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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] CONFIDENTIAL, FOR USE OF THE
COMMISSION ONLY (AS PERMITTED BY
RULE 14A-6(E) (2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

AMBAC FINANCIAL GROUP INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which
the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

Reg. (S) 240.14a-101.

SEC 1913 (3-99)

AMBAC FINANCIAL GROUP, INC.

[LOGO OF AMBAC]

NOTICE OF
2000 ANNUAL MEETING
OF STOCKHOLDERS
AND
PROXY STATEMENT

MEETING DATE:

WEDNESDAY, MAY 10, 2000
AT 11:30 A.M. (LOCAL TIME)

MEETING PLACE:

AMBAC FINANCIAL GROUP, INC.
ONE STATE STREET PLAZA
NEW YORK, NEW YORK 10004

GROUP, INC.
One State Street
Plaza
New York, NY 10004
212.668.0340

PHILLIP B. LASSITER
Chairman, President
and Chief Executive
Officer

March 31, 2000

[LOGO OF AMBAC]

Dear Stockholders:

It is my pleasure to invite you to Ambac's 2000 Annual Meeting of Stockholders.

We will hold the meeting on Wednesday, May 10, 2000, at 11:30 a.m. at our executive offices in New York City. In addition to the formal items of business, I will review the major developments of 1999 and answer your questions.

This booklet includes the Notice of Annual Meeting and the Proxy Statement. The Proxy Statement describes the business that we will conduct at the meeting and provides information about Ambac.

Your vote is important. Whether you plan to attend the meeting or not, please complete, sign and return the enclosed proxy card in the envelope provided. If you attend the meeting and prefer to vote in person, you may do so.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Phillip B. Lassiter

AMBAC FINANCIAL
GROUP, INC.
One State Street
Plaza
New York, NY 10004
212.668.0340

NOTICE OF 2000 ANNUAL MEETING OF STOCKHOLDERS

March 31, 2000

[LOGO OF AMBAC]

Dear Stockholders:

We will hold the 2000 Annual Meeting of Stockholders on Wednesday, May 10, 2000 at 11:30 a.m. (local time) at our executive offices at One State Street Plaza in New York City. At our Annual Meeting, we will ask you to:

- . Elect seven directors;
- . Amend our 1997 Executive Incentive Plan to (i) increase the maximum incentive amount that may be awarded to any participant under the Plan, (ii) redefine the "Covered Employees" performance goals set forth in the Plan, and (iii) extend the term of the Plan to January 1, 2005;
- . Ratify the selection of KPMG LLP as

independent auditors for 2000; and

- . Consider any other business that is properly presented at the Annual Meeting.

You may vote at the Annual Meeting if you were an Ambac stockholder at the close of business on March 20, 2000.

Along with the attached Proxy Statement, we are also sending you the Ambac 1999 Annual Report, which includes our financial statements.

Anne G. Gill
First Vice President, Corporate Secretary
and Assistant General Counsel

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

WHY DID YOU SEND ME THIS PROXY STATEMENT?

We sent you this Proxy Statement and the enclosed proxy card because Ambac's Board of Directors is soliciting your proxy to vote at the 2000 Annual Meeting of Stockholders.

This Proxy Statement summarizes the information you need to know to vote intelligently at the Annual Meeting. You do not need to attend the Annual Meeting, however, to vote your shares. You may simply complete, sign and return the enclosed proxy card.

We will begin mailing this Proxy Statement on March 31, 2000 to all stockholders entitled to vote. If you owned Ambac common stock at the close of business on March 20, 2000, you are entitled to vote. On that date, there were 69,788,825 shares of Ambac common stock outstanding. Ambac common stock is our only class of voting stock.

HOW MANY VOTES DO I HAVE?

You have one vote for each share of Ambac common stock that you owned at the close of business on March 20, 2000. The proxy card indicates the number.

HOW DO I VOTE BY PROXY?

If you properly fill in your proxy card and send it to us in time to vote, your "proxy" (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board:

- . "FOR" Proposal 1 (Elect Seven Directors);
- . "FOR" Proposal 2 (Amend 1997 Executive Incentive Plan); and
- . "FOR" Proposal 3 (Ratify Selection of KPMG LLP as Independent Auditors for 2000).

If any other matter is presented, your proxy will vote in accordance with his or her best judgment. At the time we began printing this Proxy Statement, we knew of no matters that needed to be acted on at the Annual Meeting, other than those discussed in this Proxy Statement.

Whether you plan to attend the Annual Meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the envelope provided. Returning the proxy card will not affect your right to attend the Annual Meeting and vote.

MAY I VOTE BY TELEPHONE OR ELECTRONICALLY?

Yes. Instead of submitting your vote by mail on the enclosed proxy card, you may be able to vote electronically via the Internet or by telephone. Please note that there are separate Internet and telephone arrangements depending on whether you are a registered stockholder (that is, if you hold your stock in your own name), or whether you hold your shares in "street name" (that is, if your stock is held in the name of your broker or bank).

If you are a registered stockholder, you may vote by telephone, or electronically through the Internet, by following the instructions provided on your proxy card.

If your shares are held in "street name", you may need to contact your bank or broker to determine whether you will be able to vote by telephone or electronically.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet should understand that there might be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the

stockholder.

MAY I REVOKE MY PROXY?

Yes. You may change your mind after you send in your proxy card by following any of these procedures. To revoke your proxy:

- . Send in another signed proxy with a later date; or
- . Send a letter revoking your proxy to Ambac's Corporate Secretary at the address indicated on page 35 under "Information about Stockholder Proposals"; or
- . Attend the Annual Meeting and vote in person.

HOW DO I VOTE IN PERSON?

If you plan to attend the Annual Meeting and vote in person, we will give you a ballot when you arrive.

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If your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee. The account statement or letter must show that you were the direct or indirect (beneficial) owner of the shares on March 20, 2000.

HOW DO EMPLOYEES IN THE AMBAC STOCK FUND VOTE?

If you are an employee who participates in our Savings Incentive Plan ("SIP"), you are receiving this material because of shares held for you in the Ambac Stock Fund in the SIP. In that case, the SIP Trustee will send you a voting instruction card instead of a proxy card. This voting instruction card will indicate the number of shares of Ambac common stock credited to your account in the Ambac Stock Fund as of March 20, 2000.

- . If you complete, sign and return the voting instruction card on time, the SIP Trustee will vote the shares as you have directed.
- . If you do not complete, sign and return the voting instruction card on time, the SIP Trustee will not vote the shares credited to your account.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?

PROPOSAL 1:
ELECT SEVEN
DIRECTORS

The seven nominees for director who receive the most votes will be elected. If you do not vote for a nominee, or you indicate "withhold authority to vote" for any nominee on your proxy card, your vote will not count either for or against the nominee.

PROPOSAL 2:
AMEND 1997
EXECUTIVE INCENTIVE
PLAN

The affirmative vote of a majority of the votes present and entitled to vote at the Annual Meeting is required to amend the 1997 Executive Incentive Plan. So, if you "abstain" from voting, it has the same effect as if you voted "against" this proposal.

PROPOSAL 3:
RATIFY SELECTION
OF AUDITORS

The affirmative vote of a majority of the votes present and entitled to vote at the Annual Meeting is required to ratify the selection of independent auditors. So, if you "abstain" from voting, it has the same effect as if you voted "against" this proposal.

WHAT IS THE EFFECT OF BROKER NON-VOTES?

Under the current rules of the New York Stock Exchange, if your broker holds your shares in its "street" name, the broker may vote your shares on all three proposals even if it does not receive instructions from you.

However, if your broker does not vote on any of the three proposals, it will have no effect on the outcome of the proposal.

IS VOTING CONFIDENTIAL?

We maintain a policy of keeping all the proxies, ballots and voting tabulations confidential. The Inspectors of Election will forward to management any written comments that you make on the proxy card.

WHAT ARE THE COSTS OF SOLICITING THESE PROXIES?

Ambac will pay all the costs of soliciting these proxies. Although we are mailing these proxy materials, our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Kissel-Blake Inc. is assisting us with the solicitation of proxies for a fee of \$8,500 plus out-of-pocket expenses.

HOW DO I OBTAIN AN ANNUAL REPORT ON FORM 10-K?

IF YOU WOULD LIKE A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999, THAT WE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WE WILL SEND YOU ONE WITHOUT CHARGE. PLEASE WRITE TO:

INVESTOR RELATIONS
AMBAC FINANCIAL GROUP, INC.
ONE STATE STREET PLAZA
NEW YORK, NEW YORK 10004
ATTENTION: BRIAN MOORE, DIRECTOR OF INVESTOR RELATIONS

OR CONTACT MR. MOORE AT (212) 208-3333 OR AT BMOORE@AMBAC.COM.

WHERE CAN I FIND THE VOTING RESULTS?

We will publish the voting results in our FORM 10-Q for the second quarter of 2000, which we file with the SEC in August 2000. You can also find the results on Ambac's website at WWW.AMBAC.COM.

WHOM SHOULD I CALL IF I HAVE ANY QUESTIONS?

If you have any questions about the Annual Meeting or voting, please contact ANNE GILL, OUR CORPORATE SECRETARY, AT (212) 208-3355 OR AT AGILL@AMBAC.COM.

If you have any questions about your ownership of Ambac common stock, please call BRIAN MOORE, OUR DIRECTOR OF INVESTOR RELATIONS, AT (212) 208-3333 OR AT BMOORE@AMBAC.COM.

