
Ambac
Quarterly Operating Supplement
2Q19

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, a guarantor of public finance and structured finance obligations in run-off. Ambac's common stock trades on the NASDAQ Global Select Market 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
Second Quarter 2019

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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 Assurance, and for Ambac UK related transactions, based on the view of Ambac UK. Ambac Assurance and Ambac UK 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.

Consolidated Statements of Income (Loss) — Quarter

	Three Months Ended June 30,	
($ in thousands, except share data)	**2019**	**2018**
Revenues:		
Net premiums earned:		
Normal premiums earned	$ 14,002	$ 19,733
Accelerated net premiums earned	(6,169)	6,103
Total net premiums earned	7,833	25,836
Net investment income:		
Securities available-for-sale and short-term	78,329	61,742
Other investments	8,130	4,920
Total net investment income	86,459	66,662
Net other-than-temporary impairment losses recognized in earnings	—	(1,014)
Net realized investment gains (losses)	35,860	47,148
Net gains (losses) on derivative contracts	(35,412)	8,932
Net realized gains (losses) on extinguishment of debt	—	6
Other income (expense)	(8,908)	2,491
Income (loss) on variable interest entities	3,294	577
Total revenues	89,126	150,638
Expenses:		
Losses and loss expense (benefit)	(133,480)	32,579
Insurance intangible amortization	226,242	23,242
Operating expenses	29,090	26,063
Interest expense	67,381	62,446
Total expenses	189,233	144,330
Pretax income (loss)	(100,107)	6,308
Provision for income taxes	28,322	1,995
Net income (loss) attributable to common stockholders	**$ (128,429)**	**$ 4,313**
Net income (loss) per share attributable to common stockholders	$ (2.79)	$ 0.09
Net income (loss) per diluted share attributable to common stockholders	$ (2.79)	$ 0.09
Weighted average number of shares outstanding	45,986,043	45,683,058
Weighted average number of diluted shares outstanding	45,986,043	46,472,375

Consolidated Statements of Income (Loss) — Year

($ in thousands, except share data)	Six Months Ended June 30, 2019	2018
Revenues:		
Net premiums earned:		
Normal premiums earned	$ 29,537	$ 41,224
Accelerated net premiums earned	6,054	15,495
Total net premiums earned	35,591	56,719
Net investment income:		
Securities available-for-sale and short-term	124,881	172,293
Other investments	16,420	4,609
Total net investment income	141,301	176,902
Net other-than-temporary impairment losses recognized in earnings	(29)	(1,313)
Net realized investment gains (losses)	53,093	52,010
Net gains (losses) on derivative contracts	(51,571)	34,123
Net realized gains on extinguishment of debt	—	3,121
Other income (expense)	(8,106)	1,982
Income (loss) on variable interest entities	19,215	1,151
Total revenues	189,494	324,695
Expenses:		
Losses and loss expense (benefit)	(121,073)	(214,816)
Insurance intangible amortization	262,520	51,878
Operating expenses	54,005	62,497
Interest expense	135,359	110,519
Total expenses	330,811	10,078
Pretax income (loss)	(141,317)	314,617
Provision for income taxes	30,313	4,600
Net income (loss) attributable to common stockholders	**$ (171,630)**	**$ 310,017**
Net income (loss) per share attributable to common stockholders	$ (3.74)	$ 6.80
Net income (loss) per diluted share attributable to common stockholders	$ (3.74)	$ 6.73
Weighted average number of shares outstanding	45,909,595	45,577,656
Weighted average number of diluted shares outstanding	45,909,595	46,097,647

Consolidated Balance Sheets

($ in thousands, except share data)	June 30, 2019	December 31, 2018
Assets:		
Investments:		
Fixed income securities, at fair value (amortized cost of $2,465,967 and $3,020,744)	$ 2,604,177	$ 3,115,675
Fixed income securities pledged as collateral, at fair value (amortized cost of $84,418 and $0)	84,418	—
Short-term investments, at fair value (amortized cost of $772,214 and $430,405)	772,299	430,331
Other investments (includes $426,563 and $351,049 at fair value)	469,438	391,217
Total investments	3,930,332	3,937,223
Cash and cash equivalents	17,514	63,089
Restricted cash	—	19,405
Premium receivables	441,526	495,391
Reinsurance recoverable on paid and unpaid losses	27,215	23,133
Deferred ceded premium	56,272	61,134
Subrogation recoverable	1,984,826	1,932,960
Derivative assets	72,376	59,468
Current taxes	14,092	47,040
Insurance intangible asset	454,830	718,931
Other assets	190,566	137,628
Variable interest entity assets	7,523,517	7,093,309
Total assets	**$ 14,713,066**	**$ 14,588,711**
Liabilities and Stockholders' Equity:		
Liabilities:		
Unearned premiums	$ 556,908	$ 629,971
Loss and loss expense reserves	1,494,106	1,826,078
Ceded premiums payable	30,795	32,913
Deferred taxes	31,716	40,130
Long-term debt	2,946,620	2,928,929
Accrued interest payable	407,096	375,808
Derivative liabilities	88,245	76,699
Other liabilities	137,757	63,792
Variable interest entity liabilities	7,466,907	6,981,244
Total liabilities	**13,160,150**	**12,955,564**
Stockholders' equity:		
Preferred stock, par value $0.01 per share; 20,000,000 shares authorized shares; issued and outstanding shares—none	—	—
Common stock, par value $0.01 per share; 130,000,000 shares authorized; issued shares: 45,571,743 and 45,365,170	456	454
Additional paid-in capital	226,794	219,429
Accumulated other comprehensive income (loss)	19,088	(48,715)
Retained earnings	1,246,990	1,421,302
Treasury stock, shares at cost: 22,558 and 28,892	(380)	(473)
Total Ambac Financial Group, Inc. stockholders' equity	1,492,948	1,591,997
Noncontrolling interest	59,968	41,150
Total stockholders' equity	1,552,916	1,633,147
Total liabilities and stockholders' equity	**$ 14,713,066**	**$ 14,588,711**
Number of shares outstanding (net of treasury shares)	45,549,185	45,336,278
Ambac Financial Group, Inc. book value per share	$ 32.78	$ 35.12

