2008 Quarterly Operating Supplement

Q2

Financial Highlights

Share price	$1.34
Market capitalization	$384 million
Net income	$823.1 million
Net income per diluted share	$2.80
Book value per share	$6.76
Adjusted book value per share	$17.38

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Company Profile

Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. The principal operating subsidiary, Ambac Assurance Corporation, a guarantor of public finance and structured finance obligations, has been assigned an Aa3 rating with a negative outlook from Moody's Investors Services, Inc., and an AA rating with a credit watch negative outlook from Standard & Poor's Ratings Services. Ambac Financial Group, Inc., through its subsidiaries, also provided investment agreements, interest rate swaps, total return swaps and funding conduits, principally to clients of the financial guarantee business, which include municipalities and their authorities, health care organizations and asset-backed issuers. Ambac Financial Group, Inc. common stock is listed on the New York Stock Exchange (ticker symbol ABK).

Company Information

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

Ambac Financial Group, Inc.
Quarterly Operating Supplement
Second Quarter 2008

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Note 1: Throughout this Supplement adjusted book value (ABV) per share is reported and analyzed. ABV, is not promulgated in conformity with U.S. generally accepted accounting principles (GAAP) and should not be considered a substitute for actual book value. It is used by management, equity analysts and investors as a measurement of the Company's estimated intrinsic value with no benefit given for ongoing business activity. Management derives adjusted book value by beginning with stockholders' equity (book value) and adding or subtracting the after-tax value of: the net unearned premium reserve; deferred acquisition costs; the present value of estimated net future installment premiums (discounted at 5.3% and 5.2% at June 30, 2008 and December 31, 2007, respectively); and the unrealized gain or loss on investment agreement liabilities. The definition of ABV used by the Company may differ from definitions of ABV used by other financial guarantors and should be considered in such context. The adjustments described above will not be realized until future periods and may differ materially from the amounts used in determining ABV.

Note 2: Credit enhancement production (CEP) and net credit enhancement production (NCEP), which are not promulgated under GAAP, should not be considered a substitute for gross or net premiums written. CEP is used by management, equity analysts and investors as an indication of new business production. CEP, which Ambac reports as analytical data, is defined as gross (direct and assumed) up-front premiums written plus the present value of estimated installment premiums written on insurance policies, structured credit derivatives and other credit enhancement products issued in the period (discounted at 5.0% and 5.4% for the quarters ended June 30, 2008 and 2007, respectively). NCEP is defined as CEP less cessions to all reinsurers. The definition of CEP and NCEP used by Ambac may differ from definitions of CEP and NCEP used by other financial guarantors.

Note 3: Internal Ambac credit ratings contained in this Supplement are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of Ambac Assurance. In cases where Ambac has insured multiple tranches of an issue with varying internal ratings, or more than one obligation of an issuer with varying internal ratings, a weighted average rating is used. Ambac credit ratings are subject to revision at anytime and do not constitute investment advice. Ambac Assurance, or one of its affiliates, has insured the obligations listed and may also provide other products or services to the issuers of these obligations for which Ambac may have received premiums or fees.

Note 4: Information contained in this report is unaudited.

Annual Financial and Statistical Data
(Dollars in millions except share data)

	2007 [1]	2006	2005	2004	2003	2002 [2]	2001	2000	1999	1998
Summary Financial Data:										
Financial Guarantee:										
Credit enhancement production (non-GAAP)	$1,414	$1,295	$1,249	$1,288	$1,489	$1,299	$974	$711	$652	$486
Gross premiums written	1,031	997	1,096	1,048	1,144	904	683	483	445	361
Net premiums/enhancement fees earned	918	871	866	765	667	500	400	323	268	213
Net investment income [3]	460	424	378	355	321	297	268	241	209	186
Loss and loss expenses [4]	256	20	150	70	53	27	20	15	11	6
Underwriting and operating expenses	139	134	118	107	92	77	68	55	49	47
Financial Services [5]:										
Revenue	452	408	286	225	230	272	274	333	340	302
Expenses	432	372	253	184	208	241	244	295	312	284
Net (loss) income per diluted share	($31.56)	$8.15	$6.87	$6.53	$5.66	$3.97	$3.97	$3.41	$2.88	$2.37
Net (loss) income per diluted share growth rate	n.m.	18.6%	5.2%	15.4%	42.6%	0.0%	16.4%	18.4%	21.5%	13.4%
Return on equity	-76.7%	15.1%	14.4%	15.6%	15.7%	13.1%	15.5%	15.9%	15.0%	12.8%
Total investments	18,396	17,434	15,592	14,422	13,965	12,539	10,288	8,324	8,963	8,748
Total assets	23,565	20,268	18,546	17,673	16,747	15,356	12,340	10,120	11,345	11,212
Unearned premium reserve	3,124	3,038	2,941	2,779	2,545	2,129	1,780	1,546	1,431	1,294
Loss and loss expense reserve	484	220	304	254	189	172	151	132	122	116
Obligations under investment, repurchase and payment agreements	8,706	8,357	7,253	7,081	7,076	7,283	5,512	4,893	6,140	5,957
Long-term debt [6]	1,670	992	1,192	792	792	617	619	424	424	424
Stockholders' equity	2,280	6,190	5,388	5,024	4,255	3,625	2,984	2,596	2,019	2,096
Statutory Data:										
Qualified statutory capital	$6,422	$6,383	$5,693	$5,264	$4,526	$3,736	$3,262	$2,736	$2,421	$1,936
Unearned premium reserve	3,320	3,373	3,208	2,972	2,649	2,223	1,860	1,615	1,486	1,334
Loss and loss expense reserve	110	42	103	117	55	49	28	31	26	34
Estimated impairment losses on credit derivatives	757	-	-	-	-	-	-	-	-	-
Policyholders' reserves	10,609	9,798	9,004	8,353	7,230	6,008	5,150	4,382	3,933	3,304
Third party capital support	800	800	800	800	800	800	800	800	750	555
P.V. of future installment premiums	3,103	2,503	2,166	2,060	1,556	1,342	987	764	527	309
Total claims-paying resources	$14,512	$13,101	$11,970	$11,213	$9,586	$8,150	$6,937	$5,946	$5,210	$4,168
Net par outstanding	$524,025	$519,043	$479,085	$459,432	$425,854	$379,211	$318,043	$276,252	$240,307	$198,274
Net debt service outstanding	$833,303	$802,694	$726,612	$685,234	$625,564	$557,422	$476,190	$418,386	$374,484	$317,668
Financial Ratios:										
Loss and loss expense ratio	148.4%	2.3%	17.3%	9.1%	8.2%	6.5%	5.3%	4.8%	4.2%	2.8%
Underwriting expense ratio	15.2%	15.3%	13.6%	13.9%	13.8%	15.3%	17.0%	17.1%	18.2%	21.9%
Combined ratio	163.6%	17.6%	30.9%	23.0%	22.0%	21.8%	22.3%	21.9%	22.4%	24.7%
Stock Performance:										
Cumulative total return since IPO on 7/91	322.4%	1338.1%	1134.2%	1205.6%	996.3%	782.5%	802.4%	804.0%	435.0%	512.4%
Annual total return	-70.6%	16.5%	-5.5%	19.1%	24.2%	-2.2%	-0.2%	69.0%	-12.6%	31.8%
Dividends declared per common share	$0.780	$0.660	$0.550	$0.470	$0.420	$0.380	$0.340	$0.307	$0.280	$0.253
Adjusted book value per share (non-GAAP)	$55.24	$87.81	$78.53	$71.73	$61.27	$49.84	$42.03	$36.35	$29.79	$28.00

(1) Net income was adversely impacted by mark-to-market losses on credit derivative contracts of $6,016.3 million, $3,910.6 million after-tax, or $37.99 per diluted share.
(2) Net income was adversely impacted by a writedown of an investment security amounting to $139.7 million, $90.8 million after-tax or $0.83 per diluted share.
(3) Excludes variable interest entity investment income of $4.8 million from 2007.
(4) Includes losses of ($41.0) million, ($41.4) million and $91.5 million in 2007, 2006 and 2005, respectively, as a result of Hurricane Katrina.
(5) Financial Services revenues exclude net realized investment gains/losses, net mark-to-market gains/losses on non-trading derivatives and net mark-to-market gains/losses on total return swaps. Amounts also exclude the discontinued operations of Cadre Financial Services, Inc.
(6) Excludes the portion of long-term debt associated with a variable interest entity.

