
Ambac
Quarterly Operating Supplement
3Q21

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
Third Quarter 2021

Table of Contents

Key Quarterly Financial Data	1
Key Yearly Financial Data	2
Non-GAAP Financial Measures	3
Ambac Assurance — Claims-Paying Resources and Statutory Financial Ratios	4
Future Amortization of Net Financial Guarantees in Force	4
Financial Guarantee Net Unearned Premium Amortization and Estimated Future Installment Premiums	5
Summary of Financial Guarantee Insured Exposures With US GAAP Loss and Loss Expense Reserves	5
Investment Portfolio	6
Expense Analysis (GAAP)	7
Historical Net Financial Guarantee Exposures Outstanding	8
Rating Distribution of Net Financial Guarantee Exposures Outstanding	8
Adversely Classified Credit Exposures Outstanding	9
Adversely Classified Distribution of Exposures Outstanding	9
25 Largest Exposures Outstanding	10
Geographic Distribution of Net Financial Guarantee Exposures Outstanding	10

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)	3Q2021	2Q2021	1Q2021	4Q2020	3Q2020
Summary GAAP Financial Data:					
Net premiums earned	$ 11	$ 11	$ 14	$ 18	$ 15
Net investment income	21	42	49	53	37
Net gains (losses) on derivative contracts	5	(11)	25	12	7
Net realized gains (losses) on extinguishment of debt	—	—	33	—	—
Losses and loss expenses (benefit)	(55)	(26)	8	9	83
Intangible amortization	11	14	19	16	14
Operating expenses	32	28	33	26	23
Interest expense	44	50	50	50	50
Net income (loss) attributable to common stockholders	17	(29)	17	(14)	(108)
Net income (loss) per diluted share attributable to common stockholders	$ 0.35	$ (0.63)	$ 0.08	$ (0.31)	$ (2.33)
Weighted average number of diluted shares outstanding	47	47	47	46	46
Balance Sheets:					
Total non-VIE investments	$ 2,948	$ 3,447	$ 3,458	$ 3,544	$ 3,551
Premium receivables	327	345	356	370	372
Intangible assets [1]	364	377	391	409	383
Subrogation recoverable	2,113	2,097	2,076	2,156	2,194
Unearned premiums	402	421	438	456	468
Loss and loss expense reserves	1,565	1,641	1,662	1,759	1,801
Long-term debt [2]	2,215	2,671	2,661	2,739	2,737
Accrued interest payable	555	532	516	517	499
Ambac stockholders' equity	$ 1,061	$ 1,063	$ 1,063	$ 1,080	$ 1,035
Number of shares outstanding (net of treasury shares)	46	46	46	46	46
Ambac Financial Group, Inc. book value per share	$ 22.91	$ 23.01	$ 23.02	$ 23.57	$ 22.59
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 25	$ (13)	$ 41	$ 4	$ (93)
Adjusted earnings (loss) per diluted share	$ 0.53	$ (0.30)	$ 0.59	$ 0.08	$ (2.01)
Adjusted book value	$ 882	$ 889	$ 908	$ 919	$ 891
Adjusted book value per share	$ 19.05	$ 19.25	$ 19.66	$ 20.05	$ 19.44
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 1,861	$ 2,370	$ 2,418	$ 2,436	$ 2,467
Loss and loss expense reserves [3]	1,091	1,149	1,081	1,139	1,140
Policyholders' Surplus	767	774	733	865	933
Qualified statutory capital	1,329	1,331	1,288	1,413	1,477
Total claims-paying resources, including Ambac UK [2]	$ 5,033	$ 5,119	$ 5,003	$ 5,215	$ 5,246

