



# ***Ambac***

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Quarterly Operating Supplement

*1Q15*

## **About Ambac**

Ambac Financial Group, Inc. (“Ambac”), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation (“Ambac Assurance”), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited (“Ambac UK”), provide financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance is a guarantor of public finance and structured finance obligations. Ambac is also selectively exploring opportunities to grow and diversify, which may include the development or acquisition of financial services businesses such as advisory, asset servicing, asset management and / or insurance. Ambac’s common stock trades on the NASDAQ Global Select Market (NASDAQ: AMBC).

## **Company Information**

### **Corporate headquarters are located at:**

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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 visit our website at [www.ambac.com](http://www.ambac.com).

**Ambac Financial Group, Inc.**  
**Quarterly Operating Supplement**  
**First Quarter 2015**

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**Notes:**

1: Internal 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, and for Ambac UK related transactions, based on the view of Ambac UK. In cases where Ambac Assurance or Ambac UK 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 Assurance and Ambac UK credit ratings are subject to revision at any time 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.

2: Information contained in this report is unaudited.

## Consolidated Statements of Operations

| (\$ in Thousands, Except Share Data)                                                        | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>December 31, 2014 |
|---------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------|
| <b>Revenues:</b>                                                                            |                                      |                                         |
| Net premiums earned:                                                                        |                                      |                                         |
| Normal net premiums earned.....                                                             | \$42,866                             | \$46,301                                |
| Accelerated net premiums earned.....                                                        | 22,852                               | (12,332)                                |
| Total net premiums earned.....                                                              | 65,718                               | 33,969                                  |
| Net investment income:                                                                      |                                      |                                         |
| Securities available-for-sale and short-term.....                                           | 64,136                               | 64,268                                  |
| Other investments.....                                                                      | 8,847                                | 2,203                                   |
| Total net investment income.....                                                            | 72,983                               | 66,471                                  |
| Other-than-temporary impairment losses:                                                     |                                      |                                         |
| Total other-than-temporary impairment losses.....                                           | (10,361)                             | (6,895)                                 |
| Portion of other-than-temporary impairment recognized in other<br>comprehensive income..... | 7,242                                | 5,258                                   |
| Net other-than-temporary impairment losses recognized in earnings.....                      | (3,119)                              | (1,637)                                 |
| Net realized investment gains (losses).....                                                 | 54,101                               | 29,376                                  |
| Change in fair value of credit derivatives:                                                 |                                      |                                         |
| Realized gains and other settlements.....                                                   | 419                                  | 955                                     |
| Unrealized gains (losses).....                                                              | (2,918)                              | 9,372                                   |
| Net change in fair value of credit derivatives.....                                         | (2,499)                              | 10,327                                  |
| Derivative products.....                                                                    | (37,774)                             | (63,576)                                |
| Net realized loss on extinguishment of debt.....                                            | (93)                                 | (74,724)                                |
| Other (loss) income.....                                                                    | (788)                                | 4,292                                   |
| Income (loss) on variable interest entities.....                                            | 6,962                                | 2,362                                   |
| Total revenues.....                                                                         | 155,491                              | 6,860                                   |
| <b>Expenses:</b>                                                                            |                                      |                                         |
| Losses and loss expenses (benefit).....                                                     | (150,952)                            | (552,182)                               |
| Insurance intangible amortization.....                                                      | 37,432                               | 41,952                                  |
| Underwriting and operating expenses.....                                                    | 24,523                               | 26,142                                  |
| Interest expense.....                                                                       | 27,908                               | 31,354                                  |
| Total (benefit) expenses.....                                                               | (61,089)                             | (452,734)                               |
| Pre-tax income.....                                                                         | 216,580                              | 459,594                                 |
| Provision for income taxes.....                                                             | 1,709                                | 6,143                                   |
| Net income.....                                                                             | 214,871                              | 453,451                                 |
| Less: net loss (gain) attributable to noncontrolling interest.....                          | 160                                  | (133)                                   |
| Net income attributable to common shareholders.....                                         | \$214,711                            | \$453,584                               |
| Net income per share attributable to common shareholders.....                               | \$4.75                               | \$10.05                                 |
| Net income per diluted share attributable to common shareholders.....                       | \$4.57                               | \$9.73                                  |
| Weighted average number of shares outstanding.....                                          | 45,156,202                           | 45,121,414                              |
| Weighted average number of diluted shares outstanding.....                                  | 46,948,999                           | 46,612,898                              |

## Consolidated Balance Sheets

| (\$ in Thousands, Except Share Data)                                                                                           | March 31,<br>2015 | December 31,<br>2014 |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| <b>ASSETS</b>                                                                                                                  |                   |                      |
| Investments:                                                                                                                   |                   |                      |
| Fixed income securities, at fair value<br>(amortized cost of \$4,672,886 in 2015 and \$4,514,878 in 2014).....                 | \$4,865,750       | \$4,725,686          |
| Fixed income securities pledged as collateral, at fair value<br>(amortized cost of \$64,432 in 2015 and \$64,378 in 2014)..... | 64,813            | 64,267               |
| Short-term investments, at fair value.....                                                                                     |                   |                      |
| (amortized cost of \$220,980 in 2015 and \$360,069 in 2014).....                                                               | 220,980           | 360,065              |
| Other investments.....                                                                                                         | 332,609           | 357,016              |
| Total investments.....                                                                                                         | 5,484,152         | 5,507,034            |
| Cash and cash equivalents .....                                                                                                | 26,641            | 73,903               |
| Receivable for securities.....                                                                                                 | 8,779             | 23,660               |
| Investment income due and accrued .....                                                                                        | 24,994            | 25,015               |
| Premium receivables .....                                                                                                      | 951,999           | 1,000,607            |
| Reinsurance recoverable on paid and unpaid losses .....                                                                        | 79,308            | 99,838               |
| Deferred ceded premiums .....                                                                                                  | 117,688           | 123,276              |
| Subrogation recoverable .....                                                                                                  | 984,129           | 953,274              |
| Loans.....                                                                                                                     | 5,494             | 5,714                |
| Derivative assets.....                                                                                                         | 113,622           | 109,017              |
| Insurance intangible assets.....                                                                                               | 1,347,295         | 1,410,920            |
| Goodwill.....                                                                                                                  | 514,511           | 514,511              |
| Other assets.....                                                                                                              | 221,252           | 186,985              |
| Variable interest entity assets:                                                                                               |                   |                      |
| Fixed income securities, at fair value .....                                                                                   | 2,704,657         | 2,743,050            |
| Restricted cash .....                                                                                                          | 6,219             | 7,708                |
| Investment income due and accrued .....                                                                                        | 3,783             | 1,284                |
| Loans, at fair value .....                                                                                                     | 12,789,201        | 12,371,177           |
| Other assets .....                                                                                                             | 2,886             | 2,891                |
| Total assets .....                                                                                                             | \$25,386,610      | \$25,159,864         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                    |                   |                      |
| Liabilities:                                                                                                                   |                   |                      |
| Unearned premiums .....                                                                                                        | \$1,583,615       | \$1,673,785          |
| Loss and loss expense reserve .....                                                                                            | 4,475,991         | 4,752,007            |
| Ceded premiums payable.....                                                                                                    | 59,268            | 60,436               |
| Obligations under investment agreements .....                                                                                  | 111,967           | 160,079              |
| Deferred taxes.....                                                                                                            | 1,905             | 2,079                |
| Current taxes.....                                                                                                             | 2,333             | 5,701                |
| Long-term debt.....                                                                                                            | 979,001           | 971,116              |
| Accrued interest payable.....                                                                                                  | 322,408           | 304,139              |
| Derivative liabilities.....                                                                                                    | 447,356           | 406,944              |
| Other liabilities.....                                                                                                         | 56,914            | 63,396               |
| Payable for securities purchased.....                                                                                          | 34,559            | 762                  |
| Variable interest entity liabilities:                                                                                          |                   |                      |
| Accrued interest payable.....                                                                                                  | 5,768             | 3,268                |
| Long-term debt, at fair value .....                                                                                            | 13,341,902        | 12,882,076           |
| Derivative liabilities.....                                                                                                    | 2,125,713         | 2,200,163            |
| Other liabilities.....                                                                                                         | 189               | 178                  |
| Total liabilities.....                                                                                                         | 23,548,889        | 23,486,129           |
| Stockholders' equity:                                                                                                          |                   |                      |
| Preferred stock.....                                                                                                           | -                 | -                    |
| Common stock.....                                                                                                              | 450               | 450                  |
| Additional paid-in capital.....                                                                                                | 189,533           | 189,138              |
| Accumulated other comprehensive income.....                                                                                    | 169,329           | 220,283              |
| Accumulated earnings .....                                                                                                     | 1,204,001         | 989,290              |
| Common stock held in treasury at cost.....                                                                                     | (56)              | (56)                 |
| Total Ambac Financial Group, Inc. stockholders' equity.....                                                                    | 1,563,257         | 1,399,105            |
| Noncontrolling interest.....                                                                                                   | 274,464           | 274,630              |
| Total stockholders' equity.....                                                                                                | 1,837,721         | 1,673,735            |
| Total liabilities and stockholders' equity.....                                                                                | \$25,386,610      | \$25,159,864         |
| Number of shares outstanding (net of treasury shares).....                                                                     | 45,003,598        | 45,003,473           |
| Ambac Financial Group, Inc. book value per share.....                                                                          | \$34.74           | \$31.09              |

