



May 4, 2016

## Ambac Provides Updates to Shareholders

NEW YORK, May 04, 2016 (GLOBE NEWSWIRE) -- Ambac Financial Group, Inc. (Nasdaq:AMBC) ("Ambac"), a holding company whose subsidiaries, including Ambac Assurance Corporation ("Ambac Assurance"), provide financial guarantees and other financial services, issued the following statement regarding the campaign by Canyon Capital Advisors ("Canyon") to replace Chairman Jeffrey S. Stein with their handpicked nominee.

Canyon has escalated their campaign once again with another series of shrill attacks. In our view, this is just another attempt to advance their credit-focused agenda to the detriment of Ambac shareholders. The facts are starkly inconsistent with their assertions:

- | Ambac has delivered outstanding operating performance. Our adjusted book value<sup>[1]</sup> per share has steadily and substantially increased from -\$7.23 to \$24.78, and book value per share from \$6.38 to \$37.41, since our emergence from bankruptcy in 2013. We also have delivered more than \$2.5 billion in operating income<sup>[2]</sup>, or \$54.73 per fully diluted share, and \$1.5 billion in net income, or \$31.94 per fully diluted share, since emerging from bankruptcy in 2013.
- | We have aggressively and successfully managed risk. Our net par exposure has decreased by \$88 billion, or 45%, since emergence from bankruptcy, and by 25% in 2015 alone, including a 23% reduction in adversely classified credits. We have secured strong results for our shareholders in litigation, including the \$995 million cash settlement in our RMBS litigation with J.P. Morgan.
- | Our Board and governance are strong. We have nominated six seasoned and successful executives with diverse and relevant skills and experience, four of whom have been added to the Board since April 2015, five of whom are independent and all of whom are united in their goal of maximizing value for all stockholders.
- | Canyon's campaign is also focused on ousting our CEO, Nader Tavakoli. Because Ambac's outstanding operating results leave them no room for criticism, they instead have tried to inflame shareholders with various attacks on compensation. Ambac has provided a detailed, fact-based outline of Mr. Tavakoli's compensation, which is within market norms and compares favorably with Ambac's most direct competitors, in documents filed with the SEC a few weeks ago. These documents can be found at <http://ambacforshareholders.com/presentations/>.
- | Our relationship with our regulator has been -- and will be -- key to our success. We have gained an increased flexibility to manage our business, which has helped drive our operational outperformance. We are focused on prudent use of our capital - and we believe Canyon's argument that Ambac has excess capital that is being "hoarded" is deliberately and misleadingly ignorant of the fact that no distributions occur without the approval of the regulator, who has a focus on the long-term policy obligations of Ambac Assurance.

Canyon has launched a distracting and costly campaign, and has constantly been on the attack, yet they claim that they don't want to change the direction of the board. We find that claim disingenuous and misleading. Canyon launched a proxy fight to replace half of the board, but quickly withdrew two of its three nominees, likely due to various issues with those nominees.

Canyon also says that they are not trying to change the CEO, but they then slip in a statement revealing their true agenda (they are not seeking CEO change "at this time"). Canyon's frequent attacks on the CEO, which appear to coincide with various actions taken by Mr. Tavakoli on behalf of Ambac's shareholders that did not benefit Canyon's narrow interests, belie the fact that Canyon's credit position dominates its equity position in Ambac.

Finally, and most notably, Canyon has continued to aggressively pursue their fight, focusing on replacing the Chairman of Ambac, Jeffrey S. Stein, who has developed a constructive relationship with our chief regulator, established a strong governance framework, attracted four new independent directors and delivered substantially reduced risk and operational outperformance -- with our fourth quarter 2015 serving as clear evidence of the success of those efforts, and a signal that we are on the right track to continue to deliver shareholder value.

No wonder over 20% of Ambac's shareholders have already rejected Canyon's campaign and have publicly supported Mr. Stein and the Ambac Board. Canyon has a position in debt securities either issued or insured by Ambac that is more than ten times larger than its equity position. The fact that they have continued their campaign to install their nominee despite the recent addition of two new stockholder-supported directors demonstrates to us that their focus is on advancing an agenda that is not aligned with the interests of all stockholders.

