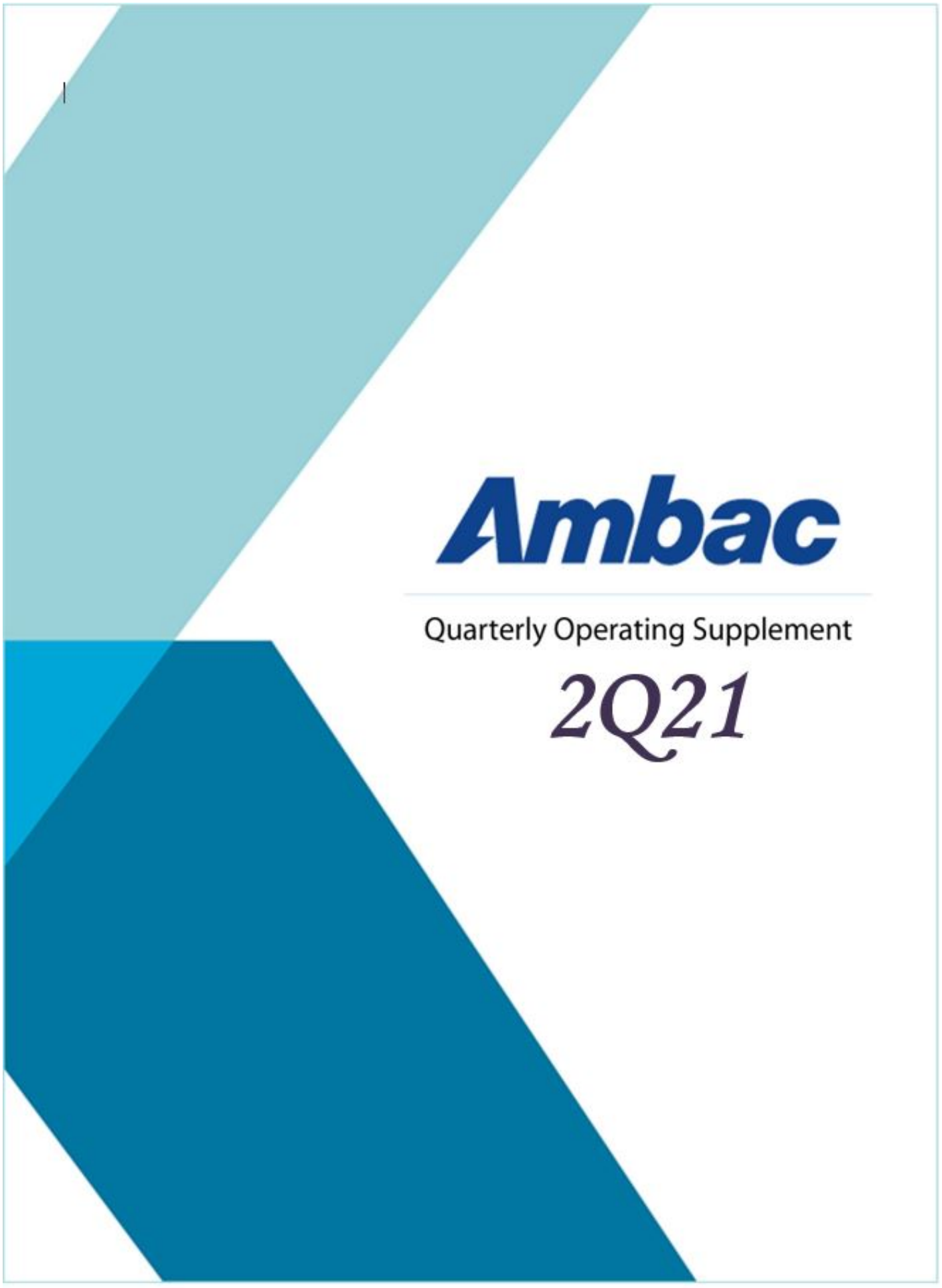

Ambac
Quarterly Operating Supplement
2Q21

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
Second 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)	2Q21	1Q21	4Q20	3Q20	2Q20
Summary GAAP Financial Data:					
Net premiums earned	$ 11	$ 14	$ 18	$ 15	$ 11
Net investment income	42	49	53	37	52
Net gains (losses) on derivative contracts	(11)	25	12	7	2
Net realized gains (losses) on extinguishment of debt	—	33	—	—	—
Income (loss) on variable interest entities (VIEs)	2	—	3	—	—
Losses and loss expenses (benefit)	(26)	8	9	83	16
Intangible amortization	14	19	16	14	14
Operating expenses	28	33	26	23	21
Interest expense	50	50	50	50	58
Net income (loss) attributable to common stockholders	(29)	17	(14)	(108)	(35)
Net income (loss) per diluted share attributable to common stockholders	$ (0.63)	$ 0.08	$ (0.31)	$ (2.33)	$ (0.77)
Weighted average number of diluted shares outstanding	47	47	46	46	46
Balance Sheets:					
Total non-VIE investments	$ 3,447	$ 3,458	$ 3,544	$ 3,551	$ 3,466
Premium receivables	345	356	370	372	392
Intangible assets [1]	377	391	409	383	392