INFORMATION ABOUT AMBAC COMMON STOCK OWNERSHIP

WHICH STOCKHOLDERS OWN AT LEAST 5% OF AMBAC?

The following table shows all persons we know to be direct or indirect owners of at least 5% of Ambac common stock as of December 31, 1999. Persons who are direct or indirect owners of Ambac common stock are sometimes referred to in this Proxy Statement as "BENEFICIAL OWNERS" or as persons who "BENEFICIALLY OWN" Ambac common stock. Our information is based on reports filed with the Securities and Exchange Commission by each of the firms listed in the table below. If you wish, you may obtain these reports from the SEC.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES OWNED BENEFICIALLY	PERCENT OF CLASS
FMR CORP. 82 Devonshire Street Boston, Massachusetts 02109	7,685,864	10.99%

J.P. MORGAN & CO. INCORPORATED 60 Wall Street New York, New York 10260	7,283,094	10.42%
PIONEER INVESTMENT MANAGEMENT, INC. 60 State Street Boston, Massachusetts 02109	4,010,300	5.74%
SANFORD C. BERNSTEIN & CO., INC. 767 Fifth Avenue New York, New York 10153	4,017,576	5.70%

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HOW MUCH STOCK IS OWNED BY DIRECTORS AND EXECUTIVE OFFICERS?

The following table shows the Ambac common stock owned directly or indirectly by Ambac's directors and executive officers as of March 15, 2000. Except for Mr. Lassiter, no director or executive officer beneficially owns 1% or more of the shares of Ambac common stock. All directors and executive officers as a group beneficially own 2.7% of the shares of Ambac common stock.

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED					PERCENT OF CLASS	UNVESTED RSUS (6)	UNVESTED PSUS (7)	TOTAL HOLDINGS (INCLUDING RSUS AND PSUS)
	(1)	(2)	(3)	(4)	(5)				

OUTSIDE DIRECTORS									
Michael A. Callen			17,658			--	3,065	4,507	25,230
Renso L. Caporali			11,594			--	--	3,041	14,635
Jill M. Considine			--			--	--	--	--
Richard Dulude			11,486			--	3,065	4,938	19,489
W. Grant Gregory			25,368			--	3,065	6,114	34,547
C. Roderick O'Neil			22,058			--	3,065	2,070	27,193
EXECUTIVE OFFICERS									
Phillip B. Lassiter....			935,168			1.3%	7,182	--	942,350
David L. Boyle.....			89,677			--	2,694	--	92,371
Robert J. Genader.....			443,032			--	4,668	--	447,700
Frank J. Bivona.....			280,352			--	2,298	--	282,650
Joseph V. Salzano.....			208,843			--	--	--	208,843
All executive officers and directors as a group (12 persons)....			1,882,533			2.7%	32,011	20,670	1,935,216

(1) To our knowledge, except for Messrs. Lassiter and Genader, who share voting and investment power with their spouses, each of the directors and executive officers has sole voting and investment power over his shares.

(2) The number of shares shown for Dr. Caporali includes 3,000 restricted shares, which were granted at the 1995 Annual Meeting under Ambac's 1991 Non-Employee Directors Stock Plan and will vest on May 17, 2000.

The number of shares shown for Mr. Gregory includes 3,333 shares held in the Gregory 1997 Children's Trust, of which his daughter is a beneficiary. Mr. Gregory disclaims beneficial ownership of these shares.

The number of shares shown for Mr. Lassiter includes 8,000 shares owned by his spouse. Mr. Lassiter disclaims beneficial ownership of these shares.

(3) The number of shares shown for each director and executive officer includes shares that may be acquired upon exercise of stock options that were exercisable as of March 15, 2000, or that will become exercisable within 60 days after March 15. These shares are shown in the following table:

OUTSIDE DIRECTORS	NUMBER OF SHARES	EXECUTIVE OFFICERS	NUMBER OF SHARES
Mr. Callen.....	6,000	Mr. Lassiter.....	265,352
Dr. Caporali.....	6,000	Mr. Boyle.....	86,667
Mr. Dulude.....	6,000	Mr. Genader.....	328,764
Mr. Gregory.....	6,000	Mr. Bivona.....	223,971
Mr. O'Neil.....	6,000	Mr. Salzano.....	205,167

(4) The number of shares shown for each executive officer also includes the number of shares of Ambac common stock owned indirectly as of March 15, 2000 by these executive officers in our Savings Incentive Plan ("SIP"). Our information on these shares is based on reports from the SIP Trustee.

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(5) The number of shares shown for Messrs. Lassiter, Genader, Bivona and Salzano include vested restricted stock units ("RSUS") that we awarded under our equity plans. These RSUs are shown in the following table:

EXECUTIVE OFFICERS	NUMBER OF VESTED RSUS
Mr. Lassiter.....	443,642
Mr. Genader.....	85,354
Mr. Bivona.....	46,137
Mr. Salzano.....	732

(6) This column shows the 3,000 RSUs that were granted to each of Messrs. Callen, Dulude, Gregory, and O'Neil at the 1998 Annual Meeting under the 1997 Non-Employee Directors Equity Plan and accrued dividends. These RSUs generally will vest on the date of the Annual Meeting held in the fifth calendar year following the date of grant. At that time, each of these directors will receive one share of Ambac common stock in settlement of each RSU. For more information on these RSUs, see below at page 9 under "How We Compensate Directors."

This column also shows RSUs for Messrs. Lassiter, Boyle, Genader and Bivona that were awarded as part of each executive officer's 1999 bonus pursuant to the Ambac Deferred Compensation Sub-Plan of the 1997 Equity Plan (the "SUB-PLAN"). See page 26 for more detailed descriptions of these awards made pursuant to the Sub-Plan. The RSUs shown for Messrs. Lassiter, Boyle, Genader and Bivona will vest in four annual installments on each of the first four anniversaries of the date of grant, which was January 24, 2000.

(7) Under Ambac's Deferred Compensation Plan, directors may defer their cash compensation. If a director has elected to defer cash compensation into Phantom Stock Units ("PSUS"), these PSUs are shown in this column. For more information on the Deferred Compensation Plan, see below at page 10.

DID AMBAC INSIDERS COMPLY WITH SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING IN 1999?

Section 16(a) of the Securities Exchange Act of 1934 requires that our insiders--our directors, executive officers, and greater-than-10% stockholders--file reports with the SEC and the New York Stock Exchange on their initial beneficial ownership of Ambac common stock and any subsequent changes. They must also provide us with copies of the reports.

We reviewed copies of all reports furnished to us and obtained written representations that no other reports were required. Based on this, we believe that all of our insiders complied with their filing requirements for 1999.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

THE BOARD OF DIRECTORS

The Board of Directors oversees the business of Ambac and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed by discussing matters with the Chairman, other key executives and our principal external advisers (legal counsel, outside auditors, investment bankers and other consultants) by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

Ambac's Board usually meets five times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met five times during 1999. The committees of the Board met eight times. All directors attended at least 75% of the Board meetings and meetings of the Committees of which they were members.

Each of our directors also serves as a director of our principal operating subsidiary, Ambac Assurance Corporation, a leading triple-A rated financial guarantee insurance company.

THE COMMITTEES OF THE BOARD

The Board has three standing committees: the Audit Committee, the Compensation and Organization Committee and the Nominating Committee. None of the directors who serve as members of these committees is, or has ever been, an employee of Ambac or our subsidiaries.

THE AUDIT
COMMITTEE

The Audit Committee recommends the selection of the independent auditors to the Board, approves the scope of the annual audit by the independent auditors and our internal auditors, reviews audit findings and accounting policies and oversees compliance with Ambac's Code of Business Conduct. The Committee also meets privately, outside the presence of Ambac management, with both the independent auditors and the internal auditors.

The Committee met three times during 1999.

Messrs. Callen, Dulude, Gregory and O'Neil and Dr. Caporali currently serve as members of the Committee. Mr. O'Neil serves as Chairman of the Committee.

THE COMPENSATION
AND ORGANIZATION
COMMITTEE

The Compensation and Organization Committee establishes and approves all elements of compensation for the executive officers. Each year, as the SEC requires, the Committee reports to you on executive compensation. The Committee's Report on Executive Compensation for 1999 is printed below at pages 23 to 27.

The Committee administers Ambac's 1991 and 1997 equity plans and has sole authority for awards under the plans. The Committee evaluates existing and proposed employee benefit plans and may approve of plan changes. The Committee also administers the 1997 Executive Incentive Plan and Ambac's Deferred Compensation Plan for Outside Directors and Ambac's Senior Officer Deferred Compensation Sub-Plan of the 1997 Equity Plan.

The Committee met three times during 1999.

Messrs. Callen, Dulude, Gregory and O'Neil and Dr. Caporali currently serve as members of the Committee. Mr. Dulude serves as Chairman of the Committee.

THE NOMINATING
COMMITTEE

The Nominating Committee is responsible for identifying and recommending qualified candidates to the Board for election as directors. In addition, our By-laws provide a procedure for you to recommend candidates for director at an annual meeting. For more information, see below at page 35 under "Information About Stockholder Proposals."

The Committee met twice during 1999.

Messrs. Callen, Dulude, O'Neil and Gregory currently serve as members of the Committee. Mr. Gregory serves as Chairman of the Committee.

HOW WE COMPENSATE DIRECTORS

ANNUAL
CASH FEE

We compensate directors who are not employees of Ambac or our subsidiaries with an annual cash fee of \$20,000 per year.

