Ambac

# 2022 Year End Review

# MARCH 1, 2023

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# Forward Looking Statement

In this presentation, we have included statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "plan," "believe," "anticipate," "intend," "planned," "potential" and similar expressions, or future or conditional verbs such as "will," "should," "would," "could," and "may," or the negative of those expressions or verbs, identify forward-looking statements. We caution readers that these statements are not guarantees of future performance. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, which may by their nature be inherently uncertain and some of which may be outside our control. These statements may relate to plans and objectives with respect to the future, among other things which may change. We are alerting you to the possibility that our actual results may differ, possibly materially, from the expected objectives or anticipated results that may be suggested, expressed or implied by these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed under "Risk Factors" .

Any or all of management's forward-looking statements here or in other publications may turn out to be incorrect and are based on management's current belief or opinions. Ambac Financial Group's ("AFG") and its subsidiaries' (collectively, "Ambac" or the "Company") actual results may vary materially, and there are no guarantees about the performance of Ambac's securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially are: (1) the high degree of volatility in the price of AFG's common stock; (2) uncertainty concerning the Company's ability to achieve value for holders of its securities, whether from Ambac Assurance Corporation ("AAC") and its subsidiaries or from the specialty property and casualty insurance business, the insurance distribution business, or related businesses; (3) inadequacy of reserves established for losses and loss expenses and the possibility that changes in loss reserves may result in further volatility of earnings or financial results; (4) potential for rehabilitation proceedings or other regulatory intervention or restrictions against AAC; (5) credit risk throughout Ambac's business, including but not limited to credit risk related to insured residential mortgage-backed securities, student loan and other asset securitizations, public finance obligations (including risks associated with Chapter 9 and other restructuring proceedings), issuers of securities in our investment portfolios, and exposures to reinsurers; (6) our inability to effectively reduce insured financial guarantee exposures or achieve recoveries or investment objectives; (7) our inability to generate the significant amount of cash needed to service our debt and financial obligations, and our inability to refinance our indebtedness; (8) Ambac's substantial indebtedness could adversely affect its financial condition and operating flexibility; (9) Ambac may not be able to obtain financing or raise capital on acceptable terms or at all due to its substantial indebtedness and financial condition; (10) greater than expected underwriting losses in the Company's specialty property and casualty insurance business; (11) failure of specialty insurance program partners to properly market, underwrite or administer policies; (12) inability to obtain reinsurance coverage on expected terms; (13) loss of key relationships for production of business in specialty property and casualty and insurance distribution businesses or the inability to secure such additional relationships to produce expected results; (14) the impact of catastrophic public health, environmental or natural events, or global or regional conflicts, on significant portions of our insured portfolio; (15) credit risks related to large single risks, risk concentrations and correlated risks; (16) risks associated with adverse selection as Ambac's financial guarantee insurance portfolio runs off; (17) the risk that Ambac's risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss; (18) restrictive covenants in agreements and instruments that impair Ambac's ability to pursue or achieve its business strategies; (19) adverse effects on operating results or the Company's financial position resulting from measures taken to reduce financial guarantee risks in its insured portfolio; (20) disagreements or disputes with Ambac's insurance regulators; (21) loss of control rights in transactions for which we provide financial guarantee insurance; (22) inability to realize expected recoveries of financial guarantee losses; (23) risks attendant to the change in composition of securities in the Ambac's investment portfolio; (24) adverse impacts from changes in prevailing interest rates; (25) events or circumstances that result in the impairment of our intangible assets and/or goodwill that was recorded in connection with Ambac's acquisitions; (26) risks associated with the expected discontinuance of the London Inter-Bank Offered Rate; (27) factors that may negatively influence the amount of installment premiums paid to Ambac; (28) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith; (29) the Company's ability to adapt to the rapid pace of regulatory change; (30) actions of stakeholders whose interests are not aligned with broader interests of Ambac's stockholders; (31) system security risks, data protection breaches and cyber attacks; (32) regulatory oversight of Ambac Assurance UK Limited ("Ambac UK") and applicable regulatory restrictions may adversely affect our ability to realize value from Ambac UK or the amount of value we ultimately realize; (33) failures in services or products provided by third parties; (34) political developments that disrupt the economies where the Company has insured exposures; (35) our inability to attract and retain qualified executives, senior managers and other employees, or the loss of such personnel; (36) fluctuations in foreign currency exchange rates; (37) failure to realize our business expansion plans or failure of such plans to create value; (38) greater competition for our specialty property and casualty insurance business and/or our insurance distribution business; (39) loss or lowering of the AM Best rating for our property and casualty insurance company subsidiaries; (40) disintermediation within the insurance industry or greater competition from technology-based insurance solutions; (41) changes in law or in the functioning of the healthcare market that impair the business model of our accident and health managing general underwriter; and (42) other risks and uncertainties that have not been identified at this time.



