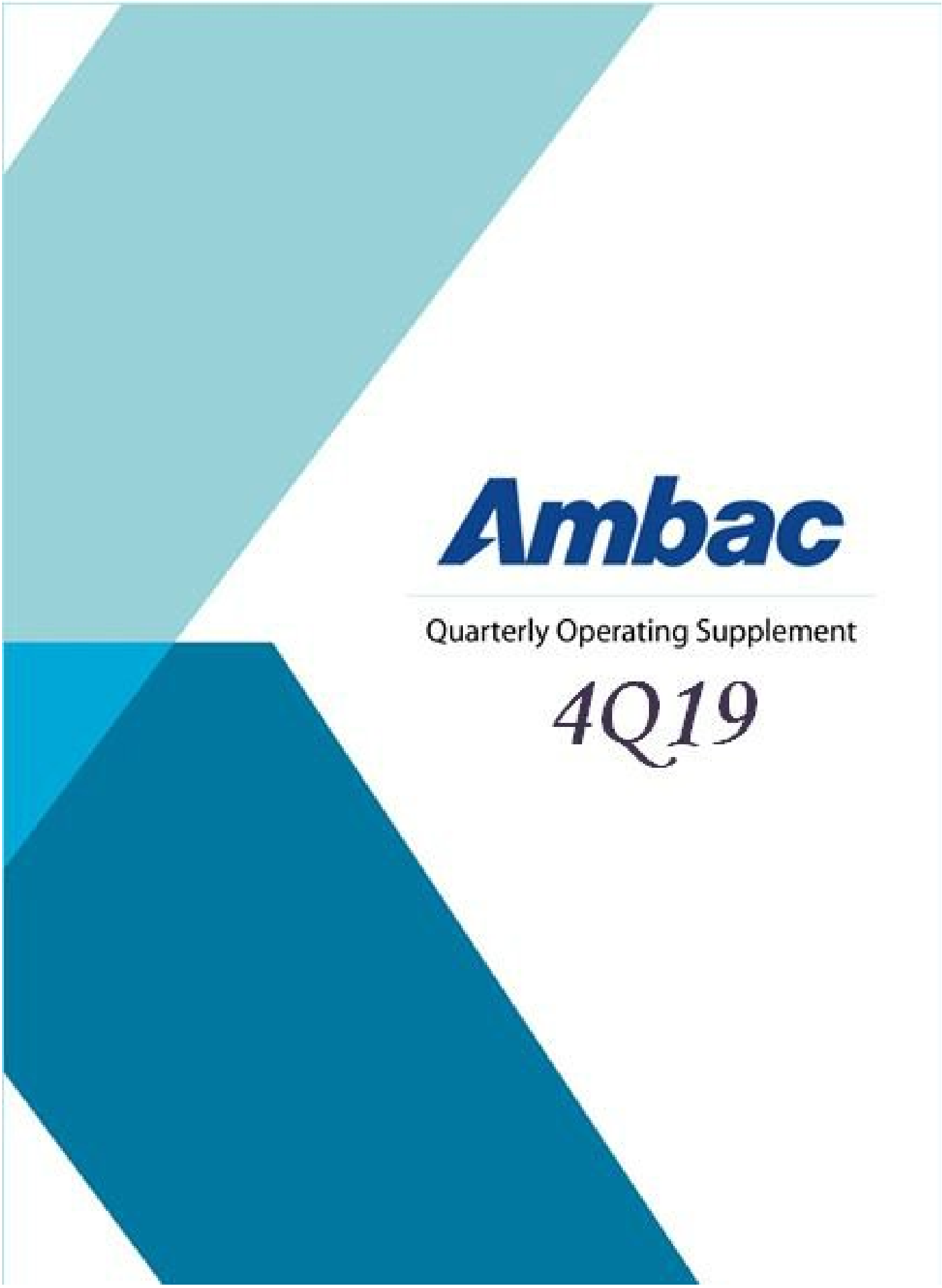

Ambac
Quarterly Operating Supplement
4Q19

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 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
Fourth 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. 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)	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income (Loss):					
Net premiums earned	$ 20	$ 10	$ 8	$ 28	$ 29
Net investment income	42	45	86	55	37
Other income (expense) [1]	1	141	(9)	1	2
Income (loss) on variable interest entities (VIEs)	7	11	3	16	—
Losses and loss expenses (benefit)	97	37	(133)	12	(42)
Insurance intangible amortization	15	17	226	36	29
Operating expenses	23	26	29	25	21
Interest expense	66	67	67	68	66
Net income (loss)	(110)	66	(128)	(43)	(20)
Net income (loss) attributable to common stockholders	(110)	66	(128)	(43)	(20)
Net income (loss) per diluted share attributable to common stockholders	$ (2.40)	$ 1.41	$ (2.79)	$ (0.94)	$ (0.45)
Weighted average number of diluted shares outstanding	46,001,270	47,020,058	45,986,043	45,832,297	45,756,090
Balance Sheets:					
Total non-VIE investments	$ 3,792	$ 3,939	$ 3,930	$ 4,041	$ 3,937
Premium receivables	416	415	442	487	495
Insurance intangible asset	427	434	455	689	719
Subrogation recoverable	2,029	2,082	1,985	1,916	1,933
Unearned premiums	518	528	557	591	630
Loss and loss expense reserves	1,548	1,522	1,494	1,694	1,826
Long-term debt [2]	2,822	2,955	2,947	2,929	2,929
Accrued interest payable	441	424	407	391	376
Ambac stockholders' equity	$ 1,477	$ 1,569	$ 1,493	$ 1,622	$ 1,592
Number of shares outstanding (net of treasury shares)	45,555,400	45,551,260	45,549,185	45,520,541	45,336,278
Ambac Financial Group, Inc. book value per share	$ 32.41	$ 34.44	$ 32.78	$ 35.63	$ 35.12
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ (88)	$ 77	$ 86	$ (9)	$ 11
Adjusted earnings (loss) per diluted share	$ (1.91)	$ 1.63	$ 1.88	$ (0.20)	$ 0.24
Adjusted book value	$ 1,313	$ 1,381	$ 1,347	$ 1,253	$ 1,251
Adjusted book value per share	$ 28.83	$ 30.31	$ 29.57	$ 27.52	$ 27.58
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,757	$ 2,893	$ 2,924	$ 2,948	$ 3,017
Loss and loss expense reserves [3]	1,111	1,044	1,113	1,138	1,146
Policyholders' Surplus	1,088	1,249	1,129	1,084	1,152
Qualified statutory capital	1,618	1,773	1,652	1,601	1,648