ANNUAL STOCK
OPTION AWARD

We also grant each non-employee director 2,500 stock options on the date of each annual meeting. These options have an exercise price equal to the average of the high and low trading price of our stock on the New York Stock Exchange on the date of grant. The options generally will vest on the date of the first annual meeting following the date of the grant and expire on the date of the annual meeting held in the seventh calendar year following the date of the grant.

AWARD OF
RESTRICTED STOCK
UNITS EVERY
FIVE YEARS

Ambac grants each non-employee director 2,000 restricted stock units ("RSUs") at the annual meeting at which the director is first elected to the Board.

- . These RSUs generally will vest on the date of the annual meeting held in the fifth year following the date of grant and will be settled by the delivery of one share of Ambac common stock for each RSU.

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- . If the director remains on the Board after the first award of RSUs vests, Ambac will grant the director a second award of 2,000 RSUs, subject to similar vesting conditions and restrictions on transfer.

We also pay each non-employee director a meeting fee of:

MEETING FEES

- . \$1,000 for attendance at each meeting of stockholders and each Board meeting; and
- . \$1,000 for attendance at each committee meeting.

FEE FOR CHAIRING
A COMMITTEE

We pay an annual fee of \$1,500 to each non-employee director who chairs a committee.

EXPENSES AND
BENEFITS

Ambac reimburses all directors for travel and other related expenses incurred in attending stockholder, Board and committee meetings.

We provide non-employee directors with life and health insurance benefits. We also allow them to participate in our Matching Gift Program. Under this Program, Ambac will match gifts by directors to qualified organizations.

DIRECTORS WHO
ARE AMBAC
EMPLOYEES

We do not compensate our employees or employees of our subsidiaries for service as a director. We do, however, reimburse them for travel and other related expenses.

THE DEFERRED
COMPENSATION
PLAN

Under our Deferred Compensation Plan for Outside Directors, non-employee directors may elect to defer all or part of their director compensation that is paid in cash.

- . At the director's election, we credit deferrals to a bookkeeping account that we maintain on the director's behalf either as a cash credit (which we credit with interest quarterly), or as phantom stock units ("PSU") based on the market value of Ambac common stock (on which we pay quarterly dividend equivalents in additional PSUs) or as performance units measured by the performance of those mutual funds the director selects out of a limited group of funds.
- . We do not fund the Deferred Compensation Plan. We settle accounts only in cash.

SERVICE ON THE
AMBAC ASSURANCE
BOARD

Although Ambac Assurance does not pay its non-employee directors an annual fee for serving on its Board of Directors, it does pay them meeting fees (in the same amounts as we do for the Ambac Board) and reimburses all directors for expenses.

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THE EXECUTIVE OFFICERS

These are the biographies of Ambac's current executive officers, except for Mr. Lassiter, the Chief Executive Officer, whose biography is included below at page 29 under "Proposal 1: Elect Seven Directors."

The Board elects the executive officers for a term of one year (or until their successors are chosen and qualified) at its organizational meeting each year. The organizational meeting is the first Board meeting following the annual meeting of stockholders.

DAVID L. BOYLE
Age 53

VICE CHAIRMAN--PORTFOLIO RISK MANAGEMENT GROUP.
In January 2000, Mr. Boyle was named Vice Chairman of Ambac's new Portfolio Risk Management Group. The Portfolio Risk Management Group encompasses surveillance of our specialized finance and public finance portfolios, market risk management, reinsurance, technology and internal audit. Mr. Boyle previously served as Vice Chairman of the Municipal Financial Services Group from January 1998 to January 2000. Mr. Boyle joined Ambac and Ambac Assurance in March 1997 as Senior Vice President of the Financial Management Services Division. He became an Executive Vice President in July 1997. Mr. Boyle joined Ambac from Citibank, where, as a managing director, he held various management positions in corporate banking over a 22-year career.

ROBERT J. GENADER

VICE CHAIRMAN--FINANCIAL INSURANCE BUSINESS GROUP.
In January 2000, Mr. Genader was named Vice Chairman

of Ambac's Financial Insurance Business Group. The Financial Insurance Business Group includes public finance, which provides financial guarantees for states, municipalities and other public entities. This Group also provides financial guarantees for the domestic asset-backed, mortgage-backed and financial institution markets as well as financial guarantees to the healthcare, housing, student loan and utilities markets. This Group also includes our international financial guarantee business which provides financial guarantees for international and project financings, asset securitizations, structured finance transactions, credit derivatives and obligations of financial institutions, sovereigns and sovereign-owned enterprises. Mr. Genader served as Vice Chairman of the Specialized Finance Division from January 1998 to January 2000 when the Specialized Finance Division and the Public Finance Division were combined to create the Financial Insurance Business Group. Mr. Genader is also a director of Ambac Assurance (since 1992). Mr. Genader served as an Executive Vice President of Ambac (from 1991 to January 1998) and Ambac Assurance (from 1986 to January 1998). He joined Ambac Assurance from Citibank in 1986. Mr. Genader also served as Chairman of the Association of Financial Guaranty Insurers from January 1994 to January 1996.

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FRANK J. BIVONA
Age 44

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER--FINANCE AND INVESTMENT GROUP.

Mr. Bivona has been Executive Vice President and Chief Financial Officer since January 1998. In January 2000, Mr. Bivona was named Executive Vice President, Chief Financial Officer and Head of the new Finance and Investment Group. In addition to his position as Ambac's Chief Financial Officer, Mr. Bivona has executive responsibility for management of Ambac's investment portfolio, asset and liability management services, corporate marketing, investor and public relations and corporate administration. Mr. Bivona served as Senior Vice President and Chief Financial Officer of Ambac (from 1993 to January 1998) and Ambac Assurance (from 1987 to January 1998). Mr. Bivona also served as Treasurer of Ambac (from 1993 to July 1998) and Ambac Assurance (from 1987 to July 1998). Mr. Bivona also serves as a trustee of Cadre Institutional Investors Trust. Mr. Bivona joined Ambac Assurance from Citibank in 1986.

GREGG L. BIENSTOCK
Age 35

MANAGING DIRECTOR, HUMAN RESOURCES AND EMPLOYMENT COUNSEL.

Mr. Bienstock has been Managing Director, Human Resources and Employment Counsel since January 1999. Mr. Bienstock served as First Vice President, Director of Human Resources and Employment Counsel of Ambac and Ambac Assurance from February 1997 to January 1999. Mr. Bienstock joined Ambac from the Bristol Myers-Squibb Corporation, where he served as a Director of Human Resources from February 1996 to February 1997. From September 1993 to February 1996, Mr. Bienstock was an associate with the New York law firm of Proskauer Rose LLP. Prior to joining Proskauer, from April 1992 to September 1993, Mr. Bienstock was an Assistant General Counsel for the Mayor's Office of Labor Relations for the City of New York.

KEVIN J. DOYLE

MANAGING DIRECTOR AND GENERAL COUNSEL.

Mr. Doyle was named Managing Director and General

Counsel of Ambac in January 2000. Mr. Doyle is Ambac's chief legal officer. Since January 1996, Mr. Doyle has also served as the Managing Director and General Counsel of the Specialized Finance Division of Ambac Assurance. Mr. Doyle served as First Vice President and General Counsel of the Specialized Finance Division of Ambac Assurance from July 1995 to January 1996. From July 1991 to July 1995, Mr. Doyle served as a Vice President and Assistant General Counsel of Ambac Assurance. Mr. Doyle joined Ambac Assurance from the New York law firm LeBoeuf, Lamb, Greene & MacRae in 1991.

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HOW WE COMPENSATE EXECUTIVE OFFICERS

The tables on pages 13 through 16 show salaries, bonuses and other compensation paid during the last three years, options granted in 1999, options exercised in 1999 and option values as of year-end 1999 for the Chief Executive Officer and our next four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS		
		SALARY (\$) (1)	BONUS (\$)	RESTRICTED STOCK UNITS (\$) (2)	SECURITIES UNDERLYING OPTIONS (#) (3)	ALL OTHER COMPENSATION (\$) (4) (5)
PHILLIP B. LASSITER	1999	\$560,000	\$750,000	\$333,350	250,063	\$52,340
Chairman, President and Chief Executive Officer	1998	560,000	840,000	0	187,811	50,200
	1997	530,000	660,000	0	100,000	47,534
DAVID L. BOYLE	1999	300,000	281,250	125,030	20,000	28,040
Vice Chairman--	1998	300,000	300,000	0	100,000	18,300
Portfolio Risk Management Group	1997	197,308	275,000	0	30,000	0
ROBERT J. GENADER	1999	310,000	487,500	216,650	63,888	28,973
Vice Chairman--	1998	310,000	525,000	0	81,098	27,900
Financial Insurance Business Group	1997	275,000	400,000	0	60,000	24,664
FRANK J. BIVONA	1999	245,000	240,000	106,650	47,150	22,615
Executive Vice	1998	245,000	260,000	0	42,820	22,050
President and Chief Financial Officer--	1997	225,000	220,000	0	36,000	20,179
Finance and Investment Group						
JOSEPH V. SALZANO (/6/)	1999	225,000	125,000	0	18,000	20,829
Executive Vice	1998	225,000	80,000	80,000	4,000	20,250
President and General Counsel	1997	215,000	200,000	0	10,000	19,283

(1) Mr. Boyle did not join Ambac until March 1997. The information in the Summary Compensation Table only shows compensation we actually paid. Mr. Boyle's annualized salary was \$270,000 for 1997.

