Ambac

2009 Quarterly Operating Supplement

Q4

▸ Financial Highlights

Share price	$0.83
Market capitalization	$238.7 million
Net income	$558.1 million
Net income per diluted share	$1.93

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Company Profile

Ambac Financial Group, Inc. ("Ambac"), headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. The principal operating subsidiary, Ambac Assurance Corporation ("Ambac Assurance"), a guarantor of public finance and structured finance obligations, has a Caa2 rating under review for possible upgrade by Moody's Investors Service, Inc. and an R (regulatory intervention) financial strength rating from Standard & Poor's Ratings Services. Ambac, through its subsidiaries, also provided investment agreements, interest rate swaps, total return swaps and funding conduits, principally to clients of the financial guarantee business, which include municipalities and their authorities, health care organizations and asset-backed issuers. Ambac Financial Group, Inc. common stock is listed on the New York Stock Exchange (ticker symbol ABK).

Company Information

Corporate headquarters are located at:

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For further information on Ambac Financial Group, Inc., or to obtain a copy of Ambac Financial Group, Inc.'s latest annual or quarterly report filed with the Securities and Exchange Commission or the most recent Annual Report to Stockholders, please call, write or e-mail the Investor Relations Department at the above number or address, or download it from our website at www.ambac.com.

Ambac Financial Group, Inc.
Quarterly Operating Supplement
Fourth Quarter 2009

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Note 1: Internal Ambac credit ratings contained in this Supplement are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of Ambac Assurance. In cases where Ambac has insured multiple tranches of an issue with varying internal ratings, or more than one obligation of an issuer with varying internal ratings, a weighted average rating is used. Ambac credit ratings are subject to revision at anytime and do not constitute investment advice. Ambac Assurance, or one of its affiliates, has insured the obligations listed and may also provide other products or services to the issuers of these obligations for which Ambac may have received premiums or fees.

Note 2: Information contained in this report is unaudited.

Annual Financial and Statistical Data

(Dollars in millions except share data)

	2009 (1)	2008 (2)	2007 (3)	2006	2005	2004	2003	2002 (4)	2001	2000
Summary Financial Data:										
Financial Guarantee:										
Credit enhancement production (non-GAAP)	n.m.	$95	$1,414	$1,295	$1,249	$1,288	$1,489	$1,299	$974	$711
Gross premiums written	(549)	537	1,031	997	1,096	1,048	1,144	904	683	483
Net premiums earned	797	1,023	841	811	816	717	620	472	379	311
Net investment income (5)	483	480	460	424	378	355	321	297	268	241
Loss and loss expenses (6)	2,815	2,266	256	20	150	70	53	27	20	15
Underwriting and operating expenses	176	216	139	134	118	107	92	77	68	55
Financial Services (7):										
Revenue	(136)	123	452	408	286	225	230	272	274	333
Expenses	47	248	432	372	253	184	208	241	244	295
Net (loss) income per diluted share	($0.05)	($22.31)	($31.56)	$8.15	$6.87	$6.53	$5.66	$3.97	$3.97	$3.41
Net (loss) income per diluted share growth rate	n.m.	n.m.	n.m.	18.6%	5.2%	15.4%	42.6%	0.0%	16.4%	18.4%
Return on equity	n.m.	n.m.	-76.7%	15.1%	14.4%	15.6%	15.7%	13.1%	15.5%	15.9%
Total investments	9,229	10,293	18,396	17,434	15,592	14,422	13,965	12,539	10,288	8,324
Total assets	18,886	17,260	23,565	20,268	18,546	17,673	16,747	15,356	12,340	10,120
Unearned premium reserve	5,687	2,382	3,124	3,038	2,941	2,779	2,545	2,129	1,780	1,546
Loss and loss expense reserve	4,772	2,276	484	220	304	254	189	172	151	132
Obligations under investment, repurchase and payment agreements	1,291	3,358	8,706	8,357	7,253	7,081	7,076	7,283	5,512	4,893
Long-term debt (8)	1,632	1,624	1,389	992	1,192	792	792	617	619	424
Stockholders' equity	(2,288)	(3,782)	2,280	6,190	5,388	5,024	4,255	3,625	2,984	2,596
Statutory Data:										
Qualified statutory capital	$1,154	$3,484	$6,422	$6,383	$5,693	$5,264	$4,526	$3,736	$3,262	$2,736
Unearned premium reserve	2,390	2,733	3,320	3,373	3,208	2,972	2,649	2,223	1,860	1,615
Loss and loss expense reserve	1,141	1,169	110	42	103	117	55	49	28	31
Estimated impairment losses on credit derivatives	3,842	3,352	757	-	-	-	-	-	-	-
Policyholders' reserves	8,527	10,738	10,609	9,798	9,004	8,353	7,230	6,008	5,150	4,382
Third party capital support	-	100	800	800	800	800	800	800	800	800
P.V. of future installment premiums	2,313	2,663	3,103	2,503	2,166	2,060	1,556	1,342	987	764
Total claims-paying resources	$10,840	$13,501	$14,512	$13,101	$11,970	$11,213	$9,586	$8,150	$6,937	$5,946
Net par outstanding	$390,406	$434,310	$524,025	$519,043	$479,085	$459,432	$425,854	$379,211	$318,043	$276,252
Net debt service outstanding	$619,566	$695,954	$833,303	$802,694	$726,612	$685,234	$625,564	$557,422	$476,190	$418,386
Financial Ratios:										
Loss and loss expense ratio	556.9%	619.0%	148.4%	2.3%	17.3%	9.1%	8.2%	6.5%	5.3%	4.8%
Underwriting expense ratio	20.8%	19.9%	15.2%	15.3%	13.6%	13.9%	13.8%	15.3%	17.0%	17.1%
Combined ratio	577.7%	638.9%	163.6%	17.6%	30.9%	23.0%	22.0%	21.8%	22.3%	21.9%

(1) Net income was positively impacted by the net change in fair value of credit derivatives of $3,813 million or $13.25 per diluted share.
(2) Net income was adversely impacted by net change in fair value of credit derivatives of $4,031.1 million and loss and loss expenses of $2,227.6 million, or $16.18 per diluted share.
(3) Net income was adversely impacted by net change in fair value of credit derivatives of $5,928.0 million, $3,853.2 million after-tax, or $37.44 per diluted share.
(4) Net income was adversely impacted by a writedown of an investment security amounting to $139.7 million, $90.8 million after-tax or $0.83 per diluted share.
(5) Excludes variable interest entity investment income of $10.9 million, $13.9 million and $4.8 million from 2009, 2008 and 2007, respectively.
(6) Includes losses of ($41.0) million, ($41.4) million and $91.5 million in 2007, 2006 and 2005, respectively, as a result of Hurricane Katrina.
(7) Financial Services revenues exclude other-than-temporary losses, net realized investment gains/losses, net mark-to-market gains/losses on non-trading derivatives and net mark-to-market gains/losses on total return swaps. Amounts also exclude the discontinued operations of Cadre Financial Services, Inc.
(8) Excludes the portion of long-term debt associated with variable interest entities.

Key Financial Highlights

	Fourth Quarter 2009	Fourth Quarter 2008	Full Year 2009	Full Year 2008
Key Financial Lines				
Net income (loss) ($ millions)	$558.1	($2,340.8)	($14.6)	($5,609.2)
Stockholders' equity ($ millions)	($2,287.8)	($3,782.3)	($2,287.8)	($3,782.3)
Total capitalization (1) ($ millions)	($656.2)	($2,158.1)	($656.2)	($2,158.1)
Claims-Paying ratio (2)	57:1	52:1	57:1	52:1
Loss ratio (3)	165.3%	370.9%	725.8%	619.2%
Expense ratio (4)	21.7%	24.1%	20.8%	19.9%
Combined ratio(3) (4)	187.0%	395.0%	746.6%	639.1%
Consolidated total effective tax rate	-547.7%	-85.3%	102.0%	0.2%

Stockholder Data				
Market value per share	$0.83	$1.30	$0.83	$1.30
Net income (loss) per share	$1.93	($8.14)	($0.05)	($22.31)
Net income (loss) per diluted share	$1.93	($8.14)	($0.05)	($22.31)

Other Earnings Measures (Per diluted share)				
Net income (loss)	$1.93	($8.14)	($0.05)	($22.31)
Net security (gains) losses(5)	($2.16)	$1.35	($14.43)	($0.06)
Operating earnings (non-GAAP)	($0.23)	($6.79)	($14.48)	($22.37)
Refundings, calls and other accelerations, net	($0.14)	($0.18)	($0.69)	($0.98)
Core earnings (non-GAAP)	($0.37)	($6.97)	($15.17)	($23.35)

(1) Excludes the portion of long-term debt associated with variable interest entities of $3,008.6 million and $273.5 million at December 31, 2009 and 2008, respectively.
(2) Claims-paying resource ratios (Statutory) and loss, expense and combined ratios (GAAP) relate solely to Financial Guarantee operations.
(3) Loss ratio is computed as insurance loss and loss expense plus credit derivative estimated credit impairment losses divided by net premiums earned and fees earned on credit derivatives.
(4) Expense ratio is computed as financial guarantee underwriting and operating expenses divided by net premiums earned and fees earned on credit derivatives.
(5) Includes net gains and losses from sales of investment securities, other-than-temporary impairments, net mark-to-market gains and losses on credit derivatives, total return swaps and non-trading derivatives in the Financial Services business.

