



# ***Ambac***

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Quarterly Operating Supplement

*1Q14*

## **About Ambac**

Ambac Financial Group, Inc. (“Ambac”), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation (“Ambac Assurance”), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited (“Ambac UK”), provide financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance is a guarantor of public finance and structured finance obligations. Ambac is also exploring opportunities involving the development or acquisition and/or development of new businesses. Ambac’s common stock trades on the NASDAQ Global Select Market (NASDAQ: AMBC).

## **Company Information**

Corporate headquarters are located at:

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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](http://www.ambac.com).

**Ambac Financial Group, Inc.**  
**Quarterly Operating Supplement**  
**First Quarter 2014**

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Note 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 Assurance, and Ambac UK related transactions, based on the view of Ambac UK. In cases where Ambac Assurance or Ambac UK has insured multiple tranches of an issue with varying internal ratings, or more than one obligation of an issuer with varying internal ratings, a weighted average rating is used. Ambac Assurance and Ambac UK credit ratings are subject to revision at any time and do not constitute investment advice. Ambac Assurance, or one of its affiliates, has insured the obligations listed and may also provide other products or services to the issuers of these obligations for which Ambac may have received premiums or fees.

Note 2: Information contained in this report is unaudited.

## Consolidated Statements of Operations

(\$ in Thousands, Except Share Data)	Three Months Ended	
	March 31,	
	2014	2013
<b>Revenues:</b>		
Net premiums earned:		
Normal net premiums earned.....	\$57,433	\$70,896
Accelerated net premiums earned .....	25,114	29,360
Total net premiums earned .....	82,547	100,256
Net investment income:		
Securities available-for-sale and short-term.....	68,807	85,057
Other investments.....	1,994	(543)
Total net investment income .....	70,801	84,514
Other-than-temporary impairment losses:		
Total other-than-temporary impairment losses.....	(10,392)	-
Portion of loss recognized in other comprehensive income.....	-	-
Net other-than-temporary impairment losses recognized in earnings.....	(10,392)	-
Net realized gains (losses).....	16,289	46,060
Change in fair value of credit derivatives:		
Realized gains (losses) and other settlements.....	775	2,509
Unrealized gains (losses).....	6,607	10,278
Net change in fair value of credit derivatives.....	7,382	12,787
Derivative products.....	(53,841)	(569)
Other income.....	1,894	9,498
(Loss) income on variable interest entities.....	(5,542)	38,326
Total revenues.....	109,138	290,872
<b>Expenses:</b>		
Losses and loss expenses (benefit).....	(140,011)	(51,135)
Insurance intangible amortization .....	31,714	-
Underwriting and operating expenses .....	25,786	33,874
Interest expense.....	32,328	23,165
Total (benefit) expenses.....	(50,183)	5,904
Pre-tax income (loss) from continuing operations before reorganization items.....	159,321	284,968
Reorganization items.....	23	2,059
Pre-tax income (loss) from continuing operations.....	159,298	282,909
Provision for income taxes.....	3,249	657
Net income (loss).....	156,049	282,252
Less: net income (loss) attributable to noncontrolling interest.....	107	(47)
Net income (loss) attributable to common shareholders.....	\$155,942	\$282,299
Net income (loss) per share.....	\$3.46	\$0.93
Net income (loss) per diluted share.....	\$3.31	\$0.93
Weighted average number of shares outstanding.....	45,042,823	302,469,966
Weighted average number of diluted shares outstanding.....	47,045,742	302,579,981

## Consolidated Balance Sheets

(\$ in Thousands, Except Share Data)	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Investments:		
Fixed income securities, at fair value (amortized cost of \$6,121,910 in 2014 and \$5,927,254 in 2013) . . . . .	\$6,168,689	\$5,885,316
Fixed income securities pledged as collateral, at fair value (amortized cost of \$125,090 in 2014 and \$126,196 in 2013) . . . . .	125,123	126,223
Short-term investments, at fair value (amortized cost of \$215,103 in 2014 and \$271,118 in 2013) . . . . .	215,103	271,119
Other investments, at fair value . . . . .	240,530	241,069
Total investments. . . . .	6,749,445	6,523,727
Cash . . . . .	31,700	77,370
Receivable for securities sold. . . . .	36,447	14,450
Investment income due and accrued . . . . .	34,641	37,663
Premium Receivables . . . . .	1,418,114	1,453,021
Reinsurance recoverable on paid and unpaid losses . . . . .	111,442	121,249
Deferred ceded premiums . . . . .	142,280	145,529
Subrogation recoverable . . . . .	512,235	498,478
Loans . . . . .	6,250	6,179
Derivative assets. . . . .	81,911	77,711
Insurance intangible assets. . . . .	1,570,070	1,597,965
Goodwill. . . . .	514,511	514,511
Other assets. . . . .	72,865	35,927
Variable interest entity assets:		
Fixed income securities, at fair value . . . . .	2,546,762	2,475,182
Restricted cash . . . . .	8,552	17,498
Investment income due and accrued . . . . .	4,247	1,365
Loans . . . . .	13,269,452	13,398,895
Intangible assets . . . . .	-	76,140
Other assets . . . . .	3,324	19,617
Total assets . . . . .	\$27,114,248	\$27,092,477
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Unearned premiums . . . . .	\$2,167,764	\$2,255,680
Losses and loss expense reserve . . . . .	5,826,168	5,968,712
Ceded premiums payable. . . . .	69,892	70,962
Obligations under investment and payment agreements . . . . .	359,993	359,070
Deferred taxes. . . . .	2,202	2,199
Current taxes. . . . .	3,761	738
Long-term debt . . . . .	972,147	963,178
Accrued interest payable. . . . .	317,052	294,817
Derivative liabilities. . . . .	300,840	253,898
Other liabilities. . . . .	58,819	67,377
Payable for securities purchased. . . . .	79,697	4,654
Variable interest entity liabilities:		
Accrued interest payable. . . . .	3,569	722
Long-term debt . . . . .	13,878,577	14,091,753
Derivative liabilities. . . . .	1,844,690	1,772,306
Other liabilities. . . . .	266	7,989
Total liabilities. . . . .	25,885,437	26,114,055
Stockholders' equity:		
Preferred stock. . . . .	-	-
Common stock. . . . .	450	450
Additional paid-in capital. . . . .	187,210	185,672
Accumulated other comprehensive income. . . . .	104,417	11,661
Accumulated earnings . . . . .	661,161	505,219
Common stock held in treasury at cost. . . . .	(19)	(19)
Total Ambac Financial Group, Inc. stockholders' equity. . . . .	953,219	702,983
Noncontrolling interest. . . . .	275,592	275,439
Total stockholders' equity. . . . .	1,228,811	978,422
Total liabilities and stockholders' equity. . . . .	\$27,114,248	\$27,092,477
Number of shares outstanding (net of treasury shares). . . . .	45,002,575	45,002,524
Ambac Financial Group, Inc. book value per share . . . . .	\$21.18	\$15.62

