 1.11 per cent. per annum and a further margin of 1.665 per cent. per annum	5.472 per cent. per annum up to (but excluding) the Interest Payment Date falling in December 2028 and thereafter 3-month LIBOR plus a margin of 0.30 per cent. per annum and a further margin of 0.45 per cent. per annum
Frequency of Payments of Interest	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Frequency of Amortisation of Principal	Quarterly, commencing on the Interest Payment Date falling in March 2014	Quarterly, commencing on the Interest Payment Date falling in September 2026	Quarterly, commencing on the Interest Payment Date falling in March 2015	Quarterly, commencing on the Interest Payment Date falling in September 2019	Quarterly, commencing on the Interest Payment Date falling in June 2029
Early Redemption Price	101 per cent. of par up to (but excluding) the Interest Payment Date falling in December 2005, and thereafter par	102 per cent. of par up to (but excluding) the Interest Payment Date falling in December 2005, then 101 per cent. of par up to (but excluding) the Interest Payment Date falling in December 2006, and thereafter par	The greater of par and Spens to (but excluding) the Class A3 Step-Up Date and from (and including) the Class A3 Step-Up Date, par ⁹	The greater of par and Spens to (but excluding) the Class A4 Step-Up Date, and from (and including) the Class A4 Step-Up Date, par ⁹	The greater of par and Spens to (but excluding) the Class A5 Step-Up Date and from (and including) the Class A5 Step-Up Date, par ⁹
Payment Dates for Interest and Principal Payments⁴	28 March, 28 June, 28 September and 28 December of each year (subject to adjustment for non-business days), the first Interest Payment Date being 28 March, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 28 March, 2005	28 March, 28 June, 28 September and 28 December of each year (subject to adjustment for non-business days), the first Interest Payment Date being 28 March, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 28 March, 2005	28 March, 28 June, 28 September and 28 December of each year (subject to adjustment for non-business days), the first Interest Payment Date being 28 March, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 28 March, 2005	28 March, 28 June, 28 September and 28 December of each year (subject to adjustment for non-business days), the first Interest Payment Date being 28 March, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 28 March, 2005	28 March, 28 June, 28 September and 28 December of each year (subject to adjustment for non-business days), the first Interest Payment Date being 28 March, 2005 and the first Interest Period being from (and including) the Closing Date to (but excluding) 28 March, 2005
Expected Average Life⁵	7.1 years	7.1 years	10.1 years	14.1 years	24.1 years
Expected Maturity Date⁶	December 2011	December 2011	December 2014	December 2018	December 2028
Final Maturity Date⁷	December 2028	December 2031	December 2021	December 2027	December 2034
Ambac Financial Guarantee	Unconditionally and irrevocably guaranteed in relation to Scheduled Interest ¹⁰ and Ultimate Principal by Ambac	Not applicable	Unconditionally and irrevocably guaranteed in relation to Scheduled Interest ¹⁰ and Ultimate Principal by Ambac	Not applicable	Unconditionally and irrevocably guaranteed in relation to Scheduled Interest ¹⁰ and Ultimate Principal by Ambac
S&P Expected Rating⁸	"AAA"	"BBB+"	"AAA"	"BBB+"	"AAA"
Fitch Expected Rating⁸	"AAA"	"BBB+"	"AAA"	"BBB+"	"AAA"
Moody's Expected Rating⁸	"Aaa"	"Baa2"	"Aaa"	"Baa2"	"Aaa"
Form at issue²	Bearer	Bearer	Bearer	Bearer	Bearer
Listing	Application to list the Class A1 Debenture Bonds on the Luxembourg Stock Exchange has been made	Application to list the Class A2 Debenture Bonds on the Luxembourg Stock Exchange has been made	Application to list the Class A3 Debenture Bonds on the Luxembourg Stock Exchange has been made	Application to list the Class A4 Debenture Bonds on the Luxembourg Stock Exchange has been made	Application to list the Class A5 Debenture Bonds on the Luxembourg Stock Exchange has been made
Clearing	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear
Common Code	020640413	020640472	020640707	020640774	020640928
ISIN	XS0206404138	XS0206404724	XS0206407073	XS0206407743	XS0206409285

1 The Class A1 Debenture Bonds, the Class A3 Debenture Bonds and the Class A5 Debenture Bonds have the benefit of a financial guarantee as to Scheduled Interest and Ultimate Principal – see *Summary of Principal Documents – Ambac Financial Guarantee*.
2 See *Terms and Conditions of the Debenture Bonds – Condition 2 (Form, Denomination and Title)*.
3 See *Terms and Conditions of the Debenture Bonds – Condition 5(a) (Interest – Accrual of Interest)*.
4 See *Terms and Conditions of the Debenture Bonds – Condition 5(b) (Interest – Interest Payment Dates and Interest Periods)*.
5 See *Expected Average Life* table in section entitled *Expected Average Life of the Debenture Bonds*.
6 See *Expected Average Life of the Debenture Bonds*.
7 See *Terms and Conditions of the Debenture Bonds – Condition 6(a) (Redemption Purchase and Cancellation – Final Redemption)*.
8 No rating is given in respect of payments of Step-Up Amounts or any redemption premium.
9 See *Terms and Conditions of the Debenture Bonds – Condition 6(c) (Redemption at the option of the Issuer)* for details on the calculation of "Spens".
10 Scheduled Interest does not include Step-Up Amounts.
11 In the case of the first Interest Period, this will be the annual rate obtained by the linear interpolation of LIBOR for four month Sterling deposits and LIBOR for five month Sterling deposits.