

Ambac

2013 Quarterly Operating Supplement

Q3

Company Profile

Ambac Financial Group, Inc. (“Ambac”), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation (“Ambac Assurance”), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited (“Ambac UK”), provided financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance, including the Segregated Account of Ambac Assurance (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac is also exploring opportunities involving the development or acquisition of new financial services businesses. Ambac’s common stock trades on the NASDAQ Global Select Market (NASDAQ: AMBC).

Company Information

Corporate headquarters are located at:

Ambac Financial Group, Inc.
One State Street Plaza
New York, New York 10004
www.ambac.com

Investor Relations Contact:
Michael Fitzgerald (212) 208-3222
mfitzgerald@ambac.com

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
Third Quarter 2013

Table of Contents

| | |
|---|----|
| Key Financial Data..... | 1 |
| Claims-Paying Resources and Statutory Financial Ratios | 2 |
| Roll-forward of Statutory Policyholders' Surplus | 3 |
| Ambac Assurance Segregated Account, in Rehabilitation - Claims Paying Position..... | 4 |
| Ratio of Net Claims Recorded | 5 |
| Estimated Future Gross RMBS Claims Presented | 5 |
| Summary of Net Insurance Loss Reserves (GAAP) and Credit Derivative Impairments | 6 |
| Summary of Below Investment Grade Exposures and Total Impairment Losses..... | 6 |
| Net Insurance Premiums Earned and Fees on Credit Derivatives (GAAP)..... | 7 |
| Net Unearned Premium Amortization and Estimated Future Installment Premiums | 7 |
| Fixed Income Investment Portfolio..... | 8 |
| Rating Distribution of Investment Portfolio..... | 8 |
| Expense Analysis (GAAP) | 9 |
| Historical Net Financial Guarantee Exposures Outstanding..... | 10 |
| Geographic Distribution of Net Financial Guarantee Exposures Outstanding | 11 |
| Rating Distribution of Net Financial Guarantee Exposures Outstanding | 11 |
| 25 Largest Domestic Public Finance Exposures..... | 12 |
| 25 Largest Structured Finance Exposures..... | 13 |
| 25 Largest International Finance Exposures..... | 13 |
| Net Exposure Amortization..... | 14 |

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

Note 2: Information contained in this report is unaudited.

Key Financial Data

(Dollars in millions except share data)

| | Successor ⁽¹⁾ | | Predecessor ⁽¹⁾ | | | | |
|--|--------------------------|---------|----------------------------|---------|---------|---------|---------|
| | 3Q 2013 | 2Q 2013 | 2Q 2013 | 1Q 2013 | 2012 | 2011 | 2010 |
| Summary GAAP Financial Data: | | | | | | | |
| Statement of Operations: | | | | | | | |
| Net premiums earned | \$71 | \$58 | \$30 | \$100 | \$415 | \$406 | \$546 |
| Net investment income ⁽²⁾ | 52 | 26 | 32 | 85 | 383 | 355 | 359 |
| Change in fair value of credit derivatives | 31 | 51 | (73) | 13 | (9) | 48 | 60 |
| Gain (loss) on variable interest entities (VIEs) | 55 | 5 | 388 | 38 | 28 | (214) | (617) |
| Loss and loss expenses | (154) | (26) | 13 | (51) | 684 | 1,859 | 719 |
| Insurance intangible amortization ⁽²⁾ | 37 | 25 | - | - | - | - | - |
| Underwriting and operating expenses ⁽²⁾ | 25 | 16 | 11 | 34 | 139 | 141 | 254 |
| Interest expense ⁽²⁾ | 32 | 21 | 8 | 23 | 112 | 128 | 181 |
| Reorganization items ⁽²⁾ | - | - | (2,747) | 2 | 7 | 50 | 32 |
| Net income (loss) attributable to Ambac common shareholders ⁽²⁾ | 231 | 206 | 3,067 | 282 | (257) | (1,960) | (753) |
| Balance Sheets: | | | | | | | |
| Total non-VIE investments | \$6,686 | \$6,601 | 6,457 | \$6,512 | \$6,330 | \$6,877 | \$6,853 |
| Premium receivable | 1,436 | 1,465 | 1,532 | 1,543 | 1,621 | 2,028 | 2,423 |
| Insurance intangible asset ⁽²⁾ | 1,621 | 1,622 | 1,659 | - | - | - | - |
| Goodwill ⁽²⁾ | 515 | 515 | 515 | - | - | - | - |
| Subrogation recoverable | 485 | 501 | 534 | 545 | 497 | 660 | 714 |
| Total VIE assets | 17,386 | 16,263 | 17,460 | 16,752 | 17,842 | 16,543 | 17,931 |
| Total assets ⁽²⁾ | 28,634 | 27,475 | 28,853 | 26,165 | 27,085 | 27,114 | 29,047 |
| Unearned premium reserve | 2,304 | 2,373 | 2,482 | 2,623 | 2,778 | 3,457 | 4,008 |
| Loss and loss expense reserve | 5,885 | 6,043 | 6,106 | 6,590 | 6,619 | 7,044 | 5,289 |
| Obligations under investment and payment agreements | 361 | 365 | 365 | 363 | 362 | 547 | 806 |
| Long-term debt ^{(2) (3)} | 955 | 946 | 940 | 154 | 150 | 224 | 208 |
| Liabilities subject to compromise ⁽³⁾ | - | - | - | 1,705 | 1,705 | 1,707 | 1,695 |
| Ambac stockholders' equity (deficit) ⁽²⁾ | 611 | 287 | 185 | (3,531) | (3,908) | (3,813) | (2,009) |
| Summary Statutory Data of Ambac Assurance: | | | | | | | |
| Invested assets | \$5,659 | \$5,466 | | \$5,278 | \$5,168 | \$5,854 | \$5,943 |
| Loss and loss expense reserve | 3,045 | 3,008 | | 2,901 | 2,946 | 3,226 | 2,478 |
| Estimated impairment losses on subsidiary guarantees | 83 | 96 | | 149 | 144 | - | - |
| Policyholders' Surplus | 502 | 394 | | 159 | 100 | 495 | 1,027 |
| Qualified statutory capital | 1,142 | 973 | | 693 | 633 | 688 | 1,540 |
| Total claims-paying resources | \$7,062 | \$6,890 | | \$6,628 | \$6,513 | \$7,450 | \$7,877 |

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

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

3) Long-term debt from and including 2010 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 is included under liabilities subject to compromise.