**Key Quarterly Financial Data**  
(Dollars in millions, except share data)

	Successor <sup>(1)</sup>				Predecessor <sup>(1)</sup>	
	1Q 2014	4Q 2013	3Q 2013	May/June 2013	April 2013	1Q 2013
<b>Summary GAAP Financial Data:</b>						
<b>Statement of Total Comprehensive Income:</b>						
Net premiums earned	\$83	\$85	\$71	\$58	\$30	\$100
Net investment income <sup>(2)</sup>	71	68	52	26	32	85
Change in fair value of credit derivatives	7	110	31	51	(73)	13
(Loss) gain on variable interest entities (VIEs)	(6)	(108)	55	5	388	38
Loss and loss expenses (benefit)	(140)	(5)	(154)	(26)	13	(51)
Insurance intangible amortization <sup>(2)</sup>	32	37	37	25	-	-
Underwriting and operating expenses <sup>(2)</sup>	26	28	25	16	11	34
Interest expense <sup>(2)</sup>	32	32	31	21	8	23
Reorganization items <sup>(2)</sup>	-	-	-	-	(2,747)	2
Net income (loss) attributable to Ambac common shareholders <sup>(2)</sup>	156	69	231	206	3,067	282
Net income (loss) per diluted share <sup>(2)</sup>	\$3.31	\$1.49	\$4.98	\$4.42	n.a.	n.a.
<b>Balance Sheets:</b>						
Total non-VIE investments	\$6,749	\$6,524	\$6,686	\$6,601		\$6,513
Premium receivable	1,418	1,453	1,436	1,465		1,543
Insurance intangible asset <sup>(2)</sup>	1,570	1,598	1,621	1,622		-
Goodwill <sup>(2)</sup>	515	515	515	515		-
Subrogation recoverable	512	499	485	501		545
Total VIE assets	15,932	15,989	17,386	16,263		16,752
Total assets <sup>(2)</sup>	27,114	27,092	28,621	27,463		26,154
Unearned premium reserve	2,168	2,256	2,304	2,373		2,623
Loss and loss expense reserve	5,826	5,969	5,885	6,043		6,590
Obligations under investment agreements <sup>(3)</sup>	360	359	359	359		357
Long-term debt <sup>(2)(3)</sup>	972	963	955	946		154
Liabilities subject to compromise <sup>(3)</sup>	-	-	-	-		1,705
Ambac stockholders' equity (deficit) <sup>(2)</sup>	953	703	611	287		(3,531)
<b>Summary Statutory Data of Ambac Assurance:</b>						
Invested assets	\$5,856	\$5,747	\$5,659	\$5,466		\$5,278
Loss and loss expense reserve	3,465	3,541	3,045	3,008		2,901
Estimated impairment losses on subsidiary guarantees	61	57	83	96		149
Policyholders' Surplus	1,008	840	502	394		159
Qualified statutory capital	1,094	906	1,142	973		693
Total claims-paying resources	\$7,269	\$7,199	\$7,062	\$6,890		\$6,628

- 1) Following the Company's emergence from bankruptcy on May 1, 2013, the consolidated financial statements reflect the application of fresh start reporting ("Fresh Start"), incorporating, among other things, the discharge of debt obligations, issuance of new common stock, and fair value adjustments. The effects of the reorganization and Fresh Start adjustments are recorded in Predecessor Ambac's Consolidated Statement of Total Comprehensive Income for the period ended April 30, 2013. The financial results of the Company for the periods from May 1, 2013, through December 31, 2013 are referred to as "Successor" and the financial results for the periods through April 30, 2013 are referred to as "Predecessor". The 2013 Successor Period and the 2013 Predecessor Period are distinct reporting periods. The effects of emergence and Fresh Start had a material impact on the comparability of our results of operations between these periods.
- 2) As a result of the implementation of Fresh Start, results and balances are not comparable between Successor Ambac and Predecessor Ambac.
- 3) Long-term debt represents surplus notes issued by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation. Long-term debt for all years excludes the portion of long-term debt associated with variable interest entities. Long-term debt associated with Ambac is included under liabilities subject to compromise.

**Key Annual Financial Data**

(Dollars in millions, except share data)

	Successor <sup>(1)</sup>		Predecessor <sup>(1)</sup>			
	YTD 2014	Eight Months Ended Dec. 31, 2013	Four Months Ended Apr. 30, 2013	2012	2011	2010
<b>Summary GAAP Financial Data:</b>						
<b>Statement of Total Comprehensive Income:</b>						
Net premiums earned	\$83	\$214	\$130	\$415	\$406	\$546
Net investment income <sup>(2)</sup>	71	146	117	383	355	359
Change in fair value of credit derivatives	7	193	(60)	(9)	48	60
(Loss) gain on variable interest entities (VIEs)	(6)	(49)	427	28	(214)	(617)
Loss and loss expenses (benefit)	(140)	(185)	(38)	684	1,859	719
Insurance intangible amortization <sup>(2)</sup>	32	100	-	-	-	-
Underwriting and operating expenses <sup>(2)</sup>	26	69	45	139	141	254
Interest expense <sup>(2)</sup>	32	85	31	112	128	181
Reorganization items <sup>(2)</sup>	-	-	(2,745)	7	50	32
Net income (loss) attributable to Ambac common shareholders <sup>(2)</sup>	156	505	3,349	(257)	(1,960)	(753)
Net income (loss) per diluted share	\$3.31	\$10.91	n.a.	n.a.	n.a.	n.a.
<b>Balance Sheets:</b>						
Total non-VIE investments	\$6,749	\$6,524	\$6,457	\$6,330	\$6,877	\$6,853
Premium receivable	1,418	1,453	1,532	1,621	2,028	2,423
Insurance intangible asset <sup>(2)</sup>	1,570	1,598	1,659	-	-	-
Goodwill <sup>(2)</sup>	515	515	515	-	-	-
Subrogation recoverable	512	499	534	497	660	714
Total VIE assets	15,932	15,989	17,460	17,842	16,543	17,931
Total assets <sup>(2)</sup>	27,114	27,092	28,842	27,074	27,108	29,039
Unearned premium reserve	2,168	2,256	2,482	2,778	3,457	4,008
Loss and loss expense reserve	5,826	5,969	6,106	6,619	7,044	5,289
Obligations under investment agreements <sup>(3)</sup>	360	359	365	362	547	806
Long-term debt <sup>(2) (3)</sup>	972	963	940	150	224	208
Liabilities subject to compromise <sup>(3)</sup>	-	-	-	1,705	1,707	1,695
Ambac stockholders' equity (deficit) <sup>(2)</sup>	953	703	185	(3,908)	(3,813)	(2,009)

**Summary Statutory Data of Ambac Assurance:**

Invested assets	\$5,856	\$5,747	\$5,168	\$5,854	\$5,943
Loss and loss expense reserve	3,465	3,541	2,946	3,226	2,478
Estimated impairment losses on subsidiary guarantees	61	57	144	-	-
Policyholders' Surplus	1,008	840	100	495	1,027
Qualified statutory capital	1,094	906	633	688	1,540
Total claims-paying resources	\$7,269	\$7,199	\$6,513	\$7,450	\$7,877

1) Following the Company's emergence from bankruptcy on May 1, 2013, the consolidated financial statements reflect the application of fresh start reporting ("Fresh Start"), incorporating, among other things, the discharge of debt obligations, issuance of new common stock, and fair value adjustments. The effects of the reorganization and Fresh Start adjustments are recorded in Predecessor Ambac's Consolidated Statement of Total Comprehensive Income for the period ended April 30, 2013. The financial results of the Company for the periods from May 1, 2013, through December 31, 2013 are referred to as "Successor" and the financial results for the periods through April 30, 2013 are referred to as "Predecessor". The 2013 Successor Period and the 2013 Predecessor Period are distinct reporting periods. The effects of emergence and Fresh Start had a material impact on the comparability of our results of operations between these periods.

