



Ambac

Quarterly Operating Supplement

1Q20

About Ambac

Ambac Financial Group, Inc. (“Ambac” or “AFG”), headquartered in New York City, is a financial services holding company whose subsidiaries include Ambac Assurance Corporation and Ambac Assurance UK Limited, guarantors of financial obligations in run-off. Ambac’s common stock trades on the New York Stock Exchange under the symbol “AMBC”. The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac’s common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac’s common stock or a holder of 5% or more of Ambac’s common stock increases its ownership interest. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates to the status of certain residential mortgage backed securities litigations. For more information, please go to www.ambac.com.

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To obtain a copy of Ambac Financial Group, Inc.’s latest annual or quarterly report filed with the Securities and Exchange Commission or the most recent Annual Report to Stockholders, please visit our website at www.ambac.com.

Ambac Financial Group, Inc.

Quarterly Operating Supplement

First Quarter 2020

Table of Contents

Key Quarterly Financial Data.....	1
Key Yearly Financial Data.....	2
Non-GAAP Financial Measures.....	3
Ambac Assurance — Claims-Paying Resources and Statutory Financial Ratios	4
Summary of Insured Exposures With US GAAP Loss and Loss Expense Reserves	5
Net Insurance Premiums Earned (GAAP).....	6
Net Unearned Premium Amortization and Estimated Future Installment Premiums	6
Investment Portfolio	7
Expense Analysis (GAAP)	8
Historical Net Financial Guarantee Exposures Outstanding	9
Geographic Distribution of Net Financial Guarantee Exposures Outstanding	10
Rating Distribution of Net Financial Guarantee Exposures Outstanding	10
Adversely Classified Credit Exposures Outstanding	11
Adversely Classified Distribution of Exposures Outstanding	11
25 Largest Exposures Outstanding	12
Net Exposure Amortization	13

Notes:

- 1) Internal credit ratings contained in this Supplement are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of Ambac. Ambac credit ratings are subject to revision at any time and do not constitute investment advice.
- 2) Information contained in this report is unaudited.
- 3) Numbers may not add due to rounding.

Key Quarterly Financial Data

(\$ in millions, except share data)	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income (Loss):					
Net premiums earned	\$ 10	\$ 20	\$ 10	\$ 8	\$ 28
Net investment income (loss)	(21)	42	45	86	55
Net gains (losses) on derivative contracts	(70)	12	(10)	(35)	(16)
Other income (expense) ⁽¹⁾	—	1	141	(9)	1
Income (loss) on variable interest entities (VIEs)	3	7	11	3	16
Losses and loss expenses (benefit)	117	97	37	(133)	12
Insurance intangible amortization	13	15	17	226	36
Operating expenses	24	23	26	29	25
Interest expense	63	66	67	67	68
Net income (loss) attributable to common stockholders	(280)	(110)	66	(128)	(43)
Net income (loss) per diluted share attributable to common stockholders	\$ (6.07)	\$ (2.40)	\$ 1.41	\$ (2.79)	\$ (0.94)
Weighted average number of diluted shares outstanding	46,060,324	46,001,270	47,020,058	45,986,043	45,832,297
Balance Sheets:					
Total non-VIE investments	\$ 3,400	\$ 3,792	\$ 3,939	\$ 3,930	\$ 4,041
Premium receivables	403	416	415	442	487
Insurance intangible asset	406	427	434	455	689
Subrogation recoverable	2,192	2,029	2,082	1,985	1,916
Unearned premiums	507	518	528	557	591
Loss and loss expense reserves	1,797	1,548	1,522	1,494	1,694
Long-term debt ⁽²⁾	2,760	2,822	2,955	2,947	2,929
Accrued interest payable	457	441	424	407	391
Ambac stockholders' equity	\$ 1,002	\$ 1,477	\$ 1,569	\$ 1,493	\$ 1,622
Number of shares outstanding (net of treasury shares)	45,779,023	45,555,400	45,551,260	45,549,185	45,520,541
Ambac Financial Group, Inc. book value per share	\$ 21.88	\$ 32.41	\$ 34.44	\$ 32.78	\$ 35.63
Non-GAAP Measurements:					
Adjusted earnings (loss)	\$ (265)	\$ (88)	\$ 77	\$ 86	\$ (9)
Adjusted earnings (loss) per diluted share	\$ (5.75)	\$ (1.91)	\$ 1.63	\$ 1.88	\$ (0.20)
Adjusted book value	\$ 1,012	\$ 1,313	\$ 1,381	\$ 1,347	\$ 1,253
Adjusted book value per share	\$ 22.11	\$ 28.83	\$ 30.31	\$ 29.57	\$ 27.52
Summary Statutory Data of Ambac Assurance:					
Invested assets	\$ 2,498	\$ 2,757	\$ 2,893	\$ 2,924	\$ 2,948
Loss and loss expense reserves ⁽³⁾	1,143	1,111	1,044	1,113	1,138
Policyholders' Surplus	930	1,088	1,249	1,129	1,084
Qualified statutory capital	1,465	1,618	1,773	1,652	1,601
Total claims-paying resources, including Ambac UK ⁽³⁾	\$ 5,219	\$ 5,435	\$ 5,590	\$ 5,607	\$ 5,695