Ambac Assurance

Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

| (\$ Thousands, Except Ratios) | September 30, 2013 | December 31, 2012 |
|---|--------------------|-------------------|
| Contingency Reserve | \$640,659 | \$533,479 |
| Policyholders' Surplus ⁽²⁾⁽³⁾ | 501,672 | 100,000 |
| Qualified Statutory Capital | 1,142,331 | 633,479 |
| Unearned Premiums | 1,167,058 | 1,358,741 |
| Losses and Loss Adjustment Expenses | 3,045,499 | 2,946,481 |
| Estimated Impairment Losses on Subsidiary Guarantees | 83,400 | 144,000 |
| Segregated Account Liabilities ⁽³⁾ | - | (163,687) |
| Policyholders' Reserves | 5,438,288 | 4,919,014 |
| Present Value of Future Installment Premiums ⁽⁴⁾ | 493,496 | 546,281 |
| Ambac Assurance Claims-paying Resources | 5,931,784 | 5,465,295 |
| Ambac UK Claims-paying Resources ⁽⁵⁾ | 1,130,011 | 1,047,494 |
| Total Claims-paying Resources | \$7,061,795 | \$6,512,789 |
| Net financial guarantees in force ⁽⁶⁾ | \$296,140,403 | \$350,162,883 |
| Total Claims-paying Ratio ⁽⁷⁾ | 42 : 1 | 54 : 1 |
| Gross Financial Guarantees in Force | \$327,447,416 | \$385,803,398 |
| Gross Par Outstanding | \$208,253,051 | \$245,029,528 |

- 1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.
- 2) Surplus Notes with a par value of \$1,641,860 and \$1,299,902 are included in the capital and surplus for September 30, 2013 and December 31, 2012, respectively. On May 1, 2013 the Segregated Account issued \$350,000 of Junior Surplus Notes to Ambac.
- 3) Pursuant to a prescribed practice by the State of Wisconsin Office of the Commissioner of Insurance, Ambac Assurance is not obligated to make payments to the Segregated Account if Ambac Assurance's surplus would be less than \$100,000, (the "Minimum Surplus Amount"). Accordingly, \$163,687 of losses in the Segregated Account did not reduce Ambac Assurance's surplus at December 31, 2012. At September 30, 2013, Ambac Assurance's surplus is greater than the Minimum Surplus Amount.
- 4) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.
- 5) Ambac UK's claims paying resources will become available to Ambac Assurance only to the extent Ambac UK receives approval from its regulator to dividend monies to Ambac Assurance. Components of Ambac UK's claims paying resources are discounted at Ambac UK's projected investment rate of return. Ambac UK's claims-paying resources primarily consist of the present value of future installment premiums of approximately \$645,516.
- 6) Includes Ambac UK net financial guarantees in force of \$36,218,813 and \$38,616,515 as of September 30, 2013 and December 31, 2012, respectively. Financial guarantees in force includes principal and interest on insurance policies and credit derivative contracts.
- 7) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

Ambac Assurance

Rollforward of Statutory Policyholders' Surplus ⁽¹⁾

(\$ Thousands)

| | For the nine months ended September 30, 2013 | For the year ended December 31, 2012 |
|---|---|---|
| Policyholders' Surplus, beginning of period | \$ 100,000 | \$ 495,293 |
| Net income ⁽²⁾⁽³⁾⁽⁴⁾ | 27,048 | 616,121 |
| Issuance of junior surplus note - segregated account ⁽²⁾ | 350,000 | - |
| Extinguishment of junior surplus note - segregated account ⁽³⁾ | (8,043) | - |
| Extinguishment of surplus notes - general account ⁽⁴⁾ | - | (789,179) |
| Change in contingency reserves | (107,046) | (338,985) |
| Change in investments ⁽⁵⁾ | 147,198 | 104,477 |
| Other changes in surplus | (7,485) | 12,273 |
| Policyholders' Surplus, end of period ⁽⁶⁾ | <u>\$ 501,672</u> | <u>\$ 100,000</u> |

- 1) Financial results are impacted by commutations, refinancings (with Ambac consent), bond purchases (of securities guaranteed by Ambac Assurance) and other claims reduction or defeasance outcomes (collectively "commutations"). For the nine months ended September 30, 2013 Ambac Assurance and the Segregated Account executed such transactions for a total notional amount of \$686,907 for total cash payments of \$293,642.
- 2) Net income for the nine months ended September 30, 2013 includes an expense related to the issuance of a junior surplus note to Ambac Financial Group, Inc. for \$350,000. The issuance of the surplus note also increases surplus directly by \$350,000, resulting in an overall surplus impact of \$0.
- 3) Net income for the nine months ended September 30, 2013 includes a benefit related to junior surplus notes originally issued in connection with a settlement agreement to terminate Ambac's headquarters office lease with One State Street, LLC ("OSS") in May 2011. The outstanding principal amount was reduced by \$8,043 based on the value of distribution that OSS received on account of its allowed claim on Ambac's bankruptcy case. The reduction in the outstanding principal amount decreases surplus directly by \$8,043 with an offsetting gain in net income, resulting in an overall surplus impact of \$0.
- 4) Net income for the period ended December 31, 2012 includes a gain on the exercise of surplus note call options of \$600,733. Additionally, the exercise of surplus note call options reduced surplus directly by \$789,179, the par of the related surplus notes, resulting in an overall surplus reduction of \$188,446, which is equal to the total cash payment.
- 5) Includes non-income statement changes in investments such as changes in non-admitted investments, changes in valuation of investments carried at fair value and changes in investment in subsidiaries, excluding dividends.
- 6) Pursuant to a prescribed practice by the Wisconsin Insurance Commissioner, the results of the Segregated Account are not included in Ambac Assurance's statutory financial statements if it causes Ambac Assurance's surplus to drop below the Minimum Surplus Amount. Accordingly, \$163,687 of the Segregated Account's liabilities did not reduce Ambac Assurance's surplus at December 31, 2012.