## Key Quarterly Financial Data

(Dollars in millions, except share data)

|                                                                  | 1Q 2015 | 4Q 2014 | 3Q 2014 | 2Q 2014  | 1Q 2014 |
|------------------------------------------------------------------|---------|---------|---------|----------|---------|
| <b>Summary GAAP Financial Data:</b>                              |         |         |         |          |         |
| <b>Statement of Total Comprehensive Income:</b>                  |         |         |         |          |         |
| Net premiums earned.....                                         | \$66    | \$34    | \$65    | \$65     | \$83    |
| Net investment income.....                                       | 73      | 66      | 84      | 80       | 71      |
| Change in fair value of credit derivatives.....                  | (2)     | 10      | 7       | (1)      | 7       |
| Income (loss) on variable interest entities (VIEs).....          | 7       | 2       | 9       | (38)     | (6)     |
| Losses and loss expenses (benefit) <sup>(1)</sup> .....          | (151)   | (552)   | (29)    | 175      | (140)   |
| Insurance intangible amortization.....                           | 37      | 42      | 42      | 36       | 32      |
| Underwriting and operating expenses.....                         | 25      | 26      | 26      | 24       | 26      |
| Interest expense.....                                            | 28      | 31      | 32      | 32       | 32      |
| Net income (loss) attributable to Ambac common shareholders..... | 215     | 454     | 82      | (208)    | 156     |
| Net income (loss) per diluted share.....                         | \$4.57  | \$9.73  | \$1.77  | (\$4.61) | \$3.31  |
| <b>Balance Sheets:</b>                                           |         |         |         |          |         |
| Total non-VIE investments.....                                   | \$5,484 | \$5,507 | \$7,062 | \$6,766  | \$6,749 |
| Premium receivable.....                                          | 952     | 1,001   | 1,267   | 1,356    | 1,418   |
| Insurance intangible asset.....                                  | 1,347   | 1,411   | 1,475   | 1,549    | 1,570   |
| Goodwill.....                                                    | 515     | 515     | 515     | 515      | 515     |
| Subrogation recoverable.....                                     | 984     | 953     | 489     | 484      | 512     |
| Total VIE assets.....                                            | 15,507  | 15,126  | 15,170  | 16,444   | 15,932  |
| Total assets.....                                                | 25,387  | 25,160  | 26,591  | 27,723   | 27,114  |
| Unearned premium revenue.....                                    | 1,584   | 1,674   | 1,953   | 2,070    | 2,168   |
| Loss and loss expense reserve.....                               | 4,476   | 4,752   | 6,003   | 6,072    | 5,826   |
| Obligations under investment agreements.....                     | 112     | 160     | 161     | 170      | 360     |
| Long-term debt <sup>(2)</sup> .....                              | 979     | 971     | 1,219   | 981      | 972     |
| Ambac stockholders' equity.....                                  | \$1,563 | \$1,399 | \$976   | \$948    | \$953   |
| <b>Summary Statutory Data of Ambac Assurance:</b>                |         |         |         |          |         |
| Invested assets.....                                             | \$4,403 | \$4,422 | \$5,883 | \$6,055  | \$5,856 |
| Loss and loss expense reserve.....                               | 2,332   | 2,460   | 3,864   | 3,784    | 3,465   |
| Estimated impairment losses on subsidiary guarantees.....        | 2       | 5       | 22      | 27       | 61      |
| Policyholders' Surplus.....                                      | 100     | 100     | 898     | 946      | 1,008   |
| Qualified statutory capital.....                                 | 300     | 269     | 1,031   | 1,053    | 1,094   |
| Total claims-paying resources, including Ambac UK.....           | \$5,788 | \$5,875 | \$7,403 | \$7,465  | \$7,269 |

1) Under the amended Segregated Account Rehabilitation Plan, holders of permitted policy claims will receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. Includes interest expense on Deferred Amounts of \$39.9, \$51.9, \$51.7 and \$308.1 for the first quarter of 2015 and fourth, third and second quarters of 2014, respectively.

2) Long-term debt represents surplus notes issued to third parties by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation. Long-term debt for all years excludes the portion of long-term debt associated with variable interest entities. In the third quarter of 2014, Ambac sold \$350 of junior surplus notes issued to it by the Segregated Account of Ambac Assurance Corporation to a newly formed Trust in exchange for cash of \$224.3.

## Key Annual Financial Data

(Dollars in millions, except share data)

|                                                                                  | Successor <sup>(1)</sup> |         |                                  | Predecessor <sup>(1)</sup>      |           |           |
|----------------------------------------------------------------------------------|--------------------------|---------|----------------------------------|---------------------------------|-----------|-----------|
|                                                                                  | YTD 2015                 | 2014    | Eight Months Ended Dec. 31, 2013 | Four Months Ended Apr. 30, 2013 | 2012      | 2011      |
| <b>Summary GAAP Financial Data:</b>                                              |                          |         |                                  |                                 |           |           |
| <b>Statement of Total Comprehensive Income:</b>                                  |                          |         |                                  |                                 |           |           |
| Net premiums earned.....                                                         | \$66                     | \$246   | \$214                            | \$130                           | \$415     | \$406     |
| Net investment income <sup>(2)</sup> .....                                       | 73                       | 301     | 146                              | 117                             | 383       | 355       |
| Change in fair value of credit derivatives.....                                  | (2)                      | 24      | 193                              | (60)                            | (9)       | 48        |
| Income (loss) on variable interest entities (VIEs).....                          | 7                        | (32)    | (49)                             | 427                             | 28        | (214)     |
| Losses and loss expenses (benefit) <sup>(3)</sup> .....                          | (151)                    | (546)   | (185)                            | (38)                            | 684       | 1,859     |
| Insurance intangible amortization <sup>(2)</sup> .....                           | 37                       | 152     | 100                              | -                               | -         | -         |
| Underwriting and operating expenses <sup>(2)</sup> .....                         | 25                       | 101     | 69                               | 45                              | 139       | 141       |
| Interest expense <sup>(2)</sup> .....                                            | 28                       | 127     | 85                               | 31                              | 112       | 128       |
| Reorganization items <sup>(2)</sup> .....                                        | -                        | -       | -                                | (2,745)                         | 7         | 50        |
| Net income (loss) attributable to Ambac common shareholders <sup>(2)</sup> ..... | 215                      | 484     | 505                              | 3,349                           | (257)     | (1,960)   |
| Net income (loss) per diluted share <sup>(2)</sup> .....                         | \$4.57                   | \$10.31 | \$10.91                          | n.m.                            | n.m.      | n.m.      |
| <b>Balance Sheets:</b>                                                           |                          |         |                                  |                                 |           |           |
| Total non-VIE investments.....                                                   | \$5,484                  | \$5,507 | \$6,524                          | \$6,457                         | \$6,330   | \$6,877   |
| Premium receivable.....                                                          | 952                      | 1,001   | 1,453                            | 1,532                           | 1,621     | 2,028     |
| Insurance intangible asset <sup>(2)</sup> .....                                  | 1,347                    | 1,411   | 1,598                            | 1,659                           | -         | -         |
| Goodwill <sup>(2)</sup> .....                                                    | 515                      | 515     | 515                              | 515                             | -         | -         |
| Subrogation recoverable.....                                                     | 984                      | 953     | 499                              | 534                             | 497       | 660       |
| Total VIE assets.....                                                            | 15,507                   | 15,126  | 15,989                           | 17,460                          | 17,842    | 16,543    |
| Total assets <sup>(2)</sup> .....                                                | 25,387                   | 25,160  | 27,092                           | 28,842                          | 27,074    | 27,108    |
| Unearned premium revenue.....                                                    | 1,584                    | 1,674   | 2,256                            | 2,482                           | 2,778     | 3,457     |
| Loss and loss expense reserve.....                                               | 4,476                    | 4,752   | 5,969                            | 6,106                           | 6,619     | 7,044     |
| Obligations under investment agreements <sup>(2)</sup> .....                     | 112                      | 160     | 359                              | 365                             | 362       | 547       |
| Long-term debt <sup>(2) (4)</sup> .....                                          | 979                      | 971     | 963                              | 940                             | 150       | 224       |
| Liabilities subject to compromise <sup>(4)</sup> .....                           | -                        | -       | -                                | -                               | 1,705     | 1,707     |
| Ambac stockholders' equity (deficit) <sup>(2)</sup> .....                        | \$1,563                  | \$1,399 | \$703                            | \$185                           | (\$3,908) | (\$3,813) |
| <b>Summary Statutory Data of Ambac Assurance:</b>                                |                          |         |                                  |                                 |           |           |
| Invested assets.....                                                             | \$4,403                  | \$4,422 | \$5,747                          |                                 | \$5,168   | \$5,854   |
| Loss and loss expense reserve.....                                               | 2,332                    | 2,460   | 3,541                            |                                 | 2,946     | 3,226     |
| Estimated impairment losses on subsidiary guarantees.....                        | 2                        | 5       | 57                               |                                 | 144       | -         |
| Policyholders' Surplus.....                                                      | 100                      | 100     | 840                              |                                 | 100       | 495       |
| Qualified statutory capital.....                                                 | 300                      | 269     | 906                              |                                 | 633       | 688       |
| Total claims-paying resources, including Ambac UK.....                           | \$5,788                  | \$5,875 | \$7,199                          |                                 | \$6,513   | \$7,450   |

1) Following the Company's emergence from bankruptcy on May 1, 2013, the consolidated financial statements reflect the application of fresh start reporting ("Fresh Start"), incorporating, among other things, the discharge of debt obligations, issuance of new common stock and fair value adjustments. The effects of the reorganization and Fresh Start adjustments are recorded in Predecessor Ambac's Consolidated Statement of Total Comprehensive Income for the period ended April 30, 2013. The financial results of the Company for the periods from May 1, 2013 are referred to as "Successor" and the financial results for the periods through April 30, 2013 are referred to as "Predecessor".

