Ambac

Quarterly Operating Supplement

1Q22

## About Ambac

Ambac Financial Group, Inc. ("Ambac" or "AFG") is a financial services holding company headquartered in New York City. Ambac's core business is a growing specialty P&C distribution and underwriting platform. Ambac also has a legacy financial guaranty business in run off. Ambac's common stock trades on the New York Stock Exchange under the symbol "AMBC". 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.

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.

## 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
# First Quarter 2022

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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.

# Consolidated Information

## Key Consolidated Quarterly Financial Data

| (in millions, except per share data) | 1Q2022 | 4Q2021 | 3Q2021 | 2Q2021 | 1Q2021 |
|---|---|---|---|---|---|
| **Summary GAAP Financial Data:** | | | | | |
| Net premiums earned | $ 15 | $ 11 | $ 11 | $ 11 | $ 14 |
| Net investment income | 5 | 27 | 21 | 42 | 49 |
| Net gains (losses) on derivative contracts | 57 | 3 | 5 | (11) | 25 |
| Net realized gains (losses) on extinguishment of debt | — | — | — | — | 33 |
| Commission income | 9 | 6 | 7 | 6 | 7 |
| Other income (expense) | 2 | 2 | 1 | 1 | (2) |
| Income (loss) on variable interest entities (VIEs) | 22 | 2 | 3 | 2 | — |
| Losses and loss expenses (benefit) | 24 | (15) | (55) | (26) | 8 |
| Intangible amortization | 14 | 11 | 11 | 14 | 19 |
| Operating expenses | 34 | 33 | 32 | 28 | 33 |
| Interest expense | 44 | 44 | 44 | 50 | 50 |
| Pretax income (loss) | 3 | (19) | 19 | (18) | 19 |
| Net income (loss) attributable to common stockholders | 2 | (22) | 17 | (29) | 17 |
| Net income (loss) per diluted share attributable to common stockholders | 0.04 | (0.42) | 0.35 | (0.63) | 0.08 |
| Weighted average number of diluted shares outstanding | 47 | 47 | 47 | 47 | 47 |
| **Balance Sheets:** | | | | | |
| Total non-VIE investments | $ 2,815 | $ 2,955 | $ 2,948 | $ 3,447 | $ 3,458 |
| Premium receivables | 317 | 323 | 327 | 345 | 356 |
| Intangible assets [1] | 350 | 362 | 364 | 377 | 391 |
| Subrogation recoverable | 1,714 | 2,092 | 2,113 | 2,097 | 2,076 |
| Unearned premiums | 393 | 395 | 402 | 421 | 438 |
| Loss and loss expense reserves | 1,067 | 1,570 | 1,565 | 1,641 | 1,662 |
| Long-term debt [2] | 2,242 | 2,230 | 2,215 | 2,671 | 2,661 |
| Accrued interest payable | 593 | 576 | 555 | 532 | 516 |
| Ambac stockholders' equity | 914 | 1,038 | 1,061 | 1,063 | 1,063 |
| Number of shares outstanding (net of treasury shares) | 47 | 46 | 46 | 46 | 46 |
| Ambac Financial Group, Inc. book value per share | 19.65 | 22.42 | 22.91 | 23.01 | 23.02 |
| **Non-GAAP Measurements:** | | | | | |
| Adjusted earnings (loss) | $ 14 | $ (10) | $ 25 | $ (13) | $ 41 |
| Adjusted earnings (loss) per diluted share | 0.30 | (0.16) | 0.53 | (0.30) | 0.59 |
| Adjusted book value | 841 | 874 | 882 | 889 | 908 |
| Adjusted book value per share | 18.07 | 18.88 | 19.05 | 19.25 | 19.66 |

(1) Includes intangible assets (net of accumulated amortization) established as part of the acquisition of Xchange of $32 and $33 at March 31, 2022 and December 31, 2021, respectively, the acquisition of Providence Washington Insurance Company of $9 at March 31, 2022 and December 31, 2021 and the acquisition of 21st Century Companies (3 carriers) of $6 at March 31, 2022.. Refer to Ambac's 2021 Form 10-K for further information relating to these acquisitions.

(2) Long-term debt includes surplus notes issued and outstanding to third parties, the Sitka AAC Note (LSNI 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 a commutation. Refer to Ambac's 2021 Form 10-K for further information on the refinancing of the LSNI 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