Ambac Assurance Segregated Account, in Rehabilitation
Claims Paying Position ⁽¹⁾

| (\$ Thousands) | September 30, 2013 | December 31, 2012 |
|--|--------------------|--------------------|
| Liabilities allocated from Ambac Assurance ⁽²⁾ | \$ 6,130,867 | \$ 6,245,484 |
| Segregated Account resources: | | |
| Secured Note provided by Ambac Assurance including accrued interest | 198,612 | 477,426 |
| Liabilities ceded to Ambac Assurance ⁽³⁾ | 6,363,437 | 5,692,972 |
| Other Segregated Account Net Assets | 11,745 | 13,274 |
| Total resources available | <u>6,573,794</u> | <u>6,183,672</u> |
| Current Surplus/(Shortfall) to pay Segregated Account permitted claims | <u>\$ 442,927</u> | <u>\$ (61,812)</u> |

- 1) Total resources available to pay claims at Ambac Assurance are the same resources available to pay claims at the Segregated Account subject to limitations discussed in footnote (3) below. Permitted claims of the Segregated Account will initially receive partial payment of 25%. In August 2013, the Segregated Account began making cash payments in excess of 25% of permitted claims on certain policies. Refer to Ambac's filings with the Securities and Exchange Commission for further discussion of the Rehabilitation Court's approval for supplemental payments above 25% for certain Segregated Account policies.
- 2) Pursuant to the Plan of Operation for the Segregated Account, Ambac Assurance has allocated certain policies to the Segregated Account, including (i) residential mortgage-backed securities, (ii) student loans, (iii) collateralized debt obligations and (iv) other policies insuring obligations with substantial projected impairments or relating to transactions which have contractual triggers based upon Ambac Assurance's financial condition or the commencement of rehabilitation, which triggers are potentially damaging. Please refer to Ambac's filings with the Securities and Exchange Commission for further information.
- 3) Liabilities ceded to Ambac Assurance via an excess of loss reinsurance agreement are limited by Ambac Assurance maintaining a minimum surplus amount of \$100,000.

Ratio of Net Claims Recorded ⁽¹⁾

| (\$ Thousands) | Successor Ambac | Predecessor Ambac | | | | |
|--|--|--|--------------|-------------|-------------|--------------|
| | Five Months ended September 30, 2013 | Four Months ended April 30, 2013 | December 31, | | | |
| | | | 2012 | 2011 | 2010 | 2009 |
| Net claims paid - Insurance ⁽²⁾ | \$ (13,934) | \$ (31,147) | \$ 932,930 | \$ 147,762 | \$ 290,519 | \$ 1,458,498 |
| Net unpaid claims - Insurance ⁽³⁾ | 205,210 | 274,222 | 619,431 | 1,357,181 | 1,411,445 | - |
| Net credit derivatives payments | - | - | - | - | (263) | 47,749 |
| Net credit derivatives commutation payments ⁽⁴⁾ | - | - | - | - | 4,589,107 | 1,380,628 |
| Total net claims recorded | \$191,276 | \$243,075 | \$1,552,361 | \$1,504,943 | \$6,290,808 | \$2,886,875 |
| Net insurance premiums earned and credit derivative fees | \$136,642 | \$133,444 | \$428,317 | \$422,971 | \$577,195 | \$846,001 |
| Ratio of net claims recorded ⁽⁵⁾ | 140.0% | 182.2% | 362.4% | 355.8% | 1089.9% | 341.2% |

Estimated Future Gross RMBS Claims Presented ⁽⁶⁾

| (\$ Thousands) | Successor Ambac | Predecessor Ambac |
|---|--------------------|-------------------|
| | September 30, 2013 | December 31, 2012 |
| 2013 (4th Qtr for Successor Ambac, Full Year for Predecessor Ambac) | \$ 115,057 | \$ 676,676 |
| 2014 | 326,198 | 721,341 |
| 2015 | 356,633 | 408,984 |
| 2016 | 261,042 | 197,316 |
| 2017 | 170,165 | 104,555 |
| 2018 | 122,702 | 68,920 |
| 2013 (4th Qtr for Successor Ambac, Full Year for Predecessor Ambac) | \$ 115,057 | \$ 676,676 |
| 2014-2018 | 1,236,740 | 1,501,116 |
| 2019-2023 | 251,922 | 167,631 |
| 2024-2028 | 44,405 | 32,291 |
| 2029-2033 | 7,332 | 5,281 |
| After 2033 | 744,668 | 757,743 |
| Total | \$ 2,400,124 | \$ 3,140,738 |

- Net claims recorded include (i) claims paid (recovered); (ii) changes to claims presented and unrepresented for policies which were allocated to the Segregated Account; and (iii) commutation settlements.
- Net claims paid are net of subrogation received of \$137,025, \$160,355, \$222,205, \$104,805, \$107,914, and \$111,737 for the five months ended September 30, 2013, the four months ended April 30, 2013 and years ended December 31, 2012, 2011, 2010, and 2009, respectively. Includes the issuance of surplus notes at par value in the amount of \$3,000 and \$50,000 for the years ended December 31, 2011 and 2010, respectively.
- On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain Ambac Assurance liabilities, and in connection with such segregation Ambac Assurance has allocated certain policies to the Segregated Account. On June 4, 2012, the Rehabilitation Court approved the Rehabilitator's motion to make partial interim policy claim payments to Segregated Account policyholders. As a result, the Segregated Account paid 25% of each permitted policy claim that has arisen since the commencement of the Segregated Account Rehabilitation Proceedings and will pay 25% of each policy claim submitted and permitted in the future. In August 2013, the Segregated Account began to make cash payments in excess of 25% of permitted claims on certain policies. Refer to Ambac's filings with the Securities and Exchange Commission for discussion of the Rehabilitation Court's approval for supplemental payments above 25% for certain Segregated Account policies. Unpaid claims are included in our net insurance reserves.
- 2010 credit derivative commutation payments include the issuance of surplus notes by Ambac Assurance at par in the amount of \$2,000,000.
- Ratio of net claims recorded is total net claims recorded divided by net premiums earned and other credit enhancement fees.
- Represents management's estimate of future claims recorded, excluding reinsurance recoveries and representation and warranty subrogation recoveries. Future losses exclude claims presented and unpaid through September 30, 2013. At September 30, 2013, Ambac's estimate of representation and warranty subrogation recoveries is \$2,371,244 on certain RMBS transactions. Actual claims presented may differ from estimates.