(1) Other income includes proceeds received in September 2019, in connection with an SEC action against Citigroup Global Markets Inc. in the amount of \$142.

(2) Long-term debt includes surplus notes issued and outstanding to third parties and the Ambac Note and Tier 2 Notes issued on February 12, 2018, in connection with the Rehabilitation Exit Transactions. Long-term debt also includes debt issued by Ambac UK on June 18, 2019, in connection with the Ballantyne commutation. Long-term debt for all periods excludes the portion of long-term debt associated with VIEs consolidated as a result of Ambac's variable interest arising from the financial guarantees of its subsidiaries.

(3) Loss and loss expense reserves and total claims-paying resources present loss and loss expense reserves before the recorded statutory benefit for expected subrogation receipts.

Key Yearly Financial Data

(\$ in millions, except share data)

	YTD 2020	2019	2018	2017	2016
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	\$ 10	\$ 66	\$ 111	\$ 175	\$ 197
Net investment income (loss)	(21)	227	273	361	313
Net gains (losses) on derivative contracts	(70)	(50)	7	76	(30)
Other income (expense) ⁽¹⁾	—	134	5	—	18
Income (loss) on variable interest entities (VIEs)	3	38	3	20	(14)
Losses and loss expenses (benefit) ⁽²⁾	117	13	(224)	513	(11)
Insurance intangible amortization	13	295	107	151	175
Operating expenses	24	103	112	122	114
Interest expense	63	269	242	120	124
Net income (loss)	(280)	(216)	267	(329)	74
Net income (loss) attributable to common stockholders	(280)	(216)	186	(329)	75
Net income (loss) per diluted share attributable to common stockholders	\$ (6.07)	\$ (4.69)	\$ 3.99	\$ (7.25)	\$ 1.64
Weighted average number of diluted shares outstanding	46,060,324	45,954,908	46,559,835	45,367,932	45,723,524

Balance Sheets:

Total non-VIE investments	\$ 3,400	\$ 3,792	\$ 3,937	\$ 5,741	\$ 6,500
Premium receivables	403	416	495	586	661
Insurance intangible asset	406	427	719	847	962
Subrogation recoverable	2,192	2,029	1,933	631	685
Unearned premiums	507	518	630	783	967
Loss and loss expense reserves	1,797	1,548	1,826	4,745	4,381
Long-term debt ⁽³⁾	2,760	2,822	2,929	992	1,114
Accrued interest payable	457	441	376	437	422
Ambac stockholders' equity	\$ 1,002	\$ 1,477	\$ 1,592	\$ 1,381	\$ 1,714
Number of shares outstanding (net of treasury shares)	45,779,023	45,555,400	45,336,278	45,251,166	45,172,496
Ambac Financial Group, Inc. book value per share	\$ 21.88	\$ 32.41	\$ 35.12	\$ 30.52	\$ 37.94

Non-GAAP Measurements:

Adjusted earnings (loss)	\$ (265)	\$ 66	\$ 301	\$ (165)	\$ 315
Adjusted earnings (loss) per diluted share	\$ (5.75)	\$ 1.44	\$ 6.47	\$ (3.64)	\$ 6.89
Adjusted book value	\$ 1,012	\$ 1,313	\$ 1,251	\$ 1,101	\$ 1,332
Adjusted book value per share	\$ 22.11	\$ 28.83	\$ 27.58	\$ 24.34	\$ 29.48

Summary Statutory Data of Ambac Assurance:

Invested assets	\$ 2,498	\$ 2,757	\$ 3,017	\$ 5,427	\$ 5,415
Loss and loss expense reserves ⁽⁴⁾	1,143	1,111	1,146	5,253	4,838
Policyholders' Surplus	930	1,088	1,152	700	976
Qualified statutory capital	1,465	1,618	1,648	1,157	1,369
Total claims-paying resources, including Ambac UK ⁽⁴⁾	\$ 5,219	\$ 5,435	\$ 5,793	\$ 8,868	\$ 8,813