Subrogation recoverable	2,097	2,076	2,156	2,194	2,215
Unearned premiums	421	438	456	468	492
Loss and loss expense reserves	1,641	1,662	1,759	1,801	1,814
Long-term debt [2]	2,671	2,661	2,739	2,737	2,749
Accrued interest payable	532	516	517	499	474
Ambac stockholders' equity	$ 1,063	$ 1,063	$ 1,080	$ 1,035	$ 1,069
Number of shares outstanding (net of treasury shares)	46	46	46	46	46
Ambac Financial Group, Inc. book value per share	$ 23.01	$ 23.02	$ 23.37	$ 22.59	$ 23.34
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ (13)	$ 41	$ 4	$ (93)	$ (24)
Adjusted earnings (loss) per diluted share	$ (0.30)	$ 0.59	$ 0.08	$ (2.01)	$ (0.52)
Adjusted book value	$ 889	$ 908	$ 919	$ 891	$ 965
Adjusted book value per share	$ 19.25	$ 19.66	$ 20.05	$ 19.44	$ 21.06
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,370	$ 2,418	$ 2,436	$ 2,467	$ 2,424
Loss and loss expense reserves [3]	1,149	1,081	1,139	1,140	1,140
Policyholders' Surplus	774	733	865	933	987
Qualified statutory capital	1,331	1,288	1,413	1,477	1,527
Total claims-paying resources, including Ambac UK [2]	$ 5,119	$ 5,003	$ 5,215	$ 5,246	$ 5,274

