

The logo for Ambac, featuring the word "Ambac" in a bold, blue, italicized sans-serif font. The logo is centered within a light blue rectangular area that is flanked by two vertical dark blue bars on either side.

2011 Quarterly Operating Supplement

Q4

Share Price	\$ 0.023
Market capitalization	\$ 6.8 million
Net loss	\$(963.2) million
Net loss per diluted share	\$(3.18)

Company Profile

Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose affiliates provided financial guarantees and financial services to clients in both the public and private sectors around the world. On November 8, 2010, Ambac filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (“Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (“Bankruptcy Court”). The Company will continue to operate in the ordinary course of business as “debtor-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. Ambac Financial Group, Inc.’s common stock trades in the over-the-counter market under ticker symbol ABKFQ.

Ambac's principal operating subsidiary, Ambac Assurance Corporation, is a guarantor of public finance and structured finance obligations.

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.

Ambac Financial Group, Inc.
Quarterly Operating Supplement
Fourth Quarter 2011

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Note 1: Internal Ambac Assurance 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 Assurance 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 credit ratings are subject to revision at anytime and do not constitute investment advice. Ambac Assurance, or one of its affiliates, has insured the obligations listed and may also provide other products or services to the issuers of these obligations for which Ambac may have received premiums or fees.

Note 2: Information contained in this report is unaudited.

Key Financial Data
(Dollars in millions except share data)

	2011	2010	2009	2008	2007
Summary GAAP Financial Data:					
Statement of Operations:					
Net premiums earned	406	546	797	1,023	841
Net investment income	355	359	554	739	911
Change in fair value of credit derivatives	48	60	3,813	(4,031)	(5,928)
(Loss) gain on variable interest entities (VIEs)	(214)	(617)	7	-	n/a
Loss and loss expenses	1,859	719	2,815	2,228	256
Underwriting and operating expenses	141	254	206	274	165
Interest expense	128	181	154	349	506
Reorganization items	50	32	-	-	-
Net loss attributable to Ambac Financial Group, Inc.	(1,960)	(753)	(15)	(5,609)	(3,248)
Net loss per diluted share attributable to AFG, Inc. common shareholders	(\$6.48)	(\$2.56)	(\$0.05)	(\$22.31)	(\$31.56)
Balance Sheets:					
Total non-VIE investments	6,877	6,853	8,703	10,293	18,396
Premium receivable	2,028	2,423	3,718	29	n/a
Subrogation recoverable	660	714	903	10	n/a
Total VIE assets	16,543	17,931	3,277	n/a	n/a
Total assets	27,114	29,047	18,886	17,260	23,565
Unearned premium reserve	3,457	4,008	5,687	2,382	3,124
Loss and loss expense reserve	7,044	5,289	4,772	2,276	484
Obligations under investment and payment agreements	547	806	1,291	3,358	8,706
Long-term debt ⁽¹⁾	224	208	1,632	1,624	1,389
Liabilities subject to compromise ⁽¹⁾	1,707	1,695	-	-	-
Ambac Financial Group, Inc. stockholders' (deficit) equity	(3,813)	(2,009)	(2,288)	(3,782)	2,280
Summary Statutory Data of Ambac Assurance:					
Invested assets	\$5,854	\$5,943	\$8,009	\$10,397	\$10,581
Loss and loss expense reserve	3,226	2,478	1,141	1,169	110
Estimated impairment losses on credit derivatives	-	-	3,842	3,352	757
Capital and surplus	495	1,027	802	1,554	3,316
Qualified statutory capital	688	1,540	1,154	3,484	6,422
Total claims-paying resources	\$7,450	\$7,877	\$10,790	\$13,501	\$14,512
Net par outstanding	\$272,504	\$318,854	\$390,406	\$434,310	\$524,025
Net debt service outstanding	\$433,484	\$509,429	\$619,566	\$695,954	\$833,303

1) Long-term debt for 2010 and beyond represents surplus notes issued 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. Long-term debt associated with Ambac Financial Group, Inc. for 2010 and beyond is included under liabilities subject to compromise on the Consolidated Balance Sheets.