(1) Includes intangible assets (net of accumulated amortization) established as part of the acquisition of Xchange of $34 and $36 at September 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, the Sitka AAC Note (Ambac Note in periods prior its refinancing on July 6, 2021), Tier 2 Notes issued on February 12, 2018, in connection with the Rehabilitation Exit Transactions and debt issued by Ambac UK on June 18, 2019, in connection with the Ballantyne commutation. Refer to Ambac's third quarter 2021 Form 10-Q for further information on the refinancing of the Ambac Note. 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	$ 36	$ 54	$ 66	$ 111	$ 175
Net investment income	112	122	227	273	361
Net gains (losses) on derivative contracts	19	(50)	(50)	7	76
Net realized gains (losses) on extinguishment of debt	33	—	—	3	5
Other income (expense) [1]	19	3	134	5	—
Income (loss) on variable interest entities (VIEs)	5	5	38	3	20
Losses and loss expenses (benefit) [2]	(73)	225	13	(224)	513
Intangible amortization	44	57	295	107	151
Operating expenses	94	92	103	112	122
Interest expense	144	222	269	242	120
Net income (loss)	6	(437)	(216)	267	(329)
Net income (loss) attributable to common stockholders	5	(437)	(216)	186	(329)
Net income (loss) per diluted share attributable to common stockholders	$ (0.19)	$ (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	$ 2,948	$ 3,544	$ 3,792	$ 3,937	$ 5,741
Premium receivables	327	370	416	495	586
Intangible assets [3]	364	409	427	719	847
Subrogation recoverable	2,113	2,156	2,029	1,933	631
Unearned premiums	402	456	518	630	783
Loss and loss expense reserves	1,565	1,759	1,548	1,826	4,745
Long-term debt [4]	2,215	2,739	2,822	2,929	992
Accrued interest payable	555	517	441	376	437
Ambac stockholders' equity	$ 1,061	$ 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	$ 22.91	$ 23.57	$ 32.41	$ 35.12	$ 30.52
Non-GAAP Measurements:					
Adjusted earnings (loss)	$ 53	$ (378)	$ 66	$ 301	$ (165)
Adjusted earnings (loss) per diluted share	$ 0.83	$ (8.19)	$ 1.44	6.47	(3.64)
Adjusted book value	$ 882	$ 919	$ 1,313	$ 1,251	$ 1,101
Adjusted book value per share	$ 19.05	$ 20.05	$ 28.83	$ 27.58	$ 24.34
Summary Statutory Data of Ambac Assurance:					
Invested assets	$ 1,861	$ 2,436	$ 2,757	$ 3,017	$ 5,427
Loss and loss expense reserves [5]	1,091	1,139	1,111	1,146	5,253
Policyholders' Surplus	767	865	1,088	1,152	700
Qualified statutory capital	1,329	1,413	1,618	1,648	1,157
Total claims-paying resources, including Ambac UK [4]	$ 5,033	$ 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 September 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), the Sitka AAC Note (Ambac Note in periods prior its refinancing on July 6, 2021), Tier 2 Notes issued on February 12, 2018, in connection with the Rehabilitation Exit Transactions and debt issued by Ambac UK on June 18, 2019, in connection with the Ballantyne commutation. Refer to Ambac's third quarter 2021 Form 10-Q for further information on the refinancing of the Ambac Note. 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.

(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):	3Q2021 $	3Q2021 P.D.S. [2] [3]	2Q2021 $	2Q2021 P.D.S. [2] [3]	1Q2021 $	1Q2021 P.D.S. [2] [3]	4Q2020 $	4Q2020 P.D.S. [2]	3Q2020 $	3Q2020 P.D.S. [2]
Net income (loss) attributable to common stockholders	**$ 17**	**$ 0.35**	**$ (29)**	**$ (0.63)**	**$ 17**	**$ 0.08**	**$ (14)**	**$ (0.31)**	**$ (108)**	**$ (2.33)**
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	—	—	—	—	—	—	(1)	(0.01)	—	—
Insurance intangible amortization	10	0.22	13	0.28	19	0.40	16	0.34	14	0.29
Foreign exchange (gain) losses	(2)	(0.04)	2	0.05	5	0.11	3	0.06	1	0.03
Adjusted earnings (loss)	**$ 25**	**$ 0.53**	**$ (13)**	**(0.30)**	**$ 41**	**0.59**	**$ 4**	**0.08**	**$ (93)**	**(2.01)**

