2007 Quarterly Operating Supplement

Q4

▸ Financial Highlights

Share price	$25.77
Market capitalization	$2,617 million
Net income	$(3,255.6) million
Net income per diluted share	$(31.85)
Book value per share	$22.41
Adjusted book value per share	$55.20

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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	($31.38)	$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	-76.3%	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	23,573	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)	1,389	992	1,192	792	792	617	619	424	424	424
Stockholders' equity	2,276	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)	$55.20	$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

	Fourth Quarter 2007	Fourth Quarter 2006	Full Year 2007	Full Year 2006
KEY FINANCIAL LINES				
Net (loss) income ($ millions)	($3,255.6)	$202.7	($3,229.9)	$875.9
Stockholders' equity ($ millions)	$2,275.8	$6,184.2	$2,275.8	$6,184.2
Return on equity	-328.4%	13.3%	-76.3%	15.1%
Total capitalization (1) ($ millions)	$3,559.8	$7,176.0	$3,559.8	$7,176.0
Debt/total capital (1)	37.9%	13.8%	37.9%	13.8%
Capital ratio(2)	130:1	126:1	130:1	126:1
Financial resources ratio (2)	57:1	61:1	57:1	61:1
Loss ratio (3)	563.7%	4.3%	148.4%	2.3%
Expense ratio (4)	15.0%	15.1%	15.2%	15.3%
Combined ratio(3) (4)	578.7%	19.4%	163.6%	17.6%
Effective tax rates:				
Financial Guarantee:				
Net investment income	13.5%	13.2%	13.1%	13.0%
Realized securities gains	35.0%	35.0%	35.0%	35.0%
Underwriting and other income	35.0%	35.7%	34.9%	35.4%
Total Financial Guarantee	35.5%	27.4%	37.0%	27.5%
Financial Services	34.4%	33.1%	40.6%	35.5%
Other	286.9%	14.3%	35.0%	35.0%
Consolidated total effective tax rate	36.7%	28.7%	36.9%	27.6%
STOCKHOLDER DATA				
Market value per share	$25.77	$89.07	$25.77	$89.07
Net income per share	($31.85)	$1.90	($31.38)	$8.22
Net income per diluted share	($31.85)	$1.88	($31.38)	$8.15
OTHER EARNINGS MEASURES (Per diluted share)				
Net (loss) income	($31.85)	$1.88	($31.38)	$8.15
Net security losses and (gains)(5)	$25.64	($0.04)	$31.15	($0.48)
Other items	$0.00	$0.04	$0.00	$0.04
Operating earnings (non-GAAP)	($6.21)	$1.88	($0.23)	$7.71
Refundings, calls and other accelerations, net	($0.18)	($0.17)	($0.76)	($0.63)
Core earnings (non-GAAP)	($6.39)	$1.71	($0.99)	$7.08
ADJUSTED BOOK VALUE ANALYSIS (Per share)				
Book value	$22.41	$58.54	$22.41	$58.54
After-tax value of:				
Net unearned premium reserve less deferred acquisition costs	15.24	15.18	15.24	15.18
Present value of future installment premiums	18.48	14.78	18.48	14.78
Unrealized loss on investment agreement liabilities	(0.93)	(0.69)	(0.93)	(0.69)
Adjusted book value	$55.20	$87.81	$55.20	$87.81

(1) Excludes the portion of long-term debt associated with variable interest entities of $280.7 million at December 31, 2007.
(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 other credit enhancement fees.
(4) Expense ratio is computed as financial guarantee underwriting and operating expenses divided by net premiums earned and other credit enhancement fees.
(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 both the Financial Services and the Medium-Term Notes Conduit businesses.

Earnings Analysis
(Dollars in Millions)

	Fourth Quarter 2007	Fourth Quarter 2006
Pre-tax (loss) income……………………………………………	($5,145.2)	$284.5
Pre-tax Financial Guarantee:		
Net realized investment gains …………………………...	(4.6)	(4.2)
Credit default swaps - total ……………………………………	5,210.9	0.8
Credit default swaps - estimated impairment losses……	(1,105.7)	-
Non-trading derivatives [1]………………………………….	0.1	(1.2)
Total Financial Guarantee………………………….	4,100.7	(4.6)
Pre-tax Financial Services:		
Net realized investment gains ……………………….. .	(5.9)	(5.5)
Non-trading derivatives………………………………..	9.1	0.2
Total return swaps…………………………………..	22.7	4.0
Total Financial Services…………………………….	25.9	(1.3)
Pre-tax Financial Services:		
Other - accelerated debt costs	-	6.0
Pre-tax Operating earnings…………………………………….	(1,018.6)	284.6
Tax on Operating earnings…………………………………….	(383.6)	81.7
After-tax Operating earnings…………………………………….	($635.0)	$202.9

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

For Immediate Release

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AMBAC FINANCIAL GROUP, INC. ANNOUNCES FOURTH QUARTER NET LOSS OF $3,255.6 MILLION

Fourth Quarter Net Loss Per Share of $31.85 Reflects Mark-to-Market Losses on Credit Derivatives Portfolio Amounting to $33.14 Per Share

Fourth Quarter Credit Enhancement Production(1) $304.5 million, down 3%

NEW YORK, January 22, 2008--**Ambac Financial Group, Inc.** (NYSE: ABK) (Ambac) today announced a fourth quarter 2007 net loss of $3,255.6 million, or a net loss of $31.85 on a per share basis. This compares to fourth quarter 2006 net income of $202.7 million, or net income per diluted share of $1.88. The decrease is primarily due to non-cash, mark-to-market losses on credit derivative exposures amounting to $5,211.0 million, pre-tax, or a net loss of $33.14 per share in the fourth quarter 2007 driven by significant changes in fair value of the exposures during the quarter. The decrease was also caused in part by the current quarter's loss provision which increased to $208.5 million in the fourth quarter 2007 from $9.6 million in the comparable prior year quarter.

Strategy, Ratings and Capital Position

Ambac Chairman and Interim Chief Executive Officer, Michael Callen stated, "We view the current perceptions of Ambac's business by both the market and ratings agencies as underestimating Ambac's strengths and future potential. As of December 31, 2007, the Company had claims-paying ability of $14.5 billion, supported by a high quality investment portfolio. Ambac's liquidity position is similarly strong. Corporate debt service requirements and corporate expenses are significantly lower than current dividend capacity from the operating company. Claim payments in 2007 were negative $2 million and we paid no claims related to our CDO of ABS portfolio." Mr. Callen continued, "Capitalizing on our experienced management team and highly qualified professionals worldwide, significant size and scale, and expertise in many market sectors, we believe that Ambac can realize new business opportunities in our core markets and through reinsurance while we strengthen our capital position further to maintain our triple-A ratings under S&P and Moody's and seek to regain it under Fitch."

In addition, Mr. Callen noted that the Company is evaluating strategic alternatives with a number of potential parties. "We are exploring the attractiveness of these alternatives as we look for opportunities that will grow shareholder value and enable us to build on Ambac's fundamental strengths. At the same time, we would expect that over the longer-term, as the market normalizes and perceptions correspond more closely to reality, the market will more accurately assess our assets and strengths."