(1) Includes intangible assets (net of accumulated amortization) established as part of the acquisition of Xchange of $34 and $36 at June 30, 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	$ 25	$ 54	$ 66	$ 111	$ 175
Net investment income	91	122	227	273	361
Net gains (losses) on derivative contracts	14	(50)	(50)	7	76
Net realized gains (losses) on extinguishment of debt	33	—	—	3	5
Other income (expense) [1]	12	3	134	5	—
Income (loss) on variable interest entities (VIEs)	2	5	38	3	20
Losses and loss expenses (benefit) [2]	(18)	225	13	(224)	513
Intangible amortization	33	57	295	107	151
Operating expenses	62	92	103	112	122
Interest expense	100	222	269	242	120
Net income (loss)	(11)	(437)	(216)	267	(329)
Net income (loss) attributable to common stockholders	(12)	(437)	(216)	186	(329)
Net income (loss) per diluted share attributable to common stockholders	$ (0.54)	$ (9.47)	$ (4.69)	$ 3.99	$ (7.25)
Weighted average number of diluted shares outstanding	46	46	46	47	45
Balance Sheets:					
Total non-VIE investments	$ 3,447	$ 3,544	$ 3,792	$ 3,937	$ 5,741
Premium receivables	345	370	416	495	586
Intangible assets [3]	377	409	427	719	847
Subrogation recoverable	2,097	2,156	2,029	1,933	631
Unearned premiums	421	456	518	630	783
Loss and loss expense reserves	1,641	1,759	1,548	1,826	4,745
Long-term debt [4]	2,671	2,739	2,822	2,929	992
Accrued interest payable	532	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	$ 23.01	$ 23.57	$ 32.41	$ 35.12	$ 30.52
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 27	$ (378)	$ 66	$ 301	$ (165)
Adjusted earnings (loss) per diluted share	$ 0.30	$ (8.19)	$ 1.44	6.47	(3.64)
Adjusted book value	$ 889	$ 919	$ 1,313	$ 1,251	$ 1,101
Adjusted book value per share	$ 19.25	$ 20.05	$ 28.83	$ 27.58	$ 24.34
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 2,370	$ 2,436	$ 2,757	$ 3,017	$ 5,427
Loss and loss expense reserves [5]	1,149	1,139	1,111	1,146	5,253
Policyholders' Surplus	774	865	1,088	1,152	700
Qualified statutory capital	1,331	1,413	1,618	1,648	1,157
Total claims-paying resources, including Ambac UK [4]	$ 5,119	$ 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 $34 and $36 at June 30, 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):	2Q2021 $	2Q2021 P.D.S. [2] [3]	1Q2021 $	1Q2021 P.D.S. [2] [3]	4Q2019 $	4Q2019 P.D.S. [2]	3Q2020 $	3Q2020 P.D.S. [2]	2Q2020 $	2Q2020 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ (29)**	**$ (0.63)**	**$ 17**	**0.08**	**$ (14)**	**$ (0.31)**	**$ (108)**	**$ (2.33)**	**$ (35)**	**$ (0.77)**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	—	—	—	—	(1)	(0.01)	—	—	(1)	(0.01)
Insurance intangible amortization	13	0.28	19	0.40	16	0.34	14	0.29	14	0.30
Foreign exchange (gain) losses	2	0.05	5	0.11	3	0.06	1	0.03	(2)	(0.04)
Adjusted earnings (loss)	**$ (13)**	**$ (0.30)**	**$ 41**	**$ 0.59**	**$ 4**	**$ 0.08**	**$ (93)**	**$ (2.01)**	**$ (24)**	**$ (0.52)**

Adjusted Book Value:	June 30, 2021 $	June 30, 2021 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**$ 1,063**	**$ 23.01**	**$ 1,063**	**$ 23.02**	**$ 1,080**	**$ 23.57**	**$ 1,035**	**$ 22.59**	**$ 1,069**	**$ 23.34**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	—	0.01	—	0.01	—	0.01	1	0.02	1	0.03
Insurance intangible asset	(343)	(7.42)	(356)	(7.71)	(373)	(8.14)	(383)	(8.36)	(392)	(8.57)
Net unearned premiums and fees in excess of expected losses	337	7.29	343	7.42	378	8.24	389	8.50	396	8.63
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(168)	(3.64)	(142)	(3.08)	(166)	(3.63)	(152)	(3.31)	(109)	(2.38)
Adjusted book value	**$ 889**	**$ 19.25**	**$ 908**	**$ 19.66**	**$ 919**	**$ 20.05**	**$ 891**	**$ 19.44**	**$ 965**	**$ 21.06**