Ambac Assurance

Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

(\$ Thousands, Except Ratios)	December 31, 2011	December 31, 2010
Contingency reserve	\$192,738	\$512,604
Capital and Surplus ⁽²⁾	495,293	1,026,920
Qualified statutory capital	688,031	1,539,524
Unearned premiums	1,700,424	1,934,462
Losses and loss adjustment expenses	3,226,327	2,478,435
Policyholders' reserves	5,614,782	5,952,421
Present Value of Future Installment Premiums ⁽³⁾	770,880	987,166
Ambac Assurance UK Ltd. Claims-Paying Resources ⁽⁴⁾	1,064,683	937,391
Total Claims-Paying Resources	\$7,450,345	\$7,876,978
Net financial guarantees in force ⁽⁵⁾	\$433,483,509	\$509,428,738
Claims-Paying Ratio ⁽⁶⁾	58 : 1	65 : 1
Gross financial guarantees in force	\$474,304,676	\$554,700,426
Gross par outstanding	\$296,463,186	\$345,127,082

- 1) Total claims-paying resources quantifies total resources available to pay claims.
- 2) Surplus Notes with a par value of \$2,089 million and \$2,050 million are included in the December 31, 2011 and December 31, 2010 capital and surplus, respectively. The Surplus Notes rank senior to Ambac's equity investment in Ambac Assurance. There is residual value to Ambac in Ambac Assurance only to the extent that funds remain at Ambac Assurance after the payment of claims under outstanding financial guaranty policies and the redemption, repurchase or repayment in full of the Surplus Notes and Ambac Assurance's auction market preferred shares.
- 3) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations utilize Ambac internal estimates discounted at 5.1%.
- 4) 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 investment rate of return.
- 5) Includes Ambac UK net financial guarantees in force of \$42,716,953 and \$46,311,475 as of December 31, 2011 and December 31, 2010, respectively. Financial guarantees in Force includes principal and interest on insurance policies and credit derivative contracts.
- 6) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

Ambac Assurance

Rollforward of Statutory Capital and Surplus⁽¹⁾

(in thousands)

	For the year ended December 31, 2011	For the year ended December 31, 2010
Surplus to Policyholders, beginning of period	\$ 1,026,920	\$ 801,869
Net loss ⁽²⁾	(835,795)	(1,471,903)
Issuance of surplus notes - general account	-	2,000,000
Issuance of surplus notes - segregated account ⁽²⁾	3,000	50,000
Issuance of junior surplus notes - segregated account ⁽³⁾	36,082	-
Change in contingency reserves ⁽⁴⁾	306,010	(159,271)
Change in investment in subsidiaries	39,764	(165,233)
Preferred stock activity	-	(817)
Unrealized (loss) gain on non-impaired, BIG investments	(24,177)	5,951
Other changes in surplus	(56,511)	(33,676)
Surplus to Policyholders, end of period	<u>\$ 495,293</u>	<u>\$ 1,026,920</u>

- 1) Information for Ambac Assurance and the Segregated Account of Ambac Assurance are combined for the purposes of this schedule.
- 2) Net loss includes incurred losses under commutations in 2011. The Segregated Account commuted insurance policies (\$4,002,129 of par outstanding) with a cash payment of \$256,085 and the issuance of segregated account surplus notes with a par value of \$3,000. These commutations generated incurred losses of \$24,121 in 2011.
- 3) In May 2011, the Segregated Account issued junior surplus notes with a par value of \$36,082 in connection with a settlement agreement to terminate Ambac's existing headquarters office lease with One State Street LLC.
- 4) Effective December 31, 2011, Ambac Assurance received regulatory approval from the Wisconsin Insurance Commissioner to release \$430,332 of contingency reserves during the year ended December 31, 2011.