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# 2022 Key Accomplishments

Transformational achievements across the entire platform

## AFG

- ✓ **$522 million** of Net Income
- ✓ **$740 million** EBITDA[1]
- ✓ **+24%** Book Value per Share
- ✓ **+50%** Adjusted Book Value per Share[2]

## Specialty P&C

- ✓ **+116%** of Premium Production
- ✓ **2x** Program Partners to 14
- ✓ **2 MGA/broker** Acquisitions
- ✓ **1 De Novo** Incubation Announced[3]

## Legacy

- ✓ **~$2 billion of RMBS Settlements**
- ✓ **($1.8) billion** of Debt Reduction
- ✓ **$150 million** Discount Capture
- ✓ **Puerto Rico Restructured** – PRIFA, CCDA, and HTA

1. For EBITDA reconciliation to pre-tac net income see Ambac's 2022 form 10-K
2. See slide 14 for Adjusted Book Value reconciliation to Book Value
3. Second de novo incubation announced in January 2023



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# 2022 Key Accomplishments

Ambac De-Leveraged and De-Risked in 2022

## De-Leverage Ratios to ABV

- ✓ **(100%) R&W Recoverable Reduction[1]**
- ✓ **(74%) Debt Leverage Reduction**

## De-Risking Activities

- ✓ **(77%) Puerto Rico Exposure Reduction**
- ✓ **(51%) Net Reserve Reduction (ex. R&W)**
- ✓ **(26%) Adverse Credit Reduction**
- ✓ **(19%) Net Par Outstanding Reduction**

1. When combined with the Nomura related debt reduction in 1Q23



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# Ambac Assurance What's Next?

Acceleration of strategic options following settlements totaling ~**$2 billion** with Bank of America and Nomura

## Settlement Overview

Settlement amount:

**~$2 bn**

**$1.84 bn**

**Bank of America Settlement**

- $1.4 billion Senior debt repaid
- $397 million Net gain on settlement

**$140 mn**

**Nomura Settlement**

- $146 million[1] Senior debt repaid
- $43 million Net gain on settlement

## Future Strategic Considerations

1. Re-imagining AAC as a run-off portfolio as we strive towards being in a positive carry position following $100 million of interest and other expense reductions
2. Regulatory capital reassessment
3. Strategic reinsurance transactions
4. Partial or full sale
5. Asset & Liability Management
6. Unlocking future value from NOLs