- (1) Other income includes proceeds received in 2019, in connection with an SEC action against Citigroup Global Markets Inc. in the amount of \$142.
- (2) Includes interest expense on Deferred Amounts of \$21, \$178 and \$171, for the years ended December 31, 2018, 2017 and 2016, respectively. On February 12, 2018, the rehabilitation of the Segregated Account was concluded and all Deferred Amounts, including accrued interest, were settled. 2018 includes a benefit of \$288 related to the discount on the Rehabilitation Exit Transactions. Refer to Ambac's 2018 Form 10-K for further details.
- (3) Long-term debt includes surplus notes issued and outstanding to third parties, notes issued under a secured borrowing transaction (which was fully repaid during the second quarter of 2018), and the Ambac Note and Tier 2 Notes issued on February 12, 2018 in connection with the Rehabilitation Exit Transactions. Long-term debt also includes debt issued by Ambac UK on June 18, 2019 in connection with the Ballantyne commutation. Long-term debt for all years excludes the portion of long-term debt associated with VIEs consolidated as a result of Ambac's variable interest arising from the financial guarantees of its subsidiaries.
- (4) Loss and loss expense reserves and total claims-paying resources present loss and loss expense reserves before the recorded statutory benefit for expected subrogation receipts.

Non-GAAP Financial Measures ⁽¹⁾
(\$ in millions, except share amounts)

	1Q2020		4Q2019		3Q2019		2Q2019		1Q2019	
	\$	P.D.S. ⁽²⁾	\$	P.D.S. ⁽²⁾	\$	P.D.S. ⁽²⁾	\$	P.D.S. ⁽²⁾	\$	P.D.S. ⁽²⁾
Adjusted Earnings (Loss):										
Net income (loss) attributable to common stockholders	\$ (280)	\$ (6.07)	\$ (110)	\$ (2.40)	\$ 66	\$ 1.41	\$ (128)	\$ (2.79)	\$ (43)	\$ (0.94)
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	2	0.03	—	—	—	(0.01)	—	—	—	(0.01)
Insurance intangible amortization	13	0.29	15	0.33	17	0.37	226	4.92	36	0.79
Foreign exchange (gain) losses	—	—	7	0.16	(6)	(0.14)	(11)	(0.25)	(2)	(0.04)
Adjusted earnings (loss)	\$ (265)	\$ (5.75)	\$ (88)	\$ (1.91)	\$ 77	\$ 1.63	\$ 86	\$ 1.88	\$ (9)	\$ (0.20)

	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019		March 31, 2019	
	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾
Adjusted Book Value:										
Total Ambac Financial Group, Inc. stockholders' equity	\$ 1,002	\$ 21.88	\$ 1,477	\$ 32.41	\$ 1,569	\$ 34.44	\$ 1,493	\$ 32.78	\$ 1,622	\$ 35.63
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	2	0.04	—	0.01	—	0.01	1	0.02	1	0.02
Insurance intangible asset	(406)	(8.87)	(427)	(9.37)	(434)	(9.52)	(455)	(9.99)	(689)	(15.13)
Net unearned premiums and fees in excess of expected losses	420	9.17	414	9.09	434	9.52	465	10.21	461	10.12
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(5)	(0.11)	(151)	(3.31)	(189)	(4.14)	(157)	(3.45)	(142)	(3.12)
Adjusted book value	\$ 1,012	\$ 22.11	\$ 1,313	\$ 28.83	\$ 1,381	\$ 30.31	\$ 1,347	\$ 29.57	\$ 1,253	\$ 27.52

	March 31, 2020		December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016	
	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾	\$	P.S. ⁽²⁾
Adjusted Book Value:										
Total Ambac Financial Group, Inc. stockholders' equity	\$ 1,002	\$ 21.88	\$ 1,477	\$ 32.41	\$ 1,592	\$ 35.12	\$ 1,381	\$ 30.52	\$ 1,714	\$ 37.94
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	2	0.04	—	0.01	1	0.03	1	0.01	11	0.25
Insurance intangible asset	(406)	(8.87)	(427)	(9.37)	(719)	(15.87)	(847)	(18.71)	(962)	(21.30)
Ambac CVA on interest rate derivative liabilities	—	—	—	—	—	—	—	—	(45)	(0.99)
Net unearned premiums and fees in excess of expected losses	420	9.17	414	9.09	462	10.19	597	13.20	732	16.21
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(5)	(0.11)	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)	(119)	(2.63)
Adjusted book value	\$ 1,012	\$ 22.11	\$ 1,313	\$ 28.83	\$ 1,251	\$ 27.58	\$ 1,101	\$ 24.34	\$ 1,332	\$ 29.48