The Company explained that in the fall of 2007, each of the major rating agencies began a review of the capital adequacy of the financial guaranty industry. In late December, following the rating agency reviews, Ambac's triple-A rating was affirmed by both S&P (with "negative outlook") and Moody's; however, Fitch placed Ambac's 'AAA' rating on "rating watch negative" and stated that Ambac had a modeled $1 billion capital shortfall. On January 16, 2008, the Company announced a plan to raise equity capital of $1 billion or more in order to meet or exceed Fitch's 'AAA' rating requirements. Following this announcement, Moody's put its 'Aaa' rating on review for possible downgrade. On January 18, 2008, Ambac announced that it had determined that as a result of market conditions and other factors, including the recent actions of certain ratings agencies, raising equity capital was not an attractive option at that time. On January 18, 2008, Fitch downgraded Ambac's insurance financial strength rating to AA. Moody's and S&P are currently reviewing Ambac's triple-A ratings for a possible reduction as well.

Notwithstanding these actions, management remains confident that Ambac's capital position and claims paying ability remain strong. Management is equally confident in Ambac's insured portfolio and the Company's ability to support policyholder liabilities.

Mark-to-Market Loss

The $5,211.0 million fourth quarter 2007 mark-to-market loss on credit derivative exposures includes estimated credit impairment of $1,105.7 million related to certain collateralized debt obligations of asset-backed securities backed primarily by mezzanine level subprime residential mortgage-backed securities that have recently been internally downgraded to below investment grade. An estimate for credit impairment has been established because it is management's expectation that Ambac will have to make claim payments on these exposures in the future. As further described below, earnings measures reported by research analysts are on an operating basis and exclude the net income impact of mark-to-market gains and losses on credit derivative contracts internally rated investment grade, as well as certain other items. Operating earnings in the fourth quarter 2007 includes the impact of the estimated $1,105.7 million credit impairment, which on an after-tax per share basis amounts to a loss of $7.03.

Net Income/(Loss) Per Diluted Share

Net loss per share and net income per diluted 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 internally rated investment grade (collectively "net security gains and losses") and certain other items. Other items in the fourth quarter 2006 represents the write-off of previously deferred issuance expenses related to debentures that were redeemed in October 2006. 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 fourth quarter 2007, net security gains and losses had the effect of decreasing net income by $2,620.6 million, or $25.64 on a per share basis. Accelerated earnings had the effect of increasing net income by $18.4 million, or $0.18 per diluted share during the quarter. Table I provides fourth quarter and full year comparisons of earnings for 2007 and 2006.

Table I

	Earnings Per Diluted Share					
	Fourth Quarter			**Full Year**		
	2007	**2006**	**% Change**	**2007**	**2006**	**% Change**
Net (loss) / income per diluted share	($31.85)	$1.88	n.m.	($31.38)	$8.15	n.m.
Effect of net security losses / (gains)	$32.67	($0.04)		$38.13	($0.48)	
Less impairment losses	($7.03)	$0.00		($6.98)	$0.00	
Other items	$0.00	$0.04		$0.00	$0.04	
Operating (loss) earnings [(a)] [(b)]	**($6.21)**	**$1.88**	n.m.	**($0.23)**	**$7.71**	**-103%**
Effect of accelerated earnings	($0.18)	($0.17)		($0.76)	($0.63)	
Core (loss) earnings [(b)]	($6.39)	$1.71	n.m.	($0.99)	$7.08	-114%

(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

Commenting on the financial results, Mr. Callen, noted, "The disappointing bottom line for the fourth quarter and the year, resulting from the unprecedented turmoil in the financial markets, is a set back for Ambac. The poor credit market conditions have severely impacted asset values. Ambac is committed to ensuring that its valuations appropriately reflect current market conditions."

Revenues

Highlights

- *Credit enhancement production*[(1)] in the fourth quarter of 2007 was $304.5 million, down 3% from Ambac's production of $314.5 million reported in the fourth quarter of 2006.

  Credit enhancement production for the full year of 2007 of $1,413.6 million was 9% higher than credit enhancement production of $1,295.2 million in 2006.

  Table II provides the fourth quarter and full year comparisons of credit enhancement production by market segment for 2007 and 2006.

Table II

($-millions)	Credit Enhancement Production [(1)]					
	Fourth Quarter			**Full Year**		
	2007	**2006**	**% Change**	**2007**	**2006**	**% Change**
Public Finance	$ 97.4	$ 84.0	+16%	$ 477.8	$ 405.0	+18%
Structured Finance	125.9	97.1	+30%	528.6	479.3	+10%
International	81.2	133.4	-39%	407.2	410.9	-1%
Total	$ 304.5	$ 314.5	-3%	$ 1,413.6	$ 1,295.2	+9%

In public finance, Ambac's premium production increased even though overall market issuance declined approximately 17%, quarter on quarter. The increased production was primarily the result of strong writings of healthcare transactions and municipal structured real estate during the quarter. Industry-wide insured penetration in the fourth quarter 2007 was approximately 41%, down from approximately 44% in the fourth quarter 2006. Penetration rates typically fluctuate dependent upon the mix of quality of the transactions that are issued during a given period. However, in December 2007, penetration rates declined to approximately 30% as several municipal issuers chose to forego insurance as the rating agencies reviewed the capital adequacy of the financial guarantors.

U.S. structured finance credit enhancement production increased from the prior year driven by strong writings of commercial asset-backed securitizations and investor-owned utilities deals in the quarter. The structured finance markets continue to experience low volumes, especially in consumer-related securitizations. Industry market conditions on securitizations that do come to market have improved substantially. During the fourth quarter 2007, Ambac did not write any collateralized debt obligations of asset-backed securities (CDOs of ABS) nor did it write any subprime or second lien residential mortgage-backed securities.

International credit enhancement production decreased. The breadth of transactions closed during the current quarter was diversified in terms of asset class and geographic region, but the comparable prior quarter included three large UK transactions. During the quarter Ambac closed deals in six different countries and three multinational transactions.

- *Net premiums written* in the fourth quarter of 2007 of $49.3 million were 78% lower than net premiums written of $223.6 million in the fourth quarter of 2006. The decrease is primarily a result of higher ceded premiums written which increased from $28.2 million in fourth quarter 2006 to $184.5 million in the current quarter. In conjunction with the previously announced $29 billion reinsurance arrangement with Assured Guaranty Re Ltd ("AG Re"), Ambac ceded $143.2 million of written premium to that company during the quarter. Excluding the cede to AG Re in the current quarter, ceded premiums as a percentage of gross premiums written were 17.7% and 11.2% for the fourth quarter of 2007 and 2006, respectively.

  Net premiums written for the full year of 2007 of $753.9 million were 16% lower than net premiums written of $893.2 million in 2006, primarily as a result of the AG Re cede noted above.

- *Net premiums earned and other credit enhancement fees* for the fourth quarter of 2007 were $233.2 million, up 4% from $223.4 million earned in the fourth quarter of 2006. Normal earned premiums and other credit enhancement fees in the fourth quarter 2007 of $203.4 million were 6% higher than $191.3 million reported in the fourth quarter 2006. The AG Re cede, which took place in early December 2007, reduced normal earned premiums by $1.3 million in the current quarter. The impact of that cede on full year 2008 premiums earned is expected to be approximately $28 million.

  Net premiums earned include accelerated premiums, which result from refundings, calls and other accelerations recognized during the quarter. Accelerated premiums were $29.8 million in the fourth quarter of 2007, down 7% from $32.1 million in accelerated premiums in the fourth quarter of 2006. During the fourth quarter 2007 and 2006, approximately 89% and 75%, respectively, of the accelerated premiums related to U.S. public finance transactions and the remainder related to U.S. structured finance and international transactions.