Key Financial Highlights

	Second Quarter 2008	Second Quarter 2007	Six Months 2008	Six Months 2007
KEY FINANCIAL LINES				
Net (loss) income ($ millions)	$823.1	$173.0	($837.2)	$386.4
Stockholders' equity ($ millions)	$1,939.5	$6,047.2	$1,939.5	$6,047.2
Return on equity	203.5%	11.5%	-79.4%	12.6%
Total capitalization (1) ($ millions)	$3,560.0	$7,436.5	$3,560.0	$7,436.5
Debt/total capital (1)	45.5%	18.7%	45.5%	18.7%
Capital ratio(2)	116:1	126:1	116:1	126:1
Claims-Paying ratio (2)	48:1	63:1	48:1	63:1
Loss ratio (3)	211.2%	7.2%	495.6%	6.1%
Expense ratio (4)	18.1%	14.0%	20.3%	14.9%
Combined ratio(3) (4)	229.3%	21.2%	515.9%	21.0%
Effective tax rates:				
Financial Guarantee:				
Net investment income	13.7%	12.9%	13.5%	12.9%
Realized securities gains	35.0%	35.0%	35.0%	35.0%
Underwriting and other income	35.2%	35.8%	35.6%	35.7%
Total Financial Guarantee	33.6%	25.4%	42.8%	26.3%
Financial Services	3.2%	34.6%	21.3%	33.2%
Other	-293.1%	27.7%	35.0%	34.1%
Consolidated total effective tax rate	45.4%	25.4%	34.8%	25.9%
STOCKHOLDER DATA				
Market value per share	$1.34	$87.19	$1.34	$87.19
Net income per share	$2.86	$1.69	($3.90)	$3.73
Net income per diluted share	$2.80	$1.67	($3.90)	$3.70
OTHER EARNINGS MEASURES (Per diluted share)				
Net (loss) income	$2.80	$1.67	($3.90)	$3.70
Net security losses and (gains)(5)	($4.33)	($0.01)	($2.73)	($0.05)
Other items	$0.00	$0.35	$0.00	$0.35
Operating earnings (non-GAAP)	($1.53)	$2.01	($6.63)	$4.00
Refundings, calls and other accelerations, net	($0.30)	($0.25)	($0.50)	($0.48)
Core earnings (non-GAAP)	($1.83)	$1.76	($7.13)	$3.52
ADJUSTED BOOK VALUE ANALYSIS (Per share)				
Book value	$6.76	$59.39	$6.76	$59.39
After-tax value of:				
Net unearned premium reserve less deferred acquisition costs	4.88	15.77	4.88	15.77
Present value of future installment premiums	6.11	15.99	6.11	15.99
Unrealized loss on investment agreement liabilities	(0.37)	(0.52)	(0.37)	(0.52)
Adjusted book value	$17.38	$90.63	$17.38	$90.63

(1) Excludes the portion of long-term debt associated with variable interest entities of $272.1 million and $275.5 million at June 30, 2008 and 2007, respectively.
(2) Capital and financial resources ratios (Statutory) and loss, expense and combined ratios (GAAP) relate solely to Financial Guarantee operations.
(3) Loss ratio is computed as insurance loss and loss expense plus credit derivative estimated credit impairment losses divided by net premiums earned and fees earned on credit derivatives.
(4) Expense ratio is computed as financial guarantee underwriting and operating expenses divided by net premiums earned and fees earned on credit derivatives.
(5) Includes net gains and losses from sales of investment securities, net mark-to-market gains and losses on credit derivatives, total return swaps and non-trading derivatives in the Financial Services business.

Earnings Analysis
(Dollars in Millions)

	Second Quarter 2008	Second Quarter 2007
Pre-tax income…………………………………………………………..	$1,507.4	$232.1
Pre-tax Financial Guarantee:		
Net realized investment losses (gains) …………………………………	1.1	(0.9)
Credit default swaps - total …………………………………………….	(961.6)	56.8
Credit default swaps - estimated impairment losses……………………	(1,061.9)	-
Non-trading derivatives [(1)]………………………………………………	-	(3.7)
Total Financial Guarantee…………………………………………….	(2,022.4)	52.2
Pre-tax Financial Services:		
Net realized investment losses (gains)…………………………………	142.0	(0.3)
Non-trading derivatives…………………………………………………	(2.1)	(0.4)
Total return swaps………………………………………………………	4.7	1.0
Total Financial Services………………………………………………	144.6	0.3
Pre-tax Operating earnings…………………………………………………	(370.4)	284.6
Tax on Operating earnings…………………………………………………	68.7	77.0
After-tax Operating earnings………………………………………………	($439.1)	$207.6

(1) Included within the line item "Other income" in the Consolidated Statements of Operations.

For Immediate Release

AMBAC FINANCIAL GROUP, INC. ANNOUNCES SECOND QUARTER NET INCOME OF $823.1 MILLION

Second Quarter Net Income Per Diluted Share of $2.80

NEW YORK, August 6, 2008--**Ambac Financial Group, Inc.** (NYSE: ABK) (Ambac) today announced second quarter 2008 net income of $823.1 million, or net income of $2.80 on a fully-diluted per share basis. This compares to second quarter 2007 net income of $173.0 million, or net income of $1.67 on a fully-diluted per share basis. The increase in the second quarter of 2008 is primarily due to recording net mark-to-market gains on credit derivatives, increased accelerated premiums from refundings, and loss reserve reductions on the direct residential mortgage-backed securities (RMBS) portfolio, partially offset by market losses on RMBS within the financial services investment portfolio.

Quarter Highlights

- Financial guarantee revenues, excluding net securities gains/losses and accelerated premiums from refundings (both are defined below), were flat at $314.1 million, quarter over quarter, despite little new business generated during the quarter.
- Net loss reserve reductions of $339.3 million were recorded for the quarter primarily relating to the second-lien direct RMBS portfolio. The majority of this benefit resulted from the inclusion in our loss reserve estimates of substantiated representation and warranty breach recoveries in certain transactions.
- Net mark-to-market gains on credit derivatives amounted to $961.6 million. However, estimated impairment losses in this portfolio amounted to $1,061.9 million during the quarter primarily due to credit deterioration and internal downgrades in several transactions. Operating earnings[2] and core earnings[2] for the second quarter and six months of 2008, shown below in table I, include the impact of estimated credit impairment for those periods.
- Progress continues in our efforts to establish a triple-A rated public finance subsidiary. The appropriate approval forms have been filed with the Office of the Commissioner of Insurance of the State of Wisconsin (OCI) and the Company believes that it will receive a favorable response; rating agency review is ongoing.

Ambac's Chairman and Chief Executive Officer, Michael Callen, commented, "The tumultuous credit markets continue to negatively impact the estimated impairment value of a few of our CDOs. However, I am pleased with the progress we have made with regard to our remediation efforts. Our hard work, research and analysis have already resulted in improvements in our loss provisioning on our direct portfolio of RMBS and a successful commutation of one of our largest CDOs. I expect that our continued efforts will yield significant progress as we work through these challenges. Finally, the progress we are making in establishing a triple-A rated public finance subsidiary is encouraging."

Financial Results

Net Income/(Loss) Per Share

Net income per diluted share and net loss per share are computed in conformity with U.S. generally accepted accounting principles (GAAP). However, many research analysts and investors do not limit their analysis of our earnings to a strictly GAAP basis. In order to assist investors in their understanding of quarterly results, Ambac provides additional information.

Earnings measures reported by research analysts exclude the net income/(loss) impact of net gains and losses from sales of investment securities and mark-to-market gains and losses on credit, total return and non-trading derivative contracts that are not impaired (collectively "net security gains and losses") and certain other items. Certain research analysts and investors further exclude the net income impact of accelerated premiums earned on guaranteed obligations that have been refunded and other accelerated earnings ("accelerated earnings"). During the second quarter 2008, net security gains and accelerated earnings had the effect of increasing net income per share by $1.88 and $0.30, respectively. Table I, below, provides second quarter and six-month comparisons of earnings for 2008 and 2007.

Table I

	Earnings Per Diluted Share					
	Second Quarter			Six Months		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**
Net income (loss) per diluted share	$2.80	$1.67	+68%	($3.90)	$3.70	n.m.
Effect of net security (gains) / losses	($1.88)	$0.34		$3.33	$0.30	
Less impairment losses	($2.45)	($0.00)		(6.06)	($0.00)	
Operating (loss) earnings [(a) (b)]	**($1.53)**	**$2.01**	**n.m**	**($6.63)**	**$4.00**	**n.m.**
Effect of accelerated earnings	($0.30)	($0.25)		($0.50)	($0.48)	
Core (loss) earnings [(b)]	($1.83)	$1.76	n.m.	($7.13)	$3.52	n.m.

(a) Consensus earnings that are reported by earnings estimate services, such as First Call, are on this basis.
(b) Operating and core earnings are non-GAAP measures. See footnote 2, below.
n.m. Not meaningful

Net Premiums Earned

Net premiums earned for the second quarter of 2008 were $325.5 million, up 47% from $221.0 million earned in the second quarter of 2007. Normal earned premiums in the second quarter 2008 of $166.3 million were 7% lower than $178.0 million reported in the second quarter 2007, primarily due to reduced premiums written in 2008 and the Assured Guaranty Re cede which took place in December 2007. The Assured Guaranty Re cede reduced normal earned premiums by $7.5 million in the current quarter.

Net premiums earned include accelerated premiums, which result from refundings, calls and other accelerations recognized during the quarter. Accelerated premiums were $159.2 million in the second quarter of 2008, up 270% from $43.0 million in accelerated premiums in the second quarter of 2007. Since first quarter 2008, a lack of liquidity in the auction rate and variable rate bond markets has resulted in significant refinancing activity in the municipal sector, especially in health care financings. During the second quarter of 2008 and 2007, approximately 97% and 73%, respectively, of the accelerated premiums related to U.S. public finance transactions.

