

The logo for Ambac, featuring the word "Ambac" in a bold, blue, italicized sans-serif font. The logo is centered within a light blue rectangular area that is flanked by two vertical dark blue bars on either side, all set against a white background.

Ambac

2012 Quarterly Operating Supplement

Q1

Company Profile

Ambac Financial Group, Inc., headquartered in New York City, is a holding company whose affiliates provided financial guarantees and financial services to clients in both the public and private sectors around the world. As previously announced, on November 8, 2010, Ambac filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (“Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (“Bankruptcy Court”). The Bankruptcy Court entered an order confirming Ambac’s plan of reorganization on March 14, 2012. However, Ambac is not currently able to estimate when it will be able to consummate such reorganization. Until the plan of reorganization is consummated and Ambac emerges from bankruptcy, Ambac will continue to operate in the ordinary course of business as “debtor-in-possession” in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. Ambac Financial Group, Inc.’s common stock trades in the over-the-counter market under ticker symbol ABKFQ.

Ambac's principal operating subsidiary, Ambac Assurance Corporation, is a guarantor of public finance and structured finance obligations.

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.

Ambac Financial Group, Inc.
Quarterly Operating Supplement
First Quarter 2012

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Note 1: Internal Ambac Assurance 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. In cases where Ambac Assurance 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 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.

Key Financial Data
(Dollars in millions except share data)

	1Q 2012	2011	2010	2009	2008
Summary GAAP Financial Data:					
Statement of Operations:					
Net premiums earned	95	406	546	797	1,023
Net investment income	112	355	359	554	739
Change in fair value of credit derivatives	(7)	48	60	3,813	(4,031)
Gain (loss) on variable interest entities (VIEs)	15	(214)	(617)	7	-
Loss and loss expenses	(2)	1,859	719	2,815	2,228
Underwriting and operating expenses	37	141	254	206	274
Interest expense	34	128	181	154	349
Reorganization items	2	50	32	-	-
Net income (loss) attributable to Ambac Financial Group, Inc.	253	(1,960)	(753)	(15)	(5,609)
Net income (loss) per diluted share attributable to AFG, Inc. common shareholders	\$0.84	(\$6.48)	(\$2.56)	(\$0.05)	(\$22.31)
Balance Sheets:					
Total non-VIE investments	6,945	6,877	6,853	8,703	10,293
Premium receivable	1,918	2,028	2,423	3,718	29
Subrogation recoverable	519	660	714	903	10
Total VIE assets	16,858	16,543	17,931	3,277	n/a
Total assets	27,373	27,114	29,047	18,886	17,260
Unearned premium reserve	3,291	3,457	4,008	5,687	2,382
Loss and loss expense reserve	6,924	7,044	5,289	4,772	2,276
Obligations under investment and payment agreements	547	547	806	1,291	3,358
Long-term debt ⁽¹⁾	227	224	208	1,632	1,624
Liabilities subject to compromise ⁽¹⁾	1,707	1,707	1,695	-	-
Ambac Financial Group, Inc. stockholders' (deficit) equity	(3,577)	(3,813)	(2,009)	(2,288)	(3,782)
Summary Statutory Data of Ambac Assurance:					
Invested assets	\$5,982	\$5,854	\$5,943	\$8,009	\$10,397
Loss and loss expense reserve	3,537	3,226	2,478	1,141	1,169
Estimated impairment losses on credit derivatives	-	-	-	3,842	3,352
Policyholders' Surplus	233	495	1,027	802	1,554
Qualified statutory capital	521	688	1,540	1,154	3,484
Total claims-paying resources	\$7,534	\$7,450	\$7,877	\$10,790	\$13,501
Net par outstanding	\$263,408	\$272,504	\$318,854	\$390,406	\$434,310
Net debt service outstanding	\$418,328	\$433,484	\$509,429	\$619,566	\$695,954

1) Long-term debt for 2010 and beyond 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 Financial Group, Inc. for 2010 and beyond is included under liabilities subject to compromise on the unaudited Consolidated Balance Sheets.