Adjusted Book Value:	June 30, 2021 $	June 30, 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**	**$ 23.01**	**$ 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	(343)	(7.42)	(373)	(8.14)	(427)	(9.37)	(719)	(15.87)	(847)	(18.71)
Net unearned premiums and fees in excess of expected losses	337	7.29	378	8.24	414	9.09	462	10.19	597	13.20
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(168)	(3.64)	(166)	(3.63)	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)
Adjusted book value	**$ 889**	**$ 19.25**	**$ 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)	June 30, 2021	December 31, 2020
Policyholders' surplus [2]	$ 774	$ 865
Contingency reserve	558	548
Qualified statutory capital	1,331	1,413
Unearned premiums	135	154
Loss and loss adjustment expenses [3]	1,149	1,139
Estimated impairment losses on subsidiary guarantees	—	5
Ambac Note [4]	1,163	1,174
Tier 2 Notes	319	306
Present value of future installment premiums [5]	150	171
Ambac Assurance claims-paying resources	**4,247**	**4,362**
Ambac UK claims-paying resources [6]	872	854
Total claims-paying resources	**$ 5,119**	**$ 5,215**
Net financial guarantees in force [7]		
Ambac Assurance	$ 32,392	$ 36,704
Ambac UK	13,934	14,899
Total net financial guarantees in force	**$ 46,327**	**$ 51,603**
Claims-paying ratio [8]		
Ambac Assurance	8 : 1	8 : 1
Ambac UK	16 : 1	17 : 1
Total claims-paying ratio	**9 : 1**	**10 : 1**

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

(2) Surplus notes with an aggregate par value of $853 and $938 as of June 30, 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 $2,241 (R&W subrogation receipts of $1,677 and other subrogation receipts of $564) and $2,279 (R&W subrogation receipts of $1,648 and other subrogation receipts of $631) at June 30, 2021, and December 31, 2020, 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 June 30, 2021, and December 31, 2020, respectively. On July 6, 2021, the Ambac Note and Secured Note were redeemed using the proceeds of a new secured debt offering and other temporary sources of liquidity. The new Ambac Note had an initial balance of $1,163.

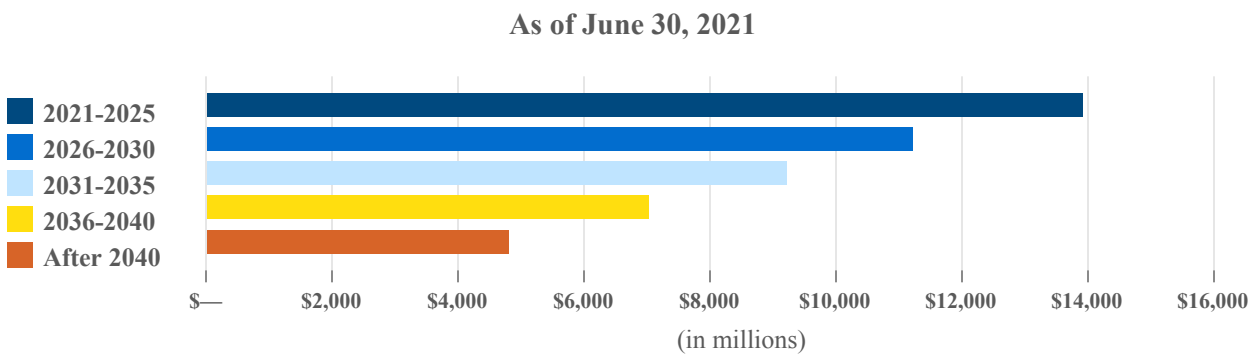
(5) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.

(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 $204 at June 30, 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 June 30, 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 (Six months)	$ 16	$ 15	$ 6
2022	30	29	12
2023	28	29	11
2024	27	28	10
2025	25	27	9
2021 (Six months) - 2025	126	129	48
2026-2030	105	114	35
2031-2035	66	76	22
2036-2040	28	36	1
After 2040	16	22	—
Total	**$ 341**	**$ 377**	**$ 106**

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	$ 1,098	$ 649
Housing	402	21
General obligation	389	(35)
Transportation revenue	118	28
Other	301	11
Total Public Finance	2,308	674
Structured Finance:		
Mortgage-backed & home equity	2,243	(1,393)
Student loans	321	209
Other	137	1
Total Structured Finance	2,701	(1,183)
International Finance:	756	23
Total	**$ 5,764**	**$ (486)**

(1) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of June 30, 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 $1,715 ($1,741 gross of reinsurance) as of June 30, 2021.