A breakdown of net premiums earned by market sector for 2008 and 2007 are included in Table II. Normal net premiums earned exclude accelerated premiums that result from refundings, calls and other accelerations.

Table II

($-millions)	Net Premiums Earned					
	Second Quarter			Six Months		
	2008	2007	% Change	2008	2007	% Change
Public Finance	$ 53.1	$ 59.1	-10%	$ 108.9	$ 117.4	-7%
Structured Finance	67.4	74.0	-9%	137.7	145.8	-6%
International	45.8	44.9	+2%	92.5	91.0	+2%
Total Normal Premiums	166.3	178.0	-7%	339.1	354.2	-4%
Accelerated Premiums	159.2	43.0	+270%	173.2	82.8	+109%
Total	$ 325.5	$ 221.0	+47%	$ 512.3	$ 437.0	+17%

Net Investment Income

Net investment income for the second quarter of 2008 was $127.3 million, representing an increase of 12% from $113.2 million in the comparable period of 2007. This increase was due primarily to growth in the investment portfolio driven by the ongoing collection of financial guarantee premiums and fees, coupon receipts on invested assets, and the impact from $1.3 billion of capital contributed by Ambac Financial Group, Inc. to Ambac Assurance Corporation (AAC), the financial guarantee operating subsidiary, from the capital raise in March 2008.

Net Change in Fair Value of Credit Derivatives

Realized gains and other settlements from credit derivative contracts represents the normal accretion into income of premiums received for transactions executed in credit derivative format, offset by payments on such transactions, if any. Realized gains and other settlements for the second quarter of 2008 amounted to $15.0 million, which represented a 13% decrease from $17.3 million in the second quarter of 2007. The decrease was primarily due to payments amounting to $1.7 million for certain CDO-squared transactions in the second quarter 2008.

Net unrealized gains on Ambac's CDO portfolio were $961.6 million gain in the second quarter 2008, compared to a net unrealized loss of ($56.9) million in the comparable prior year quarter. The net gain on credit derivative exposures in the current quarter resulted from the higher discount rate on the credit derivative liability (as further described below), partially offset by negative adjustments for (i) internal ratings downgrades of the CDO of ABS portfolio; and (ii) lower quoted values on the reference obligations. The internal downgrades and lower prices received on the CDO of ABS portfolio was driven by credit deterioration and rating agency downgrades primarily in the underlying inner CDO collateral of the transactions. SFAS 157 requires Ambac to adjust the estimated fair values of its derivative liabilities to incorporate the risk of the Company's own non-performance. As a result, Ambac applied a market-derived discount rate, which includes an adjustment for the Company's CDS spreads, in estimating the fair value of its credit derivative liability. The effect of the Company's credit spreads on fair value can vary widely from period to period dependent largely on the perception of Ambac and/or its operating company, AAC, as counterparty. During the second quarter the CDS spreads of AAC widened significantly, especially in June after the rating agencies downgraded the company to AA/Aa3. As a result, the effect of incorporating the Company's own credit risk increased $5,194 million during the second quarter 2008, which is reflected as a positive adjustment to the net mark-to-market charge. Ambac's CDS spreads have narrowed significantly since June 30, 2008.

During the second quarter 2008, Ambac increased its estimate of credit impairment by $1,061.9 million driven by credit deterioration and internal downgrades across several CDO of ABS transactions. Ambac generally calculates estimated credit impairment on transactions internally rated below investment grade as it is management's expectation that the Company will have to pay claims on these exposures in the future.

Financial Guarantee Loss Reserves
Total loss and loss expenses improved to a net recovery of ($339.3) million in the second quarter 2008 from net expense of $17.1 million in the second quarter of 2007, primarily as a result of estimated recoveries from remediation efforts and improving credit conditions on certain residential mortgage-backed securities. The positive present value effect of expected recoveries from remediation efforts related to our direct residential mortgage-backed securities amounted to approximately $260 million in the second quarter 2008. Such recoveries are expected to take several years for ultimate collection; however, Ambac is required to meet all of its scheduled obligations to the bondholders of the impacted securities.

Case basis loss reserves (loss reserves for exposures that have defaulted) increased $169.6 million during the second quarter of 2008 from $350.6 million at March 31, 2008 to $520.2 million at June 30, 2008. The increase in case reserves resulted primarily from the default of certain underperforming second-lien RMBS transactions partially offset by the impact of expected future remediation benefits and improving performance on certain residential mortgage-backed securities. Total net claims paid during the quarter amounted to $66.9 million.

Active credit reserves ("ACR") are established for probable and estimable losses due to credit deterioration on certain adversely classified insured transactions. The ACR decreased by $575.8 million during the quarter, from $1,131.3 million at March 31, 2008 to $555.5 million at June 30, 2008. The decrease was driven primarily by the impact of expected future remediation benefits and improving performance on certain residential mortgage-backed securities, as well as transfers of reserves to case basis as a result of defaults on certain second-lien RMBS that occurred during the quarter.

Case reserves and ACR for all direct residential mortgage-backed securities exposures represent 83% of Ambac's net loss and loss expense reserves.

Financial Services
The financial services segment comprises the investment agreement business and the derivative products business. Gross interest income less gross interest expense from investment and payment agreements plus results from the derivative products business, excluding net realized investment gains and losses and unrealized gains and losses on total return swaps and non-trading derivative contracts, was ($16.3) million in the second quarter of 2008, down from $9.2 million in the second quarter of 2007. The decrease resulted primarily from the increase in short-term municipal rates and their impact on the interest-rate swap business, combined with lower net spreads from the investment agreement business. A decline in demand for variable-rate municipal debt has driven issue-specific rate resets to very high levels, thereby increasing Ambac's payment obligations under the interest rate swaps. During the second quarter of 2008, Ambac terminated five transactions, incurring a realized loss of approximately $5 million. Additionally, as a result of the currently high rates on such bonds, Ambac has made higher payments under these swap transactions of approximately $13 million. Ambac's efforts to eliminate the negative carry on these swap exposures have resulted in notional of approximately $700 million terminated and $700 million mitigated via restructuring or other techniques since year end 2007.
During the first quarter 2008, Ambac announced that it would discontinue writing new Financial Services business as part of its efforts to refocus its business. The interest rate swap and investment agreement businesses are being run off. In addition to the reduction in interest rate swap exposures, during the quarter the Company reduced its investment and payment agreement portfolio by approximately $360 million through negotiated terminations and scheduled amortization.

Liquidity

Ambac's financial guarantee investment portfolio amounts to $11.8 billion at June 30, 2008. The portfolio consists primarily of high quality municipal bonds, Treasuries, U.S. Agencies and Agency MBS. Cash and short-term securities amounted to $1.6 billion at June 30, 2008. Cash available at the holding company amounted to $166 million at June 30, 2008. This represents approximately 1.5 times debt services of the holding company. In July 2008, AAC made a dividend payment amounting to $54 million to the holding company and a similar payment is expected to be paid in the fourth quarter.

Capital

Ambac's claims paying resources at June 30, 2008 increased to $16.3 billion from $14.5 billion at December 31, 2007, primarily on the strength of the net proceeds received from the $1.5 billion capital raise in March. While Ambac is currently rated AA and Aa3 by S&P and Moody's, respectively, Ambac's capital position at June 30, 2008 is estimated to be in line or in excess of both rating agencies' triple-A requirements.

Subsequent to quarter end, as reported on August 1, 2008, Ambac commuted one of its largest CDO exposures – AA Bespoke. The commutation agreement required Ambac to immediately pay $850 million to its sole counterparty in settlement of the $1.4 billion exposure. From a capital perspective, the commutation allowed the Company to reduce significantly higher rating agency stress case capital. As a result, Ambac has improved its excess capital position under both rating agency models.

Connie Lee Update

Ambac has filed the appropriate forms with the OCI seeking formal approval for capitalization of Connie Lee and Ambac management believes that it will obtain OCI's approval of the plan. In addition, a formal business plan has also been presented to the rating agencies and their review is ongoing. Mr. Callen stated, "I am quite optimistic about our Connie Lee proposition. I believe it is compelling for several reasons: (i) it will be well capitalized; (ii) it will focus on U.S. public finance and global infrastructure exclusively; (iii) it will be staffed by experienced and talented professionals; and (iv) it starts fresh with a clean balance sheet."

Share Buyback Authorization

As previously reported on July 3, 2008, Ambac's Board of Directors authorized up to $50 million for share repurchases of its common stock. The repurchase of shares under the Stock Repurchase Program is conditioned upon the completion of the offering of shares by the underwriters of its March 2008 offering. The Company is unable to predict when the offering will be completed.