Adjusted Book Value:	September 30, 2021 $	September 30, 2021 P.S. [2]	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]
Total Ambac Financial Group, Inc. stockholders' equity	**1,061**	**22.91**	**$ 1,063**	**$ 23.01**	**$ 1,063**	**$ 23.02**	**$ 1,080**	**$ 23.57**	**$ 1,035**	**$ 22.59**
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	**—**	**0.01**	—	0.01	—	0.01	—	0.01	1	0.02
Insurance intangible asset	**(330)**	**(7.14)**	(343)	(7.42)	(356)	(7.71)	(373)	(8.14)	(383)	(8.36)
Net unearned premiums and fees in excess of expected losses	**315**	**6.81**	337	7.29	343	7.42	378	8.24	389	8.50
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	**(164)**	**(3.54)**	(168)	(3.64)	(142)	(3.08)	(166)	(3.63)	(152)	(3.31)
Adjusted book value	**882**	**19.05**	**$ 889**	**$ 19.25**	**$ 908**	**$ 19.66**	**$ 919**	**$ 20.05**	**$ 891**	**$ 19.44**

Adjusted Book Value:	September 30, 2021 $	September 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	**$ 1,061**	**$ 22.91**	**$ 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	(330)	(7.14)	(373)	(8.14)	(427)	(9.37)	(719)	(15.87)	(847)	(18.71)
Net unearned premiums and fees in excess of expected losses	315	6.81	378	8.24	414	9.09	462	10.19	597	13.20
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(164)	(3.54)	(166)	(3.63)	(151)	(3.31)	(86)	(1.89)	(31)	(0.68)
Adjusted book value	**$ 882**	**$ 19.05**	**$ 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.").

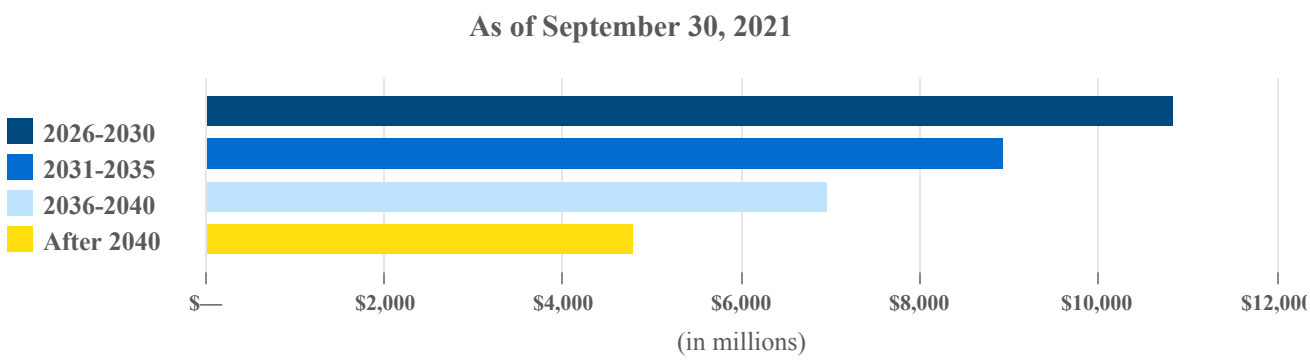
(3) Beginning in 1Q 2021, Per Diluted Share includes the impact of adjusting redeemable noncontrolling interest to it's redemption value.

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

($ in millions, except ratios)	September 30, 2021	December 31, 2020
Policyholders' surplus [2]	$ 767	$ 865
Contingency reserve	561	548
Qualified statutory capital	1,329	1,413
Unearned premiums	121	154
Loss and loss adjustment expenses [3]	1,091	1,139
Estimated impairment losses on subsidiary guarantees	—	5
Ambac Note [4]	—	1,174
Sitka AAC Note [4]	1,164	—
Tier 2 Notes	326	306
Present value of future installment premiums [5]	147	171
Ambac Assurance claims-paying resources	**4,177**	**4,362**
Ambac UK claims-paying resources [6]	856	854
Total claims-paying resources	**$ 5,033**	**$ 5,215**
Net financial guarantees in force [7]		
Ambac Assurance	$ 30,119	$ 36,704
Ambac UK	13,488	14,899
Total net financial guarantees in force	**$ 43,607**	**$ 51,603**
Claims-paying ratio [8]		
Ambac Assurance	7 : 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 September 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 $2,226 (R&W subrogation receipts of $1,668 and other subrogation receipts of $558) and $2,279 (R&W subrogation receipts of $1,648 and other subrogation receipts of $631) at September 30, 2021, and December 31, 2020, respectively.
(4) Ambac Note presented as principal and interest outstanding of $0 and $1,642, net of Secured Note principal and interest outstanding of $0 and $468 held by Ambac Assurance at September 30, 2021, and December 31, 2020, respectively. On July 6, 2021, the Ambac Note was redeemed using the proceeds of a new secured debt offering and other temporary sources of liquidity. The new Sitka AAC Note has a par value of $1,175.
(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 $195 at September 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 September 30, 2021. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.