(2) Pursuant to the Ambac Deferred Compensation Sub-Plan of the 1997 Equity Plan (the "SUB-PLAN"), the Compensation and Organization Committee paid 25% of each executive officer's bonus for 1999 in restricted stock units ("RSUS"). Amounts shown in this column are based on the market value of the underlying Common Stock on the date of grant (January 24, 2000) and do not reflect the discount attributed to such value by the Committee to take account of vesting requirements, restrictions on transfer and other limitations. See page 26 for more detailed

descriptions of these awards made pursuant to the Sub-Plan. As dividends are paid on the common stock, dividend equivalents are accrued on the RSUs as additional RSUs and vest according to the same schedule.

For 1998, the Committee determined that Mr. Salzano's bonus would be paid partly in cash and partly in RSUs. The RSUs granted to Mr. Salzano for 1998 were scheduled to vest in two equal installments on the first and second anniversaries of the date of grant, which was January 26, 1999. In connection with Mr. Salzano's resignation from Ambac (described below in footnote 6 on page 14), the second installment of RSUs was forfeited and Ambac has made a payment to Mr. Salzano of \$40,000 in lieu thereof. See page 22 for a fuller description of the arrangements relating to Mr. Salzano's resignation.

The total number of RSUs held by the named executive officers as of December 31, 1999, and the total value of these RSUs (based on the \$52.1875 per share New York Stock Exchange closing price of the common stock on Friday, December 31, 1999), were as follows: Mr. Lassiter--442,545 RSUs (\$23,095,317); Mr. Genader--85,143 RSUs (\$4,443,400); Mr. Bivona--46,023 RSUs (\$2,401,825); and Mr. Salzano--1,459 RSUs (\$76,142).

- (3) The number of securities underlying options for 1998 and 1999 includes restoration options. Restoration options were awarded upon the exercise of stock options in accordance with Ambac's Restoration Option Program. For the specific breakdown of option and restoration option grants made in 1999, please refer below to the table on page 15 under "Option Grants in 1999." For a more detailed description of our Restoration Option Program, please see footnote 3 under the "Option Grants in 1999" table on page 15.
- (4) The column called "ALL OTHER COMPENSATION" includes the amounts that Ambac contributed or credited on behalf of the named officers in 1999 to (a) our Savings Incentive Plan (the "SIP"), and (b) our Non-Qualified SIP. We credit amounts that we are precluded from contributing to the SIP because of limitations under the Internal Revenue Code to accounts that we maintain under Ambac's Non-Qualified SIP.

	CREDITS TO THE CONTRIBUTIONS NON-QUALIFIED TO THE SIP	NON-QUALIFIED SIP
	-----	-----
Mr. Lassiter.....	\$14,400	\$37,940
Mr. Boyle.....	13,350	14,690
Mr. Genader.....	12,933	16,040
Mr. Bivona.....	13,603	9,012
Mr. Salzano.....	14,200	0

- (5) In 1999, in lieu of crediting an additional amount to Mr. Salzano's Non-Qualified SIP account, Ambac paid \$6,629 to Mr. Salzano in cash.
- (6) Mr. Salzano resigned as General Counsel effective January 18, 2000 and as an Executive Vice President effective February 11, 2000. See page 22 for a description of the arrangements relating to Mr. Salzano's resignation. Kevin J. Doyle replaced Mr. Salzano as General Counsel effective as of January 18, 2000. Please see page 12 under "Executive Officers" for Mr. Doyle's biography.

INDIVIDUAL
GRANTS

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)		PERCENT OF TOTAL OPTIONS GRANTED TO		EXPIRATION DATE	GRANT DATE PRESENT VALUE (\$) (4)
	OPTIONS (1)	RESTORATION OPTIONS (3)	EMPLOYEES IN 1999	EXERCISE PRICE (\$/SH) (2)		
Phillip B. Lassiter	120,000		13.64%	\$55.25000	1/26/06	\$2,061,600
		34,567	3.93	54.53125	3/3/03	502,259
		30,487	3.47	54.53125	4/26/04	509,133
		29,387	3.34	54.53125	5/1/05	547,480
David L. Boyle	20,000	35,622	4.05	54.53125	4/23/03	663,638
			2.27	55.25000	1/26/06	343,600
Robert J. Genader	60,000		6.82	55.25000	1/26/06	1,030,800
Frank J. Bivona	40,000	3,888	.44	57.03125	1/24/00	11,703
			4.55	55.25000	1/26/06	687,200
Joseph V. Salzano	18,000	7,150	.81	53.84375	1/24/00	33,391
			2.05	55.25000	1/26/06	309,240

- (1) Options awarded to the named executive officers by the Compensation and Organization Committee were long-term incentive awards granted on January 26, 1999. Each executive officer's options will vest in three equal installments (on the first, second and third anniversaries of the date of grant). Vesting is accelerated upon retirement, death or permanent disability. Generally, all of the executive officers' options will expire seven years from the date of grant or, earlier, if employment terminates.
- (2) The exercise price per share is the fair market value of the common stock on the date of grant. We determine this by calculating the average of the high and low price of Ambac common stock on the New York Stock Exchange on the date of grant.
- (3) Restoration options were received upon the exercise of stock options in accordance with Ambac's Restoration Option Program. A restoration option is awarded automatically when the underlying option is exercised by tendering shares of common stock to pay the exercise price. Each restoration option will vest one year from the date of grant and has the same exercise and transfer provisions as its underlying option.
- (4) We calculated these values by using the Black-Scholes stock option pricing model as follows:

FOR THE JANUARY GRANTS. The model, as we applied it, uses the grant date of January 26, 1999 and the fair market value on that date of \$55.25 per share as we discussed above. The model also assumes: (a) a risk-free rate of return of 4.59% (which was the yield on a U.S. Treasury Strip zero coupon bond with a maturity that approximates the term of the option); (b) a stock price volatility of 25.97% (calculated using month-end closing prices of Ambac common stock on the New York Stock Exchange for the period beginning with January 31, 1996 and ending as of the end of the month preceding the grant date); (c) a constant dividend yield of 0.72% based on the quarterly cash dividend rate at the time of grant on Ambac common stock; and (d) an exercise date, on average, of 5.5 years after grant.

FOR THE RESTORATION OPTION GRANTS. We use the following assumptions in applying the model for each Restoration Option Grant: (a) a risk-free rate of return equal to the yield on grant date of a U.S. Treasury Strip zero coupon bond with a maturity that approximates the term of the option; (b) stock price volatility of Ambac common stock calculated using month-end closing prices of Ambac common stock on the New York Stock Exchange for the three year period prior to the grant date; (c) a constant dividend yield based on the quarterly cash dividend rate at the time of grant on Ambac common stock; and (d) exercise of the restoration option at the end of its term.

WE DID NOT ADJUST THE MODEL FOR NON-TRANSFERABILITY, RISK OF FORFEITURE, OR VESTING RESTRICTIONS. THE ACTUAL VALUE (IF ANY) AN EXECUTIVE OFFICER RECEIVES FROM A STOCK OPTION WILL DEPEND UPON THE AMOUNT BY WHICH THE MARKET PRICE OF AMBAC COMMON STOCK EXCEEDS THE EXERCISE PRICE OF THE OPTION ON THE DATE OF EXERCISE. THE HYPOTHETICAL VALUES ARE PRESENTED

PURSUANT TO SEC RULES AND THERE CAN BE NO ASSURANCE THAT THE AMOUNT STATED AS "GRANT DATE PRESENT VALUE" WILL ACTUALLY BE REALIZED.

AGGREGATED OPTION EXERCISES DURING 1999 AND YEAR-END OPTION VALUES

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS HELD AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS HELD AT DECEMBER 31, 1999 (\$)(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Phillip B. Lassiter	320,000	\$10,357,488	187,812	350,062	\$1,481,257	\$1,071,863
David L. Boyle	0	0	45,000	105,000	566,875	697,500
Robert J. Genader	25,521	442,677	270,431	120,554	6,790,203	621,036
Frank J. Bivona	20,000	691,875	186,970	82,483	4,910,971	381,456
Joseph V. Salzano	0	0	167,501	50,999	4,871,754	834,144

(1) This valuation represents the difference between \$52.1875, the closing price of Ambac common stock on the New York Stock Exchange on Friday, December 31, 1999, and the exercise price of the stock options. "In-the-money" stock options are options for which the exercise price is less than the market price of the underlying stock on a particular date.

THE PENSION PLAN

Ambac's Pension Plan is a defined benefit pension plan intended to be tax-qualified under Section 401(a) of the Internal Revenue Code.

- In general, officers and employees of Ambac and its subsidiaries become participants in the Pension Plan after one year of service. All executive officers participate in the Pension Plan. Non-employee directors of Ambac and our subsidiaries are not eligible to participate in the Pension Plan.
- Benefits under the Pension Plan vest after five years. Upon normal retirement at age 65, a retired employee receives an annual pension from the Pension Plan, subject to a statutory limit. The Pension Plan also contains provisions for early retirement and survivor benefits.

The table on page 17 illustrates the annual pension benefits payable to executive officers under the Pension Plan. The table also reflects the excess and supplemental benefit plans that we have established to provide retirement benefits over Internal Revenue Code limitations. We calculated the benefits before offsetting (a) an employee's primary Social Security benefit and (b) benefits payable under the retirement plan of Citibank, N.A., Ambac's former parent company (the "CITIBANK PLAN"). Benefits shown in the table reflect a straight life form of annuity benefit. If payment is made in the form of a joint and survivor annuity, the annual amounts of benefit could be substantially below those illustrated.