2) As a result of the implementation of Fresh Start, results and balances are not comparable between Successor Ambac and Predecessor Ambac.

3) Under the amended Segregated Account Rehabilitation Plan, holders of permitted policy claims will receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. Includes interest expense on Deferred Amounts of \$39.9 and \$411.7 for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively.

4) Long-term debt represents surplus notes issued to third parties by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation. In 2014, Ambac sold \$350 of junior surplus notes issued to it by the Segregated Account of Ambac Assurance Corporation to a newly formed Trust in exchange for cash of \$224.3. Long-term debt for all years excludes the portion of long-term debt associated with variable interest entities. Long-term debt associated with Ambac is included under liabilities subject to compromise.

## Non-GAAP Financial Measures <sup>(1)</sup>

(Dollars in Millions)

| Operating Earnings (Losses):                                                                   | 1Q 2015           | 4Q 2014              | 3Q 2014               | 2Q 2014          | 1Q 2014           |
|------------------------------------------------------------------------------------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Net income (loss) attributable to common shareholders.....                                     | \$214.7           | \$453.6              | \$82.5                | (\$207.9)        | \$155.9           |
| Adjustments:                                                                                   |                   |                      |                       |                  |                   |
| Non-credit impairment fair value (gain) loss on credit derivatives.....                        | 4.4               | (9.9)                | (5.4)                 | 2.3              | (4.2)             |
| Effect of consolidating financial guarantee VIEs.....                                          | (26.2)            | (11.0)               | 2.8                   | 52.9             | 0.3               |
| Insurance intangible amortization.....                                                         | 37.4              | 42.0                 | 41.9                  | 36.3             | 31.7              |
| FX (gain) loss from re-measured premium receivables and loss and<br>loss expense reserves..... | 29.9              | 18.0                 | 25.5                  | (6.8)            | (1.7)             |
| Fair value (gain) loss on derivatives from Ambac CVA.....                                      | (12.6)            | (16.1)               | (4.6)                 | 9.9              | (5.4)             |
| Operating earnings (losses).....                                                               | \$247.6           | \$476.6              | \$142.7               | (\$113.3)        | \$176.6           |
|                                                                                                |                   |                      |                       |                  |                   |
| Adjusted Book Value:                                                                           | March 31,<br>2015 | December 31,<br>2014 | September 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
| Total Ambac Financial Group, Inc. stockholders' equity.....                                    | \$1,563.3         | \$1,399.1            | \$975.7               | \$948.1          | \$953.2           |
| Adjustments:                                                                                   |                   |                      |                       |                  |                   |
| Non-credit impairment fair value losses on credit derivatives.....                             | 60.1              | 55.7                 | 65.5                  | 70.9             | 68.6              |
| Effect of consolidating financial guarantee VIEs.....                                          | (338.3)           | (319.1)              | (313.7)               | (324.6)          | (373.4)           |
| Insurance intangible asset and goodwill.....                                                   | (1,861.8)         | (1,925.4)            | (1,989.5)             | (2,063.9)        | (2,084.6)         |
| Ambac CVA on derivative product liabilities<br>(excluding credit derivatives).....             | (77.2)            | (64.5)               | (48.5)                | (43.9)           | (53.8)            |
| Net unearned premiums and fees in excess of expected losses.....                               | 1,326.1           | 1,402.3              | 1,460.7               | 1,534.2          | 1,581.1           |
| Net unrealized investment (gains) losses in Accumulated Other<br>Comprehensive Income.....     | (193.2)           | (210.7)              | (214.8)               | (232.0)          | (46.8)            |
| Adjusted book value.....                                                                       | \$479.0           | \$337.4              | (\$64.6)              | (\$111.2)        | \$44.3            |

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



## Ambac Assurance Claims-Paying Resources <sup>(1)</sup> and Statutory Financial Ratios

| (\$ Thousands, Except Ratios)                                     | March 31,<br>2015 | December 31,<br>2014 |
|-------------------------------------------------------------------|-------------------|----------------------|
| Contingency reserve.....                                          | \$199,763         | \$169,313            |
| Policyholders' surplus <sup>(2)(3)</sup> .....                    | 100,000           | 100,000              |
| Qualified statutory capital.....                                  | 299,763           | 269,313              |
| Unearned premiums.....                                            | 846,248           | 902,693              |
| Losses and loss adjustment expenses.....                          | 2,331,673         | 2,459,952            |
| Surplus notes classified as a liability.....                      | 932,402           | 932,402              |
| Estimated impairment losses on subsidiary guarantees.....         | 1,548             | 4,900                |
| Segregated account liabilities <sup>(2)</sup> .....               | (26,169)          | (149,482)            |
| Policyholders' reserves .....                                     | 4,385,465         | 4,419,778            |
| Present value of future installment premiums <sup>(4)</sup> ..... | 371,767           | 391,472              |
| Ambac Assurance claims-paying resources .....                     | 4,757,232         | 4,811,250            |
| Ambac UK claims-paying resources <sup>(5)</sup> .....             | 1,031,074         | 1,063,272            |
| Total claims-paying resources.....                                | \$5,788,306       | \$5,874,522          |
| Net financial guarantees in force <sup>(6)</sup>                  |                   |                      |
| Ambac Assurance.....                                              | \$185,881,297     | \$197,609,387        |
| Ambac UK.....                                                     | 28,905,905        | 31,280,722           |
| Total net financial guarantees in force .....                     | \$214,787,202     | \$228,890,109        |
| Total claims-paying ratio <sup>(7)</sup> .....                    | 37 : 1            | 39 : 1               |

- 1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.
- 2) Pursuant to a prescribed practice by the State of Wisconsin Office of the Commissioner of Insurance, Ambac Assurance is not obligated to make payments to the Segregated Account if Ambac Assurance's surplus is less than \$100,000 (the "Minimum Surplus Amount"). Accordingly, \$26,169 and \$149,482 of liabilities in the Segregated Account did not reduce Ambac Assurance's surplus at March 31, 2015 and December 31, 2014, respectively. Refer to Ambac's filings with the Securities and Exchange Commission for further discussion of the Segregated Account of Ambac Assurance.
- 3) Junior surplus notes with a par value of \$378,039 is included in the capital and surplus for March 31, 2015 and December 31, 2014, respectively, subject to limitations due to the Minimum Surplus Amount.
- 4) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.
- 5) Ambac UK's claims paying resources will become available to Ambac Assurance only to the extent Ambac UK receives approval from its regulator to dividend monies to Ambac Assurance. Components of Ambac UK's claims paying resources are discounted at Ambac UK's projected investment rate of return. Ambac UK's claims-paying resources primarily consist of the present value of future installment premiums of approximately \$485,287 at March 31, 2015.
- 6) Financial guarantees in force represents the amount of principal and interest outstanding on a guaranteed obligation.
- 7) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

## Ambac Assurance

### Rollforward of Statutory Policyholders' Surplus

| (\$ Thousands)                                                                  | Three months ended<br>March 31, 2015 | Year ended<br>December 31, 2014 |
|---------------------------------------------------------------------------------|--------------------------------------|---------------------------------|
| Policyholders' Surplus, beginning of period <sup>(1)</sup> .....                | \$ 100,000                           | \$ 840,262                      |
| Net income <sup>(2)</sup> .....                                                 | 28,353                               | 724,828                         |
| Principal redemption of surplus notes - general account <sup>(3)</sup> .....    | -                                    | (317,521)                       |
| Principal redemption of surplus notes - segregated account <sup>(3)</sup> ..... | -                                    | (13,898)                        |
| Surplus notes re-classified as a liability <sup>(3)</sup> .....                 | -                                    | (932,402)                       |
| Change in contingency reserves .....                                            | (30,450)                             | (103,550)                       |
| Change in investments <sup>(4)</sup> .....                                      | 1,576                                | (100,504)                       |
| Other changes in surplus.....                                                   | 521                                  | 2,785                           |
| Policyholders' Surplus, end of period .....                                     | <u>\$ 100,000</u>                    | <u>\$ 100,000</u>               |

- 1) Pursuant to a prescribed practice by the Wisconsin Insurance Commissioner, the results of the Segregated Account are not included in Ambac Assurance's statutory financial statements if it causes Ambac Assurance's surplus to drop below the Minimum Surplus Amount. Accordingly, \$26,169 and \$149,482 of the Segregated Account's liabilities did not reduce Ambac Assurance's surplus at March 31, 2015 and December 31, 2014, respectively.
- 2) Net income for the three months ended March 31, 2015 includes an expense of \$39,910 for the accrual of interest on Deferred Amounts. Net income for the year ended December 31, 2014 includes an expense of \$411,733 for the accrual of interest on Deferred Amounts and \$82,168 for the payment of interest on redeemed surplus notes.
- 3) Surplus for the year ended December 31, 2014 was impacted by the partial principal redemption of surplus notes of \$331,419 and the reclassification of remaining senior surplus notes of \$932,402 to a liability since they are pari-passu to policyholder obligations.
- 4) Includes non-income statement changes in investments such as changes in non-admitted investments, changes in valuation of investments carried at fair value and changes in investment in subsidiaries, excluding dividends. Change in investments for the year ended December 31, 2014 includes a reduction in surplus of \$119,244 relating to unwind of Re-REMIC / Orient Bay structure.