## Key Consolidated Yearly Financial Data

| (in millions, except per share data) | YTD 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Summary GAAP Financial Data:** | | | | | |
| **Statement of Total Comprehensive Income:** | | | | | |
| Net premiums earned | $ 15 | $ 47 | $ 54 | $ 66 | $ 111 |
| Net investment income | 5 | 139 | 122 | 227 | 273 |
| Net gains (losses) on derivative contracts | 57 | 22 | (50) | (50) | 7 |
| Net realized gains (losses) on extinguishment of debt | — | 33 | — | — | 3 |
| Commission income | 9 | 26 | — | — | — |
| Other income (expense) [1] | 2 | 1 | 3 | 134 | 5 |
| Income (loss) on variable interest entities (VIEs) | 22 | 7 | 5 | 38 | 3 |
| Losses and loss expenses (benefit) [2] | 24 | (88) | 225 | 13 | (224) |
| Intangible amortization | 14 | 55 | 57 | 295 | 107 |
| Operating expenses | 34 | 126 | 92 | 103 | 112 |
| Interest expense | 44 | 187 | 222 | 269 | 242 |
| Pretax income (loss) | 3 | 2 | (440) | (183) | 238 |
| Net income (loss) | 2 | (16) | (437) | (216) | 267 |
| Net income (loss) attributable to common stockholders | 2 | (17) | (437) | (216) | 186 |
| Net income (loss) per diluted share attributable to common stockholders | $ 0.04 | (0.61) | (9.47) | (4.69) | 3.99 |
| Weighted average number of diluted shares outstanding | 47 | 47 | 46 | 46 | 47 |
| **Balance Sheets:** | | | | | |
| Total non-VIE investments | $ 2,815 | $ 2,955 | $ 3,544 | $ 3,792 | $ 3,937 |
| Premium receivables | 317 | 323 | 370 | 416 | 495 |
| Intangible assets [3] | 350 | 362 | 409 | 427 | 719 |
| Subrogation recoverable | 1,714 | 2,092 | 2,156 | 2,029 | 1,933 |
| Unearned premiums | 393 | 395 | 456 | 518 | 630 |
| Loss and loss expense reserves | 1,067 | 1,570 | 1,759 | 1,548 | 1,826 |
| Long-term debt [4] | 2,242 | 2,230 | 2,739 | 2,822 | 2,929 |
| Accrued interest payable | 593 | 576 | 517 | 441 | 376 |
| Ambac stockholders' equity | 914 | 1,038 | 1,080 | 1,477 | 1,592 |
| Number of shares outstanding (net of treasury shares) | 47 | 46 | 46 | 46 | 45 |
| Ambac Financial Group, Inc. book value per share | 19.65 | 22.42 | 23.57 | 32.41 | 35.12 |
| **Non-GAAP Measurements:** | | | | | |
| Adjusted earnings (loss) | $ 14 | $ 43 | $ (378) | $ 66 | $ 301 |
| Adjusted earnings (loss) per diluted share | 0.30 | 0.66 | (8.19) | 1.44 | 6.47 |
| Adjusted book value | 841 | 874 | 919 | 1,313 | 1,251 |
| Adjusted book value per share | 18.07 | 18.88 | 20.05 | 28.83 | 27.58 |

(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 for the year ended December 31, 2018. 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 $32 and $33 at March 31, 2022 and December 31, 2021, respectively, the acquisition of Providence Washington Insurance Company of $9 at March 31, 2022 and December 31, 2021 and the acquisition of 21st Century Companies (3 carriers) of $6 at March 31, 2022. Refer to Ambac's 2021 Form 10-K for further information relating to these acquisitions.

(4) Long-term debt includes surplus notes issued and outstanding to third parties, the Sitka AAC Note (LSNI 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 a commutation. Refer to Ambac's 2021 Form 10-K for further information on the refinancing of the LSNI 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.

## Earnings Measures by Reporting Segment

The Company reports its results of operations in three segments: Legacy Financial Guarantee Insurance, Specialty Property and Casualty Insurance and Insurance Distribution, separate from Corporate and Other, which is consistent with the manner in which the Company's chief operating decision maker ("CODM") reviews the business to assess performance and allocate resources. See *Note 1. Background and Business Description* of Ambac's 1Q2022 Form 10-Q for a description of each of the Company's business segments.

| ($ in millions) | Legacy Financial Guarantee Insurance | Specialty Property & Casualty Insurance | Insurance Distribution | Corporate & Other | Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2022** | | | | | |
| Gross premiums written | $ 6 | $ 24 | | | $ 30 |
| Net premiums written | 7 | 5 | | | 12 |
| **Revenues:** | | | | | |
| Net premiums earned | 13 | 1 | | | 15 |
| Net investment income | 5 | — | | $ — | 5 |
| Net investment gains (losses), including impairments | | | | | |
| Net gains on derivative contracts | 57 | | | | 57 |
| Net realized gains on extinguishment of debt | — | | | | — |
| Commission income | | | $ 9 | | 9 |
| Other income | 34 | — | — | — | 34 |
| **Total revenues** | **109** | **2** | **9** | **—** | 119 |
| **Expenses:** | | | | | |
| Loss and loss expenses | 23 | 1 | | | 24 |
| Operating expenses [(1)] | 21 | 3 | 1 | 3 | 29 |
| Sub-producer commissions [(1)] | | | 5 | | 5 |
| **Total expenses** | **44** | **4** | **6** | **3** | **57** |
| Net (gain) attributable to noncontrolling interest | | | (1) | | (1) |
| **Earnings before interest, taxes, depreciation and amortization** | **65** | **(2)** | **2** | **(3)** | **61** |
| Add back noncontrolling interest EBITDA adjustment | | | 1 | | 1 |
| Interest expense | 44 | | | | 44 |
| Depreciation expense [(1)] | — | — | — | — | — |
| Intangible amortization | 14 | | 1 | | 14 |
| **Pretax income (loss) [(2)]** | **$ 6** | **$ (2)** | **$ 2** | **$ (3)** | **$ 3** |

## Earnings Measures by Reporting Segment (Continued)

| ($ in millions) | Legacy Financial Guarantee Insurance | Specialty Property & Casualty Insurance | Insurance Distribution | Corporate & Other | Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2021** | | | | | |
| Gross premiums written | $ (2) | $ — | | | $ (2) |
| Net premiums written | (9) | — | | | (9) |
| **Revenues:** | | | | | |
| Net premiums earned | 14 | — | | | 14 |
| Net investment income | 49 | — | | $ — | 49 |
| Net gains on derivative contracts | 25 | — | | | 25 |
| Commission income | | | $ 7 | | 7 |
| Other income | 29 | — | — | 4 | 33 |
| **Total revenues** | **118** | **—** | **7** | **4** | **129** |
| **Expenses:** | | | | | |
| Loss and loss expenses | 8 | — | | | 8 |
| Operating expenses [1] | 17 | 1 | 1 | 10 | 29 |
| Sub-producer commissions [1] | | | 4 | | 4 |
| **Total expenses** | **25** | **1** | **5** | **10** | **41** |
| Net (gain) attributable to noncontrolling interest | | | — | | — |
| **Earnings before interest, taxes, depreciation and amortization** | **93** | **(1)** | **2** | **(6)** | **88** |
| Add back noncontrolling interest EBITDA adjustment | | | — | | — |
| Interest expense | 50 | | | | 50 |
| Depreciation expense [1] | — | — | — | — | — |
| Intangible amortization | 19 | | 1 | | 19 |
| **Pretax income (loss) [2]** | **$ 24** | **$ (1)** | **$ 2** | **$ (6)** | **$ 19** |