Ambac urges stockholders to vote the WHITE proxy card in favor of our highly-qualified nominees who are all focused on maximizing value for all stockholders. Ambac strongly encourages stockholders to visit "ambacforshareholders.com" to find additional important information. We appreciate the feedback and dialogue that we have received from shareholders, and remain laser-focused on delivering sustained value to them.

## Important Information

Ambac Financial Group, Inc., ("Ambac") filed a definitive proxy statement with the Securities and Exchange Commission ("SEC") in connection with its 2016 Annual Meeting on April 20, 2016. STOCKHOLDERS ARE URGED TO READ THIS PROXY STATEMENT, THE ACCOMPANYING WHITE PROXY CARD AND OTHER RELEVANT DOCUMENTS FILED BY AMBAC WITH THE SEC IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Stockholders may obtain free copies of these documents through the website maintained by the SEC at <http://www.sec.gov> and through the website maintained by Ambac at <http://ir.ambac.com>.

## Certain Information Regarding Participants

Ambac, its directors and certain of its officers and other employees may be deemed to be participants in the solicitation of Ambac's stockholders in connection with its 2016 annual meeting. Information regarding the names, affiliations and direct and indirect interests (by security holdings or otherwise) of these persons can be found in Ambac's definitive proxy statement for its 2016 Annual Meeting, which was filed with the SEC on April 20, 2016. To the extent holdings of Ambac's securities by such persons have changed since the amounts printed in the 2016 definitive proxy statement, such changes have been or will be reflected on Initial Statements of Beneficial Ownership on Form 3 or on Statements of Change in Ownership on Form 4 filed with the SEC. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the definitive proxy statement and, to the extent applicable, will be updated in other materials to be filed with the SEC in connection with Ambac's 2016 Annual Meeting. Stockholders may obtain a free copy of the proxy statement and other documents filed by Ambac with the SEC from the sources listed above.

## Non-GAAP Financial Data

In addition to reporting Ambac's quarterly financial results in accordance with GAAP, Ambac reports two non-GAAP financial measures: Operating Earnings and Adjusted Book Value. A non-GAAP financial measure is a numerical measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. We are presenting these non-GAAP financial measures because they provide greater transparency and enhanced visibility into the underlying drivers of our business and the impact of certain items that Ambac believes will reverse from GAAP book value over time through the GAAP statements of comprehensive income. Operating Earnings and Adjusted Book Value are not substitutes for Ambac's GAAP reporting, should not be viewed in isolation and may differ from similar reporting provided by other companies, which may define non-GAAP measures differently.

## Operating Earnings

Operating earnings were \$1,165.1 million, or \$25.32 per diluted share, for the year ended December 31, 2015 as compared to operating earnings of \$682.6 million, or \$14.54 per diluted share for the year ended December 31, 2014.

The following table reconciles net income (loss) attributable to common stockholders to the non-GAAP measure, operating earnings, for the years ended December 31, 2015 and 2014 and eight months ended December 31, 2013, respectively:

	Year Ended December 31, 2015		Year Ended December 31, 2014		Eight Months Ended December 31, 2013	
	Per Diluted		Per Diluted		Per Diluted	
	\$ Amount	Share	\$ Amount	Share	\$ Amount	Share
<b>Net income attributable to common shareholders</b>	<b>\$ 493.4</b>	<b>\$ 10.72</b>	<b>\$ 484.1</b>	<b>\$ 10.31</b>	<b>\$ 505.2</b>	<b>\$ 10.91</b>
Adjustments:						
Non-credit impairment fair value (gain) loss on credit derivatives	(36.7)	(0.80)	(17.1)	(0.37)	(165.9)	(3.58)
Effect of consolidating financial guarantee VIEs	9.1	0.20	45.0	0.96	223.7	4.83
Insurance intangible amortization	169.6	3.69	151.8	3.24	99.7	2.15
Impairment of Goodwill	514.5	11.18	—	—	—	—

(\$ in millions, other than per share data)

Foreign exchange (gain) loss from remeasurement of premiums receivable and loss and loss adjustment expenses	29.4	0.64	34.9	0.74	(21.0)	(0.45)
Fair value (gain) loss on derivative products from Ambac CVA	(14.2)	(0.31)	(16.1)	(0.34)	46.8	1.01
<b>Operating earnings</b>	<b>\$ 1,165.1</b>	<b>\$ 25.32</b>	<b>\$ 682.6</b>	<b>\$ 14.54</b>	<b>\$ 688.5</b>	<b>\$ 14.87</b>
Weighted-average diluted shares outstanding (in millions)		46.0		46.9		46.3

## Adjusted Book Value

Adjusted Book Value was \$1,115.8 million, or \$24.78 per share, at December 31, 2015, as compared to \$337.4 million, or \$7.50 per share, at December 31, 2014.