## Ambac Assurance Segregated Account, in Rehabilitation Claims Paying Position <sup>(1)</sup>

| (\$ Thousands)                                                     | March 31,<br>2015 | December 31,<br>2014 |
|--------------------------------------------------------------------|-------------------|----------------------|
| Liabilities allocated from Ambac Assurance <sup>(2)</sup> .....    | \$ 4,734,397      | \$ 4,795,894         |
| Surplus notes classified as a liability .....                      | 39,102            | 39,102               |
| <b>Total Segregated Account policy related obligations.....</b>    | <b>4,773,499</b>  | <b>4,834,996</b>     |
| Liabilities ceded to Ambac Assurance <sup>(3)</sup> .....          | 4,773,499         | 4,834,996            |
| Junior surplus notes ceded to Ambac Assurance <sup>(3)</sup> ..... | 350,605           | 227,228              |
| Other Segregated Account Net Assets .....                          | 11,397            | 12,052               |
| <b>Total Segregated Account resources available.....</b>           | <b>5,135,501</b>  | <b>5,074,276</b>     |
| <b>Segregated Account policyholders' surplus.....</b>              | <b>\$ 362,002</b> | <b>\$ 239,280</b>    |

- 1) Total resources available to pay claims at Ambac Assurance are the same resources available to pay claims at the Segregated Account subject to limitations discussed in footnote (3) below.
- 2) Pursuant to the Plan of Operation for the Segregated Account, Ambac Assurance has allocated certain policies to the Segregated Account, including (i) residential mortgage-backed securities, (ii) student loans, (iii) collateralized debt obligations and (iv) other policies insuring obligations with substantial projected impairments or relating to transactions which have contractual triggers based upon Ambac Assurance's financial condition or the commencement of rehabilitation, which triggers are potentially damaging. Please refer to Ambac's filings with the Securities and Exchange Commission for further information.
- 3) Liabilities and junior surplus notes ceded to Ambac Assurance via an excess of loss reinsurance agreement are limited by Ambac Assurance maintaining the Minimum Surplus Amount of \$100,000.

## Ratio of Net Claims Recorded <sup>(1)</sup>

| (\$ Thousands)                                            | Successor         |                      |                       | Predecessor          |              |              |
|-----------------------------------------------------------|-------------------|----------------------|-----------------------|----------------------|--------------|--------------|
|                                                           | March 31,<br>2015 | December 31,<br>2014 | Eight Months<br>ended | Four Months<br>ended | December 31, |              |
|                                                           |                   |                      | December 31,<br>2013  | April 30,<br>2013    | 2012         | 2011         |
| Net claims paid (recovered) - Insurance <sup>(2)(3)</sup> | \$ 93,205         | \$ 922,481           | \$ (92,480)           | \$ (31,147)          | \$ 932,930   | \$ 147,762   |
| Change in net unpaid claims - Insurance <sup>(3)(4)</sup> | (11,996)          | (959,304)            | 241,916               | 274,222              | 619,431      | 1,357,181    |
| Total net claims recorded                                 | \$ 81,209         | \$ (36,823)          | \$ 149,436            | \$ 243,075           | \$ 1,552,361 | \$ 1,504,943 |
| Net insurance premiums earned and credit derivative fees  | \$ 66,137         | \$ 249,403           | \$ 223,296            | \$ 133,444           | \$ 428,317   | \$ 422,971   |
| Ratio of net claims recorded <sup>(5)</sup>               | 122.8%            | (14.8%)              | 66.9%                 | 182.2%               | 362.4%       | 355.8%       |

## Estimated Future Gross RMBS Claims Presented <sup>(6)</sup>

| (\$ Thousands)                                                         | Projected as of   |                      |
|------------------------------------------------------------------------|-------------------|----------------------|
|                                                                        | March 31,<br>2015 | December 31,<br>2014 |
| 2015 (Nine months for March 31, 2015, Full Year for December 31, 2014) | \$ 746            | \$ 192,974           |
| 2016                                                                   | 95,546            | 221,346              |
| 2017                                                                   | 153,916           | 179,031              |
| 2018                                                                   | 137,897           | 112,516              |
| 2019                                                                   | 105,034           | 60,886               |
| 2020                                                                   | 79,808            | 29,199               |
| 2015 (Nine months for March 31, 2015, Full Year for December 31, 2014) | \$ 746            | \$ 192,974           |
| 2016-2020                                                              | 572,201           | 602,978              |
| 2021-2025                                                              | 178,973           | 60,033               |
| 2026-2030                                                              | 42,782            | 9,485                |
| 2031-2035                                                              | 29,674            | 20,167               |
| After 2035                                                             | 714,242           | 702,880              |
| Total                                                                  | \$ 1,538,618      | \$ 1,588,517         |

- Net claims recorded include (i) claims paid (recovered); (ii) changes to claims presented and not yet presented for policies which were allocated to the Segregated Account; and (iii) commutation settlements. Net claims recorded does not include interest accrued or paid on Deferred Amounts as discussed below.
- Net claims (recovered) paid are net of subrogation received of \$82,385, \$500,485, \$292,067, \$160,355, \$222,205, and \$104,805, for the three months ended March 31, 2015, the year ended December 31, 2014, the eight months ended December 31, 2013, the four months ended April 30, 2013 and the years ended December 31, 2012 and 2011, respectively. Includes the issuance of surplus notes at par value in the amount of \$3,000 for the year ended December 31, 2011.
- On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain Ambac Assurance liabilities, and in connection with such segregation Ambac Assurance has allocated certain policies to the Segregated Account. On June 4, 2012, the Rehabilitation Court approved the Rehabilitator's motion to make partial interim policy claim payments to Segregated Account policyholders. As a result, the Segregated Account paid 25% of each permitted policy claim that has arisen since the commencement of the Segregated Account Rehabilitation Proceedings. In August 2013, the Segregated Account began to make cash payments in excess of 25% of permitted claims on certain policies. The Segregated Account Rehabilitation Plan, as amended, became effective on June 12, 2014. The amendments to the Segregated Account Rehabilitation Plan primarily modified the mechanism for handling claims. Instead of the combination of cash payments and interest-bearing surplus notes originally contemplated by the Segregated Account Rehabilitation Plan, holders of permitted policy claims will, under the amended Segregated Account Rehabilitation Plan, receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Following the effective date of the Segregated Account Rehabilitation Plan, as amended, the percentage of the initial cash interim policy claim payments increased from 25% to 45% with effect from July 21, 2014. A portion of Deferred Amounts outstanding as of July 20, 2014 (the "Reconciliation Date") (together with interest thereon), if still outstanding, was paid on December 22, 2014 (the "Deferred Payment Date") in accordance with the Segregated Account Rehabilitation Plan, as amended, such that those policyholders that received 25% (and not 45%) cash Interim Payments in respect of their permitted policy claims were generally entitled to receive equalizing payments in cash of 26.67% of their Deferred Amounts (including accrued interest thereon) outstanding as of the Reconciliation Date. The equalizing payments of Deferred Amounts, excluding the payments on accrued interest, were \$1,054,965 which reduced unpaid claims and increased net claims paid. Refer to Ambac's filings with the Securities and Exchange Commission for further discussion of the Segregated Account Rehabilitation Plan, as amended.
- As per the Segregated Account Rehabilitation Plan, as amended, Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. As discussed above, on December 22, 2014, equalizing payments on Deferred Amounts were made. In addition to the equalizing payments on Deferred Amounts, \$82,506 of interest accrued on Deferred Amounts was paid. These amounts are not included net claims recorded. At March 31, 2015, interest accrued and unpaid on Deferred Amounts was \$369,137.
- Ratio of net claims recorded is total net claims recorded divided by net premiums earned and fees on credit derivative contracts.
- Represents management's estimate of undiscounted future RMBS claims presented, gross of reinsurance and representation and warranty subrogation recoveries. Future claims recorded in these tables exclude RMBS claims presented and unpaid of \$2,921,470 and \$2,933,920 as of March 31, 2015 and December 31, 2014, respectively and Ambac's undiscounted estimate of representation and warranty subrogation recoverables of \$2,579,450 and \$2,541,219 at March 31, 2015 and December 31, 2014, respectively. Actual claims recorded may differ from estimates.