(1) The Consolidated Statements of Comprehensive Income presents the sum of these items as Operating Expenses.

(2) Pretax income (loss) is prior to the impact of noncontrolling interests.

## Other Consolidated Non-GAAP Financial Measures [1]

**($ in millions, except share amounts)**

| Adjusted Earnings (Loss): | 1Q2022 $ | 1Q2022 P.D.S. [2] [3] | 4Q2021 $ | 4Q2021 P.D.S. [2] [3] | 3Q2021 $ | 3Q2021 P.D.S. [2] [3] | 2Q2021 $ | 2Q2021 P.D.S. [2] [3] | 1Q2021 $ | 1Q2021 P.D.S. [2] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net income (loss) attributable to common stockholders** | **$ 2** | **$ 0.04** | **$ (22)** | **$ (0.42)** | **$ 17** | **$ 0.35** | **$ (29)** | **$ (0.63)** | **$ 17** | **$ 0.08** |
| Adjustments: | | | | | | | | | | |
| Insurance intangible amortization | 14 | 0.29 | 11 | 0.23 | 10 | 0.22 | 13 | 0.28 | 19 | 0.40 |
| Foreign exchange (gain) losses | (2) | (0.03) | 2 | 0.03 | (2) | (0.04) | 2 | 0.05 | 5 | 0.11 |
| **Adjusted earnings (loss)** | **$ 14** | **$ 0.30** | **$ (10)** | **(0.16)** | **$ 25** | **0.53** | **$ (13)** | **(0.30)** | **$ 41** | **0.59** |

| Adjusted Book Value: | March 31, 2022 $ | March 31, 2022 P.S. [2] | December 31, 2021 $ | December 31, 2021 P.S. [2] | 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] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Ambac Financial Group, Inc. stockholders' equity** | **914** | **19.65** | **$ 1,038** | **$ 22.42** | **$ 1,061** | **$ 22.91** | **$ 1,063** | **$ 23.01** | **$ 1,063** | **$ 23.02** |
| Adjustments: | | | | | | | | | | |
| Non-credit impairment fair value losses on credit derivatives | — | — | — | 0.01 | — | 0.01 | — | 0.01 | — | 0.01 |
| Insurance intangible asset | **(303)** | **(6.52)** | (320) | (6.91) | (330) | (7.14) | (343) | (7.42) | (356) | (7.71) |
| Net unearned premiums and fees in excess of expected losses | **279** | **6.00** | 310 | 6.68 | 315 | 6.81 | 337 | 7.29 | 343 | 7.42 |
| Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income | **(49)** | **(1.06)** | (154) | (3.32) | (164) | (3.54) | (168) | (3.64) | (142) | (3.08) |
| **Adjusted book value** | **841** | **18.07** | **$ 874** | **$ 18.88** | **$ 882** | **$ 19.05** | **$ 889** | **$ 19.25** | **$ 908** | **$ 19.66** |

| Adjusted Book Value: | March 31, 2022 $ | March 31, 2022 P.S. [2] | December 31, 2021 $ | December 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] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Ambac Financial Group, Inc. stockholders' equity** | **$ 914** | **$ 19.65** | **$ 1,038** | **$ 22.42** | **$ 1,080** | **$ 23.57** | **$ 1,477** | **$ 32.41** | **$ 1,592** | **$ 35.12** |
| Adjustments: | | | | | | | | | | |
| Non-credit impairment fair value losses on credit derivatives | — | — | — | 0.01 | — | 0.01 | — | 0.01 | 1 | 0.03 |
| Insurance intangible asset | (303) | (6.52) | (320) | (6.91) | (373) | (8.14) | (427) | (9.37) | (719) | (15.87) |
| Net unearned premiums and fees in excess of expected losses | 279 | 6.00 | 310 | 6.68 | 378 | 8.24 | 414 | 9.09 | 462 | 10.19 |
| Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income | (49) | (1.06) | (154) | (3.32) | (166) | (3.63) | (151) | (3.31) | (86) | (1.89) |
| **Adjusted book value** | **$ 841** | **$ 18.07** | **$ 874** | **$ 18.88** | **$ 919** | **$ 20.05** | **$ 1,313** | **$ 28.83** | **$ 1,251** | **$ 27.58** |

(1) In addition to reporting Ambac's financial results in accordance with GAAP, Ambac reports the following 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 present such non-GAAP supplemental financial information because we believe such information is of interest to the investment community that provides greater transparency and enhanced visibility into the underlying drivers of our businesses on a basis that may not be otherwise apparent on a GAAP basis. We view these non-GAAP financial measures as important indicators when assessing and evaluating our performance. 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) Per Diluted Share includes the impact of adjusting redeemable noncontrolling interest to it's redemption value.