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**Non-GAAP Financial Measures <sup>(1)</sup>**  
**(Dollars in Millions)**

**Operating Earnings:**

	<b>Successor</b>				<b>Predecessor</b>	
	<b>First Quarter 2014</b>	<b>Fourth Quarter 2013</b>	<b>Third Quarter 2013</b>	<b>May/June 2013</b>	<b>April 2013</b>	<b>First Quarter 2013</b>
Net income attributable to common shareholders.....	\$155.9	\$68.6	\$231.0	\$205.7	\$3,066.7	\$282.3
Adjustments:						
Non-credit impairment fair value (gain) loss on credit derivatives ...	(4.2)	(107.2)	(8.5)	(50.1)	77.5	(5.9)
Effect of consolidating financial guarantee VIEs.....	0.3	287.7	(48.7)	(15.3)	(386.7)	(27.0)
Insurance intangible amortization.....	31.7	37.2	37.5	24.9	-	-
FX (gain) loss from re-measured premium receivables and loss and loss expense reserves .....	(1.7)	(9.4)	(19.0)	7.4	(6.6)	17.9
Fair value (gain) loss on derivatives from Ambac CVA.....	(5.4)	15.1	1.1	30.5	(3.4)	30.1
Fresh Start accounting adjustments.....	-	-	-	-	(2,749.7)	-
Operating earnings (loss).....	<u>\$176.6</u>	<u>\$292.0</u>	<u>\$193.4</u>	<u>\$203.1</u>	<u>(\$2.2)</u>	<u>\$297.4</u>

**Adjusted Book Value:**

	<b>Successor</b>				<b>Predecessor</b>
	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>	<b>June 30, 2013</b>	<b>March 31, 2013</b>
Total Ambac Financial Group, Inc. stockholders' equity (deficit).....	\$953.2	\$703.0	\$611.4	\$287.2	(\$3,530.5)
Adjustments:					
Non-credit impairment fair value losses on credit derivatives .....	68.6	72.8	180.0	188.5	161.2
Effect of consolidating financial guarantee VIEs.....	(373.4)	(372.7)	(653.7)	(594.4)	(165.0)
Insurance intangible asset and goodwill.....	(2,084.6)	(2,112.5)	(2,135.5)	(2,136.1)	-
Ambac CVA on derivative product liabilities (excluding credit derivatives) .....	(53.8)	(48.4)	(63.5)	(64.6)	(91.8)
Net unearned premiums and fees in excess of expected losses.....	1,349.6	1,435.2	1,525.8	1,690.3	1,788.0
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income .....	(46.8)	41.9	37.1	91.0	(745.4)
Adjusted book value.....	<u>(\$187.2)</u>	<u>(\$280.7)</u>	<u>(\$498.4)</u>	<u>(\$538.1)</u>	<u>(\$2,583.5)</u>

- 1) In addition to reporting Ambac's financial results in accordance with GAAP, Ambac reports two non-GAAP financial measures: Operating 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 profitability drivers of our business and the impact of certain items that Ambac believes will reverse from GAAP book value over time through the GAAP statements of comprehensive income. Operating 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.



## Ambac Assurance

### Claims-Paying Resources <sup>(1)</sup> and Statutory Financial Ratios

(\$ Thousands, Except Ratios)	March 31, 2014	December 31, 2013
Contingency Reserve . . . . .	\$86,570	\$65,691
Policyholders' Surplus <sup>(2)</sup> . . . . .	1,007,600	840,262
Qualified Statutory Capital . . . . .	1,094,170	905,953
Unearned Premiums . . . . .	1,049,647	1,093,607
Losses and Loss Adjustment Expenses . . . . .	3,464,846	3,541,487
Estimated Impairment Losses on Subsidiary Guarantees . . . . .	61,000	56,600
Policyholders' Reserves . . . . .	5,669,663	5,597,647
Present Value of Future Installment Premiums <sup>(3)</sup> . . . . .	454,791	468,576
Ambac Assurance Claims-paying Resources . . . . .	6,124,454	6,066,223
Ambac UK Claims-paying Resources <sup>(4)</sup> . . . . .	1,144,172	1,132,736
Total Claims-paying Resources . . . . .	\$7,268,626	\$7,198,959
Net Financial Guarantees In Force:		
Ambac Assurance . . . . .	\$235,912,161	\$243,621,498
Ambac UK . . . . .	37,017,949	38,588,617
Total Net Financial Guarantees In Force . . . . .	\$272,930,110	\$282,210,115
Total Claims-paying Ratio <sup>(5)</sup> . . . . .	38 : 1	39 : 1

- 1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.
- 2) Surplus Notes with a par value of \$1,641,860 are included in the capital and surplus for March 31, 2014 and December 31, 2013.
- 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 only 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 primarily consist of the present value of future installment premiums of approximately \$608,744.
- 5) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

**Ambac Assurance**  
**Rollforward of Statutory Policyholders' Surplus**

(\$ Thousands)

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Policyholders' Surplus, beginning of period <sup>(1)</sup> .....	\$ 840,262	\$ 100,000
Net income (loss) <sup>(2) (3)</sup> .....	185,304	(235,557)
Issuance of junior surplus note - segregated account <sup>(2)</sup> .....	-	350,000
Extinguishment of junior surplus note - segregated account <sup>(3)</sup> .....	-	(8,043)
Change in contingency reserves <sup>(4)</sup> .....	(20,878)	463,499
Change in investments <sup>(5)</sup> .....	2,360	165,785
Other changes in surplus .....	552	4,578
Policyholders' Surplus, end of period .....	<u>\$ 1,007,600</u>	<u>\$ 840,262</u>

- 1) Pursuant to a prescribed practice by the Wisconsin Insurance Commissioner, the results of the Segregated Account are not included in Ambac Assurance's statutory financial statements if it causes Ambac Assurance's surplus to drop below \$100,000 (the "Minimum Surplus Amount").
- 2) Net income for the year ended December 31, 2013 includes an expense related to the issuance of a junior surplus note to Ambac Financial Group, Inc. The issuance of the surplus note also increased surplus directly by \$350,000, resulting in an overall surplus impact of \$0.
- 3) Net income for the year ended December 31, 2013 includes a benefit related to junior surplus notes originally issued in connection with a settlement agreement to terminate Ambac's headquarters office lease with One State Street, LLC ("OSS") in May 2011. The outstanding principal amount was reduced by \$8,043 based on the value of distribution that OSS received on account of its allowed claim on Ambac's bankruptcy case. The reduction in the outstanding principal amount decreased surplus directly by \$8,043 with an offsetting gain in net income, resulting in an overall surplus impact of \$0.
- 4) Ambac Assurance received regulatory approval from the Wisconsin Insurance Commissioner to release \$570,546 of contingency reserves effective for the year ended December 31, 2013.
- 5) Includes non-income statement changes in investments such as changes in non-admitted investments, changes in valuation of investments carried at fair value and changes in investment in subsidiaries, excluding dividends.