Earnings Analysis
(Dollars in Millions)

	Fourth Quarter 2009	Fourth Quarter 2008
Pre-tax income (loss)	$86.2	($1,263.0)
Pre-tax Financial Guarantee:		
Net realized investment gains	(38.6)	(4.5)
Other-than-temporary impairment losses	118.1	66.0
Credit default swaps - unrealized (gains) losses	(122.8)	608.1
Credit default swaps - estimated impairment losses	(528.6)	19.7
Total Financial Guarantee	(571.9)	689.3
Pre-tax Financial Services:		
Net realized investment gains	(42.1)	(160.4)
Non-trading derivatives	(10.5)	10.8
Total return swaps	-	56.6
Total Financial Services	(52.6)	(93.0)
Pre-tax Operating losses	(538.3)	(666.7)
Tax on Operating losses	(472.0)	1,286.4
After-tax Operating loss	($66.3)	($1,953.1)

For Immediate Release

**AMBAC FINANCIAL GROUP, INC. ANNOUNCES
FOURTH QUARTER RESULTS**

NEW YORK, April 8, 2010--**Ambac Financial Group, Inc.** (NYSE: ABK) (Ambac) today announced fourth quarter 2009 net income of $558.1 million, or net income of $1.93 per diluted share. This compares to a fourth quarter 2008 net loss of $2,340.8 million, or net loss of $8.14 per share. The fourth quarter 2009 results reflect a tax benefit recorded during the period, reduced loss and loss expenses recorded relative to fourth quarter 2008, and unrealized mark-to-market gains in the credit derivatives portfolio. In 2008, Ambac's fourth quarter results reflected a significant negative net change in fair value of credit derivatives, higher loss and loss adjustment expenses and a large increase in the deferred tax asset valuation allowance.

Quarter Summary

- Net change in fair value of credit derivatives was positive $133.2 million, driven primarily by price improvement in certain reference obligations, partially offset by a narrowing of Ambac's short-term credit spreads (ASC Topic 820 adjustment) during the quarter.
- Net loss and loss expenses incurred amounted to $385.4 million for the current quarter, primarily related to deterioration in the first-lien residential mortgage-backed securities (RMBS) portfolio, partially offset by reserve reductions in non-consumer asset-backed securities transactions.
- In the financial services segment, the results for the derivative products business improved by $105.8 million compared to the fourth quarter 2008.
- A tax benefit of $472.0 million was recorded primarily as a result of legislation that passed during the quarter that allows Ambac to carry back 2008 and 2009 operating losses as far back as 2003. Ambac Assurance Corporation (AAC), Ambac's principal operating subsidiary, received the tax refund amounting to $443.9 million in February 2010.

Financial Results

Net Premiums Earned

Net premiums earned for the fourth quarter of 2009 were $184.4 million, down 19% from $228.1 million earned in the fourth quarter of 2008. Normal net premiums earned were $139.6 million in the fourth quarter of 2009, and $146.9 million in the fourth quarter of 2008. Normal net premiums earned exclude accelerated premiums. ASC Topic 944 (formerly known as FAS 163) was implemented effective January 1, 2009. Due to changes in calculations of normal net premiums earned, as prescribed by ASC Topic 944, normal net earned premium amounts reported in 2009 are not comparable to amounts that were reported in 2008.

Net premiums earned include accelerated premiums, which result from calls, terminations and other accelerations recognized during the quarter. Accelerated premiums were $44.8 million in the fourth quarter of 2009, down 45% from $81.2 million in the fourth quarter 2008. In 2008, a lack of liquidity in the auction rate and variable rate bond markets had resulted in significant refinancing activity in the municipal sector which caused an increase in accelerated premiums in 2008.

Net Investment Income

Net investment income excluding variable interest entities for the fourth quarter of 2009 was $118.7 million, representing an increase of 8% from $109.5 in the fourth quarter of 2008. The increase was primarily due to an increase in the average yield of the portfolio as the mix of securities has shifted from primarily tax-exempt to a greater percentage of taxable securities. The rising yields on taxable securities include the impact from accretion of bond discounts on AAC-insured securities and RMBS securities previously written down to fair value as other-than-temporary impairments in earlier periods. The impact from increasing yields was partially offset by an overall decrease in the asset base as claim payments on insured RMBS transactions and commutations and settlements of collateralized debt obligations of asset-backed securities (CDO of ABS) transactions were greater than the cash inflows resulting from collections of financial guarantee premiums, fees, tax refunds and coupon receipts on invested assets.

Other-Than-Temporary Impairment Losses

Other-than-temporary impairment losses in the financial guarantee investment portfolio were $118.1 million in the fourth quarter of 2009, compared to other-than-temporary impairment losses of $66.0 million in the fourth quarter of 2008. During the fourth quarter of 2009, Ambac incurred $98.7 million in credit losses on securities that are guaranteed by AAC as a result of those policies being placed in the Segregated Account, as discussed below in "Regulatory Update." Accordingly, estimated cash flows on such securities have been adversely impacted, resulting in credit losses as of December 31, 2009.

Net Change in Fair Value of Credit Derivatives

The net change in fair value of credit derivatives, which comprises realized gains/(losses) and other settlements from credit derivatives and unrealized gains/(losses) on credit derivatives, was a gain of $133.2 million for the fourth quarter of 2009, compared to a loss of ($594.4) million for the fourth quarter of 2008.

Realized gains/(losses) and other settlements from credit derivative contracts represent the normal accretion into income of fees received for transactions executed in credit derivative format, offset by loss and settlement payments on such transactions. Net realized gains/(losses) and other settlements from credit derivative contracts in the fourth quarter of 2009 and 2008 amounted to ($648.4) million and ($988.5) million, respectively. Fees received in the fourth quarter of 2009 of $10.5 million were offset by commutations and other claims paid of $658.9 million, while fees received in the fourth quarter of 2008 of $13.7 million were offset by commutations and other claims paid of $1,002.2 million.

Net unrealized gains on credit derivative contracts were $781.7 million in the fourth quarter of 2009, compared to net unrealized gains amounting to $394.1 million in the fourth quarter 2008. The net gain during the fourth quarter of 2009 is primarily the result of the net decrease in mark-to-market liabilities due to improvement in the average values of reference obligations other than CDOs of ABS, reclassification of $658.9 million to realized losses related to commutations and interest claims paid during the quarter, and, to a lesser extent, amortization of exposure in the portfolio. The positive effects were partially offset by narrowing of AAC's short-term credit spreads (ASC Topic 820 adjustment) during the quarter, the impact of the proposed settlement of CDO of ABS transactions (see Regulatory Update, below), and declines in reference obligation values related to CDO of ABS transactions. The net unrealized gains during the fourth quarter of 2008 resulted primarily from reclassification of $1.0 billion to realized losses in connection with CDO commutation settlements and the discounting effect of wider AAC credit spreads.

Financial Guarantee Loss Reserves

Total net loss and loss expenses were $385.4 million in the fourth quarter of 2009, compared to $916.4 million in the fourth quarter of 2008. Losses and loss expenses in the fourth quarter of 2009 were primarily related to further credit deterioration in the first-lien segment of the insured RMBS portfolio, and to a lesser degree, credit deterioration in certain student loan transactions, partially offset by net reserve reductions in certain insured non-consumer asset-backed securities.

In accordance with the provisions of ASC Topic 944, for 2009 Ambac used a discount rate equal to the weighted average estimated risk-free rate of approximately 2.9% to determine the loss reserves. That compares to 4.5% used in 2008.

Total net claims paid in the fourth quarter of 2009 were $489.5 million, related primarily to RMBS transactions, but also included claims paid on other asset-backed securities. Total net claims paid in the fourth quarter 2008 were $287.7 million, primarily related to RMBS transactions.

Loss and loss expense reserves for all RMBS insurance exposures as of December 31, 2009, were $2,843.1 million. RMBS reserves are net of $2,026.3 million of estimated remediation recoveries. The estimate of remediation recoveries related to material representation and warranty breaches increased from $1,902.8 million as of September 30, 2009, primarily as a result of breaches identified during the re-underwriting of additional transactions.

Reinsurance Cancellations
During the fourth quarter of 2009, Ambac and Financial Security Assurance Inc. agreed upon a net reinsurance settlement as both companies mutually agreed to cancel reinsurance with the other. Ambac recaptured approximately $800 million of par outstanding and returned approximately $1.1 billion during the quarter. The net income impact of the cancellation amounted to approximately $6.6 million in the fourth quarter of 2009.