## Consolidated Investment Portfolio

As of March 31, 2022

| INCOME ANALYSIS BY TYPE OF SECURITY<br>Investment category ($ in millions) | U.S. GAAP Carrying Value | U. S. GAAP Book Value | Pre-tax Yield to Maturity [1] |
|---|---|---|---|
| **Legacy Financial Guarantee Insurance** | | | |
| **Ambac Assurance and Subsidiaries excluding Ambac UK:** | | | |
| Fixed maturity securities - available-for-sale : | | | |
| U.S. government and agency obligation | $ 19 | $ 19 | 0.52 % |
| Municipal obligations | 61 | 56 | 8.51 % |
| Corporate obligations | 433 | 455 | 1.97 % |
| Mortgage and asset-backed securities | 598 | 533 | 5.89 % |
| Short-term investments | 416 | 416 | 0.21 % |
| Total fixed maturity - available-for-sale securities | 1,526 | 1,479 | 3.11 % |
| Fixed maturity securities - trading | 119 | 119 | |
| Other investments: | | | |
| Hedge funds | 196 | 196 | |
| Private credit | 36 | 36 | |
| Equity market investments | 16 | 16 | |
| Private equity | 19 | 19 | |
| Total other investments | 267 | 267 | |
| **Total Ambac Assurance and Subsidiaries investments excluding Ambac UK** | **1,912** | **1,865** | **3.11 %** |
| **Ambac UK:** | | | |
| Fixed maturity securities: | | | |
| U.S. government and agency obligations | 18 | 19 | 1.54 % |
| Corporate obligations | 79 | 84 | 3.31 % |
| Foreign obligations | 88 | 92 | 0.79 % |
| Short-term investments | 78 | 79 | 0.11 % |
| Total fixed maturity securities | 263 | 273 | 1.42 % |
| Other investments: | | | |
| Investment grade floating rate income | 90 | 90 | |
| High yield and leveraged loans | 88 | 88 | |
| Equity market investments | 75 | 75 | |
| Private credit | 51 | 51 | |
| Emerging markets | 17 | 17 | |
| Real estate | 40 | 40 | |
| Private equity | 18 | 18 | |
| Insurance linked securities | 1 | 1 | |
| Total other investments | 381 | 381 | |
| **Total Ambac UK investments** | **644** | **654** | **1.42 %** |
| **Total Legacy Financial Guarantee Insurance investments** | **2,556** | **2,519** | **2.85 %** |
| **Specialty Property & Casualty Insurance:** | | | |
| Fixed maturity securities: | | | |
| U.S. government and agency obligation | 29 | 30 | 0.80 % |
| Municipal obligations | 8 | 9 | 1.62 % |
| Corporate obligations | 42 | 45 | 1.60 % |
| Short-term investments | 31 | 31 | 0.26 % |
| **Total Specialty Property & Casualty Insurance investments** | **110** | **115** | **1.02 %** |
| **Corporate & Other:** | | | |
| Corporate obligations | 24 | 25 | |
| Short-term investments | 113 | 113 | |
| Total fixed maturity securities | 137 | 138 | |
| Private credit | 4 | 4 | |
| Total other investments | 11 | 11 | |
| **Total Corporate & Other investments** | **149** | **149** | |
| **Total Consolidated Investments** | **$ 2,815** | **$ 2,784** | |

| | |
|---|---|
| **Duration of Legacy Financial Guarantee Insurance fixed maturity investment portfolio [2]** | **3.4** |
| **Duration of Specialty Property & Casualty Insurance fixed maturity investment portfolio** | **3.0** |

(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. These securities represent 18% of the fair value of Ambac Assurance and Subsidiaries' fixed maturity investment portfolio of $1,789 at March 31, 2022.

## Consolidated Expense Analysis

| ($ in millions) | 2021 1Q | 2021 2Q | 2021 3Q | 2021 4Q | Full Year | 2022 1Q | 2022 2Q | 2022 3Q | 2022 4Q | Year-to-Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | | | |
| Salaries | $ 7 | $ 7 | $ 7 | $ 7 | **$ 27** | $ 7 | $ — | $ — | $ — | **$ 7** |
| Incentive Compensation [1] | 7 | 7 | 7 | 9 | **30** | 7 | — | — | — | **7** |
| Other [2] | 2 | 1 | 1 | 1 | **5** | 2 | — | — | — | **2** |
| **Total Compensation** | **16** | **14** | **15** | **17** | **62** | **16** | **—** | **—** | **—** | **16** |
| **Non-Compensation** | | | | | | | | | | |
| Legal, Consulting & Advisory Services | 8 | 5 | 7 | 6 | **27** | 7 | — | — | — | **7** |
| Premises | 1 | 1 | 1 | 1 | **5** | 1 | — | — | — | **1** |
| Audit | 1 | 1 | 1 | 1 | **4** | 1 | — | — | — | **1** |
| Regulator Advisory Costs | — | 1 | — | — | **2** | — | — | — | — | **—** |
| Sub-producer Commissions | 4 | 4 | 4 | 4 | **15** | 5 | — | — | — | **5** |
| Other | 3 | 3 | 4 | 3 | **12** | 4 | — | — | — | **4** |
| **Total Non-Compensation** | **17** | **14** | **17** | **15** | **64** | **18** | **—** | **—** | **—** | **18** |
| **Total Gross Operating Expenses** | **33** | **28** | **32** | **33** | **126** | **34** | **—** | **—** | **—** | **34** |
| Ceding Commissions and changes in Deferred Acquisition Costs | — | — | — | — | **—** | — | — | — | — | **—** |
| **Total Operating Expenses** | **$ 33** | **$ 28** | **$ 32** | **$ 33** | **$ 126** | **$ 34** | **$ —** | **$ —** | **$ —** | **$ 34** |