Key Quarterly Financial Data

($ in millions, except share data)	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income (Loss):					
Net premiums earned	$ 8	$ 28	$ 29	$ 26	$ 26
Net investment income	86	55	37	58	67
Income (loss) on variable interest entities (VIEs)	3	16	—	2	1
Losses and loss expenses (benefit)	(133)	12	(42)	34	33
Insurance intangible amortization	226	36	29	26	23
Operating expenses	29	25	21	28	26
Interest expense	67	68	66	66	62
Net income (loss)	(128)	(43)	(20)	(22)	4
Net income (loss) attributable to common stockholders	(128)	(43)	(20)	(104)	4
Net income (loss) per diluted share attributable to common stockholders	$ (2.79)	$ (0.94)	$ (0.45)	$ (2.27)	$ 0.09
Balance Sheets:					
Total non-VIE investments	$ 3,930	$ 4,041	$ 3,937	$ 4,279	$ 4,387
Premium receivables	442	487	495	517	554
Insurance intangible asset	455	689	719	756	786
Subrogation recoverable	1,985	1,916	1,933	1,899	1,876
Unearned premiums	557	591	630	670	722
Loss and loss expense reserves	1,494	1,694	1,826	1,868	2,057
Long-term debt [1]	2,947	2,929	2,929	2,938	2,796
Accrued interest payable	407	391	376	357	238
Ambac stockholders' equity	$ 1,493	$ 1,622	$ 1,592	$ 1,758	$ 1,800
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 86	$ (9)	$ 11	$ (76)	$ 36
Adjusted book value	$ 1,347	$ 1,253	$ 1,251	$ 1,292	$ 1,398
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,924	$ 2,948	$ 3,017	$ 3,149	$ 3,371
Loss and loss expense reserves [2]	1,113	1,138	1,146	1,202	1,303
Policyholders' Surplus	1,129	1,084	1,152	1,121	1,282
Qualified statutory capital	1,652	1,601	1,648	1,607	1,758
Total claims-paying resources, including Ambac UK [2]	$ 5,607	$ 5,695	$ 5,793	$ 5,887	$ 6,215

(1) 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 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.

(2) 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 2019	2018	2017	2016	2015
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	$ 36	$ 111	$ 175	$ 197	$ 313
Net investment income	141	273	361	313	266
Income (loss) on variable interest entities (VIEs)	19	3	20	(14)	32
Losses and loss expenses (benefit) [1]	(121)	(224)	513	(11)	(769)
Insurance intangible amortization	263	107	151	175	170
Operating expenses	54	112	122	114	103
Interest expense	135	242	120	124	117
Goodwill impairment	—	—	—	—	515
Net income (loss)	(172)	267	(329)	74	493
Net income (loss) attributable to common stockholders	(172)	186	(329)	75	493
Net income (loss) per diluted share attributable to common stockholders	$ (3.74)	$ 3.99	$ (7.25)	$ 1.64	$ 10.72
Balance Sheets:					
Total non-VIE investments	$ 3,930	$ 3,937	$ 5,741	$ 6,500	$ 5,645
Premium receivables	442	495	586	661	832
Insurance intangible asset	455	719	847	962	1,212
Subrogation recoverable	1,985	1,933	631	685	1,229
Unearned premiums	557	630	783	967	1,280
Loss and loss expense reserves	1,494	1,826	4,745	4,381	4,088
Long-term debt [2]	2,947	2,929	992	1,114	1,125
Accrued interest payable	407	376	437	422	356
Ambac stockholders' equity	$ 1,493	$ 1,592	$ 1,381	$ 1,714	$ 1,685
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 77	$ 301	$ (165)	$ 315	$ 1,154
Adjusted book value	$ 1,347	$ 1,251	$ 1,101	$ 1,332	$ 1,268
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,924	$ 3,017	$ 5,427	$ 5,415	$ 4,783
Loss and loss expense reserves [3]	1,113	1,146	5,253	4,838	5,105
Policyholders' Surplus	1,129	1,152	700	976	625
Qualified statutory capital	1,652	1,648	1,157	1,369	1,017
Total claims-paying resources, including Ambac UK [3]	$ 5,607	$ 5,793	$ 8,868	$ 8,813	$ 9,052

(1) Includes interest expense on Deferred Amounts of $20.6, $177.9, $170.8, and $161.9 for the years ended December 31, 2018, 2017, 2016 and 2015, 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 $288.2 related to the discount on the Rehabilitation Exit Transactions. Refer to Ambac's 2018 Form 10-K for further details.

(2) 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.

(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.