Ratio of Net Claims Presented

(\$ Thousands)	2011	2010	2009	2008	2007
Net claims presented and paid (recovered) - Insurance ⁽¹⁾	\$147,762	\$290,519	\$1,458,498	\$571,012	(\$2,128)
Net claims presented and not paid - Insurance ⁽²⁾	1,357,181	1,411,445	-	-	-
Net Credit Derivatives payments	-	(263)	47,749	7,153	-
Net Credit Derivatives commutation payments ⁽³⁾	-	4,589,107	1,380,628	1,850,000	-
Total net claims presented for payment	\$1,504,943	\$6,290,808	\$2,886,875	\$2,428,165	(\$2,128)
Net insurance premiums and credit derivative fees	\$422,971	\$577,195	\$846,001	\$1,085,482	\$917,895
Ratio of net claims presented ⁽⁴⁾	355.8%	1089.9%	341.2%	223.7%	-0.2%

Estimated Future Gross RMBS Claim Payments (Recoveries) ⁽⁵⁾

(\$ Thousands)	
2012	1,319,329
2013 ⁽⁶⁾	(1,256,299)
2014 ⁽⁶⁾	512,516
2015	429,671
2016	238,134
2017	166,637
2012	1,319,329
2013-2017	90,660
2018-2022	320,161
2023-2027	73,897
2028-2032	25,901
After 2032	494,790
Total	\$ 2,324,739

- 1) Net claims presented and paid (recovered) are net of subrogation received of \$104,805, \$107,914, \$111,737, \$11,719 and \$27,875 for full years ended December 31, 2011, 2010, 2009, 2008, and 2007, respectively. Includes the issuance of surplus notes at par value in the amount of \$3,000 and \$50,000 for December 31, 2011 and 2010, respectively.
- 2) 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. Claims on Segregated Account Policies remain subject to a payment moratorium until a Segregated Account Rehabilitation Plan becomes effective. Claims presented and not paid are included in our net insurance reserves. Please see discussion in Ambac's December 31, 2010 Form 10-K.
- 3) 2010 credit derivative commutation payments include the issuance of surplus notes by Ambac Assurance at par in the amount of \$2,000,000.
- 4) Ratio of net claims presented is net claims presented for payment divided by net premiums earned and other credit enhancement fees.
- 5) Represents management's estimate of future loss obligations, gross of reinsurance recoveries and net of subrogation recoveries. Future losses exclude claims presented and unpaid through December 31, 2011. Actual payments or recoveries may differ from estimates.
- 6) Net of estimated recoveries of \$2,257,442 and \$521,202 in 2013 and 2014, respectively for breaches of representation and warranties on certain RMBS transactions.

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

(\$ Thousands)	12/31/11	12/31/10	12/31/09	12/31/08
Total insurance reserves ⁽¹⁾	6,230,780	4,424,450	3,777,321	2,129,758
Estimated credit impairment losses on credit derivatives ⁽²⁾	36,940	22,055	4,208,198	3,740,202
Total impairment losses	6,267,720	4,446,505	7,985,519	5,869,960
Mark-to-market reserve (asset) on credit derivatives ⁽²⁾	153,713	199,629	(1,168,707)	4,491,955
Mark-to-market reserve on total return swaps	-	-	-	77,960
Grand total net insurance loss reserves and credit derivatives	<u>\$6,421,433</u>	<u>\$4,646,134</u>	<u>\$6,816,812</u>	<u>\$10,439,875</u>

Summary of Below Investment Grade Exposures⁽³⁾

(\$ Thousands)	Segregated Account Net Par Outstanding	Total Net Par Outstanding	Total Impairment Losses
Public Finance:			
Transportation Revenue	\$171,551	\$775,755	(\$36,843)
Housing	-	795,277	955
Tax Backed	-	764,191	18,737
General Obligation	-	492,208	3,020
Health Care	-	78,522	-
Other	-	1,137,412	13,486
Total Public Finance	<u>171,551</u>	<u>4,043,365</u>	<u>(646)</u>
Structured Finance:			
Mortgage-Backed & Home Equity - First Lien & Other	12,259,391	12,259,391	3,795,189
Mortgage-Backed & Home Equity - Second Lien	8,783,895	8,783,895	644,596
Student Loans	7,689,837	7,689,837	1,063,295
Other	-	3,516,386	765,286
Total Structured Finance	<u>28,733,123</u>	<u>32,249,509</u>	<u>6,268,366</u>
International Finance:		2,536,941	-
Total	<u>\$28,904,674</u>	<u>\$38,829,815</u>	<u>\$6,267,720</u>

- 1) As a result of the claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$2,768,627 of claims have been presented and not paid. Total insurance reserves are inclusive of claims presented and not paid.
- 2) Total net mark-to-market losses are \$190,653, \$221,684, \$3,039,491 and \$8,232,157 as of December 31, 2011, 2010, 2009, and 2008, respectively and are reported on the consolidated balance sheet under derivative liabilities and derivative assets.
- 3) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain 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 December 31, 2010 Form 10-K.