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

| (\$ Thousands) | Successor Ambac | Predecessor Ambac | | | |
|---|-----------------|-------------------|-------------|-------------|-------------|
| | 9/30/13 | 12/31/12 | 12/31/11 | 12/31/10 | 12/31/09 |
| Total insurance reserves ⁽¹⁾ | \$5,276,630 | \$5,974,731 | \$6,230,780 | \$4,424,450 | \$3,777,321 |
| Estimated credit impairment losses on credit derivatives ⁽²⁾ | 22,639 | 46,469 | 36,940 | 22,055 | 4,208,198 |
| Total impairment losses ⁽³⁾ | 5,299,269 | 6,021,200 | 6,267,720 | 4,446,505 | 7,985,519 |
| Mark-to-market reserve (asset) on credit derivatives ⁽²⁾ | 180,014 | 167,116 | 153,713 | 199,629 | (1,168,707) |
| Grand total net insurance loss reserves and credit derivatives | \$5,479,283 | \$6,188,316 | \$6,421,433 | \$4,646,134 | \$6,816,812 |

Summary of Below Investment Grade Exposures and Total Impairment Losses

| (\$ Thousands) | Segregated Account Net Par Outstanding ⁽³⁾ | Total Net Par Outstanding | Total Impairment Losses ⁽⁴⁾ |
|--|--|------------------------------|---|
| Public Finance: | | | |
| Lease & tax backed | \$0 | \$1,092,221 | \$29,703 |
| Housing | - | 760,264 | 2,706 |
| Transportation revenue | 86,286 | 518,955 | 89,287 |
| General obligation | - | 355,404 | 142,269 |
| Other | - | 932,295 | 15,962 |
| Total Public Finance | 86,286 | 3,659,139 | 279,927 |
| Structured Finance: | | | |
| Mortgage-backed & home equity - first lien & other | 8,856,139 | 8,856,139 | 3,053,835 |
| Mortgage-backed & home equity - second lien | 6,675,561 | 6,675,561 | 400,245 |
| Student loans | 4,518,038 | 4,518,038 | 832,655 |
| Other | 137,000 | 2,205,709 | 518,634 |
| Total Structured Finance | 20,186,738 | 22,255,447 | 4,805,369 |
| International Finance: | | | |
| | 287,134 | 4,386,887 | 213,973 |
| Total | \$20,560,158 | \$30,301,473 | \$5,299,269 |

1) As a result of the partial claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$3,867,489 of claims, net of reinsurance remain unpaid. Total insurance reserves are inclusive of these unpaid claims.

2) Total net mark-to-market losses are \$202,653, \$213,585, \$190,653, \$221,684 and \$3,039,491 as of September 30, 2013, December 31, 2012, 2011, 2010 and 2009, respectively, and are reported on the consolidated balance sheet under derivative liabilities.

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 filings with the Securities and Exchange Commission for further information.

4) Total impairment losses are not limited to below investment grade credits. Estimated impairment losses includes both insurance loss reserves and estimated credit impairment losses on credit derivatives and excludes amounts eliminated as a result of the Consolidations Accounting Standard. Please see discussion in Ambac's filings with the Securities and Exchange Commission for further information.

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

| | Predecessor Ambac | | | Successor Ambac | | | |
|--|-------------------|----------|----------------------------|--------------------------|---------------|----------------|--------------------------------|
| | First Quarter | April | Four Months Ended April 30 | Two Months Ended June 30 | Third Quarter | Fourth Quarter | Five Months Ended September 30 |
| 2013 (\$ Thousands) | | | | | | | |
| Public Finance | \$36,051 | \$11,829 | \$47,880 | \$23,559 | \$33,028 | | \$56,587 |
| Structured Finance ⁽¹⁾ | 15,662 | 4,635 | 20,297 | 8,884 | (544) | | 8,340 |
| International Finance | 19,183 | 6,207 | 25,390 | 12,547 | 18,767 | | 31,314 |
| Total Normal Insurance Premiums Earned | 70,896 | 22,671 | 93,567 | 44,990 | 51,251 | - | 96,241 |
| Accelerated Premiums Earned | 29,360 | 7,073 | 36,433 | 13,049 | 19,698 | | 32,747 |
| Total Premiums Earned | \$100,256 | \$29,744 | \$130,000 | \$58,039 | \$70,949 | - | \$128,988 |
| Fees on credit derivative contracts | \$2,509 | \$935 | \$3,444 | \$6,074 | \$1,580 | | \$7,654 |

Predecessor Ambac

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|--|---------------|----------------|---------------|----------------|-----------|
| 2012 (\$ Thousands) | | | | | |
| Public Finance | \$39,016 | \$39,283 | \$37,865 | \$36,817 | \$152,981 |
| Structured Finance ⁽¹⁾ | 18,293 | 6,632 | 19,967 | 5,056 | 49,948 |
| International Finance | 21,851 | 21,261 | 20,861 | 20,074 | 84,047 |
| Total Normal Insurance Premiums Earned | 79,160 | 67,176 | 78,693 | 61,947 | 286,976 |
| Accelerated Premiums Earned | 15,790 | 35,866 | 34,381 | 41,591 | 127,628 |
| Total Premiums Earned | \$94,950 | \$103,042 | \$113,074 | \$103,538 | \$414,604 |
| Fees on credit derivative contracts | \$3,254 | \$3,073 | \$2,944 | \$4,442 | \$13,713 |

Net Unearned Premium Amortization and Estimated Future Installment Premiums

| (\$ Millions) | Net Unearned Premium Amortization (GAAP) ⁽²⁾ | Fees on Credit Derivative Contracts ⁽³⁾ | Estimated Net Future Installments ⁽³⁾ | Consolidated VIE |
|--------------------------|---|--|--|------------------|
| 2013 (4th Qtr) | \$51.6 | \$1.4 | \$30.8 | \$9.6 |
| 2014 | 186.5 | 5.0 | 103.9 | 33.9 |
| 2015 | 167.1 | 3.9 | 91.3 | 30.4 |
| 2016 | 154.1 | 2.7 | 83.4 | 29.4 |
| 2017 | 143.3 | 2.4 | 77.4 | 28.0 |
| 2018 | 134.2 | 2.4 | 71.9 | 25.5 |
| 2013 (4th Qtr) | \$51.6 | \$1.4 | \$30.8 | \$9.6 |
| 2014-2018 | 785.2 | 16.4 | 427.9 | 147.2 |
| 2019-2023 | 553.3 | 7.0 | 287.5 | 102.1 |
| 2024-2028 | 381.8 | 0.2 | 215.2 | 65.7 |
| 2029-2033 | 228.4 | - | 163.5 | 35.5 |
| After 2033 | 151.3 | - | 116.7 | 9.3 |
| Total | \$2,151.6 | \$25.0 | \$1,241.6 | \$369.4 |

1) Reductions (increases) to net insurance premiums earned for changes in premium receivables relating to non-investment grade obligations deemed uncollectible were \$197, \$425, \$13,300 and \$13,300 for the first quarter of 2013, April 2013 and the three and five months ended September 30, 2013, respectively, and \$2,674, \$12,525, (\$1,366) and \$12,023 for the first, second, third and fourth quarter of 2012, respectively.

2) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of September 30, 2013. Actual future installments may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment. The unearned premium amortization disclosed in the above table consider the use of contractual lives for many bond types that do not have homogeneous pools of underlying collateral, which results in a higher unearned premium than if expected lives were considered. If those bond types are retired early, premium earnings may be negative in the period of call or refinancing.

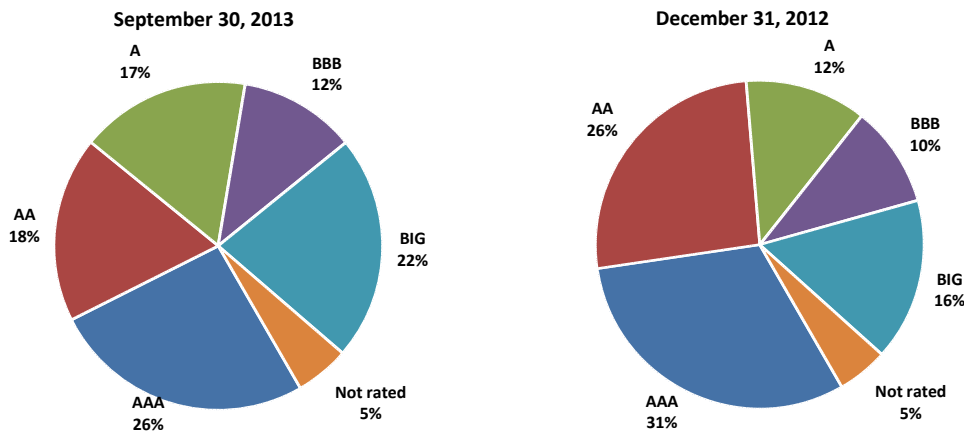
3) Represents management's estimate of future installment premium collections net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment. Estimated net future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

Fixed Income Investment Portfolio

As of September 30, 2013

| INCOME ANALYSIS BY TYPE OF SECURITY | Fair Value | Book Value ⁽¹⁾ | Pre-tax Yield To Maturity ⁽²⁾ |
|--|--------------|---------------------------|--|
| Investment category (\$ thousands) | | | |
| Financial Guarantee investments: | | | |
| Long-term investments | | | |
| U.S. government and agency obligations | \$ 252,288 | \$ 252,652 | 0.20% |
| Municipal obligations ⁽³⁾ | 1,444,358 | 1,470,363 | 3.61% |
| Corporate obligations | 1,295,289 | 1,313,739 | 2.19% |
| Mortgage and asset-backed securities | 2,316,815 | 2,299,174 | 5.82% |
| Total long-term investments | 5,308,750 | 5,335,928 | 4.05% |
| Short-term investments | 485,806 | 485,806 | 0.03% |
| Other | 30,808 | 30,808 | |
| Total Financial Guarantee investments excl. Ambac UK | 5,825,364 | 5,852,542 | 3.72% |
| Ambac UK Investments ⁽⁴⁾ | 448,444 | 458,489 | 1.50% |
| Total Financial Guarantee investments | 6,273,808 | 6,311,031 | 3.55% |
| Financial Services investments: ⁽⁵⁾ | | | |
| Long-term investments | | | |
| U.S. government and agency obligations | 4,961 | 4,959 | |
| Mortgage and asset-backed securities | 368,397 | 368,278 | |
| Total long-term investments | 373,358 | 373,237 | |
| Short-term investments | - | - | |
| Total Financial Services investments | 373,358 | 373,237 | |
| Corporate investments: | | | |
| Long-term investments | | | |
| Mortgage and asset-backed securities | 21,092 | 21,096 | |
| Total long-term investments | 21,092 | 21,096 | |
| Short-term investments | 17,355 | 17,355 | |
| Total Corporate investments | 38,447 | 38,451 | |
| Total Investments | \$ 6,685,613 | \$ 6,722,719 | |

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO⁽⁶⁾⁽⁷⁾



Duration of Financial Guarantee investment portfolio 2.6

- As required under Fresh Start, book values were reset to fair value on the Fresh Start date.
- "Yield to maturity" refers to the rate of interest to be earned over the expected remaining life of the fixed income investments in the portfolio, and is calculated based on book value, estimated future cash flows and call schedules. As the result of Fresh Start, book yields on the fixed income portfolio were reset to market yields as of April 30, 2013. Actual maturities may differ from stated maturities because borrowers may have the right to call or prepay obligations. For floating rate positions "yield to maturity" is based on the current interest rate and not forward rates.
- Includes taxable and tax-exempt municipal obligations with a fair value of \$472,964 and \$971,394, respectively.
- Includes fixed income investments as well as pooled investment funds and ETFs. The pre-tax yield to maturity is from the fixed income portfolio only.
- Financial Services investments relate primarily to the investment agreement business.
- 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. Rating distribution is calculated based on book value.
- Includes Ambac Assurance insured RMBS bonds purchased as part of our loss remediation strategy. These bonds represent 18% and 11% of the investment portfolio at September 30, 2013 and December 31, 2012, respectively.

Expense Analysis (GAAP)

| 2013 | Predecessor Ambac | | | Successor Ambac | | | | |
|---|-------------------|-----------------------|-----------------------|----------------------------|--------------------------|---------------|----------------|--------------------------------|
| | (\$ Thousands) | First Quarter | April | Four Months Ended April 30 | Two Months Ended June 30 | Third Quarter | Fourth Quarter | Five Months Ended September 30 |
| Financial Guarantee operating expenses: | | | | | | | | |
| Compensation | \$ 14,408 | \$ 4,549 | \$ 18,957 | \$ 8,965 | \$ 12,991 | | | \$ 21,956 |
| Non-compensation | 12,560 | 4,431 | 16,991 | 5,849 | 10,208 | | | 16,057 |
| Total Financial Guarantee operating expenses | 26,968 | 8,980 | 35,948 | 14,814 | 23,199 | - | | 38,013 |
| Financial Services operating expenses | 769 | 526 | 1,295 | 429 | 796 | | | 1,225 |
| Corporate and other operating expenses | 608 | (69) | 539 | 383 | 337 | | | 720 |
| Total gross operating expenses | \$ 28,345 | \$ 9,437 | \$ 37,782 | \$ 15,626 | \$ 24,332 | \$ - | | \$ 39,958 |
| Ceding commissions | 194 | 110 | 304 | 591 | 715 | | | 1,306 |
| Change in deferred acquisition costs | 5,335 | 1,145 | 6,480 | - | - | | | - |
| Total operating expenses, net of deferred expenses | \$ 33,874 | \$ 10,692 | \$ 44,566 | \$ 16,217 | \$ 25,047 | \$ - | | \$ 41,264 |
| Reorganization costs | \$ 2,059 | \$ (2,747,239) | \$ (2,745,180) | \$ 424 | \$ 4 | | | \$ 428 |
| Total gross operating expenses, including reorganization costs | \$ 30,404 | \$ (2,737,802) | \$ (2,707,398) | \$ 16,050 | \$ 24,336 | \$ - | | \$ 40,386 |

