



FOURTH QUARTER 2014 HIGHLIGHTS

MARCH 2, 2015

VALUE CREATION INITIATIVES – 4Q14 HIGHLIGHTS

Asset Management

- ▶ Consolidated investment portfolio \$5.5 billion fair value
- ▶ Financial Guarantee (excluding AUK)
 - GAAP book yield 5.3%
 - STAT book yield 6.3%
- ▶ Liquidations for \$1.5 billion cash payments for certain deferred obligations
 - \$206 million to Ambac (Dec – Feb)
- ▶ Purchased \$177 million market value of distressed insured RMBS
- ▶ \$586 million deferred amounts owned, or 20%

Liability Management

- ▶ Net par insured decreased by \$12.7 billion, or -8% since 9/30/14
- ▶ Adversely classified credits reduced by \$2.3 billion, or -8%, since 9/30/14
- ▶ Commuted \$43 million and \$5 million of LVM and LIM bonds, respectively
- ▶ Reached favorable outcomes with Adelanto, CA and Hercules, CA
- ▶ Exited Punch Taverns, a distressed international exposure, as a result of negotiated settlement

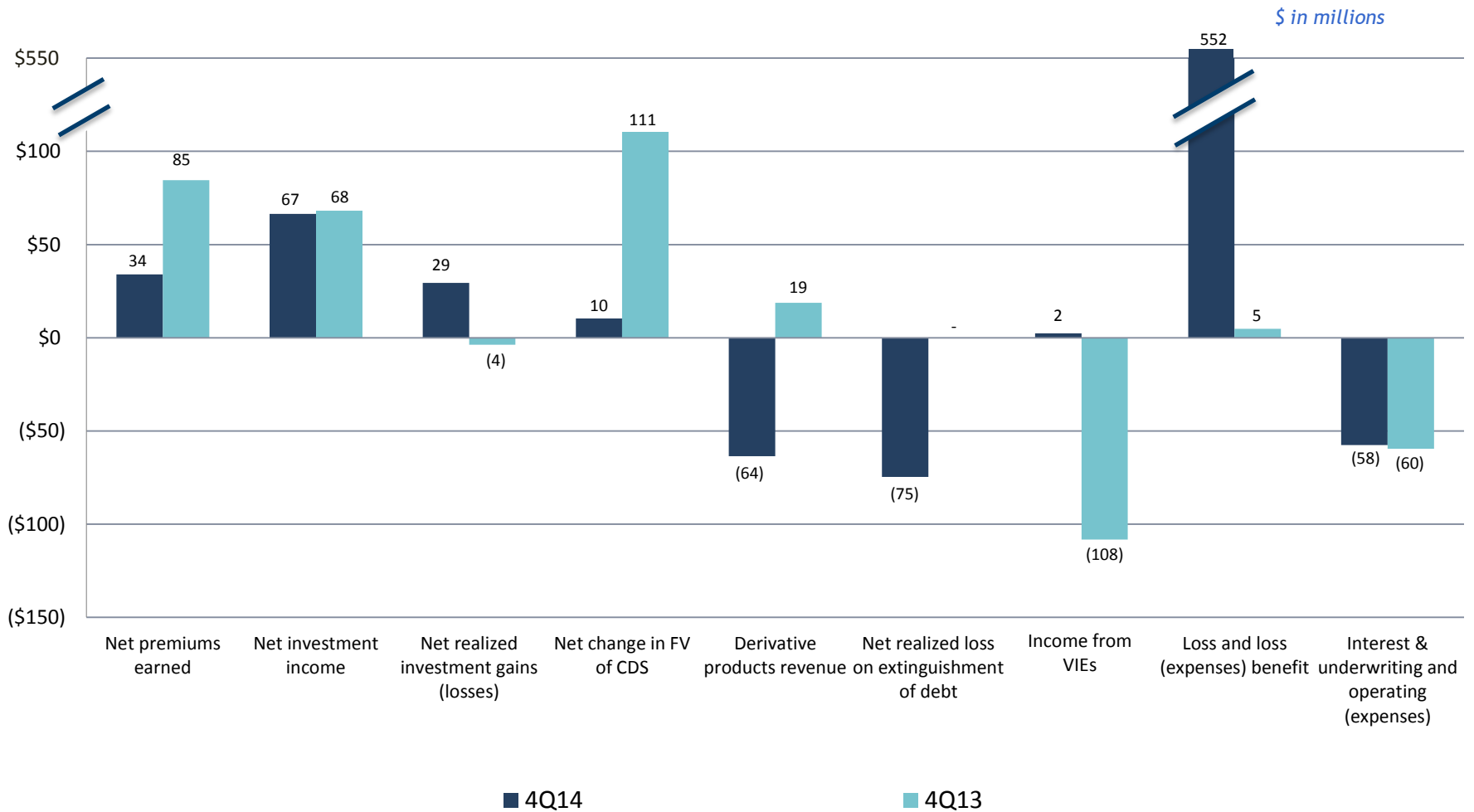
Representations & Warranties (R&W)