Ambac Assurance

Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

(\$ Thousands, Except Ratios)	March 31, 2012	December 31, 2011
Contingency reserve	\$287,912	\$192,738
Policyholders' Surplus ⁽²⁾	232,888	495,293
Qualified statutory capital	520,800	688,031
Unearned premiums	1,633,558	1,700,424
Losses and loss adjustment expenses	3,537,177	3,226,327
Policyholders' reserves	5,691,535	5,614,782
Present Value of Future Installment Premiums ⁽³⁾	731,895	770,880
Ambac Assurance UK Ltd. Claims-Paying Resources ⁽⁴⁾	1,110,436	1,064,683
Total Claims-Paying Resources	\$7,533,866	\$7,450,345
Net financial guarantees in force ⁽⁵⁾	\$418,327,550	\$433,483,509
Claims-Paying Ratio ⁽⁶⁾	56 : 1	58 : 1
Gross financial guarantees in force	\$457,972,657	\$474,304,676
Gross par outstanding	\$286,881,311	\$296,463,186

- 1) Total claims-paying resources quantifies total resources available to pay claims.
- 2) Surplus Notes with a par value of \$2,089 million are included in the March 31, 2012 and December 31, 2011 capital and surplus. The Surplus Notes rank senior to Ambac's equity investment in Ambac Assurance. There is residual value to Ambac in Ambac Assurance only to the extent that funds remain at Ambac Assurance after the payment of claims under outstanding financial guaranty policies and the redemption, repurchase or repayment in full of the Surplus Notes and Ambac Assurance's auction market preferred shares.
- 3) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations utilize Ambac internal estimates 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 investment rate of return.
- 5) Includes Ambac UK net financial guarantees in force of \$43,445,478 and \$42,716,953 as of March 31, 2012 and December 31, 2011, respectively. Financial guarantees in force includes principal and interest on insurance policies and credit derivative contracts.
- 6) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.

Ambac Assurance

Rollforward of Statutory Policyholders' Surplus⁽¹⁾

(in thousands)

	For the three months ended March 31, 2012	For the year ended December 31, 2011
Policyholders' Surplus, beginning of period	\$ 495,293	\$ 1,026,920
Net loss ⁽²⁾	(168,359)	(835,795)
Issuance of surplus notes - segregated account ⁽²⁾	-	3,000
Issuance of junior surplus notes - segregated account ⁽³⁾	-	36,082
Change in contingency reserves ⁽⁴⁾	(95,140)	306,010
Change in investment in subsidiaries	14,123	39,764
Unrealized gain (loss) on non-impaired, BIG investments	8,630	(24,177)
Other changes in surplus	(21,659)	(56,511)
Policyholders' Surplus, end of period	\$ 232,888	\$ 495,293

- 1) Information for Ambac Assurance and the Segregated Account of Ambac Assurance are combined for the purposes of this schedule.
- 2) Net loss includes incurred losses under commutations in 2012 and 2011. In 2012, the Segregated Account commuted insurance policies (\$341,000 of par outstanding) with a cash payment of \$17,475. These commutations generated net incurred losses of \$10,485 in 2012. In 2011, the Segregated Account commuted insurance policies (\$4,002,129 of par outstanding) with cash payments totaling \$256,085 and the issuance of segregated account surplus notes with a par value of \$3,000. These commutations generated net incurred losses of \$24,121 in 2011.
- 3) In May 2011, the Segregated Account issued junior surplus notes with a par value of \$36,082 in connection with a settlement agreement to terminate Ambac's office lease with One State Street LLC.
- 4) Effective December 31, 2011, Ambac Assurance received regulatory approval from the Wisconsin Insurance Commissioner to release \$430,332 of contingency reserves during the year ended December 31, 2011.

Ratio of Net Claims Presented

(\$ Thousands)	2012	2011	2010	2009	2008
Net claims presented and paid (recovered) - Insurance ⁽¹⁾	(\$11,321)	\$147,762	\$290,519	\$1,458,498	\$571,012
Net claims presented and not paid - Insurance ⁽²⁾	393,803	1,357,181	1,411,445	-	-
Net Credit Derivatives payments	-	-	(263)	47,749	7,153
Net Credit Derivatives commutation payments ⁽³⁾	-	-	4,589,107	1,380,628	1,850,000
Total net claims presented for payment	\$382,482	\$1,504,943	\$6,290,808	\$2,886,875	\$2,428,165
Net insurance premiums and credit derivative fees	\$98,204	\$422,971	\$577,195	\$846,001	\$1,085,482
Ratio of net claims presented ⁽⁴⁾	389.5%	355.8%	1089.9%	341.2%	223.7%