TOTAL YEARS OF SERVICE AT RETIREMENT

AVERAGE COVERED COMPENSATION	YEARS OF SERVICE AT TRANSITION DATE	TOTAL YEARS OF SERVICE AT RETIREMENT					
		10	15	20	25	30	35
\$ 200,000	30	NA	NA	NA	NA	\$ 120,000	\$ 130,000
	15	NA	\$ 60,000	\$ 70,000	\$ 80,000	90,000	100,000

	0	\$ 20,000	30,000	40,000	50,000	60,000	70,000
500,000	30	NA	NA	NA	NA	300,000	325,000
	15	NA	150,000	175,000	200,000	225,000	250,000
	0	50,000	75,000	100,000	125,000	150,000	175,000
1,000,000	30	NA	NA	NA	NA	600,000	650,000
	15	NA	300,000	350,000	400,000	450,000	500,000
	0	100,000	150,000	200,000	250,000	300,000	350,000
1,500,000	30	NA	NA	NA	NA	900,000	975,000
	15	NA	450,000	525,000	600,000	675,000	750,000
	0	150,000	225,000	300,000	375,000	450,000	525,000
2,000,000	30	NA	NA	NA	NA	1,200,000	1,300,000
	15	NA	600,000	700,000	800,000	900,000	1,000,000
	0	200,000	300,000	400,000	500,000	600,000	700,000

SERVICE
FROM 1992

For service on or after January 1, 1992, the annual retirement benefit is equal to 1% (without an offset for any Social Security benefits) of an employee's Average Compensation (as described in the next sentence) multiplied by the employee's years of credited service. "Average Compensation" is defined, generally, as average annual base salary (which, in the case of executive officers identified in the Summary Compensation Table on page 13, is the amount shown under the column called "SALARY") for the five highest consecutive paid years of the ten years of employment preceding retirement.

SERVICE
BEFORE 1992

For service prior to January 1, 1992, the annual retirement benefit is equal to 2% (with an offset for Social Security benefits) of an employee's Average Compensation (determined as if the employee retired on December 31, 1991) multiplied by years of credited service up to 30.

YEARS OF SERVICE

In view of the change in the formula for determining benefits under the Pension Plan that became effective as of January 1, 1992 (the "TRANSITION DATE"), we prepared the above table to show the benefits payable depending on how many years of service the executive officer would have:

- . prior to the Transition Date, and
- . at Retirement.

In order to simplify the chart, we show only 0, 15 and 30 years of service at Transition, since those values cover the range for our executive officers.

The years of credited service under the Pension Plan (including credit for years of past service under the Citibank Plan) as of December 31, 1999 for executive officers named in the Summary Compensation Table were as follows: Mr. Lassiter--30 years, Mr. Boyle--3 years, Mr. Genader--25 years, Mr. Bivona--22 years and Mr. Salzano --13 years.

The benefits payable under the Pension Plan to employees who receive credit for years of past service under the Citibank Plan will be reduced by the amount of any benefits payable under the Citibank Plan.

IN GENERAL

Ambac's employment agreement with Mr. Lassiter provides that he shall serve as the Chairman, President and Chief Executive Officer and as a director.

- . The agreement has a two year term, which is extended on a daily basis, until Ambac or Mr. Lassiter terminates it.
- . Mr. Lassiter is to receive a base salary at a rate of not less than his current rate.
- . He is to participate in bonus arrangements under which he is eligible to earn an annual bonus based on Ambac's achieving certain performance goals to be established by the Board.

SUPPLEMENTAL
PENSION BENEFIT

Mr. Lassiter has a supplemental pension benefit that will be based on the benefit formula of the Pension Plan that was in effect until the end of 1991. The formula, however, will take into account his bonus compensation (including that portion of his bonus paid in RSUs) and will be determined without giving effect to provisions of the Internal Revenue Code that limit the amount of compensation that may be taken into account in calculating benefits and the amount of annual benefits that may be paid. Mr. Lassiter's supplemental pension benefit will be reduced, however, to take account of enhancements in Ambac's contributions to the Savings Incentive Plan ("SIP") that we introduced in 1992.

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PAYMENTS AND
BENEFITS

If Mr. Lassiter's employment is terminated other than for "Cause" (as we define it below), or if he resigns for "Good Reason" (as we define it below), Mr. Lassiter will:

- -- AFTER
TERMINATION OR
RESIGNATION

- . receive, for the remainder of the term (which typically would be for two years), compensation at an annualized rate equal to the sum of his base annual salary and target bonus at the time of termination;
- . be fully vested in all awards under the 1991 Stock Incentive Plan and the 1997 Equity Plan;
- . receive a lump-sum payment equal to the amount that we would have contributed to his account under the SIP and any nonqualified plan we maintained during the two years following termination;
- . be credited with an additional two years of service under the Pension Plan; and
- . continue to participate in all Ambac medical and other welfare plans for a limited time following termination.

- -- AFTER
CHANGE
IN CONTROL

All stock options and other awards under the 1997 Equity Plan that are made to Mr. Lassiter after January 1, 1998 will vest in full upon the occurrence of a "Change in Control" (as we define it below), whether or not his employment is subsequently terminated.

In addition, if Mr. Lassiter's employment terminates following a Change in Control, his severance amount would be calculated and paid in the same manner as we describe below under "Management Retention

Agreements with Executive Officers."

Mr. Lassiter would also be entitled to the "gross up" payment described in that section.

OTHER
RESTRICTIONS

Mr. Lassiter will be subject to certain restrictions prohibiting him from engaging in competition with Ambac or any of our subsidiaries (except that these restrictions will not apply following a Change in Control) and from divulging any confidential or proprietary information he obtained while he was our employee.

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MANAGEMENT RETENTION AGREEMENTS WITH EXECUTIVE OFFICERS

IN GENERAL

We have entered into management retention agreements with each of our executive officers (other than Mr. Lassiter) to provide for payments and certain benefits if they are terminated following a "Change in Control" (as we define it below).

PAYMENTS AND
BENEFITS AFTER
CHANGE IN CONTROL

If there is a Change in Control and, within three years of the Change in Control, the executive's employment is terminated by Ambac or its successor other than for "Cause" (as we define it below), or if the executive resigns for "Good Reason" (as we define it below), the executive will:

- . receive cash payments equal to two times the sum of (a) the executive's highest annual base salary and (b) the product of the executive's highest bonus percentage (as a percentage of base salary) times his highest base salary;
- . be fully vested in all stock options and other awards under the 1991 Stock Incentive Plan and the 1997 Equity Plan;
- . receive a lump-sum payment equal to the amount that we would have contributed to the executive's account under the SIP and any nonqualified plan we maintained during the two years following termination;
- . be credited with an additional two years of service under the Pension Plan; and
- . continue to participate in Ambac's medical and other welfare benefits programs for a limited time following termination.

All stock options and other awards under the 1997 Equity Plan that are made to executive officers after January 1, 1998 will vest in full upon the occurrence of a Change in Control, whether or not the executive's employment is subsequently terminated.

The agreements also provide for a "gross up" payment in an amount that is intended to make the executive whole, on an after-tax basis, for any excise tax (but not any other tax) imposed on the payments described above.

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DEFINITIONS

The following definitions are used in the Management Retention Agreements and the Employment Agreement with the Chief Executive Officer described above:

"CHANGE IN
CONTROL"

A "Change in Control" generally occurs if:

- . an individual, entity or group acquires beneficial ownership of 20% or more of the outstanding common stock. Acquisitions by Ambac and its affiliates or any employee benefit plan that they sponsor and certain acquisitions by persons who owned at least 15% of the outstanding shares of common stock on January 31, 1996 are not considered a change in control;
- . the individuals who, as of January 29, 1997, constitute the Board, and subsequently elected members of the Board whose election is approved or recommended by at least a majority of these members or their successors whose election was so approved or recommended, cease for any reason to constitute at least a majority of the Board; or
- . our stockholders approve a merger or similar business combination, or a sale of all or substantially all of Ambac's assets, unless the Ambac stockholders immediately prior to the completion of the transaction will continue to own at least 70% of outstanding shares and voting power of the corporation that results from the transaction.

"CAUSE"

"Cause" for an executive's termination generally includes:

- . the willful commission of acts that are dishonest and demonstrably and materially injurious to Ambac;
- . the conviction of certain felonies; or
- . a material breach of any of the executive's agreements concerning confidentiality and proprietary information.

An executive's termination will not be considered to have been for Cause unless at least three-quarters of the members of the Board adopt a resolution finding that the executive has engaged in conduct that constitutes Cause as defined in the agreement.

"GOOD REASON"

An executive will generally have "Good Reason" to terminate his employment if:

- . there is substantial adverse change in the executive's duties or responsibilities;
- . the office of the executive is relocated more than 25 miles from the location where the executive worked immediately prior to the Change in Control; or
- . Ambac fails to honor its obligations under the agreement.

During a 30-day period following the first anniversary of a Change in Control, a resignation by the executive for any reason will be considered a termination for Good Reason.

Joseph V. Salzano, an executive officer named in the Summary Compensation Table, resigned as General Counsel effective as of January 18, 2000 and as Executive Vice President effective as of February 11, 2000. On December 29, 1999, Ambac entered into an Agreement and Release covering the terms of Mr. Salzano's departure.

