



Alesco Financial Inc. Provides Update on TruPS Portfolio, Including Seizure of IndyMac Bancorp

Philadelphia, Pennsylvania – July 15, 2008 – Alesco Financial Inc. (NYSE: AFN), a specialty finance real estate investment trust, today provided an update on its trust preferred securities portfolio, including the expected impact to AFN of the seizure of IndyMac Bancorp (Pink Sheets: IDMC.PK) (“IndyMac”).

As previously disclosed, beginning in June 2008, IndyMac elected to defer its interest payments on \$125 million aggregate principal amount of trust preferred securities held in eight collateralized debt obligation, or “CDO,” transactions in which AFN is an equity investor. As previously announced, the IndyMac deferral triggered the over-collateralization tests in five of these eight CDOs. The trigger of an over-collateralization test in a CDO means that AFN, as a holder of equity securities, will no longer receive current distributions of cash in respect of its equity interests until sufficient cash flow is paid to senior debt holders in the CDOs to cure the over-collateralization tests. Subsequent to the IndyMac deferral, four additional banks elected to defer interest payments on their trust preferred securities, which has resulted in the over-collateralization tests being triggered in two additional CDOs in which Alesco holds equity interests. One of the CDO over-collateralization failures has since been cured, bringing the total number of AFN’s CDO’s in over-collateralization to six as of June 30, 2008.

AFN currently expects three of the six affected CDOs to cure the over-collateralization failures and recommence making equity distributions within 3 to 6 quarters and the other three to do so within 20 to 35 quarters. These cashflow projections assume zero recovery of principal or interest on any of the currently deferring or defaulted securities and no additional deferrals. For the year ended December 31, 2007, and the quarter ended March 31, 2008, the six affected CDOs contributed \$36.2 million, or 43%, and \$8.4 million, or 41%, respectively, of AFN’s adjusted earnings for such periods. The aggregate principal amount of trust preferred securities in deferral as of June 30, 2008 is \$282.3 million, representing approximately 5.5% of AFN’s consolidated trust preferred securities portfolio and an aggregate of \$4.5 million in quarterly interest payments to the eight CDOs in which AFN invests, of which AFN’s proportionate share is approximately \$3.1 million, or about \$0.05 per diluted AFN common share per quarter.

On July 11, 2008, IndyMac announced that it had been seized by the Office of Thrift Supervision. AFN anticipates that the seizure of IndyMac will cause AFN to record a realized tax loss of approximately \$86 million, which is equal to AFN’s proportionate share of the \$125 million of IndyMac securities held by the eight CDOs described above. The realized tax loss is expected to significantly offset AFN’s expected taxable income for the year ending December 31, 2008, including the non-cash income relating to the CDOs that are failing overcollateralization tests as of June 30, 2008.

AFN is currently evaluating its overall portfolio for changes in fair value in connection with the preparation of its second quarter financial results, which AFN expects to announce on August 5, 2008.

As of June 30, 2008, AFN has available unrestricted cash of approximately \$120 million. During June 2008, AFN sold a subsidiary that owned approximately \$87.5 million notional of credit default swap positions for \$70.4 million in cash. As a result of this sale transaction, the \$69.3 million of counterparty margin included in AFN's March 31, 2008 unrestricted cash balance is no longer subject to counterparty or market risk.

James McEntee, President and CEO of AFN, said, "The failure of IndyMac is indicative of the stress that the banking sector is under at the current time and is likely to be under for the foreseeable future. IndyMac's failure has significantly impacted our portfolio; however, as a result of our strong liquidity position, we continue to believe we have the ability to be patient and to manage through these difficult times."

About Alesco Financial Inc.

Alesco Financial Inc. is a specialty finance REIT headquartered in Philadelphia, Pennsylvania and trades on the New York Stock Exchange under the symbol "AFN". Alesco is externally managed by Cohen & Company Management, LLC, a subsidiary of Cohen & Company, a global alternative fixed-income asset manager. For more information, please visit www.alescofinancial.com.

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Investors:

John Longino
Chief Financial Officer
215-701-8952
info@alescofinancial.com

Media:

Joseph Kuo
Kekst and Company
212-521-4863