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Forward-Looking Statements

This release contains statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any or all of management's forward-looking statements here or in other publications may turn out to be wrong and are based on Ambac's management current belief or opinions. Ambac's actual results may vary materially, and there are no guarantees about the performance of Ambac's securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially are: (1) changes in the economic, credit, foreign currency or interest rate environment in the United States and abroad;

(2) the level of activity within the national and worldwide credit markets; (3) competitive conditions, pricing levels and reduction in demand for financial guarantee products; (4) legislative and regulatory developments; (5) changes in tax laws; (6) changes in our business plan, our decision to discontinue writing new business in the financial services area, to significantly reduce new underwriting of structured finance business and to discontinue all new underwritings of structured finance business for six months from March 6, 2008; (7) the policies and actions of the United States and other governments; (8) changes in capital requirements whether resulting from downgrades in our insured portfolio or changes in rating agencies' rating criteria or other reasons; (9) changes in Ambac's and/or Ambac Assurance's credit or financial strength ratings; (10) changes in accounting principles or practices relating to the financial guarantee industry or that may impact Ambac's reported financial results; (11) inadequacy of reserves established for losses and loss expenses; (12) default by one or more of Ambac Assurance's portfolio investments, insured issuers, counterparties or reinsurers; (13) credit risk throughout our business, including large single exposures to reinsurers; (14) market spreads and pricing on insured collateralized debt obligations ("CDOs") and other derivative products insured or issued by Ambac; (15) credit risk related to residential mortgage securities and CDOs; (16) the risk that holders of debt securities or counterparties on credit default swaps or other similar agreements seek to declare events of default or seek judicial relief or bring claims alleging violation or breach of covenants by Ambac or one of its subsidiaries; (17) the risk that our underwriting and risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (18) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting, or FAS 133, to the portion of our credit enhancement business which is executed in credit derivative form; (19) operational risks, including with respect to internal processes, risk models, systems and employees; (20) the risk of decline in market position; (21) the risk that market risks impact assets in our investment portfolio; (22) the risk of credit and liquidity risk due to unscheduled and unanticipated withdrawals on investment agreements; (23) changes in prepayment speeds on insured asset-backed securities; (24) factors that may influence the amount of installment premiums paid to Ambac; (25) the risk that we may be required to raise additional capital, which could have a dilutive effect on our outstanding equity capital and/or future earnings; (26) our ability or inability to raise additional capital, including the risks that regulatory or other approvals for any plan to raise capital are not obtained, or that various conditions to such a plan, either imposed by third parties or imposed by Ambac or its Board of Directors, are not satisfied and thus potentially necessary capital raising transactions do not occur, or the risk that for other reasons the Company cannot accomplish any potentially necessary capital raising transactions; (27) the risk that Ambac's holding company structure and certain regulatory and other constraints, including adverse business performance, affect Ambac's ability to pay dividends and make other payments; (28) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (29) changes in expectations regarding future realization of gross deferred tax assets; (30) risks relating to the re-launch of Connie Lee; (31) other factors described in the Risk Factors section in Part I, 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, and also disclosed from time to time by Ambac in its subsequent reports on Form 10-Q and Form 8-K, which are or will be available on the Ambac website at www.ambac.com and at the SEC's website, www.sec.gov; and (32) other risks and uncertainties that have not been identified at this time. Readers are cautioned that forward-looking statements speak only as of the date they are made and that Ambac does not undertake to update forward-looking statements to reflect circumstances or events that arise after the date the statements are made. You are therefore advised to consult any further disclosures we make on related subjects in Ambac's reports to the SEC.

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Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. Ambac's principal operating subsidiary, Ambac Assurance Corporation, a guarantor of public finance and structured finance obligations, has earned a Aa3 rating from Moody's Investors Service, Inc. and a AA rating from Standard & Poor's Ratings Services; Moody's rating is on negative outlook while Standard & Poor's maintains a credit watch negative. Ambac Financial Group, Inc. common stock is listed on the New York Stock Exchange (ticker symbol ABK).

Footnotes

(1) Credit enhancement production, a non-GAAP measure, is used by management, equity analysts and investors as an indication of new business production in the period. Credit enhancement production, which Ambac reports as analytical data, is defined as gross (direct and assumed) up-front premiums plus the present value of estimated installment premiums on insurance policies and structured credit derivatives issued in the period. The discount rate used to measure the present value of estimated installment premiums was 5.0% and 5.4% during the second quarter of 2008 and 2007, respectively. The definition of credit enhancement production used by Ambac may differ from definitions of credit enhancement production (or similar terms) used by other public holding companies of financial guarantors. The following table reconciles credit enhancement production to gross premiums written calculated in accordance with GAAP:

$-millions	**Second Quarter**		**Six Months**	
	2008	**2007**	**2008**	**2007**
Credit enhancement production	$ 19	$ 368	$ 60	$ 678
Present value of estimated installment premiums written on insurance policies and structured credit derivatives issued in the period	(11)	(242)	(45)	(440)
Gross up-front premiums written	$ 8	$ 126	$ 15	$ 238
Gross installment premiums written on insurance policies	133	135	286	273
Gross premiums written	$ 141	$ 261	$ 301	$ 511

(2) Operating earnings and core earnings are not substitutes for net income computed in accordance with GAAP, but are useful measures of performance used by management, equity analysts and investors because they allow more consistent period-to-period comparison of our earnings without the effects of net securities gains/losses and accelerated earnings. Net securities gains/losses excluded from operating earnings consists of investment portfolio realized gains and losses, mark-to-market gains and losses on credit, total return and non-trading derivative contracts that are not impaired, and certain other items. Core earnings further exclude the impact of refundings, calls and other accelerations. The definitions of operating earnings and core earnings used by Ambac may differ from definitions of operating earnings and core earnings used by other public holding companies of financial guarantors.

Consolidated Statements of Operations

($ in Thousands, Except Share Data)	Second Quarter 2008	Second Quarter 2007	Six Months 2008	Six Months 2007
Revenues:				
Financial Guarantee:				
Gross premiums written	$141,280	$261,139	$300,487	$511,051
Ceded premiums written	(17,446)	(28,437)	(40,980)	(57,921)
Net premiums written	$123,834	$232,702	$259,507	$453,130
Normal net premiums earned	$166,244	$177,983	$339,114	$354,263
Accelerated net premiums earned	159,227	43,036	173,223	82,762
Total net premiums earned	325,471	221,019	512,337	437,025
Net investment income	127,302	113,190	247,316	225,254
Net investment income from VIEs	3,438	-	7,069	-
Net realized (losses) gains	(1,127)	881	21,085	1,321
Realized gains and losses and other settlements on credit derivative contracts	15,035	17,332	32,008	32,885
Unrealized gains (losses) on credit derivative contracts	961,580	(56,867)	(763,592)	(61,991)
Net change in fair value of credit derivative contracts	976,615	(39,535)	(731,584)	(29,106)
Other income	2,053	5,649	10,510	8,505
Financial Services:				
Investment income	56,722	107,903	141,648	213,873
Derivative products	(15,137)	2,464	(83,957)	6,070
Net realized investment (losses) gains	(141,976)	310	(311,768)	6,471
Net mark-to-market (losses) gains on total return swap contracts	(4,671)	(982)	(45,599)	2,233
Net mark-to-market gains (losses) on non-trading derivatives contracts	2,095	340	262	(159)
Corporate:				
Net investment income	1,037	1,341	1,864	2,922
Total revenues	1,331,822	412,580	(230,817)	874,409
Expenses:				
Financial Guarantee:				
Losses and loss expenses	(339,294)	17,096	703,467	28,518
Underwriting and operating expenses	61,953	33,438	110,935	69,814
Interest expense on variable interest entity notes	3,379	-	6,936	-
Financial Services:				
Interest from investment and payment agreements	57,914	101,124	146,917	200,082
Other expenses	3,297	3,117	6,686	6,405
Corporate:				
Interest	30,075	22,091	54,452	41,380
Other expenses	7,113	3,664	23,189	6,920
Total expenses	(175,563)	180,530	1,052,582	353,119
Income (loss) before income taxes	1,507,385	232,050	(1,283,399)	521,290
Provision for income taxes	684,251	59,013	(446,190)	134,910
Net income (loss)	$823,134	$173,037	($837,209)	$386,380
Net income (loss) per share	$2.86	$1.69	($3.90)	$3.73
Net income (loss) per diluted share	$2.80	$1.67	($3.90)	$3.70
Weighted average number of shares outstanding	287,633,868	102,557,554	214,833,072	103,600,542
Weighted average number of diluted shares outstanding	294,857,435	103,442,086	214,833,072	104,550,048