Financial Services
The financial services segment comprises the investment agreement business and the derivative products business. Gross interest income less gross interest expense from investment and payment agreements, plus results from the derivative products business, excluding net realized investment gains and losses and unrealized gains and losses on total return swaps and non-trading derivative contracts, was $79.5 million for the fourth quarter of 2009, up from ($19.7) million for the fourth quarter of 2008. The increase was driven by derivative products results which improved by $105.8 million, quarter on quarter, primarily due to mark-to-market gains in the interest rate derivative portfolio. Beginning in the third quarter of 2009, Ambac's financial services segment has retained positive mark-to-market sensitivity to interest rate increases as a hedge against the floating rate exposure in the financial guarantee segment. This additional interest rate sensitivity resulted in gains of $82.5 million to derivative product results for the fourth quarter of 2009. Additionally, the fourth quarter of 2009 results included lower swap termination losses than the comparable 2008 period.

The interest rate swap and investment agreement businesses are in run-off. The investment and payment agreement portfolio has been reduced by approximately $1.5 billion during 2009 to approximately $1.2 billion at December 31, 2009, through negotiated terminations, contractual terminations triggered by rating downgrades of AAC, and scheduled amortization.

Balance Sheet and Liquidity

Total assets increased by approximately $787 million during the fourth quarter of 2009, primarily due to recording the tax recoverable related to the new tax legislation that passed during the fourth quarter of 2009, and the consolidation of certain trusts that AAC has insured and consolidated under accounting pronouncement ASU 2009-17 (formerly known as FIN 46R), partially offset by commutations of CDO of ABS transactions and RMBS and other claim payments made during the quarter.

The fair value of the consolidated investment portfolio decreased from $9.8 billion (amortized cost of $9.9 billion) as of September 30, 2009 to $9.2 billion (amortized cost of $9.3 billion) as of December 31, 2009. The decrease in value was primarily due to commutation and loss payments made during the quarter.

The financial guarantee investment portfolio had a fair value of $7.7 billion (amortized cost of $7.7 billion) as of December 31, 2009, and includes $840 million of short-term securities. The portfolio consists of high quality municipal bonds, Treasuries, U.S. Agencies and Agency MBS as well as mortgage and asset-backed securities.

Cash, short-term securities and bonds at the holding company amounted to $136.5 million as of December 31, 2009. Ambac's annual debt service costs amount to approximately $89.0 million. As a result of the actions described below in Regulatory Update, it is highly unlikely that AAC will be able to make dividend payments to Ambac for the foreseeable future.

Overview of AAC Statutory Results

AAC filed its statutory Annual Statement on March 1, 2010. As of December 31, 2009, AAC reported consolidated statutory capital and surplus of $801.9 million, down from $855.6 million as of September 30, 2009. AAC statutory capital and surplus was negatively impacted by the net statutory loss recorded during the quarter. The primary drivers of the statutory net loss were (i) statutory impairment losses related to AAC's insured portfolio of CDOs of ABS, driven primarily by rising forward LIBOR rates and deterioration of the underlying RMBS collateral within the CDO of ABS transactions; and (ii) statutory loss and loss expenses related primarily to deterioration in AAC's first-lien mortgage-backed securities financial guarantee portfolios. These negative drivers were partially offset by: (i) the positive impact on loss reserves and credit derivative impairments of changing the discount rate from 4.5% in earlier periods to 5.10% as of December 31, 2009, as prescribed by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI); and (ii) the recording of tax recovery due to legislative changes, as discussed above. A tax refund amounting to $443.9 million was received by AAC in February 2010. The consolidated statutory capital and surplus reported in the Annual Statement filed on March 1, 2010, will be further reduced by the impact of the credit losses on securities within the investment portfolio that are guaranteed by AAC as a result of those policies being placed in the Segregated Account (see Regulatory Update, below).

AAC's claims-paying resources amount to approximately $10.8 billion as of December 31, 2009, down from $11.4 billion as of September 30, 2009, as net cash outflows driven by CDO of ABS commutations settled during the quarter and RMBS claims paid were only partially offset by ongoing cash inflows from operations.

Regulatory Update

As announced in the press release dated March 25, 2010, OCI commenced the Segregated Account Rehabilitation Proceedings in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account. As a result of the actions taken by OCI, financial guarantee payments on securities guaranteed by AAC which have been placed in the Segregated Account are no longer under the control of Ambac management. In addition, Ambac announced that it has reached a non-binding agreement on the terms of a proposed settlement agreement with several counterparties to commute substantially all of its remaining CDOs of ABS. For further information regarding this regulatory update, please refer to the Form 8-K filed with Securities Exchange Commission on March 25, 2010 and/or refer to the website established by OCI for policyholders at www.ambacpolicyholders.com. See also Ambac's Annual Report on Form 10-K for the year ended December 31, 2009, once it has been filed with the Securities and Exchange Commission.

Annual Meeting of Stockholders

The Board of Directors has set the 2010 Annual Meeting of Stockholders for Monday, June 14, 2010, at 1:00 p.m. in New York City. The record date for determining stockholders entitled to notice of, and to vote at, the annual meeting will be the close of business, April 20, 2010.

About Ambac

Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose affiliates provided financial guarantees and financial services to clients in both the public and private sectors around the world. Ambac's principal operating subsidiary, Ambac Assurance Corporation, a guarantor of public finance and structured finance obligations, has a Caa2 rating under review for possible upgrade from Moody's Investors Service, Inc. and an R (regulatory intervention) financial strength rating from Standard & Poor's Ratings Services. Ambac Financial Group, Inc. common stock is listed on the New York Stock Exchange (ticker symbol ABK).

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Forward-Looking Statements

This release contains statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any or all of management's forward-looking statements here or in other publications may turn out to be incorrect and are based on Ambac 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) Ambac has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection; (2) the unlikely ability of Ambac Assurance to pay dividends to Ambac in the near term; (3) the risk that holders of debt securities or counterparties on credit default swaps or other similar agreements bring claims alleging that the rehabilitation of the Segregated Account constitutes an event of default under the applicable debt indenture or an event of default under the applicable ISDA contract; (4) adverse events arising from the Segregated Account Rehabilitation Proceedings, including the injunctions issued by the Wisconsin rehabilitation court to enjoin certain adverse actions related to the Segregated Account being successfully challenged as not enforceable; (5) litigation arising from the Segregated Account Rehabilitation Proceedings; (6) any changes to the Proposed Settlement, or the failure to consummate the Proposed Settlement; (7) decisions made by the rehabilitator for the benefit of policyholders may result in material adverse consequences for Ambac's securityholders; (8) potential of rehabilitation proceedings against Ambac Assurance, with resulting adverse impacts; (9) the risk that reinsurers may dispute amounts owed us under our reinsurance agreements; (10) possible delisting of Ambac's common shares from the NYSE; (11) the risk that market risks impact assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap and currency swap transactions; (12) risks which impact assets in Ambac Assurance's investment portfolio; (13) risks relating to determination of amount of impairments taken on investments; (14) credit and liquidity risks due to unscheduled and unanticipated withdrawals on investment agreements; (15) market spreads and pricing on insured CDOs and other derivative products insured or issued by Ambac; (16) inadequacy of reserves established for losses and loss expenses, including our inability to realize the remediation recoveries included in our reserves; (17) Ambac's financial position and the Segregated Account Rehabilitation Proceedings may prompt departures of key employees; (18) 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; (19) difficult economic conditions, which may not improve in the near future, and adverse changes in the economic, credit, foreign currency or interest rate environment in the United States and abroad; (20) the actions of the U. S. Government, Federal Reserve and other government and regulatory bodies to stabilize the financial markets; (21) likely unavailability of adequate capital support and liquidity; (22) credit risk throughout our business, including credit risk related to residential mortgage-backed securities and collateralized debt obligations ("CDOs") and large single exposures to reinsurers; (23) default by one or more of Ambac Assurance's portfolio investments, insured issuers, counterparties or reinsurers; (24) 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; (25) factors that may influence the amount of installment premiums paid to Ambac, including the imposition of the payment moratorium with respect to claims payments as a result of Segregated Account Rehabilitation Proceedings; (26) changes in prevailing interest rates; (27) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting, required under the relevant derivative accounting guidance, to the portion of our credit enhancement business which is executed in credit derivative form, and due to the adoption of the new financial guarantee insurance accounting standard effective January 1, 2009, which, among other things, introduces volatility in the recognition of premium earnings and losses; (28) changes in accounting principles or practices that may impact Ambac's reported financial results; (29) legislative and regulatory developments; (30) operational risks, including with respect to internal processes, risk models, systems and employees; (31) changes in tax laws and other tax-related risks; (32) other factors described in the Risk Factors section in Part I, Item 1A of Ambac's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and also disclosed from time to time by Ambac in its subsequent reports on Form 10-Q and Form 8-K, which are or will be available on the Ambac website at www.ambac.com and at the SEC's website, www.sec.gov; and (33) other risks and uncertainties that have not been identified at this time. Readers are cautioned that forward-looking statements speak only as of the date they are made and that Ambac does not undertake to update forward-looking statements to reflect circumstances or events that arise after the date the statements are made. You are therefore advised to consult any further disclosures we make on related subjects in Ambac's reports to the SEC.