Investment Portfolio

As of June 30, 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	$ 21	$ 21	0.61 %
Municipal obligations	348	315	5.00 %
Corporate obligations [2]	954	942	3.99 %
Mortgage and asset-backed securities	657	560	6.17 %
Short-term investments	271	271	0.04 %
Total fixed maturity securities	2,252	2,110	4.18 %
Other investments:			
Hedge funds	219	219	
Private credit	25	25	
Equity market investments	16	16	
Private equity	9	9	
Total other investments	269	269	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,521**	**2,379**	**4.18 %**
Ambac UK:			
Fixed maturity securities:			
U.S. government and agency obligations	23	23	1.71 %
Corporate obligations	84	86	3.39 %
Foreign obligations	89	90	0.34 %
Short-term investments	93	94	(0.12) %
Total fixed maturity securities	290	292	1.20 %
Other investments:			
Investment grade floating rate income	108	108	
High yield and leveraged loans	78	78	
Equity market investments	70	70	
Private credit	46	46	
Emerging markets	40	40	
Real estate properties	25	25	
Private equity	7	7	
Insurance linked securities	2	2	
Total other investments	376	376	
Total Ambac UK investments	**667**	**669**	**1.20 %**
Total Ambac Assurance and Subsidiaries investments	**3,187**	**3,048**	**3.81 %**
Ambac Financial Group, Inc.:			
Total fixed maturity securities	142	142	
Total other investments	12	12	
Total Ambac Financial Group investments	**153**	**153**	
Everspan Indemnity Insurance Company and Subsidiaries:			
Fixed maturity securities:			
U.S. government and agency obligation	14	14	0.72 %
Municipal obligations	10	10	1.52 %
Corporate obligations	48	48	1.51 %
Short-term investments	35	35	0.05 %
Total Everspan Indemnity Insurance Company and Subsidiaries investments	**106**	**106**	**0.93 %**
Total Investments	**$ 3,447**	**$ 3,308**	

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 an amortized cost and carrying value of $463 that were issued by Ambac LSNI, an unconsolidated special purpose entity, in connection with the Rehabilitation Exit Transactions. In connection with the July 6, 2021 secured note refinancing transactions, the Ambac LSNI secured notes were fully redeemed resulting in a $463 reduction of total investments.

(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 $2,542 at June 30, 2021.

Expenses Analysis (GAAP) [1]

($ in millions)	1Q	2Q	3Q	4Q	Year-to Date
2021:					
Compensation					
Salaries	$ 7	$ 7	$ —	$ —	$ 13
Incentive Compensation [2]	7	7	—	—	13
Other [3]	2	1	—	—	3
Total Compensation	**16**	**14**	**—**	**—**	**30**
Non-Compensation					
Legal, Consulting & Advisory Services	8	5	—	—	13
Premises	1	1	—	—	2
Audit	1	1	—	—	2
Regulator Advisory Costs	—	1	—	—	1
Managing General Agency/Underwriting	4	4	—	—	8
Other	2	2	—	—	5
Total Non-Compensation	**17**	**14**	**—**	**—**	**31**
Total Gross Operating Expenses	**33**	**28**	**—**	**—**	**61**
Ceding Commissions and changes in Deferred Acquisition Costs	—	—	—	—	—
Total Operating Expenses	**$ 33**	**$ 28**	**$ —**	**$ —**	**$ 62**

($ 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 and changes in Deferred Acquisition Costs	—	—	—	—	—
Total Operating Expenses	**$ 24**	**$ 21**	**$ 23**	**$ 26**	**$ 92**