1. Senior debt redeemed in full January 15, 2023 with proceeds and $6 million cash on hand



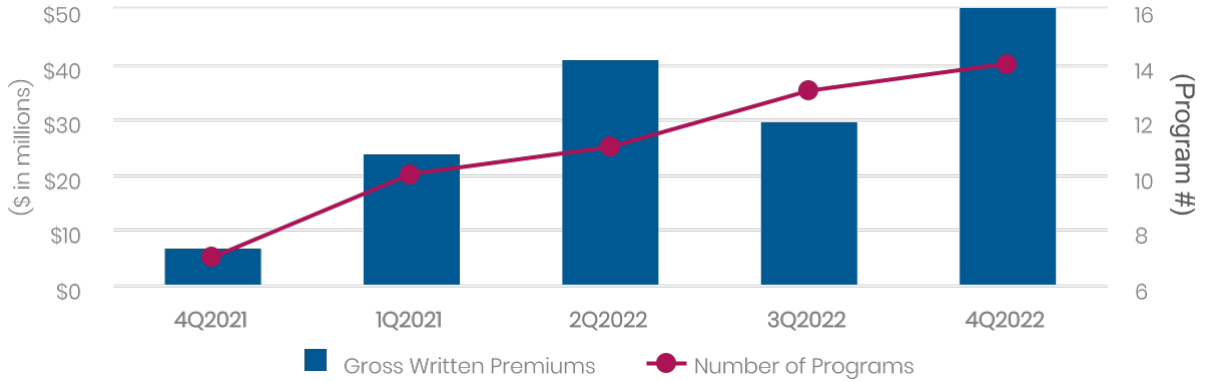
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# Everspan Group: Specialty P&C Program Insurer

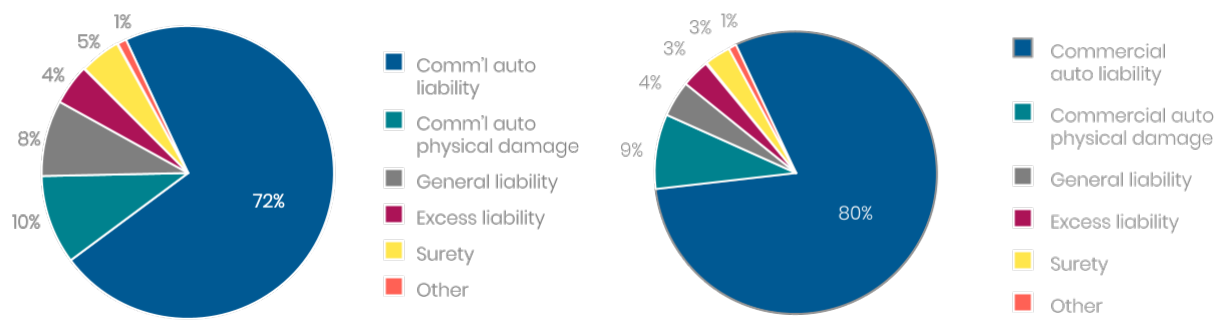
Everspan has assembled a 'Best-in-Class' team of Specialty P&C program insurance executives with deep experience scaling businesses

- $146 million of GPW in 2022 up +10x
- Loss Ratio of 65.4% in 2022
- 14 MGA programs
- 2022 GPW : 80% E&S vs 20% Admitted
- Shareholders' Equity: $110 million[1]

## Gross Premium Written (GPW) and Number of Programs




## GPW by Line of Business




1. Ambac Stockholders' Equity as shown on slide 16



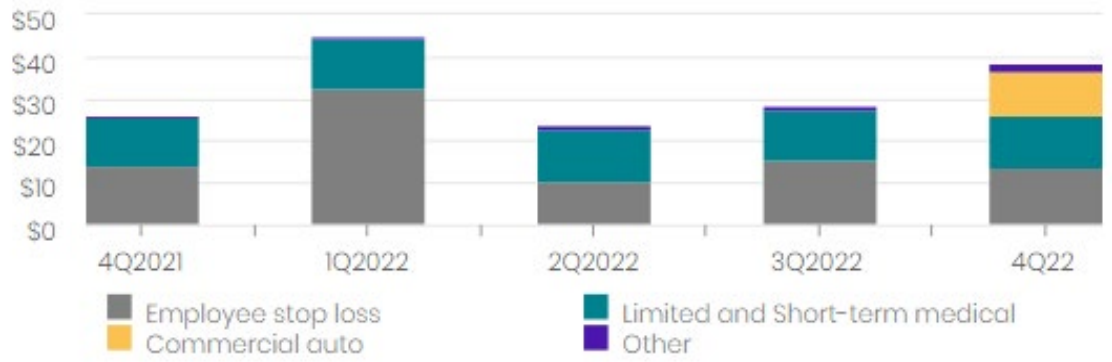
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# Cirrata: Insurance Distribution via Majority Owned MGAs