Consolidated Balance Sheets

($ in Thousands, Except Share Data)	June 30, 2008	December 31, 2007
ASSETS		
Investments:		
Fixed income securities, at fair value (amortized cost of $16,643,279 in 2008 and $17,225,611 in 2007)	$15,519,216	$17,127,485
Fixed income securities pledged as collateral, at fair value (amortized cost of $117,837 in 2008 and $345,140 in 2007)	116,503	374,840
Short-term investments (amortized cost of $1,490,717 in 2008 and $879,039 in 2007)	1,490,717	879,067
Other (cost of $13,759 in 2008 and $13,571 in 2007)	13,936	14,278
Total investments	17,140,372	18,395,670
Cash	105,596	123,933
Receivable for securities sold	29,171	11,068
Investment income due and accrued	174,382	202,737
Reinsurance recoverable on paid and unpaid losses	49,737	11,862
Prepaid reinsurance	404,466	489,028
Deferred taxes	2,191,723	2,116,380
Current income taxes	627,792	-
Deferred acquisition costs	227,827	255,639
Loans	827,054	867,676
Derivative assets	918,490	990,534
Other assets	178,471	100,484
Total assets	$22,875,081	$23,565,011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unearned premiums	$2,786,546	$3,123,860
Loss and loss expense reserve	1,120,812	484,276
Ceded reinsurance balances payable	14,623	32,435
Obligations under investment and payment agreements	7,246,205	8,570,902
Obligations under investment repurchase agreements	135,273	135,524
Securities sold under agreement to repurchase	139	100,000
Current income taxes	-	97,826
Long-term debt	1,892,639	1,669,945
Accrued interest payable	80,477	113,443
Derivative liabilities	7,451,522	6,685,528
Other liabilities	204,322	270,734
Payable for securities purchased	3,054	645
Total liabilities	20,935,612	21,285,118
Stockholders' equity:		
Preferred stock	-	-
Common stock	2,944	1,092
Additional paid-in capital	2,031,159	839,952
Accumulated other comprehensive loss	(727,721)	(22,138)
Retained earnings	1,268,866	2,107,773
Common stock held in treasury at cost	(635,779)	(646,786)
Total stockholders' equity	1,939,469	2,279,893
Total liabilities and stockholders' equity	$22,875,081	$23,565,011
Number of shares outstanding (net of treasury shares)	286,840,897	101,550,023
Book value per share	$6.76	$22.45
Adjusted book value per share	$17.38	$55.20

Financial Guarantees(1)(2)(3)

($ Thousands)	Second Quarter 2008	Second Quarter 2007	Year-to-Date 2008	Year-to-Date 2007
Public Finance:				
Gross Par Guaranteed	$732,313	$14,651,615	$1,249,374	$28,557,992
Up-front Premium	$7,503	$104,971	$12,352	$211,060
Installment Premium	5,947	6,723	14,305	15,024
Gross Premium	$13,450	$111,694	$26,657	$226,084
Credit Enhancement Production	$7,593	$114,487	$13,117	$229,102
Net Credit Enhancement Production	$11,687	$105,839	$16,725	$206,249
Structured Finance:				
Gross Par Guaranteed	$1,078,105	$19,439,375	$4,906,117	$34,504,992
Up-front Premium	$358	$11,970	$2,048	$16,279
Installment Premium	71,378	75,602	151,915	154,529
Gross Premium	$71,736	$87,572	$153,963	$170,808
Credit Enhancement Production	$10,796	$159,074	$40,152	$294,424
Net Credit Enhancement Production	$13,037	$149,011	$39,853	$267,705
International Finance:				
Gross Par Guaranteed	$629,194	$4,924,614	$1,170,729	$7,460,208
Up-front Premium	$0	$8,925	$377	$10,749
Installment Premium	56,094	52,948	119,490	103,410
Gross Premium	$56,094	$61,873	$119,867	$114,159
Credit Enhancement Production	$1,101	$94,269	$6,704	$154,383
Net Credit Enhancement Production	$10,739	$84,706	$16,152	$127,396
Grand Total:				
Gross Par Guaranteed	$2,439,612	$39,015,604	$7,326,220	$70,523,192
Up-front Premium	$7,861	$125,866	$14,777	$238,088
Installment Premium	133,419	135,273	285,710	272,963
Gross Premium	$141,280	$261,139	$300,487	$511,051
Credit Enhancement Production	$19,490	$367,830	$59,973	$677,909
Net Credit Enhancement Production	$35,463	$339,556	$72,730	$601,350

(1) Credit enhancement production (CEP) and net credit enhancement production (NCEP) includes reinsurance assumed of $0.2 million and $2.6 million in the second quarter and six months ended June 2008, respectively, and $2.5 million and $15.3 million in the second quarter and six months ended June 2007, respectively. NCEP is defined as CEP less reinsurance cessions. NCEP for the six months ended June 2008 includes $15.3 million of recaptured reinsurance cessions relating to the cancellation of certain reinsurance contracts.

(2) International Finance includes components of domestic exposure.

(3) CEP and NCEP were discounted at rates of 5.2% and 5.0% in the first and second quarters of 2008, respectively, and at 5.4% in the first and second quarters of 2007.

Normal Net Insurance Premiums Earned and Fees on Credit Derivatives

2008 ($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Public Finance:					
Up-front premiums earned	$48,778	$46,106			$94,884
Installment premiums earned	7,033	6,960			13,993
Total Public Finance premiums earned	55,811	53,066	-	-	108,877
Structured Finance:					
Up-front premiums earned	3,956	3,939			7,895
Installment premiums earned	66,418	63,430			129,848
Total Structured Finance premiums earned	70,374	67,369	-	-	137,743
International Finance:					
Up-front premiums earned	5,082	5,122			10,204
Installment premiums earned	41,603	40,687			82,290
Total International Finance premiums earned	46,685	45,809	-	-	92,494
Total normal premiums earned	$172,870	$166,244	$0	$0	$339,114
Fees on credit derivative contracts (1)	$16,973	$16,709	$0	$0	$33,682

2007 ($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance:					
Up-front premiums earned	$51,170	$52,005	$51,748	$50,880	$205,803
Installment premiums earned	7,182	7,070	7,281	7,514	29,047
Total Public Finance premiums earned	58,352	59,075	59,029	58,394	234,850
Structured Finance:					
Up-front premiums earned	4,624	4,492	4,319	4,205	17,640
Installment premiums earned	67,245	69,487	68,631	68,720	274,083
Total Structured Finance premiums earned	71,869	73,979	72,950	72,925	291,723
International Finance:					
Up-front premiums earned	5,801	5,776	5,366	5,536	22,479
Installment premiums earned	40,258	39,153	41,044	42,971	163,426
Total International Finance premiums earned	46,059	44,929	46,410	48,507	185,905
Total normal premiums earned	$176,280	$177,983	$178,389	$179,826	$712,478
Fees on credit derivative contracts (1)	$15,553	$17,332	$20,035	$23,514	$76,434

Effect of Refundings, Calls and Other Accelerations

2008 ($ Thousands, Except Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Earned premium recognized from refundings, calls and other accelerations	$13,996	$159,227			$173,223
Net income effect	$20,372	$87,738			$108,110
Net income per diluted share effect	$0.15	$0.30			$0.50

2007 ($ Thousands, Except Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Earned premium recognized from refundings, calls and other accelerations	$39,726	$43,036	$16,406	$29,815	$128,983
Net income effect	$24,658	$25,588	$9,559	$18,395	$78,200
Net income per diluted share effect	$0.24	$0.25	$0.10	$0.18	$0.76

(1) Fees on credit derivative contracts are included in "Realized gains & other settlements on credit derivative contracts" on the consolidated statement of operations.

Public Finance New Issuance (1)(2)

($ Millions of Par Value)	Total New Issue Market Issued	Insured	Insured Percent	Insured by Ambac Insured	Market Share Percent
2008 By Quarter					
Second	$144,201	$31,460	21.8%	$223	0.7%
First	83,367	22,258	26.7%	261	1.2%
2007 By Quarter					
Fourth	$105,725	$43,667	41.3%	$7,744	17.7%
Third	92,957	46,531	50.1%	13,019	28.0%
Second	123,917	55,703	45.0%	11,422	20.5%
First	106,411	55,117	51.8%	13,340	24.2%
Full Year					
Year-to-date 2008	$227,568	$53,718	23.6%	$484	0.9%
2007	429,010	201,018	46.9%	45,525	22.6%
2006	388,716	184,805	47.5%	43,111	23.3%
2005	408,266	233,046	57.1%	57,527	24.7%
2004	359,717	194,887	54.2%	44,760	23.0%
2003	383,559	190,641	49.7%	39,200	20.6%
2002	358,569	178,928	49.9%	35,894	20.1%
2001	288,083	134,359	46.6%	32,573	24.2%
2000	200,880	79,305	39.5%	17,185	21.7%
1999	227,741	105,575	46.4%	26,555	25.2%
1998	286,817	145,515	50.7%	29,552	20.3%
1997	220,685	107,468	48.7%	25,405	23.6%
1996	185,210	85,708	46.3%	24,694	28.8%
1995	160,369	68,553	42.7%	16,983	24.8%
1994	165,034	61,512	37.3%	17,437	28.3%
1993	292,249	107,955	36.9%	31,487	29.2%
1992	234,667	80,762	34.4%	24,596	30.5%

(1) Figures are Ambac estimates subject to revisions as new information becomes available. It is compiled from The Bond Buyer and Thompson Financial.

(2) Data for industry and Ambac is provided on a sale date basis and will not agree with Ambac data in subsequent sections which is provided on a closing date basis.