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

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

## Consolidated Expense by Segment

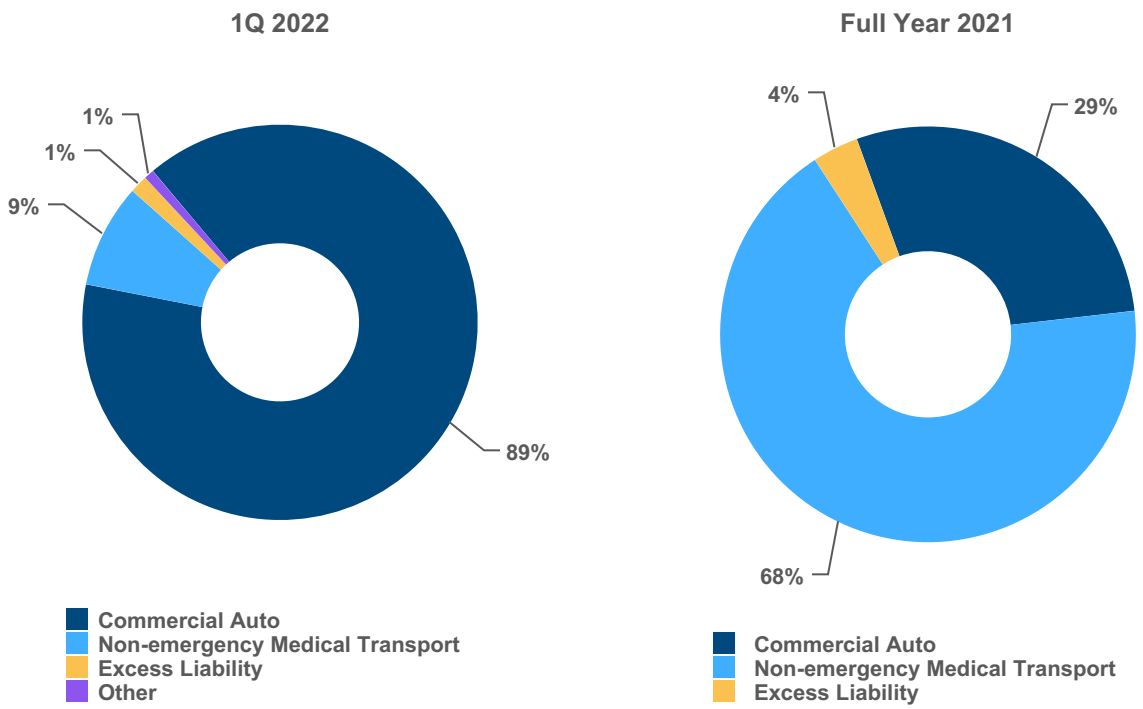
| ($ in millions) | 2021 1Q | 2021 2Q | 2021 3Q | 2021 4Q | Full Year | 2022 1Q | 2022 2Q | 2022 3Q | 2022 4Q | Year-to-Date |
|---|---|---|---|---|---|---|---|---|---|---|
| **Legacy Financial Guarantee Insurance** | | | | | | | | | | |
| Compensation | $ 11 | $ 10 | $ 11 | $ 11 | **$ 43** | $ 11 | $ — | $ — | $ — | **$ 11** |
| Non-Compensation | 6 | 12 | 8 | 10 | **36** | 10 | — | — | — | **10** |
| **Total Legacy Financial Guarantee Insurance** | **17** | **22** | **19** | **21** | **79** | **21** | **—** | **—** | **—** | **21** |
| **Specialty Property & Casualty Insurance** | | | | | | | | | | |
| Compensation | 1 | 1 | 1 | 2 | **5** | 1 | — | — | — | **1** |
| Non-Compensation | — | — | 1 | 2 | **3** | 2 | — | — | — | **2** |
| **Total Specialty Property & Casualty Insurance** | **1** | **1** | **2** | **4** | **8** | **3** | **—** | **—** | **—** | **3** |
| **Insurance Distribution** | | | | | | | | | | |
| Compensation | 1 | 1 | 1 | 1 | **4** | 1 | — | — | — | **1** |
| Non-Compensation | 4 | 4 | 4 | 4 | **16** | 5 | — | — | — | **5** |
| **Total Insurance Distribution** | **5** | **5** | **5** | **5** | **20** | **6** | **—** | **—** | **—** | **6** |
| **Corporate & Other** | | | | | | | | | | |
| Compensation | 3 | 2 | 2 | 3 | **10** | 2 | — | — | — | **2** |
| Non-Compensation | 7 | (2) | 4 | — | **9** | 1 | — | — | — | **1** |
| **Total Corporate & Other** | **10** | **—** | **6** | **3** | **19** | **3** | **—** | **—** | **—** | **3** |
| **Operating Expenses** | | | | | | | | | | |
| Compensation | **$ 16** | **$ 14** | **$ 15** | **$ 17** | **$ 62** | **$ 16** | **$ —** | **$ —** | **$ —** | **$ 16** |
| Non-Compensation | **17** | **14** | **17** | **15** | **64** | **18** | **—** | **—** | **—** | **18** |
| **Total Operating Expenses** | **$ 33** | **$ 28** | **$ 32** | **$ 33** | **126** | **$ 34** | **$ —** | **$ —** | **$ —** | **34** |