Non-GAAP Financial Measures [1]

($ in millions, except share amounts)

Adjusted Earnings (Loss):	2Q2019 $	2Q2019 P.D.S. [2]	1Q2019 $	1Q2019 P.D.S. [2]	4Q2018 $	4Q2018 P.D.S. [2]	3Q2018 $	3Q2018 P.D.S. [2]	2Q2018 $	2Q2018 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ (128.4)**	**$ (2.79)**	**$ (43.2)**	**$ (0.94)**	**$ (20.5)**	**$ (0.45)**	**$ (103.8)**	**$ (2.27)**	**$ 4.3**	**$ 0.09**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	(0.2)	—	(0.4)	(0.01)	0.3	0.01	(0.2)	—	0.3	0.01
Insurance intangible amortization	226.2	4.92	36.3	0.79	29.0	0.63	26.4	0.58	23.2	0.50
Foreign exchange (gain) losses	(11.2)	(0.25)	(1.9)	(0.04)	2.0	0.05	1.6	0.03	8.6	0.18
Adjusted earnings (loss)	**$ 86.4**	**$ 1.88**	**$ (9.2)**	**$ (0.20)**	**$ 10.8**	**$ 0.24**	**$ (76.0)**	**$ (1.66)**	**$ 36.5**	**$ 0.78**

Adjusted Book Value:	June 30,2019 $	June 30,2019 P.S. [2]	March 31, 2019 $	March 31, 2019 P.S. [2]	December 31, 2018 $	December 31, 2018 P.S. [2]	September 30, 2018 $	September 30, 2018 P.S. [2]	June 30, 2018 $	June 30, 2018 P.S. [2]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,492.9**	**$ 32.78**	**$ 1,622.0**	**$ 35.63**	**$ 1,592.0**	**$ 35.12**	**$ 1,757.7**	**$ 38.77**	**$ 1,799.8**	**$ 39.70**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	0.9	0.02	1.1	0.02	1.5	0.03	1.2	0.03	1.3	0.03
Insurance intangible asset	(454.8)	(9.99)	(689.3)	(15.13)	(718.9)	(15.87)	(755.7)	(16.67)	(786.2)	(17.34)
Net unearned premiums and fees in excess of expected losses	465.1	10.21	460.9	10.12	461.9	10.19	503.2	11.10	536.7	11.84
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(157.3)	(3.45)	(142.1)	(3.12)	(85.9)	(1.89)	(214.4)	(4.73)	(153.6)	(3.39)
Adjusted book value	**$ 1,346.8**	**$ 29.57**	**$ 1,252.6**	**$ 27.52**	**$ 1,250.6**	**$ 27.58**	**$ 1,291.9**	**$ 28.50**	**$ 1,398.0**	**$ 30.84**

(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 thousands, except ratios)	June 30, 2019	December 31, 2018
Policyholders' surplus [2]	$ 1,129,271	$ 1,152,346
Contingency reserve	523,009	495,659
Qualified statutory capital	1,652,280	1,648,005
Unearned premiums	228,021	279,562
Loss and loss adjustment expenses [3]	1,113,119	1,146,153
Ambac Note [4]	1,343,492	1,358,870
Tier 2 Notes	269,691	258,585
Present value of future installment premiums [5]	193,897	203,503
Ambac Assurance claims-paying resources	4,800,500	4,894,678
Ambac UK claims-paying resources [6]	806,530	898,271
Total claims-paying resources	$ 5,607,030	$ 5,792,949
Net financial guarantees in force [7]		
Ambac Assurance	$ 49,513,739	$ 59,856,911
Ambac UK	16,508,098	18,115,111
Total net financial guarantees in force	$ 66,021,837	$ 77,972,022
Claims-paying ratio [8]		
Ambac Assurance	10 : 1	12 : 1
Ambac UK	20 : 1	20 : 1
Total claims-paying ratio	12 : 1	13 : 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 $938,773 and $940,433 as of June 30, 2019 and December 31, 2018, respectively, are included in policyholders' surplus.

(3) Loss and loss expense reserves are presented before the recorded statutory benefit for expected subrogation receipts of $2,321,466 (R&W subrogation receipts of $1,733,002 and other subrogation receipts of $588,464) and $2,322,613 (R&W subrogation receipts of $1,748,809 and other subrogation receipts of $573,804) at June 30, 2019 and December 31, 2018, respectively.

(4) Ambac Note presented as principal and interest outstanding of $1,918,747 and $1,940,710, net of Secured Note principal and interest outstanding of $575,255 and $581,840 held by Ambac Assurance at June 30, 2019 and December 31, 2018, 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 $234,750 at June 30, 2019.

(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.

Ambac Assurance — Rollforward of Statutory Policyholders' Surplus

($ in thousands)	Six months ended June 30, 2019	Year Ended December 31, 2018
Policyholders' Surplus, beginning of period	**$ 1,152,346**	**$ 699,614**
Net income (loss)	(42,868)	57,012
Surplus notes re-classified from liability [(1)]	—	361,050
Change in contingency reserves	(27,350)	(39,493)
Change in investments [(2)]	48,038	70,375
Other changes in surplus	(895)	3,788
Policyholders' Surplus, end of period	**$ 1,129,271**	**$ 1,152,346**

(1) As a result of the Rehabilitation Exit Transactions on February 12, 2018, surplus notes are no longer treated pari passu with payments on insurance obligations and accordingly were reclassified to Surplus as regards to policyholders. Refer to Ambac's 2018 Form 10-K for further details.

(2) Includes non-income statement changes in investments such as changes in valuation of investments carried at fair value, changes in deferred gains from sales of investments to subsidiaries and changes in Ambac Assurance's investment in subsidiaries, excluding dividends.