- (1) In addition to reporting Ambac's financial results in accordance with GAAP, Ambac reports two non-GAAP financial measures: Adjusted Earnings and Adjusted Book Value. A non-GAAP financial measure is a numerical measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. We are presenting these non-GAAP financial measures because they provide greater transparency and enhanced visibility into the underlying drivers of our business. Adjusted Earnings and Adjusted Book Value are not substitutes for Ambac's GAAP reporting, should not be viewed in isolation and may differ from similar reporting provided by other companies, which may define non-GAAP measures differently.
- (2) Per diluted share ("P.D.S.") and per share outstanding at balance sheet date ("P.S. ").

Ambac Assurance — Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

(\$ in millions, except ratios)	March 31, 2020	December 31, 2019
Policyholders' surplus ⁽²⁾	\$ 930	\$ 1,088
Contingency reserve	535	530
Qualified statutory capital	1,465	1,618
Unearned premiums	170	175
Loss and loss adjustment expenses ⁽³⁾	1,143	1,111
Ambac Note ⁽⁴⁾	1,205	1,234
Tier 2 Notes	287	281
Present value of future installment premiums ⁽⁵⁾	179	184
Ambac Assurance claims-paying resources	4,449	4,604
Ambac UK claims-paying resources ⁽⁶⁾	770	832
Total claims-paying resources	\$ 5,219	\$ 5,435
Net financial guarantees in force ⁽⁷⁾		
Ambac Assurance	\$ 40,267	\$ 42,142
Ambac UK	15,011	16,103
Total net financial guarantees in force	\$ 55,277	\$ 58,245
Claims-paying ratio ⁽⁸⁾		
Ambac Assurance	9 : 1	9 : 1
Ambac UK	19 : 1	19 : 1
Total claims-paying ratio	11 : 1	11 : 1

- (1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.
- (2) Surplus notes, including junior surplus notes, with an aggregate par value of \$939 and \$939 as of March 31, 2020 and December 31, 2019, respectively, are included in policyholders' surplus.
- (3) Loss and loss expense reserves are presented before the recorded statutory benefit for expected subrogation receipts of \$2,301 (R&W subrogation receipts of \$1,634 and other subrogation receipts of \$666) and \$2,240 (R&W subrogation receipts of \$1,639 and other subrogation receipts of \$601) at March 31, 2020, and December 31, 2019, respectively.
- (4) Ambac Note presented as principal and interest outstanding of \$1,685 and \$1,763, net of Secured Note principal and interest outstanding of \$480 and \$529 held by Ambac Assurance at March 31, 2020, and December 31, 2019, respectively.
- (5) 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%.
- (6) Ambac UK's claims paying resources will become available to Ambac Assurance 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 includes the present value of future installment premiums of approximately \$218 at March 31, 2020.
- (7) Financial guarantees in force represents the amount of principal and interest outstanding on a guaranteed obligation.
- (8) Claims-paying ratio is net financial guarantees in force divided by claims-paying resources.

Summary of Insured Exposures With US GAAP Loss and Loss Expense Reserves ⁽¹⁾

As of March 31, 2020

(\$ in millions)	Total Net Par Outstanding	Total Loss and Loss Expense Reserves ⁽¹⁾
Public Finance:		
Lease & tax backed	\$ 1,135	\$ 691
General obligation	443	(23)
Housing	358	27
Transportation revenue	130	47
Other	138	25
Total Public Finance	2,205	768
Structured Finance:		
Mortgage-backed & home equity	2,841	(1,412)
Student loans	382	204
Other	170	1
Total Structured Finance	3,393	(1,206)
International Finance:		
	699	9
Total	\$ 6,296	\$ (430)

(1) U.S. GAAP insurance loss and loss expense reserves, net of reinsurance. Includes estimated representation and warranty subrogation recoverables of \$1,738 (\$1,764 gross of reinsurance) as of March 31, 2020.