Financial Guarantee 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 (Three months)	$ 7	$ 7	$ 4
2022	27	29	11
2023	26	29	11
2024	25	28	10
2025	23	27	9
2021 (Three months) - 2025	108	119	45
2026-2030	98	113	34
2031-2035	62	75	21
2036-2040	27	35	1
After 2040	15	22	—
Total	**$ 310**	**$ 365**	**$ 101**

Summary of Financial Guarantee 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	$ 1,005	$ 617
Housing	371	20
General obligation	300	(77)
Transportation revenue	131	27
Other	282	9
Total Public Finance	2,090	597
Structured Finance:		
Mortgage-backed & home equity	2,109	(1,403)
Student loans	311	210
Other	137	1
Total Structured Finance	2,557	(1,192)
International Finance:	1,066	18
Total	**$ 5,713**	**$ (577)**

(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 September 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 $1,705 ($1,731 gross of reinsurance) as of September 30, 2021.

Investment Portfolio

As of September 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	$ 19	$ 19	0.52 %
Municipal obligations	342	313	5.34 %
Corporate obligations	494	485	2.00 %
Mortgage and asset-backed securities	660	559	5.96 %
Short-term investments	233	233	0.04 %
Total fixed maturity securities	1,748	1,609	3.72 %
Other investments:			
Hedge funds	213	213	
Private credit	30	30	
Equity market investments	16	16	
Private equity	10	10	
Total other investments	268	268	
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	**2,016**	**1,877**	**3.72 %**
Ambac UK:			
Fixed maturity securities:			
U.S. government and agency obligations	22	21	1.64 %
Corporate obligations	86	85	3.37 %
Foreign obligations	87	88	0.41 %
Short-term investments	77	77	(0.14) %
Total fixed maturity securities	271	273	1.28 %
Other investments:			
Investment grade floating rate income	106	106	
High yield and leveraged loans	77	77	
Equity market investments	77	77	
Private credit	45	45	
Emerging markets	38	38	
Real estate properties	28	28	
Private equity	10	10	
Insurance linked securities	3	3	
Total other investments	384	384	
Total Ambac UK investments	**655**	**657**	**1.28 %**
Total Ambac Assurance and Subsidiaries investments	**2,671**	**2,533**	**3.37 %**
Ambac Financial Group, Inc.:			
Total fixed maturity securities	160	160	
Total other investments	11	11	
Total Ambac Financial Group investments	**171**	**171**	
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	47	48	1.51 %
Short-term investments	35	35	0.03 %
Total Everspan Indemnity Insurance Company and Subsidiaries investments	**106**	**106**	**0.92 %**
Total Investments	**$ 2,948**	**$ 2,810**	

Duration of Ambac Assurance and Subsidiaries fixed maturity investment portfolio [2]	**3.8**

(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) Excluded from the measure of duration are Ambac insured bonds that have underlying Ambac internal ratings of BIG or NR in connection with the Rehabilitation Exit Transactions. These securities represent 30% of the fair value of Ambac Assurance and Subsidiaries' fixed maturity investment portfolio of $2,019 at September 30, 2021.