Total claims-paying resources, including Ambac UK [3]	$ 5,435	$ 5,590	$ 5,607	$ 5,695	$ 5,793

(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)	2019	2018	2017	2016	2015
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	$ 66	$ 111	$ 175	$ 197	$ 313
Net investment income	227	273	361	313	266
Other income (expense) [1]	134	5	—	18	7
Income (loss) on variable interest entities (VIEs)	38	3	20	(14)	32
Losses and loss expenses (benefit) [2]	13	(224)	513	(11)	(769)
Insurance intangible amortization	295	107	151	175	170
Operating expenses	103	112	122	114	103
Interest expense	269	242	120	124	117
Goodwill impairment	—	—	—	—	515
Net income (loss)	(216)	267	(329)	74	493
Net income (loss) attributable to common stockholders	(216)	186	(329)	75	493
Net income (loss) per diluted share attributable to common stockholders	$ (4.69)	$ 3.99	$ (7.25)	$ 1.64	$ 10.72
Weighted average number of diluted shares outstanding	45,954,908	46,559,835	45,367,932	45,723,524	46,006,027
Balance Sheets:					
Total non-VIE investments	$ 3,792	$ 3,937	$ 5,741	$ 6,500	$ 5,645
Premium receivables	416	495	586	661	832
Insurance intangible asset	427	719	847	962	1,212
Subrogation recoverable	2,029	1,933	631	685	1,229
Unearned premiums	518	630	783	967	1,280
Loss and loss expense reserves	1,548	1,826	4,745	4,381	4,088
Long-term debt [3]	2,822	2,929	992	1,114	1,125
Accrued interest payable	441	376	437	422	356
Ambac stockholders' equity	$ 1,477	$ 1,592	$ 1,381	$ 1,714	$ 1,685
Number of shares outstanding (net of treasury shares)	45,555,400	45,336,278	45,251,166	45,172,496	45,036,020
Ambac Financial Group, Inc. book value per share	$ 32.41	$ 35.12	$ 30.52	$ 37.94	$ 37.41
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 66	$ 301	$ (165)	$ 315	$ 1,154
Adjusted earnings (loss) per diluted share	$ 1.44	$ 6.47	$ (3.64)	$ 6.89	$ 25.08
Adjusted book value	$ 1,313	$ 1,251	$ 1,101	$ 1,332	$ 1,268
Adjusted book value per share	$ 28.83	$ 27.58	$ 24.34	$ 29.48	$ 28.15
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,757	$ 3,017	$ 5,427	$ 5,415	$ 4,783
Loss and loss expense reserves [4]	1,111	1,146	5,253	4,838	5,105
Policyholders' Surplus	1,088	1,152	700	976	625
Qualified statutory capital	1,618	1,648	1,157	1,369	1,017
Total claims-paying resources, including Ambac UK [4]	$ 5,435	$ 5,793	$ 8,868	$ 8,813	$ 9,052