Ratio of Net Claims Recorded

($ in thousands)	Six months ended June 30, 2019	Year Ended December 31, 2018	2017	2016	2015
Claims recorded [1]	$ 298,490	$ 383,488	$ 343,673	$ 391,887	$ 367,860
Subrogation received [2]	(113,886)	(140,131)	(244,004)	(1,355,360)	(308,369)
Net claims recorded	$ 184,604	$ 243,357	$ 99,669	$ (963,473)	$ 59,491
Net insurance premiums earned and credit derivative fees	$ 35,776	$ 111,477	$ 176,866	$ 198,199	$ 315,380
Ratio of net claims recorded [3]	516.0%	218.3%	56.4%	(486.1)%	18.9%

(1) Claims recorded include (i) claims paid, including commutation payments and (ii) changes in claims not yet paid for policies allocated to the Segregated Account (which was merged back into the General Account of Ambac Assurance on February 12, 2018), including Deferred Amounts and changes in unpresented claims. Item (ii) includes permitted policy claims for policies allocated to the Segregated Account that were presented and approved by the Rehabilitator of the Segregated Account, but not paid through to the balance sheet date in accordance with the amended Segregated Account Rehabilitation Plan and associated rules and guidelines. Claims recorded exclude interest accrued on Deferred Amounts.

On February 12, 2018, the rehabilitation of the Segregated Account was concluded and all Deferred Amounts, including accrued interest, were settled. Refer to Ambac's 2018 Form 10-K for further details. Subsequent to the Rehabilitation Exit Transactions, claims are being paid in full.

(2) Included in the six months ended June 30, 2019 is $35.8 million ($36.2 million gross of reinsurance) as a result of trustee settlements related to Lehman sponsored RMBS transactions. Included in the year ended December 31, 2017, is $49.7 million ($49.8 million gross of reinsurance) related to a reimbursement of claims due to a mortgage insurance settlement. Included in the year ended December 31, 2016, is $992.8 million ($995 million gross of reinsurance) received from the settlement of representation and warranty related litigation with JP Morgan and $99.1 million ($100.3 million gross of reinsurance) related to the Countrywide Investor Settlement.

(3) Ratio of net claims recorded is Net claims recorded divided by net premiums earned and fees on credit derivative contracts.

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

		December 31,			
($ in thousands)	**June 30, 2019**	**2018**	**2017**	**2016**	**2015**
Total insurance reserves, net of reinsurance [1]	$ (517,682)	$ (129,505)	$ 4,073,144	$ 3,665,271	$ 2,814,754
Estimated credit impairment losses on credit derivatives [2]	—	—	—	3,910	15,560
Total impairment losses [3]	(517,682)	(129,505)	4,073,144	3,669,181	2,830,314
Mark-to-market reserve on credit derivatives [2]	861	1,459	566	11,439	18,983
Grand total net insurance loss reserves and credit derivatives	$ (516,821)	$ (128,046)	$ 4,073,710	$ 3,680,620	$ 2,849,297

Summary of Insured Exposures With Impairment Losses

($ in thousands)	**Total Net Par Outstanding**	**Total Impairment Losses [3]**
Public Finance:		
Lease & tax backed	$ 1,207,157	$ 496,174
General obligation	735,048	15,057
Housing	343,345	24,504
Transportation revenue	63,510	42,895
Other	204,146	13,715
Total Public Finance	2,553,206	592,345
Structured Finance:		
Mortgage-backed & home equity	3,321,670	(1,325,911)
Student loans	412,393	199,443
Other	169,674	12,238
Total Structured Finance	3,903,737	(1,114,230)
International Finance:	1,036	4,203
Total	$ 6,457,979	$ (517,682)

(1) As of December 31, 2017, 2016, and 2015, $3,866,766, $3,655,989, and $3,458,771 of claims were unpaid, respectively, including $839,743, $661,842, and $491,017 of interest accrued on Deferred Amounts, respectively. Total insurance reserves are inclusive of these unpaid claims. On February 12, 2018, the rehabilitation of the Segregated Account was concluded and all Deferred Amounts, including accrued interest, were settled. Refer to Ambac's 2018 Form 10-K for further details.

(2) Total net mark-to-market losses are $861, $1,459, $566, $15,349, and $34,543, as of June 30, 2019 and December 31, 2018, 2017, 2016 and 2015, respectively, and are reported on the consolidated balance sheet under derivative liabilities.

(3) Total estimated impairment losses includes insurance loss and loss expense reserves, net of estimated representation and warranty subrogation recoverables of $1,736,055 ($1,762,217 gross of reinsurance) as of June 30, 2019.

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

($ in thousands)	1Q	2Q	3Q	4Q	Year-to Date
2019					
Public Finance	$ 7,594	$ 6,924	$ —	$ —	$ 14,518
Structured Finance	2,870	2,664	—	—	5,534
International Finance	5,071	4,414	—	—	9,485
Total Normal Insurance Premiums Earned	15,535	14,002	—	—	29,537
Accelerated Premiums Earned	12,223	(6,169)	—	—	6,054
Total Premiums Earned	$ 27,758	$ 7,833	$ —	$ —	$ 35,591
Fees on credit derivative contracts	$ 91	$ 94	$ —	$ —	$ 185

($ in thousands)	1Q	2Q	3Q	4Q	Full Year
2018					
Public Finance	$ 10,013	$ 9,711	$ 9,177	$ 7,982	$ 36,883
Structured Finance	5,233	4,162	4,196	3,396	16,987
International Finance	6,245	5,860	5,516	5,116	22,737
Total Normal Insurance Premiums Earned	21,491	19,733	18,889	16,494	76,607
Accelerated Premiums Earned	9,392	6,103	6,751	12,236	34,482
Total Premiums Earned	$ 30,883	$ 25,836	$ 25,640	$ 28,730	$ 111,089
Fees on credit derivative contracts	$ 106	$ 91	$ 99	$ 92	$ 388

Net Unearned Premium Amortization and Estimated Future Installment Premiums

($ in thousands)	Net Unearned Premium Amortization (GAAP) [1]	Estimated Net Future Installments [2]	Consolidated VIE [3]
2019 (Six Months)	$ 23,468	$ 21,052	$ 5,513
2020	45,409	40,523	11,172
2021	41,186	38,663	10,699
2022	38,351	31,764	10,187
2023	35,714	30,171	9,679
2024	33,487	28,536	9,107
2019 (Six Months)	$ 23,468	$ 21,052	$ 5,513
2020-2024	194,147	169,657	50,844
2025-2029	135,897	124,805	36,260
2030-2034	87,446	90,825	23,124
2035-2039	39,086	44,555	3,758
After 2039	20,592	28,543	—
Total	$ 500,636	$ 479,437	$ 119,499

(1) 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 June 30, 2019. 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.