Consolidated Statements of Operations

($ in Thousands, Except Share Data)	Fourth Quarter 2009	Fourth Quarter 2008	Full Year 2009	Full Year 2008
Revenues:				
Financial Guarantee:				
Normal net premiums earned [1]	$139,635	$146,886	$587,454	$640,991
Accelerated net premiums earned [1]	44,780	81,208	209,906	381,766
Total net premiums earned [1]	184,415	228,094	797,360	1,022,757
Net investment income	118,658	109,496	482,684	480,138
Net investment income from VIEs	2,893	3,422	10,853	13,922
Other-than temporary impairment losses:				
Total other-than-temporary impairment losses	(135,330)	(66,011)	(1,587,994)	(70,931)
Portion of loss recognized in other comprehensive income	17,276	-	17,276	-
Net other-than-temporary impairment losses recognized in earnings	(118,054)	(66,011)	(1,570,718)	(70,931)
Net realized gains	38,585	4,555	131,660	79,938
Realized gains and losses and other settlements on credit derivative contracts	(648,449)	(988,507)	(1,379,736)	(1,794,428)
Unrealized gains (losses) on credit derivative contracts	781,659	394,148	5,192,663	(2,236,694)
Net change in fair value of credit derivative contracts	133,210	(594,359)	3,812,927	(4,031,122)
Other income	67,422	726	418,288	8,523
Financial Services:				
Investment income	12,404	50,427	70,746	255,885
Derivative products	73,658	(32,141)	(207,210)	(134,198)
Other-than temporary impairment losses:				
Total other-than-temporary impairment losses	-	-	(283,858)	(451,932)
Portion of loss recognized in other comprehensive income	-	-	-	-
Net other-than-temporary impairment losses recognized in earnings	-	-	(283,858)	(451,932)
Net realized gains	42,129	160,409	184,474	215,582
Net change in fair value of total return swap contracts	-	(56,588)	18,573	(129,565)
Net mark-to-market (losses) gains on non-trading derivatives contracts	10,485	(10,824)	11,268	(15,792)
Corporate and Other:				
Other income	796	558	34,121	3,309
Net realized investment gains	-	-	33	-
Total revenues	566,601	(202,236)	3,911,201	(2,753,486)
Expenses:				
Financial Guarantee:				
Losses and loss expenses [1]	385,423	916,414	2,815,313	2,227,583
Underwriting and operating expenses [1]	42,273	58,175	175,810	216,084
Interest expense on variable interest entity notes	2,833	3,185	10,668	13,488
Financial Services:				
Interest from investment and payment agreements	6,598	38,012	34,131	234,977
Other expenses	1,780	2,595	12,588	12,747
Corporate and Other:				
Interest	30,025	29,804	119,626	114,226
Other expenses	11,501	12,536	18,160	45,752
Total expenses	480,433	1,060,721	3,186,296	2,864,857
Income (loss) before income taxes	86,168	(1,262,957)	724,905	(5,618,343)
(Benefit) provision for income taxes	(471,956)	1,077,670	739,521	(9,207)
Net income (loss)	558,124	(2,340,627)	(14,616)	(5,609,136)
Less: net income (loss) attributable to noncontrolling interest	13	190	(3)	112
Net income (loss) attributable to Ambac Financial Group, Inc.	$558,111	($2,340,817)	($14,613)	($5,609,248)
Net income (loss) per share	$1.93	($8.14)	($0.05)	($22.31)
Net income (loss) per diluted share	$1.93	($8.14)	($0.05)	($22.31)
Weighted average number of shares outstanding	288,745,342	287,506,329	287,671,222	251,391,680
Weighted average number of diluted shares outstanding	288,745,342	287,506,329	287,671,222	251,391,680

(1) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ASC 944 page" for more information.

Consolidated Balance Sheets

($ in Thousands, Except Share Data)	December 31, 2009	December 31, 2008
Assets		
Investments:		
Fixed income securities, at fair value (amortized cost of $8,131,512 in 2009 and $11,080,723 in 2008)	$8,098,517	$8,537,676
Fixed income securities pledged as collateral, at fair value (amortized cost of $164,356 in 2009 and $277,291 in 2008)	167,366	286,853
Short-term investments (amortized cost of $962,007 in 2009 and $1,454,229 in 2008)	962,007	1,454,229
Other (cost of $1,278 in 2009 and $13,956 in 2008)	1,278	14,059
Total investments	9,229,168	10,292,817
Cash and cash equivalents	113,230	107,811
Receivable for securities sold	3,106	15,483
Investment income due and accrued	77,195	116,769
Premium receivables	3,718,158	28,895
Reinsurance recoverable on paid and unpaid losses (1)	78,115	157,627
Deferred ceded premiums (1)	500,804	292,837
Subrogation recoverable (1)	902,612	10,088
Deferred taxes	11,250	2,127,499
Current income taxes	421,438	192,669
Deferred acquisition costs (1)	279,704	207,229
Loans	2,716,371	798,848
Derivative assets	605,905	2,187,214
Other assets (1)	229,311	723,887
Total assets	$18,886,367	$17,259,673
Liabilities and Stockholders' Equity		
Liabilities:		
Unearned premiums (1)	$5,687,114	$2,382,152
Loss and loss expense reserve (1)	4,771,684	2,275,948
Ceded premiums payable (1)	291,843	15,597
Obligations under investment and payment agreements	1,177,406	3,244,098
Obligations under investment repurchase agreements	113,527	113,737
Long-term debt	4,640,184	1,868,690
Accrued interest payable	50,607	68,806
Derivative liabilities	3,536,858	10,089,895
Other liabilities (1)	248,715	279,616
Payable for securities purchased	2,074	10,256
Total liabilities	20,520,012	20,348,795
Stockholders' equity:		
Ambac Financial Group, Inc.:		
Preferred stock	-	-
Common stock	2,944	2,944
Additional paid-in capital	2,172,656	2,030,031
Accumulated other comprehensive loss	(24,827)	(1,670,198)
Accumulated deficit (1)	(3,878,015)	(3,550,768)
Common stock held in treasury at cost	(560,543)	(594,318)
Total Ambac Financial Group, Inc. stockholders' deficit	(2,287,785)	(3,782,309)
Noncontrolling interest:	654,140	693,187
Total stockholders' deficit	(1,633,645)	(3,089,122)
Total liabilities and stockholders' equity	$18,886,367	$17,259,673
Number of shares outstanding (net of treasury shares)	287,598,189	287,239,482
Book value per share	($7.95)	($13.17)

(1) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ASC 944 page" for more information.

Normal Net Insurance Premiums Earned and Fees on Credit Derivatives [(1)]

2009 ($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance	$49,495	$48,938	$49,658	$47,783	$195,874
Structured Finance	64,064	51,718	54,047	50,705	220,534
International Finance	42,249	43,279	44,371	41,147	171,046
Total Normal Insurance Premiums Earned	$155,808	$143,935	$148,076	$139,635	$587,454
Fees on credit derivative contracts [(2)]	$13,159	$12,195	$12,814	$10,473	$48,641

2008 ($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance	$55,811	$53,066	$48,497	$46,436	$203,810
Structured Finance	70,374	67,369	63,292	59,994	261,029
International Finance	46,685	45,809	43,202	40,456	176,152
Total Normal Insurance Premiums Earned	$172,870	$166,244	$154,991	$146,886	$640,991
Fees on credit derivative contracts [(2)]	$16,973	$16,709	$15,342	$13,701	$62,725

Effect of Refundings, Calls and Other Accelerations [(1)]

2009 ($ Thousands, Except Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Earned premium recognized from refundings, calls and other accelerations	$41,004	$33,797	$90,325	$44,780	$209,906
Net income effect	$25,482	$45,677	$83,650	$41,322	$196,131
Net income per diluted share effect	$0.09	$0.16	$0.29	$0.14	$0.69

2008 ($ Thousands, Except Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Earned premium recognized from refundings, calls and other accelerations	$13,996	$159,227	$127,335	$81,208	$381,766
Net income effect	$20,374	$87,738	$85,315	$50,909	$244,336
Net income per diluted share effect	$0.14	$0.30	$0.30	$0.18	$0.98

(1) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ACS 944 page" for more information.
(2) Fees on credit derivative contracts are included in "Realized gains and losses and other settlements on credit derivative contracts" on the consolidated statement of operations.