Predecessor Ambac

| 2012 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|---|------------------|------------------|------------------|------------------|-------------------|
| (\$ Thousands) | | | | | |
| Financial Guarantee operating expenses: | | | | | |
| Compensation | \$ 13,824 | \$ 13,441 | \$ 12,156 | \$ 12,604 | \$ 52,025 |
| Non-compensation | 11,554 | 13,271 | 11,313 | 17,228 | 53,366 |
| Total Financial Guarantee operating expenses | 25,378 | 26,712 | 23,469 | 29,832 | 105,391 |
| Financial Services operating expenses | 792 | 923 | 859 | 1,114 | 3,688 |
| Corporate and other operating expenses | 1,930 | (593) | 1,745 | (3,233) | (151) |
| Total gross operating expenses | \$ 28,100 | \$ 27,042 | \$ 26,073 | \$ 27,713 | \$ 108,928 |
| Ceding commissions | 3,134 | (33) | 497 | 1,036 | 4,634 |
| Change in deferred acquisition costs | 5,300 | 6,558 | 6,777 | 6,832 | 25,467 |
| Total operating expenses, net of deferred expenses | \$ 36,534 | \$ 33,567 | \$ 33,347 | \$ 35,581 | \$ 139,029 |
| Reorganization costs | \$ 2,461 | \$ 767 | \$ 1,252 | \$ 2,735 | \$ 7,215 |
| Total gross operating expenses, including reorganization costs | \$ 30,561 | \$ 27,809 | \$ 27,325 | \$ 30,448 | \$ 116,143 |

Historical Net Financial Guarantee Exposures Outstanding ⁽¹⁾⁽²⁾

| (\$ Millions Net Par Value) | September 30, | | December 31, | | Segregated Account September 30, 2013 |
|---|---------------|-----------|--------------|-----------|--|
| | 2013 | 2012 | 2011 | 2010 | |
| Public Finance: | | | | | |
| Lease and tax backed | \$44,715 | \$50,415 | \$59,864 | \$65,843 | \$ - |
| General obligation | 29,993 | 34,623 | 42,959 | 48,241 | 11 |
| Utility | 15,548 | 18,651 | 22,529 | 26,360 | 433 |
| Transportation | 10,317 | 13,892 | 18,945 | 20,722 | 336 |
| Higher education | 8,155 | 10,382 | 13,618 | 15,279 | - |
| Housing | 7,598 | 8,176 | 8,823 | 9,878 | - |
| Health care | 4,277 | 5,266 | 7,824 | 9,603 | 94 |
| Other | 1,458 | 1,613 | 2,255 | 3,423 | - |
| Total Public Finance | 122,061 | 143,018 | 176,817 | 199,349 | 874 |
| Structured Finance: | | | | | |
| Mortgage-backed & home equity | 16,667 | 19,117 | 23,164 | 27,488 | 16,667 |
| Investor-owned utilities | 6,062 | 7,071 | 9,049 | 10,685 | 58 |
| Student loan | 4,715 | 5,411 | 7,824 | 11,408 | 4,665 |
| Asset-backed | 2,527 | 2,905 | 4,732 | 10,005 | - |
| Other CDOs | 2,190 | 5,941 | 8,060 | 11,463 | 363 |
| Other | 1,892 | 1,914 | 2,316 | 2,750 | 316 |
| Total Structured Finance | 34,053 | 42,359 | 55,145 | 73,799 | 22,069 |
| International Finance ⁽³⁾: | | | | | |
| Investor-owned and public utilities | 9,534 | 10,314 | 10,510 | 10,861 | - |
| Asset-backed | 8,018 | 8,702 | 9,560 | 10,738 | - |
| Sovereign/sub-sovereign | 7,234 | 7,289 | 7,282 | 7,119 | - |
| Transportation | 5,141 | 6,002 | 5,914 | 6,744 | 144 |
| Other CDOs | 1,276 | 3,191 | 4,375 | 6,775 | 643 |
| Mortgage-backed & home equity | 486 | 1,268 | 1,397 | 1,898 | - |
| Other | 1,388 | 1,490 | 1,504 | 1,571 | - |
| Total International Finance | 33,077 | 38,256 | 40,542 | 45,706 | 787 |
| Grand Total | \$189,191 | \$223,633 | \$272,504 | \$318,854 | \$23,730 |

Percent of Total Net Par Outstanding

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Public Finance | 64.5% | 64.0% | 64.9% | 62.5% | 3.7% |
| Structured Finance | 18.0% | 18.9% | 20.2% | 23.2% | 93.0% |
| International Finance | 17.5% | 17.1% | 14.9% | 14.3% | 3.3% |
| 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 \$5,207, \$11,282, \$14,167, and \$18,766, at September 30, 2013 and December 31, 2012, 2011, and 2010, respectively.

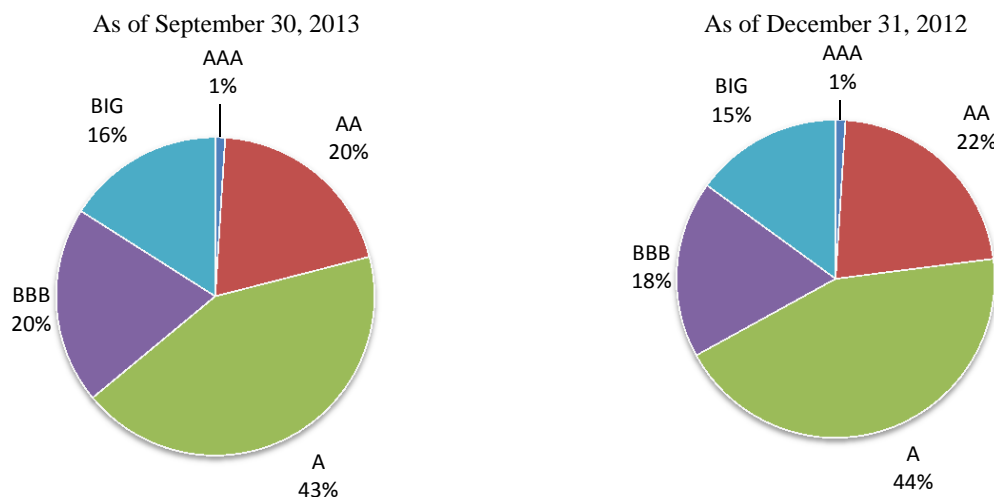
(2) Includes exposure allocated to the Segregated Account.