## Summary of Net Insurance Loss Reserves (GAAP) and Credit Derivative Impairments

| (\$ Thousands)                                                          | Successor         |                           |             | Predecessor               |             |
|-------------------------------------------------------------------------|-------------------|---------------------------|-------------|---------------------------|-------------|
|                                                                         | March 31,<br>2015 | December 31,<br>2014 2013 |             | December 31,<br>2012 2011 |             |
| Total insurance reserves <sup>(1)</sup>                                 | \$3,417,343       | \$3,698,378               | \$5,347,877 | \$5,974,731               | \$6,230,780 |
| Estimated credit impairment losses on credit derivatives <sup>(2)</sup> | 16,301            | 17,804                    | 21,531      | 46,469                    | 36,940      |
| Total impairment losses                                                 | 3,433,644         | 3,716,182                 | 5,369,408   | 6,021,200                 | 6,267,720   |
| Mark-to-market reserve on credit derivatives <sup>(2)</sup>             | 60,076            | 55,655                    | 72,791      | 167,116                   | 153,713     |
| Grand total net insurance loss reserves and credit derivatives          | \$3,493,720       | \$3,771,837               | \$5,442,199 | \$6,188,316               | \$6,421,433 |

## Summary of Insured Exposures With Impairment Losses

| (\$ Thousands)                                     | Segregated<br>Account Net Par<br>Outstanding <sup>(3)</sup> | Total Net Par<br>Outstanding | Total<br>Impairment<br>Losses <sup>(4) (5)</sup> |
|----------------------------------------------------|-------------------------------------------------------------|------------------------------|--------------------------------------------------|
| <b>Public Finance:</b>                             |                                                             |                              |                                                  |
| Lease & tax backed                                 | \$0                                                         | \$2,607,405                  | \$198,158                                        |
| Housing                                            | -                                                           | 669,428                      | 34,165                                           |
| Transportation revenue                             | 34,861                                                      | 436,957                      | 68,741                                           |
| General obligation                                 | -                                                           | 871,217                      | 76,212                                           |
| Other                                              | -                                                           | 289,918                      | 4,478                                            |
| Total Public Finance                               | 34,861                                                      | 4,874,925                    | 381,754                                          |
| <b>Structured Finance:</b>                         |                                                             |                              |                                                  |
| Mortgage-backed & home equity - first lien & other | 5,891,719                                                   | 5,891,719                    | 2,291,537                                        |
| Mortgage-backed & home equity - second lien        | 3,524,866                                                   | 3,524,866                    | (370,393)                                        |
| Student loans                                      | 1,274,787                                                   | 1,274,787                    | 587,832                                          |
| Other                                              | 137,000                                                     | 1,037,000                    | 499,632                                          |
| Total Structured Finance                           | 10,828,372                                                  | 11,728,372                   | 3,008,608                                        |
| <b>International Finance:</b>                      |                                                             |                              |                                                  |
|                                                    | 71,590                                                      | 986,404                      | 43,282                                           |
| Total                                              | \$10,934,823                                                | \$17,589,701                 | \$3,433,644                                      |

- Under the amended Segregated Account Rehabilitation Plan, holders of permitted policy claims will receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. As of March 31, 2015 and December 31, 2014, \$3,302,104 and \$3,274,216, of claims remain unpaid, respectively, including \$369,137 and \$329,227 of interest accrued on Deferred Amounts, respectively. Total insurance reserves are inclusive of these unpaid claims.
- Total net mark-to-market losses are \$76,377, \$73,459, \$94,322, \$213,585, and \$190,653, as of March 31, 2015, December 31, 2014, 2013, 2012, and 2011, respectively, and are reported on the consolidated balance sheet under derivative assets and liabilities.
- On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain Ambac Assurance liabilities, and in connection with such segregation Ambac Assurance has allocated certain insurance policies to the Segregated Account. Please see discussion in Ambac's filings with the Securities and Exchange Commission for further information.
- Total estimated impairment losses includes insurance loss reserves, net of estimated representation and warranty subrogation recoverables of \$2,540,710 and estimated credit impairment losses on credit derivatives. Additionally, it excludes impairment losses eliminated as a result of the Consolidations Accounting Standard of \$398,274. Please see discussion in Ambac's filings with the Securities and Exchange Commission for further information.
- Total estimated impairment losses includes loss and loss expenses relating to insurance policies issued by Ambac UK of \$513,798.

## Net Insurance Premiums Earned and Fees on Credit Derivatives (GAAP)

| 2015 (\$ Thousands)                              | 1Q 2015  | 2Q 2015 | 3Q 2015 | 4Q 2015 | Year-to Date |
|--------------------------------------------------|----------|---------|---------|---------|--------------|
| Public Finance . . . . .                         | \$23,910 |         |         |         | \$23,910     |
| Structured Finance <sup>(1)</sup> . . . . .      | 7,619    |         |         |         | 7,619        |
| International Finance . . . . .                  | 11,337   |         |         |         | 11,337       |
| Total Normal Insurance Premiums Earned . . . . . | 42,866   | -       | -       | -       | 42,866       |
| Accelerated Premiums Earned . . . . .            | 22,852   |         |         |         | 22,852       |
| Total Premiums Earned . . . . .                  | \$65,718 | -       | -       | -       | \$65,718     |
| Fees on credit derivative contracts . . . . .    | \$419    |         |         |         | \$419        |

| 2014 (\$ Thousands)                              | 1Q 2014  | 2Q 2014  | 3Q 2014  | 4Q 2014  | Full Year |
|--------------------------------------------------|----------|----------|----------|----------|-----------|
| Public Finance . . . . .                         | \$27,287 | \$26,345 | \$25,552 | \$25,622 | \$104,806 |
| Structured Finance <sup>(1)</sup> . . . . .      | 10,389   | 10,944   | 10,356   | 8,047    | 39,736    |
| International Finance . . . . .                  | 19,757   | 19,734   | 19,731   | 12,632   | 71,854    |
| Total Normal Insurance Premiums Earned . . . . . | 57,433   | 57,023   | 55,639   | 46,301   | 216,396   |
| Accelerated Premiums Earned . . . . .            | 25,114   | 7,990    | 9,192    | (12,332) | 29,964    |
| Total Premiums Earned . . . . .                  | \$82,547 | \$65,013 | \$64,831 | \$33,969 | \$246,360 |
| Fees on credit derivative contracts . . . . .    | \$775    | \$717    | \$596    | \$955    | \$3,043   |

## Net Unearned Premium Amortization and Estimated Future Installment Premiums

| (\$ Millions)                           | Net Unearned Premium Amortization (GAAP) <sup>(2)</sup> | Fees on Credit Derivative Contracts <sup>(3)</sup> | Estimated Net Future Installments <sup>(3)</sup> | Consolidated VIE |
|-----------------------------------------|---------------------------------------------------------|----------------------------------------------------|--------------------------------------------------|------------------|
| 2015 (2nd, 3rd and 4th Qtrs.) . . . . . | \$107.6                                                 | \$1.1                                              | \$60.9                                           | \$15.3           |
| 2016 . . . . .                          | 123.2                                                   | 1.1                                                | 75.3                                             | 18.7             |
| 2017 . . . . .                          | 110.2                                                   | 0.7                                                | 68.8                                             | 18.1             |
| 2018 . . . . .                          | 101.1                                                   | 0.7                                                | 72.2                                             | 17.5             |
| 2019 . . . . .                          | 94.0                                                    | 0.7                                                | 57.4                                             | 16.4             |
| 2020 . . . . .                          | 88.7                                                    | 0.7                                                | 53.9                                             | 15.6             |
| 2015 (2nd, 3rd and 4th Qtrs.) . . . . . | \$107.6                                                 | \$1.1                                              | \$60.9                                           | \$15.3           |
| 2016-2020 . . . . .                     | 517.2                                                   | 3.9                                                | 327.6                                            | 86.3             |
| 2021-2025 . . . . .                     | 359.6                                                   | 1.6                                                | 222.2                                            | 61.6             |
| 2026-2030 . . . . .                     | 252.0                                                   | -                                                  | 177.0                                            | 37.7             |
| 2031-2035 . . . . .                     | 148.7                                                   | -                                                  | 122.5                                            | 23.0             |
| After 2035 . . . . .                    | 80.8                                                    | -                                                  | 74.8                                             | 1.0              |
| Total . . . . .                         | \$1,465.9                                               | \$6.6                                              | \$985.0                                          | \$224.9          |

1) Reductions/(increases) to net insurance premiums earned for changes in premium receivables deemed uncollectible were (\$494) for the first quarter of 2015, and \$965, (\$191), (\$203), and \$1,586 for the first, second, third and fourth quarters of 2014 respectively.

2) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of March 31, 2015. Actual future installments 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. 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, premium earnings may be negative in the period of call or refinancing.

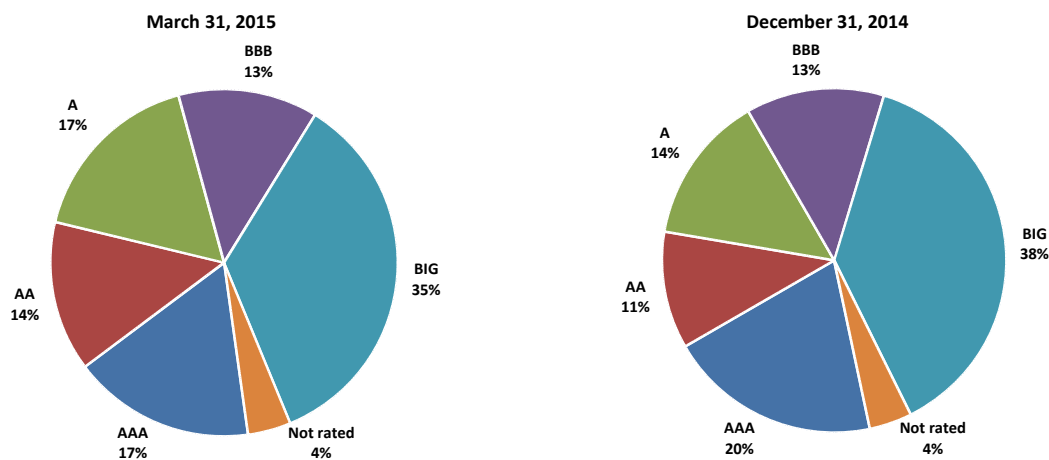
3) Represents management's undiscounted estimate of fees on credit derivative contracts and future installment premium collections net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment. Estimated net future installments exclude amounts eliminated as a result of consolidating variable interest entities ("Consolidated VIE") as required under the Consolidations Accounting Standard.