## Ambac Assurance Segregated Account, in Rehabilitation

### Claims Paying Position <sup>(1)</sup>

(\$ Thousands)	March 31, 2014	December 31, 2013
Liabilities allocated from Ambac Assurance <sup>(2)</sup> . . . . .	\$ 5,931,166	\$ 6,010,714
Segregated Account resources:		
Secured Note provided by Ambac Assurance including accrued interest . . . . .	23,772	107,803
Liabilities ceded to Ambac Assurance <sup>(3)</sup> . . . . .	5,906,626	5,902,198
Surplus notes ceded to Ambac Assurance <sup>(3)</sup> . . . . .	431,039	431,039
Other Segregated Account Net Assets . . . . .	12,105	12,313
Total resources available . . . . .	<u>6,373,542</u>	<u>6,453,353</u>
Current Surplus to pay Segregated Account permitted claims . . . . .	<u>\$ 442,376</u>	<u>\$ 442,639</u>

- 1) Total resources available to pay claims at Ambac Assurance are the same resources available to pay claims at the Segregated Account subject to limitations discussed in footnote (3) below. Permitted claims of the Segregated Account will initially receive partial payment of 25%. In August 2013, the Segregated Account began making cash payments in excess of 25% of permitted claims on certain policies. Additionally, refer to Ambac's filings with the Securities and Exchange Commission for discussion of potential amendments to the Rehabilitation Plan.
- 2) Pursuant to the Plan of Operation for the Segregated Account, Ambac Assurance has allocated certain policies to the Segregated Account, including (i) residential mortgage-backed securities, (ii) student loans, (iii) collateralized debt obligations and (iv) other policies insuring obligations with substantial projected impairments or relating to transactions which have contractual triggers based upon Ambac Assurance's financial condition or the commencement of rehabilitation, which triggers are potentially damaging. Please refer to Ambac's filings with the Securities and Exchange Commission for further information.
- 3) Liabilities and surplus notes ceded to Ambac Assurance via an excess of loss reinsurance agreement are limited by Ambac Assurance maintaining the Minimum Surplus Amount.

## Ratio of Net Claims Recorded <sup>(1)</sup>

(\$ Thousands)	Successor Ambac		Predecessor Ambac			
	Three Months ended March 31,	Eight Months ended December 31,	Four Months ended April 30,	December 31,		
	2014	2013	2013	2012	2011	2010
Net claims (recovered) paid - Insurance <sup>(2)</sup>	\$ (3,125)	\$ (92,480)	\$ (31,147)	\$ 932,930	\$ 147,762	\$ 290,519
Net unpaid claims - Insurance <sup>(3)</sup>	58,208	241,916	274,222	619,431	1,357,181	1,411,445
Net credit derivatives payments	-	-	-	-	-	(263)
Net credit derivatives commutation payments <sup>(4)</sup>	-	-	-	-	-	4,589,107
Total net claims recorded	\$ 55,083	\$ 149,436	\$ 243,075	\$ 1,552,361	\$ 1,504,943	\$ 6,290,808
Net insurance premiums earned and credit derivative fees	\$ 83,322	\$ 223,296	\$ 133,444	\$ 428,317	\$ 422,971	\$ 577,195
Ratio of net claims recorded <sup>(5)</sup>	66.1%	66.9%	182.2%	362.4%	355.8%	1089.9%

## Estimated Future Gross RMBS Claims Recorded <sup>(6)</sup>

(\$ Thousands)	Successor Ambac	
	March 31, 2014	December 31, 2013
2014 (Nine months for March 31, 2014, Full Year for December 31, 2013)	\$ 267,257	\$ 368,894
2015	210,311	236,549
2016	272,232	268,054
2017	187,374	184,279
2018	113,071	124,094
2019	75,498	85,759
2014 (Nine months for March 31, 2014, Full Year for December 31, 2013)	\$ 267,257	\$ 368,894
2015-2019	858,486	898,735
2020-2024	154,373	170,438
2025-2029	28,548	30,292
2030-2034	11,243	10,516
After 2034	711,340	722,816
Total	\$ 2,031,247	\$ 2,201,691

- 1) Net claims recorded include (i) claims paid (recovered); (ii) changes to claims presented and unrepresented for policies which were allocated to the Segregated Account; and (iii) commutation settlements.
- 2) Net claims (recovered) paid are net of subrogation received of \$69,700, \$292,067, \$160,355, \$222,205, \$104,805, and \$107,914 for the three months ending March 31, 2014, the eight months ended December 31, 2013, the four months ended April 30, 2013 and years ended December 31, 2012, 2011, and 2010, respectively. Includes the issuance of surplus notes at par value in the amount of \$3,000 and \$50,000 for the years ended December 31, 2011 and 2010, respectively.
- 3) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain Ambac Assurance liabilities, and in connection with such segregation Ambac Assurance has allocated certain policies to the Segregated Account. On June 4, 2012, the Rehabilitation Court approved the Rehabilitator's motion to make partial interim policy claim payments to Segregated Account policyholders. As a result, the Segregated Account paid 25% of each permitted policy claim that has arisen since the commencement of the Segregated Account Rehabilitation Proceedings and will pay 25% of each policy claim submitted and permitted in the future. In August 2013, the Segregated Account began to make cash payments in excess of 25% of permitted claims on certain policies. Additionally, refer to Ambac's filings with the Securities and Exchange Commission for discussion of potential amendments to the Rehabilitation Plan.
- 4) 2010 credit derivative commutation payments include the issuance of surplus notes by Ambac Assurance at par in the amount of \$2,000,000.
- 5) Ratio of net claims recorded is total net claims recorded divided by net premiums earned and fees on credit derivative contracts.
- 6) Represents management's estimate of undiscounted future RMBS claims recorded, excluding reinsurance and representation and warranty subrogation recoveries. Future claims recorded in these tables exclude RMBS claims presented and unpaid of \$3,944,695 and \$3,891,306 as of March 31, 2014 and December 31, 2013, respectively, Ambac's undiscounted estimate of representation and warranty subrogation recoveries are \$2,235,231 and \$2,215,848 at March 31, 2014 and December 31, 2013, respectively. Actual claims recorded may differ from estimates.