Estimated Future Gross RMBS Claim Payments (Recoveries) ⁽⁵⁾

(\$ Thousands)	
2012	1,003,754
2013 ⁽⁶⁾	(1,029,097)
2014 ⁽⁶⁾	197,565
2015	384,697
2016	219,912
2017	159,535
2012	1,003,754
2013-2017	(67,388)
2018-2022	298,943
2023-2027	51,267
2028-2032	(5,968)
After 2032	474,922
Total	<u>\$ 1,755,530</u>

- 1) Net claims presented and paid (recovered) are net of subrogation received of \$32,803, \$104,805, \$107,914, \$111,737, and \$11,719 for the three months ended March 31, 2012, and the full years ended December 31, 2011, 2010, 2009, and 2008, respectively. Includes the issuance of surplus notes at par value in the amount of \$0, \$3,000, and \$50,000 for the three months ended March 31, 2012 and the years ended December 31, 2011 and 2010, respectively.
- 2) 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. Claims on Segregated Account Policies remain subject to a payment moratorium until a Segregated Account Rehabilitation Plan becomes effective. Claims presented and not paid are included in our net insurance reserves. Please see discussion in Ambac's December 31, 2011 Form 10-K.
- 3) 2010 credit derivative commutation payments include the issuance of surplus notes by Ambac Assurance at par in the amount of \$2,000,000.
- 4) Ratio of net claims presented is total net claims presented for payment divided by net premiums earned and other credit enhancement fees.
- 5) Represents management's estimate of future loss obligations, gross of reinsurance recoveries and net of subrogation recoveries. Future losses exclude claims presented and unpaid through March 31, 2012. Actual payments or recoveries may differ from estimates.
- 6) Net of estimated recoveries of \$2,131,772 and \$586,991 in 2013 and 2014, respectively for breaches of representation and warranties on certain RMBS transactions.

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

(\$ Thousands)	3/31/12	12/31/11	12/31/10	12/31/09
Total insurance reserves ⁽¹⁾	6,248,532	6,230,780	4,424,450	3,777,321
Estimated credit impairment losses on credit derivatives ⁽²⁾	33,554	36,940	22,055	4,208,198
Total impairment losses	6,282,086	6,267,720	4,446,505	7,985,519
Mark-to-market reserve (asset) on credit derivatives ⁽²⁾	167,575	153,713	199,629	(1,168,707)
Grand total net insurance loss reserves and credit derivatives	<u>\$6,449,661</u>	<u>\$6,421,433</u>	<u>\$4,646,134</u>	<u>\$6,816,812</u>

Summary of Below Investment Grade Exposures⁽³⁾

(\$ Thousands)	Segregated Account Net Par Outstanding	Total Net Par Outstanding	Total Impairment Losses
Public Finance:			
Lease & tax backed	\$-	\$1,092,755	\$45,895
Transportation revenue	106,349	\$645,830	45,484
General obligation	-	531,784	12,390
Housing	-	776,045	944
Health care	-	76,602	101
Other	-	848,965	10,475
Total Public Finance	<u>106,349</u>	<u>3,971,981</u>	<u>115,289</u>
Structured Finance:			
Mortgage-backed & home equity - first lien & other	11,800,720	11,800,720	3,722,099
Mortgage-backed & home equity - second lien	8,566,534	8,566,534	672,298
Student loans	7,335,177	7,367,821	1,023,654
Other	137,000	3,420,716	746,141
Total Structured Finance	<u>27,839,431</u>	<u>31,155,791</u>	<u>6,164,192</u>
International Finance:	311,262	4,981,390	2,605
Total	<u>\$28,257,042</u>	<u>\$40,109,162</u>	<u>\$6,282,086</u>

1) As a result of the claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$3,162,430 of claims have been presented and not paid. Total insurance reserves are inclusive of claims presented and not paid.

2) Total net mark-to-market losses are \$201,129 as of March 31, 2012, and \$190,653, \$221,684, and \$3,039,491 as of December 31, 2011, 2010, and 2009, respectively and are reported on the consolidated balance sheet under derivative liabilities and derivative assets.

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 December 31, 2011 Form 10-K.