The following table reconciles Total Ambac Financial Group, Inc. stockholders' equity to the non-GAAP measure Adjusted Book Value as of each date presented:

(\$ in millions, other than per share data)	December 31, 2015		December 31, 2014		June 30, 2013	
	\$ Amount	Per Share	\$ Amount	Per Share	\$ Amount	Per Share
<b>Total AFGI Shareholders' Equity</b>	<b>\$ 1,684.8</b>	<b>\$ 37.41</b>	<b>\$ 1,399.1</b>	<b>\$ 31.09</b>	<b>\$ 287.2</b>	<b>\$ 6.38</b>
Adjustments:						
Non-credit impairment fair value losses on credit derivatives	19.0	0.42	55.7	1.24	188.5	4.19
Effect of consolidating financial guarantee variable interest entities	(302.8)	(6.72)	(319.1)	(7.09)	(594.4)	(13.21)
Insurance intangible asset	(1,212.1)	(26.91)	(1,410.9)	(31.35)	(2,136.1)	(47.47)
Goodwill	—	—	(514.5)	(11.43)	—	—
Ambac CVA on derivative product liabilities (excluding credit derivatives)	(78.7)	(1.75)	(64.5)	(1.44)	(64.6)	(1.44)
Net unearned premiums and fees in excess of expected losses	1,056.6	23.46	1,402.3	31.16	1,903.0	42.29
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(51.0)	(1.13)	(210.7)	(4.68)	91.0	2.02
<b>Adjusted book value</b>	<b>\$ 1,115.8</b>	<b>\$ 24.78</b>	<b>\$ 337.4</b>	<b>\$ 7.50</b>	<b>\$ (325.4)</b>	<b>\$ (7.23)</b>
Shares outstanding (in millions)		45.0		45.0		45.0

## Explanation of Non-GAAP Measures

Operating Earnings. Operating Earnings eliminates the impact of certain GAAP accounting requirements and includes certain items that Ambac has realized or expects to realize in the future, but that are not reported under GAAP. Operating earnings is defined as net income (loss) attributable to common stockholders, as reported under GAAP, adjusted on an after-tax basis for the following:

- 1 Elimination of the non-credit impairment fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated credit losses. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market factors such as interest rates and credit spreads, including the market's perception of Ambac's CVA, and are not expected to result in an economic gain or loss. These adjustments allow for all financial guarantee segment contracts to be accounted for consistent with the Financial Services - Insurance Topic of ASC, whether or not they are subject to derivative accounting rules.
- 1 Elimination of the effects of Variable Interest Entities ("VIEs") that were consolidated as a result of being insured by Ambac Assurance Corporation. These adjustments eliminate the VIE consolidation and ensure that all financial guarantee segment contracts are accounted for consistent with the provisions of the Financial Services - Insurance Topic of the ASC, whether or not they are subject to consolidation accounting rules.
- 1 Elimination of the amortization of the financial guarantee insurance intangible asset and impairment of goodwill that arose as a result of Ambac's emergence from bankruptcy and the implementation of Fresh Start reporting. The amount reported in net income attributable to common stockholders represents the amortization of Fresh Start adjustments relating to financial guarantee contracts. These adjustments ensure that all financial guarantee segment contracts are accounted for consistent with the provisions of the Financial Services - Insurance Topic of the ASC.
- 1 Elimination of the foreign exchange gains (losses) on re-measurement of net premium receivables and loss and loss expense reserves. Long-duration receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. Therefore, the current period's foreign exchange re-measurement gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that Ambac will ultimately recognize.

- | Elimination of the gains (losses) relating to Ambac's CVA on derivative contracts other than credit derivatives. Similar to credit derivatives, fair values include the market's perception of Ambac's credit risk and this adjustment only allows for such gain or loss when realized.