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

2011 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Public Finance	\$42,400	\$42,541	\$40,359	\$39,784	\$165,084
Structured Finance	29,691	25,034	22,123	20,458	97,306
International Finance	19,778	20,365	20,738	22,450	83,331
Total Normal Insurance Premiums Earned	91,869	87,940	83,220	82,692	345,721
Accelerated Premiums Earned	(70)	11,331	18,835	30,153	60,249
Total Premiums Earned	\$91,799	\$99,271	\$102,055	\$112,845	\$405,970
Fees on credit derivative contracts ⁽¹⁾	\$5,323	\$4,224	\$3,829	\$3,625	\$17,001

2010 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance	\$45,181	\$45,037	\$44,363	\$43,822	\$178,403
Structured Finance	40,587	43,566	42,383	38,308	164,844
International Finance	27,325	24,094	26,335	19,825	97,579
Total Normal Insurance Premiums Earned	113,093	112,697	113,081	101,955	440,826
Accelerated Premiums Earned	12,138	54,308	30,004	8,699	105,149
Total Premiums Earned	\$125,231	\$167,005	\$143,085	\$110,654	\$545,975
Fees on credit derivative contracts ⁽¹⁾	\$9,661	\$11,812	\$4,862	\$4,885	\$31,220

Net Unearned Premium Amortization and Estimated Future Installment Premiums (GAAP)

(\$ Millions)	Net Unearned Premium Amortization ⁽²⁾	Fees on Credit Derivative Contracts	Estimated Net Future Installments ⁽³⁾
2012	260.9	13.3	145.0
2013	234.1	11.2	123.8
2014	217.5	7.5	110.6
2015	205.8	4.0	103.2
2016	195.6	2.5	96.7
2012-2016	1,113.9	38.5	579.3
2017-2021	823.2	10.2	404.9
2022-2026	594.3	0.4	284.4
2027-2031	395.5	-	195.2
After 2031	309.0	-	181.5
Total	\$3,235.9	\$49.1	\$1,645.3

- 1) Fees on credit derivative contracts are included in "Realized gains and losses and other settlements on credit derivative contracts" on the consolidated statement of operations.
- 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 the Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of December 31, 2011. 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 as a result of rate step-ups or other early retirement provision incentives for the issuer, premium earnings may be negative in the period of call or refinancing.
- 3) Represents management's estimate of future installment premium collections net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment. Estimated net future installments excludes amounts eliminated as a result of the Consolidations Accounting Standard (\$304.9 million). Please see discussion in Ambac's December 31, 2011 Form 10-K.