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

2012 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Public Finance	\$39,016				\$39,016
Structured Finance	18,293				18,293
International Finance	21,851				21,851
Total Normal Insurance Premiums Earned	79,160	-	-	-	79,160
Accelerated Premiums Earned	15,790				15,790
Total Premiums Earned	\$94,950	-	-	-	\$94,950
Fees on credit derivative contracts ⁽¹⁾	\$3,254				\$3,254

2011 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance	\$42,400	\$42,541	\$40,359	\$39,784	\$165,084
Structured Finance	29,691	25,034	22,123	20,458	97,306
International Finance	19,778	20,365	20,738	22,450	83,331
Total Normal Insurance Premiums Earned	91,869	87,940	83,220	82,692	345,721
Accelerated Premiums Earned	(70)	11,331	18,835	30,153	60,249
Total Premiums Earned	\$91,799	\$99,271	\$102,055	\$112,845	\$405,970
Fees on credit derivative contracts ⁽¹⁾	\$5,323	\$4,224	\$3,829	\$3,625	\$17,001

Net Unearned Premium Amortization and Estimated Future Installment Premiums

(\$ Millions)	Net Unearned Premium Amortization (GAAP) ⁽²⁾	Fees on Credit Derivative Contracts (GAAP)	Estimated Net Future Installments ⁽³⁾
2012 (2nd, 3rd and 4th Qtrs)	192.6	9.6	107.8
2013	230.9	10.9	123.9
2014	212.8	7.5	110.2
2015	201.0	4.0	102.6
2016	190.6	2.5	96.0
2017	179.7	2.3	90.8
2012 (2nd, 3rd and 4th Qtrs)	192.6	9.6	107.8
2013-2017	1,015.0	27.2	523.5
2018-2022	753.2	8.2	374.4
2023-2027	537.6	0.1	260.1
2028-2032	345.4	-	180.9
After 2032	245.1	-	150.7
Total	\$3,088.9	\$45.1	\$1,597.4

- 1) Fees on credit derivative contracts are included in "Realized gains and losses and other settlements on credit derivative contracts" on the unaudited Consolidated Statement of Operations.
- 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 the unaudited Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of March 31, 2012. 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 as a result of rate step-ups or other early retirement provision incentives for the issuer, premium earnings may be negative in the period of call or refinancing.
- 3) Represents management's estimate of 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 excludes amounts eliminated as a result of the Consolidations Accounting Standard (\$319.5 million). Please see discussion in Ambac's March 31, 2012 Form 10-Q.

Fixed Income Investment Portfolio

As of March 31, 2012

INCOME ANALYSIS BY TYPE OF SECURITY	Fair Value	Amortized Cost	Pre-tax Yield to Maturity ⁽¹⁾	GAAP Investment Income
Investment category (\$ thousands)				
Financial Guarantee investments:				
Long-term investments				
U.S. government obligations	373,752	371,188	0.99%	963
U.S. agency obligations	81,898	77,049	4.23%	814
Municipal obligations ⁽²⁾	1,971,283	1,817,105	5.16%	23,686
Foreign obligations	70,563	66,433	3.75%	852
Corporate obligations	1,036,031	975,831	4.45%	10,829
Mortgage and asset-backed securities	1,765,181	1,556,726	12.47%	68,711
Total long-term investments	5,298,708	4,864,332	7.01%	105,855
Short-term investments	848,363	848,190	0.18%	293
Other ⁽³⁾	100	100		175
Total Financial Guarantee investments	6,147,171	5,712,622	5.99%	106,323
Investment expenses				(1,064)
Financial Guarantee net investment income				105,259
Financial Services investments: ⁽⁴⁾				
Long-term investments				
U.S. government obligations	40,188	39,979		121
U.S. agency obligations	4,263	3,859		63
Corporate obligations	112,167	117,632		268
Mortgage and asset-backed securities	595,569	557,099		6,345
Total long-term investments	752,187	718,569		6,797
Short-term investments	11,511	11,511		2
Total Financial Services investments	763,698	730,080		6,799
Corporate investments:				
Short-term investments	33,948	33,948		59
Total Corporate investments	33,948	33,948		59
Total Investments	\$6,944,817	\$6,476,650		112,117

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO ⁽⁵⁾⁽⁶⁾

Rating	Percent of Investment Portfolio		
	Fin. Guar.	Fin. Services	Combined
AAA	28%	54%	31%
AA	30	17	29
A	15	<1	13
BBB	8	6	7
Below investment grade ⁽⁷⁾	14	23	15
Not rated	5	-	5
	100%	100%	100%
Duration of Financial Guarantee investment portfolio			2.9

- 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 amortized cost, 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 \$529,839 and \$1,441,444 respectively.
- 3) Includes income earned on loans, which are classified separately on the balance sheet.
- 4) Financial Services investments relate primarily to the investment agreement business.
- 5) 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.
- 6) Rating distribution is calculated based on amortized cost.
- 7) Includes Ambac Assurance insured RMBS bonds purchased as part of our loss remediation strategy.