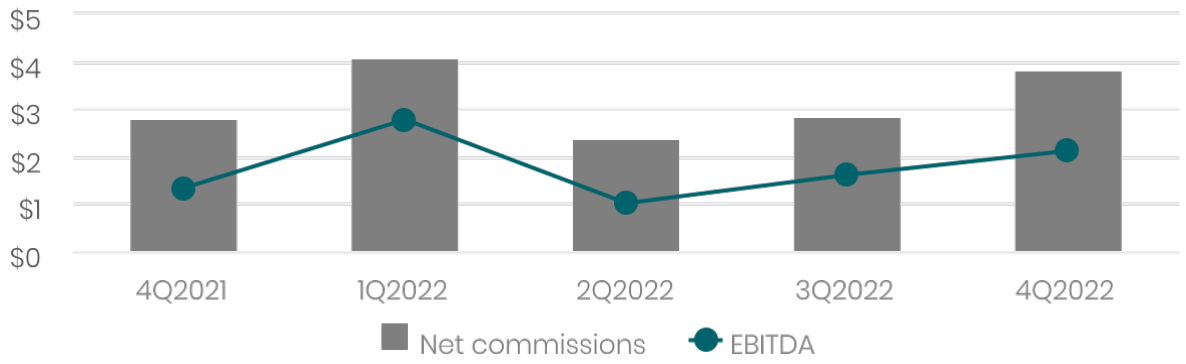
High margin businesses that generate predictable recurring fee-based income

- $135 million of premium placed up 15% over 2021
- EBITDA Margin[1] of 57% generating $7 million[2] of EBITDA in 2022
- All Trans & Capacity Marine acquired Nov 1st
- 2nd De Novo incubation announced

**Premium Placed by Line ($ in millions)**




**Net Commissions & EBITDA[1] ($ in millions)**




1 EBITDA Margin calculated as EBITDA/Net Commissions
2 EBITDA includes noncontrolling interests
3. For EBITDA reconciliation to pre-tac net income see Ambac's 2022 form 10-K



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# 4Q22 Results

# 2023 Strategic Priorities

## AFG

- Grow and maximize shareholder value over medium and long term
- Strategically deploy capital to support and expand the Specialty P&C Platform
- Optimize the strategic value of corporate investments

**Increasing Enterprise Value**

## Everspan Insurance

- Target GPW +$250 million in 2023 growing to +$500 million by 2024/2025[1,2]
- Target mid-teens ROE at scale and over the cycle
- Projected profitability on a go-forward basis in 2H2023[1,2]

**Compounding Book Value**

## Cirrata

- Premiums placed +$200 million targeted in 2023[1,2]
- Target +$45 million revenue in 2023[1,2]
- Strive for double-digit organic growth
- Target +30% EBITDA margins[1]

**Accelerating EBITDA Growth**

## Legacy Financial Guarantee

- De-risk and de-lever the balance sheet
- Regulatory operating and capital reassessment
- Evaluate all strategic options for value creation

**Maximizing Economic Value**

**Delivering Long-Term Value Through Re-deployment of Capital and Profitable Growth**

1. Forward looking targets and projections subject to change. Targets and projections may not be realized and are not meant to provide guarantees of performance. Please refer to Ambac's annual report on form 10-K for the year ended December 31, 2022 for more information about Ambac's business and related risk factors
2. Subject to market conditions
3. For EBITDA reconciliation to pre-tac net income see Ambac's 2022 form 10-K



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# Q&A

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# Non-GAAP Reconciliations

# Ambac Non-GAAP Financial Data

Non-GAAP Financial Data

In addition to reporting Ambac's quarterly financial results in accordance with GAAP, the Company currently reports three non-GAAP financial measures: EBITDA, adjusted earnings and adjusted book value. The most directly comparable GAAP measures are pre-tax net income for EBITDA, net income attributable to common stockholders for adjusted earnings and Total Ambac Financial Group, Inc. stockholders' equity for 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 on a segmented and consolidated basis. These non-GAAP financial measures are not substitutes for the Company'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.