  Net premiums earned and other credit enhancement fees for the full year of 2007 were $917.9 million, which represented a 5% increase from the $871.4 million earned in 2006. Normal earned premiums and other credit enhancement fees grew 5% from $752.4 million in 2006 to $788.9 million in 2007. Accelerated premiums were $129.0 million for the full year 2007, up 8% from $119.0 million in 2006.

A breakdown of net premiums earned and other credit enhancement fees by market sector for 2007 and 2006 are included in Table III. Normal net premiums earned exclude accelerated premiums that result from refundings, calls and other accelerations.

Table III

($-millions)	Net Premiums Earned and Other Credit Enhancement Fees					
	Fourth Quarter			**Full Year**		
	2007	**2006**	**% Change**	**2007**	**2006**	**% Change**
Public Finance	$ 58.4	$ 58.3	0%	$ 234.9	$ 231.1	+2%
Structured Finance	86.5	82.2	+5%	341.0	317.3	+7%
International	58.5	50.8	+15%	213.0	204.0	+4%
Total Normal Premiums/Fees	203.4	191.3	+6%	788.9	752.4	+5%
Accelerated Premiums	29.8	32.1	-7%	129.0	119.0	+8%
Total	$ 233.2	$ 223.4	+4%	$ 917.9	$ 871.4	+5%

Public finance normal earned premiums were flat quarter on quarter. Earned premium growth in this sector has been negatively impacted by competitive pricing, the mix of business underwritten in recent periods, and the recent high level of refunding activity in Ambac's public finance book.

Structured finance normal earned premiums and other credit enhancement fees grew 5%. The earned premium growth rate in structured finance has been driven by premium production in asset classes such as pooled debt obligations, commercial asset-backed securities and student loan securitizations over the past several quarters, offset by run-off and a slow down in business written in mortgage-backed securities in 2007.

International normal earned premiums and other credit enhancement fees increased 15%. The increase is driven by improving deal flow and a one-time premium on a credit derivative transaction that matured. This premium resulted from the favorable credit performance of the transaction.

- *Net investment income* excluding net investment income from VIEs for the fourth quarter of 2007 was $119.3 million, representing an increase of 8% from $110.5 million in the comparable period of 2006. This increase was due primarily to growth in the investment portfolio driven by the ongoing collection of financial guarantee premiums and fees. Investment income from VIEs is offset by interest expense on VIEs, shown separately in the Consolidated Statements of Operations.

  Net investment income excluding net investment income from VIEs for the full year 2007 was $460.3 million, representing an increase of 9% from $423.9 million in 2006, primarily as a result of the reason provided above.

- *Financial services revenues.* The financial services segment is comprised of 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 $2.5 million in the fourth quarter of 2007, down 80% from $12.7 million in the fourth quarter of 2006. The decrease was due to lower post inception revenues on interest rate swaps and lower net revenues from the investment agreement business. The decline in post inception revenue was primarily driven by increases in floating rates on certain interest rate swaps with municipal counterparties. The decline in net investment agreement revenues was driven by lower spreads resulting from the timing of interest rate resets on floating assets as compared to floating rate liabilities.

- *Financial services revenues* were $32.2 million for the full year 2007, down 34% from the $48.5 million of revenues in 2006 primarily as a result of the reasons provided above.

Expenses

Highlights

- *Financial guarantee expenses* of $246.9 million for the fourth quarter of 2007 increased significantly from $43.4 million of expenses for the fourth quarter of 2006. Financial guarantee loss and loss expenses were $208.5 million in the fourth quarter of 2007, up from $9.6 million in the fourth quarter of 2006. See “Loss Reserve Activity,” below, for additional information on losses. Gross underwriting expenses of $47.0 million in the fourth quarter 2007 were relatively flat to $47.2 million in the comparable prior quarter.

  Financial guarantee expenses of $400.1 million for the full year 2007 increased 160% from $153.7 million of expenses in 2006. The increase results primarily from increased loss and loss expenses which are up $236.1 million, year over year. Gross underwriting expenses of $195.7 million in 2007 were up 2% from $191.2 million in 2006.

Loss Reserve Activity

- Case basis loss reserves (loss reserves for exposures that have defaulted) increased $2.7 million during the fourth quarter of 2007 from $107.1 million at September 30, 2007 to $109.8 million at December 31, 2007. The increased case reserves relate primarily to RMBS transactions that are underperforming original expectations. Total net claims paid during the quarter amounted to $9.2 million.

- Active credit reserves (“ACR”) are established for probable and estimable losses due to credit deterioration on certain adversely classified insured transactions. The ACR increased by $196.7 million during the quarter, from $166.7 million at September 30, 2007 to $363.4 million at December 31, 2007. The increase was driven by unfavorable credit activity within the home equity line of credit and closed-end second lien RMBS portfolio, partially offset by favorable credit activity within the public finance portfolio.

- Case reserves and ACR for all direct residential mortgage-backed securities exposures amounted to $63.0 million and $240.0 million, respectively, at December 31, 2007.

Other Items

- *Total net securities gains/(losses)* for the fourth quarter of 2007 were ($5,232.3) million, consisting of net realized gains on investment securities of $10.5 million, net mark-to-market losses on credit and total return derivatives of ($5,233.6) million and net mark-to-market losses on non-trading derivative contracts of ($9.2) million. As discussed above, during the quarter a net mark-to-market loss amounting to ($5,211.0) million was recorded related to contracts executed in credit default format, primarily in our collateralized debt obligation exposures. The negative mark-to-market is driven by dramatically lower prices in certain structured finance asset classes particularly with respect to CDOs of ABS with subprime RMBS exposure. The lower prices were driven by poor collateral performance, rating agencies downgrades and uncertainty regarding the ultimate outcome of subprime residential mortgage-backed securities losses. Reduced demand for such securities, a lack of liquidity in the markets and forced selling by structured and/or leveraged investment vehicles, all combined to exacerbate pricing declines across the structured debt capital markets.

For the fourth quarter of 2006, net securities gains/(losses) were $5.8 million, consisting of net realized gains on investment securities of $9.6 million, net mark-to-market losses on credit and total return derivatives of ($4.8) million and net mark-to-market gains on non-trading derivative contracts of $1.0 million.

Total net securities gains/(losses) for the full year of 2007 were ($6,038.4) million, consisting of net realized gains on investment securities of $20.9 million, net mark-to-market losses on credit and total return derivatives of ($6,049.6) million and net mark-to-market losses on non-trading derivative contracts of ($9.7) million. For the full year of 2006 net securities gains were $80.2 million, consisting of net realized gains on investment securities of $67.1 million, net mark-to-market gains on credit and total return derivatives of $11.6 million and net mark-to-market gains on non-trading derivative contracts of $1.5 million. Approximately $56 million of the 2006 net realized gains on investment securities related to cash recoveries received during the year related to a security in the investment agreement portfolio that had been written down in previous years.

Balance Sheet

Highlights

- Total assets as of December 31, 2007 were $23.57 billion, up 16% from total assets of $20.27 billion at December 31, 2006. The increase was primarily driven by cash generated from operations during the period and a deferred tax asset resulting from the net mark-to-market loss generated in 2007. The increase was partially offset by the change in unrealized gains/losses in the investment portfolio which went from a net unrealized gain position at December 31, 2006 to a net unrealized loss position at December 31, 2007. The unrealized loss is primarily due to credit spread widening in highly rated asset-backed securities within the investment agreement investment portfolio.

- As of December 31, 2007, stockholders' equity was $2.28 billion, a 63% decrease from year-end 2006 stockholders' equity of $6.19 billion. The decrease was primarily the result of the net loss reported for the year and the $400 million share buyback earlier in the year and the change in unrealized gains/losses within the investment portfolio as described above.