# Specialty Property & Casualty Insurance Information

**Key Specialty Property & Casualty Insurance Segment Quarterly Information**
As of March 31, 2022

| ($ in millions) | 1Q2022 | 4Q2021 | 3Q2021 | 2Q2021 | 1Q2021 |
|---|---|---|---|---|---|
| Gross written premiums | $ 24 | $ 7 | $ 4 | $ 2 | $ — |
| Net written premiums | 5 | 1 | 1 | — | — |
| Number of programs | 10 | 7 | 2 | 1 | — |
| | | | | | |
| Net premiums earned | $ 1 | $ — | $ — | $ — | $ — |
| Program fees | — | — | — | — | — |
| EBITDA | (2) | (3) | (2) | (2) | (1) |
| GAAP Pretax income (loss) | $ (2) | $ (3) | $ (2) | $ (2) | $ (1) |
| GAAP stockholders equity | $ 115 | $ 109 | $ 104 | $ 105 | $ 106 |
| | | | | | |
| Loss ratio | 65.3 % | 72.3 % | 68.9 % | 72.6 % | NM |
| Combined ratio | 331.9 % | 800.5 % | 1209.6 % | 7244.5 % | NM |
| Program fee collected | $ 1 | $ — | $ — | $ — | $ — |
| | | | | | |
| Statutory net income | $ (2) | $ (2) | $ (2) | $ (2) | $ (1) |
| Statutory surplus | 110 | 106 | 103 | 105 | 107 |

**Gross Written Premium by Line of Business**



# Insurance Distribution Information

## Key Insurance Distribution Segment Quarterly Information

As of March 31, 2022

| ($ in millions) | 1Q2022 | 4Q2021 | 3Q2021 | 2Q2021 | 1Q2021 |
|---|---|---|---|---|---|
| Gross commissions | $ 9 | $ 6 | $ 7 | $ 6 | $ 7 |
| Sub-producer commissions | 5 | 4 | 4 | 4 | 4 |
| Net commissions | 4 | 3 | 3 | 2 | 4 |
| EBITDA [1] | 2 | 1 | 1 | 1 | 2 |
| GAAP Pretax income | $ 2 | $ 1 | $ 1 | $ — | $ 2 |

(1) Represents Ambac's controlling interest in the EBITDA of the Insurance Distribution segment.

### Gross Premiums Produced by Line of Business



# Legacy Financial Guarantee Insurance Information

## Summary of Quarterly Data for Ambac Assurance Corporation

| ($ in millions) | 1Q2022 | 4Q2021 | 3Q2021 | 2Q2021 | 1Q2021 |
|---|---|---|---|---|---|
| **Statutory Invested assets** | **$ 2,070** | **$ 1,877** | **$ 1,861** | **$ 2,370** | **$ 2,418** |
| **Statutory loss and loss expense reserves** [1] | **940** | **1,086** | **1,091** | **1,149** | **1,081** |
| **Statutory Net Income** | **61** | **(11)** | **(3)** | **33** | **(144)** |
| **Policyholders' Surplus** | **805** | **757** | **767** | **774** | **733** |
| **Qualified statutory capital** | **1,378** | **1,322** | **1,413** | **1,618** | **1,648** |
| **US GAAP Stockholders Equity** | **567** | **684** | **713** | **726** | **727** |

(1) 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.

## Financial Guarantee Insurance Claims Paying Ratio

| ($ in millions, except ratios) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Ambac Assurance Corporation Policyholders' surplus [1] | $ 805 | $ 757 |
| Contingency reserve | 573 | 565 |
| Qualified statutory capital | 1,378 | 1,322 |
| Unearned premiums | 104 | 116 |
| Loss and loss adjustment expenses [2] | 940 | 1,086 |
| Estimated impairment losses on subsidiary guarantees | 6 | — |
| Sitka AAC Note (par value of $1,175) | 1,165 | 1,164 |
| Tier 2 Notes | 340 | 333 |
| Present value of future installment premiums [3] | 141 | 144 |
| **Ambac Assurance claims-paying resources** | **4,074** | **4,165** |
| Ambac UK claims-paying resources [4] | 848 | 869 |
| **Total claims-paying resources** | **$ 4,922** | **$ 5,034** |
| | | |
| Net financial guarantees in force [5] | | |
| Ambac Assurance | $ 28,187 | $ 29,062 |
| Ambac UK | 13,047 | 13,591 |
| **Total net financial guarantees in force** | **$ 41,233** | **$ 42,653** |
| | | |
| Claims-paying ratio [6] | | |
| Ambac Assurance | 7 : 1 | 7 : 1 |
| Ambac UK | 15 : 1 | 16 : 1 |
| **Total claims-paying ratio** | **8 : 1** | **8 : 1** |

(1) Surplus notes with an aggregate par value of $853 and $853 as of March 31, 2022 and December 31, 2021, respectively, are included in policyholders' surplus.

(2) Loss and loss expense reserves are presented gross of the recorded statutory benefit for expected subrogation receipts of $1,913 (R&W subrogation receipts of $1,606 and other subrogation receipts of $307) and $2,205 (R&W subrogation receipts of $1,673 and other subrogation receipts of $532) at March 31, 2022, and December 31, 2021, respectively.