Net Exposure Amortization[1]
As of June 30, 2008

($ Millions)	Estimated Net Debt Service Amortization	Ending Net Debt Service Outstanding
2008 (3rd and 4th Qtrs)	$25,034	$750,809
2009	42,212	708,597
2010	46,618	661,979
2011	42,029	619,950
2012	35,963	583,987
2013	36,154	547,833
2008 (3rd and 4th Qtrs)	25,034	750,809
2009-2013	202,976	547,833
2018-2014	159,583	388,250
2019-2023	122,099	266,151
2024-2028	89,446	176,705
After 2028	176,705	-
Total	$775,843	

Net Unearned Premium Amortization and Estimated Future Installment Premiums
As of June 30, 2008

($ Millions)	Net Unearned Premium Amortization [2] Upfront	Installments	Estimated Net Future Installments[3]	Total Premium Earnings	Fees on Credit Derivative Contracts
2008 (3rd and 4th Qtrs)	$103.5	$36.5	$176.1	$316.1	$31.8
2009	195.3	11.7	367.5	574.5	56.8
2010	181.4	2.8	332.0	516.2	53.9
2011	169.0	2.4	271.2	442.6	48.6
2012	157.4	1.7	219.2	378.3	44.3
2013	144.9	1.4	190.5	336.8	38.2
2008 (3rd and 4th Qtrs)	103.5	36.5	176.1	316.1	31.8
2009-2013	848.0	20.0	1,380.4	2,248.4	241.8
2014-2018	576.9	4.8	600.1	1,181.8	95.2
2019-2023	376.0	2.7	393.9	772.6	16.4
2024-2028	227.1	2.2	270.3	499.6	0.5
After 2028	182.8	1.5	268.6	452.9	0.5
Total	$2,314.3	$67.7	$3,089.4	$5,471.4	$386.2

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of June 30, 2008. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.

(2) Unearned premium amounts are net of prepaid reinsurance, which is reported separately as an asset on the Consolidated Balance Sheet.

(3) Actual future installments are net of reinsurance and may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment.

Fixed Income Investment Portfolio

As of June 30, 2008

INCOME ANALYSIS BY TYPE OF SECURITY

Investment category ($ thousands)	Fair Value	Amortized Cost	Yield to Maturity (1)	Weighted Average After-Tax Yield	YTD Investment Income
Financial Guarantee investments:					
Long-term investments					
U.S. government obligations	$305,843	$313,833	2.64%	1.72%	$3,729
U.S. agency obligations	482,042	485,276	3.94%	2.56%	5,997
Municipal obligations(2) (3)	8,541,254	8,469,972	4.60%	4.52%	188,170
Foreign obligations	311,757	299,558	4.75%	3.09%	7,693
Corporate obligations	487,405	478,475	5.73%	3.72%	11,631
Mortgage and asset-backed securities	926,530	930,903	5.10%	3.31%	20,316
Total long-term investments	11,054,831	10,978,017	4.61%	4.18%	237,536
Short-term investments(4)	742,406	742,406	2.25%	1.68%	11,501
Other (5)	12,745	12,903			7,623
Total Financial Guarantee investments	11,809,982	11,733,326	4.46%	4.02%	256,660
Investment expenses					(2,276)
Financial Guarantee net investment income					$254,384
Financial Services investments:(6)					
Long-term investments					
U.S. government obligations	14,753	14,091			
U.S. agency obligations	414,165	365,949			
Municipal obligations	48,524	47,156			
Corporate obligations	223,296	241,865			
Mortgage and asset-backed securities	3,880,150	5,114,038			
Total long-term investments	4,580,888	5,783,099			
Short-term investments	579,918	579,918			
Total Financial Services investments	5,160,806	6,363,017			
Corporate investments:					
Short-term investments	168,393	168,393			
Other	1,191	856			
Total Corporate investments	169,584	169,249			
Total Investments	$17,140,372	$18,265,592			

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO (7)

Rating	Percent of Investment Portfolio: Fin. Guar.	Fin. Services	Combined
AAA(2) (8)	58%	87%	69%
AA	32%	6%	23%
A	9%	6%	8%
BBB	<1%	1%	<1%
Below investment grade	<1%	<1%	<1%
Not rated	<1%	0%	<1%
	100%	100%	100%

Duration of Financial Guarantee investment portfolio	5.6

(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 purchase price, 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.

(2) Includes municipal bonds which have been advance refunded and defeased with U.S. Treasury and Agency obligations, but not necessarily re-rated by S&P and/or Moody's. Ambac considers the credit quality of these bonds, which have a total fair value of $1,360,801 and comprise approximately 12% of the Financial Guarantee portfolio, to be AAA.

(3) Includes taxable and tax-exempt municipal obligations with a fair value of $333,185 and $8,208,069, respectively.

(4) Includes taxable and tax-exempt short-term investments with a fair value of $455,701 and $286,705, respectively.

(5) Includes income earned on loans, FIN 46 entities, and securities purchased under agreements to resell, which are classified separately on the balance sheet.

(6) Financial Services investments relate primarily to the investment agreement business. The goal is to match invested assets to related investment agreement liabilities to earn a net interest spread.

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

(8) Includes U.S. Government and Agency securities which comprise approximately 13% and 16% of the Financial Guarantee and Financial Services portfolios, respectively.

Ratio of Net Claims Paid[1]

($ Thousands)	YTD 6/30/08	2007	2006	2005	2004
Net claims paid[2]	$102,659	($2,128)	$105,568	$86,739	$18,923
Net insurance premiums and credit derivative fees	$546,019	$917,895	$871,383	$866,415	$764,510
Ratio of net claims paid	18.8%	-0.2%	12.1%	10.0%	2.5%

Summary of Net Insurance Loss Reserves and Credit Derivatives

($ Thousands)	6/30/08	12/31/07	12/31/06	12/31/05
Case basis credit reserves	$520,226	$109,816	$42,458	$103,064
Active credit reserves	555,445	363,372	172,644	197,607
Total insurance reserves	1,075,671	473,188	215,102	300,671
Estimated credit impairment losses on credit derivatives[3]	3,106,430	1,105,741	-	-
Total impairment losses	4,182,101	1,578,929	215,102	300,671
Mark-to-market reserve (asset) on credit derivatives[3]	3,652,624	4,889,721	(8,929)	165
Mark-to-market reserve (asset) on total return swaps	41,294	21,901	(11,195)	(14,718)
Grand total net insurance loss reserves and credit derivatives	$7,876,019	$6,490,551	$194,978	$286,118

Summary of Below Investment Grade Exposures[4]

($ Millions)	Net Par Outstanding	Total Impairment Losses
Public Finance:		
Transportation Revenue	$1,007	
Health Care	343	
Other	839	
Total Public Finance	2,189	149
Structured Finance:		
CDO of ABS >25% MBS	$17,799	$3,106
Mortgage-Backed & Home Equity - Second Lien	5,383	651
Mortgage-Backed & Home Equity - Mid prime	864	179
Student Loans	711	22
Enhanced Equipment Trust Certificates	590	-
Investor-Owned Utilities	406	-
Mortgage-Backed & Home Equity - Sub prime.	608	18
Mortgage-Backed & Home Equity - Other.	495	49
Other CDOs	55	4
Other	481	-
Total Structured Finance	27,392	4,029
International Finance:	$125	$4
Total	$29,706	$4,182

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

(2) Net claims paid includes payments on credit derivatives of $1.7, $0, $0, $0 and $0 million for year-to-date 2008, 2007, 2006, 2005 and 2004, respectively, and are net of salvage received of $3.1 million, $27.9 million, $16.7 million, $9.4 million, and $33.6 million for year-to-date 2008, 2007, 2006, 2005, and 2004 respectively.

(3) Total net mark-to-market losses are $6,759,054 as of June 30, 2008 and $5,995,462 as of December 31, 2007 and are reported on the consolidated balance sheet under derivative liabilities.

Expense Analysis

2008

($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Financial Guarantee underwriting and operating expenses:					
Compensation	$ 26,241	$ 36,645			$ 62,886
Premium taxes	2,425	2,727			5,152
Other non-compensation	10,037	14,581			24,618
Gross underwriting and operating expenses	**38,703**	**53,953**	**-**	**-**	**92,656**
Operating expenses deferred (policy acquisition costs)	(3,357)	(3,226)			(6,583)
Ceding commissions received	(5,616)	(3,925)			(9,541)
Ceding commissions deferred	5,616	3,925			9,541
Amortization of previously deferred expenses and commissions	13,636	11,226			24,862
Total Financial Guarantee underwriting and operating expenses	48,982	61,953	-	-	110,935
Financial Services operating expenses	**3,389**	**3,297**			**6,686**
Corporate operating expenses	**16,076**	**7,113**			**23,189**
Total underwriting and operating expenses, net of deferred expenses	$ 68,447	$ 72,363	$ -	$ -	$ 140,809
Total gross underwriting and operating expenses	**$ 58,168**	**$ 64,363**	**$ -**	**$ -**	**$ 122,530**