Public Finance New Issuance [1][2]

($ Millions of Par Value)	Total New Issue Market: Issued	Total New Issue Market: Insured [3]	Total New Issue Market: Insured Percent	Insured by Ambac: Insured	Insured by Ambac: Market Share Percent
2009 By Quarter					
Fourth	$119,480	$5,182	4.3%	$0	0.0%
Third	91,937	8,796	9.6%	0	0.0%
Second	110,537	10,526	9.5%	0	0.0%
First	84,899	10,929	12.9%	0	0.0%
2008 By Quarter					
Fourth	$69,815	$7,036	10.1%	$49	0.7%
Third	89,240	11,420	12.8%	234	2.0%
Second	144,201	31,460	21.8%	223	0.7%
First	83,367	22,258	26.7%	261	1.2%
Full Year					
2009	$406,853	$35,433	8.7%	$0	0.0%
2008	386,623	72,174	18.7%	767	1.1%
2007	429,010	201,018	46.9%	45,525	22.6%
2006	388,716	184,805	47.5%	43,111	23.3%
2005	408,266	233,046	57.1%	57,527	24.7%
2004	359,717	194,887	54.2%	44,760	23.0%
2003	383,559	190,641	49.7%	39,200	20.6%
2002	358,569	178,928	49.9%	35,894	20.1%
2001	288,083	134,359	46.6%	32,573	24.2%
2000	200,880	79,305	39.5%	17,185	21.7%
1999	227,741	105,575	46.4%	26,555	25.2%
1998	286,817	145,515	50.7%	29,552	20.3%
1997	220,685	107,468	48.7%	25,405	23.6%
1996	185,210	85,708	46.3%	24,694	28.8%
1995	160,369	68,553	42.7%	16,983	24.8%
1994	165,034	61,512	37.3%	17,437	28.3%
1993	292,249	107,955	36.9%	31,487	29.2%
1992	234,667	80,762	34.4%	24,596	30.5%

(1) Figures are Ambac estimates subject to revisions as new information becomes available. It is compiled from The Bond Buyer and Thompson Reuters.
(2) Data for industry and Ambac is provided on a sale date basis.
(3) Insured amounts do not include Letters of Credits (LOC) issued by non financial guarantee insurers. Total LOCs issued were $21,173 and $55,056 for 2009 and 2008, respectively.

Net Exposure Amortization [1]

As of December 31, 2009

($ Millions)	Estimated Net Debt Service Amortization	Ending Net Debt Service Outstanding
2010	$33,674	$585,892
2011	34,025	551,867
2012	31,465	520,402
2013	32,589	487,813
2014	31,042	456,771
2010-2014	162,795	456,771
2015-2019	137,620	319,151
2020-2024	107,408	211,743
2025-2029	74,184	137,559
After 2029	137,559	-
Total	$619,566	

Net Unearned Premium Amortization and Estimated Future Installment Premiums [2]

As of December 31, 2009

($ Millions)	Net Unearned Premium Amortization [3] [4]	Fees on Credit Derivative Contracts	Estimated Net Future Installments [5]
2010	$419.9	$39.5	$296.8
2011	391.4	36.1	261.3
2012	355.6	33.1	225.9
2013	327.2	28.8	200.4
2014	304.4	23.9	163.8
2010-2014	1,798.5	161.4	1,148.2
2015-2019	1,225.4	76.4	611.4
2020-2024	914.7	60.5	421.0
2025-2029	664.7	51.4	288.7
After 2029	583.0	106.9	301.3
Total	$5,186.3	$456.6	$2,770.6

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of December 31, 2009. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.
(2) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ASC 944 page" for more information.
(3) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on the Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of December 31, 2009. Actual future installments may differ from estimated because borrowers may have the right to call or terrminate a transaction or the guaranteed obligation may be subject to prepayment. The unearned premium amortization disclosed in the above table consider the use of contractual lives for many bond types that do not have homogeneous pools of underlying collateral, which results in a higher unearned premium than if expected lives were considered. If those bond types are retired early as a result of rate step-ups or other early retirement provision incentives for the issuer, premium earnings may be negative in the period of call or refinancing.
(4) Excludes future accretion premium earnings relating to the passage of time on discounted premium receivables.
(5) Represents management's estimate of future installment premium collections net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment.

Fixed Income Investment Portfolio

As of December 31, 2009

INCOME ANALYSIS BY TYPE OF SECURITY Investment category ($ thousands)	Fair Value	Amortized Cost	Pre-tax Yield to Maturity (1)	YTD Investment Income
Financial Guarantee investments:				
Long-term investments				
U.S. government obligations	$202,588	$201,543	2.41%	$3,959
U.S. agency obligations	83,243	78,593	4.26%	4,156
Municipal obligations (2) (3)	3,166,015	3,064,276	4.95%	182,454
Foreign obligations	167,651	158,498	4.12%	7,005
Corporate obligations	740,226	741,816	4.66%	21,829
Mortgage and asset-backed securities	2,016,841	2,088,001	10.91%	260,758
Total long-term investments	6,376,564	6,332,727	6.77%	480,161
Short-term investments	839,560	839,560	0.11%	5,025
VIE Investments	525,947	525,947		10,853
Other (4)	1,278	1,278		1,941
Total Financial Guarantee investments	7,743,349	7,699,512	5.58%	497,980
Investment expenses				(4,443)
Financial Guarantee net investment income				493,537
Financial Services investments: (5)				
Long-term investments				
U.S. government obligations	153,878	151,183		
U.S. agency obligations	7,686	6,958		
Municipal obligations	14,980	15,000		
Corporate obligations	100,992	117,981		
Mortgage and asset-backed securities	1,061,351	1,121,587		
Total long-term investments	1,338,887	1,412,709		
Short-term investments	10,621	10,621		
Total Financial Services investments	1,349,508	1,423,330		
Corporate investments:				
Long-term investments				
Municipal obligations	24,485	24,485		
Total long-term investments	24,485	24,485		
Short-term investments	111,826	111,826		
Total Corporate investments	136,311	136,311		
Total Investments	$9,229,168	$9,259,153		

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO(6)(7)

	Percent of Investment Portfolic		
Rating	Fin. Guar.	Fin. Services	Combined
AAA(2)	30%	70%	37%
AA	33%	20%	31%
A	17%	2%	14%
BBB	8%	0%	6%
Below investment grade	12%	8%	11%
Not rated	<1%	0%	<1%
	100%	100%	100%

Duration of Financial Guarantee investment portfolio	4.5

(1) "Yield to maturity" refers to the rate of interest to be earned over the expected remaining life of the investments in the portfolio, and is calculated based on current cost basis, estimated future cash flows and call schedules. Actual maturities may differ from stated maturities because borrowers may have the right to call or prepay obligations. For floating rate positions "yield to maturity" is based on on the current interest rate and not forward rates.

(2) Includes municipal bonds which have been advance refunded and defeased with U.S. Treasury and Agency obligations, but not necessarily re-rated by S&P and/or Moody's. Ambac considers the credit quality of these bonds, which have a total fair value of $77,405 and comprise approximately 1% of the Financial Guarantee portfolio, to be AAA.

(3) Includes taxable and tax-exempt municipal obligations with a fair value of $340,179 and $2,825,836, respectively.

(4) Includes income earned on loans, which are classified separately on the balance sheet.

(5) Financial Services investments relate primarily to the investment agreement business.

(6) Ratings are based on the lower of Standard & Poor's or Moody's rating. If guaranteed, rating represents the higher of the underlying or wrapped rating.

(7) Rating distribution is calculated based on amortized cost and excludes VIE investments.

Projected Ambac Financial Group, Inc. Liquidity

($ Thousands)		
Ambac Financial Group cash, short-term investments and bonds at 12/31/2009	$	136,476
Projected debt service for remainder of year	$	(88,716)
Projected Ambac Financial Group expenses	$	(6,600)
Interest income	$	3,077
Ambac Financial Group projected cash at 12/31/2010	**$**	**44,238**
Annual debt service	$	88,716
Annual debt service coverage at 12/31/2009		1.54

Financial Guarantee Investment Cash Receipts[(1)(2)(3)(4)]

($ Thousands)		Expected Principal		Expected Interest		Total
2010	$	694,218	$	251,808	$	946,026
2011		460,460		274,803		735,263
2012		451,145		294,816		745,961
2013		511,500		288,050		799,550
2014		519,099		275,764		794,863
2015		346,887		256,748		603,635

(1) Represents long-term investment portfolio cash receipts, excluding inter-company borrowings.
(2) Information takes into account portfolio as of December 31, 2009 and does not include any anticipated sales.
(3) Actual receipts may differ because borrowers may have the right to call or prepay obligations.
(4) Expected principal and interest receipts on Ambac-insured securities have not been adjusted to reflect the actions commenced by the Wisconsin Office of the Commissioner of Insurance (OCI) on March 24, 2010. Please see discussion in Ambac's Form 10-K.