(2) Represents management's undiscounted 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.

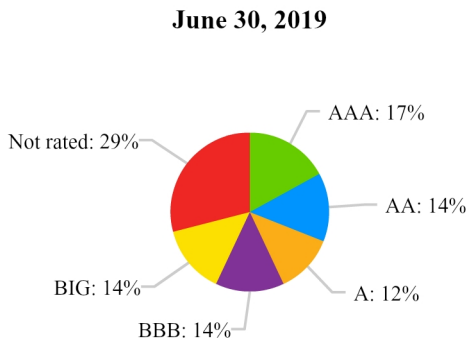
(3) Estimated net future installment amounts eliminated under the U.S. GAAP Consolidations Accounting Standard; not included in Estimated Net Future Installments.

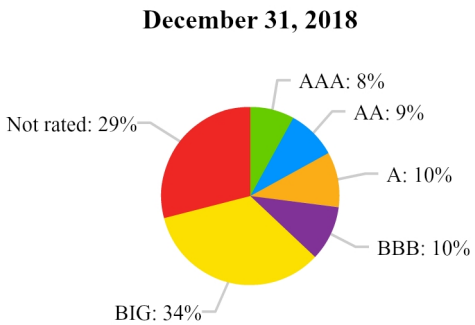
Investment Portfolio

As of June 30, 2019

INCOME ANALYSIS BY TYPE OF SECURITY Investment category ($ in thousands)	U.S. GAAP Carrying Value	U. S. GAAP Book Value	Pre-tax Yield to Maturity [1]
Ambac Assurance and Subsidiaries:			
Long-term investments			
U.S. government and agency obligation	$ 53,567	$ 53,421	1.79 %
Municipal obligations	196,743	178,511	5.28 %
Corporate obligations [2]	1,322,479	1,292,159	5.10 %
Ambac insured residential mortgage-backed securities	249,423	208,397	9.73 %
Ambac insured non-RMBS	177,708	160,147	4.99 %
Mortgage and asset-backed securities	444,442	421,459	5.83 %
Other investments [1]	138,998	138,998	5.92 %
Total long-term investments	2,583,360	2,453,092	5.59 %
Short-term investments	409,485	409,443	2.42 %
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,992,845**	**2,862,535**	**5.13%**
Ambac UK:			
U.S. government and agency obligations	43,239	40,790	2.65 %
Corporate obligations	76,684	71,771	4.00 %
Foreign obligations	30,743	30,149	1.06 %
Mortgage and asset-backed securities	381	383	3.21 %
Other investments [1]	287,565	287,565	4.61 %
Total long-term investments	438,612	430,658	3.83 %
Short-term investments	135,671	135,671	1.81 %
Total Ambac UK investments	**574,283**	**566,329**	**3.20%**
Total Ambac Assurance and Subsidiaries investments	**3,567,128**	**3,428,864**	**4.87%**
Total AFG investments	**363,204**	**363,173**	
Total Investments	**$ 3,930,332**	**$ 3,792,037**	

Ratings Distribution of the Fixed Income Investment Portfolio of Ambac Assurance and Subsidiaries [3] [4]





Duration of investment portfolio [3]	**3.6**

(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. Yield to maturity on equity interests in pooled funds included in Other investments is based on the market value of the investments within the fund. 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. Yield to maturity includes only those holdings of pooled funds that invest in fixed income instruments. Ambac UK pooled fund investments in property, equities, insurance-linked securities and illiquid credit products with a combined carrying value of $132,659 are not included in the pre-tax yield. Ambac limited partnership investment with a carrying value of $60,000 was not included in the pre-tax yield.

(2) Includes secured notes with a carrying value of $585,922 and book value of $575,138 that were issued by Ambac LSNI, an unconsolidated special purpose entity, in connection with the Rehabilitation Exit Transactions.

(3) BIG and not rated securities include Ambac insured bonds that Ambac Assurance or Ambac UK has internally rated BIG and Ambac Assurance holdings of the secured notes issued by Ambac LSNI in connection with the Rehabilitation Exit Transactions. These securities represent 36% and 60% of the consolidated fair value of the fixed income investment portfolio at June 30, 2019 and December 31, 2018, respectively, and are excluded from the company's measure of duration.

(4) Ratings are based on the lower of Moody's or S&P ratings. If ratings are unavailable from Moody's or S&P, Fitch ratings are used. If guaranteed, rating represents the higher of the underlying or wrapped rating. Rating distribution is calculated based on fair value.