Fixed Income Investment Portfolio

As of December 31, 2011

INCOME ANALYSIS BY TYPE OF SECURITY	Fair	Amortized	Pre-tax	GAAP
Investment category (\$ thousands)	Value	Cost	Yield to Maturity ⁽¹⁾	Investment Income
Financial Guarantee investments:				
Long-term investments				
U.S. government obligations	346,956	342,035	1.17%	3,698
U.S. agency obligations	82,562	77,108	4.23%	3,290
Municipal obligations ⁽²⁾	2,002,999	1,858,493	5.17%	96,889
Foreign obligations	94,795	89,951	4.13%	3,937
Corporate obligations	1,015,646	969,954	4.54%	41,141
Mortgage and asset-backed securities	1,758,585	1,491,583	12.75%	178,232
Total long-term investments	<u>5,301,543</u>	<u>4,829,124</u>	7.07%	<u>327,187</u>
Short-term investments	729,473	729,417	0.20%	1,717
Other ⁽³⁾	100	100		664
Total Financial Guarantee investments	<u>6,031,116</u>	<u>5,558,641</u>	6.17%	<u>329,568</u>
Investment expenses				(3,411)
Financial Guarantee net investment income				<u>326,157</u>
Financial Services investments: ⁽⁴⁾				
Long-term investments				
U.S. government obligations	25,408	25,083		800
U.S. agency obligations	4,309	3,852		251
Corporate obligations	111,854	117,675		937
Mortgage and asset-backed securities	650,705	633,121		26,347
Total long-term investments	<u>792,276</u>	<u>779,731</u>		<u>28,335</u>
Short-term investments	18,699	18,699		5
Total Financial Services investments	<u>810,975</u>	<u>798,430</u>		<u>28,340</u>
Corporate investments:				
Short-term investments	34,899	34,899		293
Total Corporate investments	<u>34,899</u>	<u>34,899</u>		<u>293</u>
Total Investments	<u>\$6,876,990</u>	<u>\$6,391,970</u>		<u>354,790</u>

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO ⁽⁵⁾⁽⁶⁾

Rating	Percent of Investment Portfolio		
	Fin. Guar.	Fin. Services	Combined
AAA	25%	57%	29%
AA	33	17	31
A	14	<1	12
BBB	8	5	8
Below investment grade ⁽⁷⁾	13	21	14
Not rated	7	-	6
	<u>100%</u>	<u>100%</u>	<u>100%</u>
Duration of Financial Guarantee investment portfolio			3.3

- 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 amortized cost, 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.
- 2) Includes taxable and tax-exempt municipal obligations with a fair value of \$520,550 and \$1,482,449 respectively.
- 3) Includes income earned on loans, which are classified separately on the balance sheet.
- 4) Financial Services investments relate primarily to the investment agreement business.
- 5) 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.
- 6) Rating distribution is calculated based on amortized cost.
- 7) Includes Ambac Assurance insured RMBS bonds purchased as part of our loss remediation strategy.

Expense Analysis (GAAP)

2011

(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee operating expenses:					
Compensation	\$ 16,612	\$ (805)	\$ 14,276	\$ 13,845	\$ 43,929
Non-compensation	16,644	941	15,621	15,369	48,575
Total Financial Guarantee operating expenses	33,256	136	29,897	29,214	92,503
Financial Services operating expenses	2,614	2,707	2,719	2,401	10,441
Corporate and other operating expenses	477	990	1,801	1,755	5,023
Total operating expenses	\$ 36,347	\$ 3,833	\$ 34,417	\$ 33,370	\$ 107,967
Ceding commissions and change in deferred acquisition costs . . .	9,120	11,700	10,443	2,075	33,338
Total operating expenses, net of deferred expenses.	\$ 45,466	\$ 15,533	\$ 44,860	\$ 35,445	\$ 141,304
Reorganization costs	\$ 24,805	\$ 6,470	\$ 8,519	\$ 10,067	\$ 49,861
Total expenses	\$ 61,151	\$ 10,303	\$ 42,936	\$ 43,437	\$ 157,827

2010

(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee operating expenses:					
Compensation	\$ 21,222	\$ 16,268	\$ 14,997	\$ 15,109	\$ 67,596
Non-compensation	16,829	32,949	21,118	20,890	91,786
Total Financial Guarantee operating expenses	38,051	49,218	36,115	35,999	159,382
Financial Services operating expenses	3,627	3,124	3,460	3,529	13,740
Corporate and other operating expenses	11,948	12,645	13,695	4,014	42,302
Total operating expenses	\$ 53,625	\$ 64,987	\$ 53,269	\$ 43,542	\$ 215,423
Ceding commissions and change in deferred acquisition costs . . .	12,445	9,714	5,085	11,797	39,041
Total operating expenses, net of deferred expenses.	\$ 66,070	\$ 74,701	\$ 58,354	\$ 55,339	\$ 254,464
Reorganization Costs	\$ -	\$ -	\$ -	\$ 31,980	\$ 31,980
Total expenses	\$ 53,625	\$ 64,987	\$ 53,269	\$ 75,522	\$ 247,403