(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, $171, and $162 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 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)

Adjusted Earnings (Loss):	4Q2019 $	4Q2019 P.D.S. [2]	3Q2019 $	3Q2019 P.D.S. [2]	2Q2019 $	2Q2019 P.D.S. [2]	1Q2019 $	1Q2019 P.D.S. [2]	4Q2018 $	4Q2018 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ (110)**	**$ (2.40)**	**$ 66**	**$ 1.41**	**$ (128)**	**$ (2.79)**	**$ (43)**	**$ (0.94)**	**$ (20)**	**$ (0.45)**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	—	—	—	(0.01)	—	—	—	(0.01)	—	0.01
Insurance intangible amortization	15	0.33	17	0.37	226	4.92	36	0.79	29	0.63
Foreign exchange (gain) losses	7	0.16	(6)	(0.14)	(11)	(0.25)	(2)	(0.04)	2	0.05
Adjusted earnings (loss)	**$ (88)**	**$ (1.91)**	**$ 77**	**$ 1.63**	**$ 86**	**$ 1.88**	**$ (9)**	**$ (0.20)**	**$ 11**	**$ 0.24**

Adjusted Book Value:	December 31, 2019 $	December 31, 2019 P.S. [2]	September 30, 2019 $	September 30, 2019 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,477**	**$ 32.41**	**$ 1,569**	**$ 34.44**	**$ 1,493**	**$ 32.78**	**$ 1,622**	**$ 35.63**	**$ 1,592**	**$ 35.12**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	—	0.01	—	0.01	1	0.02	1	0.02	1	0.03
Insurance intangible asset	(427)	(9.37)	(434)	(9.52)	(455)	(9.99)	(689)	(15.13)	(719)	(15.87)
Net unearned premiums and fees in excess of expected losses	414	9.09	434	9.52	465	10.21	461	10.12	462	10.19
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(151)	(3.31)	(189)	(4.14)	(157)	(3.45)	(142)	(3.12)	(86)	(1.89)
Adjusted book value	**$ 1,313**	**$ 28.83**	**$ 1,381**	**$ 30.31**	**$ 1,347**	**$ 29.57**	**$ 1,253**	**$ 27.52**	**$ 1,251**	**$ 27.58**

Adjusted Book Value:	December 31, 2019 $	December 31, 2019 P.S. [2]	December 31, 2018 $	December 31, 2018 P.S. [2]	December 31, 2017 $	December 31, 2017 P.S. [2]	December 31, 2016 $	December 31, 2016 P.S. [2]	December 31, 2015 $	December 31, 2015 P.S. [2]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,477**	**$ 32.41**	**$ 1,592**	**$ 35.12**	**$ 1,381**	**$ 30.52**	**$ 1,714**	**$ 37.94**	**$ 1,685**	**$ 37.41**
Adjustments:								—		—
Non-credit impairment fair value losses on credit derivatives	—	0.01	1	0.03	1	0.01	11	0.25	19	0.42
Insurance intangible asset	(427)	(9.37)	(719)	(15.87)	(847)	(18.71)	(962)	(21.30)	(1,212)	(26.91)
Ambac CVA on interest rate derivative liabilities	—	—	—	—	—	—	(45)	(0.99)	(79)	(1.75)
Net unearned premiums and fees in excess of expected losses	414	9.09	462	10.19	597	13.20	732	16.21	906	20.11
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)	(119)	(2.63)	(51)	(1.13)
Adjusted book value	**$ 1,313**	**$ 28.83**	**$ 1,251**	**$ 27.58**	**$ 1,101**	**$ 24.34**	**$ 1,332**	**$ 29.48**	**$ 1,268**	**$ 28.15**