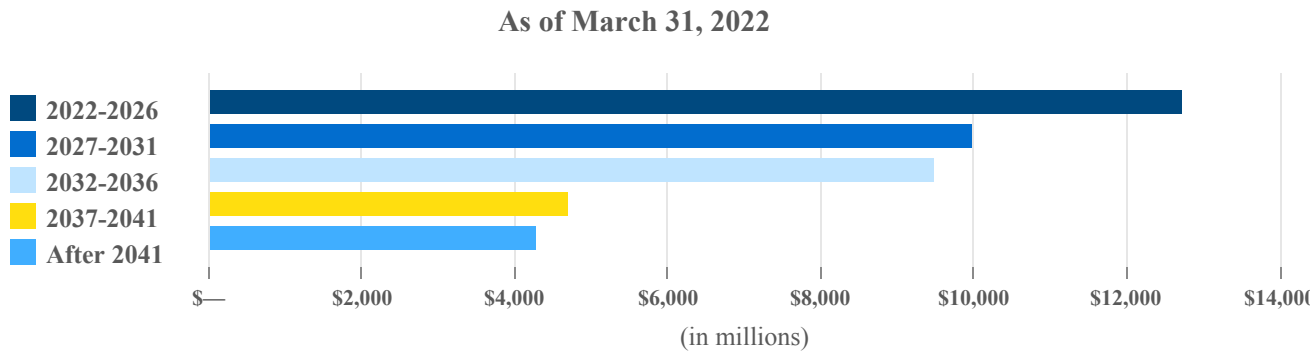
(3) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.

(4) 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 $185 at March 31, 2022.

(5) Financial guarantees in force represents the amount of principal and interest outstanding on a guaranteed obligation.

(6) 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, 2022. 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] |
|---|---|---|---|
| 2022 (Nine months) | $ 19 | $ 20 | $ 9 |
| 2023 | 24 | 28 | 11 |
| 2024 | 23 | 27 | 10 |
| 2025 | 22 | 26 | 9 |
| 2026 | 22 | 25 | 8 |
| 2022 (Nine Months) - 2027 | 110 | 125 | 47 |
| 2028 - 2032 | 89 | 105 | 31 |
| 2033 - 2037 | 55 | 68 | 18 |
| 2038 - 2042 | 22 | 31 | — |
| After 2042 | 12 | 18 | — |
| Total | **$ 288** | **$ 347** | **$ 96** |

## 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 | $ 441 | $ 141 |
| Housing | 369 | 18 |
| General obligation | 256 | 8 |
| Transportation revenue | 29 | 25 |
| Other | 281 | 9 |
| Total Public Finance | 1,376 | 201 |
| **Structured Finance:** | | |
| Mortgage-backed & home equity | 1,925 | (1,126) |
| Student loans | 293 | 209 |
| Other | 259 | 1 |
| Total Structured Finance | 2,477 | (916) |
| **International Finance:** | 969 | 18 |
| Total | **$ 4,823** | **$ (697)** |

(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, 2022. 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.

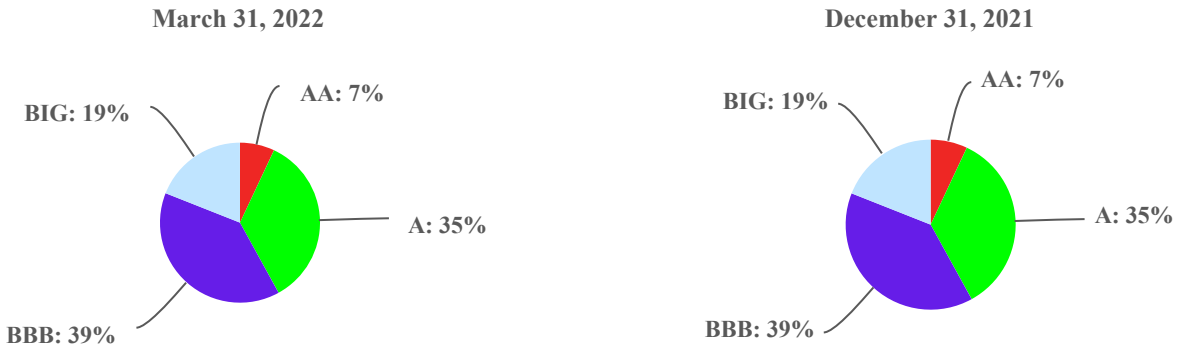
(3) Estimated net future installment amounts eliminated under the U.S. GAAP Consolidations Accounting Standard; not included in Estimated Net Future Installments.

(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 $1,480 ($1,502 gross of reinsurance) as of March 31, 2022.

## Historical Net Financial Guarantee Insurance Exposures Outstanding [1]

| ($ in millions net par value) | December 31, 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Public Finance [2]:** | | | | |
| Housing revenue | $ 5,570 | $ 5,610 | $ 5,855 | $ 5,991 |
| Lease and tax-backed revenue | 2,982 | 3,196 | 4,179 | 5,102 |
| General obligation | 1,506 | 1,612 | 2,345 | 3,011 |
| Utility revenue | 575 | 583 | 675 | 768 |
| Transportation revenue | 553 | 555 | 771 | 855 |
| Higher education | 442 | 444 | 747 | 885 |
| Other | 352 | 360 | 925 | 1,041 |
| Total Public Finance | 11,980 | 12,360 | 15,497 | 17,653 |
| **Structured Finance:** | | | | |
| Mortgage-backed and home equity | 2,556 | 2,724 | 3,635 | 4,423 |
| Investor-owned utilities | 1,538 | 1,556 | 1,617 | 1,675 |
| Student loan | 447 | 477 | 626 | 769 |
| Structured Insurance | — | — | 311 | 395 |
| Asset-backed and other | 147 | 147 | 148 | 246 |
| Total Structured Finance | 4,688 | 4,904 | 6,337 | 7,508 |
| **International Finance [3]:** | | | | |
| Sovereign/sub-sovereign | 4,951 | 5,141 | 5,270 | 5,264 |
| Investor-owned and public utilities | 3,173 | 3,283 | 3,899 | 4,436 |
| Asset-backed and other | 1,222 | 1,276 | 1,374 | 1,625 |
| Transportation | 1,104 | 1,056 | 1,511 | 1,532 |
| Total International Finance | 10,450 | 10,756 | 12,054 | 12,857 |
| **Total** | **$ 27,118** | **$ 28,020** | **$ 33,888** | **$ 38,018** |
| | | | | |
| **Percent of Total Net Par Outstanding** | | | | |
| Public Finance | 44 % | 44 % | 45 % | 46 % |
| Structured Finance | 17 % | 18 % | 19 % | 20 % |
| International Finance | 39 % | 38 % | 36 % | 34 % |
| 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 $9,928, $10,292, $11,186 and $11,862 at March 31, 2022, December 31, 2021, December 31, 2020 and December 31, 2019, 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, 2022