## Investment Portfolio

As of March 31, 2015

| INCOME ANALYSIS BY TYPE OF SECURITY<br>Investment category (\$ Thousands)                  | U.S. GAAP<br>Carrying<br>Value | U.S. GAAP<br>Book<br>Value | Pre-tax<br>Yield To<br>Maturity <sup>(1)</sup> |
|--------------------------------------------------------------------------------------------|--------------------------------|----------------------------|------------------------------------------------|
| Financial Guarantee investments:                                                           |                                |                            |                                                |
| Long-term investments                                                                      |                                |                            |                                                |
| U.S. government and agency obligations .....                                               | \$ 81,731                      | \$ 81,464                  | 0.92%                                          |
| Municipal obligations <sup>(2)</sup> .....                                                 | 525,188                        | 517,256                    | 3.64%                                          |
| Corporate obligations .....                                                                | 1,547,729                      | 1,529,751                  | 2.51%                                          |
| Ambac insured residential mortgage-backed and student loan securities <sup>(3)</sup> ..... | 1,754,539                      | 1,607,062                  | 9.48%                                          |
| Mortgage and asset-backed securities .....                                                 | 472,773                        | 458,058                    | 5.29%                                          |
| Total long-term investments .....                                                          | 4,381,960                      | 4,193,591                  | 5.59%                                          |
| Short-term investments .....                                                               | 146,274                        | 146,274                    | 0.06%                                          |
| Other .....                                                                                | 50,156                         | 50,156                     |                                                |
| Total Financial Guarantee investments excl. Ambac UK .....                                 | 4,578,390                      | 4,390,021                  | 5.35%                                          |
| Ambac UK Investments <sup>(4)</sup> .....                                                  | 514,292                        | 508,485                    | 1.99%                                          |
| Total Financial Guarantee investments .....                                                | 5,092,682                      | 4,898,506                  | 5.00%                                          |
| Financial Services investments: <sup>(5)</sup>                                             |                                |                            |                                                |
| Long-term investments                                                                      |                                |                            |                                                |
| Mortgage and asset-backed securities .....                                                 | 109,358                        | 109,229                    |                                                |
| Total long-term investments .....                                                          | 109,358                        | 109,229                    |                                                |
| Short-term investments .....                                                               | 91                             | 91                         |                                                |
| Total Financial Services investments .....                                                 | 109,449                        | 109,320                    |                                                |
| Corporate investments:                                                                     |                                |                            |                                                |
| Long-term investments                                                                      |                                |                            |                                                |
| Ambac insured residential mortgage-backed securities <sup>(3)</sup> .....                  | 40,076                         | 41,095                     |                                                |
| Mortgage and asset-backed securities .....                                                 | 194,092                        | 194,133                    |                                                |
| Total long-term investments .....                                                          | 234,168                        | 235,228                    |                                                |
| Short-term investments .....                                                               | 25,822                         | 25,822                     |                                                |
| Other <sup>(6)</sup> .....                                                                 | 22,031                         | 22,031                     |                                                |
| Total Corporate investments .....                                                          | 282,021                        | 283,081                    |                                                |
| Total Investments .....                                                                    | \$ 5,484,152                   | \$ 5,290,907               |                                                |

### RATING DISTRIBUTION OF THE FIXED INCOME INVESTMENT PORTFOLIO <sup>(3)(7)</sup>



Duration of Financial Guarantee investment portfolio <sup>(3)</sup> .....

4.1

- "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 book value, 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 the current interest rate and not forward rates.
- Includes taxable and tax-exempt municipal obligations with a fair value of \$404,762 and \$120,426, respectively.
- Below investment grade Ambac insured securities represent 34% and 38% of the consolidated fair value of the fixed income investment portfolio at March 31, 2015 and December 31, 2014, respectively. These securities are excluded from the company's measure of duration.
- Includes fixed income investments as well as pooled investment funds. The pre-tax yield to maturity is from the fixed income portfolio only.
- Financial Services investments relate primarily to the investment agreement business.
- Represents equity interest in an unconsolidated subsidiary in connection with the sale of Segregated Account Junior Surplus Note in August 2014.
- Ratings are based on the lower of Moody's or S&P ratings. If ratings are unavailable from Moody's or S&P, Fitch ratings are used. If guaranteed, rating

## Expense Analysis (GAAP)

### 2015

| (\$ Thousands)                                                              | 1Q 2015          | 2Q 2015     | 3Q 2015     | 4Q 2015     | Year-to-Date     |
|-----------------------------------------------------------------------------|------------------|-------------|-------------|-------------|------------------|
| <b>Financial Guarantee operating expenses:</b>                              |                  |             |             |             |                  |
| Compensation .....                                                          | \$ 12,381        |             |             |             | \$ 12,381        |
| Non-compensation .....                                                      | 10,220           |             |             |             | 10,220           |
| <b>Total Financial Guarantee operating expenses .....</b>                   | <b>22,601</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>22,601</b>    |
| <b>Financial Services operating expenses .....</b>                          | <b>632</b>       |             |             |             | <b>632</b>       |
| <b>Corporate and other operating expenses .....</b>                         | <b>1,352</b>     |             |             |             | <b>1,352</b>     |
| <b>Total gross operating expenses .....</b>                                 | <b>\$ 24,585</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 24,585</b> |
| Ceding commissions .....                                                    | (62)             |             |             |             | (62)             |
| Total operating expenses .....                                              | \$ 24,523        | \$ -        | \$ -        | \$ -        | \$ 24,523        |
| Reorganization costs .....                                                  | \$ -             |             |             |             | \$ -             |
| <b>Total gross operating expenses, including reorganization costs .....</b> | <b>\$ 24,585</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 24,585</b> |

### 2014

| (\$ Thousands)                                                              | 1Q 2014          | 2Q 2014          | 3Q 2014          | 4Q 2014          | Full Year         |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| <b>Financial Guarantee operating expenses:</b>                              |                  |                  |                  |                  |                   |
| Compensation .....                                                          | \$ 12,436        | \$ 12,197        | \$ 12,217        | \$ 14,239        | \$ 51,089         |
| Non-compensation .....                                                      | 10,360           | 9,072            | 10,926           | 10,191           | 40,549            |
| <b>Total Financial Guarantee operating expenses .....</b>                   | <b>22,796</b>    | <b>21,269</b>    | <b>23,143</b>    | <b>24,430</b>    | <b>91,638</b>     |
| <b>Financial Services operating expenses .....</b>                          | <b>642</b>       | <b>606</b>       | <b>508</b>       | <b>257</b>       | <b>2,013</b>      |
| <b>Corporate and other operating expenses .....</b>                         | <b>2,433</b>     | <b>1,128</b>     | <b>1,345</b>     | <b>1,552</b>     | <b>6,458</b>      |
| <b>Total gross operating expenses .....</b>                                 | <b>\$ 25,871</b> | <b>\$ 23,003</b> | <b>\$ 24,996</b> | <b>\$ 26,239</b> | <b>\$ 100,109</b> |
| Ceding commissions .....                                                    | (85)             | 1,030            | 517              | (97)             | 1,365             |
| Total operating expenses .....                                              | \$ 25,786        | \$ 24,033        | \$ 25,513        | \$ 26,142        | \$ 101,474        |
| Reorganization costs .....                                                  | \$ 23            | \$ 186           | \$ 2             | \$ -             | \$ 211            |
| <b>Total gross operating expenses, including reorganization costs .....</b> | <b>\$ 25,894</b> | <b>\$ 23,189</b> | <b>\$ 24,998</b> | <b>\$ 26,239</b> | <b>\$ 100,320</b> |



## Historical Net Financial Guarantee Exposures Outstanding <sup>(1) (2)</sup>

| (\$ Millions Net Par Value)                  | March 31, | December 31, |           |           | Segregated<br>Account<br>March 31, |
|----------------------------------------------|-----------|--------------|-----------|-----------|------------------------------------|
|                                              | 2015      | 2014         | 2013      | 2012      | 2015                               |
| <b>Public Finance <sup>(3)</sup>:</b>        |           |              |           |           |                                    |
| Lease and tax backed .....                   | \$31,514  | \$33,411     | \$41,858  | \$50,415  | \$ -                               |
| General obligation .....                     | 21,427    | 22,699       | 29,115    | 34,623    | 11                                 |
| Utility .....                                | 10,999    | 11,687       | 14,933    | 18,651    | 454                                |
| Transportation .....                         | 7,062     | 7,738        | 9,653     | 13,892    | 286                                |
| Housing .....                                | 7,006     | 7,108        | 7,439     | 8,176     | -                                  |
| Higher education .....                       | 5,888     | 6,389        | 7,810     | 10,382    | -                                  |
| Health care .....                            | 2,864     | 3,106        | 3,903     | 5,266     | 87                                 |
| Other .....                                  | 1,299     | 1,310        | 1,351     | 1,613     | -                                  |
| Total Public Finance .....                   | 88,059    | 93,448       | 116,062   | 143,018   | 838                                |
| <b>Structured Finance:</b>                   |           |              |           |           |                                    |
| Mortgage-backed & home equity .....          | 13,107    | 13,686       | 16,026    | 19,117    | 13,107                             |
| Investor-owned utilities .....               | 5,373     | 5,411        | 5,881     | 7,071     | 51                                 |
| Student loan .....                           | 3,099     | 3,390        | 4,357     | 5,411     | 3,099                              |
| Asset-backed .....                           | 1,297     | 1,335        | 2,361     | 2,905     | -                                  |
| CDOs .....                                   | 590       | 637          | 897       | 5,941     | 206                                |
| Other .....                                  | 1,815     | 1,875        | 1,890     | 1,914     | 254                                |
| Total Structured Finance .....               | 25,281    | 26,334       | 31,412    | 42,359    | 16,717                             |
| <b>International Finance <sup>(4)</sup>:</b> |           |              |           |           |                                    |
| Investor-owned and public utilities .....    | 7,906     | 8,455        | 9,595     | 10,314    | -                                  |
| Sovereign/sub-sovereign .....                | 6,307     | 6,758        | 7,394     | 7,289     | -                                  |
| Asset-backed .....                           | 4,222     | 4,442        | 6,884     | 8,702     | -                                  |
| Transportation .....                         | 3,347     | 3,425        | 5,021     | 6,002     | 304                                |
| Mortgage-backed & home equity .....          | 381       | 410          | 484       | 1,268     | -                                  |
| CDOs .....                                   | 194       | 233          | 822       | 3,191     | 194                                |
| Other .....                                  | 1,150     | 1,229        | 1,418     | 1,490     | -                                  |
| Total International Finance .....            | 23,507    | 24,952       | 31,618    | 38,256    | 498                                |
| Grand Total .....                            | \$136,847 | \$144,734    | \$179,092 | \$223,633 | \$18,053                           |
| <b>Percent of Total Net Par Outstanding</b>  |           |              |           |           |                                    |
| Public Finance .....                         | 64.3%     | 64.6%        | 64.8%     | 64.0%     | 4.6%                               |
| Structured Finance .....                     | 18.5%     | 18.2%        | 17.5%     | 18.9%     | 92.6%                              |
| International Finance .....                  | 17.2%     | 17.2%        | 17.7%     | 17.1%     | 2.8%                               |
| Total Net Par Outstanding .....              | 100.0%    | 100.0%       | 100.0%    | 100.0%    | 100.0%                             |

