




Ambac

INVESTOR PRESENTATION

THIRD QUARTER 2015

AMBAC TODAY

- ▶ **Global provider of financial guarantees and other financial services**
- ▶ **Pursuing opportunities to enhance long-term shareholder value**
 - Maximize value of existing financial guarantee operations through active Asset-Liability Management with the objective of the successful rehabilitation of the Segregated Account
 - Profitably grow and diversify through development and/or acquisition of select new business opportunities that leverage our key competencies and resources
- ▶  **~\$650 million market cap (as of September 30, 2015)**

STRATEGIC PRIORITIES

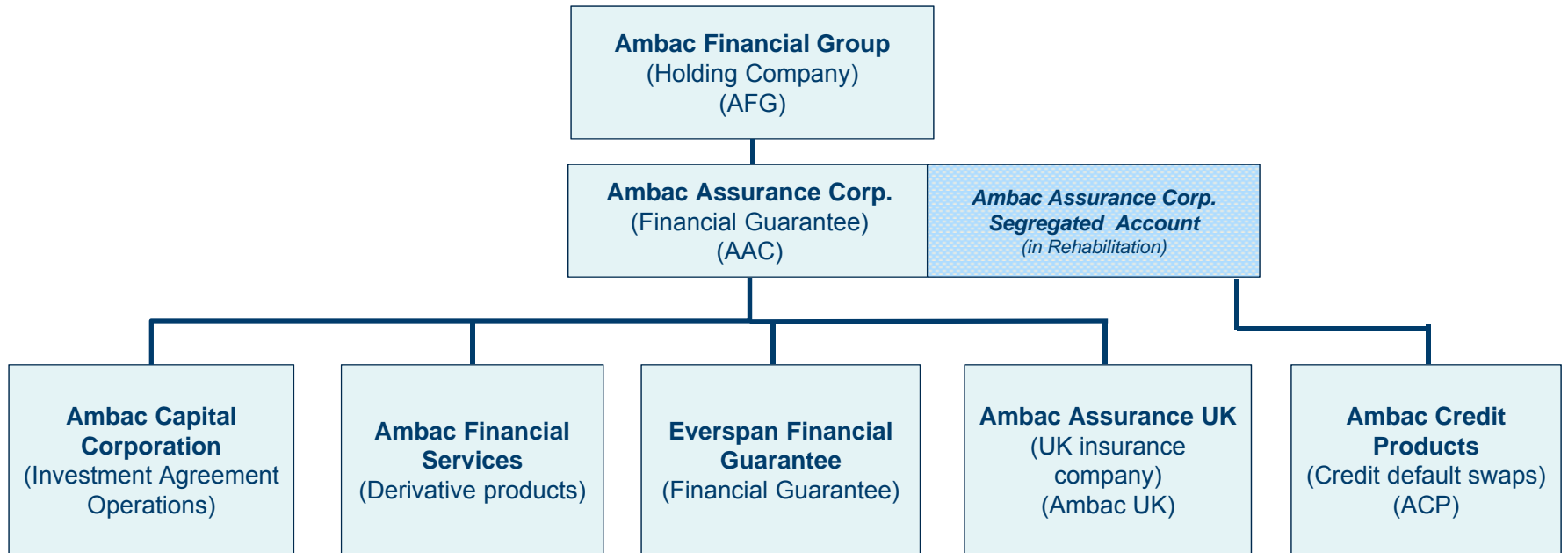
Asset-Liability Management

- ▶ Representation and Warranty Recoveries
- ▶ Commutations
- ▶ Insured Buybacks
- ▶ Portfolio Optimization

Growth and Diversification Initiatives

- ▶ Development Opportunities
- ▶ Acquisitions

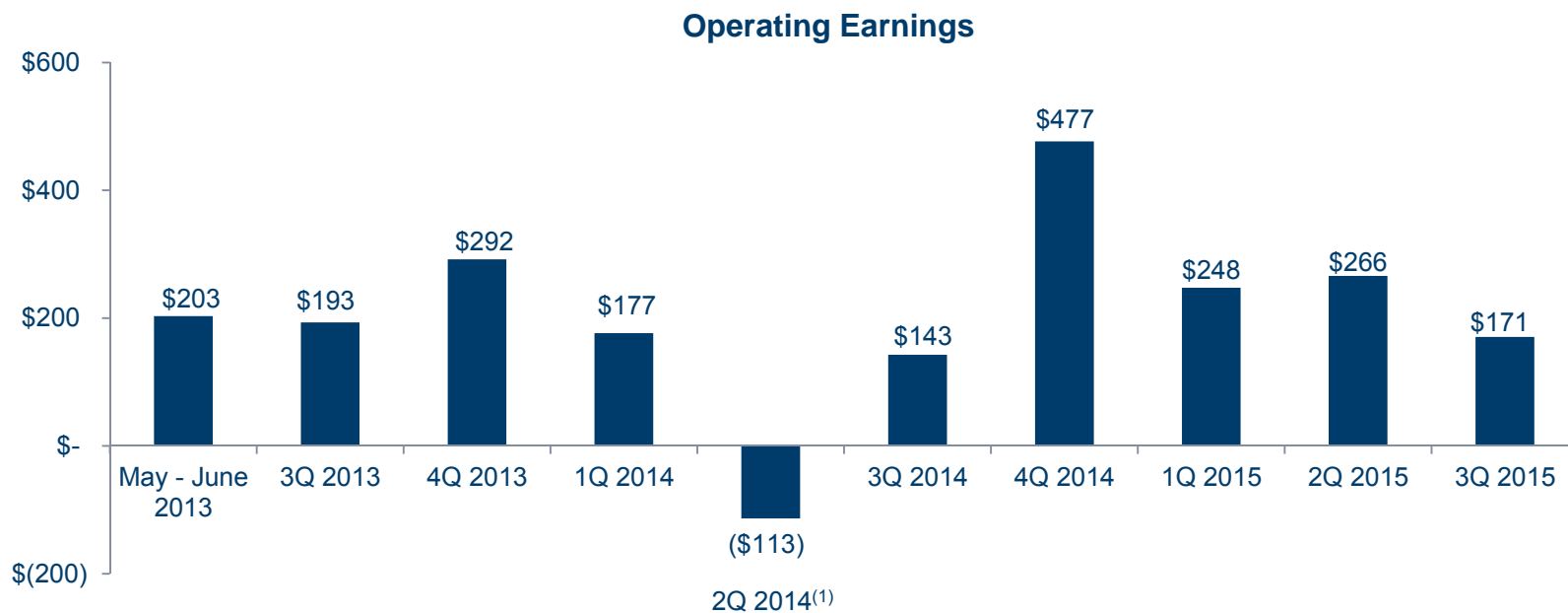
SIMPLIFIED CORPORATE STRUCTURE



3Q 2015 HIGHLIGHTS

Category	Highlights
3Q 2015 Financial Results	<ul style="list-style-type: none"> ▶ Net Loss of (\$391.0) million, or (\$8.66) per Diluted Share ▶ Operating Earnings of \$170.5 million, or \$3.77 per Diluted Share ▶ Book Value of \$1,355.0 million, or \$30.10 per Share at September 30, 2015 ▶ Adjusted Book Value of \$801.6 million, or \$17.81 per Share at September 30, 2015
Asset Management	<ul style="list-style-type: none"> ▶ Consolidated investment portfolio of \$5.7 billion (fair value) ▶ Financial guarantee investment portfolio (excluding Ambac UK) <ul style="list-style-type: none"> • GAAP book yield 5.6%; STAT book yield 6.2% ▶ \$958 million of Deferred Amounts (including interest) owned <ul style="list-style-type: none"> • 28% of total Deferred Amounts outstanding ▶ Acquired \$73.4 million market value of subordinated bonds in connection with the re-packaging of Ambac-insured Military Housing bonds at an estimated IRR of 12% ▶ Increased strategic allocation to cash, short-term investments and highly liquid ABS <ul style="list-style-type: none"> • Liquidity preservation for recapitalization • Portfolio investment strategy ▶ Initiated a new program to invest in residential real estate owned (REO) properties from AAC insured transactions
Liability Management	<ul style="list-style-type: none"> ▶ Certain Puerto Rico Highways and Transportation Authority (HTA) Ambac insured bonds are expected to be cancelled <ul style="list-style-type: none"> • \$229 million net par • \$493 million of net lifetime principal and interest ▶ Net par insured decreased by \$11 billion or 8.5% since June 30, 2015 ▶ Adversely classified credits reduced by \$0.9 billion or 4%, since June 30, 2015 ▶ Heightened engagement in risk management including active involvement in Puerto Rico discussions ▶ Continue to special service RMBS collateral underlying \$4.1 billion of insured net par, 33% of RMBS book <ul style="list-style-type: none"> • Continuous direct engagement with servicers to improve loan resolution

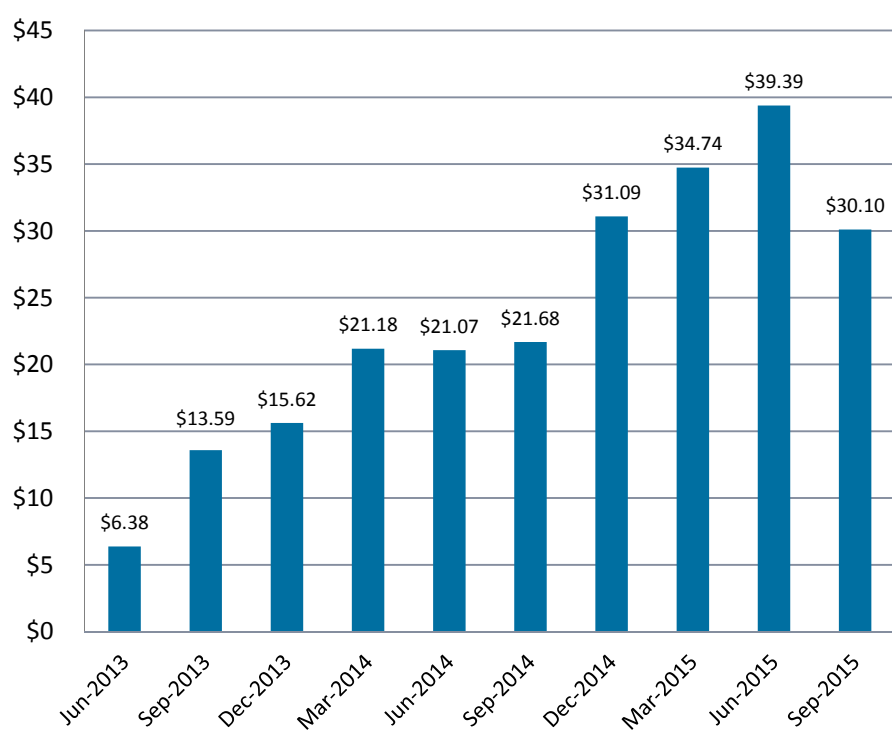
\$2.1 BILLION OF OPERATING EARNINGS SINCE EMERGENCE



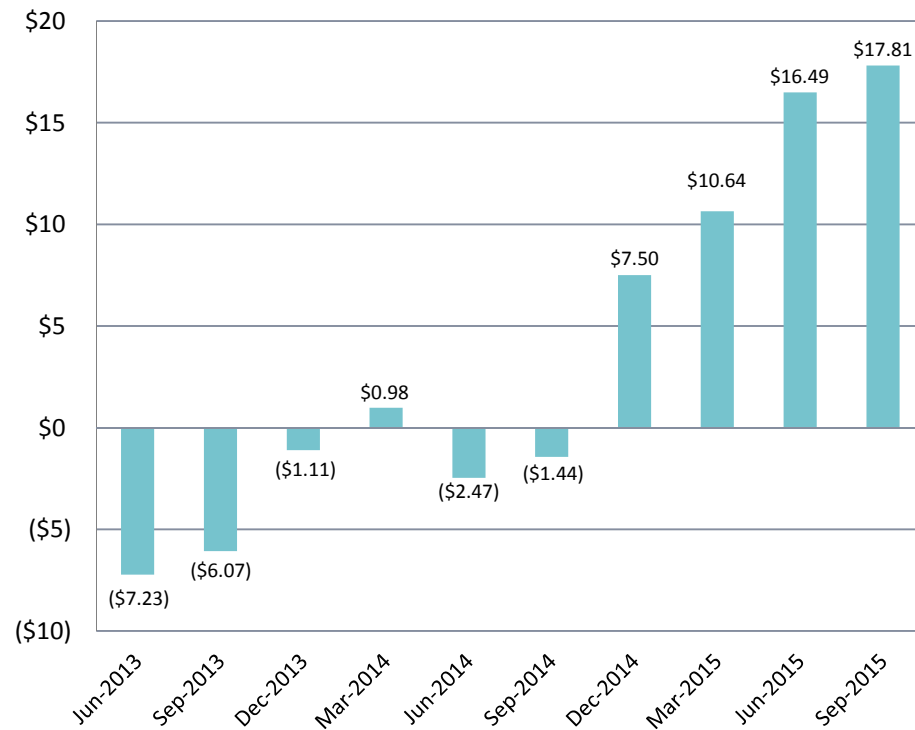
1) 2Q 2014 Operating Earnings includes accrued interest on Deferred Amounts for the period from the beginning of the accrual period (September 2012 as per the Amended Rehabilitation Plan) through 2Q 2014 of \$308 million pre-tax, or \$304 million net of tax. Of these amounts, \$50 million pre-tax, or \$49 million net of tax, relates to 2Q 2014

BOOK VALUE AND ADJUSTED BOOK VALUE PER SHARE⁽¹⁾ SINCE EMERGENCE FROM BANKRUPTCY

Book Value /Share



Adjusted Book Value /Share (1)

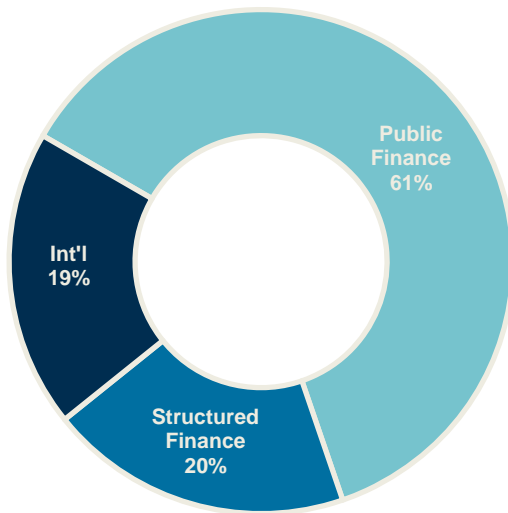


1) Adjusted book value is a non-GAAP financial measure of financial position that excludes (or includes) amounts that are included in (or excluded from) book value which is presented in accordance with GAAP. A reconciliation between both financial measures for 2015 can be found in Ambac's 3Q 2015 Earnings Release and Ambac's Third Quarter 2015 Form 10-Q filed with the SEC

AMBAC OVERVIEW AS OF SEPTEMBER 30, 2015 – CONSOLIDATED

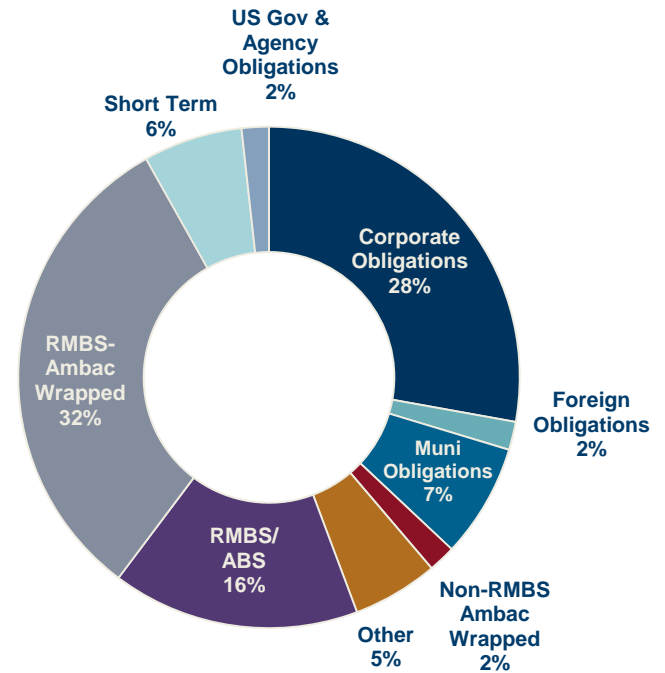
Insured Portfolio

**\$119.0 billion
Net Par⁽¹⁾**



Investment Portfolio

**\$5.7 billion
Fair Value**



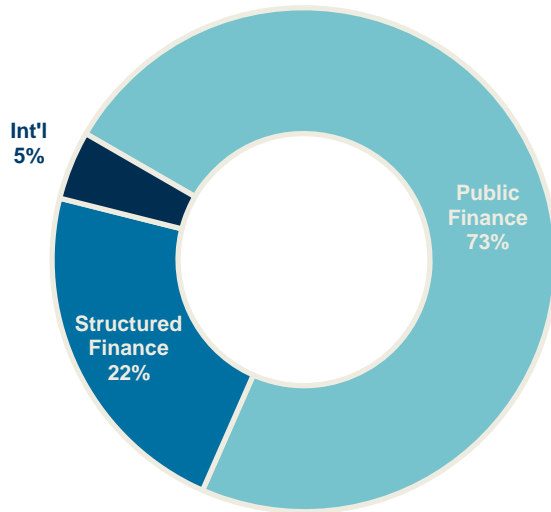
1) Par throughout this presentation includes capital appreciation bonds ("CABs") which are reported at the par amount at the time of issuance of the insurance policy

AMBAC OVERVIEW SEPTEMBER 30, 2015

FINANCIAL GUARANTEE (EXCLUDING AMBAC UK)

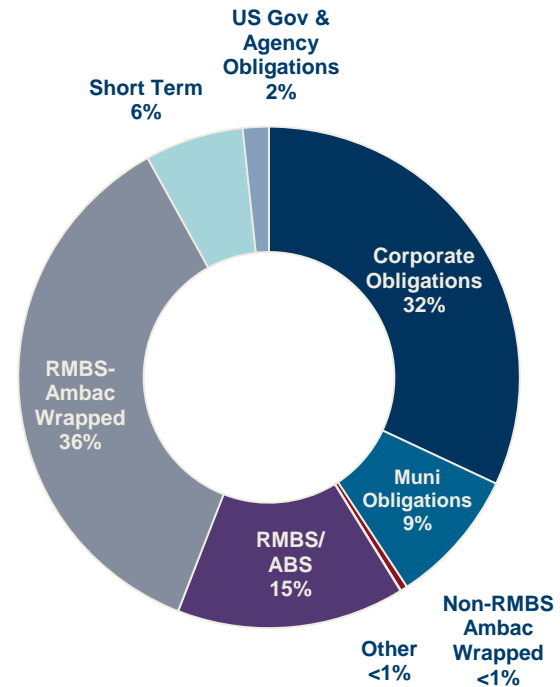
Insured Portfolio

\$ 99.7 billion
Net Par⁽¹⁾



Investment Portfolio

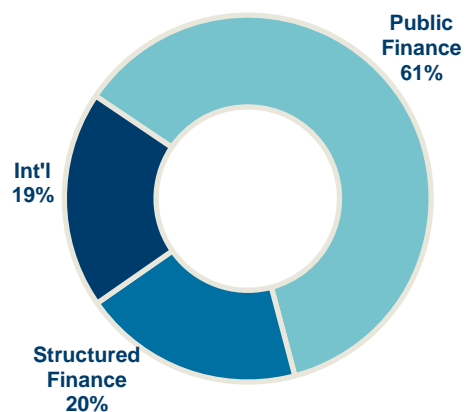
\$ 4.8 billion
Fair Value



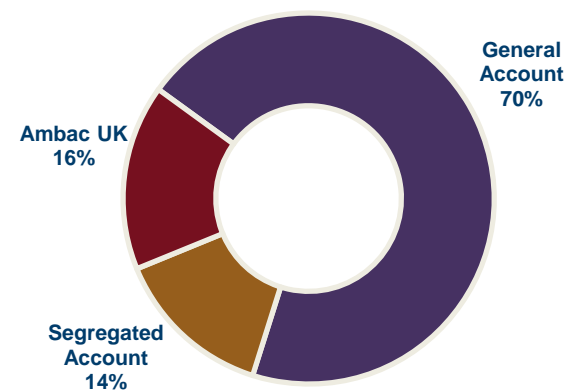
1) Net par for AAC excludes \$1.3 billion of net par on policies in favor of European Investment Bank ("EIB"). These are second-to-pay policies, whereas Ambac UK has issued the primary policy