(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)	December 31, 2019	December 31, 2018
Policyholders' surplus [2]	$ 1,088	$ 1,152
Contingency reserve	530	496
Qualified statutory capital	1,618	1,648
Unearned premiums	175	280
Loss and loss adjustment expenses [3]	1,111	1,146
Ambac Note [4]	1,234	1,359
Tier 2 Notes	281	259
Present value of future installment premiums [5]	184	204
Ambac Assurance claims-paying resources	**4,604**	**4,895**
Ambac UK claims-paying resources [6]	832	898
Total claims-paying resources	**$ 5,435**	**$ 5,793**
Net financial guarantees in force [7]		
Ambac Assurance	$ 42,142	$ 59,857
Ambac UK	16,103	18,115
Total net financial guarantees in force	**$ 58,245**	**$ 77,972**
Claims-paying ratio [8]		
Ambac Assurance	9 : 1	12 : 1
Ambac UK	19 : 1	20 : 1
Total claims-paying ratio	**11 : 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 $939 and $940 as of December 31, 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 $2,240 (R&W subrogation receipts of $1,639 and other subrogation receipts of $601) and $2,323 (R&W subrogation receipts of $1,749 and other subrogation receipts of $574) at December 31, 2019, and December 31, 2018, respectively.

(4) Ambac Note presented as principal and interest outstanding of $1,763 and $1,941, net of Secured Note principal and interest outstanding of $529 and $582 held by Ambac Assurance at December 31, 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 $237 at December 31, 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.

Summary of Insured Exposures With Impairment Losses

As of December 31, 2019

($ in millions)	Total Net Par Outstanding	Total Impairment Losses [1]
Public Finance:		
Lease & tax backed	$ 977	$ 570
General obligation	530	(21)
Housing	359	24
Transportation revenue	42	42
Other	91	10
Total Public Finance	1,998	626
Structured Finance:		
Mortgage-backed & home equity	2,995	(1,327)
Student loans	392	189
Other	170	1
Total Structured Finance	3,558	(1,136)
International Finance:	100	3
Total	**$ 5,656**	**$ (508)**

(1) Total estimated impairment losses includes U.S. GAAP insurance loss and loss expense reserves, net of reinsurance. Includes estimated representation and warranty subrogation recoverables of $1,702 ($1,727 gross of reinsurance) as of December 31, 2019.

Net Insurance Premiums Earned (GAAP)

($ in millions)	1Q	2Q	3Q	4Q	Full Year
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**

($ in millions)	1Q	2Q	3Q	4Q	Full Year
2018					
Public Finance	$ 10	$ 10	$ 9	$ 8	$ 37
Structured Finance	5	4	4	3	17
International Finance	6	6	6	5	23
Total Normal Insurance Premiums Earned [1]	21	20	19	16	77
Accelerated Premiums Earned	9	6	7	12	34
Total Premiums Earned	**$ 31**	**$ 26**	**$ 26**	**$ 29**	**$ 111**

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	$ 40	$ 41	$ 13
2021	36	39	12
2022	34	32	11
2023	32	31	11
2024	30	29	10
2020-2024	$ 171	$ 172	$ 56
2025-2029	124	127	37
2030-2034	83	91	24
2035-2039	38	44	4
After 2039	20	28	—
Total	$ 436	$ 462	$ 121

(1) Reductions/(increases) to normal insurance premiums earned for changes in premium receivables deemed uncollectible were $0, $1, $6 and ($5) for the first, second, third and fourth quarters of 2019, respectively, and ($1), $1, $0 and $0 for the first, second, third and fourth quarters of 2018, respectively.

(2) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of December 31, 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.