## Summary of Net Insurance Loss Reserves (GAAP) and Credit Derivative Impairments

(\$ Thousands)	Successor Ambac		Predecessor Ambac		
	March 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Total insurance reserves <sup>(1)</sup>	\$5,202,631	\$5,347,877	\$5,974,731	\$6,230,780	\$4,424,450
Estimated credit impairment losses on credit derivatives <sup>(2)</sup>	19,153	21,531	46,469	36,940	22,055
Total impairment losses	5,221,784	5,369,408	6,021,200	6,267,720	4,446,505
Mark-to-market reserve on credit derivatives <sup>(2)</sup>	68,562	72,791	167,116	153,713	199,629
Grand total net insurance loss reserves and credit derivatives	\$5,290,346	\$5,442,199	\$6,188,316	\$6,421,433	\$4,646,134

## Summary of Insured Exposures With Impairment Losses

(\$ Thousands)	Segregated Account Net Par Outstanding <sup>(3)</sup>	Total Net Par Outstanding	Total Impairment Losses <sup>(4)(5)</sup>
<b>Public Finance:</b>			
Lease & tax backed	\$0	\$2,118,746	\$89,714
Housing	-	552,819	8,555
Transportation revenue	81,674	569,120	120,596
General obligation	-	686,154	131,926
Other	-	705,505	(1,836)
Total Public Finance	81,674	4,632,344	348,955
<b>Structured Finance:</b>			
Mortgage-backed & home equity - first lien & other	6,723,489	6,723,489	2,907,815
Mortgage-backed & home equity - second lien	4,311,177	4,311,177	390,877
Student loans	2,017,542	2,017,542	784,709
Other	137,000	1,037,000	564,821
Total Structured Finance	13,189,208	14,089,208	4,648,222
<b>International Finance:</b>			
	87,157	2,492,949	224,607
Total	\$13,358,039	\$21,214,501	\$5,221,784

- 1) As a result of the partial claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$3,962,531 of claims remain unpaid. Total insurance reserves are inclusive of these unpaid claims.
- 2) Total net mark-to-market losses are \$87,715, \$94,322, \$213,585, \$190,653, and \$221,684 as of March 31, 2014, December 31, 2013, 2012, 2011, and 2010, respectively, and are reported on the consolidated balance sheet under derivative liabilities.
- 3) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain Ambac Assurance liabilities, and in connection with such segregation Ambac Assurance has allocated certain insurance policies to the Segregated Account. Please see discussion in Ambac's filings with the Securities and Exchange Commission for further information.
- 4) Estimated impairment losses includes both insurance loss reserves and estimated credit impairment losses on credit derivatives and excludes impairment losses eliminated as a result of the Consolidations Accounting Standard of \$355,429. Please see discussion in Ambac's filings with the Securities and Exchange Commission for further information.
- 5) Estimated impairment losses includes loss and loss expenses relating to insurance policies issued by Ambac UK of \$678,851.

## Net Insurance Premiums Earned and Fees on Credit Derivatives (GAAP)

2014 (\$ Thousands)	Successor Ambac				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Public Finance . . . . .	\$27,287				\$27,287
Structured Finance <sup>(1)</sup> . . . . .	10,389				10,389
International Finance . . . . .	19,757				19,757
Total Normal Insurance Premiums Earned . . . . .	57,433	-	-	-	57,433
Accelerated Premiums Earned . . . . .	25,114				25,114
Total Premiums Earned . . . . .	\$82,547	-	-	-	\$82,547
Fees on credit derivative contracts . . . . .	\$775				\$775

2013 (\$ Thousands)	Predecessor Ambac			Successor Ambac			
	First Quarter	April	Four Months Ended April 30	Two Months Ended June 30	Third Quarter	Fourth Quarter	Eight Months Ended December 31
Public Finance . . . . .	\$36,051	\$11,829	\$47,880	\$23,559	\$33,028	\$29,994	\$86,581
Structured Finance <sup>(1)</sup> . . . . .	15,662	4,635	20,297	8,884	(544)	11,685	20,025
International Finance . . . . .	19,183	6,207	25,390	12,547	18,767	19,056	50,370
Total Normal Insurance Premiums Earned . . . . .	70,896	22,671	93,567	44,990	51,251	60,735	156,976
Accelerated Premiums Earned . . . . .	29,360	7,073	36,433	13,049	19,698	23,795	56,542
Total Premiums Earned . . . . .	\$100,256	\$29,744	\$130,000	\$58,039	\$70,949	\$84,530	\$213,518
Fees on credit derivative contracts . . . . .	\$2,509	\$935	\$3,444	\$6,074	\$1,580	\$2,124	\$9,778

## Net Unearned Premium Amortization and Estimated Future Installment Premiums

(\$ Millions)	Net Unearned Premium Amortization (GAAP) <sup>(2)</sup>	Fees on Credit Derivative Contracts <sup>(3)</sup>	Estimated Net Future Installments <sup>(3)</sup>	Consolidated VIE
2014 (2nd, 3rd and 4th Qtrs) . . . . .	\$136.4	\$2.1	\$75.9	\$20.9
2015 . . . . .	164.1	2.1	93.3	26.1
2016 . . . . .	151.3	1.1	85.3	25.2
2017 . . . . .	140.8	0.9	78.7	24.3
2018 . . . . .	131.8	0.8	82.8	23.0
2019 . . . . .	123.8	0.8	65.8	20.6
2014 (2nd, 3rd and 4th Qtrs) . . . . .	\$136.4	\$2.1	\$75.9	\$20.9
2015-2019 . . . . .	711.8	5.7	405.9	119.2
2020-2024 . . . . .	513.1	2.4	269.1	77.3
2025-2029 . . . . .	343.8	0.1	209.0	46.2
2030-2034 . . . . .	199.0	-	152.2	27.0
After 2034 . . . . .	121.4	-	96.2	4.4
Total . . . . .	\$2,025.5	\$10.3	\$1,208.3	\$295.0

1) Reductions to net insurance premiums earned for changes in premium receivables deemed uncollectible were \$965 for the first quarter of 2014, and \$197, \$425, \$0, \$13,300 and \$623 for the first quarter of 2013, April 2013, two months ended June 30, 2013, third quarter of 2013 and fourth quarter of 2013, respectively.

2) 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, 2014. Actual future installments 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. The unearned premium amortization disclosed in the above table consider the use of contractual lives for many bond types that do not have homogeneous pools of underlying collateral, which results in a higher unearned premium than if expected lives were considered. If those bond types are retired early, premium earnings may be negative in the period of call or refinancing.

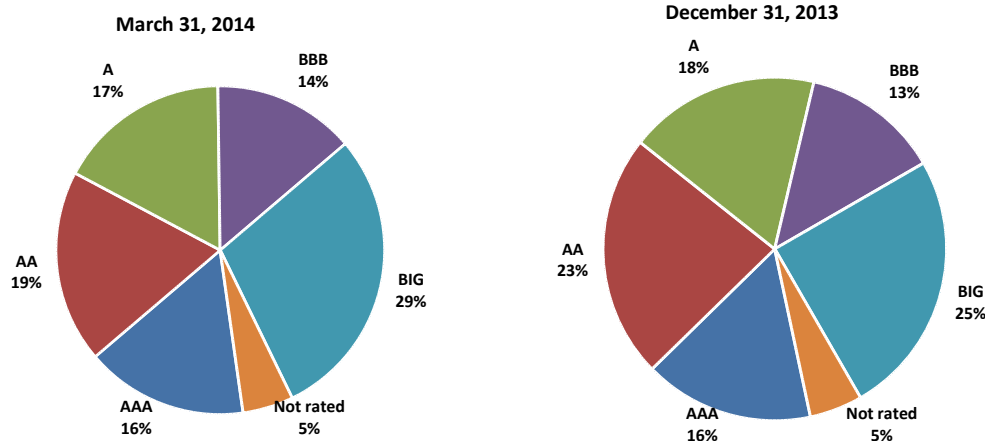
3) Represents management's undiscounted estimate of fees on credit derivative contracts and future installment premium collections net of reinsurance. Actual premium collections may differ from estimated because borrowers may have the right to call or terminate a transaction or the guaranteed obligation 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.