(1) Total expenses for the Managing General Agency / Underwriting business was $4.9 and $4.8 for 1Q 2021 and 2Q 2021, respectively

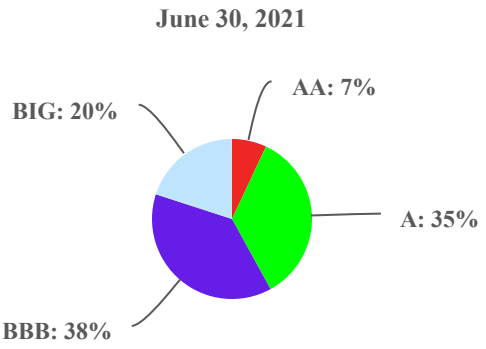
(2) Incentive compensation includes short-term and long-term incentive cash and equity awards

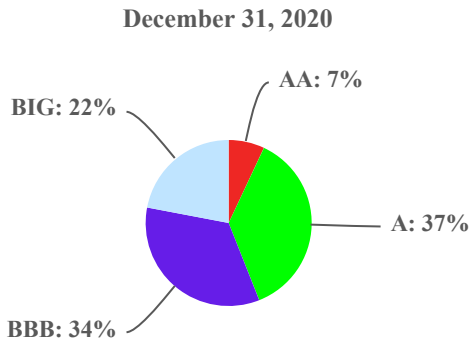
(3) Other compensation includes severance, payroll taxes, medical and other benefits

Historical Net Financial Guarantee Exposures Outstanding [1]

($ in millions net par value)	June 30, 2021	2020	2019	December 31, 2018
Public Finance [2]:				
Housing revenue	$ 5,720	$ 5,855	$ 5,991	$ 6,159
Lease and tax-backed revenue	3,833	4,179	5,102	7,565
General obligation	1,885	2,345	3,011	4,214
Transportation revenue	680	771	855	1,754
Higher education	518	747	885	1,168
Utility revenue	636	675	768	1,178
Other	370	925	1,041	1,404
Total Public Finance	13,642	15,497	17,653	23,442
Structured Finance:				
Mortgage-backed and home equity	3,151	3,635	4,423	5,510
Investor-owned utilities	1,562	1,617	1,675	1,754
Student loan	538	626	769	934
Structured Insurance	—	311	395	1,365
Asset-backed and other	147	148	246	384
Total Structured Finance	5,398	6,337	7,508	9,947
International Finance [3]:				
Sovereign/sub-sovereign	5,253	5,270	5,264	5,250
Investor-owned and public utilities	3,461	3,899	4,436	4,499
Transportation	1,139	1,511	1,532	1,613
Asset-backed and other	1,341	1,374	1,625	2,176
Total International Finance	11,194	12,054	12,857	13,538
Total	**$ 30,234**	**$ 33,888**	**$ 38,018**	**$ 46,927**
Percent of Total Net Par Outstanding				
Public Finance	45 %	45 %	46 %	50 %
Structured Finance	18 %	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 $10,472, $11,186, $11,862 and $13,193 at June 30, 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 June 30, 2021