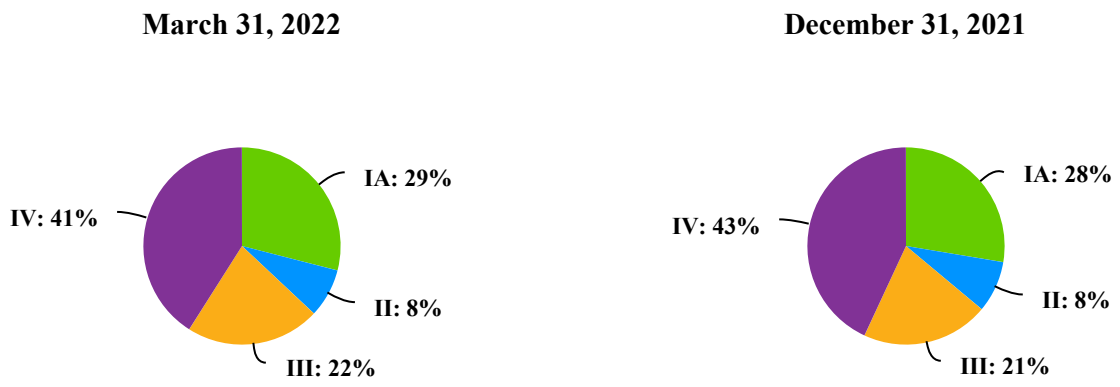
| ($ in millions) | Market Type | Net Par Outstanding | % of Total Net Par Outstanding |
|---|---|---|---|
| RMBS Exposures | Structured Finance | $ 2,079 | 7.7 % |
| Mitchells & Butlers Finance plc-UK Pub Securitisation [3] | International Finance | 852 | 3.1 % |
| Puerto Rico & Related Issuers | Public Finance | 784 | 2.9 % |
| Posillipo Finance II S.r.l [3] | International Finance | 643 | 2.4 % |
| International Infrastructure Exposures [3] | International Finance | 379 | 1.4 % |
| Student Loans Exposures | Structured Finance | 375 | 1.4 % |
| Military Housing | Public Finance | 369 | 1.4 % |
| Consort Healthcare (Tameside) [3] | International Finance | 109 | 0.4 % |
| Chicago, IL Board of Education GO | Public Finance | 75 | 0.3 % |
| Bridgeview IL GO | Public Finance | 60 | 0.2 % |
| Other | | 159 | 0.6 % |
| **Total** | | **$ 5,884** | **21.7 %** |

(1) Adversely classified credits are assigned a rating of Class IA through Class V. Refer to Ambac's 2021 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 March 31, 2022

| | ($ in millions) | Ambac Rating | Net Par Outstanding | % of Total Net Par Outstanding |
|---|---|---|---|---|
| IF | Capital Hospitals plc [2] | A- | $ 899 | 3.3 % |
| IF | Anglian Water | A- | 895 | 3.3 % |
| IF | Mitchells & Butlers Finance plc-UK Pub Securitisation | BBB | 852 | 3.1 % |
| IF | Aspire Defence Finance plc | A- | 799 | 2.9 % |
| IF | National Grid Gas | BBB+ | 783 | 2.9 % |
| IF | Posillipo Finance II S.r.l | BIG | 643 | 2.4 % |
| PF | New Jersey Transportation Trust Fund Authority - Transportation System | BBB- | 623 | 2.3 % |
| IF | National Grid Electricity Transmission | BBB+ | 551 | 2.0 % |
| IF | RMPA Services plc | BBB+ | 524 | 1.9 % |
| IF | Catalyst Healthcare (Manchester) Financing plc [2] | BBB- | 522 | 1.9 % |
| PF | Hickam Community Housing LLC | BBB- | 454 | 1.7 % |
| SF | Progress Energy Carolinas, Inc. | A- | 450 | 1.7 % |
| PF | Puerto Rico Highways & Transportation Authority, Transportation Revenue | BIG | 398 | 1.5 % |
| PF | Bragg Communities, LLC | A- | 394 | 1.5 % |
| PF | Massachusetts Commonwealth - GO | AA | 364 | 1.3 % |
| PF | International Infrastructure Exposure | BIG | 334 | 1.2 % |
| IF | Monterey Bay, CA - Military Housing | BBB+ | 309 | 1.1 % |
| PF | Fort Bliss/White Sand Missile Range Housing LP | BBB+ | 298 | 1.1 % |
| PF | Northeast Housing LLC | BBB- | 292 | 1.1 % |
| PF | Sydney Airport Finance Company PTY Limited | BBB- | 284 | 1.0 % |
| PF | Hampton Roads Navy Housing | A | 277 | 1.0 % |
| IF | Northern Powergrid Holding Co. | BBB+ | 263 | 1.0 % |
| IF | Northern Powergrid (Yorkshire) plc | A- | 263 | 1.0 % |
| IF | Meade Communities, LLC | BBB | 260 | 1.0 % |
| IF | BLB Privatized Housing, LLC | A- | 260 | 1.0 % |
| | **Total** | | **$ 11,991** | **44.2 %** |

***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