2007

($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee underwriting and operating expenses:					
Compensation	$ 36,704	$ 38,085	$ 34,573	$ 34,846	$ 144,208
Premium taxes	5,554	4,830	8,108	4,974	23,466
Other non-compensation	6,919	5,962	7,947	7,217	28,045
Gross underwriting and operating expenses	**49,177**	**48,877**	**50,628**	**47,037**	**195,719**
Operating expenses deferred (policy acquisition costs)	(25,656)	(25,490)	(27,163)	(24,084)	(102,393)
Ceding commissions received	(8,085)	(7,525)	(9,705)	(34,070)	(59,385)
Ceding commissions deferred	8,037	7,525	9,753	33,985	59,300
Amortization of previously deferred expenses and commissions	12,903	10,051	11,063	12,087	46,104
Total Financial Guarantee underwriting and operating expenses	36,376	33,438	34,576	34,955	139,345
Financial Services operating expenses	**3,288**	**3,117**	**3,164**	**2,660**	**12,229**
Corporate operating expenses	**3,256**	**3,664**	**2,857**	**4,164**	**13,941**
Total underwriting and operating expenses, net of deferred expenses	$ 42,920	$ 40,219	$ 40,597	$ 41,779	$ 165,515
Total gross underwriting and operating expenses	**$ 55,721**	**$ 55,658**	**$ 56,649**	**$ 53,861**	**$ 221,889**

Deferred Expense Ratio Analysis

	6/30/08	12/31/07	12/31/06	12/31/05	12/31/04
Deferred Acquisition Costs	$ 227,827	$ 255,639	$ 252,115	$ 226,168	$ 198,142
Unearned Premium Reserves	2,786,546	3,123,860	3,037,544	2,940,988	2,765,163
Prepaid Reinsurance Premiums	(404,466)	(489,028)	(315,498)	(303,383)	(297,330)
Present Value of Installment Premiums	2,694,735	2,887,409	2,502,764	2,238,990	2,123,121
Adjusted Deferred Premiums	$ 5,011,315	$ 5,522,241	$ 5,224,810	$ 4,876,595	$ 4,590,954
Deferred Expenses to Adjusted Deferred Premiums Ratio	4.5%	4.6%	4.8%	4.6%	4.3%

Historical Financial Guarantee Exposures Outstanding [1]

($ Millions Net Par Value)	June 30, 2008	December 31, 2007	2006	2005	2004
Public Finance:					
Lease and tax backed	$82,711	$88,147	$89,042	$82,584	$76,007
General obligation	61,520	63,977	62,834	57,982	49,394
Utility	34,960	37,976	38,313	36,877	36,326
Transportation	24,514	25,466	24,979	23,718	21,188
Health care	21,184	27,161	27,849	26,994	23,977
Higher education	18,801	20,685	22,068	20,203	18,056
Housing	11,066	11,531	10,996	10,152	9,163
Other	5,348	6,010	6,181	5,556	5,588
Total Public Finance	260,104	280,953	282,262	264,066	239,699
Structured Finance:					
Mortgage-backed & home equity	39,253	43,078	46,239	48,869	53,148
Asset-backed and conduits	30,958	36,407	34,815	32,505	28,858
CDO of ABS >25% MBS	28,760	29,127	20,145	7,533	900
Other CDOs	21,086	22,174	20,423	18,213	15,135
Student loan	17,710	18,372	18,404	16,538	14,646
Investor-owned utilities	16,298	17,055	17,345	16,398	15,449
Other	4,505	4,485	5,212	4,296	4,318
Total Structured Finance	158,570	170,698	162,583	144,352	132,454
International Finance[2]:					
Asset-backed and conduits	18,921	19,290	17,642	15,151	15,553
Other CDOs	14,226	15,572	19,978	23,427	35,831
Investor-owned and public utilities	10,469	10,384	10,531	8,052	5,965
Transportation	8,314	7,784	6,524	5,156	5,157
Sovereign/sub-sovereign	7,599	7,347	6,344	3,585	4,110
Mortgage-backed & home equity	6,429	10,106	11,951	14,627	19,644
Other	1,958	1,891	1,228	669	1,019
Total International Finance	67,916	72,374	74,198	70,667	87,279
Grand Total	$486,590	$524,025	$519,043	$479,085	$459,432

Percent of Total Net Par Outstanding					
Public Finance	53.4%	53.6%	54.4%	55.1%	52.2%
Structured Finance	32.6%	32.6%	31.3%	30.1%	28.8%
International Finance	14.0%	13.8%	14.3%	14.8%	19.0%
Total Net Par Outstanding	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Included in the above exposures are structured credit derivatives. Total structured credit derivative net par outstanding amounted to $62,397, $64,988, $55,460, $43,712 and $43,478 at June 30, 2008 and December 31, 2007, 2006, 2005 and 2004, respectively.

(2) International transactions include components of domestic exposure.

Bond Type Distribution of Financial Guarantee Exposures

($ Millions Par Value)	Guaranteed Year-to-Date Gross	%	Net[1]	%
Public Finance:				
Lease and tax backed	$615	8.4%	$615	8.3%
General obligation	261	3.6%	261	3.5%
Utility	153	2.1%	153	2.1%
Transportation	33	0.5%	134	1.8%
Health care	127	1.7%	149	2.0%
Higher education	11	0.2%	58	0.8%
Housing	42	0.6%	42	0.6%
Other	7	0.1%	7	0.1%
Total Public Finance	1,249	17.0%	1,419	19.2%
Structured Finance:				
Mortgage-backed & home equity	34	0.5%	65	0.9%
Asset-backed and conduits	3,775	51.5%	3,436	46.4%
CDO of ABS > 25% MBS[3]	101	1.4%	101	1.4%
Other CDOs[3]	590	8.1%	590	8.0%
Student loan	-	0.0%	63	0.9%
Investor-owned utilities	154	2.1%	124	1.7%
Other	252	3.4%	252	3.4%
Total Structured Finance	4,906	67.0%	4,631	62.6%
International Finance[2]:				
Asset-backed and conduits	122	1.7%	106	1.4%
Other CDOs[3]	628	8.6%	573	7.7%
Investor-owned and public utilities	-	0.0%	108	1.5%
Transportation	421	5.7%	393	5.3%
Sovereign/sub-sovereign	-	0.0%	162	2.2%
Mortgage-backed & home equity	-	0.0%	-	0.0%
Other	-	0.0%	9	0.1%
Total International Finance	1,171	16.0%	1,351	18.3%
Grand Total	$7,326	100.0%	$7,401	100.0%

(1) Net financial guarantees written reflects the recapture of $826 million relating to the cancellation of certain reinsurance contracts.

(2) International transactions include components of domestic exposure.

(3) Par written during the period relates to increases in funding for transactions originated in prior years. The remaining unfunded net exposure for these transactions at June 30, 2008 is $2,216 million for Other CDO's.

Geographic Distribution of Financial Guarantee Exposures

($ Millions Par Value)	Guaranteed Year-to-Date Gross	%	Net	%	Net Par Outstanding as of June 30, 2008 Net	%
Domestic:						
California	$489	6.7%	$431	5.8%	$49,895	10.3%
New York	264	3.6%	264	3.6%	29,264	6.0%
Florida	243	3.3%	290	3.9%	20,337	4.2%
Texas	85	1.2%	215	2.9%	19,392	4.0%
New Jersey	-	0.0%	-	0.0%	12,952	2.7%
Pennsylvania	50	0.7%	50	0.7%	12,052	2.5%
Illinois	56	0.8%	56	0.8%	11,277	2.3%
Massachusetts	-	0.0%	-	0.0%	8,896	1.8%
Ohio	6	0.1%	6	0.1%	7,420	1.5%
Colorado	7	0.1%	7	0.1%	6,950	1.4%
Mortgage and asset-backed	3,809	52.0%	3,501	47.3%	70,211	14.4%
Other states	1,146	15.6%	1,230	16.6%	170,028	34.9%
Total Domestic	6,155	84.0%	6,050	81.7%	418,674	86.0%
International:						
United Kingdom	9	0.1%	239	3.2%	26,742	5.5%
Australia	16	0.2%	145	2.0%	6,574	1.4%
Italy	-	0.0%	-	0.0%	3,143	0.6%
Japan	4	0.1%	26	0.4%	2,626	0.5%
Germany	-	0.0%	-	0.0%	2,397	0.5%
Internationally diversified	717	9.8%	630	8.5%	16,177	3.3%
Other international	425	5.8%	311	4.2%	10,257	2.1%
Total International	1,171	16.0%	1,351	18.3%	67,916	14.0%
Grand Total	$7,326	100.0%	$7,401	100.0%	$486,590	100.0%

Rating Distribution of Net Financial Guarantee Exposures[1]

As of June 30, 2008

Rating	Percentage of Guaranteed Portfolio: Public Finance	Structured and International Finance	Total
AAA	<1	25	12
AA	27	12	20
A	59	20	41
BBB	13	31	21
BIG	<1	12	6
	100	100	100

(1) Based upon Ambac ratings. See Note 3 on the Table of Contents page.