1) Includes structured credit derivative net par outstanding of \$1,595, \$1,530, \$2,776, and \$11,282 at March 31, 2015 and December 31, 2014, 2013, and 2012, respectively.

2) Includes exposure allocated to the Segregated Account.

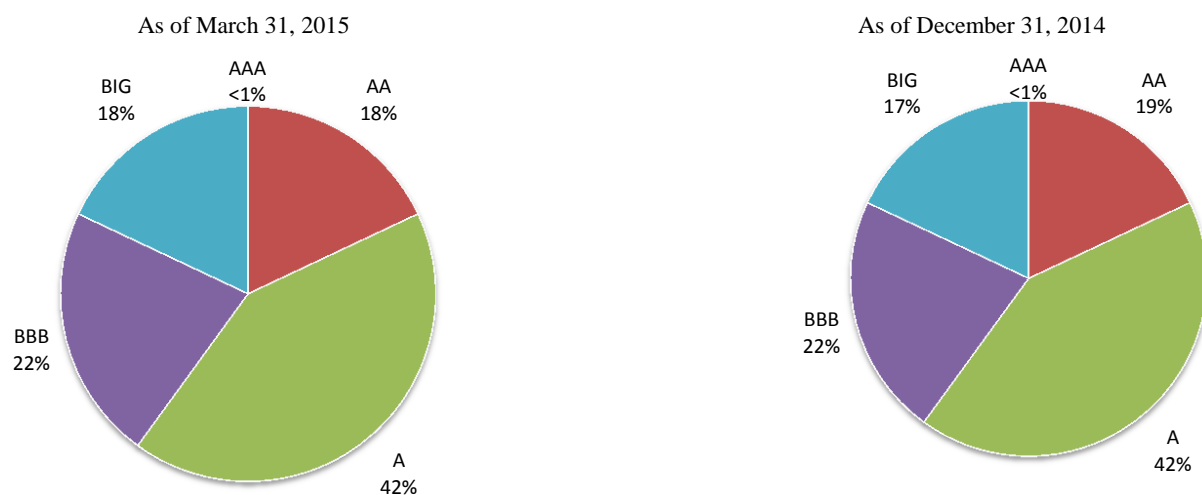
3) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy.

4) International transactions include components of domestic exposure.

## Geographic Distribution of Net Financial Guarantee Exposures Outstanding

| (\$ Millions Net Par Value)           | March 31, |        | December 31, |           |           |
|---------------------------------------|-----------|--------|--------------|-----------|-----------|
|                                       | 2015      | %      | 2014         | 2013      | 2012      |
| <b>Domestic:</b>                      |           |        |              |           |           |
| California . . . . .                  | \$20,003  | 14.6%  | \$20,744     | \$25,657  | \$32,105  |
| New York . . . . .                    | 8,696     | 6.4%   | 9,245        | 11,577    | 14,389    |
| Florida . . . . .                     | 6,457     | 4.7%   | 6,805        | 8,545     | 11,110    |
| Texas . . . . .                       | 5,245     | 3.8%   | 6,095        | 7,431     | 10,016    |
| New Jersey . . . . .                  | 5,175     | 3.8%   | 5,464        | 6,559     | 7,906     |
| Illinois . . . . .                    | 4,178     | 3.1%   | 4,326        | 5,730     | 6,878     |
| Massachusetts . . . . .               | 3,973     | 2.9%   | 4,154        | 4,689     | 5,373     |
| Colorado . . . . .                    | 3,536     | 2.6%   | 3,574        | 3,741     | 4,376     |
| Pennsylvania . . . . .                | 2,985     | 2.2%   | 3,082        | 3,906     | 4,304     |
| Puerto Rico . . . . .                 | 2,437     | 1.8%   | 2,437        | 2,485     | 2,531     |
| Mortgage and asset-backed . . . . .   | 14,404    | 10.5%  | 15,021       | 18,387    | 22,022    |
| Other states . . . . .                | 36,251    | 26.5%  | 38,835       | 48,767    | 64,367    |
| Total Domestic . . . . .              | 113,340   | 82.8%  | 119,782      | 147,474   | 185,377   |
| <b>International:</b>                 |           |        |              |           |           |
| United Kingdom . . . . .              | 17,005    | 12.4%  | 17,998       | 21,282    | 22,585    |
| Australia . . . . .                   | 2,035     | 1.5%   | 2,168        | 3,331     | 4,820     |
| Italy . . . . .                       | 1,278     | 0.9%   | 1,415        | 2,412     | 3,068     |
| Austria . . . . .                     | 746       | 0.5%   | 841          | 967       | 943       |
| New Zealand . . . . .                 | 440       | 0.3%   | 459          | 526       | 529       |
| Internationally diversified . . . . . | 1,160     | 0.8%   | 1,225        | 1,918     | 3,968     |
| Other international . . . . .         | 843       | 0.6%   | 846          | 1,182     | 2,343     |
| Total International . . . . .         | 23,507    | 17.2%  | 24,952       | 31,618    | 38,256    |
| Grand Total . . . . .                 | \$136,847 | 100.0% | \$144,734    | \$179,092 | \$223,633 |

## Rating Distribution of Net Financial Guarantee Exposures Outstanding <sup>(1)</sup>



1) Based upon internal Ambac ratings. See Note 1 on the Table of Contents page.

## 25 Largest Domestic Public Finance Exposures <sup>(1)</sup>

| (\$ Millions)                                                                    | Ambac<br>Rating <sup>(2)</sup> | Net Par<br>Outstanding | % of Total Net<br>Par<br>Outstanding |
|----------------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------|
| California State - GO.....                                                       | A                              | \$ 2,090               | 1.5%                                 |
| New Jersey Transportation Trust Fund Authority - Transportation System.....      | A -                            | 1,868                  | 1.4%                                 |
| Massachusetts School Building Authority, MA, Sales Tax Revenue.....              | AA                             | 1,224                  | 0.9%                                 |
| Massachusetts Commonwealth - GO.....                                             | AA                             | 1,181                  | 0.9%                                 |
| NYS Thruway Authority, Highway & Bridge Revenue.....                             | AA -                           | 1,112                  | 0.8%                                 |
| Puerto Rico Sales Tax Financing Corporation.....                                 | BIG                            | 805                    | 0.6%                                 |
| Puerto Rico Highways & Transportation Authority, Transportation Revenue.....     | BIG                            | 712                    | 0.5%                                 |
| New York Convention Center Development Corporation, Hotel Fee Revenue.....       | A -                            | 650                    | 0.5%                                 |
| Chicago, IL - GO.....                                                            | BBB +                          | 638                    | 0.5%                                 |
| Mets Queens Baseball Stadium Project, NY, Lease Revenue.....                     | BIG                            | 579                    | 0.4%                                 |
| Washington State - GO.....                                                       | AA                             | 550                    | 0.4%                                 |
| New York City, NY - GO.....                                                      | AA                             | 549                    | 0.4%                                 |
| Puerto Rico Infrastructure Financing Authority, Special Tax Revenue.....         | BIG                            | 532                    | 0.4%                                 |
| Alameda Corridor Transportation Authority, Transportation Revenue.....           | BBB                            | 522                    | 0.4%                                 |
| Missouri Joint Municipal Electric Utility Commission, Project Revenue.....       | A -                            | 488                    | 0.4%                                 |
| Hickam Community Housing LLC.....                                                | BIG                            | 482                    | 0.4%                                 |
| Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement.....  | A                              | 480                    | 0.4%                                 |
| Metropolitan Washington Airports Authority, DC, Airport System Revenue.....      | AA -                           | 475                    | 0.3%                                 |
| MTA, NY, Transportation Revenue (Farebox) .....                                  | A                              | 464                    | 0.3%                                 |
| Bragg Communities, LLC.....                                                      | A                              | 448                    | 0.3%                                 |
| Louisiana Citizens Property Insurance Corporation, Assessment Revenue.....       | A -                            | 447                    | 0.3%                                 |
| New Jersey Economic Development Authority - School Facilities Construction ..... | A -                            | 442                    | 0.3%                                 |
| Clark County, NV - GO.....                                                       | AA +                           | 434                    | 0.3%                                 |
| Dallas, TX Waterworks and Sewer System Revenue.....                              | AA                             | 432                    | 0.3%                                 |
| Hamilton County, OH, Sales Tax Revenue Bonds.....                                | A                              | 431                    | 0.3%                                 |
| Total:                                                                           |                                | <u>\$ 18,035</u>       | <u>13.2%</u>                         |

1) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy.