EBITDA Reconciliation see Ambac's 2022 Form 10-K

Adjusted Earnings Reconciliation see slide 13

Adjusted Book Value Reconciliation see slide 14-15

Segment Highlights see slide 16

# Ambac Non-GAAP Financial Data - Adjusted Earnings (Loss)

Adjusted Earnings [1,2]

The following table reconciles net income attributable to common stockholders to the non-GAAP measure, adjusted earnings, for the periods listed:

| | 4Q2022 | | 3Q2022 | | 2Q2022 | | 1Q2022 | | 4Q2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ in millions, except per share amounts) | $ Amount | P.D.S. [1,3] | $ Amount | P.D.S. [1,3] | $ Amount | P.D.S. [1,3] | $ Amount | P.D.S. [1,3] | $ Amount | P.D.S. [1,3] |
| Net income (loss) attributable to common shareholders | $ 175.2 | $ 3.86 | $ 340.0 | $ 7.41 | $ 5.2 | $ 0.11 | $ 2.0 | $ 0.04 | $ (22.1) | $ (0.42) |
| Adjustments: | | | | | | | | | | |
| Insurance intangible amortization | 12.4 | 0.27 | 5.1 | 0.11 | 12.8 | 0.29 | 13.7 | 0.29 | 10.7 | 0.23 |
| Foreign exchange (gains) losses | 2.3 | 0.05 | (7.0) | (0.15) | (5.3) | (0.12) | (1.6) | (0.03) | 1.5 | 0.03 |
| Adjusted earnings (loss) | $ 189.8 | $ 4.18 | $ 338.1 | $ 7.37 | $ 12.7 | $ 0.28 | $ 14.0 | $ 0.30 | $ (9.9) | $ (0.16) |

1. Per diluted share ("P.D.S.")
2. Numbers may not add due to rounding
3. Per Diluted share includes the impact of adjusting the Xchange related noncontrolling interest to current redemption value



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# Ambac Non-GAAP Financial Data - Adjusted Book Value

Adjusted Book Value

The following table reconciles Total Ambac Financial Group, Inc. stockholders' equity to the non-GAAP measure adjusted book value as of each date presented:

| | December 31, 2022 | | September 30, 2022 | | June 30, 2022 | | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ in millions, except per share data) | $ Amount | Per Share | $ Amount | Per Share | $ Amount | Per Share | $ Amount | Per Share | $ Amount | Per Share |
| Total Ambac Financial Group, Inc. Shareholders' Equity | $ 1,252.3 | $ 27.85 | $ 1,008.6 | $ 22.43 | $ 783.8 | $ 17.44 | $ 914.4 | $ 19.65 | $ 1,038.1 | $ 22.42 |
| Adjustments: | | | | | | | | | | |
| Non-credit impairment fair value losses on credit derivatives | — | — | — | — | — | — | — | — | 0.4 | 0.01 |
| Insurance intangible asset | (265.7) | (5.91) | (271.9) | (6.04) | (284.0) | (6.32) | (303.5) | (6.52) | (320.0) | (6.91) |
| Net unearned premiums and fees in excess of expected losses | 214.1 | 4.76 | 221.4 | 4.92 | 250.4 | 5.57 | 279.4 | 6.00 | 309.5 | 6.68 |
| Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income | 71.4 | 1.59 | 81.9 | 1.82 | 22.7 | 0.51 | (49.2) | (1.06) | (154.0) | (3.32) |
| Adjusted book value | $ 1,272.1 | $ 28.29 | $ 1,040.0 | $ 23.13 | $ 773.0 | $ 17.20 | $ 841.2 | $ 18.07 | $ 874.0 | $ 18.88 |
| Shares outstanding (in millions) | | 45.0 | | 45.0 | | 44.9 | | 46.5 | | 46.3 |



