
Ambac
Quarterly Operating Supplement
4Q20

About Ambac

Ambac Financial Group, Inc. ("Ambac" or "AFG"), headquartered in New York City, is a financial services holding company. Ambac's subsidiaries include: Ambac Assurance Corporation and Ambac Assurance UK Limited, financial guarantee insurance companies currently in runoff; Everspan Indemnity Insurance Company and Everspan Insurance Company, specialty property & casualty program insurers; and Xchange Benefits, LLC and Xchange Affinity Underwriting Agency, LLC, property & casualty Managing General Underwriters. 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. For more information, please go to www.ambac.com.

Company Information

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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 2020

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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 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income (Loss):					
Net premiums earned	$ 18	$ 15	$ 11	$ 10	$ 20
Net investment income (loss)	53	37	52	(21)	42
Net gains (losses) on derivative contracts	12	7	2	(70)	12
Income (loss) on variable interest entities (VIEs)	3	—	—	3	7
Losses and loss expenses (benefit)	9	83	16	117	97
Intangible amortization	16	14	14	13	15
Operating expenses	26	23	21	24	23
Interest expense	50	50	58	63	66
Net income (loss) attributable to common stockholders	(14)	(108)	(35)	(280)	(110)
Net income (loss) per diluted share attributable to common stockholders	$ (0.31)	$ (2.33)	$ (0.77)	$ (6.07)	$ (2.40)
Weighted average number of diluted shares outstanding	46,181,798	46,178,730	46,166,666	46,060,324	46,001,270
Balance Sheets:					
Total non-VIE investments	$ 3,544	$ 3,551	$ 3,466	$ 3,400	$ 3,792
Premium receivables	370	372	392	403	416
Intangible assets [1]	409	383	392	406	427
Subrogation recoverable	2,156	2,194	2,215	2,192	2,029
Unearned premiums	456	468	492	507	518
Loss and loss expense reserves	1,759	1,801	1,814	1,797	1,548
Long-term debt [2]	2,739	2,737	2,749	2,760	2,822
Accrued interest payable	517	499	474	457	441
Ambac stockholders' equity	$ 1,080	$ 1,035	$ 1,069	$ 1,002	$ 1,477
Number of shares outstanding (net of treasury shares)	45,809,139	45,809,139	45,808,256	45,779,023	45,555,400
Ambac Financial Group, Inc. book value per share	$ 23.57	$ 22.59	$ 23.34	$ 21.88	$ 32.41
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 4	$ (93)	$ (24)	$ (265)	$ (88)
Adjusted earnings (loss) per diluted share	$ 0.08	$ (2.01)	$ (0.52)	$ (5.75)	$ (1.91)
Adjusted book value	$ 919	$ 891	$ 965	$ 1,012	$ 1,313
Adjusted book value per share	$ 20.05	$ 19.44	$ 21.06	$ 22.11	$ 28.83
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,436	$ 2,467	$ 2,424	$ 2,498	$ 2,757
Loss and loss expense reserves [3]	1,139	1,140	1,140	1,143	1,111
Policyholders' Surplus	865	933	987	930	1,088
Qualified statutory capital	1,413	1,477	1,527	1,465	1,618
Total claims-paying resources, including Ambac UK [2]	$ 5,215	$ 5,246	$ 5,274	$ 5,219	$ 5,435

(1) Intangible assets at December 31, 2020 includes the estimated fair value of identifiable intangibles of $36 established as part of the acquisition of Xchange. Refer to Ambac's 2020 Form 10-K for further information relating to this acquisition.

(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 gross of the recorded statutory benefit for expected subrogation receipts.

Key Yearly Financial Data

($ in millions, except share data)	2020	2019	2018	2017	2016
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	$ 54	$ 66	$ 111	$ 175	$ 197
Net investment income	122	227	273	361	313
Net gains (losses) on derivative contracts	(50)	(50)	7	76	(30)
Other income (expense) [1]	3	134	5	—	18
Income (loss) on variable interest entities (VIEs)	5	38	3	20	(14)
Losses and loss expenses (benefit) [2]	225	13	(224)	513	(11)
Intangible amortization	57	295	107	151	175
Operating expenses	92	103	112	122	114
Interest expense	222	269	242	120	124
Net income (loss)	(437)	(216)	267	(329)	74
Net income (loss) attributable to common stockholders	(437)	(216)	186	(329)	75
Net income (loss) per diluted share attributable to common stockholders	$ (9.47)	$ (4.69)	$ 3.99	$ (7.25)	$ 1.64
Weighted average number of diluted shares outstanding	46,147,062	45,954,908	46,559,835	45,367,932	45,723,524
Balance Sheets:					
Total non-VIE investments	$ 3,544	$ 3,792	$ 3,937	$ 5,741	$ 6,500
Premium receivables	370	416	495	586	661
Intangible assets [3]	409	427	719	847	962
Subrogation recoverable	2,156	2,029	1,933	631	685
Unearned premiums	456	518	630	783	967
Loss and loss expense reserves	1,759	1,548	1,826	4,745	4,381
Long-term debt [4]	2,739	2,822	2,929	992	1,114
Accrued interest payable	517	441	376	437	422
Ambac stockholders' equity	$ 1,080	$ 1,477	$ 1,592	$ 1,381	$ 1,714
Number of shares outstanding (net of treasury shares)	45,809,139	45,555,400	45,336,278	45,251,166	45,172,496
Ambac Financial Group, Inc. book value per share	$ 23.57	$ 32.41	$ 35.12	$ 30.52	$ 37.94
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ (378)	$ 66	$ 301	$ (165)	$ 315
Adjusted earnings (loss) per diluted share	$ (8.19)	$ 1.44	$ 6.47	$ (3.64)	$ 6.89
Adjusted book value	$ 919	$ 1,313	$ 1,251	$ 1,101	$ 1,332
Adjusted book value per share	$ 20.05	$ 28.83	$ 27.58	$ 24.34	$ 29.48
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,436	$ 2,757	$ 3,017	$ 5,427	$ 5,415
Loss and loss expense reserves [5]	1,139	1,111	1,146	5,253	4,838
Policyholders' Surplus	865	1,088	1,152	700	976
Qualified statutory capital	1,413	1,618	1,648	1,157	1,369
Total claims-paying resources, including Ambac UK [5]	$ 5,215	$ 5,435	$ 5,793	$ 8,868	$ 8,813

(1) Other income includes proceeds received in 2019, from 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) Intangible assets at December 31, 2020 includes the estimated fair value of identifiable intangibles of $36 established as part of the acquisition of Xchange. Refer to Ambac's 2020 Form 10-K for further information relating to this acquisition.

(4) 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.

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

Non-GAAP Financial Measures [1]

($ in millions, except share amounts)

Adjusted Earnings (Loss):	4Q2020 $	4Q2020 P.D.S. [2]	3Q2020 $	3Q2020 P.D.S. [2]	2Q2020 $	2Q2020 P.D.S. [2]	1Q2020 $	1Q2020 P.D.S. [2]	4Q2019 $	4Q2019 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ (14)**	**$ (0.31)**	**$ (108)**	**$ (2.33)**	**$ (35)**	**$ (0.77)**	**$ (280)**	**$ (6.07)**	**$ (110)**	**$ (2.40)**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	(1)	(0.01)	—	—	(1)	(0.01)	2	0.03	—	—
Insurance intangible amortization	16	0.34	14	0.29	14	0.30	13	0.29	15	0.33
Foreign exchange (gain) losses	3	0.06	1	0.03	(2)	(0.04)	—	—	7	0.16
Adjusted earnings (loss)	**$ 4**	**$ 0.08**	**$ (93)**	**$ (2.01)**	**$ (24)**	**$ (0.52)**	**$ (265)**	**$ (5.75)**	**$ (88)**	**$ (1.91)**

Adjusted Book Value:	December 31, 2020 $	December 31, 2020 P.S. [2]	September 30, 2020 $	September 30, 2020 P.S. [2]	June 30, 2020 $	June 30, 2020 P.S. [2]	March 31, 2020 $	March 31, 2020 P.S. [2]	December 31, 2019 $	December 31, 2019 P.S. [2]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,080**	**$ 23.57**	**$ 1,035**	**$ 22.59**	**$ 1,069**	**$ 23.34**	**$ 1,002**	**$ 21.88**	**$ 1,477**	**$ 32.41**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	—	0.01	1	0.02	1	0.03	2	0.04	—	0.01
Insurance intangible asset	(373)	(8.14)	(383)	(8.36)	(392)	(8.57)	(406)	(8.87)	(427)	(9.37)
Net unearned premiums and fees in excess of expected losses	378	8.24	389	8.50	396	8.63	420	9.17	414	9.09
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(166)	(3.63)	(152)	(3.31)	(109)	(2.38)	(5)	(0.11)	(151)	(3.31)
Adjusted book value	**$ 919**	**$ 20.05**	**$ 891**	**$ 19.44**	**$ 965**	**$ 21.06**	**$ 1,012**	**$ 22.11**	**$ 1,313**	**$ 28.83**

Adjusted Book Value:	December 31, 2020 $	December 31, 2020 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,080**	**$ 23.57**	**$ 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	—	0.01	—	0.01	1	0.03	1	0.01	11	0.25
Insurance intangible asset	(373)	(8.14)	(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	378	8.24	414	9.09	462	10.19	597	13.20	732	16.21
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(166)	(3.63)	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)	(119)	(2.63)
Adjusted book value	**$ 919**	**$ 20.05**	**$ 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)	December 31, 2020	December 31, 2019
Policyholders' surplus [2]	$ 865	$ 1,088
Contingency reserve	548	530
Qualified statutory capital	1,413	1,618
Unearned premiums	154	175
Loss and loss adjustment expenses [3]	1,139	1,111
Estimated impairment losses on subsidiary guarantees	5	—
Policyholders' reserves	2,711	2,904
Ambac Note [4]	1,174	1,234
Tier 2 Notes	306	281
Present value of future installment premiums [5]	171	184
Ambac Assurance claims-paying resources	**4,362**	**4,604**
Ambac UK claims-paying resources [6]	854	832
Total claims-paying resources	**$ 5,215**	**$ 5,435**
Net financial guarantees in force [7]		
Ambac Assurance	$ 36,704	$ 42,142
Ambac UK	$ 14,899	16,103
Total net financial guarantees in force	**$ 51,603**	**$ 58,245**
Claims-paying ratio [8]		
Ambac Assurance	8 : 1	9 : 1
Ambac UK	17 : 1	19 : 1
Total claims-paying ratio	**10 : 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 $938 and $939 as of December 31, 2020 and December 31, 2019, respectively, are included in policyholders' surplus.

(3) Loss and loss expense reserves are presented gross of the recorded statutory benefit for expected subrogation receipts of $2,279 (R&W subrogation receipts of $1,648 and other subrogation receipts of $631) and $2,240 (R&W subrogation receipts of $1,639 and other subrogation receipts of $601) at December 31, 2020, and December 31, 2019, respectively.

(4) Ambac Note presented as principal and interest outstanding of $1,642 and $1,763, net of Secured Note principal and interest outstanding of $468 and $529 held by Ambac Assurance at December 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 $210 at December 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 December 31, 2020

($ in millions)	Total Net Par Outstanding	Total Loss and Loss Expense Reserves [1]
Public Finance:		
Lease & tax backed	$ 1,129	$ 702
General obligation	406	(39)
Housing	355	23
Transportation revenue	118	29
Other	363	12
Total Public Finance	2,371	727
Structured Finance:		
Mortgage-backed & home equity	2,503	(1,394)
Student loans	349	213
Other	137	1
Total Structured Finance	2,989	(1,180)
International Finance:	1,474	23
Total	**$ 6,834**	**$ (430)**

(1) U.S. GAAP insurance loss and loss expense reserves, net of reinsurance. Mortgage-backed & home equity reserves include estimated representation and warranty subrogation recoverables of $1,725 ($1,751 gross of reinsurance) as of December 31, 2020.

Net Insurance Premiums Earned (GAAP)

($ in millions)	1Q	2Q	3Q	4Q	Year-To-Date
2020					
Public Finance	$ 5	$ 5	$ 5	$ 5	$ 20
Structured Finance	1	2	2	3	8
International Finance	4	3	3	4	13
Total Normal Insurance Premiums Earned [1]	10	10	10	11	42
Accelerated Premiums Earned	—	1	5	7	12
Total Premiums Earned	**$ 10**	**$ 11**	**$ 15**	**$ 18**	**$ 54**

($ 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**

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]
2021	35	34	12
2022	33	32	11
2023	31	30	11
2024	29	29	10
2025	27	28	9
2021-2025	154	152	54
2026-2030	113	120	34
2031-2035	72	81	21
2036-2040	30	38	1
After 2040	16	23	—
Total	$ 386	$ 414	$ 110

(1) Reductions/(increases) to normal insurance premiums earned for changes in allowance for credit losses on premium receivables were $2, $2, $2 and $0 for the first, second, third and fourth quarters of 2020, respectively, and $0, $1, $6 and ($5) for the first, second, third and fourth quarters of 2019, 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, 2020. 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 balances and earned premiums than if expected lives were considered. Actual future installments, and therefore earned premiums, 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. 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, 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 maturity securities:			
U.S. government and agency obligation	$ 88	$ 88	1.50 %
Municipal obligations	357	321	4.79 %
Corporate obligations [2]	947	930	4.01 %
Mortgage and asset-backed securities	677	592	6.08 %
Short-term investments	264	264	0.11 %
Total fixed maturity securities	2,334	2,195	4.11 %
Other investments:			
Hedge funds	196	196	
Private credit	23	23	
Equity market investments	13	13	
Private Equity	8	8	
High yield and leveraged loans	3	3	
Total other investments	243	243	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,577**	**2,438**	**4.11 %**
Ambac UK:			
Fixed maturity securities:			
U.S. government and agency obligations	23	23	1.55 %
Corporate obligations	124	123	3.35 %
Foreign obligations	98	97	0.19 %
Short-term investments	108	108	(0.12) %
Total fixed maturity securities	353	351	1.29 %
Other investments:			
High yield and leveraged loans	74	74	
Investment grade floating rate income	73	73	
Equity market investments	60	60	
Private credit	42	42	
Emerging markets	25	25	
Real estate properties	16	16	
Private Equity	4	4	
Insurance linked securities	3	3	
Total other investments	298	298	
Total Ambac UK investments	**651**	**649**	**1.29 %**
Total Ambac Assurance and Subsidiaries investments	**3,228**	**3,087**	**3.72 %**
Ambac Financial Group, Inc.:			
Corporate obligations	6	6	
Mortgage and asset-backed securities	1	1	
Short-term investments	229	229	
Other	54	54	
Total Ambac Financial Group investments	**290**	**290**	
Everspan Indemnity Insurance Company and Subsidiaries investments	**26**	**26**	
Total Investments	**$ 3,544**	**$ 3,402**	

Duration of Ambac Assurance and Subsidiaries fixed-income investment portfolio [3]	**3.9**

(1) Yield to maturity refers to the rate of interest to be earned over the remaining life of the fixed maturity 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 $465 and amortized cost of $468 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 or NR and Ambac Assurance holdings of the secured notes issued by Ambac LSNI in connection with the Rehabilitation Exit Transactions. These securities represent 40% of the fair value of Ambac Assurance and Subsidiaries' fixed maturity investment portfolio of $2,687 at December 31, 2020.

Expenses Analysis (GAAP)

($ in millions)	1Q	2Q	3Q	4Q	Full Year
2020:					
Compensation					
Salaries	$ 6	$ 6	$ 6	$ 6	$ 23
Incentive Compensation [1]	7	5	6	7	25
Other [2]	1	—	1	1	3
Total Compensation	**14**	**11**	**13**	**14**	**51**
Non-Compensation					
Legal, Consulting & Advisory Services	6	5	5	7	23
Premises	1	1	1	1	4
Audit	1	1	1	1	3
Regulator Advisory Costs	—	1	—	1	2
Other	1	2	3	3	9
Total Non-Compensation	**9**	**10**	**10**	**12**	**41**
Total Gross Operating Expenses	**24**	**20**	**23**	**25**	**92**
Ceding Commissions	—	—	—	—	—
Total Operating Expenses	**$ 24**	**$ 21**	**$ 23**	**$ 26**	**$ 92**

($ 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)	December 31, 2020	2019	2018	2017
Public Finance [2]:				
Housing revenue	$ 5,855	$ 5,991	$ 6,159	$ 6,312
Lease and tax-backed revenue	4,179	5,102	7,565	11,893
General obligation	2,345	3,011	4,214	6,257
Transportation revenue	771	855	1,754	2,002
Higher education	747	885	1,168	1,642
Utility revenue	675	768	1,178	2,212
Other	925	1,041	1,404	1,770
Total Public Finance	15,497	17,653	23,442	32,088
Structured Finance:				
Mortgage-backed and home equity	3,635	4,423	5,510	7,267
Investor-owned utilities	1,617	1,675	1,754	3,274
Student loan	626	769	934	1,238
Structured Insurance	311	395	1,365	1,420
Asset-backed and other	148	246	384	617
Total Structured Finance	6,337	7,508	9,947	13,816
International Finance [3]:				
Sovereign/sub-sovereign	5,270	5,264	5,250	5,664
Investor-owned and public utilities	3,899	4,436	4,499	5,696
Transportation	1,511	1,532	1,613	1,777
Asset-backed and other	1,374	1,625	2,176	3,675
Total International Finance	12,054	12,857	13,538	16,812
Total	**$ 33,888**	**$ 38,018**	**$ 46,927**	**$ 62,716**
Percent of Total Net Par Outstanding				
Public Finance	45 %	46 %	50 %	51 %
Structured Finance	19 %	20 %	21 %	22 %
International Finance	36 %	34 %	29 %	27 %
Total Net Par Outstanding	100 %	100 %	100 %	100 %

(1) Includes net par exposures insured by Ambac UK of $11,186, $11,862, $13,193 and $15,881 at December 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.

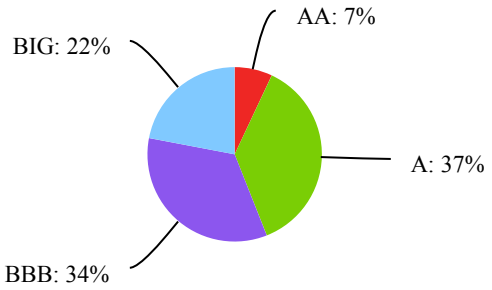
(3) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

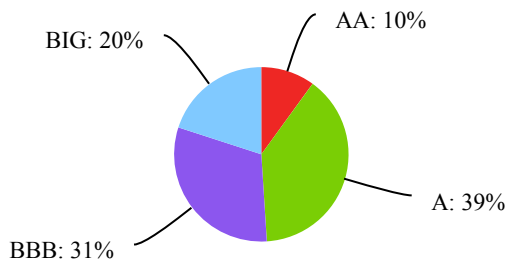
($ millions net par value)	December 31, 2020	%	2019	2018	2017
Domestic:					
Colorado	$ 2,362	7 %	$ 2,396	$ 2,430	$ 2,537
California	2,104	6 %	2,556	3,719	6,351
New York	1,816	5 %	2,331	2,577	3,658
New Jersey	1,290	4 %	1,487	2,051	3,237
Texas	1,233	4 %	1,289	1,543	1,890
Puerto Rico	1,070	3 %	1,123	1,880	1,968
Pennsylvania	896	3 %	916	1,157	1,316
Washington	799	2 %	833	879	1,186
Florida	656	2 %	754	1,161	1,992
Oregon	627	2 %	671	708	837
Mortgage and asset-backed [1]	3,646	11 %	4,531	5,747	7,710
Other domestic	5,335	16 %	6,274	9,537	13,222
Total Domestic	21,834	64 %	25,161	33,389	45,904
International:					
United Kingdom	9,711	29 %	10,593	10,965	13,554
Italy	803	2 %	767	811	877
Austria	707	2 %	674	712	770
Australia	420	1 %	382	384	608
France	277	1 %	303	312	329
Other international [2]	136	— %	138	354	674
Total International Finance	12,054	36 %	12,857	13,538	16,812
Total	**$ 33,888**	**100 %**	**$ 38,018**	**$ 46,927**	**$ 62,716**

Rating Distribution of Net Financial Guarantee Exposures Outstanding [3] [4]

December 31, 2020



December 31, 2019



(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, 2020

($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 2,790	8.2 %
Puerto Rico & Related Issuers	Public Finance	1,070	3.2 %
Mitchells & Butlers Finance plc-UK Pub Securitisation [3]	International Finance	974	2.9 %
Posillipo Finance II S.r.l [3]	International Finance	742	2.2 %
Ostregion Investmentgesellschaft NR 1 SA [3][4]	International Finance	707	2.1 %
Mets Queens Baseball Stadium Project, NY, Lease Revenue [5]	Public Finance	540	1.6 %
Student Loans Exposures	Structured Finance	484	1.4 %
Military Housing	Public Finance	524	1.5 %
Houston TX Hotel Occupancy Tax Revenue	Public Finance	101	0.3 %
Chicago, IL Board of Education GO	Public Finance	81	0.2 %
Other		445	1.3 %
Total		**$ 8,458**	**25.0 %**

(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2020 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.

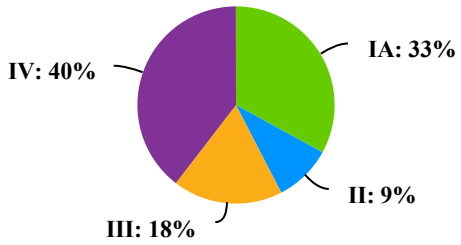
(3) Guaranteed by Ambac UK.

(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.

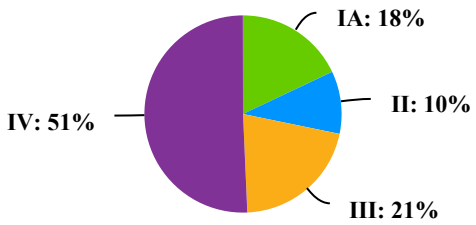
(5) In February 2021, the net par outstanding for this transaction was reduced to zero through the combination of a refinancing and quota share reinsurance.

Adversely Classified Distribution of Exposures Outstanding[1]

December 31, 2020



December 31, 2019



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

25 Largest Exposures Outstanding [1]

As of December 31, 2020

	($ in millions)	Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF	Mitchells & Butlers Finance plc-UK Pub Securitisation	BBB	$ 974	2.9 %
IF	Capital Hospitals plc [2]	A-	903	2.7 %
IF	Aspire Defence Finance plc	A-	870	2.6 %
IF	Anglian Water	A-	853	2.5 %
IF	National Grid Gas	A-	788	2.3 %
PF	New Jersey Transportation Trust Fund Authority - Transportation System	BBB-	767	2.3 %
IF	Posillipo Finance II S.r.l	BIG	742	2.2 %
IF	Ostregion Investmentgesellschaft NR 1 SA [2]	BIG	707	2.1 %
IF	RMPA Services plc	BBB+	575	1.7 %
PF	Mets Queens Baseball Stadium Project, NY, Lease Revenue [3]	BIG	540	1.6 %
IF	Catalyst Healthcare (Manchester) Financing plc [2]	BBB-	534	1.6 %
IF	National Grid Electricity Transmission	A-	529	1.6 %
PF	Hickam Community Housing LLC	BBB	460	1.4 %
SF	Progress Energy Carolinas, Inc.	A-	450	1.3 %
PF	Massachusetts Commonwealth - GO	AA	431	1.3 %
IF	Scottish Power UK plc	BBB+	410	1.2 %
PF	Bragg Communities, LLC	A-	405	1.2 %
PF	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	403	1.2 %
PF	Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	399	1.2 %
SF	Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	318	0.9 %
PF	Monterey Bay, CA - Military Housing	BBB+	317	0.9 %
SF	Timberlake Financial, LLC	BBB	311	0.9 %
PF	Fort Bliss/White Sand Missile Range Housing LP	BBB+	303	0.9 %
PF	Northeast Housing LLC	BBB-	296	0.9 %
PF	Hampton Roads Navy Housing	A	280	0.8 %
	Total		**$ 13,565**	**40.0 %**

***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.

(3) In February 2021, the net par outstanding for this transaction was reduced to zero through the combination of a refinancing and quota share reinsurance.

Net Exposure Amortization [1]
As of December 31, 2020

($ in millions)	Estimated Net Debt Service Amortization	Total Ending Net Financial Guarantees in Force
2021	$ 4,158	$ 47,445
2022	3,956	43,489
2023	2,851	40,638
2024	3,275	37,363
2025	2,700	34,663
2021-2025	$ 16,940	$ 34,663
2026-2030	12,116	22,547
2031-2035	9,707	12,840
2036-2040	7,663	5,177
After 2040	5,177	—
Total	$ 51,603	

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