Historical Financial Guarantee Exposures Outstanding ⁽¹⁾

(\$ Millions Net Par Value)	December 31,				Segregated Account December 31, 2011
	2011	2010	2009	2008	
Public Finance:					
Lease and tax backed	\$59,864	\$65,843	\$73,081	\$77,060	\$10
General obligation	42,959	48,241	54,047	58,296	11
Utility	22,529	26,360	30,835	32,166	408
Transportation	18,945	20,722	22,501	22,306	446
Higher education	13,618	15,279	16,577	17,959	-
Housing	8,823	9,878	10,247	10,862	-
Health care	7,824	9,603	11,987	15,115	87
Other	2,255	3,423	3,892	4,457	-
Total Public Finance	176,817	199,349	223,167	238,221	962
Structured Finance:					
Mortgage-backed & home equity	23,164	27,488	32,407	36,995	23,164
Investor-owned utilities	9,049	10,685	13,212	14,650	386
Other CDOs	8,060	11,463	18,313	19,988	578
Student loan	7,824	11,408	14,518	16,644	7,688
Asset-backed and conduits	4,732	10,005	16,455	25,443	6
CDO of ABS >25% MBS	-	-	16,718	23,190	-
Other	2,316	2,750	3,092	3,499	373
Total Structured Finance	55,145	73,799	114,715	140,409	32,195
International Finance ⁽²⁾:					
Investor-owned and public utilities	10,510	10,861	10,388	8,492	-
Asset-backed and conduits	9,560	10,738	13,691	16,383	29
Sovereign/sub-sovereign	7,282	7,119	6,859	5,980	-
Transportation	5,914	6,744	7,584	6,870	260
Other CDOs	4,375	6,775	9,083	12,784	1,054
Mortgage-backed & home equity	1,397	1,898	3,386	3,669	318
Other	1,504	1,571	1,533	1,502	-
Total International Finance	40,542	45,706	52,524	55,680	1,661
Grand Total	\$272,504	\$318,854	\$390,406	\$434,310	\$34,818
Percent of Total Net Par Outstanding					
Public Finance	64.9%	62.5%	57.2%	54.9%	2.7%
Structured Finance	20.2%	23.2%	29.4%	32.3%	92.5%
International Finance	14.9%	14.3%	13.4%	12.8%	4.8%
Total Net Par Outstanding	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Included in the above exposures are structured credit derivatives. Total structured credit derivative net par outstanding amounted to \$14,167, \$18,766, \$43,276 and \$53,918 at December 31, 2011, 2010, 2009 and 2008, respectively.

(2) International transactions include components of domestic exposure.

Geographic Distribution of Financial Guarantee Exposures Outstanding

(\$ Millions Net Par Value)	December 31,		December 31,			
	2011	%	2010	2009	2008	2007
Domestic:						
California	\$36,133	13.3%	\$39,210	\$43,388	\$45,343	\$53,434
New York	18,267	6.7%	20,944	22,865	25,972	31,923
Florida	13,906	5.1%	15,910	17,816	18,724	22,462
Texas	12,983	4.8%	14,776	16,941	17,674	19,898
New Jersey	9,650	3.5%	10,415	11,654	12,204	14,309
Illinois	8,524	3.1%	9,351	10,472	10,544	12,592
Massachusetts	5,799	2.1%	6,576	8,255	8,184	10,338
Pennsylvania	5,301	1.9%	6,036	7,405	10,879	13,444
Colorado	5,010	1.8%	5,786	6,392	6,818	7,570
Washington	4,772	1.8%	5,710	6,124	6,249	6,874
Mortgage and asset-backed	27,896	10.2%	37,493	48,862	62,438	79,485
Other states	83,721	30.7%	100,941	137,708	153,601	179,322
Total Domestic	231,962	85.1%	273,148	337,882	378,630	451,651
International:						
United Kingdom	22,317	8.2%	22,215	22,840	20,151	27,207
Australia	5,176	1.9%	6,292	6,034	4,952	6,400
Italy	3,346	1.2%	3,674	3,821	2,843	3,017
Austria	956	0.4%	999	1,149	905	491
Germany	619	0.2%	692	765	812	6,157
Internationally diversified	5,318	2.0%	7,793	9,914	14,937	16,550
Other international	2,810	1.0%	4,041	8,001	11,080	12,552
Total International	40,542	14.9%	45,706	52,524	55,680	72,374
Grand Total	\$272,504	100.0%	\$318,854	\$390,406	\$434,310	\$524,025