- ▶ Increased estimated R&W subrogation recoveries by \$309 million to \$2.5 billion, since 9/30/14
 - Positively impacted earnings by \$389 million
 - \$367 million from ongoing assessments of value of claims
 - \$22 million gain associated with settlement of two disputes for \$80 million
 - No change to the estimation method
- ▶ \$446 million in value recognized since 2009

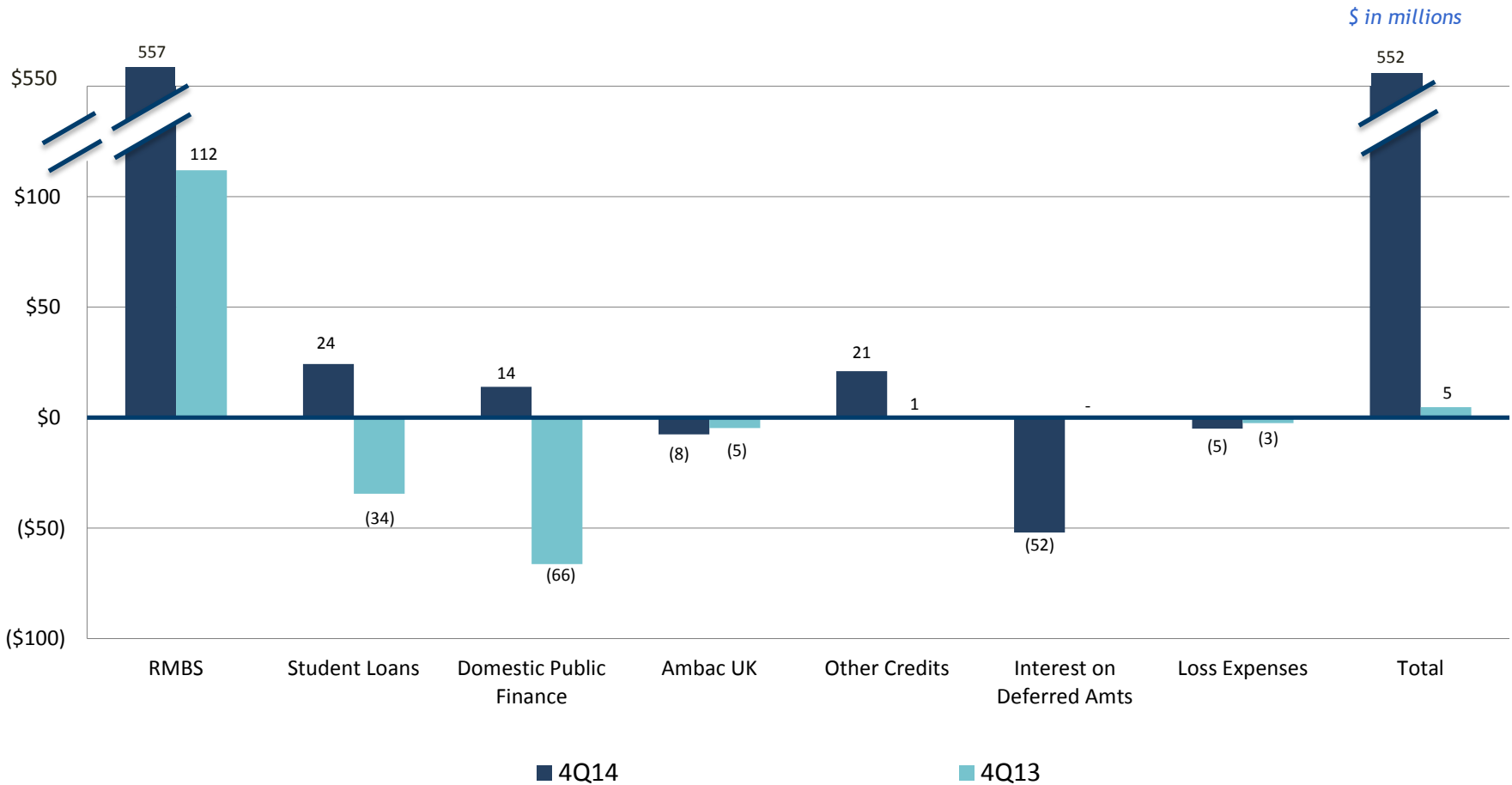
Special Servicing

- ▶ RMBS collateral underlying \$4.5 billion of insured net par now serviced by special servicers
 - 33% of RMBS book
- ▶ Continue to transfer RMBS to special servicing, where possible
- ▶ Applying lessons learned from special servicing to legacy servicers