Expenses Analysis (GAAP) [1]

($ in millions)	1Q	2Q	3Q	4Q	Year-to Date
2021:					
Compensation					
Salaries	$ 7	$ 7	$ 7	$ —	$ 20
Incentive Compensation [2]	7	7	7	—	21
Other [3]	2	1	1	—	4
Total Compensation	**16**	**14**	**15**	**—**	**45**
Non-Compensation					
Legal, Consulting & Advisory Services	8	5	7	—	20
Premises	1	1	1	—	4
Audit	1	1	1	—	3
Regulator Advisory Costs	—	1	—	—	2
Managing General Agency/Underwriting	4	4	4	—	12
Other	2	2	3	—	8
Total Non-Compensation	**17**	**14**	**17**	**—**	**48**
Total Gross Operating Expenses	**33**	**28**	**32**	**—**	**93**
Ceding Commissions and changes in Deferred Acquisition Costs	—	—	—	—	—
Total Operating Expenses	**$ 33**	**$ 28**	**$ 32**	**$ —**	**$ 94**

($ 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 $4.8, $4.9 and $5.0 for 1Q 2021, 2Q 2021 and 3Q 2021, respectively

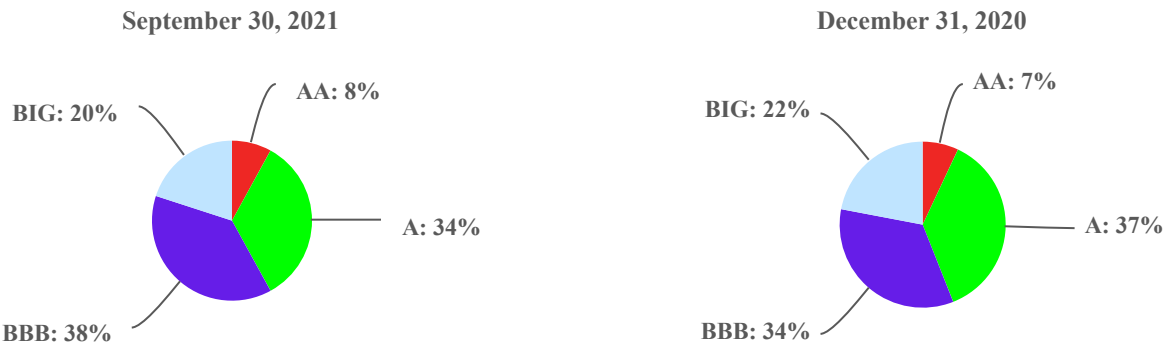
(2) Incentive compensation includes short-term and long-term incentive cash and equity awards

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

Historical Net Financial Guarantee Exposures Outstanding [1]

($ in millions net par value)	September 30, 2021	2020	2019	December 31, 2018
Public Finance [2]:				
Housing revenue	$ 5,634	$ 5,855	$ 5,991	$ 6,159
Lease and tax-backed revenue	3,376	4,179	5,102	7,565
General obligation	1,727	2,345	3,011	4,214
Utility revenue	601	675	768	1,178
Transportation revenue	570	771	855	1,754
Higher education	459	747	885	1,168
Other	360	925	1,041	1,404
Total Public Finance	12,727	15,497	17,653	23,442
Structured Finance:				
Mortgage-backed and home equity	2,926	3,635	4,423	5,510
Investor-owned utilities	1,560	1,617	1,675	1,754
Student loan	506	626	769	934
Structured Insurance	—	311	395	1,365
Asset-backed and other	147	148	246	384
Total Structured Finance	5,139	6,337	7,508	9,947
International Finance [3]:				
Sovereign/sub-sovereign	5,080	5,270	5,264	5,250
Investor-owned and public utilities	3,209	3,899	4,436	4,499
Transportation	1,102	1,511	1,532	1,613
Asset-backed and other	1,292	1,374	1,625	2,176
Total International Finance	10,683	12,054	12,857	13,538
Total	**$ 28,549**	**$ 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 $10,177, $11,186, $11,862 and $13,193 at September 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 September 30, 2021

($ in millions)	Market Type	Net Par Outstanding	% of Total Net Par Outstanding
RMBS Exposures	Structured Finance	$ 2,319	8.1 %
Puerto Rico & Related Issuers	Public Finance	1,054	3.7 %
Mitchells & Butlers Finance plc-UK Pub Securitisation [3]	International Finance	908	3.2 %
Posillipo Finance II S.r.l [3]	International Finance	689	2.4 %
Student Loans Exposures	Structured Finance	413	1.4 %
International Infrastructure Exposures [3]	International Finance	407	1.4 %
Military Housing	Public Finance	371	1.3 %
Consort Healthcare	International Finance	109	0.4 %
Chicago, IL Board of Education GO	Public Finance	81	0.3 %
Bridgeview IL GO	Public Finance	62	0.2 %
Other		234	0.8 %
Total		**$ 6,647**	**23.3 %**