Ratio of Net Claims Paid

($ Thousands)	2009	2008	2007	2006	2005
Net claims paid - Insurance [1]	$1,458,498	$571,012	($2,128)	$105,568	$86,739
Net claims paid - Credit Derivatives [2].	1,428,377	1,857,153	-	-	-
Total net claims paid	$2,886,875	$2,428,165	($2,128)	$105,568	$86,739
Net insurance premiums and credit derivative fees	$846,001	$1,085,482	$917,895	$871,383	$866,415
Ratio of net claims paid [3]	341.2%	223.7%	-0.2%	12.1%	10.0%

Estimated Future Gross RMBS and Credit Derivative Claim Payments (Recoveries) [4]

($ Thousands)	Directly Insured RMBS[5]	Credit Derivative Contracts[6]	Total
2010	$ 2,235,484	$ 4,795	$ 2,240,279
2011[7]	(435,039)	11,279	(423,760)
2012[7]	322,634	30,926	353,560
2013	338,043	40,290	378,333
2014	202,389	55,007	257,396
2015	143,004	69,517	212,521
2010	2,235,484	4,795	2,240,279
2011-2015	571,031	207,019	778,050
2016-2020	273,728	320,429	594,157
2021-2025	(16,302)	492,683	476,381
2026-2030	(73,635)	801,011	727,376
After 2030	383,459	16,396,973	16,780,432
Total	$ 3,373,766	$ 18,222,910	$ 21,596,676

(1) Net claims paid are net of salvage received of $72.2 million, $11.7 million, $27.9 million, $16.7 million, and $9.4 million for 2009, 2008, 2007, 2006, and 2005, respectively.

(2) Includes $1,381.0 million in 2009 and $1,850.0 million in 2008 relating to commutation settlements for CDO of transactions.

(3) Ratio of net claims paid is net claims paid divided by net premiums earned and other credit enhancement fees.

(4) Represents management's estimate of future loss payments, net of recoveries. Actual payments or recoveries may differ from estimates.

(5) On March 24, 2010, Ambac Assurance established a segregated account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated to the Segregated Account, among other things, (i) certain policies insuring or relating to credit default swaps, (ii) all residential mortgage-backed securities policies (some of which will be allocated to the Segregated Account after it is established), (iii) certain other identified policies, including those relating to Las Vegas Monorail Company, and (iv) certain Student Loan Policies. The Wisconsin Office of the Commissioner of Insurance (OCI) commenced rehabilitation proceedings with respect to the Segregated Account in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be in approximately six months, it is anticipated that no claims will be paid on Segregated Account Policies. Please see discussion in Ambac's 2009 Form 10-K.

(6) Ambac Assurance has entered into a non binding proposed settlement with respect to certain CDO-related obligations. Please see discussion in Ambac's 2009 Form 10-K.

(7) Net of estimated recoveries of $1,849.6 million in 2011 and $258.5 million in 2012 for breaches of repesentation and warranties on certain RMBS transactions.

Summary of Net Insurance Loss Reserves and Credit Derivatives[1]

($ Thousands)	12/31/09	12/31/08	12/31/07	12/31/06
Total insurance reserves [1]	3,777,321	2,129,758	473,188	215,102
Estimated credit impairment losses on credit derivatives [2][3]	4,208,198	3,740,202	1,105,741	-
Total impairment losses	7,985,519	5,869,960	1,578,929	215,102
Mark-to-market reserve (asset) on credit derivatives [2]	(1,168,707)	4,491,955	4,889,721	(8,929)
Mark-to-market reserve (asset) on total return swaps	-	77,960	21,901	(11,195)
Grand total net insurance loss reserves and credit derivatives	$6,816,812	$10,439,875	$6,490,551	$194,978

Summary of Below Investment Grade Exposures[3]

($ Millions)	Net Par Outstanding	Total Impairment Losses [1]
Public Finance:		
Transportation Revenue	$1,113	
Utilites	-	
Health Care	307	
Other	1,536	
Total Public Finance	2,956	406
Structured Finance:		
CDO of ABS >25% MBS	17,464	4,208
Mortgage-Backed & Home Equity - First Lien & Other.	14,061	2,314
Mortgage-Backed & Home Equity - Second Lien	13,639	497
Other	8,393	533
Total Structured Finance	53,557	7,552
International Finance:	2,708	27
Total	$59,221	$7,985

(1) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ASC 944 page" for more information.

(2) Total net mark-to-market losses are $3,039,491 as of December 31, 2009, and $8,232,157 as of December 31, 2008 and are reported on the consolidated balance sheet under derivative liabilities and derivative assets.

(3) On March 24, 2010, Ambac Assurance established a segregated account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated to the Segregated Account, among other things, (i) certain policies insuring or relating to credit default swaps, (ii) all residential mortgage-backed securities policies (some of which will be allocated to the Segregated Account after it is established), (iii) certain other identified policies, including those relating to Las Vegas Monorail Company, and (iv) certain Student Loan Policies. The Wisconsin Office of the Commissioner of Insurance (OCI) commenced rehabilitation proceedings with respect to the Segregated Account in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be in approximately six months, it is anticipated that no claims will be paid on Segregated Account Policies. Please see discussion in Ambac's 2009 Form 10-K.

Expense Analysis [1]

2009

($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Financial Guarantee underwriting and operating expenses:					
Compensation	$ 28,974	$ 24,334	$ 26,765	$ 14,412	$ 94,485
Non-compensation [2]	8,345	17,516	10,613	18,317	54,791
Gross underwriting and operating expenses	**37,319**	**41,850**	**37,378**	**32,729**	**149,276**
Ceding commissions and change in deferred acquisition costs	19,318	7,011	(9,339)	9,544	26,534
Total Financial Guarantee underwriting and operating expenses	56,637	48,861	28,039	42,273	175,810
Financial Services operating expenses	**3,951**	**3,541**	**3,316**	**1,780**	**12,588**
Corporate and other operating expenses[2]	**4,021**	**(3,337)**	**5,975**	**11,502**	**18,161**
Total underwriting and operating expenses, net of deferred expenses	$ 64,609	$ 49,065	$ 37,330	$ 55,555	$ 206,559
Total gross underwriting and operating expenses	**$ 45,291**	**$ 42,054**	**$ 46,669**	**$ 46,011**	**$ 180,025**

2008

($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee underwriting and operating expenses:					
Compensation	$ 26,241	$ 36,645	$ 33,205	$ 17,926	$ 114,017
Non-compensation	12,383	17,310	16,530	23,469	69,692
Gross underwriting and operating expenses	**38,624**	**53,955**	**49,735**	**41,395**	**183,709**
Ceding commissions and change in deferred acquisition costs	10,279	8,000	(2,684)	16,780	32,375
Total Financial Guarantee underwriting and operating expenses	48,903	61,955	47,051	58,175	216,084
Financial Services operating expenses	**3,389**	**3,297**	**3,466**	**2,595**	**12,747**
Corporate and other operating expenses	**16,076**	**7,113**	**10,027**	**12,536**	**45,752**
Total underwriting and operating expenses, net of deferred expenses	$ 68,368	$ 72,365	$ 60,544	$ 73,306	$ 274,583
Total gross underwriting and operating expenses	**$ 58,089**	**$ 64,365**	**$ 63,228**	**$ 56,526**	**$ 242,207**

(1) Ambac adopted FAS 163 / ASC 944 effective January 1, 2009. Please refer to "Adoption of FAS 163 / ASC 944 page" for more information.
(2) In the second quarter 2009 Ambac reallocated $6.8 million of prior period costs to the appropriate operating subsidiary ($6.7 million to Financial Guarantee).

Historical Financial Guarantee Exposures Outstanding [1]

($ Millions Net Par Value)	December 31, 2009 [2]	2008	2007	2006	2005
Public Finance:					
Lease and tax backed	$73,081	$77,060	$88,147	$89,042	$82,584
General obligation	54,047	58,296	63,977	62,834	57,982
Utility	30,835	32,166	37,976	38,313	36,877
Transportation	22,501	22,306	25,466	24,979	23,718
Higher education	16,577	17,959	20,685	22,068	20,203
Health care	11,987	15,115	27,161	27,849	26,994
Housing	10,247	10,862	11,531	10,996	10,152
Other	3,892	4,457	6,010	6,181	5,556
Total Public Finance	223,167	238,221	280,953	282,262	264,066
Structured Finance:					
Mortgage-backed & home equity	32,407	36,995	43,078	46,239	48,869
Other CDOs	18,313	19,988	22,174	20,423	18,213
CDO of ABS >25% MBS	16,718	23,190	29,127	20,145	7,533
Asset-backed and conduits	16,455	25,443	36,407	34,815	32,505
Student loan	14,518	16,644	18,372	18,404	16,538
Investor-owned utilities	13,212	14,650	17,055	17,345	16,398
Other	3,092	3,499	4,485	5,212	4,296
Total Structured Finance	114,715	140,409	170,698	162,583	144,352
International Finance[3]:					
Asset-backed and conduits	13,691	16,383	19,290	17,642	15,151
Investor-owned and public utilities	10,388	8,492	10,384	10,531	8,052
Other CDOs	9,083	12,784	15,572	19,978	23,427
Transportation	7,584	6,870	7,784	6,524	5,156
Sovereign/sub-sovereign	6,859	5,980	7,347	6,344	3,585
Mortgage-backed & home equity	3,386	3,669	10,106	11,951	14,627
Other	1,533	1,502	1,891	1,228	669
Total International Finance	52,524	55,680	72,374	74,198	70,667
Grand Total	$390,406	$434,310	$524,025	$519,043	$479,085

Percent of Total Net Par Outstanding

	2009	2008	2007	2006	2005
Public Finance	57.2%	54.9%	53.6%	54.4%	55.1%
Structured Finance	29.4%	32.3%	32.6%	31.3%	30.1%
International Finance	13.4%	12.8%	13.8%	14.3%	14.8%
Total Net Par Outstanding	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Included in the above exposures are structured credit derivatives. Total structured credit derivative net par outstanding amounted to $43,276, $53,918, $64,988, $55,460 and $43,712 at December 31, 2009, 2008, 2007, 2006 and 2005, respectively. On March 24, 2010, Ambac entered into a non-binding proposed settlement with respect to certain credit derivative transactions. Please see discussion in Ambac 's 2009 Form 10-K.