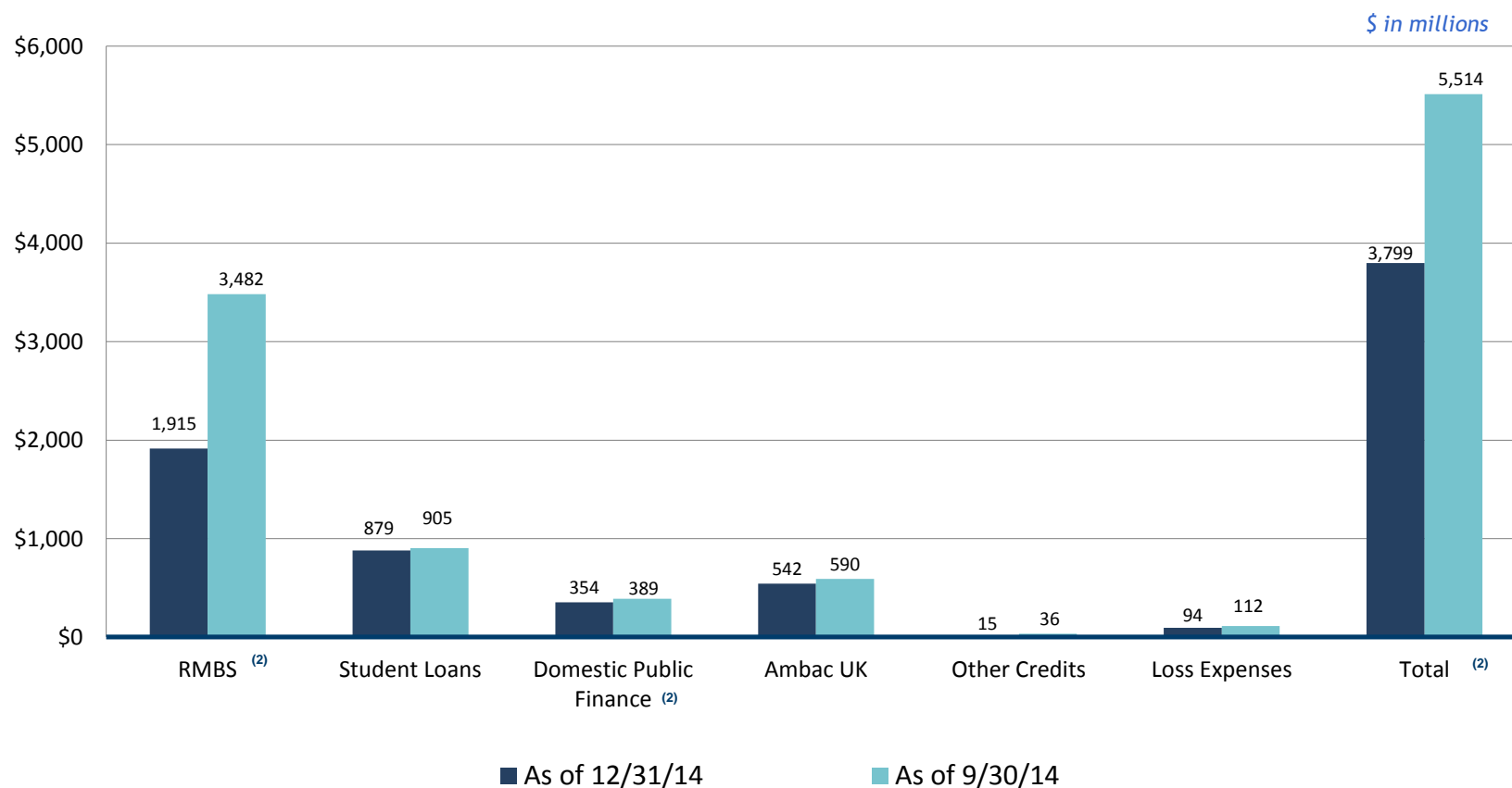
KEY FINANCIAL RESULTS



INCURRED (LOSSES) BENEFIT BY CATEGORY



GROSS LOSS RESERVES BY CATEGORY⁽¹⁾



(1) Gross loss reserves are net of estimated R&W subrogation recoveries of \$2.5 billion and \$2.2 billion, and other subrogation recoverables, and include \$3.3 billion and \$4.4 billion of unpaid segregated account policy claims and interest, as of December 31, 2014 and September 30, 2014, respectively.