Forward-Looking Statements

This release, in particular the remarks of Mr. Callen, contains statements about our future results that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We caution you that these statements are not guarantees of future performance. There are a variety of factors, many of which are beyond Ambac's control, which affect the operations, performance, business strategy and results and could cause its actual results to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to: (1) changes in the economic, credit, or interest rate environment in the United States and abroad; (2) the level of activity within the national and worldwide debt markets; (3) competitive conditions and pricing levels; (4) legislative and regulatory developments; (5) changes in tax laws; (6) the policies and actions of the United States and other governments; (7) changes in ratings issued by, or in capital requirements or other criteria of, rating agencies; (8) changes in accounting principles or practices that may impact the Company's reported financial results; (9) the amount of reserves established for losses and loss expenses; (10) default of one or more of the Company's reinsurers; (11) market spreads and pricing on insured pooled debt obligations and other derivative products insured or issued by the Company; (12) prepayment speeds on insured asset-backed securities and other factors that may influence the amount of installment premiums paid to the Company; and (13) other additional factors described in the Risk Factors section of Ambac's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and also disclosed from time to time in its subsequent reports on Form 10-Q and Form 8-K, which are available on the Ambac website at www.ambac.com and at the SEC's website, www.sec.gov. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date they are made. Ambac does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements are made. The reader should, however, consult any further disclosures Ambac may make in its future filings of its reports on Form 10-K, Form 10-Q and Form 8-K.

Ambac may also, from time to time, disclose financial information on a non-GAAP basis where management believes this information is valuable to investors in gauging the quality of Ambac's financial performance and identifying trends.

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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 leading guarantor of public finance and structured finance obligations, has earned triple-A ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services; and a double-A rating from Fitch, Inc. Moody's has placed Ambac's triple-A rating on review for possible downgrade. Standard & Poor's has placed Ambac's triple-A rating on "credit watch negative." Fitch has placed Ambac's double-A rating on "rating watch negative." Ambac Financial Group, Inc. common stock is listed on the New York Stock Exchange (ticker symbol ABK).

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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 5.6% and 5.4% during the fourth quarter of 2007 and 2006, 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	Fourth Quarter		Full Year	
	2007	2006	2007	2006
Credit enhancement production	$ 305	$ 314	$ 1,414	$ 1,295
Present value of estimated installment premiums written on insurance policies and structured credit derivatives issued in the period	(211)	(192)	(933)	(836)
Gross up-front premiums written	$ 94	$ 122	$ 481	$ 459
Gross installment premiums written on insurance policies	140	130	550	538
Gross premiums written	$ 234	$ 252	$ 1,031	$ 997

(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 for investment grade rated exposures, 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)	Fourth Quarter 2007	Fourth Quarter 2006	Full Year 2007	Full Year 2006
Revenues:				
Financial Guarantee:				
Gross premiums written	$233,766	$251,776	$1,031,402	$996,669
Ceded premiums written	(184,516)	(28,155)	(277,532)	(103,496)
Net premiums written	$49,250	$223,621	$753,870	$893,173
Normal net premiums earned	$179,826	$175,904	$712,478	$693,434
Accelerated net premiums earned	29,815	32,125	128,983	118,189
Total net premiums earned	209,641	208,029	841,461	811,623
Other credit enhancement fees	23,514	15,360	76,434	59,760
Net premiums earned and other credit enhancement fees	233,155	223,389	917,895	871,383
Net investment income	122,802	110,540	465,048	423,885
Net realized gains	4,645	4,243	9,931	7,085
Net mark-to-market (losses) gains on credit derivative contracts	(5,210,951)	(838)	(6,016,321)	9,068
Other income	3,519	4,192	10,733	39,559
Financial Services:				
Investment income	110,868	104,248	445,344	391,732
Derivative products	(409)	5,689	6,877	16,638
Net realized investment gains	5,900	5,388	11,027	59,255
Net mark-to-market (losses) gains on total return swap contracts	(22,678)	(4,032)	(33,301)	2,508
Net mark-to-market losses on non-trading derivatives contracts	(9,122)	(177)	(9,059)	(1,414)
Corporate:				
Net investment income	903	1,673	5,050	11,614
Net realized gains	-	-	-	791
Total revenues	(4,761,368)	454,315	(4,186,776)	1,832,104
Expenses:				
Financial Guarantee:				
Losses and loss expenses	208,509	9,598	256,109	20,004
Underwriting and operating expenses	34,954	33,831	139,344	133,740
Interest expense on variable interest entity notes	3,455	-	4,622	-
Financial Services:				
Interest from investment and payment agreements	107,923	97,280	420,005	359,904
Other expenses	2,660	2,395	12,229	12,389
Corporate:				
Interest	22,128	16,870	85,740	75,294
Other expenses	4,164	9,881	13,941	20,560
Total expenses	383,793	169,855	931,990	621,891
(Loss) income before income taxes	(5,145,161)	284,460	(5,118,766)	1,210,213
Provision for income taxes	(1,889,535)	81,782	(1,888,907)	334,302
Net (loss) income	($3,255,626)	$202,678	($3,229,859)	$875,911
Net (loss) income per share	($31.85)	$1.90	($31.38)	$8.22
Net (loss) income per diluted share	($31.85)	$1.88	($31.38)	$8.15
Weighted average number of shares outstanding	102,201,459	106,724,069	102,929,122	106,593,409
Weighted average number of diluted shares outstanding	102,201,459	107,813,332	102,929,122	107,536,339

Consolidated Balance Sheets

($ in Thousands, Except Share Data)	December 31, 2007	December 31, 2006
ASSETS		
Investments:		
Fixed income securities, at fair value (amortized cost of $17,265,691 in 2007 and $16,499,731 in 2006)	$17,127,485	$16,800,338
Fixed income securities pledged as collateral, at fair value (amortized cost of $345,140 in 2007 and $311,546 in 2006)	374,840	307,101
Short-term investments (amortized cost of $879,039 in 2007 and $311,759 in 2006)	879,067	311,759
Other (cost of $13,571 in 2007 and $13,427 in 2006)	14,278	14,391
Total investments	18,395,670	17,433,589
Cash	123,933	31,868
Securities purchased under agreements to resell	-	273,000
Receivable for securities sold	11,068	12,857
Investment income due and accrued	202,737	193,199
Reinsurance recoverable on paid and unpaid losses	11,862	3,921
Prepaid reinsurance	489,028	315,498
Deferred taxes	2,124,243	-
Deferred acquisition costs	255,639	252,115
Loans	867,676	625,422
Derivative assets	990,534	1,019,339
Other assets	100,484	107,005
Total assets	$23,572,874	$20,267,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unearned premiums	$3,123,860	$3,037,544
Loss and loss expense reserve	484,276	220,074
Ceded reinsurance balances payable	32,435	20,084
Obligations under investment and payment agreements	8,570,902	8,202,590
Obligations under investment repurchase agreements	135,524	154,287
Securities sold under agreement to repurchase	100,000	-
Deferred income taxes	-	258,067
Current income taxes	97,826	49,920
Long-term debt	1,669,945	991,804
Accrued interest payable	113,443	105,129
Derivative liabilities	6,697,458	667,066
Other liabilities	270,734	275,670
Payable for securities purchased	645	95,973
Total liabilities	21,297,048	14,078,208
Stockholders' equity:		
Preferred stock	-	-
Common stock	1,092	1,092
Additional paid-in capital	839,952	790,168
Accumulated other comprehensive (loss) income	(44,502)	187,518
Retained earnings	2,126,070	5,470,049
Common stock held in treasury at cost	(646,786)	(259,222)
Total stockholders' equity	2,275,826	6,189,605
Total liabilities and stockholders' equity	$23,572,874	$20,267,813
Number of shares outstanding (net of treasury shares)	101,550,023	105,730,553
Book value per share	$22.41	$58.54
Adjusted book value per share	$55.20	$87.81