Rating Distribution of Net Financial Guarantee Exposures Outstanding ⁽¹⁾

As of December 31, 2011

Rating	Percentage of Guaranteed Portfolio		
	Public Finance	Structured and International	Total
AAA	<1	2	1
AA	30	13	24
A	55	22	43
BBB	13	25	17
BIG	2	38	15
	100	100	100

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

25 Largest Domestic Public Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	AADS ⁽²⁾	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A	\$205.7	\$2,998	1.1%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	\$164.0	2,058	0.8%
Bay Area Toll Authority, CA Toll Bridge Revenue ⁽³⁾	AA -	\$84.9	1,663	0.6%
Washington State - GO	AA	\$133.9	1,649	0.6%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	\$149.0	1,624	0.6%
MTA, NY, Transportation Revenue (Farebox) ⁽³⁾	A	\$91.2	1,432	0.5%
New Jersey Turnpike Authority Revenue	A	\$80.5	1,264	0.5%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	\$95.3	1,248	0.5%
Massachusetts Commonwealth - GO	AA	\$87.7	1,219	0.4%
Los Angeles Unified School District, CA - GO	AA -	\$84.9	1,072	0.4%
South Carolina Transportation Infrastructure Bank Revenue	A	\$74.2	1,003	0.4%
Central Texas Turnpike, System Revenue	BBB +	\$105.2	986	0.4%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	\$70.4	907	0.3%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A	\$54.1	860	0.3%
New York City, NY - GO	AA	\$47.0	846	0.3%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	\$75.2	846	0.3%
Puerto Rico Sales Tax Financing Corporation	A +	\$171.9	805	0.3%
New Jersey Economic Development Authority - School Facilities Construction	A +	\$50.9	802	0.3%
New York City, NY Water and Sewer System Revenue	AA -	\$52.9	797	0.3%
University of California Board of Regents, General Revenue	AA -	\$45.5	771	0.3%
Puerto Rico Highways & Transportation Authority, Transportation Revenue ⁽³⁾	BBB +	\$47.5	770	0.3%
Chicago, IL - GO	A +	\$37.1	750	0.3%
New York Convention Center Development Corporation, Hotel Fee Revenue	A -	\$43.4	651	0.2%
Hawaii State - GO	AA	\$55.6	647	0.2%
Dallas Area Rapid Transit, TX, Sales Tax Revenue	AA	\$47.0	643	0.2%
Total:			<u>\$28,311</u>	<u>10.4%</u>

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

2) Average Annual Debt Service, net of reinsurance.

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 a portion of this transaction to the Segregated Account.