Largest Domestic Public Finance Exposures[1]

($ Millions)	Ambac Rating[2]	AADS[3]	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A +	$198.8	$3,072	0.6%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	$150.6	2,162	0.4%
Bay Area Toll Authority, CA Toll Bridge Revenue	AA -	$92.5	1,831	0.4%
Washington State - GO	AA	$132.6	1,826	0.4%
MTA, NY, Transportation Revenue (Farebox)	A	$94.3	1,534	0.3%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	$117.5	1,461	0.3%
New Jersey Turnpike Authority Revenue	A	$91.1	1,372	0.3%
Massachusetts Commonwealth - GO	AA	$87.8	1,327	0.3%
Central Texas Turnpike, System Revenue	BBB +	$103.6	1,070	0.2%
Connecticut Housing Finance Authority, Housing Mortgage Finance Program	AAA	$62.9	1,035	0.2%
California Department of Water Resources, Power Supply	A	$139.8	1,034	0.2%
Nassau County Interim Finance Authority, NY, Sales Tax Revenue	AA	$85.7	1,009	0.2%
New York City, NY - GO	AA -	$52.5	992	0.2%
South Carolina Transportation Infrastructure Bank Revenue	A	$67.6	991	0.2%
Puerto Rico Highways & Transportation Authority, Transportation Revenue	BBB +	$55.7	957	0.2%
Los Angeles Unified School District, CA - GO	AA -	$67.6	957	0.2%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	$66.4	925	0.2%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	$65.6	900	0.2%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A -	$52.4	885	0.2%
Connecticut State Special Tax Obligations	AA -	$60.4	833	0.2%
New Jersey Economic Development Authority - School Facilities Construction	A +	$48.8	826	0.2%
Chicago, IL - GO	A +	$38.9	823	0.2%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	$67.7	810	0.2%
Puerto Rico Sales Tax Financing Corporation	A +	$152.9	775	0.2%
Triborough Bridge & Tunnel Authority, NY, General Purpose Revenue	A +	$56.7	774	0.2%
Total:			$30,181	6.2%

Largest Domestic Healthcare Exposures

($ Millions)	Ambac Rating[2]	AADS[3]	Net Par Outstanding	% of Total Net Par Outstanding
Trinity Health - Michigan	AA -	$24.6	$350	0.1%
Baylor College of Medicine - Texas	A +	$16.1	329	0.1%
Sisters of Mercy Health System - Missouri	AA	$29.7	326	0.1%
Children's Hospital Boston - Massachusetts	AA	$21.2	304	0.1%
New York City Health and Hospitals Corporation	A	$30.1	302	0.1%
Greenville Hospital System - South Carolina	AA -	$21.0	301	0.1%
Catholic Healthcare Partners - Ohio	A +	$20.9	287	0.1%
Catholic Health East - Pennsylvania	A +	$21.2	285	0.1%
Texas Health Resources - Texas	A +	$23.7	269	0.1%
Banner Health - Arizona	AA -	$21.1	266	0.1%
Total:			$3,019	0.6%

(1) Excludes Healthcare exposures.
(2) See Note 3 on the Table of Contents page.
(3) Average Annual Debt Service, net of reinsurance.

Largest Structured Finance Exposures

($ Millions)	Ambac Rating[1]	Net Par Outstanding	% of Total Net Par Outstanding
CDO of ABS > 25% MBS[2]	BIG	$2,916	0.6%
CDO of ABS < 25% MBS	AAA	2,661	0.5%
Kleros Preferred Funding VI, Ltd.	BIG	2,378	0.5%
Iowa Student Loan Liquidity Corporation Revenue Bonds	A	2,237	0.5%
Private Commercial Asset-Backed Transaction	BBB +	2,159	0.4%
Ridgeway Court Funding II, Ltd.	BIG	1,942	0.4%
Diversey Harbor ABS CDO, Ltd.	BIG	1,835	0.4%
Vermont Student Assistance Corporation Revenue Bonds	A	1,779	0.4%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB +	1,727	0.4%
Hertz Vehicle Financing, LLC	BBB	1,668	0.3%
Belle Haven ABS CDO 2006-1, Ltd.	BIG	1,642	0.3%
Ridgeway Court Funding I, Ltd.	BBB -	1,534	0.3%
Michigan Higher Education Student Loan Authority	AA	1,534	0.3%
Duke Funding High Grade III, Ltd.	BBB +	1,487	0.3%
Citibank - CRC Funding, LLC	AAA	1,461	0.3%
Private AA-Bespoke CDO Squared Transaction[3]	BIG	1,398	0.3%
Citibank - CAFCO, LLC	AAA	1,308	0.3%
Duke Funding High Grade IV, Ltd.	BIG	1,294	0.3%
Massachusetts Educational Financing Authority Revenue Bonds	AA	1,252	0.3%
Duke Funding High Grade V, Ltd.	BIG	1,242	0.3%
Cendant Rental Car Funding	BBB	1,207	0.2%
Private Commercial Asset-Backed Transaction	BBB -	1,205	0.2%
Citibank - CHARTA, LLC	AAA	1,198	0.2%
McKinley Funding III, Ltd.	BIG	1,151	0.2%
Private Consumer Asset-Backed Transaction	AAA	1,125	0.2%
Total:		$41,340	8.5%

Largest International Finance Exposures

($ Millions)	Ambac Rating[1]	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation	A +	$ 2,573	0.5%
CDO of IG Corporate	AAA	2,131	0.4%
Telereal Securitisation plc	AA -	1,830	0.4%
Punch Taverns Finance plc-UK Pub Securitisation	AA -	1,783	0.4%
Synthetic RMBS	AAA	1,199	0.2%
Romulus Finance s.r.l.	BBB	1,153	0.2%
TubeLines (Finance) plc	A	1,071	0.2%
Metronet Rail[4]	AA	1,030	0.2%
Channel Link Enterprises	BBB	1,004	0.2%
Private Consumer Asset-Backed Transaction	A	953	0.2%
CDO Corporate Loans	AAA	909	0.2%
RMPA Services plc	BBB	905	0.2%
Aspire Defence Finance plc	BBB -	899	0.2%
Sydney Airport Finance Co. Pty Ltd	BBB	892	0.2%
Spirit Issuer plc	BBB +	821	0.2%
Capital Hospitals plc	BBB -	813	0.2%
Private CMBS Transaction	AAA	789	0.2%
Regione Campania	A -	779	0.2%
Synthetic RMBS	AAA	775	0.2%
Private CMBS Transaction	AAA	734	0.2%
Babcock & Brown Air Funding I Limited	BBB +	708	0.1%
National Grid Electricity Transmission	A	699	0.1%
National Grid Gas	A -	694	0.1%
CDO of HY Corporate	AAA	692	0.1%
CDO of HY Corporate	AA	670	0.1%
Total:		$26,506	5.4%

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

(2) Represents an outstanding commitment to provide a financial guarantee on a static pool consisting primarily of High-Grade and Mezzanine CDO of ABS securities, comprising primarily underlying sub prime and mid prime residential mortgage backed securitizations.

(3) Effective August 1, 2008, this transaction has been terminated.

(4) Metronet BCV and SSL are separate operating corporate entities with distinguishable risk features. Individually they would not appear on this list, however their exposures are aggregated to reflect common business and financial issues currently confronting each company.

Ambac Assurance Corporation

Claims-Paying Resources [1] and Statutory Financial Ratios

($ Thousands, Except Ratios)	June 30, 2008	December 31, 2007
Contingency reserve	$3,260,481	$3,106,462
Surplus to Policyholders	3,453,285	3,316,143
Qualified statutory capital	6,713,766	6,422,605
Unearned premiums	3,060,561	3,320,054
Losses and loss adjustment expenses	520,226	109,816
Estimated impairment losses on credit derivatives	2,120,798	756,714
Policyholders' reserves	12,415,351	10,609,189
Third party capital support [2]	800,000	800,000
Present Value of Future Installment Premiums [3]	3,054,293	3,102,968
Total Claims-Paying Resources	16,269,644	14,512,157
Net financial guarantees in force	$775,842,699	$833,303,123
Capital Ratio [4]	116 : 1	130 : 1
Claims-Paying Ratio [5]	48 : 1	57 : 1
Gross financial guarantees in force	$924,213,539	$995,031,995
Gross par outstanding	$567,782,917	$612,074,543

	Second Quarter 2008	Second Quarter 2007	Full Year 2007
Statutory financial ratios:			
Loss ratio [6]	67.6%	1.0%	8.1%
Expense ratio [7]	34.1%	13.7%	15.0%

(1) Total claims-paying resources is a term used by the rating agencies to quantify total resources available to pay claims in their stress-case scenarios. Rating agencies may apply adjustments to claims-paying resources to reflect their views of realization.

(2) Third party capital support represents pre-funded capital which provides for the unconditional ability to issue up to $800 million of preferred stock to high quality asset-backed investment vehicles.

(3) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts, credit derivatives and other credit enhancement products. Present value calculations utilize the Moody's rating agency prescribed exposure amortization schedules discounted at 6.0% at June 30, 2008. Present value calculations utilize the Fitch's rating agency prescribed exposure amortization schedules discounted at 5.0% at December 31, 2007.
Ambac internal estimates of present value of of future installment premiums at June 30, 2008 and December 31, 2007 are $2,694,735, and $2,887,409, respectively at a discount rate of 5.3% and 5.2%, respectively.

(4) Capital Ratio is net financial guarantees in force divided by qualified statutory capital.

(5) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

(6) Loss ratio is statutory net incurred losses divided by statutory net earned premiums.

(7) Expense ratio is statutory underwriting expenses (including reinsurance commissions) divided by net premiums written.

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