Financial Guarantees[1][2][3][4][5]

($ Thousands)	Fourth Quarter 2007	Fourth Quarter 2006	Full Year 2007	Full Year 2006
PUBLIC FINANCE:				
Gross Par Guaranteed	$9,589,136	$11,385,809	$52,339,044	$43,119,562
Up-front Premium	$82,376	$83,348	$416,418	$345,960
Installment Premium	7,805	6,024	27,961	29,703
Gross Premium	$90,181	$89,372	$444,379	$375,663
Credit Enhancement Production	$97,381	$84,020	$477,822	$405,025
Net Credit Enhancement Production	($63,972)	$78,357	$284,084	$375,244
STRUCTURED FINANCE:				
Gross Par Guaranteed	$8,052,380	$10,822,388	$53,563,126	$62,385,006
Up-front Premium	$8,187	$7,293	$30,285	$29,995
Installment Premium	80,431	78,566	310,813	303,641
Gross Premium	$88,618	$85,859	$341,098	$333,636
Credit Enhancement Production	$125,955	$97,103	$528,557	$479,278
Net Credit Enhancement Production	$36,185	$89,597	$379,901	$431,072
INTERNATIONAL FINANCE:				
Gross Par Guaranteed	$4,419,768	$5,722,357	$20,074,338	$18,952,687
Up-front Premium	$3,030	$30,908	$33,992	$83,244
Installment Premium	51,937	45,637	211,933	204,126
Gross Premium	$54,967	$76,545	$245,925	$287,370
Credit Enhancement Production	$81,198	$133,373	$407,210	$410,869
Net Credit Enhancement Production	($7,527)	$117,563	$233,966	$346,198
GRAND TOTAL:				
Gross Par Guaranteed	$22,061,284	$27,930,554	$125,976,508	$124,457,255
Up-front Premium	$93,593	$121,549	$480,695	$459,199
Installment Premium	140,173	130,227	550,707	537,470
Gross Premium	$233,766	$251,776	$1,031,402	$996,669
Credit Enhancement Production	$304,534	$314,496	$1,413,589	$1,295,172
Net Credit Enhancement Production	($35,314)	$285,517	$897,951	$1,152,514

(1) Credit enhancement production (CEP) and net credit enhancement production (NCEP) includes reinsurance assumed of $4.3 million and $19.7 million in the fourth quarter and full year ended December 2007, respectively, and $2.2 million and $18.4 million in the fourth quarter and full year ended December 2006, respectively. NCEP is defined as CEP less reinsurance cessions.

(2) NCEP for the fourth quarter and full year ended December 2007 includes $285.9 million of reinsurance cessions to Assured Guaranty Reinsurance, Ltd.

(3) NCEP for the full year ended December 2006 includes $43.6 million of recaptured reinsurance cessions relating to the cancellation of certain reinsurance contracts.

(4) International Finance includes components of domestic exposure.

(5) CEP and NCEP were discounted at rates of 5.4%, 5.4%, 5.8% and 5.6% in the first, second, third and fourth quarters of 2007, respectively, and at 5.1%, 5.6%, 6.0% and 5.4% in the first, second, third, and fourth quarters of 2006, respectively.

Normal Premium Earned and Other Credit Enhancement Fees

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
Other credit enhancement fees	16	17	17	17	67
Total Public Finance premiums earned	58,368	59,092	59,046	58,411	234,917
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
Other credit enhancement fees	10,133	11,775	13,832	13,532	49,272
Total Structured Finance premiums earned	82,002	85,754	86,782	86,457	340,995
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
Other credit enhancement fees	5,404	5,540	6,186	9,965	27,095
Total International Finance premiums earned	51,463	50,469	52,596	58,472	213,000
Total normal premiums earned and other credit enhancement fees	$191,833	$195,315	$198,424	$203,340	$788,912

2006 ($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
PUBLIC FINANCE:					
Up-front premiums earned	$49,304	$51,543	$51,861	$51,463	$204,171
Installment premiums earned	6,541	6,545	6,931	6,841	26,858
Other credit enhancement fees	6	17	17	16	56
Total Public Finance premiums earned	55,851	58,105	58,809	58,320	231,085
STRUCTURED FINANCE:					
Up-front premiums earned	4,673	4,647	4,570	4,569	18,459
Installment premiums earned	64,602	65,993	66,379	67,920	264,894
Other credit enhancement fees	7,637	7,254	9,373	9,709	33,973
Total Structured Finance premiums earned	76,912	77,894	80,322	82,198	317,326
INTERNATIONAL FINANCE:					
Up-front premiums earned	5,386	6,667	5,675	6,391	24,119
Installment premiums earned	38,751	38,084	39,378	38,720	154,933
Other credit enhancement fees	6,545	6,884	5,888	5,635	24,952
Total International Finance premiums earned	50,682	51,635	50,941	50,746	204,004
Total normal premiums earned and other credit enhancement fees	$183,445	$187,634	$190,072	$191,264	$752,415

Effect of Refundings, Calls and Other Accelerations

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

2006 ($ Thousands, Except Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Earned premium recognized from refundings, calls and other accelerations[1]	$24,975	$37,350	$24,518	$32,125	$118,968
Net income effect	$11,964	$22,784	$14,466	$18,107	$67,321
Net income per diluted share effect	$0.11	$0.21	$0.13	$0.17	$0.63

(1) Includes accelerations relating to credit derivatives of $779 for the third quarter of 2006.

Public Finance New Issuance [1][2]

($ Millions of Par Value)	Total New Issue Market: Issued	Total New Issue Market: Insured	Total New Issue Market: Insured Percent	Insured by Ambac: Insured	Insured by Ambac: Market Share Percent
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%
2006 BY QUARTER					
Fourth	$127,084	$55,453	43.6%	$12,626	22.8%
Third	82,371	41,553	50.4%	9,343	22.5%
Second	109,630	50,485	46.1%	11,240	22.3%
First	69,631	37,314	53.6%	9,902	26.5%
FULL YEAR					
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.
(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 December 31, 2007

($ Millions)	Estimated Net Debt Service Amortization	Ending Net Debt Service Outstanding
2008	$56,177	$777,126
2009	45,325	731,801
2010	48,702	683,099
2011	43,794	639,305
2012	36,702	602,603
2008-2012	230,700	602,603
2013-2017	169,302	433,301
2018-2022	135,732	297,569
2023-2027	99,116	198,453
After 2027	198,453	-
Total	$833,303	

Net Unearned Premium Amortization and Estimated Future Installment Premiums

As of December 31, 2007

($ Millions)	Net Unearned Premium Amortization [2]		Estimated Net Future Installments[3][4]	Total Premium Earnings
	Upfront	Installments		
2008	224.3	46.8	456.3	727.4
2009	207.2	5.5	445.8	658.5
2010	192.7	2.6	403.3	598.6
2011	179.4	2.0	315.3	496.7
2012	166.9	1.1	260.8	428.8
2008-2012	970.5	58.0	1,881.5	2,910.0
2013-2017	666.1	2.6	766.4	1,435.1
2018-2022	441.2	0.4	446.0	887.6
2023-2027	267.3	-	300.9	568.2
After 2027	228.7	-	319.0	547.7
Total	$2,573.8	$61.0	$3,713.8	$6,348.6

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of December 31, 2007. 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.