# Fixed Income Investment Portfolio

As of March 31, 2014

INCOME ANALYSIS BY TYPE OF SECURITY	Fair	U.S. GAAP	Pre-tax
Investment category (\$ thousands)	Value	Book	Yield To
		Value	Maturity <sup>(1)</sup>
Financial Guarantee investments:			
Long-term investments			
U.S. government and agency obligations	\$ 204,255	\$ 204,688	0.22%
Municipal obligations <sup>(2)</sup>	1,185,288	1,189,334	3.67%
Corporate obligations	1,595,529	1,597,554	2.39%
Ambac-insured - loss mitigation strategy <sup>(3)</sup>	1,578,551	1,500,491	10.02%
Mortgage and asset-backed securities	1,112,738	1,129,719	3.85%
Total long-term investments	<u>5,676,361</u>	<u>5,621,786</u>	<u>4.91%</u>
Short-term investments	161,374	161,374	0.03%
Other	150	150	
Total Financial Guarantee investments excl. Ambac UK	<u>5,837,885</u>	<u>5,783,310</u>	<u>4.78%</u>
Ambac UK Investments <sup>(4)</sup>	494,666	502,708	1.73%
Total Financial Guarantee investments	<u>6,332,551</u>	<u>6,286,018</u>	<u>4.53%</u>
Financial Services investments: <sup>(5)</sup>			
Long-term investments			
U.S. government and agency obligations	38,235	38,219	
Mortgage and asset-backed securities	334,198	333,954	
Total long-term investments	<u>372,433</u>	<u>372,173</u>	
Short-term investments	7	7	
Total Financial Services investments	<u>372,440</u>	<u>372,180</u>	
Corporate investments:			
Long-term investments			
Mortgage and asset-backed securities	29,434	29,415	
Total long-term investments	<u>29,434</u>	<u>29,415</u>	
Short-term investments	15,020	15,020	
Total Corporate investments	<u>44,454</u>	<u>44,435</u>	
Total Investments	<u>\$ 6,749,445</u>	<u>\$ 6,702,633</u>	

## RATING DISTRIBUTION OF INVESTMENT PORTFOLIO <sup>(3)(6)</sup>



Duration of Financial Guarantee investment portfolio <sup>(3)</sup> ..... 4.0

- 1) "Yield to maturity" refers to the rate of interest to be earned over the expected remaining life of the investments in the portfolio, and is calculated based on book value, estimated future cash flows and call schedules. Actual maturities may differ from stated maturities because borrowers may have the right to call or prepay obligations. For floating rate positions "yield to maturity" is based on the current interest rate and not forward rates.
- 2) Includes taxable and tax-exempt municipal obligations with a fair value of \$445,535 and \$739,753 respectively.
- 3) Ambac Assurance insured bonds purchased as part of our loss mitigation strategy are held for the purpose of reducing future financial guarantee claim payments and include residential mortgage backed and student loan securities. These bonds represent 24% and 20% of the consolidated investment fair value portfolio at March 31, 2014 and December 31, 2013, respectively. These securities are excluded from the company's measure of duration.
- 4) Includes fixed income investments as well as pooled investment funds and ETFs. The pre-tax yield to maturity is from the fixed income portfolio only.
- 5) Financial Services investments relate primarily to the investment agreement business.
- 6) Ratings are based on the lower of Standard & Poor's or Moody's rating. If guaranteed, rating represents the higher of the underlying or wrapped rating. Rating distribution is calculated based on fair value.

## Expense Analysis (GAAP)

2014

Successor Ambac

(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
<b>Financial Guarantee operating expenses:</b>					
Compensation .....	\$ 12,436				\$ 12,436
Non-compensation .....	10,360				10,360
<b>Total Financial Guarantee operating expenses .....</b>	<b>22,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,796</b>
<b>Financial Services operating expenses .....</b>	<b>642</b>				<b>642</b>
<b>Corporate and other operating expenses .....</b>	<b>2,433</b>				<b>2,433</b>
<b>Total gross operating expenses .....</b>	<b>\$ 25,871</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,871</b>
Ceding commissions .....	(85)				(85)
Total operating expenses .....	\$ 25,786	\$ -	\$ -	\$ -	\$ 25,786
<b>Reorganization costs .....</b>	<b>\$ 23</b>				<b>\$ 23</b>
<b>Total gross operating expenses, including reorganization costs .....</b>	<b>\$ 25,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,894</b>

2013

Predecessor Ambac

Successor Ambac

(\$ Thousands)	First Quarter	April	Four Months Ended April 30	Two Months Ended June 30	Third Quarter	Fourth Quarter	Eight Months Ended December 31
<b>Financial Guarantee operating expenses:</b>							
Compensation .....	\$ 14,408	\$ 4,549	\$ 18,957	\$ 8,965	\$ 12,991	\$ 13,382	\$ 35,338
Non-compensation .....	12,560	4,431	16,991	5,849	10,208	11,062	27,119
<b>Total Financial Guarantee operating expenses .....</b>	<b>26,968</b>	<b>8,980</b>	<b>35,948</b>	<b>14,814</b>	<b>23,199</b>	<b>24,444</b>	<b>62,457</b>
<b>Financial Services operating expenses .....</b>	<b>769</b>	<b>526</b>	<b>1,295</b>	<b>429</b>	<b>796</b>	<b>577</b>	<b>1,802</b>
<b>Corporate and other operating expenses .....</b>	<b>608</b>	<b>(69)</b>	<b>539</b>	<b>383</b>	<b>337</b>	<b>2,298</b>	<b>3,018</b>
<b>Total gross operating expenses .....</b>	<b>\$ 28,345</b>	<b>\$ 9,437</b>	<b>\$ 37,782</b>	<b>\$ 15,626</b>	<b>\$ 24,332</b>	<b>\$ 27,319</b>	<b>\$ 67,277</b>
Ceding commissions .....	194	110	304	591	715	186	1,492
Change in deferred acquisition costs .....	5,335	1,145	6,480	-	-	-	-
Total operating expenses .....	\$ 33,874	\$ 10,692	\$ 44,566	\$ 16,217	\$ 25,047	\$ 27,505	\$ 68,769
<b>Reorganization costs .....</b>	<b>\$ 2,059</b>	<b>\$ (2,747,239)</b>	<b>\$ (2,745,180)</b>	<b>\$ 424</b>	<b>\$ 4</b>	<b>\$ 65</b>	<b>\$ 493</b>
<b>Total gross operating expenses, including reorganization costs .....</b>	<b>\$ 30,404</b>	<b>\$ (2,737,802)</b>	<b>\$ (2,707,398)</b>	<b>\$ 16,050</b>	<b>\$ 24,336</b>	<b>\$ 27,384</b>	<b>\$ 67,770</b>