The Agreement provides that Mr. Salzano will remain as an Executive Vice President until February 11, 2000 to assist Ambac in the transition and as an employee of Ambac until April 28, 2000. Mr. Salzano will be paid his base salary through April 28, 2000 and will be paid severance in an amount equal to one year's salary in effect at the time of his resignation as an employee. The Agreement also provides Mr. Salzano with certain additional benefits. These benefits include: (i) a bonus for 1999 as set forth in the Summary Compensation Table; (ii) \$40,000 in lieu of restricted stock units granted to him in January 1999 which will expire upon his resignation; (iii) the acceleration of the vesting of 1,333 stock options granted in January 1998 and 12,000 stock options granted in January 1999; and (iv) three months of executive outplacement services, which if not used by September 30, 2000 will be forfeited. In return for the aforementioned benefits, Mr. Salzano provided Ambac with a reasonable period of time to ensure an effective and smooth transition of responsibilities to our new General Counsel. Additionally, Mr. Salzano agreed to extensive restrictions with respect to non-competition, non-disclosure of proprietary information, non-solicitation of current or former Ambac employees and prohibition of acts detrimental to Ambac, its employees and directors or its products.

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REPORT ON EXECUTIVE COMPENSATION FOR 1999 BY THE COMPENSATION AND ORGANIZATION COMMITTEE

The Compensation and Organization Committee of the Board administers Ambac's executive compensation program. The members of the Committee are independent non-employee, non-affiliated directors. The Committee has furnished the following report on executive compensation for 1999:

WHAT IS OUR EXECUTIVE COMPENSATION PHILOSOPHY?

The Committee has designed Ambac's executive compensation program to support what we believe to be an appropriate relationship between executive pay and the creation of stockholder value. To emphasize equity incentives, we link a significant portion of executive compensation to the market performance of Ambac common stock. The objectives of our program are:

- . To support a pay-for-performance policy that differentiates bonus amounts among all executives based on both their individual performance and the performance of Ambac;
- . To align the interests of executives with the long-term interests of stockholders through stock option and restricted stock unit awards whose value over time depends upon the market value of Ambac's common stock;
- . To provide compensation comparable to that offered by other leading companies in our industry, enabling Ambac to compete for and retain talented executives who are critical to our long-term success; and
- . To motivate key executives to achieve strategic business initiatives and to reward them for their achievement.

WHAT IS OUR POSITION ON MAXIMIZING THE DEDUCTIBILITY OF EXECUTIVE COMPENSATION?

In 1997, our stockholders approved the 1997 Executive Incentive Plan ("EIP") and the 1997 Equity Plan. We designed these plans to allow Ambac to receive a tax deduction for incentive compensation payments to our Chief Executive Officer and our other four most highly paid executive officers. Without these qualifying performance-based plans, Ambac could not deduct incentive compensation payments to the extent the amounts paid to any of these executive officers in any year exceeded \$1 million.

The Committee intends to pursue a strategy of maximizing the deductibility of the compensation we pay to our executives. However, we intend to retain the flexibility to take actions that we consider to be in the best interests of Ambac and our stockholders and which may be based on considerations in addition to tax deductibility.

WHAT ARE THE ELEMENTS OF EXECUTIVE COMPENSATION?

We compensate our executives through base salary, bonus paid in cash (or a combination of cash and restricted stock units), and long-term incentive awards in the form of stock options. We target total compensation for our executive officers so that at least 60% (and in the case of the Chairman, 75%) consists of bonus and long term incentive awards. In this way, a significant portion of the value ultimately realized by the executives will depend upon Ambac's performance and can be considered "at risk."

Our executives participate in a retirement plan, health plan, savings incentive plan and other voluntary benefit plans that we make available to all Ambac employees generally. We also provide our executives with a nonqualified savings incentive plan and a voluntary deferred compensation arrangement, which are similar to those typically offered to executives by the corporations with which we compete for talent.

Ambac has also entered into management retention agreements with our executive officers to provide for certain payments and other benefits if they are terminated following a change in control of Ambac. These agreements, and the employment agreement with Ambac's Chief Executive Officer, which includes comparable change in control provisions, are discussed elsewhere in the Proxy Statement.

HOW DID WE DETERMINE BASE SALARIES FOR 1999?

IN GENERAL

We annually review the base salaries of our executives to determine if adjustments are appropriate to ensure that their salaries are competitive and that they reflect the executive's increased responsibilities as Ambac grows.

For executives other than the Chief Executive Officer, we also consider the recommendations of Mr. Lassiter, Ambac's Chairman, President and Chief Executive Officer.

COMPARATIVE DATA

In conducting our review for 1999, we considered comparative data prepared by both Ambac's senior human resources officer and by Johnson Associates, Inc., the Committee's outside consultant for executive compensation.

The comparison group we chose for compensation purposes (the "COMPARISON GROUP") consisted mainly of our competitors in the financial guarantee insurance industry. The index we chose for our performance graph was the Investor's Business Daily Insurance Property/Casualty/Title Index. This was the publicly available index that we found best corresponded to our business and included the greatest number of companies in the Comparison Group. The performance graph follows this Report in the Proxy Statement.

We obtained data for the Comparison Group from a number of sources, including proxy statements, public information available from regulatory agencies and surveys by consulting firms. We used this comparative data as a benchmark in reaching our own determination of what were appropriate salary levels for our executives.

BASE SALARIES
OF THE
EXECUTIVES

Although data for the Comparison Group supported an annual increase in base salaries for 1999, the Committee accepted Mr. Lassiter's recommendation to

maintain base salaries for all Ambac executives at the 1998 rate. We note that the base salaries of our executives (excluding the Chief Executive Officer) are generally at or below the median for salaries of executives in the Comparison Group. The base salary for each of the named executive officers is reported in the "Summary Compensation Table" elsewhere in the Proxy Statement.

BASE SALARY
OF THE
CHIEF EXECUTIVE
OFFICER

In light of our decision not to increase the base salaries of Ambac's executives, the Committee did not increase the base salary of Mr. Lassiter for 1999. Mr. Lassiter's base pay therefore remained at the 1998 level of \$560,000. We note that Mr. Lassiter's base salary in 1999 was still in the top quarter for salaries of chief executive officers in the Comparison Group.

HOW DID WE DETERMINE BONUSES FOR 1999?

1999 OVERALL
PERFORMANCE

In January 2000, the Committee evaluated Ambac's performance during 1999 under each of the nine categories set out in the EIP: return on equity; net income/core earnings growth; total return to stockholders; expense management; risk management; market share; industry leadership/image building; new products/initiatives; and organizational development/corporate culture. We did not weight the categories but instead arrived at an overall "grade" for corporate performance. We determined Ambac's overall performance to be extremely strong based especially on its excellent performance in the categories of return on equity, net income/core earnings growth, expense management, market share, new products/initiatives and organizational development/corporate culture.

BONUSES
FOR THE
EXECUTIVES

The Committee awarded bonus compensation for 1999 to each executive based on the executive's scope of responsibility, individual performance and specific contribution to Ambac's overall performance. We again considered the Chief Executive Officer's recommendations and also took into account the comparative data. The bonus for each of the named executive officers is reported in the "Summary Compensation Table" elsewhere in the Proxy Statement.

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In July 1999, the Committee adopted the Ambac Senior Officer Deferred Compensation Sub-Plan of the 1997 Equity Plan for all executive officers and managing directors. Under the Sub-Plan, 25% of each executive officer's bonus is paid in RSUs unless the executive officer has satisfied the stock ownership target under the Ambac Stock Ownership Program. An executive who has met the ownership target may elect to receive 25% of their bonus in the form of RSUs. Each executive officer other than Mr. Salzano is receiving 25% of his bonus in the form of RSUs. Bonus amounts are reported in the Summary Compensation Table elsewhere in this Proxy Statement.

The value we ascribed to the RSUs awarded under the Sub-Plan for 1999 was based on a 25% discount from the market value of Ambac's common stock on the date of grant. The Committee decided to discount these RSUs in order to account for vesting requirements and restrictions on transfer of the RSUs. Accordingly, the value we ascribed to the RSUs differs from the amounts reported in the Summary Compensation Table under the column headed "Annual Compensation--Restricted Stock

Units", as those amounts, in accordance with SEC requirements, are based on the market price of the Common Stock on the date of grant.

BONUS
FOR THE
CHIEF EXECUTIVE
OFFICER

At our meeting in January 1999, the Committee selected Mr. Lassiter as the only executive to participate in the EIP. We then established a formula under the EIP for determining Mr. Lassiter's bonus for the performance year. The formula emphasized return on equity, net income growth and core earnings growth.

In January 2000, we applied the formula and awarded Mr. Lassiter a bonus of \$1,000,000. Pursuant to the terms of the EIP, we did not have the authority to award a bonus of more than \$1,000,000 although the exceptional performance for 1999 and Mr. Lassiter's leadership may have warranted more. Pursuant to the Sub-Plan, Mr. Lassiter elected to receive 25% of his bonus in the form of RSUs having the terms described above.

For 2000, we again selected Mr. Lassiter as the only executive officer to participate in the EIP.

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WHAT WERE THE LONG-TERM INCENTIVE AWARDS IN 1999?

1999 GRANTS

In 1999, we provided long-term incentive awards for executives by granting stock options. As we did for 1998 and 1997, we again limited the term of the stock options to seven years. The number of stock options awarded to each of the executives (including Mr. Lassiter) was in the top quarter of recent awards given by companies within the Comparison Group. The number of stock options awarded to each of the named executive officers is reported in the "Option Grants in 1999" table elsewhere in the Proxy Statement.