(3) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

| (\$ Millions Net Par Value) | September 30, | | December 31, | | | |
|---------------------------------------|---------------|--------|--------------|-----------|-----------|-----------|
| | 2013 | % | 2012 | 2011 | 2010 | 2009 |
| Domestic: | | | | | | |
| California | \$26,836 | 14.2% | \$32,105 | \$36,133 | \$39,210 | \$43,388 |
| New York | 13,128 | 6.9% | 14,389 | 18,267 | 20,944 | 22,865 |
| Florida | 9,068 | 4.8% | 11,110 | 13,906 | 15,910 | 17,816 |
| Texas | 8,020 | 4.2% | 10,016 | 12,983 | 14,776 | 16,941 |
| New Jersey | 6,692 | 3.5% | 7,906 | 9,650 | 10,415 | 11,654 |
| Illinois | 5,990 | 3.2% | 6,878 | 8,524 | 9,351 | 10,472 |
| Massachusetts | 4,880 | 2.6% | 5,373 | 5,799 | 6,576 | 8,255 |
| Pennsylvania | 4,097 | 2.2% | 4,304 | 5,301 | 6,036 | 7,405 |
| Colorado | 3,810 | 2.0% | 4,376 | 5,010 | 5,786 | 6,392 |
| Washington | 3,128 | 1.7% | 3,480 | 4,772 | 5,710 | 6,124 |
| Mortgage and asset-backed | 19,194 | 10.1% | 22,022 | 27,896 | 37,493 | 48,862 |
| Other states | 51,271 | 27.1% | 63,418 | 83,721 | 100,941 | 137,708 |
| Total Domestic | 156,114 | 82.5% | 185,377 | 231,962 | 273,148 | 337,882 |
| International: | | | | | | |
| United Kingdom | 22,211 | 11.7% | 22,585 | 22,317 | 22,215 | 22,840 |
| Australia | 3,807 | 2.0% | 4,820 | 5,176 | 6,292 | 6,034 |
| Italy | 2,392 | 1.3% | 3,068 | 3,346 | 3,674 | 3,821 |
| Austria | 959 | 0.5% | 943 | 956 | 999 | 1,149 |
| New Zealand | 530 | 0.3% | 529 | 523 | 524 | 489 |
| Internationally diversified | 1,953 | 1.0% | 3,968 | 5,318 | 7,793 | 9,914 |
| Other international | 1,225 | 0.6% | 2,343 | 2,906 | 4,209 | 8,277 |
| Total International | 33,077 | 17.5% | 38,256 | 40,542 | 45,706 | 52,524 |
| Grand Total | \$189,191 | 100.0% | \$223,633 | \$272,504 | \$318,854 | \$390,406 |

Rating Distribution of Net Financial Guarantee Exposures Outstanding ⁽¹⁾



(1) Based upon internal 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 | \$189.2 | \$ 2,657 | 1.4% |
| New Jersey Transportation Trust Fund Authority - Transportation System | A + | \$166.4 | 1,967 | 1.0% |
| NYS Thruway Authority, Highway & Bridge Revenue | AA - | \$139.0 | 1,374 | 0.7% |
| Massachusetts School Building Authority, MA, Sales Tax Revenue | AA | \$96.4 | 1,230 | 0.6% |
| Massachusetts Commonwealth - GO | AA | \$87.2 | 1,182 | 0.6% |
| Washington State - GO | AA | \$83.2 | 932 | 0.5% |
| Los Angeles Unified School District, CA - GO | AA - | \$76.3 | 895 | 0.5% |
| Sales Tax Asset Receivable Corporation, NY, Revenue | A | \$78.6 | 846 | 0.4% |
| Puerto Rico Sales Tax Financing Corporation | A - | \$179.3 | 805 | 0.4% |
| Puerto Rico Highways & Transportation Authority, Transportation Revenue ⁽³⁾ | BBB - | \$46.8 | 733 | 0.4% |
| Chicago, IL - GO | A + | \$35.9 | 728 | 0.4% |
| New Jersey Turnpike Authority Revenue | A | \$41.7 | 691 | 0.4% |
| New York City, NY - GO | AA | \$38.3 | 678 | 0.4% |
| MTA, NY, Transportation Revenue (Farebox) | A | \$47.9 | 660 | 0.3% |
| New York Convention Center Development Corporation, Hotel Fee Revenue | A - | \$44.3 | 651 | 0.3% |
| Dallas Area Rapid Transit, TX, Sales Tax Revenue | AA | \$48.3 | 638 | 0.3% |
| New Jersey Economic Development Authority - School Facilities Construction | A + | \$41.3 | 638 | 0.3% |
| Missouri Joint Municipal Electric Utility Commission, Project Revenue | A - | \$40.2 | 625 | 0.3% |
| Mets Queens Baseball Stadium Project, NY, Lease Revenue | BIG | \$36.0 | 592 | 0.3% |
| Tobacco Settlement Financing Corporation, NY, Tobacco Settlement Revenue | A + | \$95.8 | 585 | 0.3% |
| Dallas/Fort Worth Airport, TX, Joint Revenue | A | \$53.3 | 575 | 0.3% |
| New York State Personal Income Tax Revenue | AA - | \$39.7 | 575 | 0.3% |
| New York City, NY Water and Sewer System Revenue | AA | \$38.7 | 566 | 0.3% |
| Puerto Rico Infrastructure Financing Authority, Special Tax Revenue | BBB - | \$38.3 | 561 | 0.3% |
| Alameda Corridor Transportation Authority, Transportation Revenue | BBB | \$70.4 | 548 | 0.3% |
| Total: | | | <u>\$ 21,932</u> | <u>11.6%</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. In connection with such segregation Ambac Assurance has allocated an insurance policy on the obligor's interest rate swap liabilities to the Segregated Account.