(3) 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.

(4) 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 December 31, 2019

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	$ 99	$ 98	1.82 %
Municipal obligations	215	194	5.38 %
Corporate obligations [2]	1,339	1,306	4.69 %
Mortgage and asset-backed securities	726	654	6.65 %
Short-term investments	278	278	1.71 %
Total fixed income securities	2,656	2,531	4.81 %
Other investments:			
Hedge funds	65	65	
High yield and leveraged loans	81	81	
Private credit	10	10	
Total other investments	156	156	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,812**	**2,687**	**4.81%**
Ambac UK:			
Fixed income securities:			
U.S. government and agency obligations	58	58	2.31 %
Corporate obligations	89	88	3.84 %
Foreign obligations	44	44	0.80 %
Mortgage and asset-backed securities	—	—	3.18 %
Short-term investments	142	142	0.16 %
Total fixed income securities	333	331	1.60 %
Other investments:			
Real estate properties	16	16	
High yield and leveraged loans	95	95	
Investment grade floating rate income	66	66	
Private credit	41	41	
Insurance linked securities	3	3	
Equities	55	55	
Total other investments	276	276	
Total Ambac UK investments	**609**	**608**	**1.60%**
Total Ambac Assurance and Subsidiaries investments	**3,422**	**3,295**	**4.44%**
Ambac Financial Group, Inc.			
Mortgage and asset-backed securities	5	5	
Corporates	2	2	
Short-term investments	318	318	
Other	46	46	
Total Ambac Financial Group investments	**371**	**371**	
Total Investments	**$ 3,792**	**$ 3,665**	

Duration of Ambac Assurance and Subsidiaries fixed-income investment portfolio [3]	**3.46**

(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 $535 and book value of $528 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 32% of the fair value of Ambac Assurance and Subsidiaries' fixed income investment portfolio of $2,989 at December 31, 2019.

Expenses Analysis (GAAP)

($ 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**

($ in millions)	1Q	2Q	3Q	4Q	Full Year
2018:					
Compensation					
Salaries	$ 6	$ 6	$ 7	$ 6	$ 26
Incentive Compensation [1]	7	7	5	4	23
Restructuring	1	—	—	—	1
Other [2]	2	1	2	1	6
Total Compensation	**16**	**14**	**14**	**11**	**55**
Non-Compensation					
Legal, Consulting & Advisory Services	3	5	10	5	23
Premises	1	1	1	1	3
Audit	1	1	1	1	3
Regulator Advisory Costs	4	1	1	1	7
Restructuring	8	1	—	—	9
Other	3	3	2	3	11
Total Non-Compensation	**20**	**12**	**14**	**10**	**56**
Total Gross Operating Expenses	**36**	**26**	**28**	**21**	**111**
Ceding Commissions	—	—	1	—	1
Total Operating Expenses	**$ 36**	**$ 26**	**$ 28**	**$ 21**	**$ 112**

(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)	December 31, 2019	2018	2017	2016
Public Finance [2]:				
Housing revenue	$ 5,991	$ 6,159	$ 6,312	$ 6,508
Lease and tax-backed revenue	5,102	7,565	11,893	15,688
General obligation	3,011	4,214	6,257	9,867
Higher education	885	1,168	1,642	2,339
Transportation revenue	855	1,754	2,002	3,860
Utility revenue	768	1,178	2,212	4,298
Other	1,041	1,404	1,770	2,502
Total Public Finance	17,653	23,442	32,088	45,062
Structured Finance:				
Mortgage-backed and home equity	4,423	5,510	7,267	9,383
Investor-owned utilities	1,675	1,754	3,274	3,833
Student loan	769	934	1,238	1,388
Structured Insurance	395	1,365	1,420	1,473
Asset-backed and other	246	384	617	874
Total Structured Finance	7,508	9,947	13,816	16,951
International Finance [3]:				
Sovereign/sub-sovereign	5,264	5,250	5,664	5,211
Investor-owned and public utilities	4,436	4,499	5,696	6,168
Asset-backed and other	1,625	2,176	3,675	4,254
Transportation	1,532	1,613	1,777	1,700
Total International Finance	12,857	13,538	16,812	17,333
Total	**$ 38,018**	**$ 46,927**	**$ 62,716**	**$ 79,346**
Percent of Total Net Par Outstanding				
Public Finance	46%	50%	51%	57%
Structured Finance	20%	21%	22%	21%
International Finance	34%	29%	27%	22%
Total Net Par Outstanding	100%	100%	100%	100%

(1) Includes net par exposures insured by Ambac UK of $11,862, $13,193, $15,881 and $15,082 at December 31, 2019, 2018, 2017 and 2016, respectively.