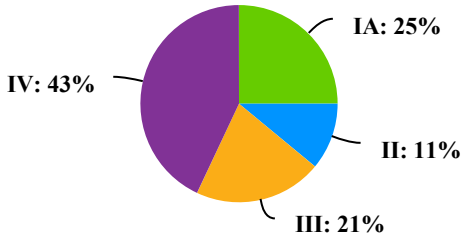
(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2020 Form 10-K for descriptions of credit classifications.

(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.

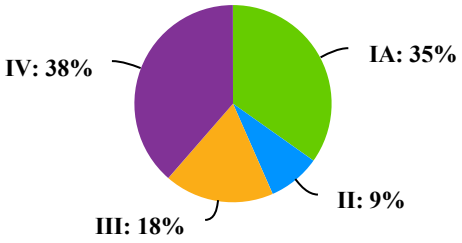
(3) All or a portion of these exposures are guaranteed by Ambac UK.

Adversely Classified Distribution of Exposures Outstanding[1]

September 30, 2021



December 31, 2020



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

25 Largest Exposures Outstanding [1]

As of September 30, 2021

($ in millions)		Ambac Rating	Net Par Outstanding	% of Total Net Par Outstanding
IF	Mitchells & Butlers Finance plc-UK Pub Securitisation	BBB	$ 908	3.2 %
IF	Capital Hospitals plc [2]	A-	895	3.1 %
IF	Anglian Water	A-	876	3.1 %
IF	Aspire Defence Finance plc	A-	833	2.9 %
IF	National Grid Gas	BBB+	809	2.8 %
IF	Posillipo Finance II S.r.l	BIG	689	2.4 %
PF	New Jersey Transportation Trust Fund Authority - Transportation System	BBB-	659	2.3 %
IF	RMPA Services plc	BBB+	547	1.9 %
IF	National Grid Electricity Transmission	BBB+	542	1.9 %
IF	Catalyst Healthcare (Manchester) Financing plc [2]	BBB-	524	1.8 %
PF	Hickam Community Housing LLC	BBB	457	1.6 %
SF	Progress Energy Carolinas, Inc.	A-	450	1.6 %
PF	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	403	1.4 %
PF	Bragg Communities, LLC	A-	398	1.4 %
PF	Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	398	1.4 %
PF	Massachusetts Commonwealth - GO	AA	364	1.3 %
IF	International Infrastructure Exposure	BIG	357	1.3 %
PF	Monterey Bay, CA - Military Housing	BBB+	312	1.1 %
PF	Fort Bliss/White Sand Missile Range Housing LP	BBB+	300	1.1 %
PF	Northeast Housing LLC	BBB-	294	1.0 %
PF	Hampton Roads Navy Housing	A	278	1.0 %
IF	Northern Powergrid (Yorkshire) plc	A-	270	0.9 %
IF	Northern Powergrid Holding Co.	BBB+	270	0.9 %
PF	Meade Communities, LLC	BBB	264	0.9 %
PF	BLB Privatized Housing, LLC	A-	261	0.9 %
	Total		**$ 12,358**	**43.3 %**

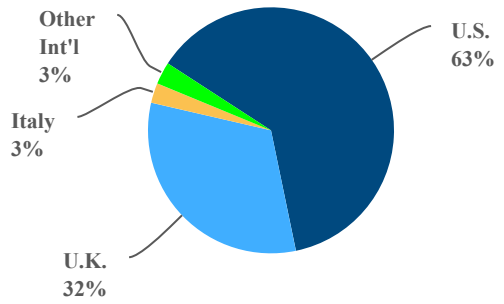
PF = *Public Finance,* ***SF*** = *Structured Finance and* ***IF*** = *International Finance*

(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

September 30, 2021



December 31,2020