STOCK
OWNERSHIP
GUIDELINES

Upon the recommendation of the Chief Executive Officer, the Committee has decided to increase and expand our stock ownership guidelines to apply to all managing directors and executive officers. The guidelines set an appropriate level of ownership of Ambac stock (based on the market value of Ambac common stock) as a multiple of the officer's total cash compensation (base salary plus cash bonus). The multiple ranges from a high of seven times total cash compensation (in the case of Mr. Lassiter) to a low of one and one-half times total cash compensation for managing directors.

The Committee believes these guidelines have the positive effect of further aligning the interests of the executives with all stockholders.

THE COMPENSATION AND ORGANIZATION COMMITTEE

Richard Dulude, Chairman
Michael A. Callen
Renso L. Caporali
W. Grant Gregory
C. Roderick O'Neil

March 27, 2000

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PERFORMANCE GRAPH

The graph below compares the five-year total return to stockholders (stock price appreciation plus reinvested dividends) for Ambac common stock with the comparable return of two indexes: the Standard & Poor's 500 Stock Index and the Investor's Business Daily Insurance--Property/Casualty/Title Index.

The graph assumes that you invested \$100 in Ambac common stock and in each of the indexes on December 31, 1994, and that all dividends were reinvested. Points on the graph represent the performance as of the last business day of each of the years indicated.

[LINE GRAPH]

<CAPTION>

	12/31/94	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99
Ambac Financial Group, Inc.	\$100.0	\$127.5	\$182.6	\$255.4	\$336.6	\$294.1
S&P 500 Index	\$100.0	\$137.6	\$169.2	\$225.6	\$290.1	\$351.1
IBD-INS. Property/ Casualty/Title Index	\$100.0	\$141.0	\$148.6	\$182.1	\$145.4	\$110.8

If you had invested \$100 in Ambac common stock on the date of our Initial Public Offering (July 18, 1991), your investment would have grown to approximately \$550 by the end of 1999. This compares with a \$100 investment growing to approximately \$465 in the S&P 500 Index and to approximately \$140 in the IBD Insurance Index.

For this computation, we assumed that all dividends were reinvested, just as we did for the five-year total return comparison above.

DISCUSSION OF PROPOSALS RECOMMENDED BY THE BOARD

PROPOSAL 1: ELECT SEVEN DIRECTORS

The Board has nominated seven directors for election at the Annual Meeting. Each nominee is currently serving as one of our directors. Ms. Considine was appointed as a director in March 2000. If you re-elect them, they will hold office until the next annual meeting or until their successors have been elected.

As we noted above, each nominee also serves as a director of Ambac Assurance.

We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his term, or the Board increases the number of directors, the Board may fill the vacancy until the next annual meeting.

NOMINEES

PHILLIP B. LASSITER CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
 Age 56 (since 1991) AND PRESIDENT (since 1992) of Ambac and
 Director since Ambac Assurance. Mr. Lassiter joined Ambac in 1991
 1991 from Citibank, where he was a member of the Policy
 Committee and Finance Committee and served as Deputy
 Sector Head for Citibank's North American investment
 and corporate banking activities. Mr. Lassiter also
 serves as a director of Diebold Inc.

MICHAEL A. CALLEN PRESIDENT, AVALON ARGUS ASSOCIATES, LLC (financial
 Age 57 consulting) since April 1996. Mr. Callen was Special
 Director since Advisor to the National Commercial Bank located in
 1991 Jeddah in the Kingdom of Saudi Arabia from April
 1993 through April 1996. He was an independent
 consultant from January 1992 until June 1993, and an
 Adjunct Professor at Columbia University Business
 School during 1992. He was a director of Citicorp
 and Citibank and a Sector Executive for Citicorp
 from 1987 until January 1992. Mr. Callen also serves

as a director of Interinvest Corporation of New York and Interinvest Bancshares Corporation.

RENZO L. CAPORALI
Age 67
Director since 1995

RETIRED CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF GRUMMAN CORPORATION (defense and aerospace). Dr. Caporali was Senior Vice President of Raytheon Company (electronics, aircraft, engineering and construction) from April 1995 until he retired in May 1998. Previously, Dr. Caporali had retired in June 1994 as Chairman and Chief Executive Officer of Grumman Corporation. He was Chairman

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and Chief Executive Officer of Grumman Corporation from July 1990 until June 1994 and Vice Chairman of Grumman Corporation from 1988 to July 1990. Dr. Caporali also serves as a director of Bank of Akron.

JILL M. CONSIDINE
Age 55
Director since
March 2000

CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE DEPOSITORY & TRUST CLEARING CORPORATION since November 1999 and Chairman and Chief Executive Officer of The Depository Trust Company (securities depository and clearing house) since January 1999. Prior to joining The Depository Trust Company, Ms. Considine served as the President of the New York Clearing House Association, L.L.C. from 1993 to 1999. Ms. Considine served as a Managing Director, Chief Administrative Officer and as a member of the Board of Directors of American Express Bank Ltd., from 1991 to 1993. Prior to that, Ms. Considine served as the New York State Superintendent of Banks from 1985 to 1991. Ms. Considine also serves as a director of the Atlantic Mutual Insurance Companies and The Interpublic Group of Companies, Inc.

RICHARD DULUDE
Age 67
Director since
1992

RETIRED VICE CHAIRMAN OF CORNING INCORPORATED (diversified manufacturing). Mr. Dulude was Vice Chairman of Corning Incorporated from November 1990 until he retired in April 1993. Mr. Dulude was Group President of Corning Incorporated from 1983 until 1990. Mr. Dulude also serves as a director of Landec Corporation.

W. GRANT GREGORY
Age 59
Director since
1991

CHAIRMAN OF GREGORY & HOENEMEYER, INC. (merchant banking) since 1988. Mr. Gregory retired in 1987 as Chairman of the Board of Touche Ross & Co., now Deloitte and Touche. Mr. Gregory also serves as a director of DoubleClick Inc., an Internet advertising company. In addition, Mr. Gregory serves as a director of three private companies: yClip.com, an e-commerce enabled incentives company; zUniversity.com, an online network for higher education; and Class.com, an Internet leader in accredited distance learning.

C. RODERICK O'NEIL
Age 69
Director since
1991

CHAIRMAN, O'NEIL ASSOCIATES (formerly Greenspan O'Neil Associates) (investment and financial consulting) since 1984. Mr. O'Neil also serves as a director of Fort Dearborn Income Securities, Inc., Beckman Coulter, Inc. and Cadre Institutional Investors Trust.

The Board recommends that you vote "FOR" the election of all seven nominees for director.

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We are asking you to approve amendments to our 1997 Executive Incentive Plan that will (i) increase the maximum incentive amount that may be awarded to any participant under the Plan; (ii) redefine the "Covered Employees" performance goals set forth in the Plan; and (iii) extend the term of the Plan to January 1, 2005.

THE PROPOSED
AMENDMENTS

We adopted the 1997 Executive Incentive Plan in May of 1997 in order to ensure that incentive compensation paid to our most senior executives would remain fully deductible to Ambac in light of provisions of the Internal Revenue Code that otherwise might limit the deductibility of these payments. The Plan currently provides that the maximum incentive amount that may be earned under the Plan by a Participant during a Performance Period of one year or less is \$1.0 million and during a Performance Period of more than one year is \$3.0 million.

Since 1997, Ambac, under Mr. Lassiter's leadership, has experienced dynamic growth that has exceeded the Compensation and Organization Committee's expectations at the time the Plan was adopted. Although required to reassess the Plan and submit it for stockholder approval every five years, the Committee believes that it is necessary to amend the Plan this year so that the Committee will be able to adequately compensate our most senior executives in the event that Ambac's strong performance continues.

For 1999, the Committee designated Mr. Lassiter as the only officer eligible to earn a bonus under the Plan. Early in 1999, the Committee established a grid that generated different amounts of incentive compensation depending on Ambac's performance on the various performance criteria provided for in the Plan. Following the end of the year, the Committee found that if it applied its grid, Mr. Lassiter would have been entitled to incentive compensation of up to \$1.12 million. The Plan, as currently in effect, has limited the Committee to awarding Mr. Lassiter \$1.0 million, notwithstanding the Committee's belief that Ambac's growth and exceptional return on equity in 1999 warranted an award of a greater amount. In order to ensure that the Committee has the ability to compensate Ambac's top executives in a manner that is competitive with industry practice and responsive to Ambac's performance, the Board is requesting that the maximum aggregate incentive amount that may be awarded under the Plan be increased from \$1.0 million to \$2.0 million for any Performance Period of one year or less, and that the maximum incentive amount that may be earned under the Plan for any Performance Periods of more than one year be increased from \$3.0 million to \$6.0 million.

The Committee has also realized that some of the performance goals listed in Section 4(d) of the Executive Incentive Plan no longer correspond to the ways in which the Committee believes it is

appropriate to evaluate Ambac's performance. In particular, the Committee believes that core earnings/operating earnings growth is a better measure than net income growth to determine how well Ambac's businesses are growing. In addition, the Committee reviews certain areas of Ambac's performance which are not currently articulated in the Plan's existing Performance Goals. For example, the Committee considers not only industry leadership (as provided for in the Plan) but also image

building. It considers not only the development of new products but also other types of initiatives. It reviews not only the organizational development of Ambac but also its more general corporate culture. Accordingly, the Committee has recommended that the performance goals of the Plan be amended to correspond more closely to the types of performance goals that the Committee currently examines when it is awarding executive compensation.

Finally, the Committee has recommended, in light of its recommendations to revise the maximum incentive amounts and the performance goals, that the term of the Plan be extended from January 1, 2002 to January 1, 2005.