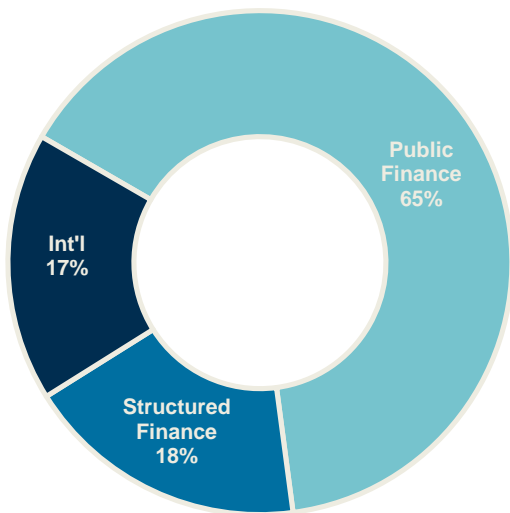
(2) Gross loss reserves for December 31, 2014 and September 30, 2014 include accrued interest on Deferred Amounts as follows: RMBS \$328 million and \$359 million; Domestic Public Finance \$1 million and \$1 million; and Total \$329 million and \$360 million, respectively.

INSURED PORTFOLIO NET PAR (1)

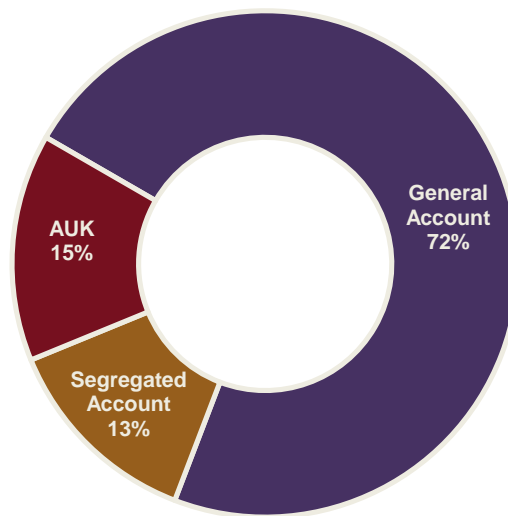
► \$144.7 billion net par as of December 31, 2014