Expenses Analysis (GAAP)

($ in thousands)	1Q	2Q	3Q	4Q	Year-to Date
2019:					
Compensation					
Salaries	$ 6,097	$ 6,090	$ —	$ —	$ 12,187
Incentive Compensation [1]	6,266	9,294	—	—	15,560
Other [2]	2,127	2,076	—	—	4,203
Total Compensation	**14,490**	**17,460**	**—**	**—**	**31,950**
Non-Compensation					
Legal, Consulting & Advisory Services	5,179	6,525	—	—	11,704
Premises	1,058	948	—	—	2,006
Audit	797	695	—	—	1,492
Subscriptions & Data Access	568	552	—	—	1,120
Regulator Advisory Costs	487	541	—	—	1,028
Other	2,253	2,331	—	—	4,584
Total Non-Compensation	**10,342**	**11,592**	**—**	**—**	**21,934**
Total Gross Operating Expenses	**24,832**	**29,052**	**—**	**—**	**53,884**
Ceding Commissions	83	38	—	—	121
Total Operating Expenses	**$ 24,915**	**$ 29,090**	**$ —**	**$ —**	**$ 54,005**

($ in thousands)	1Q	2Q	3Q	4Q	Full Year
2018:					
Compensation					
Salaries	$ 6,498	$ 6,422	$ 6,508	$ 6,185	$ 25,613
Incentive Compensation [1]	6,575	6,620	5,246	4,084	22,525
Restructuring	859	—	—	—	859
Other [2]	1,838	1,258	1,810	1,187	6,093
Total Compensation	**15,770**	**14,300**	**13,564**	**11,456**	**55,090**
Non-Compensation					
Legal, Consulting & Advisory Services [3]	2,887	5,401	9,785	4,919	22,992
Premises	797	647	652	686	2,782
Audit	833	734	668	720	2,955
Subscriptions & Data Access	728	636	708	703	2,775
Regulator Advisory Costs	4,451	1,329	526	540	6,846
Restructuring	8,390	504	239	23	9,156
Other	2,412	2,473	1,719	2,115	8,719
Total Non-Compensation	**20,498**	**11,724**	**14,297**	**9,706**	**56,225**
Total Gross Operating Expenses	**36,268**	**26,024**	**27,861**	**21,162**	**111,315**
Ceding Commissions	166	39	507	177	889
Total Operating Expenses	**$ 36,434**	**$ 26,063**	**$ 28,368**	**$ 21,339**	**$ 112,204**

(1) Incentive compensation includes short-term and long-term incentive awards, including both cash and equity based awards

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

(3) Includes $2,504 and $5,850 of expenses in the three months ended June 30, 2018 and September 30, 2018, respectively, in connection with the AMPS Exchange. Refer to Ambac's 2018 Form 10-K for further details.

Historical Net Financial Guarantee Exposures Outstanding [1] [2]

($ in millions net par value)	June 30, 2019	December 31, 2018	2017	2016
Public Finance [3]:				
Lease and tax-backed revenue	$ 6,433	$ 7,565	$ 11,893	$ 15,688
Housing revenue	6,066	6,159	6,312	6,508
General obligation	3,833	4,214	6,257	9,867
Transportation revenue	1,295	1,754	2,002	3,860
Higher education	969	1,168	1,642	2,339
Utility revenue	950	1,178	2,212	4,298
Health care revenue	396	459	807	1,484
Other	901	945	963	1,018
Total Public Finance	20,843	23,442	32,088	45,062
Structured Finance:				
Mortgage-backed and home equity	4,980	5,510	7,267	9,383
Investor-owned utilities	1,694	1,754	3,274	3,833
Student loan	837	934	1,238	1,388
Structured Insurance	429	1,365	1,420	1,473
Asset-backed and other	257	384	617	874
Total Structured Finance	8,197	9,947	13,816	16,951
International Finance [4]:				
Sovereign/sub-sovereign	5,170	5,250	5,664	5,211
Investor-owned and public utilities	4,512	4,499	5,696	6,168
Asset-backed and other	1,898	2,176	3,675	4,254
Transportation	1,567	1,613	1,777	1,700
Total International Finance	13,147	13,538	16,812	17,333
Total	$ 42,187	$ 46,927	$ 62,716	$ 79,346
Percent of Total Net Par Outstanding				
Public Finance	49.4%	50.0%	51.2%	56.8%
Structured Finance	19.4%	21.2%	22.0%	21.4%
International Finance	31.2%	28.8%	26.8%	21.8%
Total Net Par Outstanding	100.0%	100.0%	100.0%	100.0%

(1) Includes structured credit derivative net par outstanding of $284, $295, $326 and $737 at June 30, 2019, and December 31, 2018, 2017 and 2016, respectively.

(2) Includes net par exposures insured by Ambac UK of $12,137, $13,193, $15,881 and $15,082 at June 30, 2019, and December 31, 2018, 2017 and 2016, respectively.

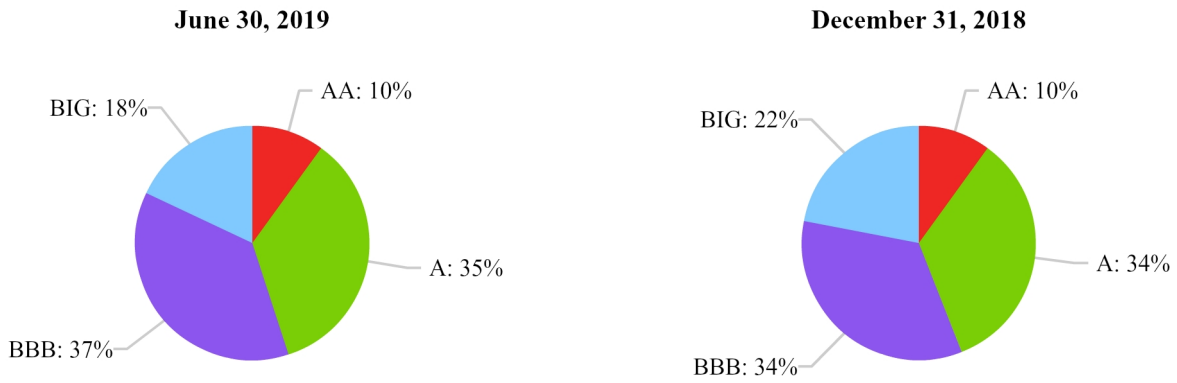
(3) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.