Net Insurance Premiums Earned (GAAP)

(\$ in millions)	1Q	2Q	3Q	4Q	Year-To-Date
2020					
Public Finance	\$ 5	\$ —	\$ —	\$ —	\$ 5
Structured Finance	1	—	—	—	1
International Finance	4	—	—	—	4
Total Normal Insurance Premiums Earned ⁽¹⁾	10	—	—	—	10
Accelerated Premiums Earned	—	—	—	—	—
Total Premiums Earned	\$ 10	\$ —	\$ —	\$ —	\$ 10
2019					
Public Finance	\$ 8	\$ 7	\$ 7	\$ 6	\$ 27
Structured Finance	3	3	2	3	10
International Finance	5	4	—	9	19
Total Normal Insurance Premiums Earned ⁽¹⁾	16	14	8	18	56
Accelerated Premiums Earned	12	(6)	2	2	10
Total Premiums Earned	\$ 28	\$ 8	\$ 10	\$ 20	\$ 66

Net Unearned Premium Amortization and Estimated Future Installment Premiums

(\$ in millions)	Net Unearned Premium Amortization (GAAP) ⁽²⁾	Estimated Net Future Installments ⁽³⁾	Consolidated VIE ⁽⁴⁾
2020 (nine months)	\$ 30	\$ 28	\$ 10
2021	36	37	11
2022	34	31	11
2023	32	30	10
2024	30	28	9
2025	28	27	9
2020 (nine months)	\$ 30	\$ 28	\$ 10
2021-2025	160	153	50
2026-2030	116	117	32
2031-2035	75	80	20
2036-2040	31	38	1
After 2040	16	23	—
Total	\$ 428	\$ 439	\$ 112

- Reductions/(increases) to normal insurance premiums earned for changes in allowance for credit losses on premium receivables were \$2 for the first quarter of 2020 and \$0, \$1, \$6 and (\$5) for the first, second, third and fourth quarters of 2019, respectively.
- Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of March 31, 2020. 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 considers the use of contractual lives for many bond types that do not have homogeneous pools of underlying collateral, which may result in different unearned premium than if expected lives were considered. Therefore, if installment paying policies are retired early, premium earnings may be negative in the period of call or refinancing.
- Represents management's estimate of fees on credit derivative contracts and future installment premium collections, net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation may be subject to prepayment. Estimated net future installments exclude amounts eliminated as a result of consolidating variable interest entities ("Consolidated VIE") as required under the Consolidations Accounting Standard.
- Estimated net future installment amounts eliminated under the U.S. GAAP Consolidations Accounting Standard; not included in Estimated Net Future Installments.

Investment Portfolio

As of March 31, 2020

INCOME ANALYSIS BY TYPE OF SECURITY Investment category (\$ in millions)	U.S. GAAP Carrying Value	U. S. GAAP Book Value	Pre-tax Yield to Maturity ⁽¹⁾
Ambac Assurance and Subsidiaries:			
Fixed income securities:			
U.S. government and agency obligation	\$ 104	\$ 101	1.79 %
Municipal obligations	218	196	5.46 %
Corporate obligations ⁽²⁾	1,121	1,146	4.53 %
Mortgage and asset-backed securities	664	674	6.35 %
Short-term investments	276	276	1.02 %
Total fixed income securities	2,384	2,394	4.60 %
Other investments:			
Hedge funds	60	60	
High yield and leveraged loans	3	3	
Private credit	12	12	
Private equity	4	4	
Equity market investments	10	10	
Total other investments	89	89	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	2,472	2,482	4.60 %
Ambac UK:			
Fixed income securities:			
U.S. government and agency obligations	74	66	1.99 %
Corporate obligations	96	96	3.69 %
Foreign obligations	42	41	0.72 %
Short-term investments	113	113	1.36 %
Total fixed income securities	325	316	2.12 %
Other investments:			
Real estate properties	15	15	
High yield and leveraged loans	54	54	
Investment grade floating rate income	52	52	
Private credit	36	36	
Insurance linked securities	3	3	
Equity market investments	48	48	
Emerging markets	16	16	
Total other investments	224	224	
Total Ambac UK investments	549	540	2.12 %
Total Ambac Assurance and Subsidiaries investments	3,021	3,022	4.31 %
Ambac Financial Group, Inc.			
Mortgage and asset-backed securities	5	5	
Corporate obligations ⁽²⁾	43	43	
Short-term investments	281	281	
Other	50	50	
Total Ambac Financial Group investments	379	379	
Total Investments	\$ 3,400	\$ 3,400	

Duration of Ambac Assurance and Subsidiaries fixed-income investment portfolio ⁽³⁾ 3.4

- (1) Yield to maturity refers to the rate of interest to be earned over the remaining life of the fixed-income investments based on book value. For mortgage and other asset-backed securities remaining life is calculated using estimated future cash flows. For floating rate positions, yield to maturity is based on the current interest rate and not forward rates.
- (2) Includes secured notes with a carrying value of \$495 and amortized cost of \$519 that were issued by Ambac LSNI, an unconsolidated special purpose entity, in connection with the Rehabilitation Exit Transactions.
- (3) Excluded from the measure of duration are Ambac insured bonds that have underlying Ambac internal ratings of BIG and Ambac Assurance holdings of the secured notes issued by Ambac LSNI in connection with the Rehabilitation Exit Transactions. These securities represent 31% of the fair value of Ambac Assurance and Subsidiaries' fixed income investment portfolio of \$2,384 at March 31, 2020.