- -8% since September 30, 2014
- -19% since December 31, 2013

Sector % Breakdown



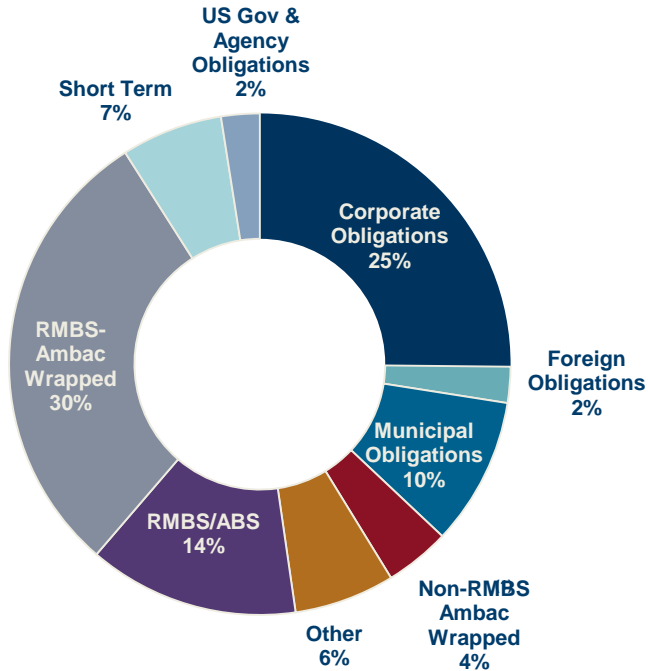
Portfolio % Breakdown



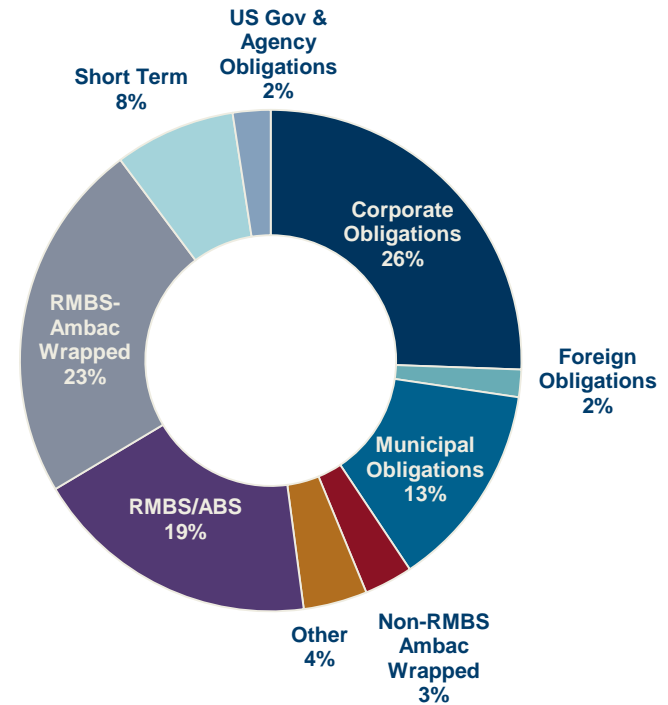
(1) Net Par includes capital appreciation bonds ("CABS") which are reported at the par amount at the time of issuance of the insurance policy.