25 Largest Structured Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
CDO of ABS < 25% MBS	A +	\$1,692	0.6%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 ⁽²⁾	BIG	1,371	0.5%
Vermont Student Assistance Corporation Revenue Bonds ⁽²⁾	BIG	1,283	0.5%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 ⁽²⁾	BIG	935	0.3%
Ballantyne Re Plc ⁽³⁾	BIG	900	0.3%
The National Collegiate Student Loan Trust 2007-4 ⁽²⁾	BIG	861	0.3%
Cendant Rental Car Funding	BIG	820	0.3%
Spirit Master Funding	BBB	782	0.3%
Michigan Higher Education Student Loan Authority ⁽²⁾	BIG	751	0.3%
Timberlake Financial, LLC	BIG	620	0.2%
The National Collegiate Student Loan Trust 2007-3 ⁽²⁾	BIG	575	0.2%
Progress Energy Carolinas, INC	A -	558	0.2%
Countrywide Asset-Backed Certificates Trust 2005-16 ⁽²⁾	BIG	546	0.2%
Countrywide Revolving Home Equity Loan Trust 2005-F ⁽²⁾	BIG	533	0.2%
Morgan Stanley Credit Corporation Heloc Trust 2007-1 ⁽²⁾	BIG	524	0.2%
Option One Mortgage Loan Trust 2007-FXD1 ⁽²⁾	BIG	521	0.2%
Ares XI CLO, Ltd.	AA +	508	0.2%
Massachusetts Educational Financing Authority Revenue Bonds ⁽²⁾	BIG	504	0.2%
Local Insight Media Finance LLC	BIG	492	0.2%
Privately Placed RMBS Transaction ⁽²⁾	BIG	487	0.2%
CenterPoint Energy Inc.	BBB	476	0.2%
Countrywide Asset Backed Certificates Trust 2005-17 ⁽²⁾	BIG	469	0.2%
Impac CMB Trust Series 2005-7 ⁽²⁾	BIG	449	0.2%
Countrywide Asset Backed Certificates Trust 2006-11 ⁽²⁾	BIG	444	0.2%
Niagara Mohawk Power Corporation	A	444	0.2%
Total:		<u>\$17,545</u>	<u>6.4%</u>

25 Largest International Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation ⁽³⁾	AA -	\$2,031	0.7%
Romulus Finance s.r.l. ⁽³⁾	BIG	1,466	0.5%
Telereal Securitisation plc ⁽³⁾	A	1,410	0.5%
Punch Taverns Finance plc-UK Pub Securitisation ⁽³⁾	BIG	1,214	0.4%
Aspire Defence Finance plc ⁽³⁾	BBB	1,135	0.4%
Channel Link Enterprises ⁽³⁾	BBB -	1,129	0.4%
Regione Campania ⁽³⁾	BBB +	1,121	0.4%
National Grid Electricity Transmission ⁽³⁾	A -	1,120	0.4%
Ostregion Investmentgesellschaft NR 1 SA ⁽³⁾	BIG	952	0.3%
Capital Hospitals plc ⁽³⁾	BBB -	941	0.3%
Dampier to Bunbury Natural Gas Pipeline	BBB	916	0.3%
RMPA Services plc ⁽³⁾	BBB +	806	0.3%
Anglian Water ⁽³⁾	A -	783	0.3%
Powercor Australia	A -	742	0.3%
CDO of HY Corporate	AA	733	0.3%
National Grid Gas ⁽³⁾	A -	726	0.3%
Private CMBS Transaction ⁽³⁾	AA	715	0.3%
CitiPower	A -	710	0.3%
Spirit Issuer plc ⁽³⁾	BIG	695	0.3%
Scotia Gas Networks ⁽³⁾	BBB	695	0.3%
Catalyst Healthcare (Manchester) Financing plc ⁽³⁾	BBB -	647	0.2%
Babcock & Brown Air Funding I Limited	BBB +	626	0.2%
Broadcast Australia	BBB	588	0.2%
South East Water (Finance) Limited ⁽³⁾	BBB	568	0.2%
European Single-Borrower CMBS Transaction	AA	525	0.2%
Total:		<u>\$22,994</u>	<u>8.4%</u>

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

2) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated a portion of this transaction to the Segregated Account.

3) All or a portion of transaction guaranteed by Ambac Assurance UK, Ltd.

Net Exposure Amortization ⁽¹⁾

As of December 31, 2011

(\$ Millions)	Total, including Segregated Account		Segregated Account	
	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force
2012.	\$24,486	\$408,998	\$3,746	\$44,724
2013.	25,438	383,560	2,709	42,015
2014.	22,369	361,191	2,367	39,648
2015.	23,825	337,366	2,082	37,566
2016.	21,116	316,250	1,797	35,769
2012-2016.	\$117,234	\$316,250	\$12,701	\$35,769
2017-2021.	99,850	216,400	7,163	28,606
2022-2026.	75,874	140,526	6,113	22,493
2027-2031.	57,787	82,739	6,056	16,437
After 2031.	82,739	-	16,437	-
Total.	\$433,484		\$48,470	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of December 31, 2011. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.