(4) Includes estimated future receipts on credit derivatives of $347.1 million. Earnings from credit derivatives are included as "Other Credit Enhancement Fees" on the accompanying consolidated statement of operations.

Fixed Income Investment Portfolio

As of December 31, 2007

INCOME ANALYSIS BY TYPE OF SECURITY Investment category ($ thousands)	Fair Value	Amortized Cost	Yield to Maturity [1]	Weighted Average After-Tax Yield	Investment Income
Financial Guarantee investments:					
Long-term investments					
U.S. government obligations	$123,336	$120,549	4.61%	3.00%	$6,664
U.S. agency obligations	266,728	258,515	4.74%	3.08%	16,354
Municipal obligations [2] [3]	8,276,014	8,093,480	4.55%	4.51%	352,705
Foreign obligations	317,426	303,655	4.77%	3.10%	15,168
Corporate obligations	338,333	324,092	6.03%	3.92%	16,475
Mortgage and asset-backed securities	929,256	932,006	5.00%	3.25%	44,102
Total long-term investments	10,251,093	10,032,297	4.65%	4.28%	451,468
Short-term investments [4]	271,305	271,277	3.97%	3.20%	12,094
Other [5]	13,199	12,910			6,212
Total Financial Guarantee investments	10,535,597	10,316,484	4.63%	4.24%	469,774
Investment expenses					(4,726)
Financial Guarantee net investment income					$465,048
Financial Services investments [6]					
Long-term investments					
U.S. government obligations	14,679	14,090			
U.S. agency obligations	416,040	361,119			
Municipal obligations	487,804	458,165			
Corporate obligations	445,343	447,755			
Mortgage and asset-backed securities	5,887,366	6,297,405			
Total long-term investments	7,251,232	7,578,534			
Short-term investments	557,014	557,014			
Total Financial Services investments	7,808,246	8,135,548			
Corporate investments:					
Short-term investments	50,748	50,748			
Other	1,079	661			
Total Corporate investments	51,827	51,409			
Total Investments	$18,395,670	$18,503,441			

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO [7]

	Percent of Investment Portfolio		
Rating	Fin. Guar.	Fin. Services	Combined
AAA [2] [8]	88	91	89
AA	11	4	8
A	1	5	3
BBB	<1	0	<1
Below investment grade	0	<1	<1
Not rated	<1	0	<1
	100	100	100
Duration of Financial Guarantee investment portfolio			5.5

(1) "Yield to maturity" refers to the rate of interest to be earned over the expected remaining life of the investments in the portfolio, and is calculated based on 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 $1,397,219 and comprise approximately 13% of the Financial Guarantee portfolio, to be AAA.

(3) Includes taxable and tax-exempt municipal obligations with a fair value of $163,463 and $8,112,551, respectively.

(4) Includes taxable and tax-exempt short-term investments with a fair value of $125,127 and $146,178, respectively.

(5) Includes investment income 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 Standard & Poor's ratings. If unavailable, Moody's rating is used.

(8) Includes U.S. Government and Agency securities which comprise approximately 11% and 8% of the Financial Guarantee and Financial Services portfolios respectively.

Ratio of Net Claims Paid[1]

($ Thousands)	2007	2006	2005	2004	2003
Net claims paid[2]	($2,128)	$105,568	$86,739	$18,923	$35,280
Net premiums earned and other credit enhancement fees	$917,895	$871,383	$866,415	$764,510	$667,250
Ratio of net claims paid	-0.2%	12.1%	10.0%	2.5%	5.3%

Summary of Net Loss Reserves and Credit Derivatives

($ Thousands)	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Case basis credit reserves	$109,816	$42,458	$103,064	$116,754	$54,698
Active credit reserves	363,372	172,644	197,607	120,802	132,181
Total insurance reserves	473,188	215,102	300,671	237,556	186,879
Estimated credit impairment losses on credit derivatives[3]	1,105,741	-	-	-	-
Total impairment losses	1,578,929	215,102	300,671	237,556	186,879
Mark-to-market reserve (asset) on credit derivatives[3]	4,901,651	(8,929)	165	13,555	31,308
Mark-to-market reserve (asset) on total return swaps	21,901	(11,195)	(14,718)	(15,968)	(2,360)
Grand total net loss reserves and credit derivatives	$6,502,481	$194,978	$286,118	$235,143	$215,827

Summary of Below Investment Grade Exposures[4]

($ Millions)	Net Par Outstanding
Public Finance:	
Transportation Revenue	$1,013
Health Care	397
General Obligation	184
Tax-Backed	132
University	29
Other	117
Total Public Finance	1,872
Structured Finance:	
Mortgage-Backed & Home Equity	$3,950
Pooled Debt Obligations	2,957
Enhanced Equipment Trust Certificates	617
Investor-Owned Utilities	583
Total Structured Finance	8,107
International Finance:	
Transportation Revenue	$1,052
Other	36
Total International Finance	1,088
Total	$11,067

(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 $0, $0, $0, $0 and $1.2 million for 2007, 2006, 2005, 2004 and 2003, respectively, and are net of salvage received of $27.9 million, $16.7 million, $9.4 million, $33.6 million and $7.5 million 2007, 2006, 2005, 2004 and 2003, respectively.

(3) Total mark-to-market losses is $6,226,285 and is reported on the consolidated balance sheet under derivative liabilities.

(4) See Note 3 on the Table of Contents page.

Expense Analysis

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**

2006

($ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee underwriting and operating expenses:					
Compensation	$ 40,870	$ 33,368	$ 33,643	$ 34,648	$ 142,529
Premium taxes	4,451	5,420	5,074	4,810	19,755
Other non-compensation	7,547	6,677	7,030	7,709	28,963
Gross underwriting and operating expenses	**52,868**	**45,465**	**45,747**	**47,167**	**191,247**
Operating expenses deferred (policy acquisition costs)	(29,213)	(26,384)	(26,322)	(23,927)	(105,846)
Ceding commissions received	3,426	(14,372)	(6,960)	(8,220)	(26,126)
Ceding commissions deferred	6,920	14,371	6,960	7,993	36,244
Amortization of previously deferred expenses and commissions	3,857	12,785	10,761	10,818	38,221
Total Financial Guarantee underwriting and operating expenses	37,858	31,865	30,186	33,831	133,740
Financial Services operating expenses	**3,572**	**3,303**	**3,119**	**2,395**	**12,389**
Corporate operating expenses	**3,643**	**4,000**	**3,036**	**9,881**	**20,560**
Total underwriting and operating expenses, net of deferred expenses	$ 45,073	$ 39,168	$ 36,341	$ 46,107	$ 166,689
Total gross underwriting and operating expenses	**$ 60,083**	**$ 52,768**	**$ 51,902**	**$ 59,443**	**$ 224,196**

Deferred Expense Ratio Analysis

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Deferred Acquisition Costs	$ 255,639	$ 252,115	$ 226,168	$ 198,142	$ 182,892
Unearned Premium Reserves	3,123,860	3,037,544	2,940,988	2,765,163	2,545,490
Prepaid Reinsurance Premiums	(489,028)	(315,498)	(303,383)	(297,330)	(325,461)
Present Value of Installment Premiums	2,887,409	2,502,764	2,238,990	2,123,121	1,631,350
Adjusted Deferred Premiums	$ 5,522,241	$ 5,224,810	$ 4,876,595	$ 4,590,954	$ 3,851,379
Deferred Expenses to Adjusted Deferred Premiums Ratio	4.6%	4.8%	4.6%	4.3%	4.7%