CONSOLIDATED INVESTMENT PORTFOLIO FAIR VALUE

As of December 31, 2014
\$5.5 billion



As of September 30, 2014
\$7.1 billion



STATUS OF RMBS LITIGATIONS (1)

Litigation Case	Current Status (as of March 2, 2015)
<p>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns & Co. Inc.), and JP Morgan Chase Bank, N.A. -- New York State Supreme Court, Index No. 650421/2011 [re SACO 2005-10, SACO 2006-2, SACO 2006-8 and BSSLT 2007-1]</p>	<ul style="list-style-type: none"> ▶ Fact discovery has concluded ▶ Initial expert reports were exchanged in December 2014 ▶ On December 18, 2014, defendants filed a motion for partial summary judgment solely with respect to the justifiable-reliance element of Ambac's fraudulent-inducement claim, plaintiff filed its opposition to the motion on February 13, 2015
<p>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns & Co. Inc.), and JP Morgan Chase Bank, N.A. --New York State Supreme Court, Index No. 651013/2012 [re GPMF 2006-AR2, GPMF 2006-AR3, SAMI 2006-AR7, SAMI 2006-AR8, BSMF 2006-AR2, BSMF 2006-AR4, and BALTA 2006-R1]</p>	<ul style="list-style-type: none"> ▶ On June 13, 2013, the court denied defendants' motion to dismiss the claims for fraudulent inducement and successor liability but dismissed the contractual claims ▶ Plaintiffs appealed and on October 16, 2014 the appellate court affirmed the dismissal of the contractual claims. On November 10, 2014, plaintiffs filed for leave to reargue, or in the alternative to appeal, the appellate court's decision ▶ With respect to the fraudulent-inducement claims that remain in the case, discovery is ongoing
<p>First Franklin Financial Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Inc., Merrill Lynch Mortgage Lending, Inc., and Merrill Lynch Mortgage Investors, Inc. -- New York State Supreme Court, Index No. 651217/2012 [re First Franklin Mortgage Loan Trust 2007-FFC]</p>	<ul style="list-style-type: none"> ▶ On July 18, 2013 the court denied defendants' motion to dismiss the putback and fraudulent-inducement claims, but limited the material-breach-of-contract claim and dismissed the claim for indemnification ▶ Discovery is ongoing
<p>Countrywide Securities Corp., Countrywide Financial Corp. (a.k.a. Bank of America Home Loans) and Bank of America Corp -- New York State Supreme Court, Index No. 651612/2010 [re CWHEQ 2006-S1, CWHEQ 2006-S4, CWHEQ 2006-S6, CWABS 2004-K, CWABS 2004-L, CWABS 2004-M, CWABS 2004-N, CWABS 2004-O, CWABS 2004-T, CWHEQ 2005-F, CWHEQ 2005-L, CWHEQ 2006-B, CWHEQ 2006-C, CWABS 2005-16, CWABS 2005-17, CWHEQ 2006-11, CWHEQ 2006-13]</p>	<ul style="list-style-type: none"> ▶ Fact discovery has concluded ▶ The parties have exchanged initial and rebuttal expert reports on successor liability ▶ The parties have exchanged initial expert reports on primary liability, with rebuttals due in April 2015

(1) Information disclosed herein is accurate as of the date indicated. Ambac may update the information included in this slide from time to time without notice, but is under no duty or obligation to do so.

STATUS OF RMBS LITIGATIONS - CONTINUED (1)

Litigation Case	Current Status (as of March 2, 2015)
<p>Nomura Credit & Capital, Inc. and Nomura Holding America Inc. – New York State Supreme Court, Index No. 651359/2013 [re Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-1 and Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-3]</p>	<ul style="list-style-type: none"> ▶ On July 12, 2013, defendants filed a motion to dismiss the complaint; oral argument was heard on November 13, 2013; no decision has been issued ▶ Plaintiffs filed an Amended Complaint on September 22, 2014 adding a fraudulent-inducement claim ▶ Defendants filed a motion to strike the Amended Complaint on October 31, 2014, which plaintiffs have opposed and plaintiffs have also cross-moved for leave to file an amended complaint ▶ Defendants have also filed a motion to dismiss the fraudulent-inducement claim, which plaintiffs have opposed
<p>Countrywide Home Loans, Inc., Countrywide Financial Corp., and Bank of America Corp. – New York State Supreme Court, Index No. 653979/2014 [re CWALT 2005-81, CWALT 2006-OA19, HVMLT 2005-16, HVMLT 2006-9, Lehman XS 2005-7N, Lehman XS 2006-2N, Lehman XS 2007-7N, and Lehman XS 2007-15N]</p>	<ul style="list-style-type: none"> ▶ Complaint for fraudulent-inducement filed on December 30, 2014 ▶ Countywide filed a motion to dismiss on February 20, 2015 which Bank of America joined on February 23, 2015, and which plaintiffs intend to oppose.
<p>Countrywide Home Loans, Inc. – Circuit Court, Dane County, Wisconsin, Case No. 14CV3511 [re HVMLT 2005-2, HVMLT 2005-8, HVMLT 2005-10, Harborview Mortgage Loan Trust 2005-12, and HVMLT 2005-13]</p>	<ul style="list-style-type: none"> ▶ Complaint for fraudulent-inducement filed on December 30, 2014 ▶ Defendant filed a motion to dismiss on February 20, 2015, which plaintiffs intend to oppose