(2) Net financial guarantees written reflects the recapture of $26,137 million relating to the cancellation of certain reinsurance contracts.

(3) International transactions include components of domestic exposure.

Geographic Distribution of Financial Guarantee Exposures Outstanding

($ Millions Net Par Value)	December 31, 2009 (1)	%	December 31, 2008	2007	2006	2005
Domestic:						
California	$43,388	11.1%	$45,343	$53,434	$54,829	$50,412
New York	22,865	5.9%	25,972	31,923	34,232	32,866
Florida	17,816	4.6%	18,724	22,462	24,225	21,165
Texas	16,941	4.3%	17,674	19,898	18,837	17,220
New Jersey	11,654	3.0%	12,204	14,309	13,445	13,222
Illinois	10,472	2.7%	10,544	12,592	12,898	12,339
Massachusetts	8,255	2.1%	8,184	10,338	10,231	9,204
Pennsylvania	7,405	1.9%	10,879	13,444	13,973	13,413
Colorado	6,392	1.6%	6,818	7,570	7,635	6,644
Washington	6,124	1.6%	6,249	6,874	7,184	6,790
Mortgage and asset-backed	48,862	12.5%	62,438	79,485	81,054	81,374
Other states	137,708	35.3%	153,601	179,322	166,302	143,769
Total Domestic	337,882	86.6%	378,630	451,651	444,845	408,418
International:						
United Kingdom	22,840	5.9%	20,151	27,207	27,253	22,761
Australia	6,034	1.5%	4,952	6,400	6,126	5,139
Italy	3,821	1.0%	2,843	3,017	2,167	1,843
Turkey	1,842	0.5%	1,913	1,995	1,588	865
Austria	1,149	0.3%	905	491	370	371
Internationally diversified	9,914	2.5%	14,937	16,550	19,180	22,874
Other international	6,924	1.8%	9,979	16,714	17,514	16,814
Total International	52,524	13.4%	55,680	72,374	74,198	70,667
Grand Total	$390,406	100.0%	$434,310	$524,025	$519,043	$479,085

Rating Distribution of Net Financial Guarantee Exposures (2)

As of December 31, 2009

Rating	Percentage of Guaranteed Portfolio: Public Finance	Structured and International	Total
AAA	<1	6	2
AA	29	16	24
A	57	20	41
BBB	13	25	18
BIG	1	33	15
	100	100	100

(1) Net financial guarantees written reflects the recapture of $26,137 million relating to the cancellation of certain reinsurance contracts.
(2) Based upon Ambac ratings. See Note 2 on the Table of Contents page.

Largest Domestic Public Finance Exposures[1]

($ Millions)	Ambac Rating[2]	AADS[3]	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A	$206.2	$3,111	0.8%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	$158.2	2,067	0.5%
Washington State - GO	AA	$145.6	1,932	0.5%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	$147.8	1,733	0.4%
Bay Area Toll Authority, CA Toll Bridge Revenue[4]	AA -	$83.9	1,676	0.4%
MTA, NY, Transportation Revenue (Farebox)[4]	A	$90.3	1,447	0.4%
New Jersey Turnpike Authority Revenue	A	$97.2	1,417	0.4%
Massachusetts Commonwealth - GO	AA	$89.1	1,302	0.3%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	$92.7	1,248	0.3%
Los Angeles Unified School District, CA - GO	AA -	$87.2	1,179	0.3%
South Carolina Transportation Infrastructure Bank Revenue	A	$74.6	1,058	0.3%
California Department of Water Resources, Power Supply	A	$155.0	1,034	0.3%
Central Texas Turnpike, System Revenue	BBB +	$100.7	986	0.3%
New York City, NY - GO	AA	$51.8	972	0.2%
Chicago, IL - GO	A +	$47.5	967	0.2%
Puerto Rico Highways & Transportation Authority, Transportation Revenue[4]	BBB +	$56.7	938	0.2%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	$69.5	934	0.2%
University of California Board of Regents, General Revenue	AA -	$51.0	913	0.2%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A -	$54.6	910	0.2%
New Jersey Economic Development Authority - School Facilities Construction	A +	$53.8	893	0.2%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	$72.5	846	0.2%
New York City, NY Water and Sewer System Revenue	AA	$52.6	807	0.2%
Puerto Rico Sales Tax Financing Corporation	A +	$164.2	805	0.2%
Hawaii State - GO	AA	$62.0	779	0.2%
Massachusetts Turnpike Authority, Metropolitan Highway Revenue[4]	A	$55.4	771	0.2%
Total:			$30,725	7.9%

Largest Domestic Healthcare Exposures

($ Millions)	Ambac Rating[2]	AADS[3]	Net Par Outstanding	% of Total Net Par Outstanding
Children's Hospital Boston - Massachusetts	AA	$26.6	$373	0.1%
Sisters of Mercy Health System - Missouri	AA	$32.0	341	0.1%
New York City Health and Hospitals Corporation	A	$32.1	300	0.1%
Catholic Healthcare Partners - Ohio	A +	$22.3	295	0.1%
Catholic Health East - Pennsylvania	A +	$18.1	232	0.1%
Wellstar Health System - Georgia[4]	A +	$14.7	226	0.1%
ProMedica Healthcare Oblig Grp - Ohio	A +	$12.9	220	0.1%
Swedish Health Services - Washington	A	$16.5	194	0.0%
Rockingham Memorial Hospital - Virginia	BBB +	$11.6	190	0.0%
Adventist Health System - Florida	A +	$12.5	188	0.0%
Total:			$2,559	0.7%

(1) Excludes Healthcare exposures.
(2) See Note 2 on the Table of Contents page.
(3) Average Annual Debt Service, net of reinsurance.
(4) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated a portion of this transaction to the Segregated Account. The Wisconsin Office of the Commissioner of Insurance (OCI) commenced rehabilitation proceedings with respect to the Segregated Account in order to permit the OCI to facilitate an orderly runoff and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be in approximately six months, it is anticipated that no claims will be paid on Segregated Account Policies. Please see discussion in Ambac's 2009 Form 10-K.

Largest Structured Finance Exposures

($ Millions)	Ambac Rating[(1)]	Net Par Outstanding	% of Total Net Par Outstanding
CDO of ABS < 25% MBS	AA -	$2,254	0.6%
Private Commercial Asset-Backed Transaction	BBB +	2,159	0.6%
Ridgeway Court Funding II, Ltd.[(2)]	BIG	1,914	0.5%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 [(3)]	BIG	1,844	0.5%
Iowa Student Loan Liquidity Corporation Revenue Bonds	A	1,787	0.5%
Diversey Harbor ABS CDO, Ltd.[(2)]	BIG	1,758	0.5%
Hertz Vehicle Financing, LLC [(3)]	BIG	1,589	0.4%
Michigan Higher Education Student Loan Authority	BBB	1,563	0.4%
Vermont Student Assistance Corporation Revenue Bonds	A	1,555	0.4%
Ridgeway Court Funding I, Ltd.[(2)]	BIG	1,495	0.4%
Duke Funding High Grade III, Ltd.[(2)]	BIG	1,421	0.4%
Belle Haven ABS CDO 2006-1, Ltd.[(2) (3)]	BIG	1,390	0.4%
Cendant Rental Car Funding	BBB -	1,315	0.3%
Private Consumer Asset-Backed Transaction	AA	1,302	0.3%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 [(3)]	BIG	1,267	0.3%
Private Commercial Asset-Backed Transaction	BBB -	1,148	0.3%
The National Collegiate Student Loan Trust 2007-4	BIG	1,145	0.3%
The National Collegiate Student Loan Trust 2007-3	BIG	1,124	0.3%
Millerton II High Grade ABS CDO, Ltd.[(2)]	BIG	1,035	0.3%
Ballantyne Re Plc [(2) (4)]	BIG	1,017	0.3%
Hereford Street ABS CDO I, Ltd.[(2)]	BIG	968	0.2%
Palmer Square PLC [(2)]	BIG	900	0.2%
Lancer Funding, Ltd.[(3)]	BIG	881	0.2%
Massachusetts Educational Financing Authority Revenue Bonds	A	840	0.2%
Spirit Master Funding	BBB	816	0.2%
Total:		$34,487	8.8%