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# LFG Segment Non-GAAP Financial Data - Adjusted Book Value

Adjusted Book Value

The following table reconciles Stockholders' equity of the subsidiaries in the Financial Guarantee Insurance Segment to the non-GAAP measure adjusted book value. Financial Guarantee Insurance segment adjusted book value eliminates the shareholders' equity impact of Ambac Financial Group's, Inc.'s ownership of surplus notes issued by Ambac Assurance:

| ($ in millions) | 4Q2022 | 3Q2022 | 2Q2022 | 1Q2022 |
|---|---|---|---|---|
| Ambac's Shareholders' Equity (Legacy Financial Guarantee Insurance Segment) [1] | $ 825.9 | $ 680.9 | $ 449.9 | $ 567.4 |
| Adjustments: | | | | |
| Insurance intangible asset | (265.7) | (271.9) | (284.0) | (303.5) |
| Net unearned premiums and fees in excess of expected losses | 214.1 | 221.4 | 250.4 | 279.4 |
| Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income | 60.9 | 69.9 | 30.9 | (81.5) |
| Surplus Notes held by AFG (Book Value) | — | (108.6) | (106.1) | (105.6) |
| Adjusted book value (Legacy Financial Guarantee Insurance Segment) | $ 835.3 | $ 591.7 | $ 341.2 | $ 356.1 |

1. See slide 16 for a reconciliation to GAAP equity



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# Ambac's Operating Segment Highlights

| ($ in millions) | Legacy Financial Guarantee Insurance | Specialty Property & Casualty Insurance | Insurance Distribution | Corporate & Other | Consolidated |
|---|---|---|---|---|---|
| Three Months Ended December 31, 2022 | | | | | |
| Gross premiums written | $ (8.0) | $ 51.7 | | | $ 43.7 |
| Net premiums written | (7.9) | 10.0 | | | 2.1 |
| Total revenues | 201.3 | 7.5 | $ 9.1 | $ 1.2 | 219.1 |
| Total expenses | 23.2 | 8.4 | 7.9 | 6.7 | 46.2 |
| Pretax income (loss) | 178.0 | (0.9) | 1.2 | (5.4) | 172.9 |
| EBITDA[1] | 221.2 | (0.9) | 1.7 | (5.4) | 216.7 |
| Ambac Stockholders' Equity [2] | 825.9 | 110.4 | 92.8 | 223.2 | 1,252.3 |
| Non-redeemable noncontrolling interest | 50.9 | 2.0 | | | 52.9 |
| GAAP equity | $ 876.8 | $ 112.4 | $ 92.8 | $ 223.2 | $ 1,305.3 |
| Three Months Ended December 31, 2021 | | | | | |
| Gross premiums written | $ 1.6 | $ 6.8 | | | $ 8.4 |
| Net premiums written | 2.3 | 1.3 | | | 3.6 |
| Total revenues | 46.2 | 0.7 | $ 6.4 | $ 0.2 | 53.5 |
| Total expenses | 60.5 | 3.9 | 5.8 | 2.4 | 72.6 |
| Pretax income (loss) | (14.3) | (3.2) | 0.7 | (2.2) | (19.1) |
| EBITDA[1] | 40.6 | (3.2) | 1.1 | (2.2) | 36.2 |
| Ambac Stockholders' Equity[2] | 684.0 | 109.2 | 66.1 | 178.8 | 1,038.1 |
| Non-redeemable noncontrolling interest | 60.0 | | | | 60.0 |
| GAAP equity | $ 743.9 | $ 109.2 | $ 66.1 | $ 178.8 | $ 1,098.1 |

1. See slide 13 for EBITDA reconciliation to pre-tax GAAP Net Income
2. Represents the consolidated share of Ambac stockholders equity for each Segment and includes intercompany eliminations



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# Appendix

# 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.

## Contact

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