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FORWARD LOOKING STATEMENT

In this presentation, we have included statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “estimate,” “project,” “plan,” “believe,” “anticipate,” “intend,” “planned,” “potential” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” “could,” and “may,” or the negative of those expressions or verbs, identify forward-looking statements. We caution readers that these statements are not guarantees of future performance. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, which, may by their nature be inherently uncertain and some of which may be outside our control. These statements may relate to plans and objectives with respect to the future, among other things which may change. We are alerting you to the possibility that our actual results may differ, possibly materially, from the expected objectives or anticipated results that may be suggested, expressed or implied by these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed under “Risk Factors” described in our most recent SEC filed quarterly or annual report.

Any or all of management’s forward-looking statements here or in other publications may turn out to be incorrect and are based on management’s current belief or opinions. Ambac’s actual results may vary materially, and there are no guarantees about the performance of Ambac’s securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially are: (1) volatility in the price of Ambac’s common stock; (2) uncertainty concerning our ability to achieve value for holders of Ambac securities, whether from Ambac Assurance Corporation (“Ambac Assurance”) or from new business opportunities; (3) dilution of current shareholder value or adverse effects on our share price resulting from the issuance of additional shares of common stock; (4) adverse effects on our share price resulting from future offerings of debt or equity securities that rank senior to our common stock; (5) potential of rehabilitation proceedings against Ambac Assurance; (6) decisions made by the rehabilitator of the Segregated Account of Ambac Assurance Corporation (the “Segregated Account”) for the benefit of policyholders that may result in material adverse consequences for Ambac’s security holders; (7) our inability to realize the expected recoveries included in our financial statements; (8) intercompany disputes or disputes with the rehabilitator of the Segregated Account; (9) our inability to monetize assets or restructure or exchange outstanding debt and insurance obligations, or the failure of any such monetization, restructuring or exchange to deliver anticipated results; (10) our results of operation may be adversely affected by events or circumstances that result in the accelerated amortization of our insurance intangible asset or impairments to goodwill; (11) increased fiscal stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings by municipal issuers; (12) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan, from rules and procedures governing the payment of permitted policy claims, or from the characterization of our surplus notes as equity; (13) credit risk throughout our business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, collateralized loan obligations, public finance obligations and exposures to reinsurers; (14) risks attendant to the change in composition of securities in our investment portfolio; (15) inadequacy of reserves established for losses and loss expenses; (16) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (17) changes in prevailing interest rates; (18) factors that may influence the amount of installment premiums paid to Ambac, including the Segregated Account rehabilitation proceedings; (19) default by one or more of Ambac Assurance’s portfolio investments, insured issuers or counterparties; (20) market risks impacting assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap transactions; (21) risks relating to determinations of amounts of impairments taken on investments; (22) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (23) our inability to realize value from Ambac Assurance UK Limited; (24) system security risks; (25) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (26) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (27) changes in accounting principles or practices that may impact Ambac’s reported financial results; (28) legislative and regulatory developments; (29) operational risks, including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (30) Ambac’s financial position and the Segregated Account rehabilitation proceedings that may prompt departures of key employees and may impact our ability to attract qualified executives and employees; and (31) other risks and uncertainties that have not been identified at this time.