25 Largest Structured Finance Exposures

| (\$ Millions) | Ambac Rating ⁽¹⁾ | Net Par Outstanding | % of Total Net Par Outstanding |
|--|-----------------------------|---------------------|--------------------------------|
| Wachovia Asset Securitization Issuance II, LLC 2007-HE2 ⁽²⁾ | BIG | \$1,023 | 0.5% |
| CDO of ABS < 25% MBS | A | 955 | 0.5% |
| Ballantyne Re Plc ⁽³⁾ | BIG | 900 | 0.5% |
| The National Collegiate Student Loan Trust 2007-4 ⁽²⁾ | BIG | 764 | 0.4% |
| Spirit Master Funding | BBB | 745 | 0.4% |
| Wachovia Asset Securitization Issuance II, LLC 2007-HE1 ⁽²⁾ | BIG | 709 | 0.4% |
| Timberlake Financial, LLC | BIG | 611 | 0.3% |
| Michigan Higher Education Student Loan Authority ⁽²⁾ | BIG | 581 | 0.3% |
| Progress Energy Carolinas, INC | A - | 558 | 0.3% |
| Local Insight Media Finance LLC | BIG | 489 | 0.3% |
| Option One Mortgage Loan Trust 2007-FXD1 ⁽²⁾ | BIG | 448 | 0.2% |
| Niagara Mohawk Power Corporation | A | 444 | 0.2% |
| Countrywide Asset-Backed Certificates Trust 2005-16 ⁽²⁾ | BIG | 440 | 0.2% |
| Countrywide Revolving Home Equity Loan Trust 2005-F ⁽²⁾ | BIG | 426 | 0.2% |
| The National Collegiate Student Loan Trust 2007-3 ⁽²⁾ | BIG | 411 | 0.2% |
| Impac CMB Trust Series 2005-7 ⁽²⁾ | BIG | 383 | 0.2% |
| CenterPoint Energy Inc. | BBB + | 376 | 0.2% |
| Morgan Stanley Credit Corporation Heloc Trust 2007-1 ⁽²⁾ | BIG | 372 | 0.2% |
| Countrywide Asset Backed Certificates Trust 2005-17 ⁽²⁾ | BIG | 361 | 0.2% |
| Privately Placed RMBS Transaction ⁽²⁾ | BIG | 358 | 0.2% |
| Consolidated Edison Company of New York | A | 347 | 0.2% |
| Countrywide Asset Backed Certificates Trust 2006-11 ⁽²⁾ | BIG | 332 | 0.2% |
| CDO of HY Corporate | AA + | 331 | 0.2% |
| GMACM Home Equity Loan Trust 2005-HE3 ⁽²⁾ | BIG | 295 | 0.2% |
| Massachusetts Educational Financing Authority Revenue Bonds ⁽²⁾ | BIG | 283 | 0.1% |
| Total: | | <u>\$12,942</u> | <u>6.8%</u> |

25 Largest International Finance Exposures

| (\$ Millions) | Ambac Rating ⁽¹⁾ | Net Par Outstanding | % of Total Net Par Outstanding |
|--|-----------------------------|---------------------|--------------------------------|
| Mitchells & Butlers Finance plc-UK Pub Securitization ⁽³⁾ | A + | \$1,998 | 1.1% |
| Channel Link Enterprises ⁽³⁾ | BBB - | 1,288 | 0.7% |
| National Grid Electricity Transmission ⁽³⁾ | A - | 1,239 | 0.7% |
| Punch Taverns Finance plc-UK Pub Securitization ⁽³⁾ | BIG | 1,203 | 0.6% |
| Aspire Defence Finance plc ⁽³⁾ | BBB + | 1,184 | 0.6% |
| Telereal Securitization plc ⁽³⁾ | AA | 1,108 | 0.6% |
| Posillipo Finance II S.r.l ⁽³⁾ | BBB | 1,041 | 0.6% |
| Capital Hospitals plc ⁽³⁾ | BBB - | 1,034 | 0.5% |
| Ostregion Investmentgesellschaft NR 1 SA ⁽³⁾ | BIG | 959 | 0.5% |
| Anglian Water ⁽³⁾ | A - | 864 | 0.5% |
| Romulus Finance s.r.l. ⁽³⁾ | BBB - | 855 | 0.5% |
| RMPA Services plc ⁽³⁾ | BBB + | 813 | 0.4% |
| National Grid Gas ⁽³⁾ | A - | 798 | 0.4% |
| Scotia Gas Networks ⁽³⁾ | BBB | 725 | 0.4% |
| Private CMBS Transaction ⁽³⁾ | BBB + | 701 | 0.4% |
| Spirit Issuer plc ⁽³⁾ | BIG | 684 | 0.4% |
| Catalyst Healthcare (Manchester) Financing plc ⁽³⁾ | BBB + | 679 | 0.4% |
| Powercor Australia | BBB + | 676 | 0.4% |
| South East Water (Finance) Limited ⁽³⁾ | BBB | 592 | 0.3% |
| Babcock & Brown Air Funding I Limited | BIG | 541 | 0.3% |
| CDO of HY Corporate ⁽²⁾⁽³⁾ | BBB + | 485 | 0.3% |
| United Energy Distribution | BBB | 472 | 0.2% |
| Airspeed Limited | BIG | 450 | 0.2% |
| CDO of HY Corporate | AA | 446 | 0.2% |
| Northern Powergrid (Yorkshire) plc ⁽³⁾ | BBB + | 445 | 0.2% |
| Total: | | <u>\$21,280</u> | <u>11.2%</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 all or 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 September 30, 2013

| (\$ 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 |
| 2013 (4th Qtr). | \$5,109 | \$291,031 | \$686 | \$29,168 |
| 2014. | 18,053 | 272,978 | 3,032 | 26,136 |
| 2015. | 19,403 | 253,575 | 2,892 | 23,244 |
| 2016. | 16,751 | 236,824 | 2,560 | 20,684 |
| 2017. | 15,867 | 220,957 | 1,805 | 18,879 |
| 2018. | 15,792 | 205,165 | 1,472 | 17,407 |
| 2013 (4th Qtr). | \$5,109 | \$291,031 | \$686 | \$29,168 |
| 2014-2018. | 85,866 | 205,165 | 11,761 | 17,407 |
| 2019-2023. | 66,250 | 138,915 | 4,760 | 12,647 |
| 2024-2028. | 48,352 | 90,563 | 2,636 | 10,011 |
| 2029-2033. | 39,447 | 51,116 | 3,836 | 6,175 |
| After 2033. | 51,116 | - | 6,175 | - |
| Total. | \$296,140 | | \$29,854 | |

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of September 30, 2013. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.