Expense Analysis (GAAP)

2012					
(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee operating expenses:					
Compensation	\$ 13,824				\$ 13,824
Non-compensation	11,554				11,554
Total Financial Guarantee operating expenses	25,378	-	-	-	25,378
Financial Services operating expenses	792				792
Corporate and other operating expenses	1,930				1,930
Total gross operating expenses	\$ 28,100	\$ -	\$ -	\$ -	\$ 28,100
Ceding commissions and change in deferred acquisition costs	8,434				8,434
Total operating expenses, net of deferred expenses.	\$ 36,534	\$ -	\$ -	\$ -	\$ 36,534
Reorganization costs	\$ 2,461				\$ 2,461
Total gross operating expenses, including reorganization costs	\$ 30,561	\$ -	\$ -	\$ -	\$ 30,561

2011					
(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee operating expenses:					
Compensation	\$ 16,612	\$ (805)	\$ 14,276	\$ 13,845	\$ 43,929
Non-compensation	16,644	941	15,621	15,369	48,575
Total Financial Guarantee operating expenses	33,256	136	29,897	29,214	92,503
Financial Services operating expenses	2,614	2,707	2,719	2,401	10,441
Corporate and other operating expenses	477	990	1,801	1,755	5,023
Total gross operating expenses	\$ 36,347	\$ 3,833	\$ 34,417	\$ 33,370	\$ 107,967
Ceding commissions and change in deferred acquisition costs	9,120	11,700	10,443	2,075	33,338
Total operating expenses, net of deferred expenses.	\$ 45,466	\$ 15,533	\$ 44,860	\$ 35,445	\$ 141,304
Reorganization costs	\$ 24,805	\$ 6,470	\$ 8,519	\$ 10,067	\$ 49,861
Total gross operating expenses, including reorganization costs	\$ 61,151	\$ 10,303	\$ 42,936	\$ 43,437	\$ 157,827

Historical Financial Guarantee Exposures Outstanding ⁽¹⁾

(\$ Millions Net Par Value)	March 31,	December 31,			Segregated Account March 31, 2012
	2012	2011	2010	2009	
Public Finance:					
Lease and tax backed	\$58,713	\$59,864	\$65,843	\$73,081	\$10
General obligation	41,358	42,959	48,241	54,047	11
Utility	21,265	22,529	26,360	30,835	411
Transportation	18,119	18,945	20,722	22,501	433
Higher education	12,983	13,618	15,279	16,577	-
Housing	8,558	8,823	9,878	10,247	-
Health care	7,259	7,824	9,603	11,987	86
Other	2,058	2,255	3,423	3,892	-
Total Public Finance	170,313	176,817	199,349	223,167	951
Structured Finance:					
Mortgage-backed & home equity	22,263	23,164	27,488	32,407	22,263
Investor-owned utilities	8,721	9,049	10,685	13,212	385
Other CDOs	7,661	8,060	11,463	18,313	578
Student loan	7,474	7,824	11,408	14,518	7,356
Asset-backed and conduits	4,112	4,732	10,005	16,455	-
CDO of ABS >25% MBS	-	-	-	16,718	-
Other	1,970	2,316	2,750	3,092	372
Total Structured Finance	52,201	55,145	73,799	114,715	30,954
International Finance ⁽²⁾:					
Investor-owned and public utilities	10,731	10,510	10,861	10,388	-
Asset-backed and conduits	9,564	9,560	10,738	13,691	22
Sovereign/sub-sovereign	7,472	7,282	7,119	6,859	-
Transportation	6,065	5,914	6,744	7,584	266
Other CDOs	4,096	4,375	6,775	9,083	1,080
Mortgage-backed & home equity	1,415	1,397	1,898	3,386	320
Other	1,551	1,504	1,571	1,533	-
Total International Finance	40,894	40,542	45,706	52,524	1,688
Grand Total	\$263,408	\$272,504	\$318,854	\$390,406	\$33,593
Percent of Total Net Par Outstanding					
Public Finance	64.7%	64.9%	62.5%	57.2%	2.9%
Structured Finance	19.8%	20.2%	23.2%	29.4%	92.1%
International Finance	15.5%	14.9%	14.3%	13.4%	5.0%
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 \$13,643, \$14,167, \$18,766, and \$43,276 at March 31, 2012 and December 31, 2011, 2010, and 2009, respectively.