Historical Financial Guarantee Exposures Outstanding [1]

($ Millions Net Par Value)	December 31, 2007	2006	2005	2004	2003
Public Finance:					
Lease and tax backed	$88,147	$89,042	$82,584	$76,007	$66,326
General obligation	63,977	62,834	57,982	49,394	44,350
Utility	37,976	38,313	36,877	36,326	33,603
Health care	27,161	27,849	26,994	23,977	22,120
Transportation	25,466	24,979	23,718	21,188	18,244
Higher education	20,685	22,068	20,203	18,056	15,778
Housing	11,531	10,996	10,152	9,163	9,014
Other	6,010	6,181	5,556	5,588	5,879
Total Public Finance	280,953	282,262	264,066	239,699	215,314
Structured Finance:					
Pooled debt obligations	51,301	40,568	25,746	16,035	14,248
Mortgage-backed & home equity	43,078	46,239	48,869	53,148	50,819
Asset-backed and conduits	36,407	34,815	32,505	28,858	27,126
Student loan	18,372	18,404	16,538	14,646	12,807
Investor-owned utilities	17,055	17,345	16,398	15,449	14,480
Other	4,485	5,212	4,296	4,318	4,644
Total Structured Finance	170,698	162,583	144,352	132,454	124,124
International Finance[2]:					
Asset-backed and conduits	19,290	17,642	15,151	15,553	12,293
Pooled debt obligations	15,572	19,978	23,427	35,831	44,723
Investor-owned and public utilities	10,384	10,531	8,052	5,965	4,677
Mortgage-backed & home equity	10,106	11,951	14,627	19,644	17,273
Transportation	7,784	6,524	5,156	5,157	3,908
Sovereign/sub-sovereign	7,347	6,344	3,585	4,110	2,539
Other	1,891	1,228	669	1,019	1,003
Total International Finance	72,374	74,198	70,667	87,279	86,416
Grand Total	$524,025	$519,043	$479,085	$459,432	$425,854

Percent of Total Net Par Outstanding

	2007	2006	2005	2004	2003
Public Finance	53.6%	54.4%	55.1%	52.2%	50.6%
Structured Finance	32.6%	31.3%	30.1%	28.8%	29.1%
International Finance	13.8%	14.3%	14.8%	19.0%	20.3%
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 $64,988, $55,460, $43,712, $43,478, and $48,825 at December 31, 2007, 2006, 2005, 2004 and 2003, respectively.

(2) International transactions include components of domestic exposure.

Bond Type Distribution of Financial Guarantee Exposures

($ Millions Par Value)	Guaranteed Full Year			
	Gross	%	Net[1]	%
Public Finance:				
Lease and tax backed	$14,654	11.6%	$8,146	9.9%
General obligation	12,801	10.2%	7,293	8.8%
Utility	6,834	5.4%	3,226	3.9%
Health care	5,481	4.4%	1,471	1.8%
Transportation	5,264	4.2%	1,618	2.0%
Higher education	3,427	2.7%	1,234	1.5%
Housing	3,296	2.6%	2,220	2.7%
Other	582	0.5%	390	0.5%
Total Public Finance	52,339	41.5%	25,598	31.1%
Structured Finance:				
Pooled debt obligations	16,336	13.0%	16,227	19.7%
Mortgage-backed & home equity	13,700	10.9%	12,303	14.9%
Asset-backed and conduits	15,108	12.0%	12,244	14.9%
Student loan	5,266	4.2%	1,405	1.7%
Investor-owned utilities	3,056	2.4%	1,275	1.5%
Other	97	0.1%	(151)	-0.2%
Total Structured Finance	53,563	42.5%	43,303	52.5%
International Finance[2]:				
Asset-backed and conduits	7,990	6.3%	5,506	6.7%
Pooled debt obligations	3,415	2.7%	3,412	4.1%
Investor-owned and public utilities	2,047	1.6%	444	0.5%
Mortgage-backed & home equity	1,047	0.8%	951	1.2%
Transportation	2,251	1.8%	1,354	1.6%
Sovereign/sub-sovereign	2,383	1.9%	1,167	1.4%
Other	942	0.7%	679	0.8%
Total International Finance	20,075	15.9%	13,513	16.4%
Grand Total	$125,977	100.0%	$82,414	100.0%

(1) Public finance, structured finance and international finance net par insured is net of cessions to Assured Guaranty Reinsurance, Ltd. of $21,057, $5,135 and $2,913 million, respectively.

(2) International transactions include components of domestic exposure.

Geographic Distribution of Financial Guarantee Exposures

($ Millions Par Value)	Guaranteed Full Year				Net Par Outstanding as of December 31, 2007	
	Gross	%	Net	%	Net	%
Domestic:						
California	$11,520	9.1%	$6,065	7.4%	$53,434	10.2%
New York	2,354	1.9%	715	0.9%	31,923	6.1%
Florida	3,096	2.5%	364	0.4%	22,462	4.3%
Texas	4,255	3.4%	2,388	2.9%	19,898	3.8%
New Jersey	2,525	2.0%	1,859	2.3%	14,309	2.7%
Pennsylvania	2,474	2.0%	968	1.2%	13,444	2.6%
Illinois	2,510	2.0%	853	1.0%	12,592	2.4%
Massachusetts	2,860	2.3%	1,476	1.8%	10,338	2.0%
Ohio	1,709	1.4%	760	0.9%	8,219	1.6%
Colorado	2,111	1.7%	1,171	1.4%	7,570	1.4%
Mortgage and asset-backed	28,808	22.9%	24,547	29.8%	79,485	15.2%
Other states	41,680	33.1%	27,735	33.7%	177,977	34.0%
Total Domestic	105,902	84.1%	68,901	83.6%	451,651	86.2%
International:						
United Kingdom	6,189	4.9%	3,532	4.3%	27,207	5.2%
Australia	2,055	1.6%	836	1.0%	6,400	1.2%
Germany	656	0.5%	612	0.7%	6,157	1.2%
Italy	1,520	1.2%	706	0.9%	3,017	0.6%
Japan	1,279	1.0%	802	1.0%	2,753	0.5%
Internationally diversified	5,197	4.1%	4,818	5.8%	16,550	3.2%
Other international	3,179	2.5%	2,207	2.7%	10,290	2.0%
Total International	20,075	15.9%	13,513	16.4%	72,374	13.8%
Grand Total	$125,977	100.0%	$82,414	100.0%	$524,025	100.0%

Rating Distribution of Net Financial Guarantee Exposures[(1)]