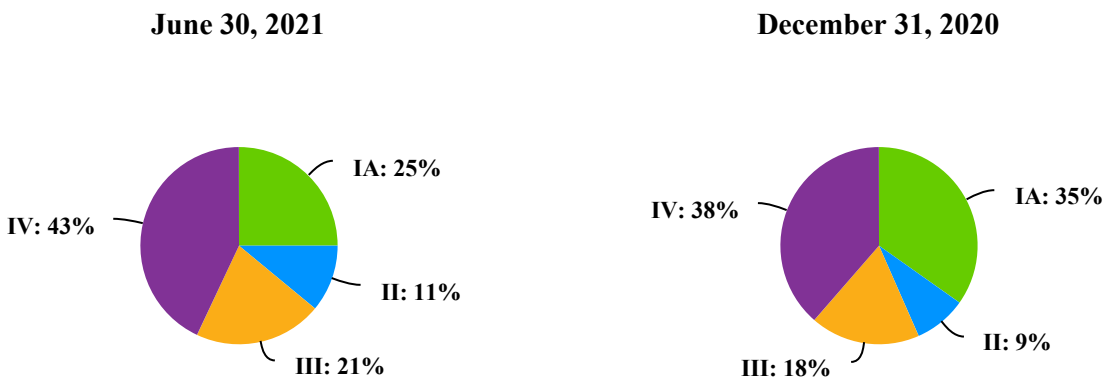
($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 2,466	8.2 %
Puerto Rico & Related Issuers	Public Finance	1,067	3.5 %
Mitchells & Butlers Finance plc-UK Pub Securitisation [3]	International Finance	944	3.1 %
Posillipo Finance II S.r.l [3]	International Finance	704	2.3 %
Student Loans Exposures	Structured Finance	434	1.4 %
International Infrastructure Exposures [3]	International Finance	421	1.4 %
Military Housing	Public Finance	402	1.3 %
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		294	1.0 %
Total		**$ 6,976**	**23.1 %**

(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) All or a portion of these exposures are guaranteed by Ambac UK.

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 June 30, 2021

	($ in millions)	Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF	Mitchells & Butlers Finance plc-UK Pub Securitisation	BBB	$ 944	3.1 %
IF	Capital Hospitals plc [2]	A-	922	3.0 %
IF	Anglian Water	A-	886	2.9 %
IF	Aspire Defence Finance plc	A-	866	2.9 %
IF	National Grid Gas	BBB+	818	2.7 %
PF	New Jersey Transportation Trust Fund Authority - Transportation System	BBB-	767	2.5 %
IF	Posillipo Finance II S.r.l	BIG	704	2.3 %
IF	RMPA Services plc	BBB+	571	1.9 %
IF	National Grid Electricity Transmission	BBB+	550	1.8 %
IF	Catalyst Healthcare (Manchester) Financing plc [2]	BBB-	541	1.8 %
PF	Hickam Community Housing LLC	BBB	458	1.5 %
SF	Progress Energy Carolinas, Inc.	A-	450	1.5 %
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-	401	1.3 %
PF	Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	399	1.3 %
IF	International Infrastructure Exposure	BIG	365	1.2 %
PF	Monterey Bay, CA - Military Housing	BBB+	314	1.0 %
PF	Fort Bliss/White Sand Missile Range Housing LP	BBB+	301	1.0 %
PF	Northeast Housing LLC	BBB-	294	1.0 %
SF	Wachovia Asset Securitization Issuance II, LLC 2007-HE2	BBB	280	0.9 %
PF	Hampton Roads Navy Housing	A	278	0.9 %
IF	Northern Powergrid (Yorkshire) plc	A-	276	0.9 %
IF	Northern Powergrid Holding Co.	BBB+	276	0.9 %
PF	Meade Communities, LLC	BBB	266	0.9 %
	Total		**$ 12,761**	**42.2 %**

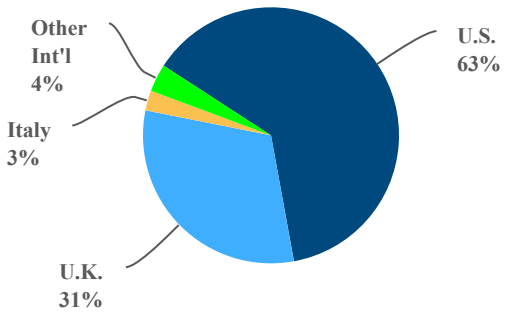
***PF** = Public Finance, **SF** = Structured Finance and **IF** = International Finance*

(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.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

June 30, 2021



December 31,2020