(2) International transactions include components of domestic exposure.

Geographic Distribution of Financial Guarantee Exposures Outstanding

(\$ Millions Net Par Value)	March 31,		December 31,			
	2012	%	2011	2010	2009	2008
Domestic:						
California	\$35,614	13.5%	\$36,133	\$39,210	\$43,388	\$45,343
New York	18,030	6.8%	18,267	20,944	22,865	25,972
Florida	13,615	5.2%	13,906	15,910	17,816	18,724
Texas	12,304	4.7%	12,983	14,776	16,941	17,674
New Jersey	9,227	3.5%	9,650	10,415	11,654	12,204
Illinois	8,194	3.1%	8,524	9,351	10,472	10,544
Massachusetts	5,652	2.1%	5,799	6,576	8,255	8,184
Pennsylvania	5,012	1.9%	5,301	6,036	7,405	10,879
Colorado	4,886	1.9%	5,010	5,786	6,392	6,818
Washington	4,393	1.7%	4,772	5,710	6,124	6,249
Mortgage and asset-backed	26,375	10.0%	27,896	37,493	48,862	62,438
Other states	79,212	30.1%	83,721	100,941	137,708	153,601
Total Domestic	222,514	84.5%	231,962	273,148	337,882	378,630
International:						
United Kingdom	22,868	8.7%	22,317	22,215	22,840	20,151
Australia	5,239	2.0%	5,176	6,292	6,034	4,952
Italy	3,438	1.3%	3,346	3,674	3,821	2,843
Austria	984	0.4%	956	999	1,149	905
Germany	628	0.2%	619	692	765	812
Internationally diversified	4,991	1.9%	5,318	7,793	9,914	14,937
Other international	2,746	1.0%	2,810	4,041	8,001	11,080
Total International	40,894	15.5%	40,542	45,706	52,524	55,680
Grand Total	\$263,408	100.0%	\$272,504	\$318,854	\$390,406	\$434,310

Rating Distribution of Net Financial Guarantee Exposures Outstanding ⁽¹⁾

As of March 31, 2012

Rating	Percentage of Guaranteed Portfolio		
	Public Finance	Structured and International	Total
AAA	<1	1	1
AA	30	13	24
A	55	21	43
BBB	13	26	17
BIG	2	39	15
	100	100	100

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

25 Largest Domestic Public Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	AADS ⁽²⁾	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A	\$206.1	\$2,998	1.1%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	\$165.6	2,058	0.8%
Bay Area Toll Authority, CA Toll Bridge Revenue ⁽³⁾	AA -	\$85.3	1,663	0.6%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	\$151.5	1,624	0.6%
MTA, NY, Transportation Revenue (Farebox) ⁽³⁾	A	\$92.3	1,432	0.5%
Washington State - GO	AA	\$114.5	1,414	0.5%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	\$95.0	1,248	0.5%
Massachusetts Commonwealth - GO	AA	\$87.8	1,218	0.5%
New Jersey Turnpike Authority Revenue	A	\$75.2	1,153	0.4%
Los Angeles Unified School District, CA - GO	AA -	\$84.7	1,072	0.4%
South Carolina Transportation Infrastructure Bank Revenue	A	\$75.0	1,003	0.4%
Central Texas Turnpike, System Revenue	BBB +	\$105.6	986	0.4%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	\$71.0	907	0.3%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A	\$54.5	860	0.3%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	\$76.1	846	0.3%
New York City, NY - GO	AA	\$46.6	838	0.3%
Puerto Rico Sales Tax Financing Corporation	A +	\$172.9	805	0.3%
New Jersey Economic Development Authority - School Facilities Construction	A +	\$50.9	802	0.3%
New York City, NY Water and Sewer System Revenue	AA -	\$53.4	797	0.3%
University of California Board of Regents, General Revenue	AA -	\$46.0	771	0.3%
Puerto Rico Highways & Transportation Authority, Transportation Revenue ⁽³⁾	BBB +	\$47.3	770	0.3%
Chicago, IL - GO	A +	\$36.5	742	0.3%
New York Convention Center Development Corporation, Hotel Fee Revenue	A -	\$43.7	651	0.2%
Hawaii State - GO	AA	\$55.9	647	0.2%
Dallas Area Rapid Transit, TX, Sales Tax Revenue	AA	\$47.5	643	0.2%
Total:			<u>\$27,948</u>	<u>10.6%</u>

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

2) Average Annual Debt Service, net of reinsurance.