Expenses Analysis (GAAP)

(\$ in millions)	1Q	2Q	3Q	4Q	Year-to Date
2020:					
Compensation					
Salaries	\$ 6	\$ —	\$ —	\$ —	\$ 6
Incentive Compensation ⁽¹⁾	7	—	—	—	7
Other ⁽²⁾	1	—	—	—	1
Total Compensation	14	—	—	—	14
Non-Compensation					
Legal, Consulting & Advisory Services	6	—	—	—	6
Premises	1	—	—	—	1
Audit	1	—	—	—	1
Regulator Advisory Costs	—	—	—	—	—
Other	1	—	—	—	1
Total Non-Compensation	9	—	—	—	9
Total Gross Operating Expenses	24	—	—	—	24
Ceding Commissions	—	—	—	—	—
Total Operating Expenses	\$ 24	\$ —	\$ —	\$ —	\$ 24

(\$ in millions)	1Q	2Q	3Q	4Q	Full Year
2019:					
Compensation					
Salaries	\$ 6	\$ 6	\$ 6	\$ 6	\$ 24
Incentive Compensation ⁽¹⁾	6	9	5	6	27
Other ⁽²⁾	2	2	3	1	7
Total Compensation	14	17	14	12	58
Non-Compensation					
Legal, Consulting & Advisory Services	5	7	5	5	22
Premises	1	1	2	2	6
Audit	1	1	1	1	3
Regulator Advisory Costs	—	1	1	1	2
Other	3	3	3	3	12
Total Non-Compensation	10	12	11	11	44
Total Gross Operating Expenses	25	29	26	23	103
Ceding Commissions	—	—	—	—	—
Total Operating Expenses	\$ 25	\$ 29	\$ 26	\$ 23	\$ 103

(1) Incentive compensation includes short-term and long-term incentive cash and equity awards

(2) Other compensation includes severance, payroll taxes, medical and other benefits

Historical Net Financial Guarantee Exposures Outstanding ⁽¹⁾

(\$ in millions net par value)	March 31,		December 31,	
	2020	2019	2018	2017
Public Finance ⁽²⁾:				
Housing revenue	\$ 5,937	\$ 5,991	\$ 6,159	\$ 6,312
Lease and tax-backed revenue	4,997	5,102	7,565	11,893
General obligation	2,797	3,011	4,214	6,257
Transportation revenue	847	855	1,754	2,002
Higher education	833	885	1,168	1,642
Utility revenue	740	768	1,178	2,212
Other	942	1,041	1,404	1,770
Total Public Finance	17,093	17,653	23,442	32,088
Structured Finance:				
Mortgage-backed and home equity	4,216	4,423	5,510	7,267
Investor-owned utilities	1,655	1,675	1,754	3,274
Student loan	733	769	934	1,238
Structured Insurance	379	395	1,365	1,420
Asset-backed and other	156	246	384	617
Total Structured Finance	7,139	7,508	9,947	13,816
International Finance ⁽³⁾:				
Sovereign/sub-sovereign	4,897	5,264	5,250	5,664
Investor-owned and public utilities	4,074	4,436	4,499	5,696
Asset-backed and other	1,528	1,625	2,176	3,675
Transportation	1,455	1,532	1,613	1,777
Total International Finance	11,954	12,857	13,538	16,812
Total	\$ 36,186	\$ 38,018	\$ 46,927	\$ 62,716
Percent of Total Net Par Outstanding				
Public Finance	47%	46%	50%	51%
Structured Finance	20%	20%	21%	22%
International Finance	33%	34%	29%	27%
Total Net Par Outstanding	100%	100%	100%	100%

(1) Includes net par exposures insured by Ambac UK of \$11,120, \$11,862, \$13,193 and \$15,881 at March 31, 2020, December 31, 2019, December 31, 2018 and December 31, 2017, respectively.