INSURED PORTFOLIO - \$119 BILLION AS OF SEPTEMBER 30, 2015

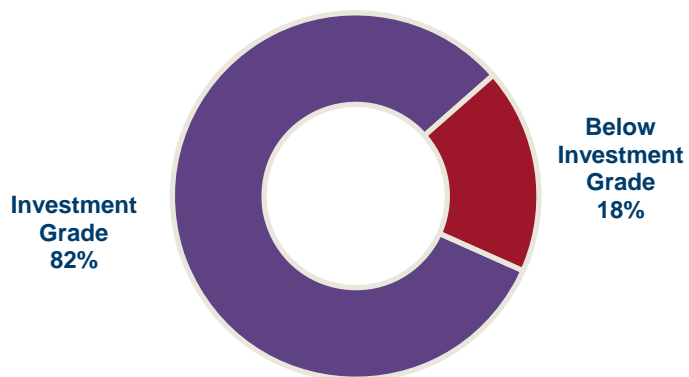
Sector % Breakdown



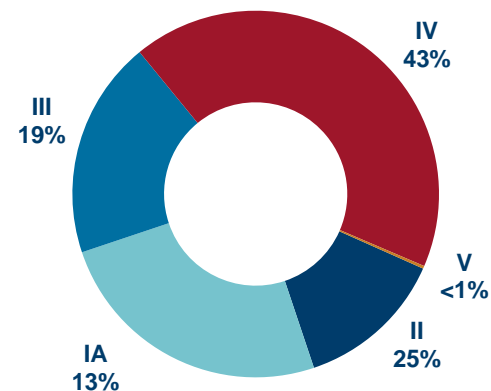
Portfolio % Breakdown



Ambac Rating % Breakdown



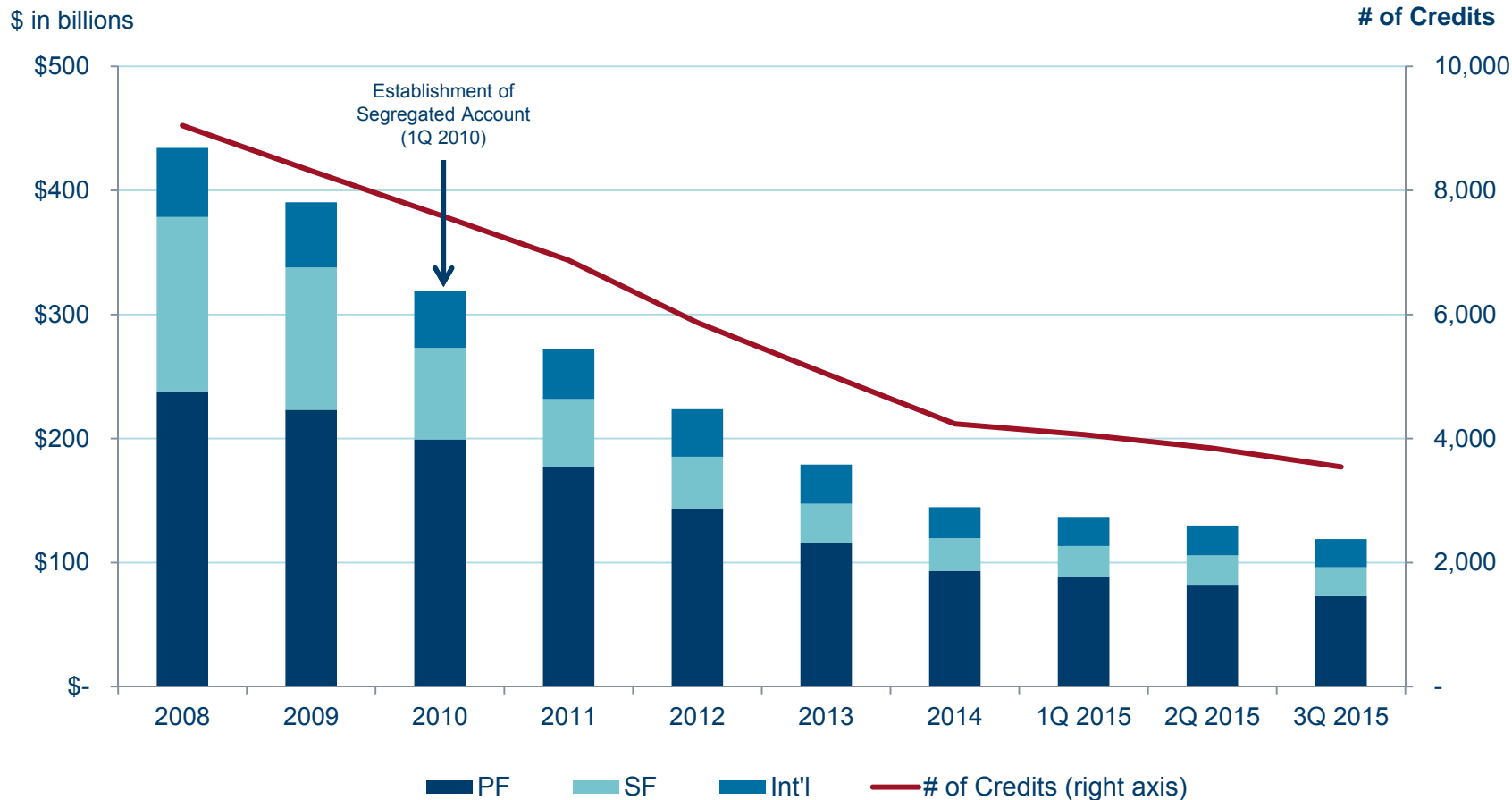
Adverse Credit Classification⁽¹⁾ % Breakdown



1) Adverse credit classification definitions in Appendix

INSURED PORTFOLIO DOWN 73% SINCE 2008; 69% SINCE 1Q 2010

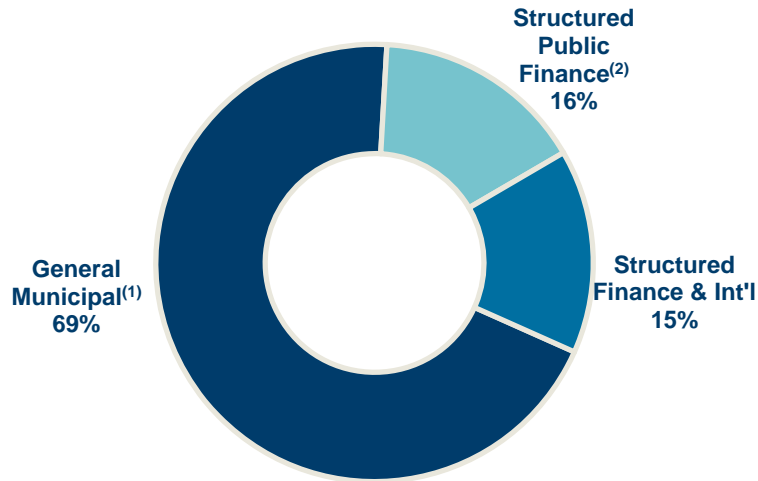
Net Par Exposures



INSURED PORTFOLIO – AAC GENERAL AND SEGREGATED ACCOUNTS

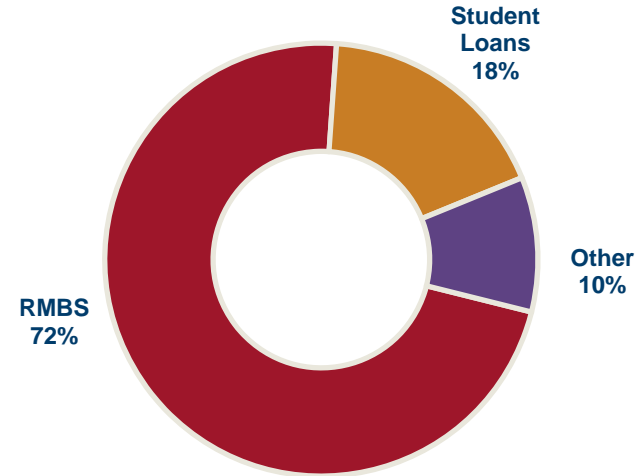
AAC General Account

\$83.1 billion Net Par
~3,200 credits



AAC Segregated Account

\$16.6 billion Net Par
~300 credits



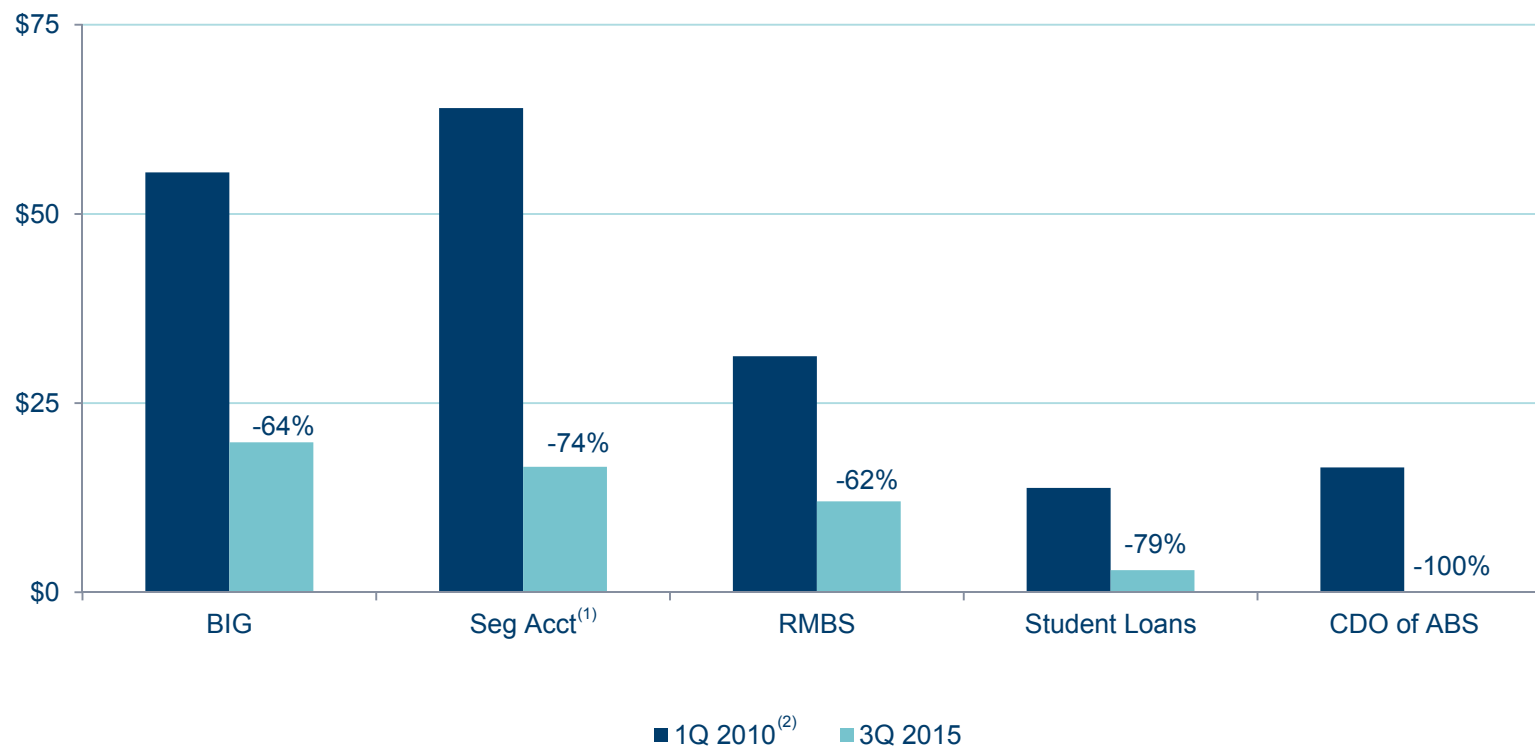
1) General Municipal includes municipal bonds backed by revenue sources including taxes, pledges, tolls and municipal lease payments

2) Structured Public Finance includes transactions with indirect municipal support or public purpose essentiality such as not for profit hospitals, private higher education, stadiums, military and affordable housing, and Federal leases. These transactions typically have covenants and control rights closer to structured finance than municipal bonds

AAC - PROGRESS IN REDUCING DISTRESSED LIABILITIES

\$ in billions

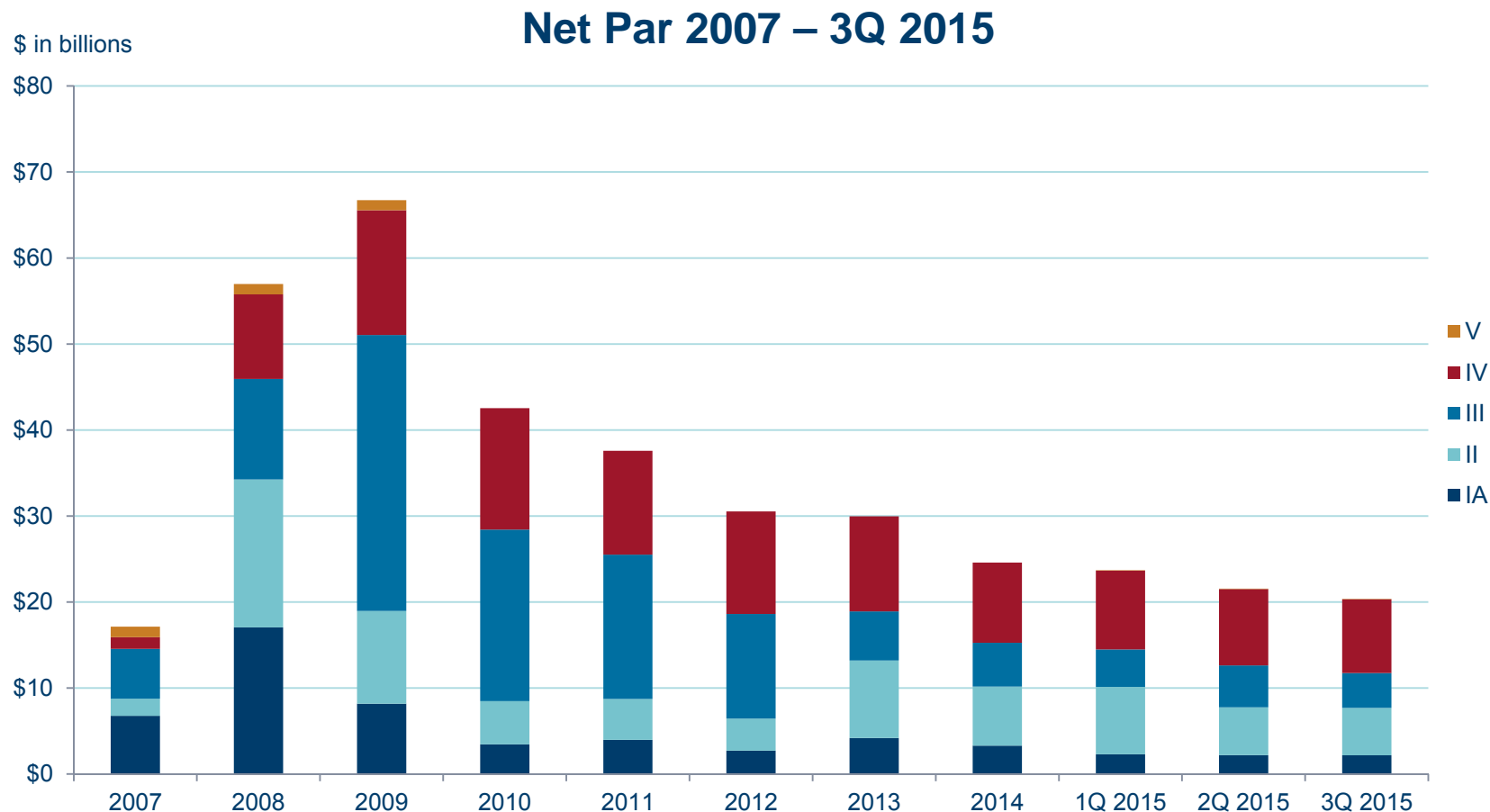
Net Par



1) 1Q 2010 Segregated Account included \$23 billion of ceded exposures from Ambac UK

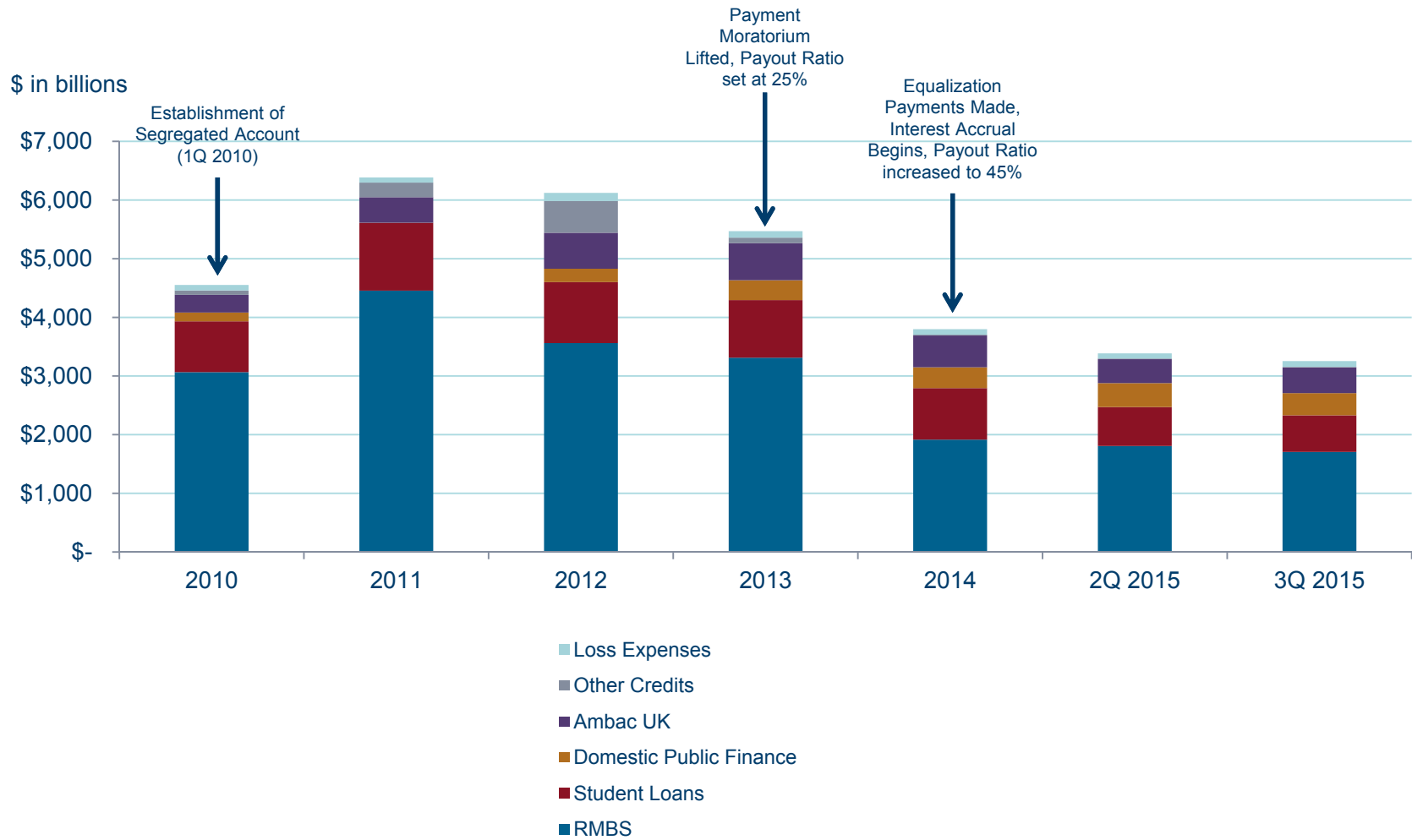
2) 1Q 2010 is the first quarter reported after the Segregated Account was established and entered into Rehabilitation