(4) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

	June 30,		December 31,		
($ millions net par value)	**2019**	**%**	**2018**	**2017**	**2016**
Domestic:					
California	$ 3,461	8.2 %	$ 3,719	$ 6,351	$ 10,301
Colorado	2,415	5.7 %	2,430	2,537	2,701
New York	2,386	5.7 %	2,577	3,658	4,270
New Jersey	1,975	4.7 %	2,051	3,237	3,699
Texas	1,443	3.4 %	1,543	1,890	2,609
Puerto Rico	1,253	3.0 %	1,880	1,968	2,058
Pennsylvania	1,121	2.7 %	1,157	1,316	1,769
Illinois	1,070	2.5 %	1,174	1,668	2,423
Washington	865	2.1 %	879	1,186	1,430
Florida	849	2.0 %	1,161	1,992	2,806
Mortgage and asset-backed [1]	5,099	12.1 %	5,747	7,710	9,948
Other domestic	7,103	16.8 %	9,071	12,391	17,999
Total Domestic	29,040	68.8 %	33,389	45,904	62,013
International:					
United Kingdom	10,831	25.7 %	10,965	13,554	12,798
Italy	791	1.9 %	811	877	898
Austria	695	1.6 %	712	770	696
Australia	382	0.9 %	384	608	1,393
France	307	0.7 %	312	329	286
Other international [2]	141	0.3 %	354	674	1,262
Total International Finance	13,147	31.2 %	13,538	16,812	17,333
Total	$ 42,187	100.0 %	$ 46,927	$ 62,716	$ 79,346

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 June 30, 2019

($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 3,814	9.0 %
Puerto Rico & Related Issuers	Public Finance	1,253	3.0 %
Posillipo Finance II S.r.l [3]	International Finance	734	1.7 %
Ostregion Investmentgesellschaft NR 1 SA [3][4]	International Finance	695	1.6 %
Student Loans Exposures	Structured Finance	613	1.5 %
Military Housing	Public Finance	562	1.3 %
Trinity Rail Leasing V L.P. 2006-1A Notes	Structured Finance	95	0.2 %
Chicago, IL Board of Education GO	Public Finance	91	0.2 %
Bridgeview, IL	Public Finance	66	0.2 %
Road Management Services A13	International Finance	59	0.1 %
Other		342	0.8 %
Total		**$ 8,324**	**19.7%**

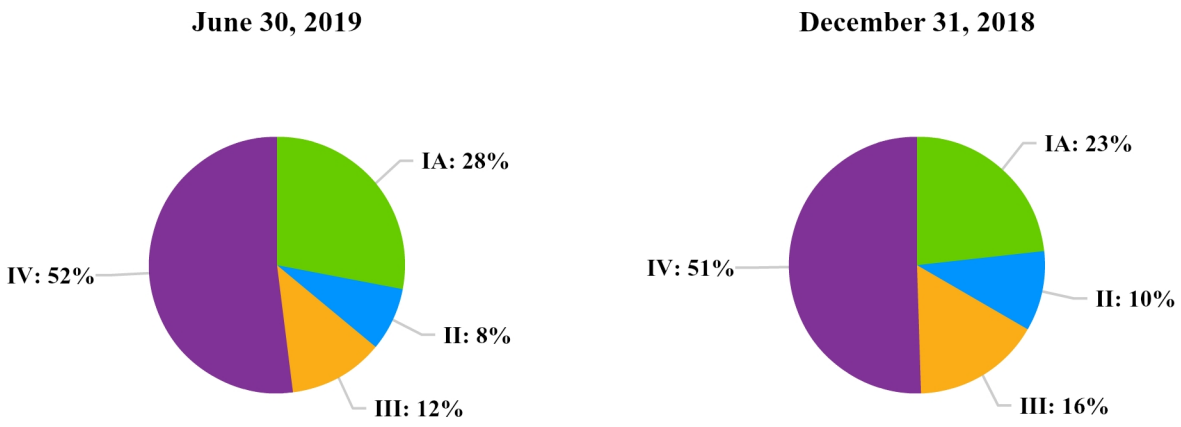
(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2018 Form 10-K for descriptions of credit classifications.

(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 Domestic Public Finance Exposures Outstanding [1]

As of June 30, 2019

($ in millions)	Ambac Rating [2]	Net Par Outstanding	% of Total Net Par Outstanding
New Jersey Transportation Trust Fund Authority - Transportation System	BBB+	$ 783	1.9%
Massachusetts Commonwealth - GO	AA	586	1.4%
Mets Queens Baseball Stadium Project, NY, Lease Revenue	BBB	549	1.3%
Hickam Community Housing LLC	BBB	467	1.1%
Bragg Communities, LLC	A-	418	1.0%
Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	414	1.0%
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	403	1.0%
New Jersey Economic Development Authority - School Facilities Construction	BBB+	400	0.9%
Monterey Bay, CA - Military Housing	BBB+	326	0.8%
Fort Bliss/White Sand Missile Range Housing LP	BBB+	308	0.7%
Northeast Housing LLC	BBB-	300	0.7%
Hampton Roads PPV, LLC	A	283	0.7%
Meade Communities, LLC	A	281	0.7%
BLB Privatized Housing, LLC	A-	267	0.6%
Riley Communities LLC	A-	266	0.6%
Stewart Hunter Housing, GA	BBB	251	0.6%
Delaware Valley Regional Finance Authority - Local Government Pool	A	250	0.6%
AETC Housing LP	BBB	219	0.5%
Fort Campbell Family Housing LLC	AA-	217	0.5%
NYS Thruway Highways and Bridges	AA-	209	0.5%
Fort Lewis Communities LLC WA	AA-	207	0.5%
New Jersey Turnpike Authority, Turnpike Revenue	A	204	0.5%
Oregon School Boards	AA-	201	0.5%
AMC West Housing LP	AA-	198	0.5%
Chicago, IL - GO	BBB-	194	0.5%
Total		**$ 8,201**	**19.4%**