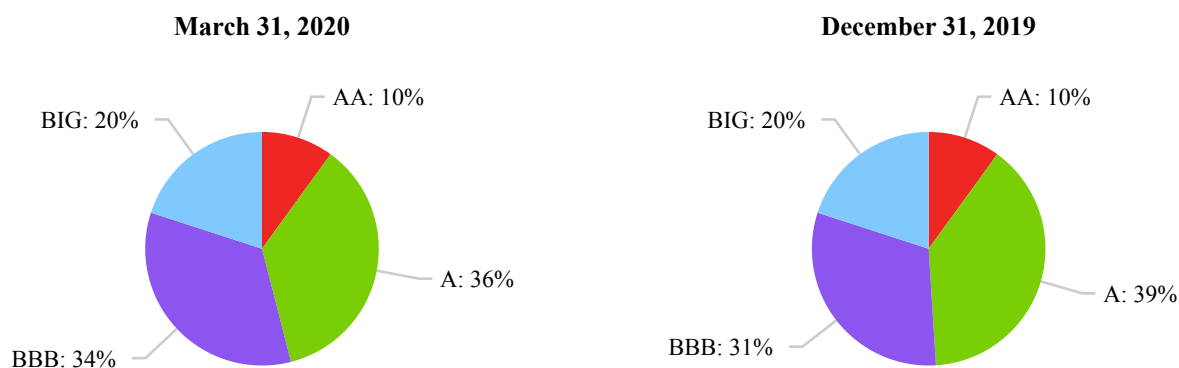
(2) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.

(3) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

(\$ millions net par value)	March 31,		December 31		
	2020	%	2019	2018	2017
Domestic:					
California	\$ 2,492	7%	\$ 2,556	\$ 3,719	\$ 6,351
Colorado	2,389	7%	2,396	2,430	2,537
New York	2,208	6%	2,331	2,577	3,658
New Jersey	1,477	4%	1,487	2,051	3,237
Texas	1,282	4%	1,289	1,543	1,890
Puerto Rico	1,105	3%	1,123	1,880	1,968
Pennsylvania	913	3%	916	1,157	1,316
Washington	829	2%	833	879	1,186
Florida	754	2%	754	1,161	1,992
Oregon	666	2%	671	708	837
Mortgage and asset-backed ⁽¹⁾	4,235	12%	4,531	5,747	7,710
Other domestic	5,882	16%	6,274	9,537	13,222
Total Domestic	24,232	67%	25,161	33,389	45,904
International:					
United Kingdom	9,772	27%	10,593	10,965	13,554
Italy	753	2%	767	811	877
Austria	662	2%	674	712	770
Australia	335	1%	382	384	608
France	296	1%	303	312	329
Other international ⁽²⁾	136	—%	138	354	674
Total International Finance	11,954	33%	12,857	13,538	16,812
Total	\$ 36,186	100%	\$ 38,018	\$ 46,927	\$ 62,716

Rating Distribution of Net Financial Guarantee Exposures Outstanding ^{(3) (4)}



(1) Mortgage and asset-backed obligations includes guarantees with multiple locations of risk within the United States and is primarily comprised of residential mortgage-backed securitizations.

(2) Other international may include components of U.S. exposure.

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

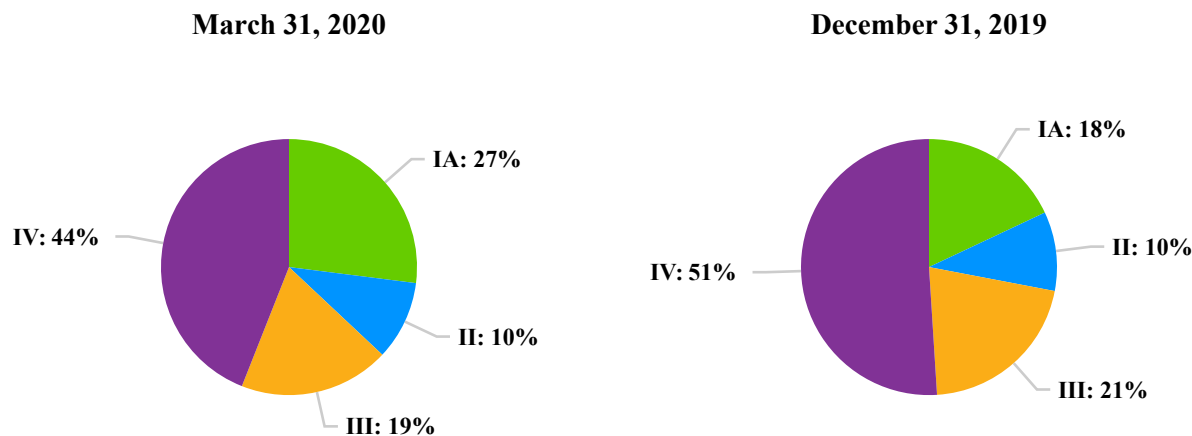
(4) AAA is less than 1% in both periods.