As of December 31, 2007

Rating	Percentage of Guaranteed Portfolio		
	Public Finance	Structured and International Finance	Total
AAA	<1	28	13
AA	27	16	22
A	59	24	43
BBB	13	28	20
BIG	<1	4	2
	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 +	$199.9	$3,109	0.6%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	$149.8	2,162	0.4%
Washington State - GO	AA	$133.8	1,879	0.4%
Bay Area Toll Authority, CA Toll Bridge Revenue	AA -	$92.4	1,838	0.4%
MTA, NY, Transportation Revenue (Farebox)	A	$105.8	1,724	0.3%
California Department of Water Resources, Power Supply	A	$177.8	1,694	0.3%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	$117.7	1,488	0.3%
New Jersey Economic Development Authority - School Facilities Construction	A +	$83.6	1,440	0.3%
New Jersey Turnpike Authority Revenue	A	$90.6	1,374	0.3%
Massachusetts Commonwealth - GO	AA	$87.5	1,327	0.3%
Connecticut Housing Finance Authority, Housing Mortgage Finance Program	AAA	$69.4	1,171	0.2%
New York City, NY - GO	AA -	$62.1	1,167	0.2%
Citizens Property Insurance Corporation, FL	A -	$114.0	1,160	0.2%
Nassau County Interim Finance Authority, NY, Sales Tax Revenue	AA	$84.7	1,009	0.2%
Central Texas Turnpike, System Revenue	BBB +	$93.1	970	0.2%
South Carolina Transportation Infrastructure Bank Revenue	A	$64.8	961	0.2%
Los Angeles Unified School District, CA - GO	AA -	$67.1	957	0.2%
Puerto Rico Highways & Transportation Authority, Transportation Revenue	BBB +	$55.5	956	0.2%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	$66.0	925	0.2%
MTA, NY, Dedicated Tax Revenue	AA -	$57.0	921	0.2%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	$65.3	900	0.2%
Chicago, IL - GO	A +	$40.0	854	0.2%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A -	$49.0	843	0.2%
Connecticut State Special Tax Obligations	AA -	$59.8	836	0.2%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	$67.2	810	0.2%
Total:			$32,475	6.2%

Largest Domestic Healthcare Exposures

($ Millions)	Ambac Rating[2]	AADS[3]	Net Par Outstanding	% of Total Net Par Outstanding
Baylor College of Medicine - Texas	A +	$18.0	$400	0.1%
Ascension Health - Missouri	AA	$27.6	393	0.1%
Memorial Sloan Kettering Cancer Center - New York	AA	$24.6	355	0.1%
Trinity Health - Michigan	AA -	$24.5	350	0.1%
Advocate Health Care Network - Illinois	AA -	$19.1	336	0.1%
Stanford Hospital & Clinics - California	A +	$19.3	330	0.1%
University Hospitals Health System - Ohio	A -	$18.7	326	0.1%
Sisters of Mercy Health System - Missouri	AA	$29.5	326	0.1%
New York City Health and Hospitals Corporation	A	$30.8	321	0.1%
Catholic Health East - Pennsylvania	A +	$23.4	315	0.1%
Total:			$3,452	0.7%

(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	AAA	$2,700	0.5%
Private Commercial Asset-Backed Transaction	BBB +	2,425	0.5%
Kleros Preferred Funding VI, Ltd.	A	2,397	0.5%
Iowa Student Loan Liquidity Corporation Revenue Bonds	A	2,168	0.4%
Ridgeway Court Funding II, Ltd.	AA -	1,942	0.4%
Diversey Harbor ABS CDO, Ltd.	AA -	1,868	0.4%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB +	1,827	0.3%
Vermont Student Assistance Corporation Revenue Bonds	A	1,779	0.3%
Belle Haven ABS CDO 2006-1, Ltd.	A	1,667	0.3%
Ridgeway Court Funding I, Ltd.	A	1,567	0.3%
Hertz Vehicle Financing, LLC	BBB	1,546	0.3%
Michigan Higher Education Student Loan Authority	AA	1,546	0.3%
Duke Funding High Grade III, Ltd.	A -	1,524	0.3%
CDO Squared of Mezzanine ABS	BIG	1,399	0.3%
Citibank - CRC Funding, LLC	AAA	1,337	0.3%
ARG Funding Corporation	BBB	1,320	0.3%
Duke Funding High Grade IV, Ltd.	AA -	1,303	0.2%
Massachusetts Educational Financing Authority Revenue Bonds	AA	1,261	0.2%
Duke Funding High Grade V, Ltd.	A +	1,250	0.2%
Private Commercial Asset-Backed Transaction	BBB -	1,186	0.2%
McKinley Funding III, Ltd.	BBB -	1,179	0.2%
Citibank - CHARTA, LLC	AAA	1,168	0.2%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1	BBB +	1,150	0.2%
Capital One Auto Finance Trust, 2006-A	BBB	1,128	0.2%
Millerton II High Grade ABS CDO, Ltd.	AA -	1,116	0.2%
Total:		$39,753	7.6%

Largest International Finance Exposures

($ Millions)	Ambac Rating[1]	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation	A +	$2,565	0.5%
CDO of IG Corporate	AAA	1,970	0.4%
Telereal Securitisation plc	AA -	1,845	0.4%
Punch Taverns Finance plc-UK Pub Securitisation	AA -	1,776	0.3%
Synthetic RMBS	AAA	1,261	0.2%
Romulus Finance s.r.l.	BBB	1,086	0.2%
Synthetic RMBS	AAA	1,076	0.2%
TubeLines (Finance) plc	A	1,051	0.2%
Metronet Rail[2]	BIG	1,022	0.2%
Synthetic RMBS	AAA	1,022	0.2%
Channel Link Enterprises	BBB	958	0.2%
Private Consumer Asset-Backed Transaction	A	927	0.2%
Synthetic RMBS	AAA	920	0.2%
Aspire Defence Finance plc	BBB -	855	0.2%
RMPA Services plc	BBB	854	0.2%
CDO of HY Corporate	AAA	853	0.2%
CDO of HY Corporate	AAA	841	0.2%
Spirit Issuer plc	BBB +	818	0.2%
Synthetic RMBS	AAA	805	0.2%
Sydney Airport Finance Co. Pty Ltd	BBB	801	0.2%
CDO of HY Corporate	AAA	793	0.2%
Capital Hospitals plc	BBB -	762	0.1%
Private Hospital Transaction	AAA	735	0.1%
Private CMBS Transaction	AAA	730	0.1%
Regione Campania	A -	720	0.1%
		$27,046	5.2%

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

(2) 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)	December 31, 2007	December 31, 2006
Contingency reserve.	$3,106,462	$2,685,614
Surplus to Policyholders	3,316,024	3,696,876
Qualified statutory capital.	6,422,486	6,382,490
Unearned premiums	3,320,054	3,373,373
Losses and loss adjustment expenses	109,816	42,458
Estimated impairment losses on credit derivatives .	756,714	-
Policyholders' reserves	10,609,070	9,798,321
Third party capital support [2]	800,000	800,000
Present Value of Future Installment Premiums [3] . .	3,102,968	2,502,765
Total Claims-Paying Resources	14,512,038	13,101,086
Net financial guarantees in force.	$833,303,123	$802,693,812
Capital Ratio [4].	130 : 1	126 : 1
Claims-Paying Ratio [5]	57 : 1	61 : 1
Gross financial guarantees in force.	$995,031,995	$887,448,486
Gross par outstanding.	$612,074,543	$567,577,724

	Fourth Quarter 2007	Full Year 2007	Full Year 2006
Statutory financial ratios:			
Loss ratio [6].	5.5%	8.1%	5.9%
Expense ratio [7]	17.5%	15.0%	15.5%

(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 theire veiws 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 Fitch rating agency prescribed exposure amortization schedules at December 31, 2007 and Ambac internal estimates at December 31, 2006. Future premiums are discounted at 5.0% and 5.4% at December 31, 2007 and December 31, 2006, respectively. Ambac internal estimates of present value of of future installment premiums at December 31, 2007 are $2,887,409 at a discount rate of 5.2%.

(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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