Adjusted Book Value. Adjusted Book Value eliminates the impact of certain GAAP accounting requirements and includes the addition of certain items that Ambac has realized or expects to realize in the future, but that are not reported under GAAP. Adjusted Book Value is defined as Total Ambac Financial Group, Inc. stockholders' equity as reported under GAAP, adjusted for after-tax impact of the following:

- | Elimination of the non-credit impairment fair value loss on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit loss. GAAP Fair values are heavily affected by, and in part fluctuate with, changes in market factors such as interest rates, credit spreads, including Ambac's CVA that are not expected to result in an economic gain or loss. These adjustments allow for all financial guarantee segment contracts to be accounted for within Adjusted Book Value consistent with the provisions of the Financial Services - Insurance Topic of the ASC, whether or not they are subject to derivative accounting rules.
- | Elimination of the effects of VIEs that were consolidated as a result of being insured by Ambac Assurance Corporation. These adjustments eliminate VIE consolidation and ensure that all financial guarantee segment contracts are accounted for within Adjusted Book Value consistent with the provisions of the Financial Services - Insurance Topic of the ASC, whether or not they are subject to consolidation accounting rules.
- | Elimination of the financial guarantee insurance intangible asset and goodwill that arose as a result of Ambac's emergence from bankruptcy and the implementation of Fresh Start reporting. These adjustments ensure that all financial guarantee segment contracts are accounted for within Adjusted Book Value consistent with the provisions of the Financial Services-Insurance Topic of the ASC.
- | Elimination of the gain relating to Ambac's CVA embedded in the fair value of derivative contracts other than credit derivatives. Similar to credit derivatives, fair values include the market's perception of Ambac's credit risk and this adjustment only allows for such gain when realized.
- | Addition of the value of the unearned premium revenue on financial guarantee contracts and fees on credit derivative contracts, adjusted for management's expected future net premiums and credit derivative receipts, in excess of expected losses, net of reinsurance.
- | Elimination of the unrealized gains and losses on Ambac's investments that are recorded as a component of accumulated other comprehensive income ("AOCI"). The AOCI component of the fair value adjustment on the investment portfolio may differ from realized gains and losses ultimately recognized by Ambac based on Ambac's investment strategy. This adjustment only allows for such gains and losses in Adjusted Book Value when realized.

Ambac has a significant tax NOL that is offset by a full valuation allowance in the GAAP consolidated financial statements. As a result, for purposes of non-GAAP measures, we utilized a 0% effective tax rate. We maintain a full valuation allowance against our deferred tax asset and recognition of the value of the NOL would be reflected in Adjusted Book Value considering all the facts and circumstances as of the relevant reporting date.

### **About Ambac**

Ambac Financial Group, Inc. ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiary, Ambac Assurance Corporation ("Ambac Assurance"), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited, provide financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance, including the Segregated Account of Ambac Assurance (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac is also selectively exploring opportunities involving the acquisition and/or development of new businesses. Ambac's common stock trades on the NASDAQ Global Select Market under the symbol "AMBC". The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac's common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac's common stock. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates to the status of certain primary residential mortgage backed securities litigations. For more information, please go to [www.ambac.com](http://www.ambac.com).

[1] Adjusted book value is a non-GAAP financial measure of financial position that excludes (or includes) amounts that are included in (or excluded from) Total Ambac Financial Group, Inc. stockholders' equity which is presented in accordance with

GAAP. A reconciliation to Ambac Financial Group, Inc. stockholders' equity, as reported under GAAP, is available at the end of this document and our Annual Report on Form 10-K filed with the SEC (our "10-K").

[2] Operating Earnings is a non-GAAP financial measure that excludes (or includes) amounts that are included in (or excluded from) net income attributable to common shareholders which is presented in accordance with GAAP. A reconciliation to net income attributable to common shareholders, as reported under GAAP, is available at the end of this document and in our 10-K.

#### Contact

Abbe F. Goldstein, CFA

Managing Director, Investor Relations and Corporate Communications

(212) 208-3222

[agoldstein@ambac.com](mailto:agoldstein@ambac.com)

 Primary Logo

Source: Ambac Financial Group, Inc.

News Provided by Acquire Media