Adversely Classified Credit Exposures Outstanding ⁽¹⁾⁽²⁾
As of March 31, 2020

(\$ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	\$ 3,192	8.8 %
Puerto Rico & Related Issuers	Public Finance	1,105	3.1 %
Mitchells & Butlers Finance plc-UK Pub Securitisation ⁽³⁾	International Finance	957	2.6 %
Posillipo Finance II S.r.l ⁽³⁾	International Finance	698	1.9 %
Ostregion Investmentgesellschaft NR 1 SA ⁽³⁾⁽⁴⁾	International Finance	662	1.8 %
Student Loans Exposures	Structured Finance	553	1.5 %
Military Housing	Public Finance	528	1.5 %
Houston TX Hotel Occupancy Tax Revenue	Public Finance	107	0.3 %
Chicago, IL Board of Education GO	Public Finance	86	0.2 %
Bridgeview, IL	Public Finance	64	0.2 %
Other		424	1.2 %
Total		\$ 8,376	23.1%

- (1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2019 Form 10-K for descriptions of credit classifications.
- (2) Net Par includes capital appreciation bonds, which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.
- (3) Guaranteed by Ambac UK.
- (4) Ambac Assurance has issued an insurance policy for a portion of this transaction that will only pay in the event that Ambac UK does not pay under its insurance policy.

Adversely Classified Distribution of Exposures Outstanding ⁽¹⁾



- (1) Credit Class V is less than 1% in both periods.

25 Largest Exposures Outstanding ⁽¹⁾

As of March 31, 2020

(\$ in millions)	Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF Mitchells & Butlers Finance plc-UK Pub Securitisation	BBB	\$ 957	2.6 %
IF Capital Hospitals plc ⁽²⁾	A-	830	2.3 %
IF Aspire Defence Finance plc	A-	802	2.2 %
PF New Jersey Transportation Trust Fund Authority - Transportation System	BBB-	778	2.2 %
IF Anglian Water	A-	772	2.1 %
IF National Grid Gas	A-	713	2.0 %
IF Posillipo Finance II S.r.l	BIG	698	1.9 %
IF Ostregion Investmentgesellschaft NR 1 SA ⁽²⁾	BIG	662	1.8 %
PF Mets Queens Baseball Stadium Project, NY, Lease Revenue	BBB-	540	1.5 %
IF RMPA Services plc	BBB+	531	1.5 %
IF Catalyst Healthcare (Manchester) Financing plc ⁽²⁾	BBB-	493	1.4 %
IF National Grid Electricity Transmission	A-	479	1.3 %
PF Massachusetts Commonwealth - GO	AA	469	1.3 %
PF Hickam Community Housing LLC	BBB	463	1.3 %
SF Progress Energy Carolinas, Inc.	A-	450	1.2 %
PF Bragg Communities, LLC	A-	412	1.1 %
PF Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	409	1.1 %
PF Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	403	1.1 %
SF Timberlake Financial, LLC	BBB	379	1.0 %
IF Scottish Power UK plc	BBB+	373	1.0 %
SF Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	368	1.0 %
PF Monterey Bay, CA - Military Housing	BBB+	321	0.9 %
PF Fort Bliss/White Sand Missile Range Housing LP	BBB+	305	0.8 %
PF Northeast Housing LLC	BBB-	299	0.8 %
PF Hampton Roads PPV, LLC	A	282	0.8 %
Total		\$ 13,188	36.4%

PF = Public Finance, SF = Structured Finance and IF = International Finance

- (1) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.
- (2) A portion of this transaction is insured by an insurance policy issued by Ambac Assurance. Ambac Assurance has issued policies for these transactions that will only pay in the event that Ambac UK does not pay under its insurance policy.

Net Exposure Amortization ⁽¹⁾
As of March 31, 2020

(\$ in millions)	Total	
	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force
2020 (nine months)	\$ 3,429	\$ 51,848
2021	4,050	47,798
2022	3,909	43,889
2023	2,834	41,055
2024	3,331	37,724
2026	2,752	34,972
2020 (nine months)	\$ 3,429	\$ 51,848
2021-2025	16,876	34,972
2026-2030	12,206	22,766
2031-2035	9,905	12,861
2036-2040	7,699	5,162
After 2040	5,162	—
Total	\$ 55,277	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2020. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.