Upon the recommendation of the Committee, the Board, therefore, is proposing amendments to the Plan (i) to increase the maximum incentive amount that may be awarded under the Plan for a Performance Period of one year or less to \$2.0 million and for all Performance Periods of more than one year to \$6.0 million, (ii) to revise the Performance Goals in Section 4(d) of the Plan, and (iii) to extend the term of the Plan to January 1, 2005. The text of the Plan sections to be amended are set forth below. Additions to the existing Plan document are in bold face, while deleted provisions are crossed out.

"4. Awards.

(c) Payment of Awards; Maximum Limitation. Anything in this Plan to the contrary notwithstanding, (i) the maximum aggregate incentive amount that may be earned under the Plan by a Participant for all Performance Periods of one year or less beginning in any given fiscal year of the Company shall be \$2,000,000, and (ii) the maximum aggregate incentive amount that may be earned under the Plan by a Participant for all Performance Periods of more than one year beginning in any given fiscal year of the Company shall be \$6,000,000.

(d) Performance Goals. For purposes of this Plan, the performance goals from which the Committee shall establish Performance Targets applicable to specific Performance Periods shall be limited to the following:

(i) return on equity;

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(ii) core earnings/operating earnings growth;

(iii) total return to stockholders;

(iv) expense management;

(v) risk management;

(vi) market share;

(vii) industry leadership/image building;

(viii) new products/initiatives; and

(ix) organizational development/corporate culture;

each of which may be established (x) on a corporate-wide basis or with respect to one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures, or, where applicable, (y) on a relative or an absolute

basis or (z) on a per share or an aggregate basis."

"7. Effective Date; Term

Unless earlier terminated in accordance with Section 8 below, no award shall be made under the Plan with respect to Performance Periods beginning after January 1, 2005."

We describe below the other principal terms of the 1997 Executive Incentive Plan. None of these terms will be affected by the proposed amendments.

ELIGIBILITY The Committee will select participants for the Executive Incentive Plan at the start of each annual or other performance period from among Ambac's executive officers, senior officers and key employees. For 2000, the Committee has designated Phillip B. Lassiter, Ambac's Chairman, President and Chief Executive Officer, as the only participant in the Executive Incentive Plan.

ADMINISTRATION The Plan is administered by the Committee. At the beginning of a performance period, the Committee will establish the performance targets and specify the relationship between performance targets and the award. The Committee will also determine the maximum award which may be earned by each executive.

Following the completion of the performance period, the Committee must certify in writing whether the applicable performance targets have been achieved and specify the incentive amounts, if any, payable to executives. The Committee may reduce (but may not increase) the incentive amount payable to take into account additional factors that

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the Committee deems relevant to assess individual or corporate performance.

PAYING AWARDS The Committee will determine whether awards will be paid in cash, in the form of stock awards or restricted stock units issued under the 1997 Equity Plan (or another stock-based compensation plan of Ambac), or in any combination. If the Committee determines that an award will be paid in the form of stock awards or restricted stock units, then for purposes of determining the number of shares of common stock subject to an award, the Committee may value the shares at a discount to reflect any restrictions or conditions. The discount may not exceed 50% of the fair market value of the shares as of the date of determination.

TERMINATION OF EMPLOYMENT If an executive's employment terminates during a performance period by reason of death, disability or retirement (or with the approval of the Committee), the executive will receive a pro rata payment based upon: the amount of time the executive was employed during the performance period and the degree to which the Committee determines that the performance targets have been achieved prior to the termination. If an executive's employment terminates during a performance period for any other reason, the executive will not be entitled to an award.

AMENDMENT AND TERMINATION The Board or Committee may amend or terminate the 1997 Executive Incentive Plan at any time. However, no action will be taken without stockholder approval to the extent necessary to continue to qualify the amounts payable to covered employees as performance-based compensation under 162(m) of the Internal

Revenue Code.

The Board recommends that you vote "FOR" the Amendments to the 1997 Executive Incentive Plan.

PROPOSAL 3: RATIFY SELECTION OF KPMG LLP AS INDEPENDENT AUDITORS FOR 2000

We are asking you to ratify the Board's selection of KPMG LLP, certified public accountants, as independent auditors for 2000. The Audit Committee recommended the selection of KPMG to the Board. KPMG has served as the independent auditors of Ambac Assurance since 1985 and of Ambac since our incorporation in 1991.

A representative of KPMG will attend the Annual Meeting to answer your questions.

We are submitting this proposal to you because the Board believes that such action follows sound corporate practice. If you do not ratify the selection of independent auditors, the Board will consider it a direction to consider selecting other auditors for next year. However, even if you ratify the selection, the

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Board may still appoint new independent auditors at any time during the year if it believes that such a change would be in the best interests of Ambac and our stockholders.

The Board recommends that you vote "FOR" ratification of the selection of KPMG LLP as independent auditors for 2000.

INFORMATION ABOUT STOCKHOLDER PROPOSALS

If you wish to submit proposals to be included in our 2001 proxy statement, we must receive them on or before Friday, December 1, 2000. Please address your proposals to: ANNE G. GILL, CORPORATE SECRETARY, AMBAC FINANCIAL GROUP, INC., ONE STATE STREET PLAZA, NEW YORK, NEW YORK 10004.

Under our By-laws, if you wish to nominate a director or bring other business before the stockholders:

- . You must notify the Corporate Secretary in writing not less than 60 days nor more than 90 days before the annual meeting.
- . If we give you less than 70 days' notice of the meeting date, however, you may notify us within 10 days after the notice was mailed or publicly disclosed.
- . Your notice must contain the specific information required in our By-laws.

Please note that these requirements relate only to matters you wish to bring before your fellow stockholders at an annual meeting. They do not apply to proposals that you wish to have included in our proxy statement.

If you would like a copy of our By-laws, we will send you one without charge. Please write to the Corporate Secretary of Ambac.

By order of the Board of Directors,

/s/ Anne G. Gill

Anne G. Gill
First Vice President, Corporate Secretary and
Assistant General Counsel

March 31, 2000

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[LOGO OF AMBAC]

ONE STATE STREET PLAZA, NEW YORK, NY 10004

Vote by Telephone

Have your proxy card available when you call the Toll-Free number 1-800-250-9081 using a Touch-Tone phone. You will be prompted to enter your control number and then you can follow the simple prompts that will be presented to you to record your vote.

Vote by Internet

Have your proxy card available when you access the website <http://www.votefast.com>. You will be prompted to enter your control number and then you can follow the simple prompts that will be presented to you to record your vote.

Vote by Mail

Please mark, sign and date your proxy card and return it in the postage-paid envelope provided or return it to: Corporate Election Services, P.O. Box 1150, Pittsburgh, Pennsylvania 15230

Vote by Telephone Call Toll-Free using a Touch-Tone phone 1-800-250-9081	Vote by Internet Access the Website and Cast your vote http://www.votefast.com	Vote by Mail Return your proxy in the postage-paid envelope provided
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Vote 24 hours a day, 7 days a week!

Your telephone and internet vote must be received by 11:59 p.m. eastern daylight time on May 9, 2000 to be counted in the final tabulation.

If you vote by telephone or internet, please do not send your proxy by mail.

=====
Your Control Number is:
=====

Proxy must be signed and dated below.

- Please fold and detach card at perforation before mailing. -

AMBAC FINANCIAL GROUP, INC.

PROXY

This proxy is solicited on behalf of the Board of Directors for the Annual Meeting of Stockholders on May 10, 2000. The undersigned hereby appoints Phillip B. Lassiter, Frank J. Bivona and Anne G. Gill, and each of them, proxies, with power of substitution, to vote all shares of Common Stock of Ambac Financial Group, Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held on Wednesday, May 10, 2000 at 11:30 a.m., local time, at Ambac's executive offices, One State Street Plaza, New York, New York, and at any adjournments of the Annual Meeting. The proxies have the authority to vote as directed on the reverse side of this card with the same effect as though the undersigned were present in person and voting. The proxies are further authorized in their discretion to vote upon such other business as may properly come before the Annual Meeting and any adjournments of the Annual Meeting. The undersigned revokes all proxies previously given to vote at the Annual Meeting.

Sign here as name(s) appears to the left.

IMPORTANT: Please sign EXACTLY as your name(s) appears on the left. Joint owners should each sign. If you are signing as an executor, administrator, trustee, guardian, attorney or corporate officer, please give your full title.

Date: _____, 2000

[X] Please mark your vote as in this example.

Please indicate below how you wish your shares to be voted. Unless you indicate otherwise, your proxy will vote "FOR" all of the Proposals on this card. We cannot vote your shares unless you sign, date and return this card.

the board of directors recommend that you vote "for" all proposals.

1. Election of Directors

- | | | |
|-----------|--------------------------|------------------------|
| Nominees: | (01) Phillip B. Lassiter | (02) Michael A. Callen |
| | (03) Renso L. Caporali | (04) Jill M. Considine |
| | (05) Richard Dulude | (06) W. Grant Gregory |
| | (07) C. Roderick O'Neil | |

- | | |
|--|---|
| <input type="checkbox"/> FOR all nominees listed above.
(Except as listed to the contrary below.) | <input type="checkbox"/> WITHHOLD AUTHORITY
to vote for all nominees listed above. |
|--|---|

To withhold authority to vote for any individual nominee, write that nominee's name or number below:

- | | FOR | AGAINST | ABSTAIN |
|--|--------------------------|--------------------------|--------------------------|
| 2. Amend the 1997 Executive Incentive Plan..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Ratify Selection of KPMG LLP as independent
auditors for 2000..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |