
Ambac
Quarterly Operating Supplement
1Q21

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

Corporate headquarters are located at:

Ambac Financial Group, Inc.
One World Trade Center, 41st Floor
New York, New York 10007
www.ambac.com

Investor Relations Contact:

Lisa A. Kampf
(212) 208-3222
ir@ambac.com

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

Ambac Financial Group, Inc.
Quarterly Operating Supplement
First Quarter 2021

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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 per share data)	1Q21	4Q20	3Q20	2Q20	1Q20
Summary GAAP Financial Data:					
Net premiums earned	$ 14	$ 18	$ 15	$ 11	$ 10
Net investment income (loss)	49	53	37	52	(21)
Net gains (losses) on derivative contracts	25	12	7	2	(70)
Net realized gains (losses) on extinguishment of debt	33	—	—	—	—
Income (loss) on variable interest entities (VIEs)	—	3	—	—	3
Losses and loss expenses (benefit)	8	9	83	16	117
Intangible amortization	19	16	14	14	13
Operating expenses	33	26	23	21	24
Interest expense	50	50	50	58	63
Net income (loss) attributable to common stockholders	17	(14)	(108)	(35)	(280)
Net income (loss) per diluted share attributable to common stockholders	$ 0.08	$ (0.31)	$ (2.33)	$ (0.77)	$ (6.07)
Weighted average number of diluted shares outstanding	47	46	46	46	46
Balance Sheets:					
Total non-VIE investments	$ 3,458	$ 3,544	$ 3,551	$ 3,466	$ 3,400
Premium receivables	356	370	372	392	403
Intangible assets [1]	391	409	383	392	406
Subrogation recoverable	2,076	2,156	2,194	2,215	2,192
Unearned premiums	438	456	468	492	507
Loss and loss expense reserves	1,662	1,759	1,801	1,814	1,797
Long-term debt [2]	2,661	2,739	2,737	2,749	2,760
Accrued interest payable	516	517	499	474	457
Ambac stockholders' equity	$ 1,063	$ 1,080	$ 1,035	$ 1,069	$ 1,002
Number of shares outstanding (net of treasury shares)	46	46	46	46	46
Ambac Financial Group, Inc. book value per share	$ 23.02	$ 23.57	$ 22.59	$ 23.34	$ 21.88
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 41	$ 4	$ (93)	$ (24)	$ (265)
Adjusted earnings (loss) per diluted share	$ 0.59	$ 0.08	$ (2.01)	$ (0.52)	$ (5.75)
Adjusted book value	$ 908	$ 919	$ 891	$ 965	$ 1,012
Adjusted book value per share	$ 19.66	$ 20.05	$ 19.44	$ 21.06	$ 22.11
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,418	$ 2,436	$ 2,467	$ 2,424	$ 2,498
Loss and loss expense reserves [3]	1,081	1,139	1,140	1,140	1,143
Policyholders' Surplus	733	865	933	987	930
Qualified statutory capital	1,288	1,413	1,477	1,527	1,465
Total claims-paying resources, including Ambac UK [2]	$ 5,003	$ 5,215	$ 5,246	$ 5,274	$ 5,219

(1) Includes intangible assets (net of accumulated amortization) established as part of the acquisition of Xchange of $35 and $36 at March 31, 2021 and December 31, 2020, respectively. 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 per share data)	YTD 2021	2020	2019	2018	2017
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	$ 14	$ 54	$ 66	$ 111	$ 175
Net investment income	49	122	227	273	361
Net gains (losses) on derivative contracts	25	(50)	(50)	7	76
Net realized gains (losses) on extinguishment of debt	33	—	—	3	5
Other income (expense) [1]	5	3	134	5	—
Income (loss) on variable interest entities (VIEs)	—	5	38	3	20
Losses and loss expenses (benefit) [2]	8	225	13	(224)	513
Intangible amortization	19	57	295	107	151
Operating expenses	33	92	103	112	122
Interest expense	50	222	269	242	120
Net income (loss)	17	(437)	(216)	267	(329)
Net income (loss) attributable to common stockholders	17	(437)	(216)	186	(329)
Net income (loss) per diluted share attributable to common stockholders	$ 0.08	$ (9.47)	$ (4.69)	$ 3.99	$ (7.25)
Weighted average number of diluted shares outstanding	47	46	46	47	45
Balance Sheets:					
Total non-VIE investments	$ 3,458	$ 3,544	$ 3,792	$ 3,937	$ 5,741
Premium receivables	356	370	416	495	586
Intangible assets [3]	391	409	427	719	847
Subrogation recoverable	2,076	2,156	2,029	1,933	631
Unearned premiums	438	456	518	630	783
Loss and loss expense reserves	1,662	1,759	1,548	1,826	4,745
Long-term debt [4]	2,661	2,739	2,822	2,929	992
Accrued interest payable	516	517	441	376	437
Ambac stockholders' equity	$ 1,063	$ 1,080	$ 1,477	$ 1,592	$ 1,381
Number of shares outstanding (net of treasury shares)	46	46	46	45	45
Ambac Financial Group, Inc. book value per share	$ 23.02	$ 23.57	$ 32.41	$ 35.12	$ 30.52
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 41	$ (378)	$ 66	$ 301	$ (165)
Adjusted earnings (loss) per diluted share	$ 0.59	$ (8.19)	$ 1.44	6.47	(3.64)
Adjusted book value	$ 908	$ 919	$ 1,313	$ 1,251	$ 1,101
Adjusted book value per share	$ 19.66	$ 20.05	$ 28.83	$ 27.58	$ 24.34
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,418	$ 2,436	$ 2,757	$ 3,017	$ 5,427
Loss and loss expense reserves [4]	1,081	1,139	1,111	1,146	5,253
Policyholders' Surplus	733	865	1,088	1,152	700
Qualified statutory capital	1,288	1,413	1,618	1,648	1,157
Total claims-paying resources, including Ambac UK [4]	$ 5,003	$ 5,215	$ 5,435	$ 5,793	$ 8,868

(1) Other income includes proceeds 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 and $178, for the years ended December 31, 2018 and 2017, 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) Includes intangible assets (net of accumulated amortization) established as part of the acquisition of Xchange of $35 and $36 at March 31, 2021 and December 31, 2020, respectively. 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):	1Q2021 $	1Q2021 P.D.S. [2][3]	4Q2020 $	4Q2020 P.D.S. [2]	3Q2020 $	3Q2020 P.D.S. [2]	2Q2020 $	2Q2020 P.D.S. [2]	1Q2020 $	1Q2020 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ 17**	**$ 0.08**	**$ (14)**	**(0.31)**	**$ (108)**	**$ (2.33)**	**$ (35)**	**$ (0.77)**	**$ (280)**	**$ (6.07)**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	—	—	(1)	(0.01)	—	—	(1)	(0.01)	2	0.03
Insurance intangible amortization	19	0.40	16	0.34	14	0.29	14	0.30	13	0.29
Foreign exchange (gain) losses	5	0.11	3	0.06	1	0.03	(2)	(0.04)	—	—
Adjusted earnings (loss)	**$ 41**	**$ 0.59**	**$ 4**	**$ 0.08**	**$ (93)**	**$ (2.01)**	**$ (24)**	**$ (0.52)**	**$ (265)**	**$ (5.75)**

Adjusted Book Value:	March 31, 2021 $	March 31, 2021 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,063**	**$ 23.02**	**$ 1,080**	**$ 23.57**	**$ 1,035**	**$ 22.59**	**$ 1,069**	**$ 23.34**	**$ 1,002**	**$ 21.88**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	—	0.01	—	0.01	1	0.02	1	0.03	2	0.04
Insurance intangible asset	(356)	(7.71)	(373)	(8.14)	(383)	(8.36)	(392)	(8.57)	(406)	(8.87)
Net unearned premiums and fees in excess of expected losses	343	7.42	378	8.24	389	8.50	396	8.63	420	9.17
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(142)	(3.08)	(166)	(3.63)	(152)	(3.31)	(109)	(2.38)	(5)	(0.11)
Adjusted book value	**$ 908**	**$ 19.66**	**$ 919**	**$ 20.05**	**$ 891**	**$ 19.44**	**$ 965**	**$ 21.06**	**$ 1,012**	**$ 22.11**

Adjusted Book Value:	March 31, 2021 $	March 31, 2021 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,063**	**$ 23.02**	**$ 1,080**	**$ 23.57**	**$ 1,477**	**$ 32.41**	**$ 1,592**	**$ 35.12**	**$ 1,381**	**$ 30.52**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	—	0.01	—	0.01	—	0.01	1	0.03	1	0.01
Insurance intangible asset	(356)	(7.71)	(373)	(8.14)	(427)	(9.37)	(719)	(15.87)	(847)	(18.71)
Net unearned premiums and fees in excess of expected losses	343	7.42	378	8.24	414	9.09	462	10.19	597	13.20
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(142)	(3.08)	(166)	(3.63)	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)
Adjusted book value	**$ 908**	**$ 19.66**	**$ 919**	**$ 20.05**	**$ 1,313**	**$ 28.83**	**$ 1,251**	**$ 27.58**	**$ 1,101**	**$ 24.34**

(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.").

(3) Beginning in 1Q 2021, Per Diluted Share includes the impact of adjusting redeemable noncontrolling interest to it's redemption value.

Ambac Assurance — Claims-Paying Resources [1] and Statutory Financial Ratios

($ in millions, except ratios)	March 31, 2021	December 31, 2020
Policyholders' surplus [2]	$ 733	$ 865
Contingency reserve	555	548
Qualified statutory capital	1,288	1,413
Unearned premiums	138	154
Loss and loss adjustment expenses [3]	1,081	1,139
Estimated impairment losses on subsidiary guarantees	—	5
Policyholders' reserves	2,507	2,711
Ambac Note [4]	1,163	1,174
Tier 2 Notes	312	306
Present value of future installment premiums [5]	156	171
Ambac Assurance claims-paying resources	**4,138**	**4,362**
Ambac UK claims-paying resources [6]	865	854
Total claims-paying resources	**$ 5,003**	**$ 5,215**
Net financial guarantees in force [7]		
Ambac Assurance	$ 33,719	$ 36,704
Ambac UK	$ 14,324	14,899
Total net financial guarantees in force	**$ 48,044**	**$ 51,603**
Claims-paying ratio [8]		
Ambac Assurance	8 : 1	8 : 1
Ambac UK	17 : 1	17 : 1
Total claims-paying ratio	**10 : 1**	**10 : 1**

(1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.

(2) Surplus notes with an aggregate par value of $853 and $938 as of March 31, 2021 and December 31, 2020, 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 $2,093 (R&W subrogation receipts of $1,662 and other subrogation receipts of $431) and $2,279 (R&W subrogation receipts of $1,648 and other subrogation receipts of $631) at March 31, 2021, and December 31, 2019, respectively.

(4) Ambac Note presented as principal and interest outstanding of $1,626 and $1,642, net of Secured Note principal and interest outstanding of $463 and $468 held by Ambac Assurance at March 31, 2021, and December 31, 2020, respectively.

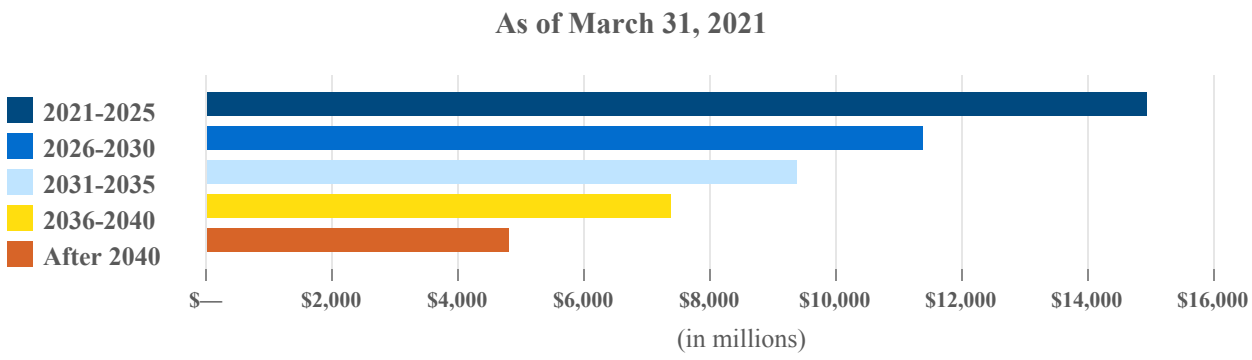
(5) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.

(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 March 31, 2021.

(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.

Future Amortization of Net Financial Guarantees in Force [1]



(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2021. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.

Net Unearned Premium Amortization and Estimated Future Installment Premiums

($ in millions)	Net Unearned Premium Amortization (GAAP) [1]	Estimated Net Future Installments [2]	Consolidated VIE [3]
2021 (Nine months)	$ 25	$ 27	$ 10
2022	31	31	12
2023	29	29	11
2024	28	28	10
2025	26	27	9
2021 (Nine months)-2025	139	143	52
2026-2030	110	114	35
2031-2035	71	77	22
2036-2040	29	36	1
After 2040	16	22	—
Total	**$ 364**	**$ 392**	**$ 109**

Summary of Insured Exposures With US GAAP Loss and Loss Expense Reserves [4]

($ in millions)	Total Net Par Outstanding	Total Loss and Loss Expense Reserves
Public Finance:		
Lease & tax backed	$ 1,105	$ 673
Housing	523	23
General obligation	330	(33)
Transportation revenue	118	27
Other	303	10
Total Public Finance	2,379	701
Structured Finance:		
Mortgage-backed & home equity	2,380	(1,392)
Student loans	336	214
Other	137	1
Total Structured Finance	2,853	(1,177)
International Finance:	1,048	29
Total	**$ 6,280**	**$ (447)**

(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 March 31, 2021. 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.

(2) 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.

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

(4) 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 $1,722 ($1,748 gross of reinsurance) as of March 31, 2021.

Investment Portfolio

As of March 31, 2021

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	$ 86	$ 86	1.51 %
Municipal obligations	358	320	4.82 %
Corporate obligations [2]	957	950	3.97 %
Mortgage and asset-backed securities	661	578	6.08 %
Short-term investments	229	229	0.08 %
Total fixed maturity securities	2,290	2,163	4.15 %
Other investments:			
Hedge funds	210	210	
Private credit	23	23	
Equity market investments	16	16	
Private equity	8	8	
Total other investments	257	257	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,547**	**2,420**	**4.15 %**
Ambac UK:			
Fixed maturity securities:			
U.S. government and agency obligations	23	24	1.48 %
Corporate obligations	101	106	3.38 %
Foreign obligations	97	98	0.37 %
Short-term investments	85	85	(0.16) %
Total fixed maturity securities	307	314	1.33 %
Other investments:			
Investment grade floating rate income	98	98	
High yield and leveraged loans	77	77	
Equity market investments	66	66	
Private credit	44	44	
Emerging markets	33	33	
Real estate properties	16	16	
Private equity	5	5	
Insurance linked securities	3	3	
Total other investments	341	341	
Total Ambac UK investments	**649**	**655**	**1.33 %**
Total Ambac Assurance and Subsidiaries investments	**3,196**	**3,076**	**3.79 %**
Ambac Financial Group, Inc.:			
Total fixed maturity securities	153	153	
Total other investments	1	1	
Total Ambac Financial Group investments	**154**	**154**	
Everspan Indemnity Insurance Company and Subsidiaries:			
Fixed maturity securities:			
U.S. government and agency obligation	13	13	1.50 %
Municipal obligations	9	9	1.53 %
Corporate obligations	42	43	1.56 %
Short-term investments	43	43	0.06 %
Total Everspan Indemnity Insurance Company and Subsidiaries investments	**108**	**108**	**0.95 %**
Total Investments	**$ 3,458**	**$ 3,338**	

Duration of Ambac Assurance and Subsidiaries fixed maturity investment portfolio [3]	**3.7**

(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.

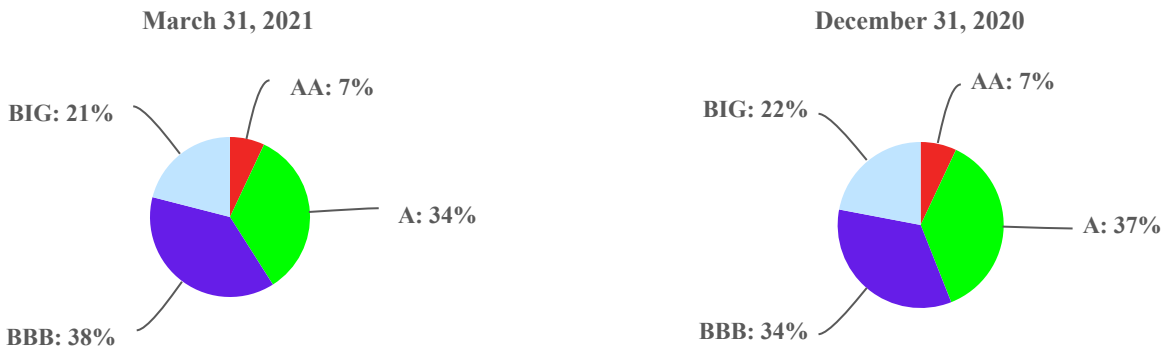
(2) Includes secured notes with a carrying value of $465and amortized cost of $463 that were issued by Ambac LSNI, an unconsolidated special purpose entity, in connection with the Rehabilitation Exit Transactions.

(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 42% of the fair value of Ambac Assurance and Subsidiaries' fixed maturity investment portfolio of $2,598 at March 31, 2021.

Historical Net Financial Guarantee Exposures Outstanding [1]

($ in millions net par value)	December 31, 2021	2020	2019	2018
Public Finance [2]:				
Housing revenue	$ 5,767	$ 5,855	$ 5,991	$ 6,159
Lease and tax-backed revenue	3,902	4,179	5,102	7,565
General obligation	1,988	2,345	3,011	4,214
Transportation revenue	681	771	855	1,754
Higher education	582	747	885	1,168
Utility revenue	646	675	768	1,178
Other	376	925	1,041	1,404
Total Public Finance	13,942	15,497	17,653	23,442
Structured Finance:				
Mortgage-backed and home equity	3,432	3,635	4,423	5,510
Investor-owned utilities	1,594	1,617	1,675	1,754
Student loan	582	626	769	934
Structured Insurance	311	311	395	1,365
Asset-backed and other	147	148	246	384
Total Structured Finance	6,066	6,337	7,508	9,947
International Finance [3]:				
Sovereign/sub-sovereign	5,205	5,270	5,264	5,250
Investor-owned and public utilities	3,416	3,899	4,436	4,499
Transportation	1,460	1,511	1,532	1,613
Asset-backed and other	1,358	1,374	1,625	2,176
Total International Finance	11,439	12,054	12,857	13,538
Total	**$ 31,447**	**$ 33,888**	**$ 38,018**	**$ 46,927**
Percent of Total Net Par Outstanding				
Public Finance	44 %	45 %	46 %	50 %
Structured Finance	19 %	19 %	20 %	21 %
International Finance	37 %	36 %	34 %	29 %
Total Net Par Outstanding	100 %	100 %	100 %	100 %

Rating Distribution of Net Financial Guarantee Exposures Outstanding [4] [5]



(1) Includes net par exposures insured by Ambac UK of $10,702, $11,186, $11,862 and $13,193 at March 31, 2021, December 31, 2020, December 31, 2019 and December 31, 2018, 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.

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

(5) AAA is less than 1% is both periods.

Adversely Classified Credit Exposures Outstanding [1][2]

As of March 31, 2021

($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 2,648	8.4 %
Puerto Rico & Related Issuers	Public Finance	1,067	3.4 %
Mitchells & Butlers Finance plc-UK Pub Securitisation [3]	International Finance	961	3.1 %
Posillipo Finance II S.r.l [3]	International Finance	713	2.3 %
Ostregion Investmentgesellschaft NR 1 SA [3][4]	International Finance	679	2.2 %
Military Housing	Public Finance	523	1.7 %
Student Loans Exposures	Structured Finance	460	1.5 %
Houston TX Hotel Occupancy Tax Revenue	Public Finance	101	0.3 %
Chicago, IL Board of Education GO	Public Finance	81	0.3 %
Bridgeview IL GO	Public Finance	62	0.2 %
Other		308	1.0 %
Total		**$ 7,603**	**24.2 %**

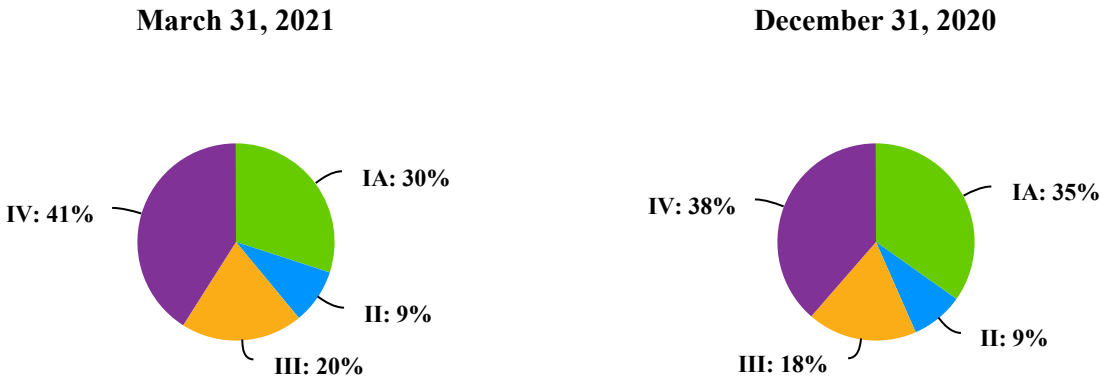
(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2020 Form 10-K for descriptions of credit classifications.

(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.

Adversely Classified Distribution of Exposures Outstanding[1]



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

Expenses Analysis (GAAP) [1]

($ in millions)	1Q	2Q	3Q	4Q	Year-to Full Year
2021:					
Compensation					
Salaries	$ 7	$ —	$ —	$ —	$ 7
Incentive Compensation [2]	7	—	—	—	7
Other [3]	2	—	—	—	2
Total Compensation	**16**	**—**	**—**	**—**	**16**
Non-Compensation					
Legal, Consulting & Advisory Services	8	—	—	—	8
Premises	1	—	—	—	1
Audit	1	—	—	—	1
Regulator Advisory Costs	—	—	—	—	—
Managing General Agency/Underwriting	4	—	—	—	4
Other	2	—	—	—	2
Total Non-Compensation	**17**	**—**	**—**	**—**	**17**
Total Gross Operating Expenses	**33**	**—**	**—**	**—**	**33**
Ceding Commissions	—	—	—	—	—
Total Operating Expenses	**$ 33**	**$ —**	**$ —**	**$ —**	**$ 33**

($ in millions)	1Q	2Q	3Q	4Q	Full Year
2020:					
Compensation					
Salaries	$ 6	$ 6	$ 6	$ 6	$ 23
Incentive Compensation [2]	7	5	6	7	25
Other [3]	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**

(1) Total expenses for the Managing General Agency / Underwriting business was $4.8 in the three months ended March 31, 2021

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

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

25 Largest Exposures Outstanding [1]

As of March 31, 2021

	($ in millions)	Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF	Mitchells & Butlers Finance plc-UK Pub Securitisation	BBB	$ 961	3.1 %
IF	Capital Hospitals plc [2]	A-	902	2.9 %
IF	Anglian Water	A-	868	2.8 %
IF	Aspire Defence Finance plc	A-	864	2.7 %
IF	National Grid Gas	BBB+	801	2.5 %
PF	New Jersey Transportation Trust Fund Authority - Transportation System	BBB-	767	2.4 %
IF	Posillipo Finance II S.r.l	BIG	713	2.3 %
IF	Ostregion Investmentgesellschaft NR 1 SA [2]	BIG	679	2.2 %
IF	RMPA Services plc	BBB+	570	1.8 %
IF	National Grid Electricity Transmission	BBB+	540	1.7 %
IF	Catalyst Healthcare (Manchester) Financing plc [2]	BBB-	530	1.7 %
PF	Hickam Community Housing LLC	BBB	459	1.5 %
SF	Progress Energy Carolinas, Inc.	A-	450	1.4 %
PF	Massachusetts Commonwealth - GO	AA	431	1.4 %
PF	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	403	1.3 %
PF	Bragg Communities, LLC	A-	403	1.3 %
PF	Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	399	1.3 %
PF	Monterey Bay, CA - Military Housing	BBB+	315	1.0 %
SF	Timberlake Financial, LLC	BBB	311	1.0 %
PF	Fort Bliss/White Sand Missile Range Housing LP	BBB+	302	1.0 %
SF	Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	302	1.0 %
PF	Northeast Housing LLC	BBB-	296	0.9 %
PF	Hampton Roads Navy Housing	A	280	0.9 %
IF	Northern Powergrid Holding Co.	BBB+	276	0.9 %
IF	Northern Powergrid (Yorkshire) plc	A-	276	0.9 %
	Total		**$ 13,098**	**41.7 %**

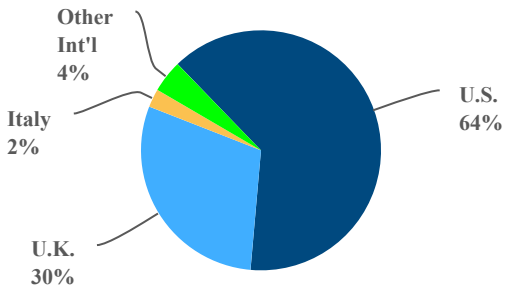
***PF** = Public Finance, **SF** = Structured Finance and **IF** = International Finance*

(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.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

March 31, 2021



December 31,2020