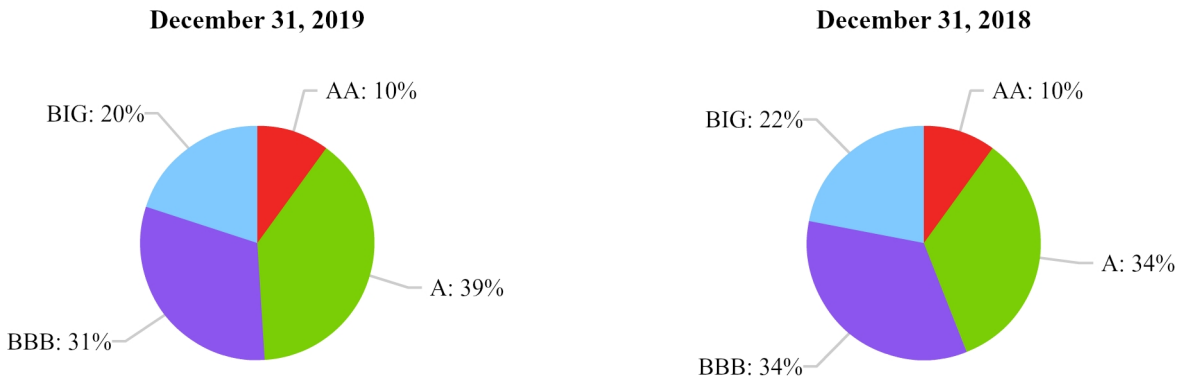
(2) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.

(3) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

	December 31,				
($ millions net par value)	**2019**	**%**	**2018**	**2017**	**2016**
Domestic:					
California	$ 2,556	7 %	$ 3,719	$ 6,351	$ 10,301
Colorado	2,396	6 %	2,430	2,537	2,701
New York	2,331	6 %	2,577	3,658	4,270
New Jersey	1,487	4 %	2,051	3,237	3,699
Texas	1,289	3 %	1,543	1,890	2,609
Puerto Rico	1,123	3 %	1,880	1,968	2,058
Pennsylvania	916	2 %	1,157	1,316	1,769
Washington	833	2 %	879	1,186	1,430
Florida	754	2 %	1,161	1,992	2,806
Illinois	709	2 %	1,174	1,668	2,423
Mortgage and asset-backed [1]	4,531	12 %	5,747	7,710	9,948
Other domestic	6,236	16 %	9,071	12,391	17,999
Total Domestic	25,161	66 %	33,389	45,904	62,013
International:					
United Kingdom	10,593	28 %	10,965	13,554	12,798
Italy	767	2 %	811	877	898
Austria	674	2 %	712	770	696
Australia	382	1 %	384	608	1,393
France	303	1 %	312	329	286
Other international [2]	138	— %	354	674	1,262
Total International Finance	12,857	34 %	13,538	16,812	17,333
Total	**$ 38,018**	**100%**	**$ 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 December 31, 2019

($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 3,350	8.8 %
Puerto Rico & Related Issuers	Public Finance	1,123	3.0 %
Posillipo Finance II S.r.l [3]	International Finance	710	1.9 %
Ostregion Investmentgesellschaft NR 1 SA [3][4]	International Finance	674	1.8 %
Student Loans Exposures	Structured Finance	576	1.5 %
Military Housing	Public Finance	530	1.4 %
Chicago, IL Board of Education GO	Public Finance	86	0.2 %
Trinity Rail Leasing V L.P. 2006-1A Notes	Structured Finance	86	0.2 %
Bridgeview, IL	Public Finance	64	0.2 %
Road Management Services A13	International Finance	58	0.2 %
Other		278	0.7 %
Total		**$ 7,535**	**19.8%**