AAC INSURED PORTFOLIO – ADVERSE CREDIT CLASSIFICATION⁽¹⁾

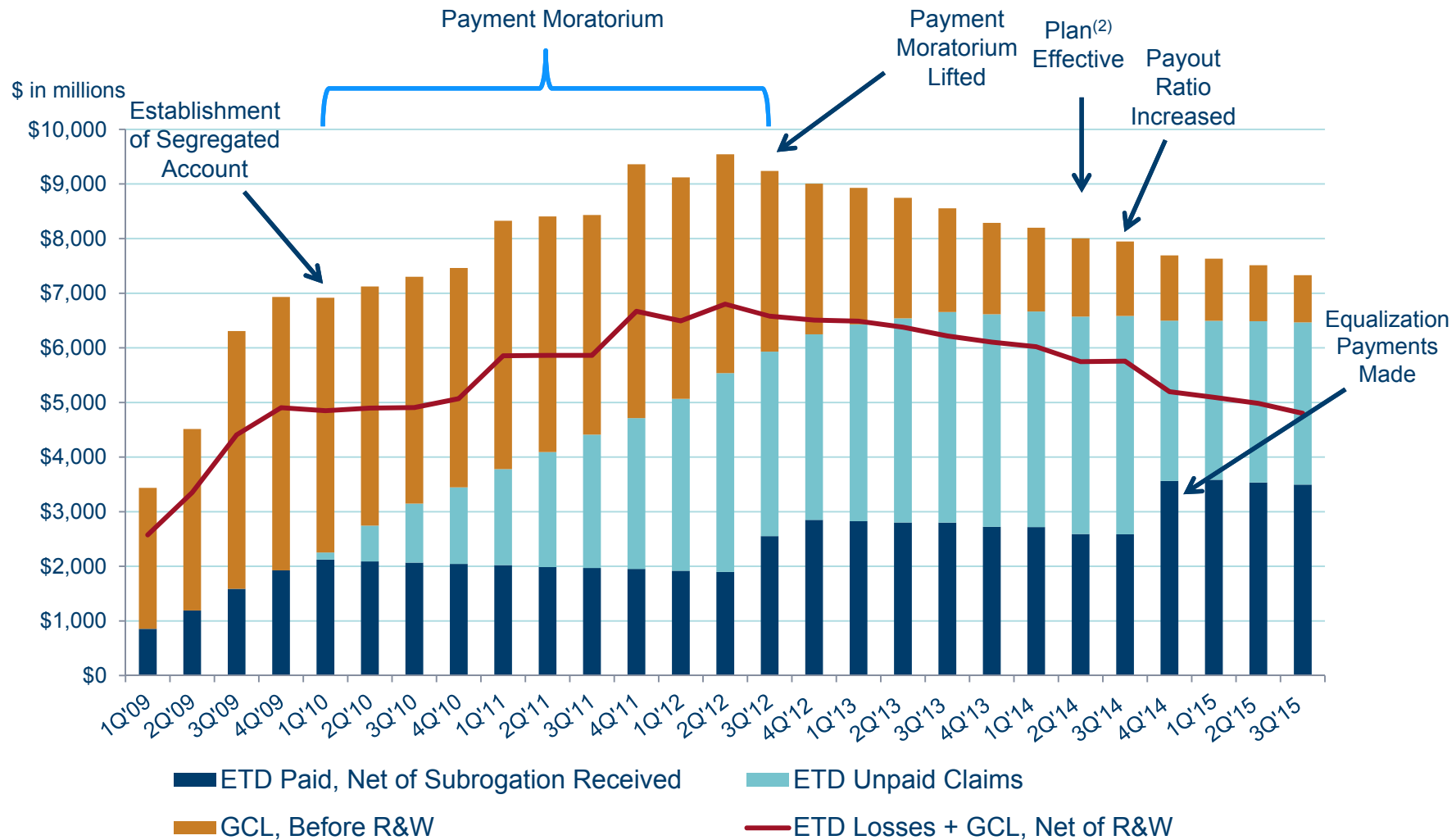


1) Adverse credit classification definitions in Appendix

GROSS LOSS RESERVES



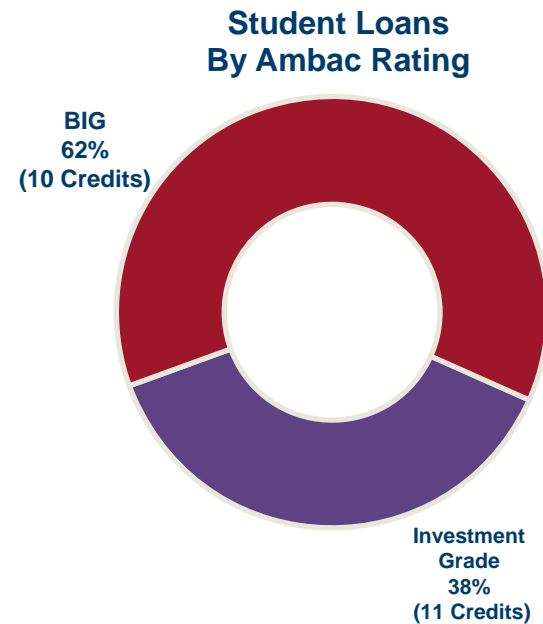
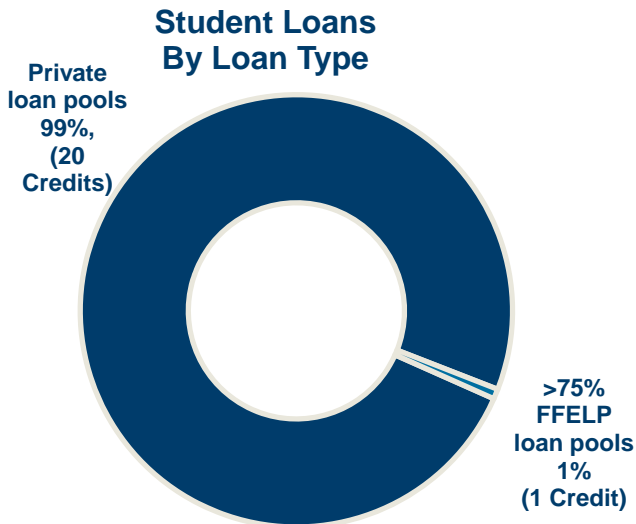
PROJECTED LIFETIME RMBS LOSSES⁽¹⁾



1) Excludes interest on Deferred Amounts
 2) Amended Plan of Rehabilitation of the Segregated Account effective June 12, 2014

STUDENT LOAN PORTFOLIO

- ▶ \$2.9 billion net par
- ▶ Long dated maturities
- ▶ \$625 million loss reserves (projected payments back ended)
- ▶ Net par exposure down \$11 billion since 1Q 2010



STUDENT LOAN PORTFOLIO REDUCTION

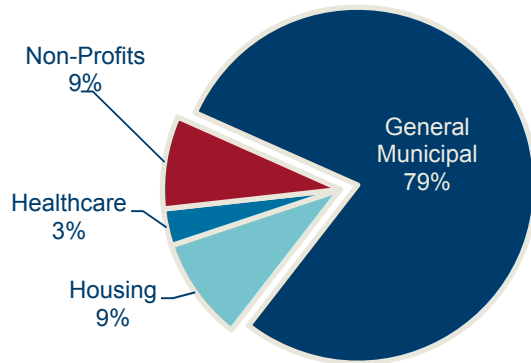
**\$10.9 billion Net Par Reduction
1Q 2010 – 3Q 2015**



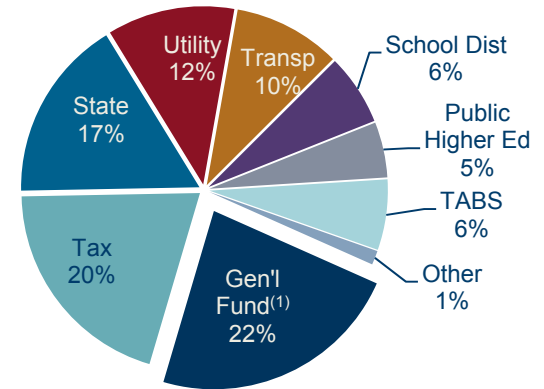
PUBLIC FINANCE PORTFOLIO

September 30, 2015

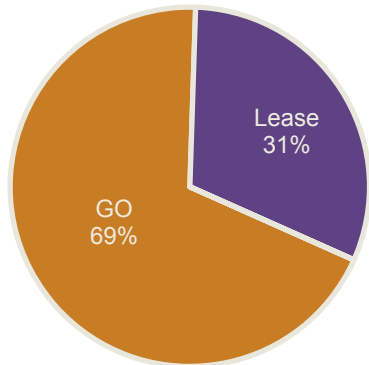
Public Finance
\$73 billion Net Par



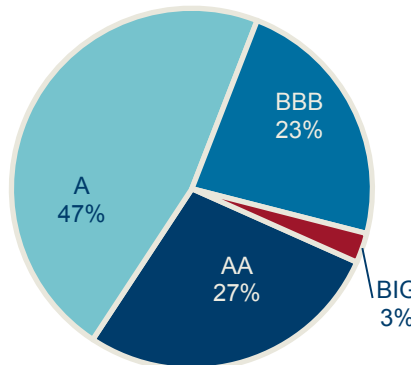
General Municipal
\$58 billion Net Par Gross Par



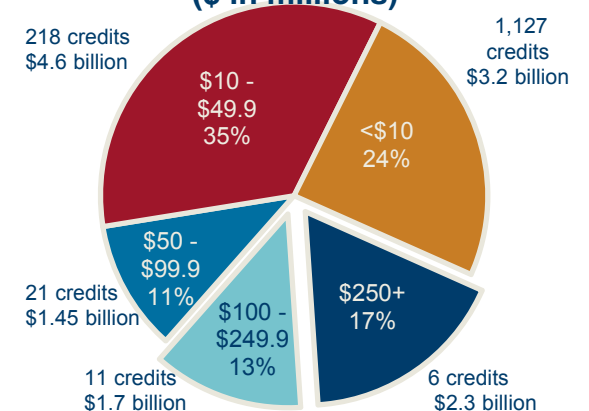
General Fund⁽¹⁾
\$13 billion Net Par Gross



General Fund⁽¹⁾
By Ambac Rating



General Fund⁽¹⁾
By Exposure Size
(\$ in millions)

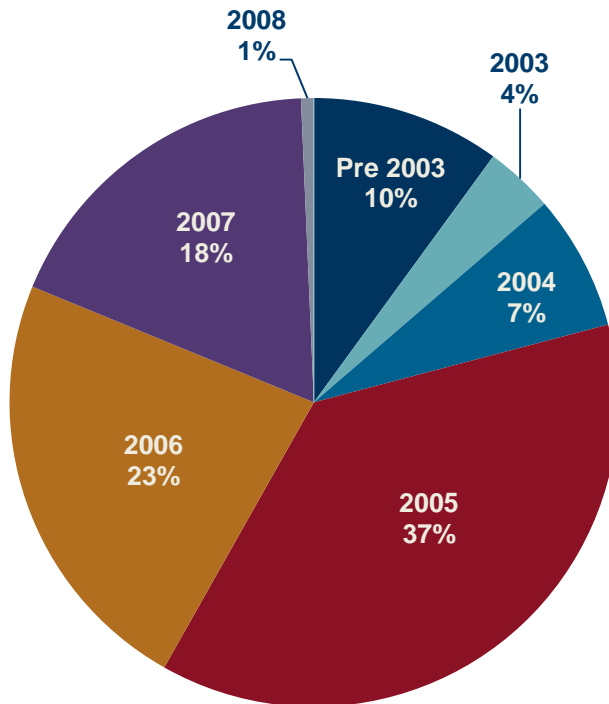


1) General fund represents GOs, leases, and municipal general fund obligations. Excludes states and school districts

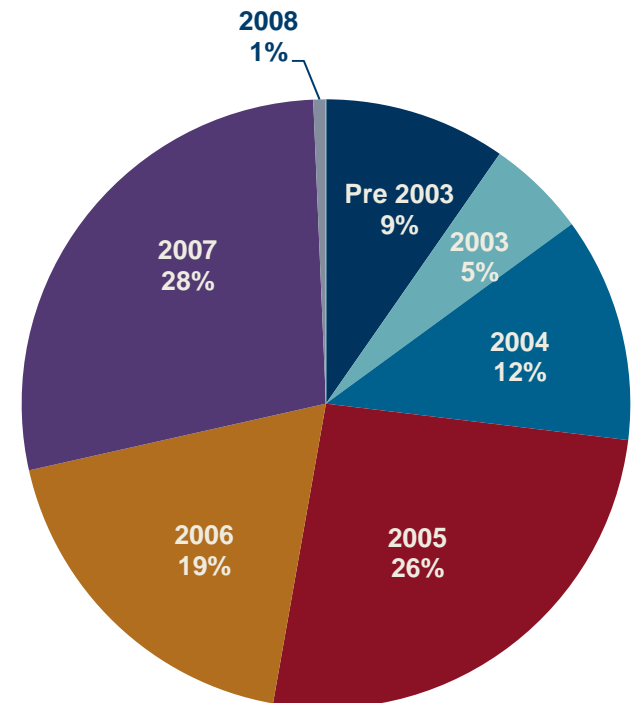
PUBLIC FINANCE RUNOFF⁽¹⁾

Public Finance Runoff by Policy Vintage Year

3Q 2015
\$8.5 billion net par



2Q 2015
\$6.5 billion net par



1) Runoff includes calls, refundings, pre-refundings and amortization

PUERTO RICO EXPOSURE & RATINGS SUMMARY

Ambac Puerto Rico Exposure (\$ in millions) as of September 30, 2015:								
Single Risk	(1)	(1),(2)	(2)		Maturity	Credit Class	Rating	(3)
	Gross Par	Net Par	Gross Principal & Interest	Net Principal & Interest				Debt Service Coverage Ratio
General Fund Debt:								
1 PR Commonwealth GO	\$56.0	\$56.0	\$72.4	\$72.4	2023	III	BIG	N/A
2 PR Public Buildings Authority Revenue - GO Guaranty	191.2	191.2	298.8	298.8	2035	III	BIG	N/A
Subtotal	247.2	247.2	371.2	371.2				
Revenue Debt:								
3 PR Highway and Transp'n Revenue 1968 Resolution - Highway Rev	27.5	26.5	36.5	35.3	2027	III	BIG	4.1X
4 PR Highway and Transp'n Revenue 1998 Resolution - Senior Transp'n Rev ⁽⁴⁾	694.6	673.5	1,390.5	1,345.2	2045	III	BIG	1.6X
5 PR Infrastructure Financing Special Tax Revenue (Rum Tax)	514.6	502.8	1,099.2	1,073.9	2044	III	BIG	2.8X
6 Convention Center (Hotel Occupancy Tax)	137.1	137.1	209.0	209.0	2031	III	BIG	2.3X
7 Senior Sales Tax Rev (COFINA)	808.5	804.7	7,355.4	7,321.3	2054	II	BIG	2.8X
Subtotal	\$2,182.3	\$2,144.6	\$10,090.6	\$9,984.7				
Grand total	\$2,429.5	\$2,391.8	\$10,461.8	\$10,355.9				

1) Gross Par and Net Par include capital appreciation bonds ("CABS") which are reported at the par amount at the time of issuance of the insurance policy

2) Net Par and Net Principal & Interest are net of reinsurance

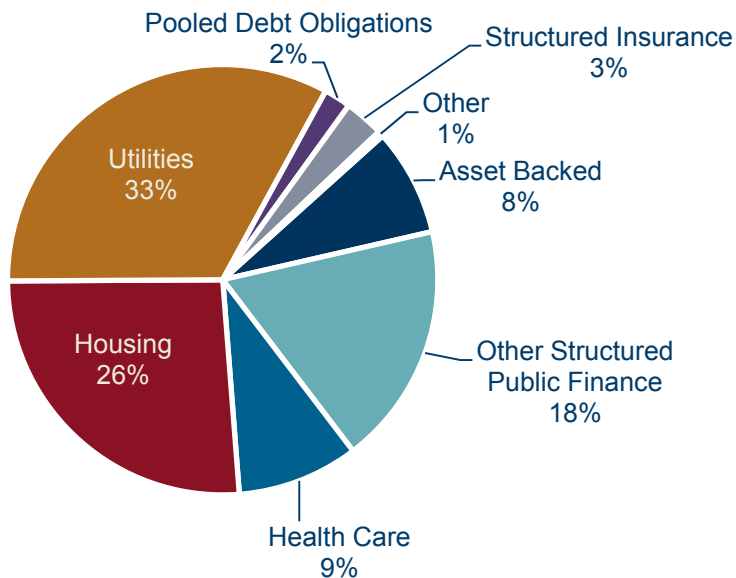
3) Source: FY 2014 Continuing Disclosure

4) Includes \$233.2 million and \$228.5 million of Gross and Net Par, respectively, and approximately \$503 million and \$493 million of Gross and Net Principal & Interest, respectively, of bonds that are expected to be cancelled as required under the bond documents

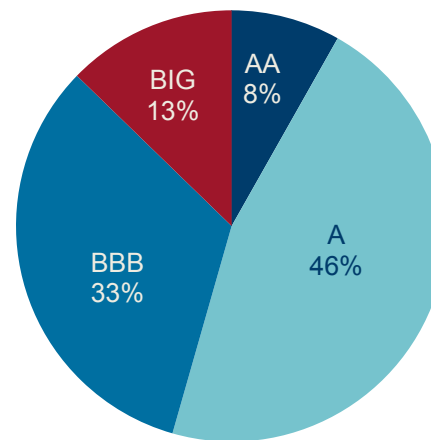
AAC STRUCTURED AND CORPORATE PORTFOLIO⁽¹⁾

September 30, 2015
\$27 billion Net Par

By Exposure Type

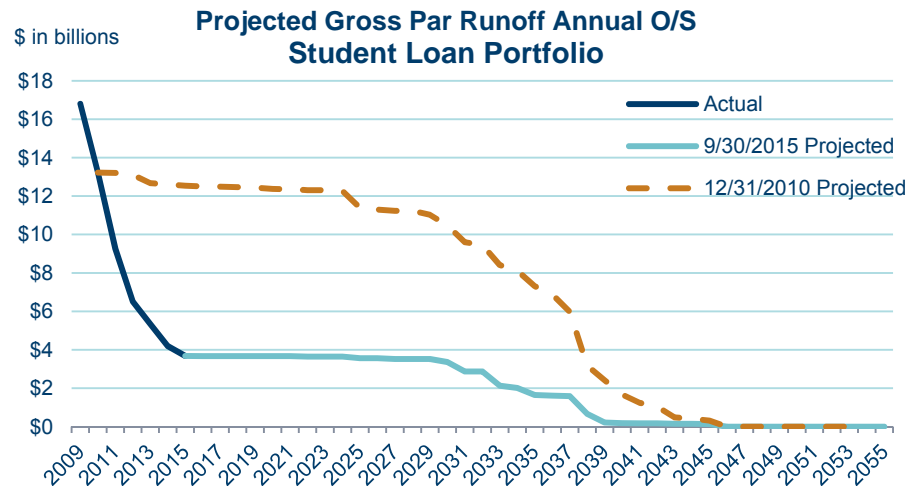
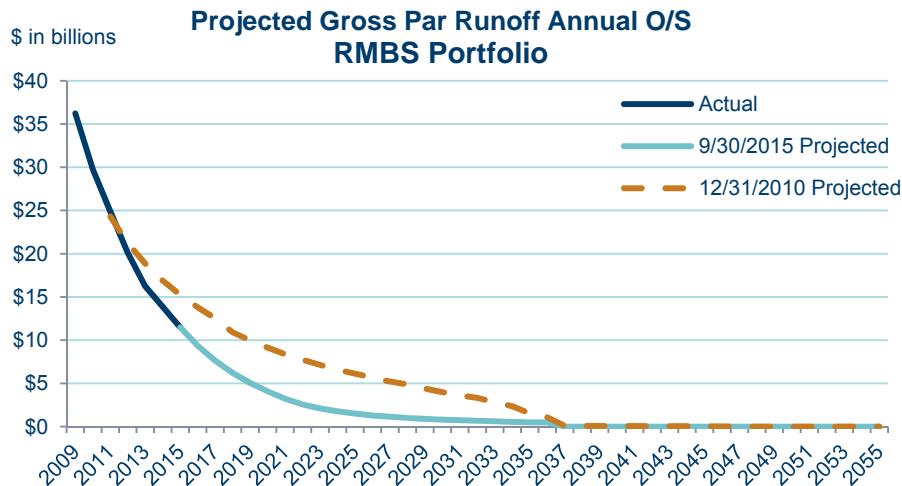
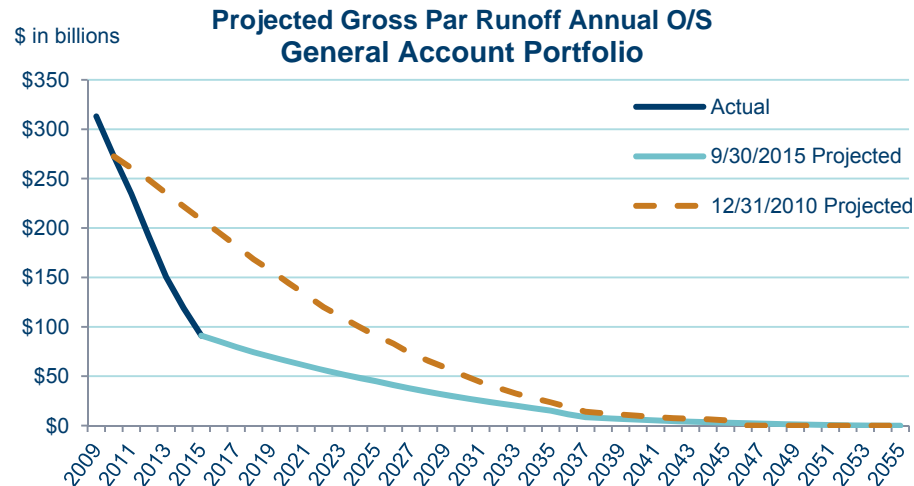
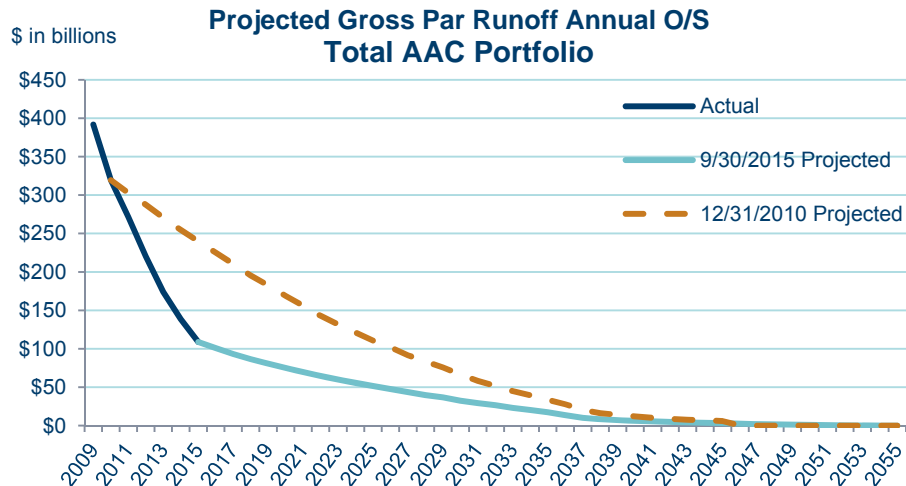


By Ambac Rating



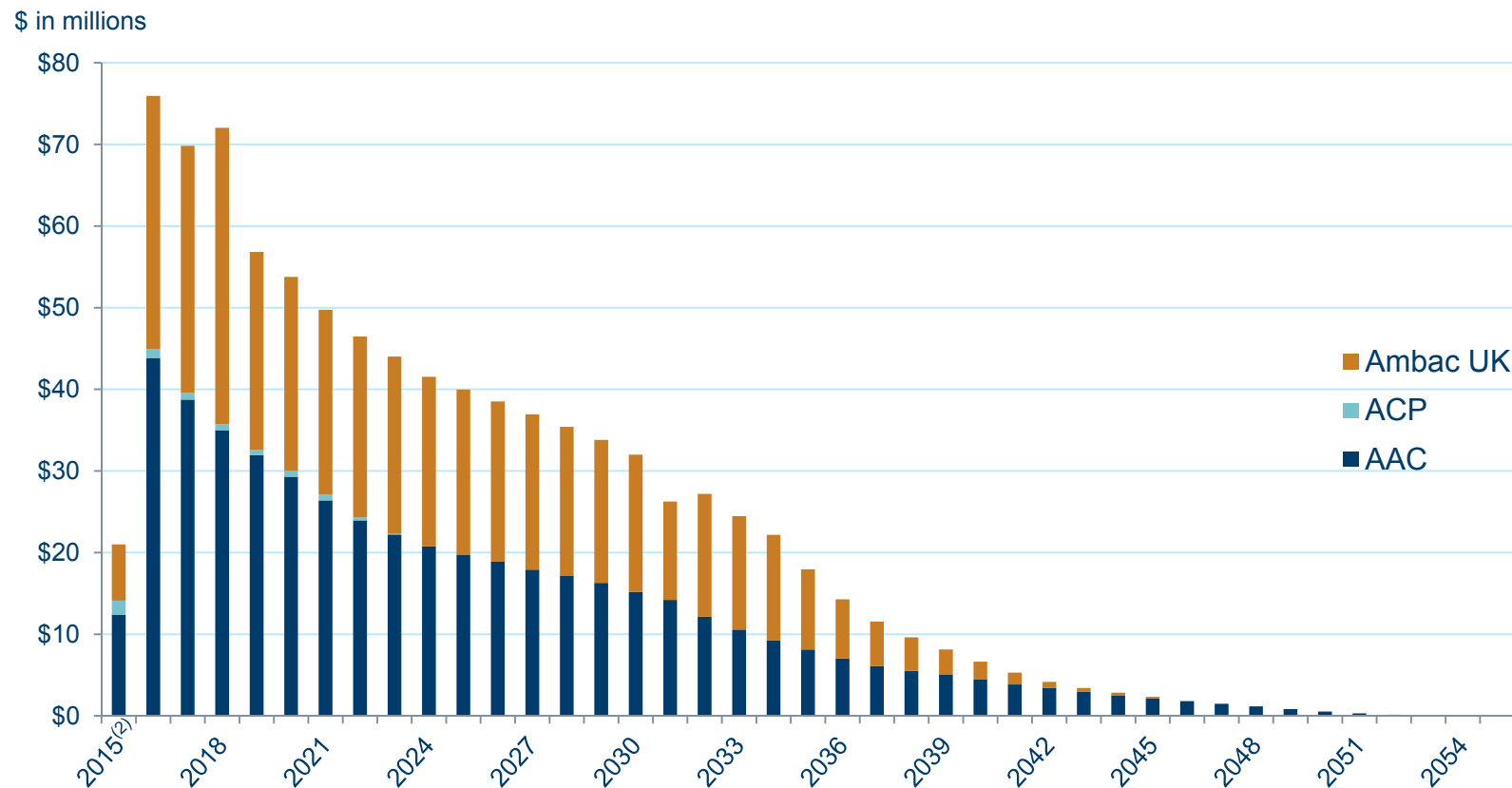
1) Includes all AAC exposures other than RMBS, Student Loans and General Municipal

AAC PROJECTED GROSS PAR RUNOFF – SELECTED DATA⁽¹⁾



1) Depicts amortization of existing guaranteed portfolio (principal), assuming no advance refundings, as of September 30, 2015. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.

INSTALLMENT PREMIUM RUNOFF⁽¹⁾



- 1) Represents management's estimate of fees on credit derivative contracts ("ACP") 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
- 2) October – December 2015

CAPITAL SUMMARY

Category	(\$ in millions) 9/30/15	Comments
Claim Liabilities	\$6,715	<ul style="list-style-type: none"> ▶ Before estimated subrogation recoveries, Unearned Premium Revenue (UPR) and reinsurance ▶ Includes \$3,428 million of unpaid claims, including accrued interest on Deferred Amounts ▶ Includes \$483 million of Ambac UK claim liabilities
5.1% Surplus Notes Par ⁽¹⁾	\$1,213	<ul style="list-style-type: none"> ▶ \$881 million General Account notes ▶ \$39 million Segregated Account notes ▶ Includes \$279 million of accrued interest
5.1% Junior Surplus Notes Par	\$430	<ul style="list-style-type: none"> ▶ Includes \$350 million (formerly held by AFG⁽²⁾) ▶ Includes \$52 million of accrued interest
Auction Rate Preferred Shares (AMPS)	\$660	<ul style="list-style-type: none"> ▶ Liquidation Value, originally \$800 million
Common Stock Market Cap ⁽³⁾	\$651	<ul style="list-style-type: none"> ▶ 45,020,521 common shares ▶ 4,461,637 warrants⁽⁴⁾

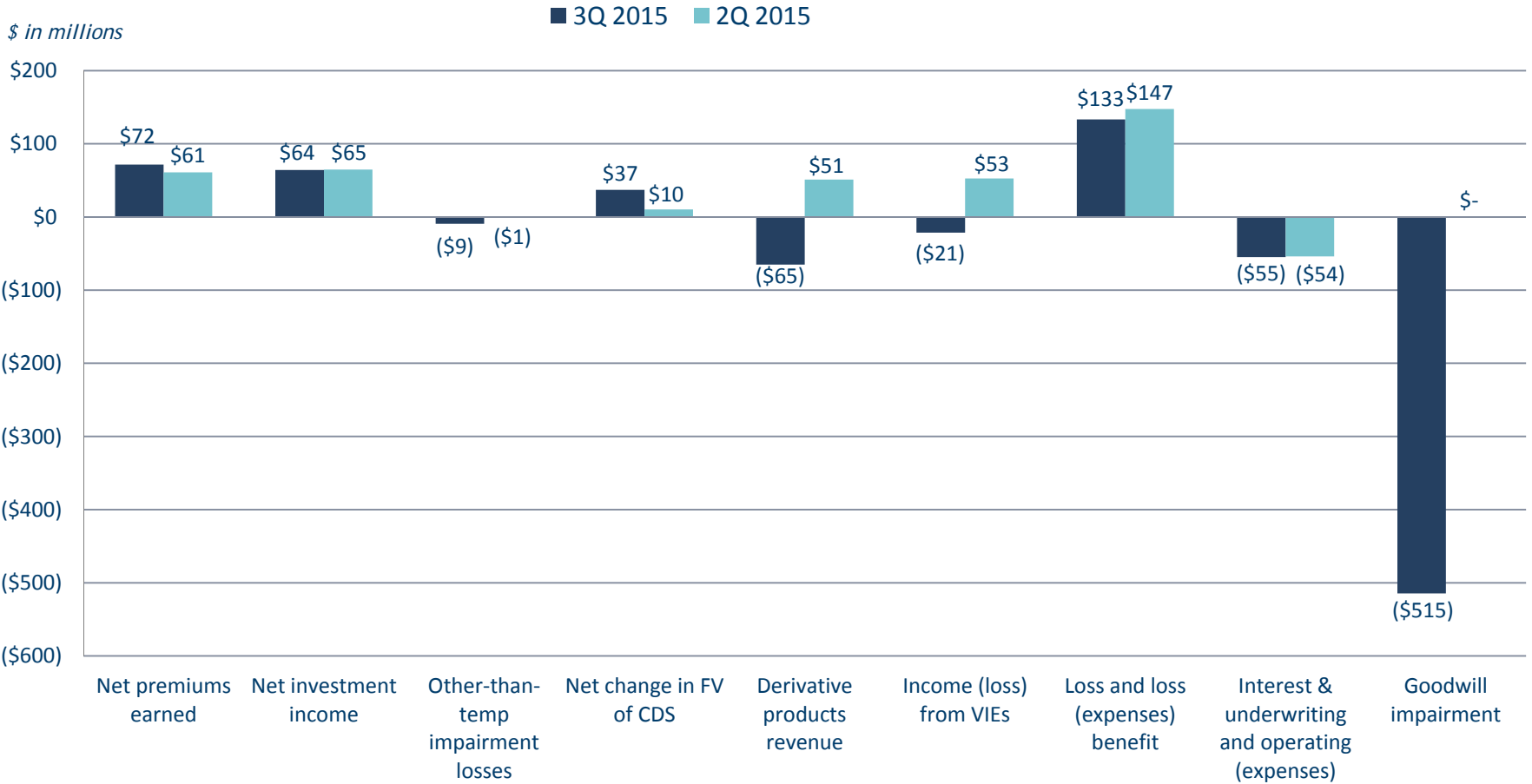
1) Surplus Notes Par is reduced by approximately \$12 million which was acquired by AFG 2Q 2015

2) On August 28, 2014, AFG monetized 80% of Segregated Account Junior Surplus Note and accrued interest, for net proceeds of approximately \$224 million. AFG also retained a 20% interest through a \$75 million subordinated Owner Trust Certificate

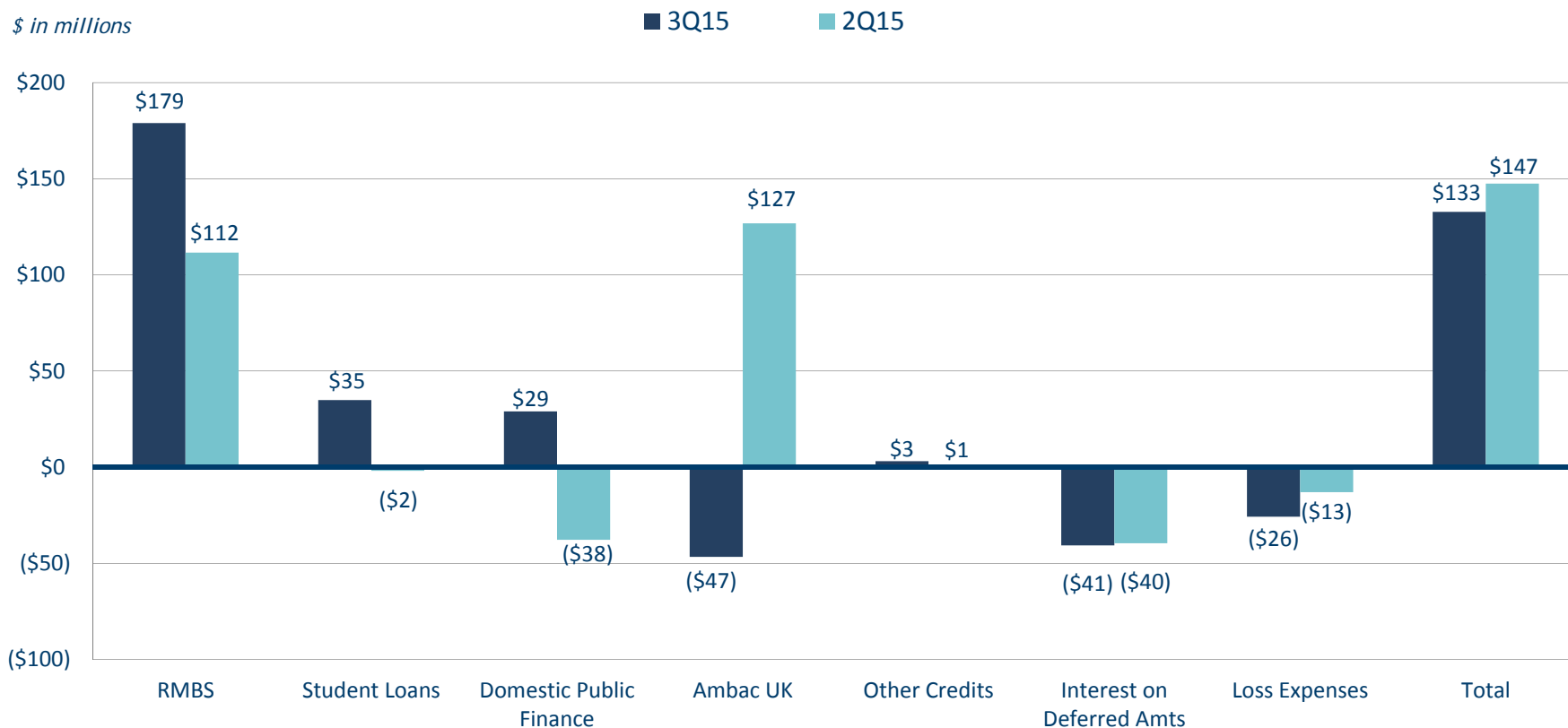
3) Common Stock Market Cap based on AMBC common shares closing stock price of \$14.47 on September 30, 2015

4) The AFG Board authorized the purchase of up to \$10 million of AFG warrants beginning July 1, 2015. Through November 6, 2015, 577,500 warrants have been purchased at a total cost of \$5 million for an average price of \$8.69 per warrant

3Q 2015 - KEY FINANCIAL RESULTS

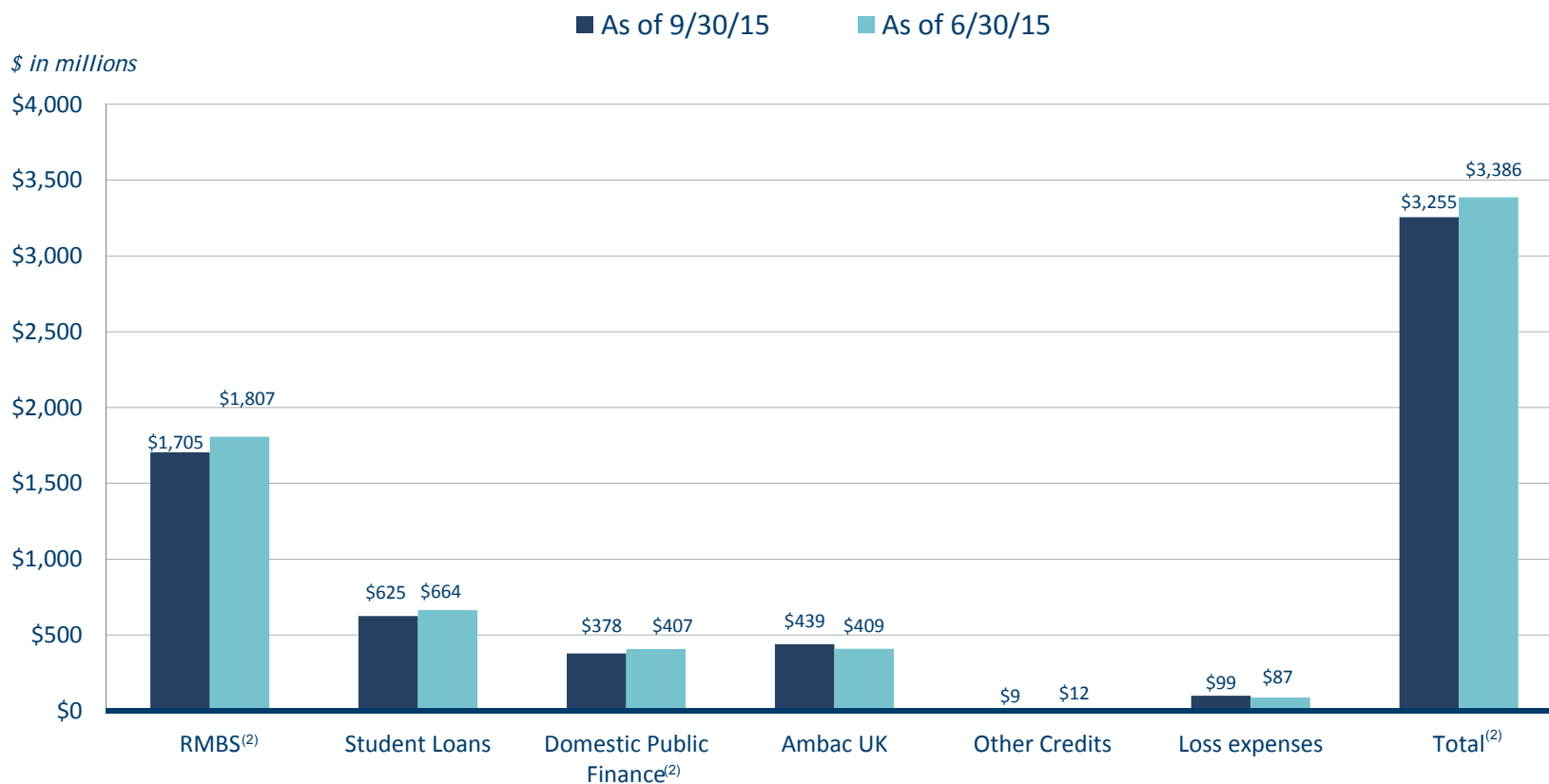


3Q 2015 - INCURRED (LOSSES) BENEFIT BY CATEGORY⁽¹⁾



1) Components may not add to total due to rounding

GROSS LOSS RESERVES BY CATEGORY⁽¹⁾



- 1) Gross loss reserves are net of estimated R&W subrogation recoveries of \$2.6 billion, other subrogation recoverables of \$0.7 billion, and include \$3.4 billion of unpaid segregated account policy claims and interest, as of September 30, 2015 and June 30, 2015, respectively
- 2) Gross loss reserves include accrued interest on Deferred Amounts as follows:
 - a) September 30, 2015 - \$448 million in RMBS; \$1 million in Domestic Public Finance; Total \$449 million
 - b) June 30, 2015 - \$408 million in RMBS; \$1 million in Domestic Public Finance; Total \$409 million

NET OPERATING LOSS CARRY-FORWARD (NOL)

▶ \$4.6 billion of NOLs as of 9/30/15

- \$1.4 billion @ AFG
- \$3.2 billion @ AAC

▶ NOL tolling agreement between AFG and AAC

- AAC will pay AFG for usage of up to \$3.65 billion of NOLs
- Total potential amount of net tolling payments: \$237 million
 - Net of \$29 million of bankruptcy-related and IRS settlement credits

▶ AAC utilized all of its post determination date (free) NOL's⁽¹⁾

- Future taxable income of AAC subject to annual payments⁽²⁾ under its NOL tolling agreement with AFG
- A credit offsets the first \$5 million of payments due under each of the first three tiers to AFG
 - As of September 30, 2015, AAC fully utilized its Tier A credit and accrued approximately \$17.8 million of tolling payments
- Tolling payments, if any, accrue quarterly and are paid in the second quarter following the year in which they are generated

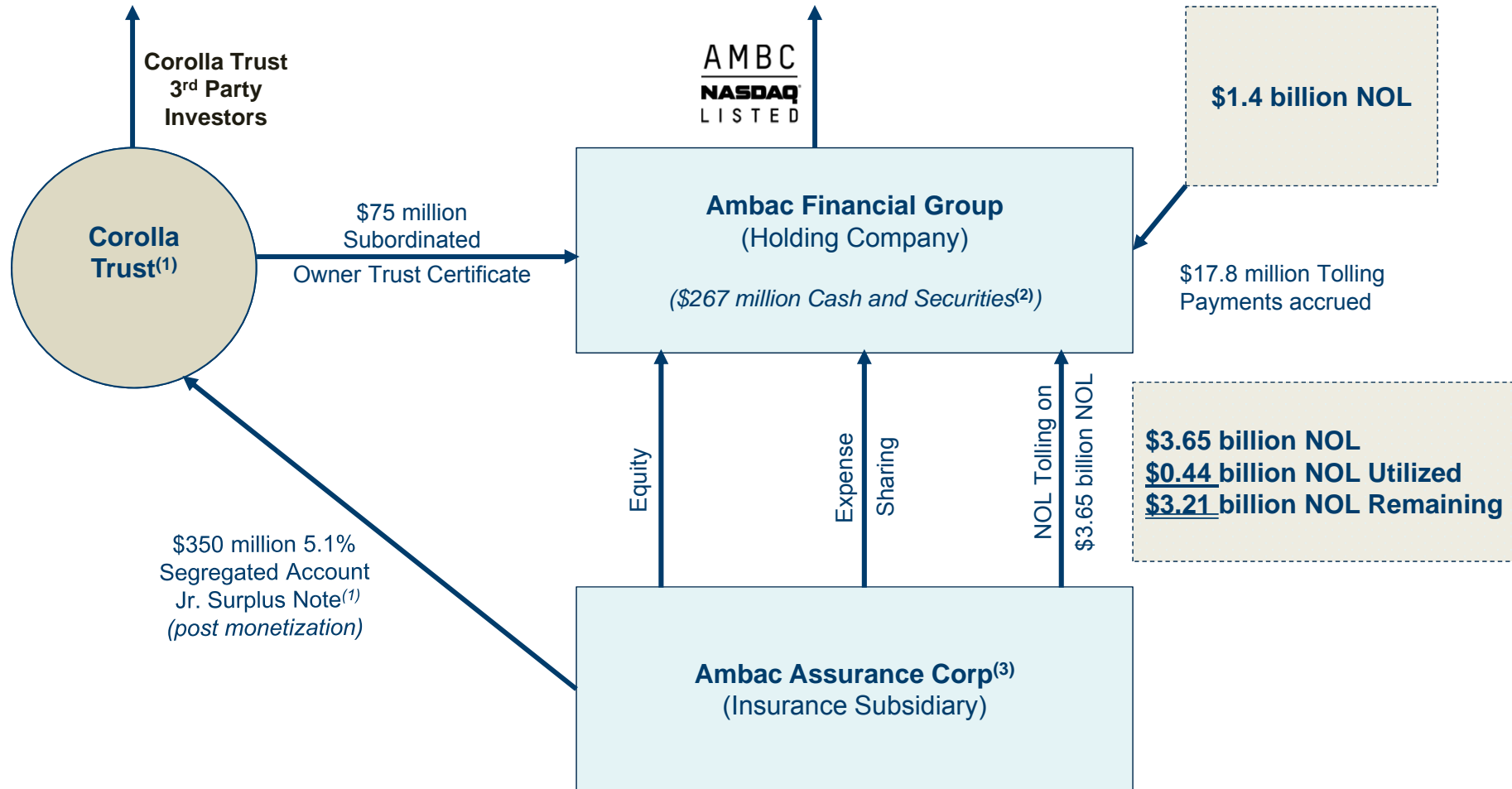
1) Subject to change based on future taxable income / losses at AAC and subsidiaries

2) Payments subject to NOL usage tier and after certain credits and any additional post determination date NOLs

APPENDIX

Ambac

VALUE COMPONENTS

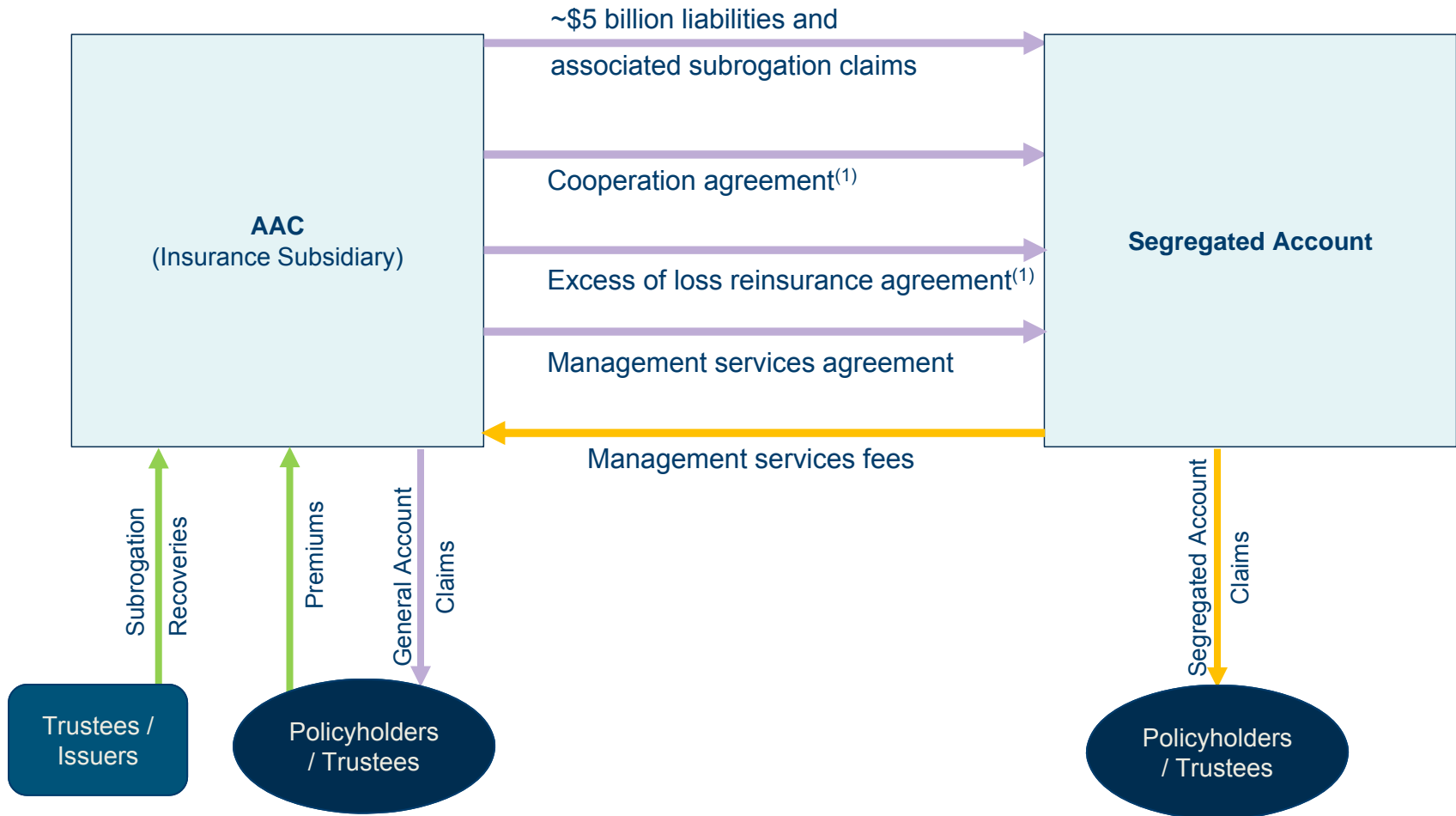


1) On August 28, 2014, to help fund the Company's strategic priorities, AFG monetized 80% of its Segregated Account Junior Surplus Note (\$350 million) and accrued interest (\$24 million), for net proceeds of approximately \$224 million. AFG also retained a 20% interest through a \$75 million subordinated Owner Trust Certificate.

2) Includes the Owner Trust Certificate, investment in Corolla Trust of \$24 million

3) Includes the Segregated Account (in Rehabilitation)

AAC – SEGREGATED ACCOUNT STRUCTURE

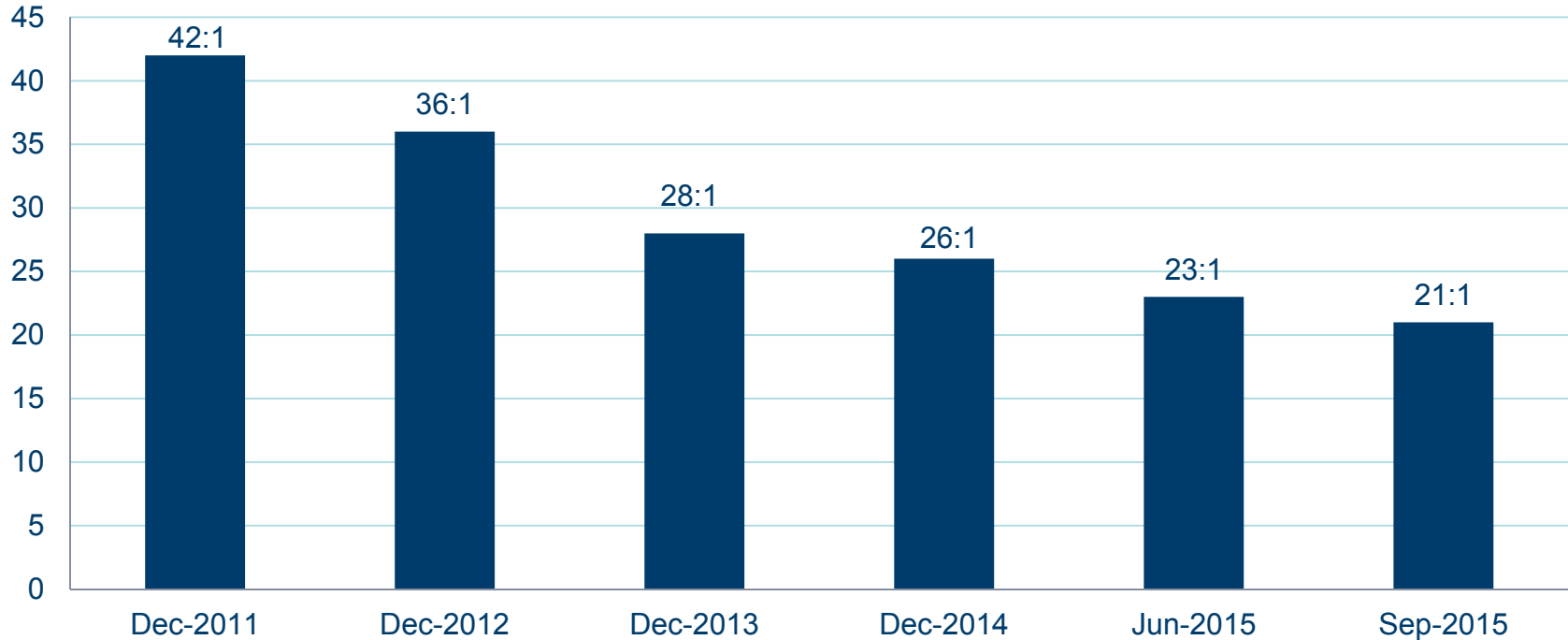


1) Subject to \$100 million minimum surplus at AAC

OPERATING LEVERAGE

► Deleveraging of book

Claims-Paying Ratio^{(1),(2)}



1) Claims-Paying Ratio is net financial guaranties in force divided by total claims-paying resources

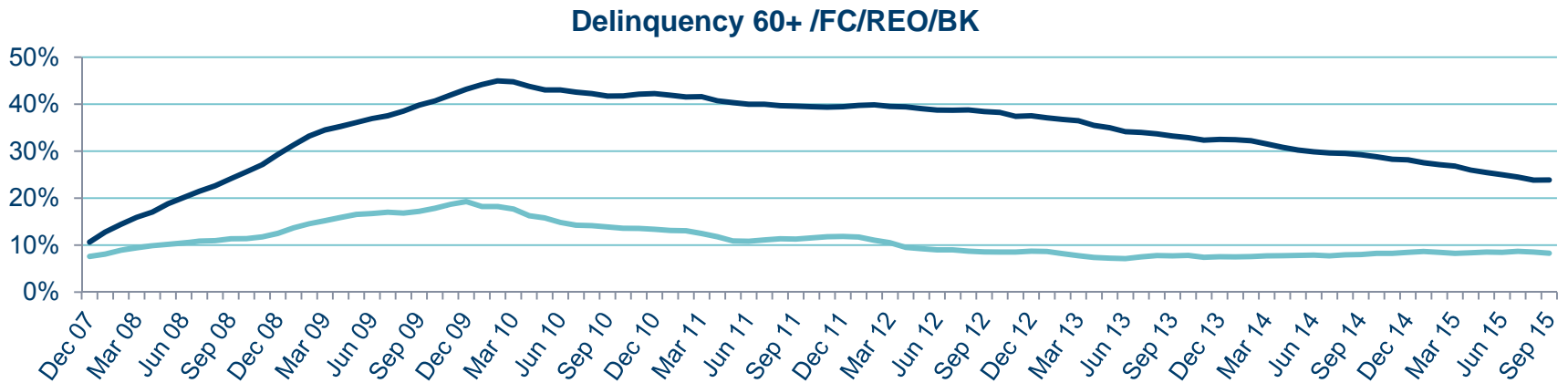
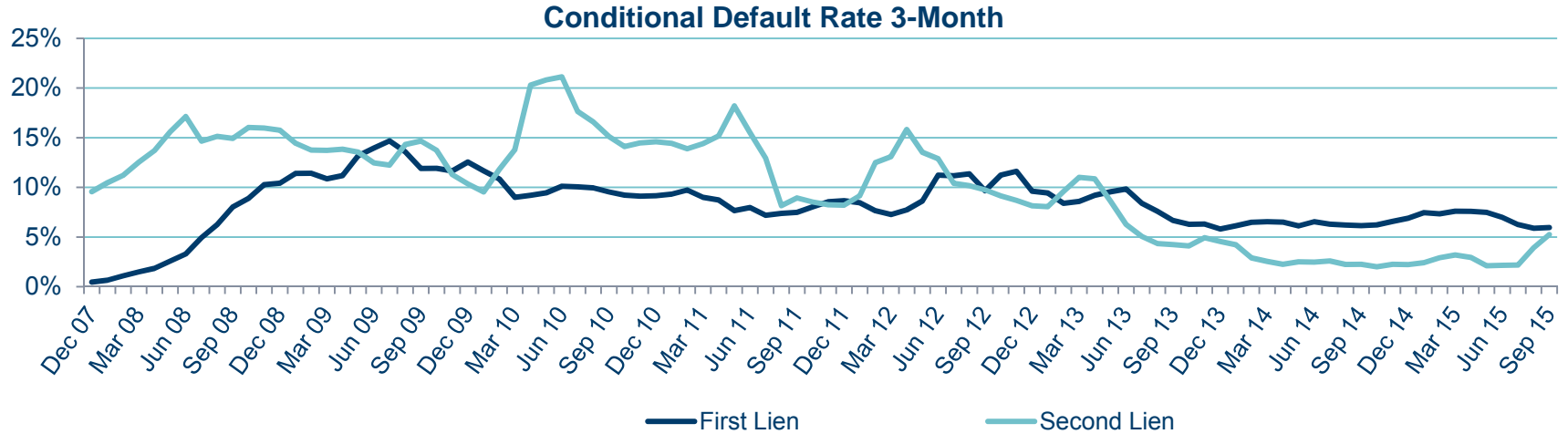
2) Total Claims-Paying-Resources have been revised in the second quarter of 2015 with the change applied to all periods presented. The change is to include loss and loss expense reserves before the recorded Statutory benefit for expected subrogation receipts

RMBS PORTFOLIO SNAPSHOT

(\$ in billions, except number of credits)	9/30/15	6/30/15
Gross Par	\$12.2	\$12.7
Net Par	\$12.0	\$12.6
Number of credits	237	243
Gross par related to policies in loss reserves	\$8.6	\$8.9
Number of credits related to policies in loss reserves	177	179
Gross claims paid (ever-to-date) ⁽¹⁾	\$5.3	\$5.2
GAAP Gross claim liability ("GCL") ⁽²⁾	\$0.9	\$1.0
GAAP Unpaid claims ⁽³⁾	\$3.4	\$3.4
GAAP R&W subrogation recoveries ⁽⁴⁾	\$(2.6)	\$(2.6)
GAAP Loss reserves⁽⁵⁾	\$1.7	\$1.8

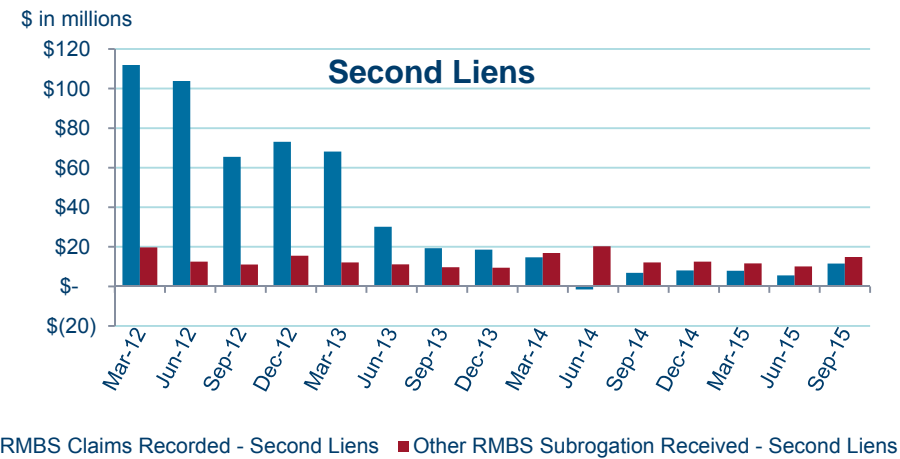
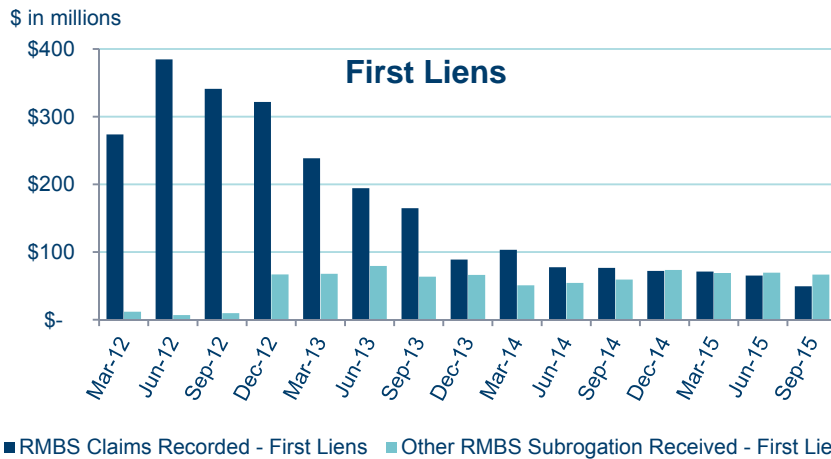
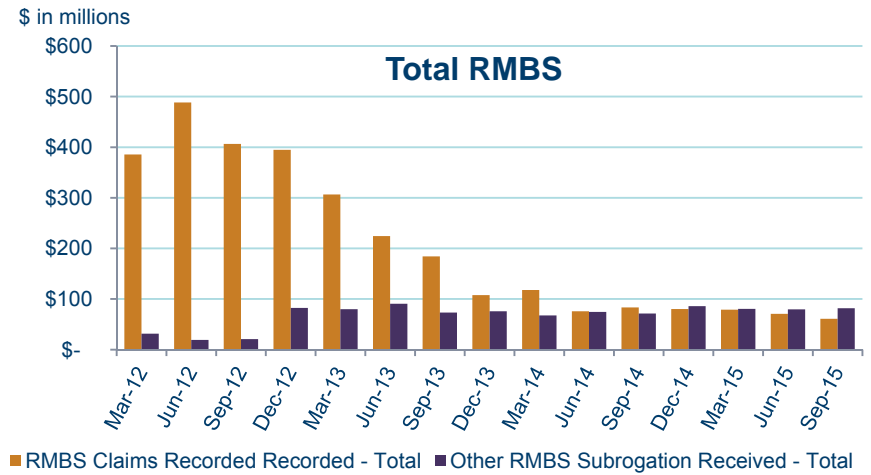
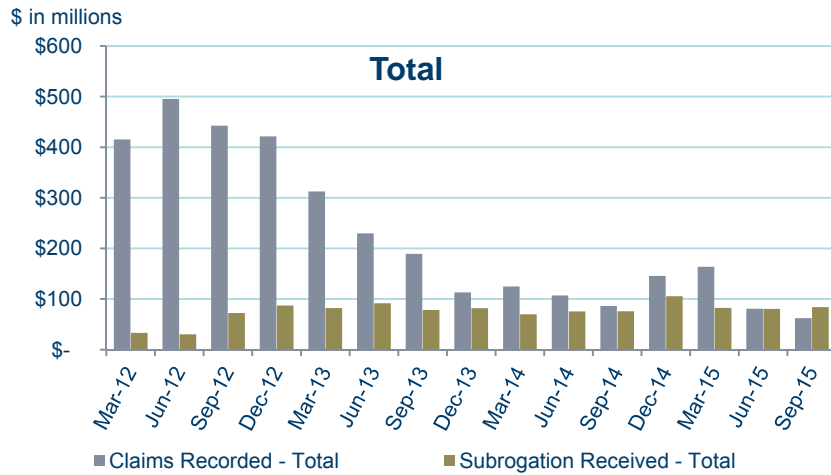
- 1) Gross of reinsurance and R&W recoveries and other subrogation recoverables
- 2) Present value of expected net cash flows gross of reinsurance and before unpaid claims, R&W subrogation recoveries and UPR
- 3) Includes accrued interest relating to amendments to the Plan of Rehabilitation of the Segregated Account of \$448 million and \$408 million at September 30, 2015 and June 30, 2015, respectively
- 4) For policies which have estimated R&W subrogation recoveries as of September 30, 2015, Ambac has estimated ultimate losses of \$4.066 billion, which include net paid claims of \$2.210 billion, and gross loss reserves of \$1.856 billion before estimated R&W subrogation recoveries. Gross loss reserves include Deferred Amounts and accrued interest on Deferred Amounts of \$1.318 billion and \$198 million, respectively. These estimated ultimate losses exclude estimated ultimate losses of \$932 million (including interest on Deferred Amounts) associated with policies that are the subject of litigation filed in December 2014 against transaction sponsors asserting claims only for fraudulent inducement. Ambac's estimated R&W subrogation recoveries do not include potential recoveries attributed solely to the fraudulent inducement claims in its litigations.
- 5) Gross of reinsurance and net of estimated R&W recoveries and other subrogation recoverables. Includes unpaid claims

RMBS PERFORMANCE



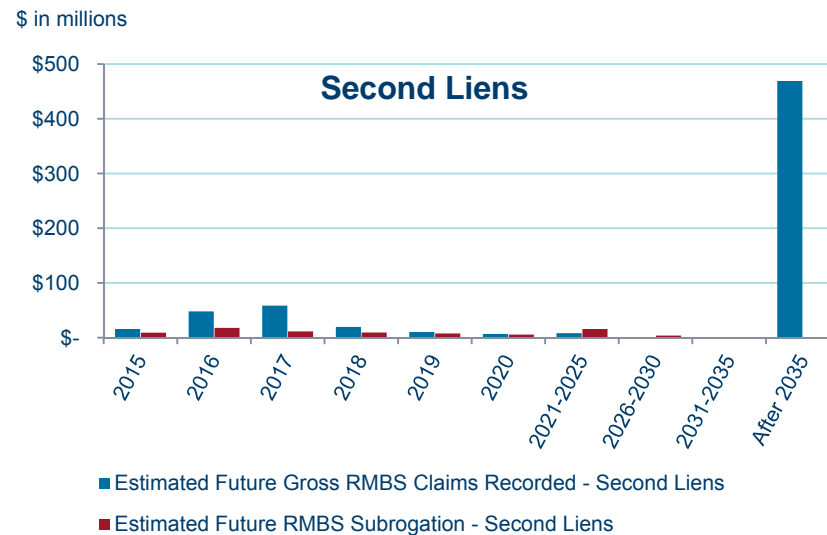
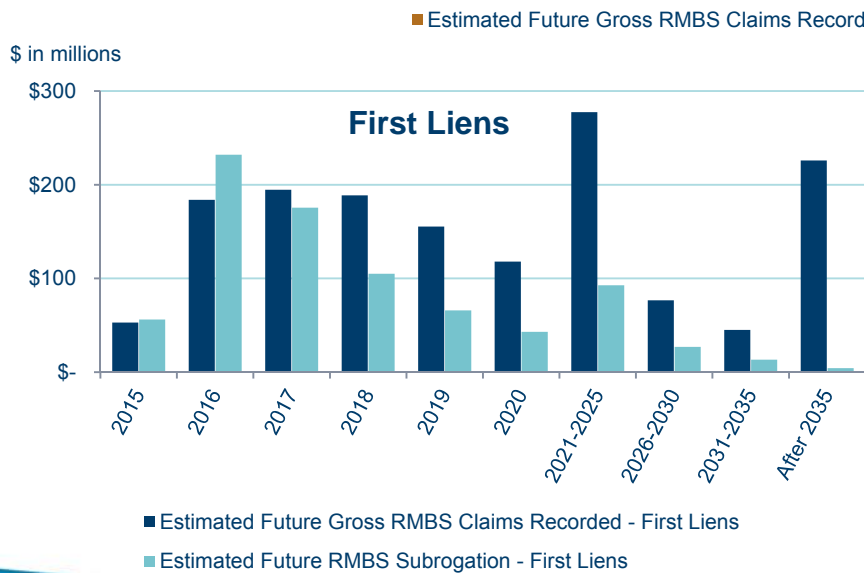
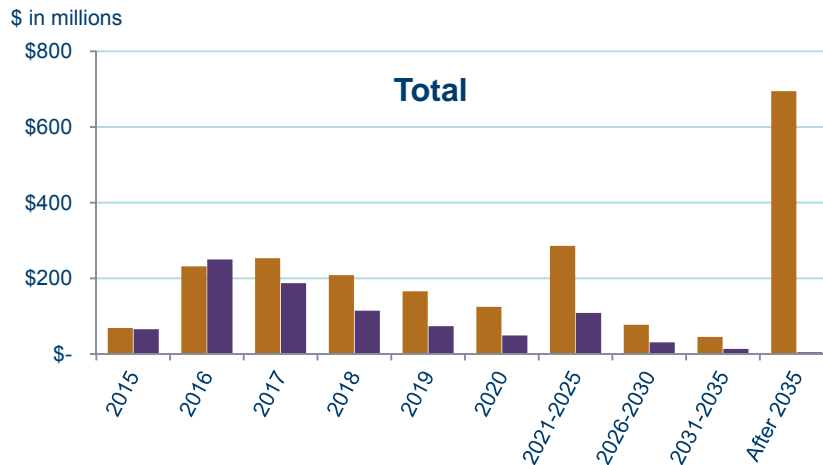
Data Source: IntexCalc
 Portfolio: RMBS transactions representing more than 90% of Ambac's future claims exposure

CLAIMS RECORDED⁽¹⁾ BY QUARTER VS. SUBROGATION⁽²⁾

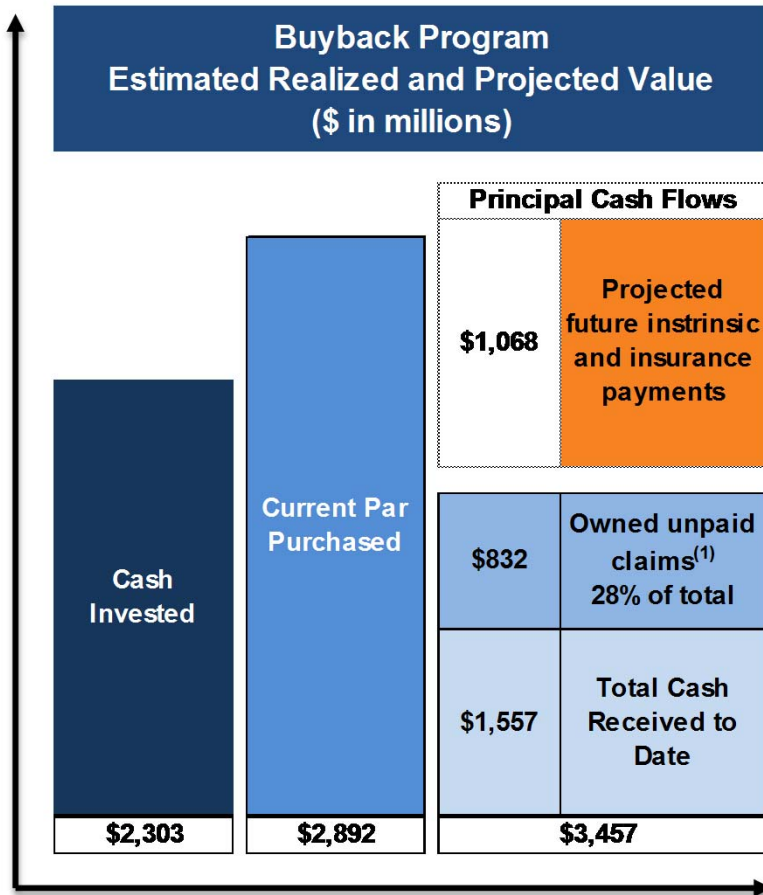


1) Claims recorded include (i) claims paid and (ii) changes to claims presented and not yet presented through the balance sheet date for policies which were allocated to the Segregated Account
 2) Excess spread, recoveries of past claims paid

ESTIMATED FUTURE GROSS RMBS CLAIMS RECORDED VS. SUBROGATION



INSURED RMBS BUYBACKS



- ▶ **Key element of asset liability management strategy**
 - \$1.8 billion total fair value
 - 32% of consolidated investment portfolio
- ▶ **Ambac maintains pricing and execution discipline**
- ▶ **Execute at accretive prices under a range of expected claim payout scenarios**

1) Excludes interest

STATUS OF RMBS LITIGATIONS (1)

Litigation Case	Current Status (as of November 9, 2015)
<p>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns & Co. Inc.), and JP Morgan Chase Bank, N.A. – New York State Supreme Court, Index No. 650421/2011 [re SACO 2005-10, SACO 2006-2, SACO 2006-8 and BSSLT 2007-1]</p>	<ul style="list-style-type: none"> ▶ Fact discovery has concluded ▶ Initial expert reports were exchanged in December 2014 ▶ On December 18, 2014, defendants filed a motion for partial summary judgment solely with respect to the justifiable-reliance element of Ambac’s fraudulent-inducement claim, which Plaintiff opposed. The court heard oral argument on July 14, 2015.
<p>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns & Co. Inc.), and JP Morgan Chase Bank, N.A. –New York State Supreme Court, Index No. 651013/2012 [re GPMF 2006-AR2, GPMF 2006-AR3, SAMI 2006-AR7, SAMI 2006-AR8, BSMF 2006-AR2, BSMF 2006-AR4, and BALTA 2006-R1]</p>	<ul style="list-style-type: none"> ▶ On June 13, 2013, the court denied defendants’ motion to dismiss the claims for fraudulent inducement and successor liability but dismissed the contractual claims ▶ Plaintiffs appealed and on October 16, 2014 the appellate court affirmed the dismissal of the contractual claims. On November 10, 2014, plaintiffs filed for leave to reargue, or in the alternative to appeal, the appellate court’s decision. On May 14, 2015, the appellate court denied the motion. ▶ With respect to the fraudulent-inducement claims that remain in the case, discovery is ongoing
<p>First Franklin Financial Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Inc., Merrill Lynch Mortgage Lending, Inc., and Merrill Lynch Mortgage Investors, Inc. – New York State Supreme Court, Index No. 651217/2012 [re First Franklin Mortgage Loan Trust 2007-FFC]</p>	<ul style="list-style-type: none"> ▶ On July 18, 2013 the court denied defendants’ motion to dismiss the putback and fraudulent-inducement claims, but granted the defendants’ motion to dismiss the claim for indemnification. The court further ruled that Ambac is limited to the sole remedy of repurchase for breaches of representations and warranties relating to the loan pool but not for breaches of transaction-level representations and warranties ▶ Discovery is ongoing ▶ The case has been reassigned to Justice Anil Singh as of April 23, 2015

(1) Information disclosed herein is accurate as of the date indicated. Ambac may update the information included in this slide from time to time without notice, but is under no duty or obligation to do so

STATUS OF RMBS LITIGATIONS - CONTINUED (1)

Litigation Case	Current Status (as of November 9, 2015)
<p>Countrywide Securities Corp., Countrywide Financial Corp. (a.k.a. Bank of America Home Loans) and Bank of America Corp – New York State Supreme Court, Index No. 651612/2010 [re CWHEQ 2006-S1, CWHEQ 2006-S4, CWHEQ 2006-S6, CWABS 2004-K, CWABS 2004-L, CWABS 2004-M, CWABS 2004-N, CWABS 2004-O, CWABS 2004-T, CWHEQ 2005-F, CWHEQ 2005-L, CWHEQ 2006-B, CWHEQ 2006-C, CWABS 2005-16, CWABS 2005-17, CWHEQ 2006-11, CWHEQ 2006-13]</p>	<ul style="list-style-type: none"> ▶ Fact and expert discovery has concluded. ▶ Summary judgment motions were filed on May 1, 2015 and the court heard oral argument on July 15, 2015. ▶ On October 27, 2015, the court issued a decision granting in part and denying in part the parties' respective summary judgment motions regarding Ambac's claims against Countrywide. Ambac has filed a notice of appeal of this decision. ▶ The Court also granted Ambac's partial motion for summary judgment and denied Bank of America's motion for summary judgment regarding Ambac's secondary-liability claims against Bank of America.
<p>Nomura Credit & Capital, Inc. and Nomura Holding America Inc. – New York State Supreme Court, Index No. 651359/2013 [re Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-1 and Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-3]</p>	<ul style="list-style-type: none"> ▶ On July 12, 2013, defendants filed a motion to dismiss the complaint; oral argument was heard on November 13, 2013. ▶ Plaintiffs filed an Amended Complaint on September 22, 2014 adding a fraudulent-inducement claim. ▶ Defendants filed a motion to strike the Amended Complaint on October 31, 2014, which plaintiffs opposed and plaintiffs also cross-moved for leave to file an amended complaint. ▶ Defendants also filed a motion to dismiss the fraudulent-inducement claim, which plaintiffs opposed. The court heard oral argument on this motion on April 14, 2015. ▶ On June 3, 2015, the court denied defendants' July 2013 motion to dismiss Ambac's claim for breaches of representations and warranties, but granted the defendants' motion to dismiss Ambac's claims for breach of the repurchase protocol and for alter ego liability against Nomura Holding. ▶ The court has not ruled on defendants' motions relating to the amended complaint.
<p>Countrywide Home Loans, Inc., Countrywide Financial Corp., and Bank of America Corp. – New York State Supreme Court, Index No. 653979/2014 [re CWALT 2005-81, CWALT 2006-OA19, HVMLT 2005-16, HVMLT 2006-9, Lehman XS 2005-7N, Lehman XS 2006-2N, Lehman XS 2007-7N, and Lehman XS 2007-15N]</p>	<ul style="list-style-type: none"> ▶ Complaint for fraudulent-inducement filed on December 30, 2014 ▶ Countywide filed a motion to dismiss on February 20, 2015 which Bank of America joined on February 23, 2015, and which plaintiffs opposed.

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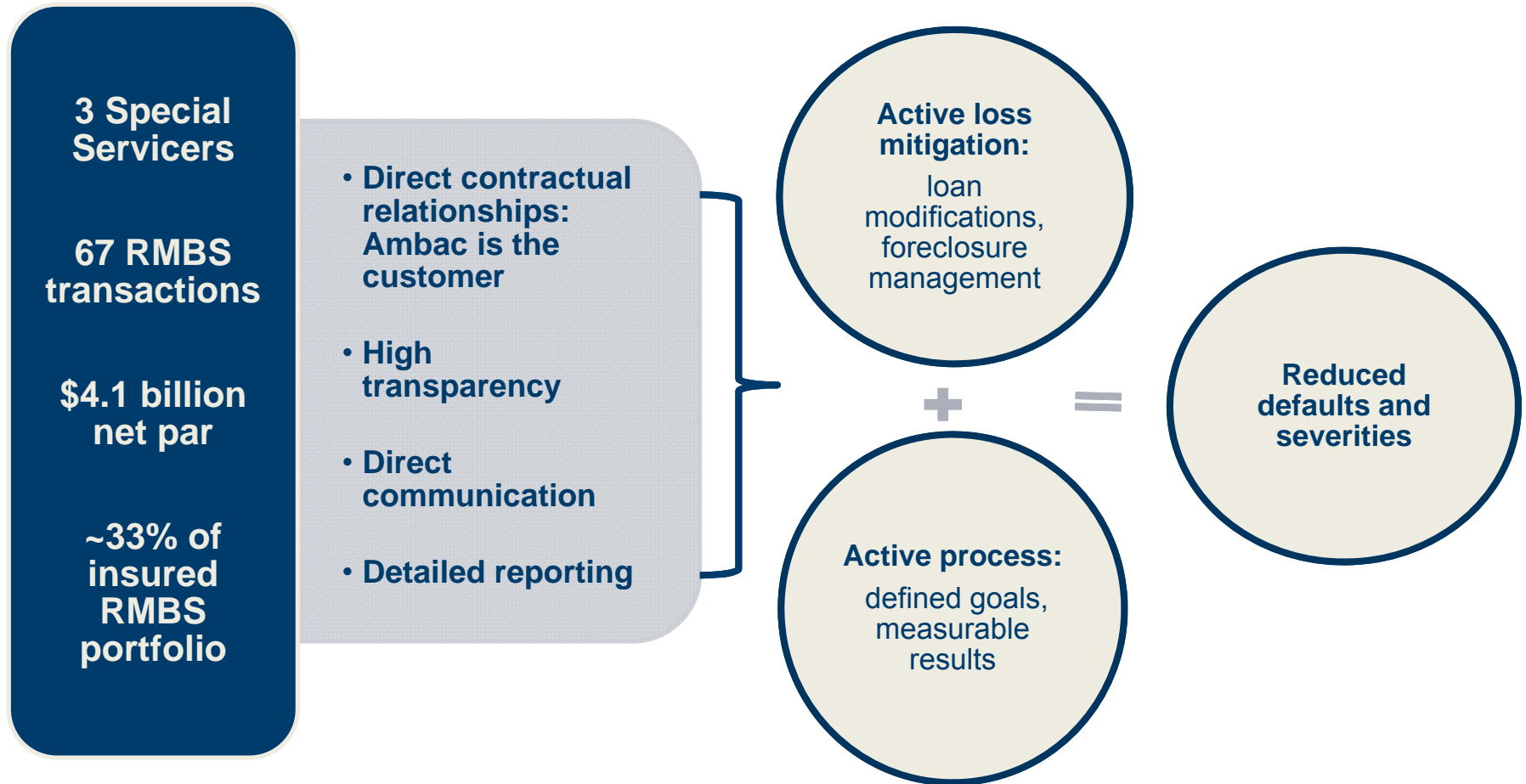
STATUS OF RMBS LITIGATIONS - CONTINUED (1)

Litigation Case	Current Status (as of November 9, 2015)
<p>Countrywide Home Loans, Inc. – Circuit Court, Dane County, Wisconsin, Case No. 14CV3511 and New York State Supreme Court, Index no. 652321/2015 [re HVMLT 2005-2, HVMLT 2005-8, HVMLT 2005-10, Harborview Mortgage Loan Trust 2005-12, and HVMLT 2005-13]</p>	<ul style="list-style-type: none">▶ Complaint for fraudulent-inducement filed on December 30, 2014▶ Defendant filed a motion to dismiss on February 20, 2015, which plaintiffs opposed.▶ At a hearing on June 23, 2015, the court dismissed the case without prejudice for lack of personal jurisdiction and entered an order on July 2, 2015. Plaintiffs are appealing that order and the defendant is opposing the appeal.▶ On June 30, 2015 plaintiffs commenced litigation in New York and filed a complaint for fraudulent-inducement on July 21, 2015. Plaintiffs also filed in the New York action a motion to stay this New York case pending resolution of the Wisconsin appeal, which defendant has opposed.▶ On August 10, 2015, defendant filed a motion to dismiss, which plaintiffs have opposed.

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SPECIAL SERVICING

► Improving collateral performance at the loan level



LEGACY SERVICERS AND TRANSFERS

▶ Legacy servicers

- Where necessary, enforce our rights to inspect and to receive information
- Data driven analysis of performance
- Communicate and reinforce best practices

▶ Servicing transfers

- Actively seek opportunities for transfer
- Effect transfer by active enforcement of Ambac's rights and remedies
- Negotiate voluntary agreements where possible

▶ Servicing oversight

- Regular data and information delivery
- Frequent review of servicer plans and actions, including on-site review
- Performance measurements and goals

PUERTO RICO NET PRINCIPAL AND INTEREST⁽¹⁾

(\$ in millions)									
Principal and Interest Amortization of Ambac Insured Puerto Rico Exposures by Calendar Year									
Calendar Year	Commonwealth GO	Public Bldg - GO Guaranteed	Senior Highway (1968)	Senior Transportation (1998), excluding HTA Series N Bonds	Senior Transportation (1998), HTA Series N Bonds	Rum Tax	Hotel Occupancy Tax	Sales Tax (COFINA)	Total P & I
2016	2.7	43.7	1.2	47.4	9.4	52.0	6.9	-	163.3
2017	2.7	27.1	13.7	45.3	9.4	52.0	18.6	-	168.8
2018	2.7	27.1	10.1	43.4	9.4	52.0	18.6	-	163.3
2019	27.7	8.6	-	28.4	9.4	15.2	18.6	-	107.9
2020	1.4	5.9	-	38.8	9.4	15.2	18.6	-	89.3
2021	1.4	12.9	1.3	20.6	9.4	15.2	4.3	-	65.1
2022	1.4	5.5	-	20.1	9.4	15.2	4.3	-	55.9
2023	32.4	5.5	-	21.1	9.4	60.8	4.3	-	133.5
2024	-	5.5	-	20.6	9.4	60.8	4.3	-	100.6
2025	-	5.5	1.0	20.6	9.4	60.8	4.3	-	101.6
2026	-	5.5	1.0	22.1	9.4	60.8	4.3	-	103.1
2027	-	5.5	7.0	48.5	9.4	60.8	4.3	-	135.5
2028	-	5.5	-	48.2	9.4	60.8	24.3	-	148.2
2029	-	5.5	-	48.4	9.4	68.7	24.3	-	156.3
2030	-	31.0	-	75.4	9.4	-	24.3	-	140.1
2031	-	27.9	-	94.8	9.4	-	24.7	-	156.8
2032	-	2.9	-	8.3	9.4	-	-	-	20.6
2033	-	2.9	-	8.3	9.4	-	-	-	20.6
2034	-	29.5	-	8.3	9.4	68.7	-	-	115.9
2035	-	35.3	-	8.3	9.4	68.7	-	-	121.7
2036	-	-	-	66.4	9.4	68.7	-	-	144.5
2037	-	-	-	66.4	9.4	49.1	-	-	124.9
2038	-	-	-	41.9	9.4	-	-	-	51.3
2039	-	-	-	-	9.4	-	-	-	9.4
2040	-	-	-	-	9.4	-	-	-	9.4
2041	-	-	-	-	9.4	-	-	-	9.4
2042	-	-	-	-	90.4	-	-	-	90.4
2043	-	-	-	-	68.9	84.0	-	-	152.9
2044	-	-	-	-	45.1	84.4	-	-	129.5
2045	-	-	-	-	44.8	-	-	-	44.8
2046	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	786.2	786.2
2048	-	-	-	-	-	-	-	820.2	820.2
2049	-	-	-	-	-	-	-	855.5	855.5
2050	-	-	-	-	-	-	-	892.3	892.3
2051	-	-	-	-	-	-	-	930.5	930.5
2052	-	-	-	-	-	-	-	970.3	970.3
2053	-	-	-	-	-	-	-	1,011.7	1,011.7
2054	-	-	-	-	-	-	-	1,054.6	1,054.6
Grand Total	72.4	298.8	35.3	851.6	493.6	1,073.9	209.0	7,321.3	10,355.9

⁽¹⁾ Net of reinsurance

⁽²⁾ Includes \$233.2 million and \$228.5 million of Gross and Net Par, respectively, and approximately \$503 million and \$493 million of Gross and Net Principal & Interest, respectively, of bonds that are expected to be cancelled as required under the bond documents

MILITARY HOUSING

▶ Ambac insures \$6.0 billion of privatized military housing debt

- Diverse exposure to 58 US military bases across 15 states
- One credit is adversely classified
- Exposures are long-dated, with most maturing after 2040

▶ Debt service is not directly paid or guaranteed by the U.S. Government

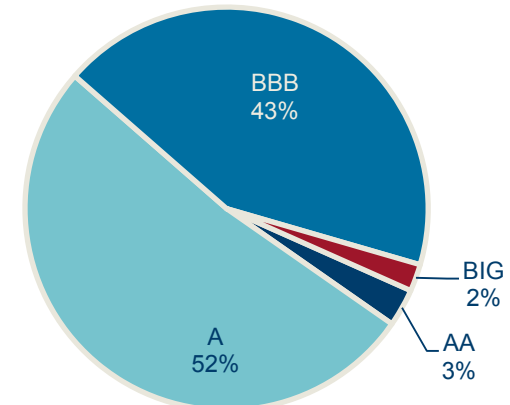
- Serviced primarily from rental payments via US Government funding of individual's Basic Allowance for Housing (BAH)
- BAH flows directly into transaction accounts, not through the individuals
- Primary security is the assignment of BAH payments

▶ Risk factors affecting these transactions include

- Large scale domestic military cutbacks
- Base essentiality and risk of base closures
- Military deployments
- U.S. government commitment to fund BAH

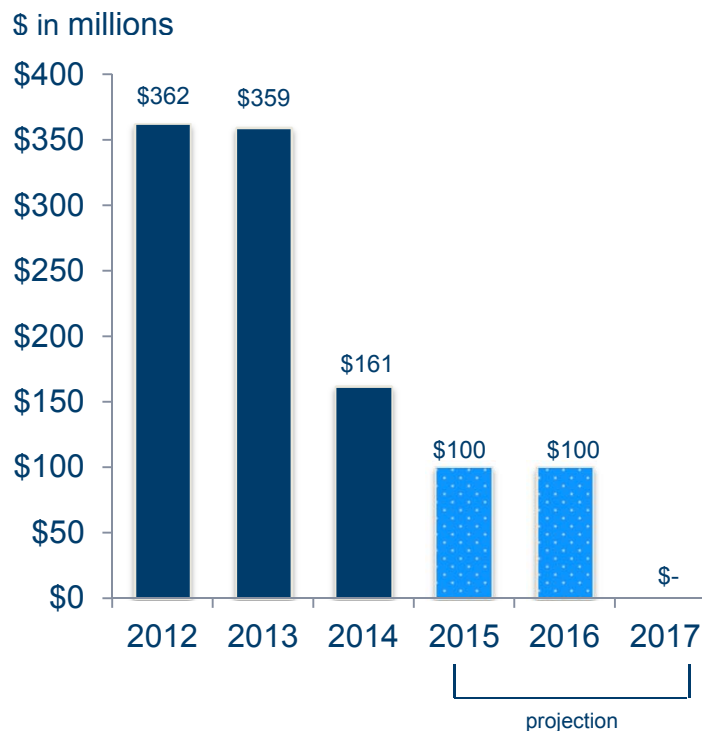
Military Housing

**\$6.0 billion Net Par
By Ambac Rating**



FINANCIAL SERVICES BUSINESS INVESTMENT AGREEMENT BUSINESS SUMMARY

Year-end Balance of Liabilities



- ▶ Investment portfolio of \$110 million ABS and short term as of September 30, 2015

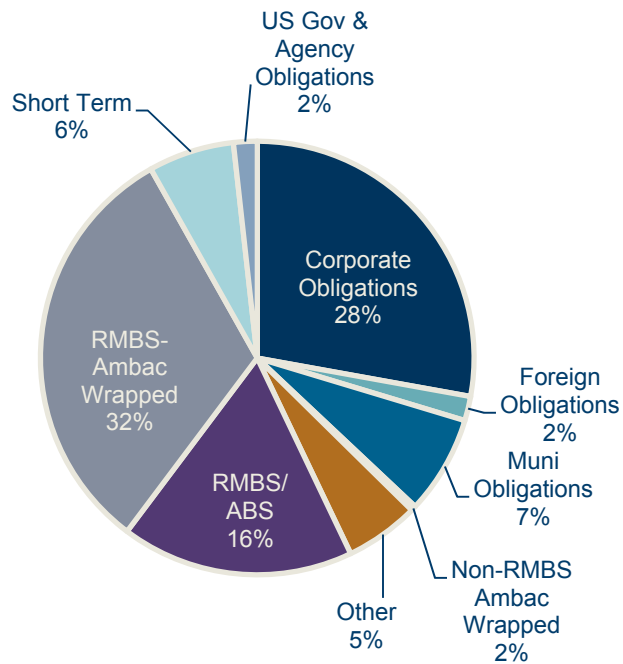
FINANCIAL SERVICES BUSINESS SWAP BUSINESS

(\$ in millions)	3Q 2015	2Q 2015
Notional (at period end)	\$2,317.3	\$2,337.6
Interest rate sensitivity (DV01)	1.4	1.3
Derivative product revenues	(\$65.1)	\$51.0
Net fair market value of derivatives at period end	(\$254.9)	(\$195.6)

CONSOLIDATED INVESTMENT PORTFOLIO FAIR VALUE

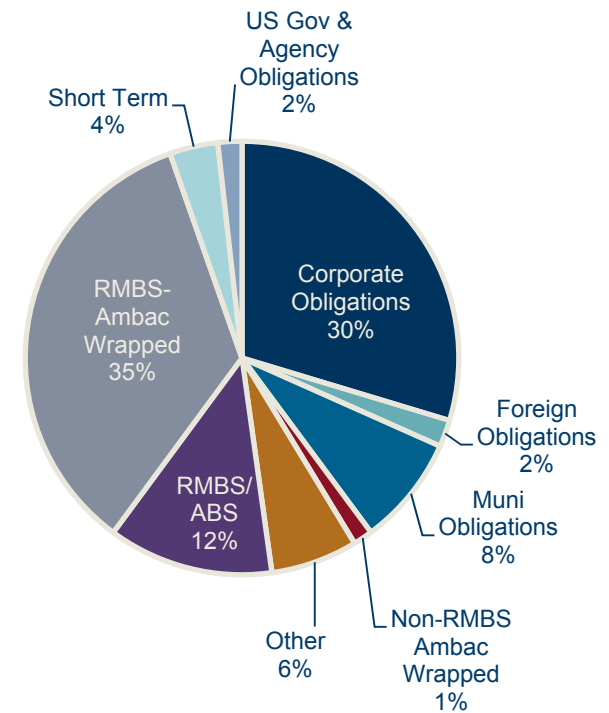
September 30, 2015

\$5.7 billion



June 30, 2015

\$5.5 billion

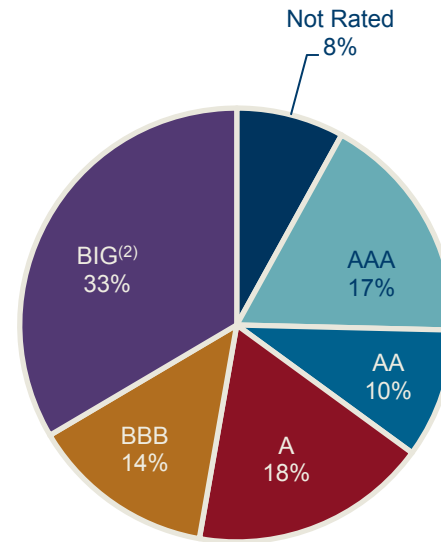
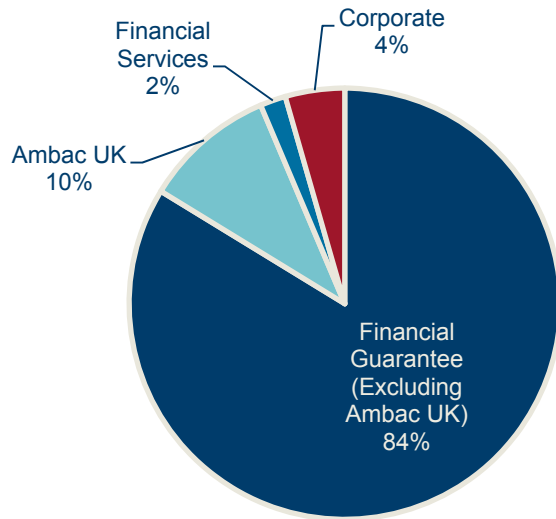


CONSOLIDATED INVESTMENT PORTFOLIO SEPTEMBER 30, 2015

Business Segment

Ratings⁽¹⁾

\$5.7 billion



1) Ratings distribution is for fixed income investment portfolio

2) Below Investment Grade Ambac insured bonds represent 32% of the consolidated fixed income investment portfolio fair value

FINANCIAL HIGHLIGHTS

(\$ in millions)	3Q 2015	2Q 2015
Net premiums earned	\$71.5	\$60.9
Net investment income	64.2	64.8
Net realized investment (losses) gains and OTTI	(7.0)	(6.4)
Net change in the fair value of credit derivatives	37.0	10.3
Derivative product revenues	(65.1)	51.0
Net realized gains (losses) on extinguishment of debt	1.4	(1.2)
Income (loss) on variable interest entities	(21.4)	52.6
Loss and loss (benefit) expense	(133.2)	(147.5)
Insurance intangible amortization	39.7	38.1
Net operating expenses	25.0	25.9
Interest expense	29.9	28.2
Impairment of goodwill	514.5	-
Net income (loss) (attributable to common shareholders)	(\$391.0)	\$282.7
Net income (loss) per diluted share	(\$8.66)	\$6.05
Operating Earnings⁽¹⁾	\$170.5	\$266.0
Operating Earnings per diluted share⁽¹⁾	\$3.77	\$5.70
Adjusted Book Value⁽¹⁾	\$801.6	\$741.9
Adjusted Book Value per share⁽¹⁾	\$17.81	\$16.49

1) Operating Earnings, Adjust Book Value and related per share data are non-GAAP measures. Refer to the reconciliation of the most directly comparable financial measures calculated in accordance with GAAP later in this presentation

EARNED PREMIUMS

(\$ in millions)	3Q 2015	2Q 2015
Public Finance	\$24.4	\$25.5
Structured Finance	7.6	10.5
International Finance	11.1	11.2
Total normal premiums earned	43.1	47.2
Accelerated Earnings	28.4	13.7
Total net premiums earned	\$71.5	\$60.9

INTEREST EXPENSE

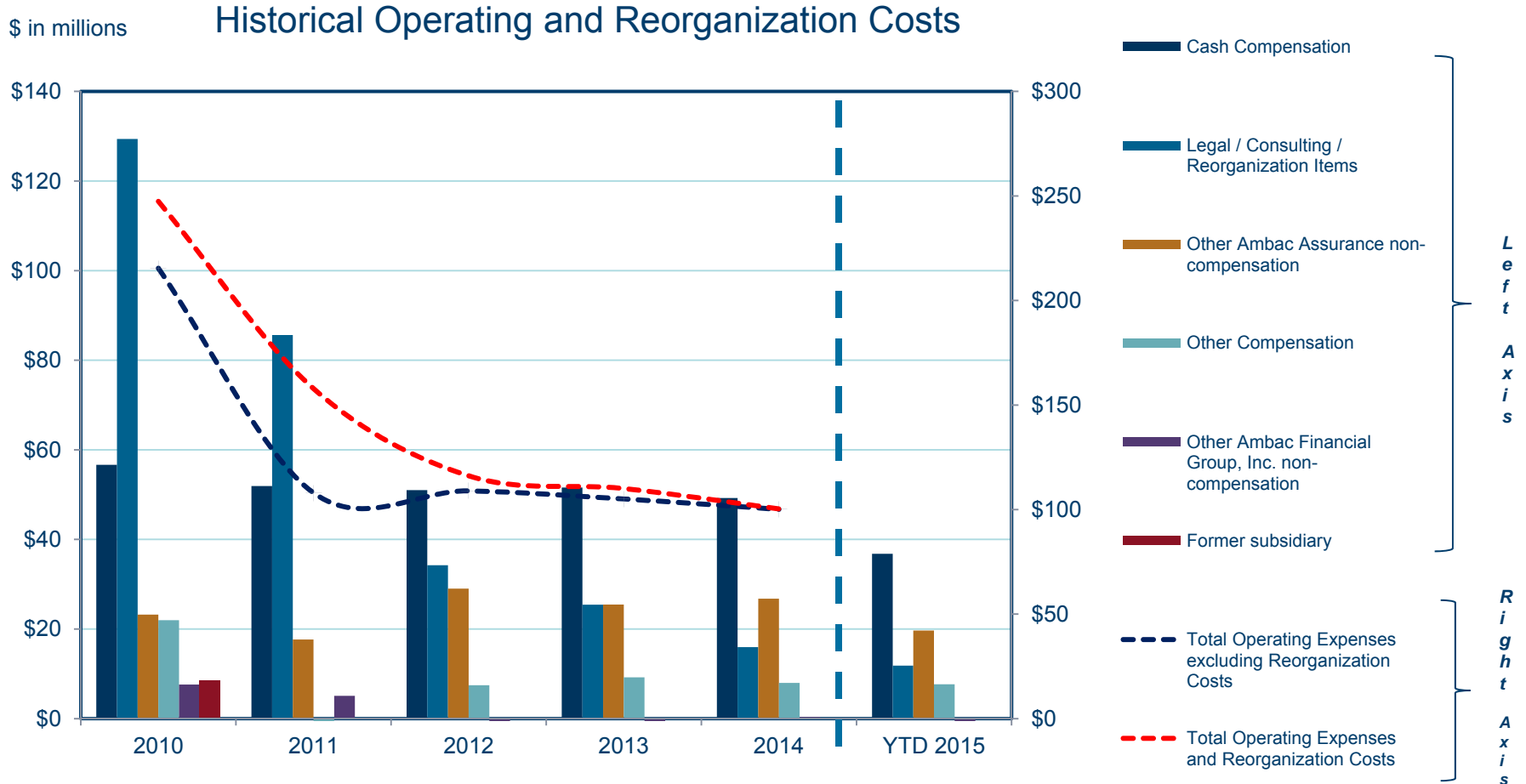
(\$ in millions)	Face Value	Carrying Value		Interest Expense	
		9/30/15	6/30/15	3Q 2015	2Q 2015
Ambac Assurance Corporation⁽¹⁾					
5.1% surplus notes, general account, due 2020 ⁽²⁾	\$881.5	\$707.9	\$700.8	\$21.5	\$20.9
5.1% surplus notes, segregated account, due 2020	39.1	31.4	31.1	0.9	0.9
5.1% junior surplus notes, segregated account, due 2020 ⁽³⁾	378.0	246.7	245.9	6.3	6.1
Ambac Assurance long-term debt	\$1,298.6	\$986.0	\$977.8	\$28.7	\$27.9
Secured borrowing (One-Month LIBOR plus 2.80%)	\$138.6	\$137.0	-	\$1.0	-
Investment agreements	\$100.4	\$100.4	\$112.2	\$0.2	\$0.3
Total Interest Expense				\$29.9	\$28.2
Interest on Deferred Loss Amounts (included within Loss and loss expenses)				\$40.7	\$39.6
Combined Interest Expense				\$70.6	\$67.8

1) Ambac Assurance and the Segregated Account have not paid any interest on surplus notes since their issuance (excluding those redeemed in November 2014)

2) Surplus notes face value is reduced by \$11.8 million which was acquired by AFG in 2Q 2015

3) Includes monetized junior surplus note

MANAGING OPERATING EXPENSES



CREDIT DERIVATIVES

(\$ in millions)	3Q 2015	2Q 2015
Notional at period end	\$1,313.8	\$1,447.9
Net change in fair market value of credit derivatives	\$37.0	\$10.3
<i>Realized gains and other settlements</i>	1.7	0.4
<i>Unrealized (losses) gains</i>	35.3	9.9
Credit impairment on credit derivatives at period end	\$14.9	\$16.1
Fair market value of credit derivative at period end	(\$29.9)	(\$66.5)

GAAP FINANCIAL OVERVIEW – BALANCE SHEET

(\$ in millions)	As of September 30, 2015	As of June 30, 2015
Investments	\$5,702	\$5,479
Premium receivables	895	937
Reinsurance recoverable on losses	68	76
Deferred ceded premium	106	112
Subrogation recoverable	982	981
Derivative assets	91	81
Insurance intangible asset and goodwill	1,279	1,854
Other assets	269	232
VIE assets	14,875	15,762
Total assets	\$24,267	\$25,514
Loss and loss expense reserves	\$4,238	\$4,367
Unearned premium reserves	1,428	1,528
Long-term debt and investment agreements	1,223	1,090
Derivative liabilities	376	343
Other liabilities	542	465
VIE liabilities	14,831	15,674
Total liabilities	\$22,638	\$23,467
Total stockholders' equity	\$1,629	\$2,047
Total liabilities and stockholders' equity	\$24,267	\$25,514

OPERATING EARNINGS⁽¹⁾

(\$ in millions, except per share data)	3Q 2015		2Q 2015	
	\$ Amount	Per Diluted Share	\$ Amount	Per Diluted Share
Net income (loss) attributable to common shareholders	(\$391.0)	(\$8.66)	\$282.7	\$6.05
Adjustments:				
Non-credit impairment fair value (gain) loss on credit derivatives	(34.1)	(0.76)	(9.7)	(0.21)
Effect of consolidating financial guarantee VIEs	30.5	0.68	(16.4)	(0.35)
Insurance intangible amortization	39.7	0.88	38.1	0.82
Impairment of goodwill	514.5	11.39	-	-
Foreign exchange (gain) loss from re-measured premium receivables and loss and loss expense reserves	14.7	0.32	(25.7)	(0.55)
Fair value (gain) loss on derivatives from AMBAC CVA	(3.8)	(0.08)	(3.0)	(0.06)
Operating Earnings	\$170.5	\$3.77	\$266.0	\$5.70

1) Non-GAAP Financial Measure. See further disclosure on Non-GAAP Financial Measures included in Ambac's 2Q and 3Q 2015 Form 10-Q filed with the SEC

ADJUSTED BOOK VALUE⁽¹⁾

(\$ in millions, except per share data)	September 30, 2015		June 30, 2015	
	\$ Amount	Per Share	\$ Amount	Per Share
Total Ambac Financial Group, Inc. stockholders' equity (deficit)	\$1,355.0	\$30.10	\$1,772.9	\$39.39
Adjustments:				
Non-credit impairment fair value losses on credit derivatives	16.3	0.36	50.4	1.12
Effect of consolidating financial guarantee VIEs	(327.0)	(7.26)	(363.1)	(8.07)
Insurance intangible asset	(1,279.4)	(28.42)	(1,339.4)	(29.76)
Goodwill	-	-	(514.5)	(11.43)
Ambac CVA on derivative product liabilities (excluding credit derivatives)	(84.0)	(1.86)	(80.2)	(1.78)
Net unearned premiums in excess of expected losses	1,208.5	26.84	1,295.2	28.78
Net unrealized investment (gains) losses in AOCI	(87.8)	(1.95)	(79.4)	(1.76)
Adjusted Book Value	\$801.6	\$17.81	\$741.9	\$16.49

1) Non-GAAP Financial Measure. See further disclosure on Non-GAAP Financial Measures included in Ambac's 2Q and 3Q 2015 Form 10-Q filed with the SEC

CHANGES TO AMBAC ASSURANCE POLICYHOLDERS' SURPLUS

(\$ in millions)	3Q 2015 Income Statement	3Q 2015 Changes in Surplus	2Q 2015 Income Statement	2Q 2015 Changes in Surplus
Beginning surplus to policyholders		\$235		\$100
Net premiums earned	\$89		\$64	
Investment income	65		67	
Underwriting expenses	(20)		(20)	
Benefit for Insurance losses and loss expenses (including interest on Deferred Amounts)	76		60	
Intercompany loans and guarantees of subsidiary liabilities	(46)		39	
Net realized gains, other income and tax benefits	(19)		35	
Tax expense	(9)		(13)	
Net income		\$136		\$232
Contingency reserves contribution		(39)		(28)
Change in Prescribed Practice – General Account minimum surplus adj.		-		(26)
Deferred Gain on investment securities sale to subsidiary		-		(28)
Non-income statement changes to AAC investments		18		(15)
Ending surplus to policyholders		\$350		\$235

GAAP VS. STATUTORY ACCOUNTING DIFFERENCES

	US GAAP Basis	US Statutory
Invested Assets	<ul style="list-style-type: none"> ▶ Investments carried at fair value ▶ Consolidation of subsidiaries and VIEs 	<ul style="list-style-type: none"> ▶ Investments carried primarily at amortized cost ▶ Subsidiaries carried under equity method of accounting, if audited ▶ Loans to affiliates carried at current value, net of impairments ▶ VIEs is not a Statutory concept
Surplus Notes	<ul style="list-style-type: none"> ▶ Reported as long-term debt ▶ Carried at par less unamortized discount (set to fair value at Fresh Start Date) 	<ul style="list-style-type: none"> ▶ At 12/31/2014, reclassified senior Surplus Notes to a liability since they are pari-passu to policyholder obligations ▶ Junior Surplus Notes reported as surplus ▶ Carried at par value per an OCI prescribed practice
Surplus Note Interest	<ul style="list-style-type: none"> ▶ Accrual basis 	<ul style="list-style-type: none"> ▶ Interest expensed only upon OCI's approval to pay
Premium Receivables	<ul style="list-style-type: none"> ▶ Present value of future contractual premiums due over the life of the policy, discounted at the risk-free rate ▶ RMBS uses future expected premiums due 	<ul style="list-style-type: none"> ▶ Established only for installment premiums related to the period covered through the reporting date
Premium Earnings	<ul style="list-style-type: none"> ▶ Recognized based on a constant rate derived by daily principal exposure outstanding 	<ul style="list-style-type: none"> ▶ On upfront paying policies, recognized based on expiration of debt service of insured exposure ▶ On installment paying policies, recognized in income pro-rata over the period covered

GAAP VS. STATUTORY ACCOUNTING

COMPARISON OF LOSS RESERVING METHODOLOGIES

	US GAAP Basis	US Statutory
Timing of Recognition of Loss Reserves	<ul style="list-style-type: none"> ▶ When expected losses exceed related unearned premium reserves 	<ul style="list-style-type: none"> ▶ Case Basis Reserves – upon failure of issuer to pay scheduled principal or interest ▶ Contingency Reserves – for non-defaulted general account policies (can release with OCI approval)
Measurement of Loss Reserves	<ul style="list-style-type: none"> ▶ Present value of probability weighted expected losses and subrogation recoverable, less related unearned premium reserves 	<ul style="list-style-type: none"> ▶ Present value of best estimate of expected losses and subrogation recoverable
Discount Rate	<ul style="list-style-type: none"> ▶ Risk free rate of return 	<ul style="list-style-type: none"> ▶ Rate of return on invested assets (determined annually) subject to OCI prescribed practices (currently at 5.1%)
Credit and Interest Rate Derivatives and other subsidiary Impairments	<ul style="list-style-type: none"> ▶ Derivatives carried at fair value ▶ Intercompany agreements eliminated in consolidation 	<ul style="list-style-type: none"> ▶ Liability recorded when expected losses from such contracts exceed the financial resources of the subsidiary ▶ Measured as the present value of best estimate of expected losses, discounted at the discount rate above, less the financial resources of the subsidiary
Balance Sheet Presentation	<ul style="list-style-type: none"> ▶ Balance Sheet grossed up for assets (policy level net recoveries) and liabilities (policy level net outflows) ▶ Reinsurance recoverables/payables reported separately ▶ Inclusive of loss expenses 	<ul style="list-style-type: none"> ▶ Reserves reported as a net liability reduced for remediation and reinsurance ▶ Loss expenses reported separately

COMMUTATIONS AND RESTRUCTURINGS

	Explanation	Key methods used
Commutation	<ul style="list-style-type: none"> ▶ Defeasance or settlement of future projected claims ▶ Tearing up policies at a discount 	<ul style="list-style-type: none"> ▶ Upfront payment in exchange for removing underlying policy from insured securities ▶ Upfront payment to purchase the right to all future claims on insured securities
Restructuring	<ul style="list-style-type: none"> ▶ Active use of creditor rights to mitigate potential losses on insured securities 	<ul style="list-style-type: none"> ▶ Enforcing controlling creditor rights in covenant breach or default situations to achieve improved outcomes ▶ Restructuring of liabilities (with or without removing the policy) of distressed issuers – may also include an investment by Ambac

RISK ADVERSE CREDIT CLASSIFICATIONS⁽¹⁾

Classification	Description
CLASS I	▶ Fully Performing – Meets Ambac Criteria with Remote Probability of Claim
SURVEY LIST	▶ Investigation of Specific Condition or Weakness Underway
CLASS IA	▶ Potential Problem with Risks to be Dimensioned
CLASS II	▶ Substandard Requiring Intervention
CLASS III	▶ Doubtful with Clear Potential for Loss
CLASS IV	▶ Imminent Default or Defaulted
CLASS V	▶ Fully Reserved

1) See Ambac's 2014 Form 10-K for further description of risk classifications

NOL TOLLING AGREEMENT TIERS

NOL Usage Tier	Allocated AAC NOL Amount	Applicable Percentage
A ⁽¹⁾	The first \$0.479 billion	15%
B ⁽¹⁾	The next \$1.057 billion after NOL Usage Tier A	40%
C ^{(1), (2)}	The next \$1.057 billion after NOL Usage Tier B	10%
D ⁽³⁾	The next \$1.057 billion after NOL Usage Tier C	15%

- 1) Tier A, B, and C are each subject to a \$5 million credit against tolling payment due AFG
- 2) Pursuant to IRS closing agreement, IRS receives 12.5% of Tier C
- 3) Pursuant to IRS closing agreement, IRS receives 17.5% of Tier D

SEGREGATED ACCOUNT PLAN OF REHABILITATION

- ▶ **AAC established the Segregated Account March 24, 2010, pursuant to Wisconsin law**
- ▶ **Confirmation and Effective Date**
 - Confirmed by Wisconsin court on January 24, 2011
 - Amended Plan approved by Wisconsin court on June 11, 2014
 - Effective Date June 12, 2014
- ▶ **Segregated Account started paying 25% of permitted policy claims September 20, 2012**
- ▶ **Payout ratio⁽¹⁾ increased to 45% beginning July 21, 2014**
 - November 20, 2014 – redeemed a portion of surplus notes and interest thereon of \$414 million
 - December 22, 2014 – made equalizing payments on Deferred Amounts and interest thereon of \$1.1 billion
- ▶ **Allows for Supplemental Payments, Special Policy Payments, commutations, and restructurings**
- ▶ **“Deferred Amounts” represent unpaid portions of claims and generally accrue and compound interest at 5.1%**
 - \$449.4 million accrued interest as of September 30, 2015

1) Payout ratio is the percentage of the initial cash Interim Payment for permitted policy claims

SEGREGATED ACCOUNT

▶ March 24, 2010

- AAC established the Segregated Account pursuant to Wisconsin law
- Wisconsin's Office of the Commissioner of Insurance (OCI) commenced rehabilitation proceedings for the Segregated Account

▶ Rehabilitator has ultimate decision-making authority over the Segregated Account

- Governed by Plan of Operation and certain other operative documents

▶ Segregated certain sectors of Ambac Assurance's most distressed exposures and associated subrogation claims

▶ General Account (the remainder of AAC) is not in rehabilitation

AAC's Segregated Account Sectors

RMBS
Policies

Student Loan
Policies

Certain
Credit
Default Swap
Policies

Subrogation
Claims
(but not
recoveries)

Certain
Limited
Liability
Corporations

Other
Insurance
Policies

Reinsurance
Obligations

REHABILITATOR'S ROLE

General Account

- ▶ **Rehabilitator approval is required for:**
 - **Non-ordinary course transactions > \$5 million**
 - **Changes to Investment Policy**
 - **Paying dividends** or acquiring securities issued by AAC
 - **Changing assumptions** or vendors utilized in determining **statutory loss reserves**
 - **Adopting certain tax positions** (covenant applies to AFG)

Segregated Account

- ▶ **Rehabilitator has ultimate decision-making authority**
 - **Policy payments and commutations**
 - **Prosecution of subrogation claims**
 - **Distribution of subrogation recoveries**
- ▶ **Contracted with AAC as Management Services Provider**
 - Risk management
 - Loss mitigation
 - Treasury, accounting, tax
 - Business continuity
 - Technology
- ▶ **Contracted with independent advisors / consultants**

OTHER KEY AAC RESTRICTIONS

Bank Settlement Agreement (June 2010)

Board	▶ Independent AAC Board members – minimum one-third
Business	▶ AAC generally restricted to runoff activities unless obtain an A rating
Debt Parity	▶ Limits issuance of surplus notes or other obligations on parity with or senior to bank surplus notes
Other Restrictions	▶ Prohibits mergers, asset dispositions and certain payments, including dividends ▶ Restricts distributions on, or purchases of, surplus notes
Waivers	▶ Waivers require approval from (and/or) <ul style="list-style-type: none">• OCI• Independent AAC directors• Bank surplus note holders

Auction Market Preferred Shares (AMPS)

Dividends on AAC Common Equity	▶ Prohibited unless dividends are paid on AMPS for then current dividend period <ul style="list-style-type: none">• Exception for dividends to pay debt service or operating expenses at AFG<ul style="list-style-type: none">◦ If paid while dividends on AMPS for the then current dividend period are not paid, then dividends on AMPS will be cumulative
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ABOUT AMBAC

Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiary, Ambac Assurance Corporation ("Ambac Assurance"), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited, provide financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance, including the Segregated Account of Ambac Assurance (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac Financial Group, Inc. is also selectively exploring opportunities involving the acquisition and/or development of new businesses. Ambac Financial Group Inc.'s common stock trades on the NASDAQ Global Select Market. The Amended and Restated Certificate of Incorporation of Ambac Financial Group, Inc. 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. 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, and the posting of updates to the status of certain primary residential mortgage backed securities litigations. For more information, please go to www.ambac.com.

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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” in Part I, Item 1A of the 2014 Annual Report on Form 10-K and in Part II, Item 1A of the most recent Quarterly Report on Form 10-Q.

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’s 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) volatility in the price of Ambac’s common stock; (2) uncertainty concerning our ability to achieve value for holders of Ambac securities, whether from Ambac Assurance Corporation (“Ambac Assurance”) or from new business opportunities; (3) dilution of current shareholder value or adverse effects on our share price resulting from the issuance of additional shares of common stock; (4) adverse effects on our share price resulting from future offerings of debt or equity securities that rank senior to our common stock; (5) potential of rehabilitation proceedings against Ambac Assurance; (6) decisions made by the Rehabilitator of the Segregated Account of Ambac Assurance Corporation (the “Segregated Account”) for the benefit of policyholders that may result in material adverse consequences for Ambac’s security holders; (7) our inability to realize the expected recoveries included in our financial statements; (8) intercompany disputes or disputes with the rehabilitator of the Segregated Account; (9) our inability to monetize assets or restructure or exchange outstanding debt and insurance obligations, or the failure of any such monetization, restructuring or exchange to deliver anticipated results; (10) our results of operations may be adversely affected by events or circumstances that result in the accelerated amortization of our insurance intangible asset; (11) increased fiscal stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings by municipal issuers; (12) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan, from rules and procedures governing the payment of permitted policy claims, or from the characterization of our surplus notes as equity; (13) credit risk throughout our business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, collateralized loan obligations, public finance obligations and exposures to reinsurers; (14) risks attendant to the change in composition of securities in our investment portfolio; (15) inadequacy of reserves established for losses and loss expenses; (16) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (17) changes in prevailing interest rates; (18) factors that may influence the amount of installment premiums paid to Ambac, including the Segregated Account rehabilitation proceedings; (19) default by one or more of Ambac Assurance’s portfolio investments, insured issuers or counterparties; (20) market risks impacting assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap transactions; (21) risks relating to determinations of amounts of impairments taken on investments; (22) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (23) our inability to realize value from Ambac Assurance UK Limited; (24) system security risks; (25) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (26) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (27) changes in accounting principles or practices that may impact Ambac’s reported financial results; (28) legislative and regulatory developments; (29) operational risks, including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (30) Ambac’s financial position and the Segregated Account rehabilitation proceedings that may prompt departures of key employees and may impact our ability to attract qualified executives and employees; and (31) other risks and uncertainties that have not been identified at this time.



Ambac