## Historical Net Financial Guarantee Exposures Outstanding <sup>(1)</sup>

(\$ Millions Net Par Value)	March 31, <sup>(2)</sup>	December 31, <sup>(2)</sup>			Segregated Account March 31, 2014
	2014	2013	2012	2011	
<b>Public Finance:</b>					
Lease and tax backed . . . . .	\$40,879	\$41,858	\$50,415	\$59,864	\$ -
General obligation . . . . .	28,084	29,115	34,623	42,959	11
Utility . . . . .	14,261	14,933	18,651	22,529	439
Transportation . . . . .	9,048	9,653	13,892	18,945	332
Higher education . . . . .	7,648	7,810	10,382	13,618	-
Housing . . . . .	7,355	7,439	8,176	8,823	-
Health care . . . . .	3,727	3,903	5,266	7,824	90
Other . . . . .	1,323	1,351	1,613	2,255	-
Total Public Finance . . . . .	112,325	116,062	143,018	176,817	872
<b>Structured Finance:</b>					
Mortgage-backed & home equity . . . . .	15,452	16,026	19,117	23,164	15,452
Investor-owned utilities . . . . .	5,790	5,881	7,071	9,049	55
Student loan . . . . .	4,256	4,357	5,411	7,824	4,256
Asset-backed . . . . .	2,231	2,361	2,905	4,732	-
CDOs . . . . .	865	897	5,941	8,060	267
Other . . . . .	1,885	1,890	1,914	2,316	313
Total Structured Finance . . . . .	30,479	31,412	42,359	55,145	20,343
<b>International Finance <sup>(3)</sup>:</b>					
Investor-owned and public utilities . . . . .	9,765	9,595	10,314	10,510	-
Sovereign/sub-sovereign . . . . .	7,351	7,394	7,289	7,282	-
Asset-backed . . . . .	6,792	6,884	8,702	9,560	-
Transportation . . . . .	4,283	5,021	6,002	5,914	144
CDOs . . . . .	591	822	3,191	4,375	198
Mortgage-backed & home equity . . . . .	475	484	1,268	1,397	-
Other . . . . .	1,425	1,418	1,490	1,504	-
Total International Finance . . . . .	30,682	31,618	38,256	40,542	342
Grand Total . . . . .	\$173,486	\$179,092	\$223,633	\$272,504	\$21,557
<b>Percent of Total Net Par Outstanding</b>					
Public Finance . . . . .	64.7%	64.8%	64.0%	64.9%	4.0%
Structured Finance . . . . .	17.6%	17.5%	18.9%	20.2%	94.4%
International Finance . . . . .	17.7%	17.7%	17.1%	14.9%	1.6%
Total Net Par Outstanding . . . . .	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Included in the above exposures are structured credit derivatives. Total structured credit derivative net par outstanding amounted to \$2,491, \$2,776, \$11,282, and \$14,167, at March 31, 2014 and December 31, 2013, 2012, and 2011, respectively.

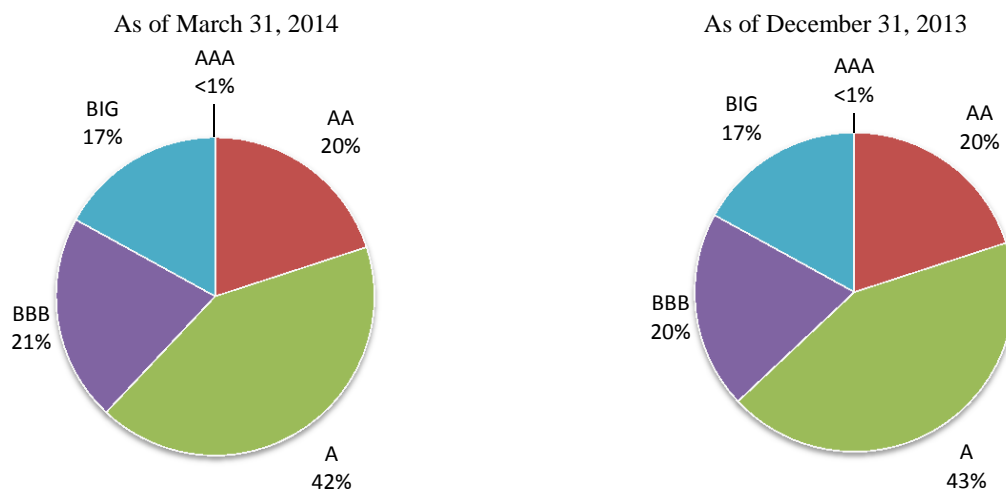
(2) Includes exposure allocated to the Segregated Account.

(3) International transactions include components of domestic exposure.

## Geographic Distribution of Net Financial Guarantee Exposures Outstanding

(\$ Millions Net Par Value)	March 31,		December 31,		
	2014	%	2013	2012	2011
<b>Domestic:</b>					
California . . . . .	\$24,946	14.4%	\$25,657	\$32,105	\$36,133
New York . . . . .	11,110	6.4%	11,577	14,389	18,267
Florida . . . . .	8,377	4.8%	8,545	11,110	13,906
Texas . . . . .	6,874	4.0%	7,431	10,016	12,983
New Jersey . . . . .	6,322	3.6%	6,559	7,906	9,650
Illinois . . . . .	5,504	3.2%	5,730	6,878	8,524
Massachusetts . . . . .	4,597	2.6%	4,689	5,373	5,799
Pennsylvania . . . . .	3,859	2.2%	3,906	4,304	5,301
Colorado . . . . .	3,707	2.1%	3,741	4,376	5,010
Washington . . . . .	2,826	1.6%	2,998	3,480	4,772
Mortgage and asset-backed . . . . .	17,683	10.2%	18,387	22,022	27,896
Other states . . . . .	46,999	27.1%	48,254	63,418	83,721
Total Domestic . . . . .	142,804	82.3%	147,474	185,377	231,962
<b>International:</b>					
United Kingdom . . . . .	21,116	12.2%	21,282	22,585	22,317
Australia . . . . .	3,450	2.0%	3,331	4,820	5,176
Italy . . . . .	1,879	1.1%	2,412	3,068	3,346
Austria . . . . .	977	0.6%	967	943	956
New Zealand . . . . .	554	0.3%	526	529	523
Internationally diversified . . . . .	1,658	1.0%	1,918	3,968	5,318
Other international . . . . .	1,048	0.6%	1,182	2,343	2,906
Total International . . . . .	30,682	17.7%	31,618	38,256	40,542
Grand Total . . . . .	\$173,486	100.0%	\$179,092	\$223,633	\$272,504

## Rating Distribution of Net Financial Guarantee Exposures Outstanding <sup>(1)</sup>



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

## 25 Largest Domestic Public Finance Exposures

(\$ Millions)	Ambac Rating <sup>(1)</sup>	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A	\$ 2,588	1.5%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	1,915	1.1%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	1,246	0.7%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	1,230	0.7%
Massachusetts Commonwealth - GO	AA	1,182	0.7%
Los Angeles Unified School District, CA - GO	AA -	895	0.5%
Washington State - GO	AA	870	0.5%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	846	0.5%
Puerto Rico Sales Tax Financing Corporation	BBB -	805	0.5%
Puerto Rico Highways & Transportation Authority, Transportation Revenue <sup>(2)</sup>	BIG	733	0.4%
Chicago, IL - GO	BBB +	686	0.4%
New York City, NY - GO	AA	661	0.4%
New York Convention Center Development Corporation, Hotel Fee Revenue	A -	651	0.4%
New Jersey Economic Development Authority - School Facilities Construction	A +	638	0.4%
Dallas Area Rapid Transit, TX, Sales Tax Revenue	AA	633	0.4%
Missouri Joint Municipal Electric Utility Commission, Project Revenue	A -	614	0.4%
Mets Queens Baseball Stadium Project, NY, Lease Revenue	BIG	585	0.3%
New York City, NY Water and Sewer System Revenue	AA	566	0.3%
MTA, NY, Transportation Revenue (Farebox)	A	564	0.3%
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	561	0.3%
New Jersey Turnpike Authority Revenue	A	544	0.3%
Alameda Corridor Transportation Authority, Transportation Revenue	BBB	539	0.3%
Miami-Dade County, FL School Board, Master Lease <sup>(2)</sup>	A -	535	0.3%
Minneapolis-St. Paul Metropolitan Airports Commission Airport Revenue Bonds	AA -	518	0.3%
Illinois Sports Facility Authority	A -	515	0.3%
Total:		\$ 21,120	12.2%

1) See Note 1 on the Table of Contents page.

2) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities. In connection with such segregation Ambac Assurance has allocated an insurance policy on the obigor's interest rate swap liabilities to the Segregated Account.

## 25 Largest Structured Finance Exposures

(\$ Millions)	Ambac Rating <sup>(1)</sup>	Net Par Outstanding	% of Total Net Par Outstanding
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 <sup>(2)</sup>	BIG	\$953	0.5%
Ballantyne Re Plc <sup>(3)</sup>	BIG	900	0.5%
The National Collegiate Student Loan Trust 2007-4 <sup>(2)</sup>	BIG	742	0.4%
Spirit Master Funding	BBB	734	0.4%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 <sup>(2)</sup>	BIG	663	0.4%
Timberlake Financial, LLC	BIG	611	0.4%
Michigan Higher Education Student Loan Authority <sup>(2)</sup>	BIG	581	0.3%
Progress Energy Carolinas, INC	A -	558	0.3%
Local Insight Media Finance LLC	BIG	489	0.3%
Option One Mortgage Loan Trust 2007-FXD1 <sup>(2)</sup>	BIG	430	0.2%
Countrywide Asset-Backed Certificates Trust 2005-16 <sup>(2)</sup>	BIG	417	0.2%
Niagara Mohawk Power Corporation	A	414	0.2%
Countrywide Revolving Home Equity Loan Trust 2005-F <sup>(2)</sup>	BIG	404	0.2%
The National Collegiate Student Loan Trust 2007-3 <sup>(2)</sup>	BIG	390	0.2%
CenterPoint Energy Inc.	BBB +	376	0.2%
Impac CMB Trust Series 2005-7 <sup>(2)</sup>	BIG	364	0.2%
Consolidated Edison Company of New York	A	347	0.2%
Countrywide Asset Backed Certificates Trust 2005-17 <sup>(2)</sup>	BIG	338	0.2%
Morgan Stanley Credit Corporation Heloc Trust 2007-1 <sup>(2)</sup>	BIG	335	0.2%
CDO of HY Corporate	AA+	331	0.2%
Privately Placed RMBS Transaction <sup>(2)</sup>	BIG	329	0.2%
Countrywide Asset Backed Certificates Trust 2006-11 <sup>(2)</sup>	BIG	309	0.2%
The National Collegiate Student Loan Trust 2005-3 <sup>(2)</sup>	BIG	282	0.2%
GMACM Home Equity Loan Trust 2005-HE3 <sup>(2)</sup>	BIG	275	0.2%
Terwin Mortgage Trust Asset-Backed Certificates, Series 2006-6 <sup>(2)</sup>	BIG	257	0.1%
Total:		<u>\$11,829</u>	<u>6.8%</u>

## 25 Largest International Finance Exposures

(\$ Millions)	Ambac Rating <sup>(1)</sup>	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitization <sup>(3)</sup>	A +	\$2,018	1.2%
National Grid Electricity Transmission <sup>(3)</sup>	A -	1,293	0.7%
Aspire Defence Finance plc <sup>(3)</sup>	BBB +	1,220	0.7%
Punch Taverns Finance plc-UK Pub Securitization <sup>(3)</sup>	BIG	1,217	0.7%
Telereal Securitization plc <sup>(3)</sup>	AA	1,125	0.6%
Capital Hospitals plc <sup>(3)</sup>	BBB -	1,095	0.6%
Posillipo Finance II S.r.l <sup>(3)</sup>	BBB	1,048	0.6%
Channel Link Enterprises <sup>(3)</sup>	BBB -	1,022	0.6%
Ostregion Investmentgesellschaft NR 1 SA <sup>(3)</sup>	BIG	977	0.6%
Anglian Water <sup>(3)</sup>	A -	901	0.5%
National Grid Gas <sup>(3)</sup>	A -	832	0.5%
RMPA Services plc <sup>(3)</sup>	BBB +	830	0.5%
Scotia Gas Networks <sup>(3)</sup>	BBB	747	0.4%
Catalyst Healthcare (Manchester) Financing plc <sup>(3)</sup>	BBB +	710	0.4%
Powercor Australia	BBB +	673	0.4%
South East Water (Finance) Limited <sup>(3)</sup>	BBB	610	0.4%
Babcock & Brown Air Funding I Limited	BIG	511	0.3%
CDO of HY Corporate <sup>(2)(3)</sup>	BBB +	500	0.3%
United Energy Distribution	BBB	470	0.3%
Northern Powergrid (Yorkshire) plc <sup>(3)</sup>	BBB +	458	0.3%
Amey Lagan Roads Financial plc <sup>(3)</sup>	BBB -	440	0.3%
Spirit Issuer plc <sup>(3)</sup>	BBB -	429	0.2%
Airspeed Limited	BIG	429	0.2%
Dampier to Bunbury Natural Gas Pipeline	BBB	416	0.2%
CitiPower	A -	408	0.2%
Total:		<u>\$20,379</u>	<u>11.7%</u>

1) See Note 1 on the Table of Contents page.

2) On March 24, 2010, Ambac Assurance established a Segregated Account. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated all or a portion of this transaction to the Segregated Account.

3) All or a portion of transaction guaranteed by Ambac UK.

## Net Exposure Amortization <sup>(1)</sup>

As of March 31, 2014

(\$ Millions)	Total, including Segregated Account		Segregated Account	
	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force
2014 (2nd, 3rd and 4th Qtrs) . . . . .	\$12,966	\$259,964	\$1,945	\$25,393
2015. . . . .	17,831	242,133	2,734	22,659
2016. . . . .	16,021	226,112	2,438	20,221
2017. . . . .	15,189	210,923	1,713	18,508
2018. . . . .	15,119	195,804	1,390	17,118
2019. . . . .	13,728	182,076	1,217	15,901
2014 (2nd, 3rd and 4th Qtrs) . . . . .	\$12,966	\$259,964	\$1,945	\$25,393
2015-2019. . . . .	77,888	182,076	9,492	15,901
2020-2024. . . . .	59,133	122,943	4,220	11,681
2025-2029. . . . .	43,735	79,208	2,479	9,202
2030-2034. . . . .	35,467	43,741	3,871	5,331
After 2034. . . . .	43,741	-	5,331	-
Total. . . . .	\$272,930		\$27,338	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2014. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.