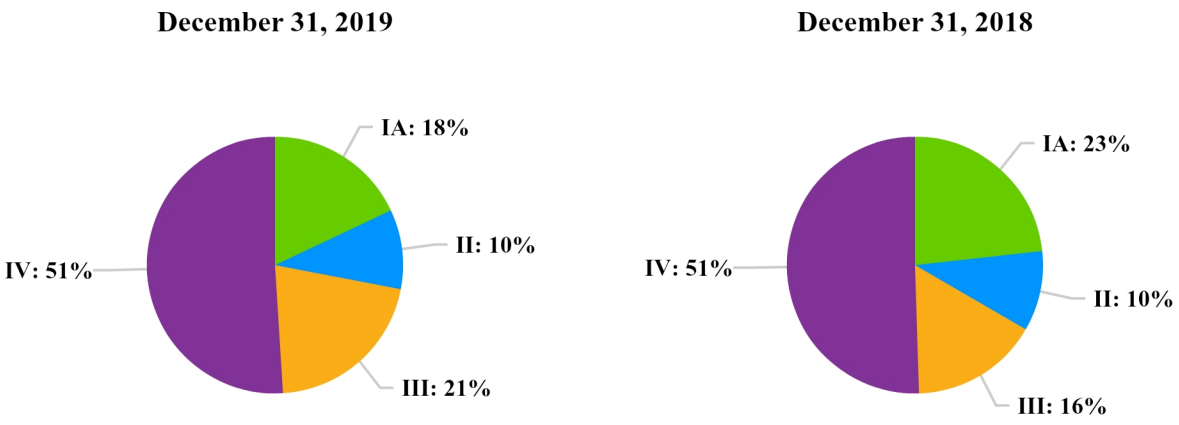
(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2019 Form 10-K for descriptions of credit classifications.

(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 December 31, 2019

	($ in millions)	Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF	Mitchells & Butlers Finance plc-UK Pub Securitisation	A+	$ 1,017	2.7 %
IF	Capital Hospitals plc [2]	A-	896	2.4 %
IF	Aspire Defence Finance plc	BBB+	865	2.3 %
IF	Anglian Water	A-	819	2.2 %
PF	New Jersey Transportation Trust Fund Authority - Transportation System	A-	778	2.0 %
IF	National Grid Gas	A-	757	2.0 %
IF	Posillipo Finance II S.r.l	BIG	710	1.9 %
IF	Ostregion Investmentgesellschaft NR 1 SA [2]	BIG	674	1.8 %
IF	RMPA Services plc	BBB+	575	1.5 %
PF	Mets Queens Baseball Stadium Project, NY, Lease Revenue	BBB	549	1.4 %
IF	Catalyst Healthcare (Manchester) Financing plc [2]	BBB-	536	1.4 %
IF	National Grid Electricity Transmission	A-	509	1.3 %
PF	Massachusetts Commonwealth - GO	AA	469	1.2 %
PF	Hickam Community Housing LLC	BBB	465	1.2 %
SF	Progress Energy Carolinas, Inc.	A-	450	1.2 %
PF	Bragg Communities, LLC	A-	414	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 %
IF	Scottish Power UK plc	BBB+	397	1.0 %
SF	Timberlake Financial, LLC	BBB	395	1.0 %
SF	Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	386	1.0 %
IF	Northern Powergrid (Yorkshire) plc	A-	364	1.0 %
PF	Monterey Bay, CA - Military Housing	BBB+	323	0.8 %
PF	Fort Bliss/White Sand Missile Range Housing LP	BBB+	306	0.8 %
PF	Northeast Housing LLC	BBB-	299	0.8 %
	Total		**$ 13,765**	**36.2%**

***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 December 31, 2019

($ in millions)	Estimated Net Debt Service Amortization	Total Ending Net Financial Guarantees in Force
2020	$ 4,857	$ 53,388
2021	4,157	49,231
2022	3,987	45,244
2023	2,900	42,344
2024	3,395	38,949
2020-2024	$ 19,296	$ 38,949
2025-2029	13,221	25,728
2030-2034	9,257	16,471
2035-2039	10,608	5,863
After 2039	5,863	—
Total	$ 58,245	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of December 31, 2019. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.