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

## 25 Largest Structured Finance Exposures

| (\$ Millions)                                                                 | Ambac<br>Rating <sup>(1)</sup> | Net Par<br>Outstanding | % of Total Net<br>Par<br>Outstanding |
|-------------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------|
| Ballantyne Re Plc <sup>(2)</sup>                                              | BIG                            | \$900                  | 0.7%                                 |
| Wachovia Asset Securitization Issuance II, LLC 2007-HE2 <sup>(3)</sup>        | BIG                            | 826                    | 0.6%                                 |
| Timberlake Financial, LLC                                                     | BBB -                          | 608                    | 0.4%                                 |
| The National Collegiate Student Loan Trust 2007-4 <sup>(3)</sup>              | BIG                            | 601                    | 0.4%                                 |
| Wachovia Asset Securitization Issuance II, LLC 2007-HE1 <sup>(3)</sup>        | BIG                            | 585                    | 0.4%                                 |
| Progress Energy Carolinas, Inc.                                               | A -                            | 558                    | 0.4%                                 |
| Local Insight Media Finance LLC                                               | BIG                            | 489                    | 0.4%                                 |
| Niagara Mohawk Power Corporation                                              | A                              | 414                    | 0.3%                                 |
| CenterPoint Energy Inc.                                                       | BBB +                          | 376                    | 0.3%                                 |
| Countrywide Asset-Backed Certificates Trust 2005-16 <sup>(3)</sup>            | BIG                            | 358                    | 0.3%                                 |
| Option One Mortgage Loan Trust 2007-FXD1 <sup>(3)</sup>                       | BIG                            | 353                    | 0.3%                                 |
| Consolidated Edison Company of New York                                       | A                              | 347                    | 0.3%                                 |
| Impac CMB Trust Series 2005-7 <sup>(3)</sup>                                  | BIG                            | 330                    | 0.2%                                 |
| Countrywide Revolving Home Equity Loan Trust 2005-F <sup>(3)</sup>            | BIG                            | 327                    | 0.2%                                 |
| Countrywide Asset Backed Certificates Trust 2005-17 <sup>(3)</sup>            | BIG                            | 295                    | 0.2%                                 |
| The National Collegiate Student Loan Trust 2005-3 <sup>(3)</sup>              | BIG                            | 282                    | 0.2%                                 |
| Privately Placed RMBS Transaction <sup>(3)</sup>                              | BIG                            | 276                    | 0.2%                                 |
| Countrywide Asset Backed Certificates Trust 2006-11 <sup>(3)</sup>            | BIG                            | 270                    | 0.2%                                 |
| Morgan Stanley Credit Corporation Heloc Trust 2007-1 <sup>(3)</sup>           | BIG                            | 263                    | 0.2%                                 |
| Duke Energy Ohio, Inc.                                                        | BBB +                          | 255                    | 0.2%                                 |
| Terwin Mortgage Trust Asset-Backed Certificates, Series 2006-6 <sup>(3)</sup> | BIG                            | 248                    | 0.2%                                 |
| The National Collegiate Student Loan Trust 2007-3 <sup>(3)</sup>              | BIG                            | 245                    | 0.2%                                 |
| GMACM Home Equity Loan Trust 2005-HE3 <sup>(3)</sup>                          | BIG                            | 240                    | 0.2%                                 |
| Countrywide Revolving Home Equity Loan Trust 2006-C <sup>(3)</sup>            | BIG                            | 225                    | 0.2%                                 |
| SLM Private Credit Student Loan Trust 2006-A <sup>(3)</sup>                   | BIG                            | 220                    | 0.2%                                 |
| Total:                                                                        |                                | \$9,891                | 7.2%                                 |

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

2) Guaranteed by Ambac UK.

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.

## 25 Largest International Finance Exposures

| (\$ Millions)                                                        | Ambac<br>Rating <sup>(1)</sup> | Net Par<br>Outstanding | % of Total Net<br>Par<br>Outstanding |
|----------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------|
| Mitchells & Butlers Finance plc-UK Pub Securitization <sup>(2)</sup> | A +                            | \$1,782                | 1.3%                                 |
| National Grid Electricity Transmission <sup>(2)</sup>                | A -                            | 1,164                  | 0.9%                                 |
| Aspire Defence Finance plc <sup>(2)</sup>                            | BBB +                          | 1,070                  | 0.8%                                 |
| Capital Hospitals plc <sup>(2)</sup>                                 | BBB                            | 985                    | 0.7%                                 |
| Telereal Securitization plc <sup>(2)</sup>                           | AA                             | 967                    | 0.7%                                 |
| Channel Link Enterprises <sup>(2)</sup>                              | BBB -                          | 863                    | 0.6%                                 |
| Anglian Water <sup>(2)</sup>                                         | A -                            | 811                    | 0.6%                                 |
| Posillipo Finance II S.r.l. <sup>(2)</sup>                           | BBB                            | 798                    | 0.6%                                 |
| National Grid Gas <sup>(2)</sup>                                     | A-                             | 748                    | 0.5%                                 |
| Ostregion Investmentgesellschaft NR 1 SA <sup>(2)</sup>              | BIG                            | 746                    | 0.5%                                 |
| RMPA Services plc <sup>(2)</sup>                                     | BBB +                          | 724                    | 0.5%                                 |
| Scotia Gas Networks (Southern Gas) <sup>(2)</sup>                    | BBB                            | 665                    | 0.5%                                 |
| Catalyst Healthcare (Manchester) Financing plc <sup>(2)</sup>        | BBB +                          | 619                    | 0.5%                                 |
| Powercor Australia                                                   | BBB +                          | 553                    | 0.4%                                 |
| South East Water (Finance) Limited <sup>(2)</sup>                    | BBB                            | 543                    | 0.4%                                 |
| Babcock & Brown Air Funding I Limited                                | BIG                            | 475                    | 0.3%                                 |
| CDO of HY Corporate <sup>(2) (3)</sup>                               | BBB +                          | 445                    | 0.3%                                 |
| Northern Powergrid (Yorkshire) plc <sup>(2)</sup>                    | BBB +                          | 408                    | 0.3%                                 |
| Airspeed Limited                                                     | BIG                            | 386                    | 0.3%                                 |
| Spirit Issuer plc <sup>(2)</sup>                                     | BBB -                          | 352                    | 0.3%                                 |
| Annes Gate Property PLC <sup>(2)</sup>                               | BBB +                          | 347                    | 0.3%                                 |
| Road Management Services (Finance) plc. <sup>(2)</sup>               | BBB +                          | 346                    | 0.3%                                 |
| Dampier to Bunbury Natural Gas Pipeline                              | BBB                            | 341                    | 0.2%                                 |
| CitiPower                                                            | A -                            | 335                    | 0.2%                                 |
| Scotia Gas Networks (Scotland Gas) <sup>(2)</sup>                    | BBB                            | 334                    | 0.2%                                 |
| Total:                                                               |                                | <u>\$16,807</u>        | <u>12.3%</u>                         |

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

2) All or a portion of transaction guaranteed by Ambac UK.

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.

## Net Exposure Amortization <sup>(1)</sup>

As of March 31, 2015

| (\$ Millions)                           | Total including<br>Segregated Account         |                                                   | Segregated Account                            |                                                   |
|-----------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------|---------------------------------------------------|
|                                         | Estimated Net<br>Debt Service<br>Amortization | Ending Net<br>Financial<br>Guarantees<br>in Force | Estimated Net<br>Debt Service<br>Amortization | Ending Net<br>Financial<br>Guarantees<br>in Force |
| 2015 (2nd, 3rd and 4th Qtrs.) . . . . . | \$11,793                                      | \$202,994                                         | \$1,884                                       | \$20,218                                          |
| 2016 . . . . .                          | 14,144                                        | 188,850                                           | 2,646                                         | 17,572                                            |
| 2017 . . . . .                          | 13,121                                        | 175,729                                           | 1,908                                         | 15,664                                            |
| 2018 . . . . .                          | 12,908                                        | 162,821                                           | 1,495                                         | 14,169                                            |
| 2019 . . . . .                          | 11,360                                        | 151,461                                           | 1,245                                         | 12,924                                            |
| 2020 . . . . .                          | 10,860                                        | 140,601                                           | 1,010                                         | 11,914                                            |
| 2015 (2nd, 3rd and 4th Qtrs.) . . . . . | \$11,793                                      | \$202,994                                         | \$1,884                                       | \$20,218                                          |
| 2016-2020 . . . . .                     | 62,393                                        | 140,601                                           | 8,304                                         | 11,914                                            |
| 2021-2025 . . . . .                     | 46,026                                        | 94,575                                            | 3,596                                         | 8,318                                             |
| 2026-2030 . . . . .                     | 34,924                                        | 59,651                                            | 2,229                                         | 6,089                                             |
| 2031-2035 . . . . .                     | 27,540                                        | 32,111                                            | 3,008                                         | 3,081                                             |
| After 2035 . . . . .                    | 32,111                                        | -                                                 | 3,081                                         | -                                                 |
| Total . . . . .                         | \$214,787                                     |                                                   | \$22,102                                      |                                                   |

1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2015. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.