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

25 Largest Structured Finance Exposures Outstanding

As of June 30, 2019

($ in millions)	Ambac Rating [1]	Net Par Outstanding	% of Total Net Par Outstanding
Progress Energy Carolinas, Inc.	A-	$ 450	1.1 %
Timberlake Financial, LLC	BBB	429	1.0 %
Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	420	1.0 %
Wachovia Asset Securitization Issuance II, LLC 2007-HE1	BBB	289	0.7 %
Option One Mortgage Loan Trust 2007-FXD1	BIG	223	0.5 %
Terwin Mortgage Trust Asset-Backed Certificates, Series 2006-6	BIG	211	0.5 %
Impac CMB Trust Series 2005-7	BIG	188	0.4 %
Countrywide Asset-Backed Certificates Trust 2005-16	BIG	186	0.4 %
Ownit Mortgage Trust 2006-OT1	BIG	181	0.4 %
Basin Electric Power Cooperative	A-	169	0.4 %
Countrywide Asset Backed Certificates Trust 2005-17	BIG	163	0.4 %
Countrywide Asset Backed Certificates Trust 2006-11	BIG	147	0.3 %
The National Collegiate Student Loan Trust 2007-4	BIG	141	0.3 %
Capco - Excess SIPC Excess of Loss Reinsurance II	BBB	137	0.3 %
Duke Energy Ohio, Inc.	BBB+	131	0.3 %
Terwin Mortgage Trust Asset-Backed Certificates, Series 2006-4	BIG	115	0.3 %
The National Collegiate Student Loan Trust 2005-3	BIG	111	0.3 %
Impac CMB Trust Series 2005-6	BIG	95	0.2 %
Countrywide Asset Backed Certificates Trust 2006-13	BIG	95	0.2 %
Trinity Rail Leasing V L.P. 2006-1A Notes	BBB-	95	0.2 %
Chevy Chase Funding Mortgage-Backed Certificates, Series 2007-2	BIG	94	0.2 %
AEP Texas Central	BBB	93	0.2 %
National Collegiate Student Loan Trust 2006-2	BIG	93	0.2 %
National Collegiate Student Loan Trust 2006-3	BIG	90	0.2 %
Pacificorp	A	89	0.2 %
Total		**$ 4,435**	**10.5%**

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

25 Largest International Finance Exposures Outstanding

As of June 30, 2019

($ in millions)	Ambac Rating [1]	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation [2]	A+	$ 1,297	3.1 %
Capital Hospitals plc [2][3]	A-	867	2.1 %
Aspire Defence Finance plc [2]	BBB+	841	2.0 %
Anglian Water [2]	A-	781	1.9 %
Posillipo Finance II S.r.l [2]	BBB-	734	1.7 %
National Grid Gas [2]	A-	721	1.7 %
Ostregion Investmentgesellschaft NR 1 SA [2][3]	BIG	695	1.6 %
RMPA Services plc [2]	BBB+	560	1.3 %
Catalyst Healthcare (Manchester) Financing plc [2][3]	BBB-	520	1.2 %
National Grid Electricity Transmission [2]	A-	484	1.1 %
South East Water (Finance) Limited [2]	BBB	465	1.1 %
Scottish Power UK plc [2]	BBB+	381	0.9 %
Northern Powergrid (Yorkshire) plc [2]	BBB+	349	0.8 %
Scotia Gas Networks (Scotland Gas) [2]	BBB+	286	0.7 %
FCC Surf	AA	284	0.7 %
Scotia Gas Networks (Southern Gas) [2]	BBB+	273	0.6 %
Road Management Services (Finance) plc. [2][3]	BBB+	270	0.6 %
Annes Gate Property plc [2]	A-	256	0.6 %
Northern Powergrid Holdco [2]	BBB+	254	0.6 %
Arsenal Securities plc [2]	BBB-	220	0.5 %
BY Chelmer plc [2]	A-	219	0.5 %
Sydney Airport	BBB	196	0.5 %
Dudley Summit plc [2][3]	BBB	194	0.5 %
Northern Powergrid (North East) [2]	BBB+	191	0.5 %
Powercor Australia	A-	187	0.4 %
Total		**$ 11,525**	**27.3%**

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

(2) All or a portion of transaction guaranteed by Ambac UK.

(3) 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.

Net Exposure Amortization [1]
As of June 30, 2019

($ in millions)	Estimated Net Debt Service Amortization	Total Ending Net Financial Guarantees in Force
2019 (Six months)	$ 2,790	$ 63,232
2020	4,850	58,382
2021	4,464	53,918
2022	4,324	49,594
2023	3,252	46,342
2024	3,735	42,607
2019 (Six months)	$ 2,790	$ 63,232
2020-2024	20,625	42,607
2025-2029	14,768	27,839
2030-2034	10,220	17,619
2035-2039	10,977	6,642
After 2039	6,642	—
Total	$ 66,022	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of June 30, 2019. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.