Largest International Finance Exposures

($ Millions)	Ambac Rating[(1)]	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation [(4)]	A +	$2,128	0.5%
Telereal Securitisation plc [(4)]	A +	1,617	0.4%
Romulus Finance s.r.l. [(4)]	BIG	1,498	0.4%
Punch Taverns Finance plc-UK Pub Securitisation [(4)]	A +	1,364	0.3%
Channel Link Enterprises [(4)]	BBB -	1,220	0.3%
Regione Campania [(4)]	A -	1,138	0.3%
Aspire Defence Finance plc [(4)]	BBB -	1,021	0.3%
Ostregion Investmentgesellschaft NR 1 SA [(4)]	BBB -	1,005	0.3%
CDO of HY Corporate	AA -	995	0.3%
Synthetic RMBS	AAA	901	0.2%
TubeLines (Finance) plc [(4)]	AA -	869	0.2%
CDO of HY Corporate	AA	822	0.2%
Dampier to Bunbury Natural Gas Pipeline	BBB	805	0.2%
Banco de Credito del Peru-DPR Securitization	A	797	0.2%
Capital Hospitals plc [(4)]	BBB -	756	0.2%
RMPA Services plc [(4)]	BBB +	747	0.2%
Babcock & Brown Air Funding I Limited	BBB +	726	0.2%
Private CMBS Transaction [(4)]	AAA	723	0.2%
Sydney Airport	BBB	708	0.2%
Private CMBS Transaction	AAA	685	0.2%
Spirit Issuer plc [(4)]	BBB	672	0.2%
Powercor Australia	A -	923	0.2%
CitiPower	A -	760	0.2%
Private Consumer Asset-Backed Transaction [(3)]	BIG	609	0.2%
Garanti Bank - DPR Securitization	BBB	602	0.2%
Total:		$24,091	6.3%

(1) See Note 2 on the Table of Contents page.

(2) On March 24, 2010, Ambac Assurance entered into a non-binding proposed settlement with respect to certain CDO-related obligations. All or a portion of transaction is currently included in the proposed settlement agreement. Please see discussion in Ambac's 2009 Form 10-K.

(3) On March 24, 2010, Ambac Assurance established a segregated account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance’s liabilities, and in connection with such segregation Ambac Assurance has allocated all or a portion of this transaction to the Segregated Account. The Wisconsin Office of the Commissioner of Insurance (OCI) commenced rehabilitation proceedings with respect to the Segregated Account in order to permit the OCI to facilitate an orderly runoff and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be in approximately six months, it is anticipated that no claims will be paid on Segregated Account Policies. Please see discussion in Ambac's 2009 Form 10-K.

(4) All or a portion of transaction guaranteed by Ambac Assurance UK, Ltd as supported by a reinsurance agreement with Ambac Assurance. The obligations of Ambac Assurance under this reinsurance agreement have been allocated to the Segregated Account (see Ambac's 2009 Form 10-K for discussion of the Segregated Account and a purported termination of this reinsurance agreement).

Ambac Assurance

Claims-Paying Resources [1] and Statutory Financial Ratios

($ Thousands, Except Ratios)	December 31, 2009	December 31, 2008
Contingency reserve	$352,168	$1,929,609
Capital and Surplus	801,869	1,554,448
Qualified statutory capital	1,154,037	3,484,057
Unearned premiums	2,390,084	2,733,206
Losses and loss adjustment expenses	1,141,274	1,169,116
Estimated impairment losses on credit derivatives	3,841,324	3,352,129
Policyholders' reserves	8,526,719	10,738,508
Third party capital support [2]	-	100,000
Present Value of Future Installment Premiums [3]	2,313,402	2,662,564
Total Claims-Paying Resources	10,840,121	13,501,072
Net financial guarantees in force	$619,566,032	$695,954,357
Claims-Paying Ratio [4]	57 : 1	52 : 1
Gross financial guarantees in force	$677,552,493	$811,177,854
Gross par outstanding	$422,236,827	$497,960,107

	Fourth Quarter 2009	Full Year 2009	Full Year 2008
Statutory financial ratios:			
Loss ratio [5]	172.3%	186.5%	149.6%
Expense ratio [6]	28.2%	25.7%	30.9%

(1) Total claims-paying resources is a term used by the rating agencies to quantify total resources available to pay claims in their stress case scenarios. Rating agencies may apply adjustments to claims-paying resources to reflect their views of realization.
(2) In December 2008, the Company exercised a series of perpetual put options on its own preferred stock. The Company received $800 million in return for the issuance of preferred stock, $700 million of which was received by December 31, 2008. The remaining $100 million was received on January 2, 2009.
(3) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts, credit derivatives and other credit enhancement products. Present value calculations utilize the Moody's rating agency prescribed exposure amortization schedules discounted at 6.0% at December 31, 2009 and December 31, 2008. Ambac internal estimates of present value of future installment premiums at December 31, 2009 and December 31, 2008 are $2,262,821, and $2,376,748, respectively at a discount rate of 4.8% and 4.9%, respectively.
(4) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.
(5) Loss ratio is statutory net incurred losses divided by statutory net earned premiums.
(6) Expense ratio is statutory underwriting expenses (including reinsurance commissions) divided by net premiums written.

Ambac Assurance
Rollforward of Statutory Capital and Surplus

(in thousands)

	For the twelve months ended December 31, 2009	For the twelve months ended December 31, 2008
Surplus to Policyholders, beginning of period	$ 1,554,448	$ 3,316,143
Net loss	(2,479,612) [1]	(4,034,666)
Capital Contribution	-	1,318,006
Preferred stock activity	76,313	700,000
Unrealized loss on non-impaired, BIG investments	(1,390)	(44,379)
Change in contingency reserves	1,578,541	807,233
Dividends to Ambac Financial Group	-	(218,540)
Other changes in surplus	73,569	(289,349)
Surplus to Policyholders, end of period	$ 801,869	$ 1,554,448

[1] Includes the impact of : (i.) estimated impairment losses on credit derivatives of approximately $1,834.0 million, (ii.) realized losses of $1,283.2 million relating to other than temporary impairment losses on Alt-A investments, and (iii.) statutory loss and loss expenses incurred of approximately $1,508.7 million, all offset by: (iv.) net earned premiums of $796.4 million, (v.) net investment income of $467.5 million, and (vi) a federal income tax benefit of $483.5 million.

Adoption of FAS 163 / ASC 944

In 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 163, *Accounting for Financial Guarantee Insurance Contracts, an interpretation of SFAS 60 Accounting and Reporting by Insurance Enterprises.* The new standard clarifies how FAS 60, *Accounting and Reporting by Insurance Enterprises,* applies to financial guarantee insurance contracts issued by insurance enterprises, including the recognition and measurement of premium revenue and claim liabilities (i.e. loss reserves). Ambac adopted FAS 163 / ASC 944 on January 1, 2009 except for the disclosures about the insurance enterprise's risk management activities, which it adopted in the third quarter of 2008. Upon adoption, FAS 163 / ASC 944 shall be applied to existing financial guarantee insurance contracts, and will apply to financial guarantee insurance contracts issued in the future. The adoption is recognized as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 / ASC 944 on the Company's balance sheet was as follows:

($ in thousands)	**31-Dec-08 As reported**	**1-Jan-09 Per FAS 163**	**Transition Adjustment**
Assets:			
Premiums receivable	$ 28,895	$ 4,622,858	$ 4,593,963
Reinsurance recoverable on ceded losses	157,627	257,721	100,094
Deferred ceded premiums	292,837	1,215,996	923,159
Deferred acquisition costs	207,229	199,517	(7,712)
Impact on Assets	686,588	6,296,092	5,609,504
Liabilities:			
Unearned premiums	2,382,152	7,204,206	4,822,054
Loss and loss expense reserves	2,275,948	2,716,138	440,190
Ceded premiums payable	15,597	679,384	663,787
Other liabilities	279,616	344,805	65,189
Impact on Liabilities	$ 4,953,313	$10,944,533	$ 5,991,220
Reduction to Opening Retained Earnings Upon Adoption			$ 381,716

A summary of the effects of FAS 163 / ASC 944 on the balance sheet amounts above is as follows:

- Premiums receivable and ceded premiums payable increased to reflect the recording of the present value of future installment premiums discounted at a risk-free rate. Ceded premiums payable is reduced for the present value of future ceding commission receivable on reinsured policies.

- Unearned premiums and deferred ceded premiums increased to reflect the recording of the present value of future installment premiums discounted at a risk-free rate offset by the change in the premium earnings methodology to the level-yield method.

- Loss and loss expense reserves and reinsurance recoverable on ceded losses increased to reflect estimated losses based on probability weighted cash flows discounted at a risk free rate as compared to a best estimate discounted using the after-tax investment yield of the Company's investment portfolio. These increases are offset by the requirement to recognize loss reserves only for the excess of the expected loss over the unearned premium reserve on a transaction basis.

- Deferred acquisition costs decreased to reflect deferral of the present value of net ceding commissions received on future installment premiums and slower amortization of previously deferred costs (caused by the level-yield premium earnings methodology) offset by deferral of the present value of premium taxes payable (included in other liabilities).

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