3) 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 a portion of this transaction to the Segregated Account.

25 Largest Structured Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
CDO of ABS < 25% MBS	A	\$1,621	0.6%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 ⁽²⁾	BIG	1,318	0.5%
Vermont Student Assistance Corporation Revenue Bonds ⁽²⁾	BIG	1,265	0.5%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 ⁽²⁾	BIG	901	0.3%
Ballantyne Re Plc ⁽³⁾	BIG	900	0.3%
The National Collegiate Student Loan Trust 2007-4 ⁽²⁾	BIG	858	0.3%
Spirit Master Funding	BBB	775	0.3%
Cendant Rental Car Funding	BIG	745	0.3%
Michigan Higher Education Student Loan Authority ⁽²⁾	BIG	734	0.3%
Timberlake Financial, LLC	BIG	620	0.2%
The National Collegiate Student Loan Trust 2007-3 ⁽²⁾	BIG	572	0.2%
Progress Energy Carolinas, INC	A -	558	0.2%
Countrywide Asset-Backed Certificates Trust 2005-16 ⁽²⁾	BIG	539	0.2%
Countrywide Revolving Home Equity Loan Trust 2005-F ⁽²⁾	BIG	524	0.2%
Option One Mortgage Loan Trust 2007-FXD1 ⁽²⁾	BIG	515	0.2%
Ares XI CLO, Ltd.	AA +	508	0.2%
Morgan Stanley Credit Corporation Heloc Trust 2007-1 ⁽²⁾	BIG	507	0.2%
Massachusetts Educational Financing Authority Revenue Bonds ⁽²⁾	BIG	493	0.2%
Local Insight Media Finance LLC	BIG	489	0.2%
Privately Placed RMBS Transaction ⁽²⁾	BIG	474	0.2%
Countrywide Asset Backed Certificates Trust 2005-17 ⁽²⁾	BIG	451	0.2%
Niagara Mohawk Power Corporation	A	444	0.2%
Impac CMB Trust Series 2005-7 ⁽²⁾	BIG	441	0.2%
Countrywide Asset Backed Certificates Trust 2006-11 ⁽²⁾	BIG	436	0.2%
Fairway Loan Funding Company	AA +	405	0.2%
Total:		<u>\$17,093</u>	<u>6.5%</u>

25 Largest International Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitization ⁽³⁾	AA -	\$2,069	0.8%
Romulus Finance s.r.l. ⁽³⁾	BIG	1,511	0.6%
Telereal Securitization plc ⁽³⁾	A	1,441	0.5%
Punch Taverns Finance plc-UK Pub Securitization ⁽³⁾	BIG	1,243	0.5%
Aspire Defence Finance plc ⁽³⁾	BBB +	1,170	0.4%
Channel Link Enterprises ⁽³⁾	BBB -	1,164	0.4%
National Grid Electricity Transmission ⁽³⁾	A -	1,163	0.4%
Regione Campania ⁽³⁾	BBB +	1,155	0.4%
Capital Hospitals plc ⁽³⁾	BBB -	977	0.4%
Ostregion Investmentgesellschaft NR 1 SA ⁽³⁾	BIG	972	0.4%
Dampier to Bunbury Natural Gas Pipeline	BBB	929	0.4%
RMPA Services plc ⁽³⁾	BBB +	826	0.3%
Anglian Water ⁽³⁾	A -	812	0.3%
National Grid Gas ⁽³⁾	A -	754	0.3%
Powercor Australia	A -	752	0.3%
CDO of HY Corporate	AA	750	0.3%
CitiPower	A -	720	0.3%
Scotia Gas Networks ⁽³⁾	BBB	717	0.3%
Spirit Issuer plc ⁽³⁾	BIG	712	0.3%
Private CMBS Transaction ⁽³⁾	AA	710	0.3%
Catalyst Healthcare (Manchester) Financing plc ⁽³⁾	BBB -	668	0.3%
Babcock & Brown Air Funding I Limited	BBB +	624	0.2%
Broadcast Australia	BBB	596	0.2%
South East Water (Finance) Limited ⁽³⁾	BBB	585	0.2%
European Single-Borrower CMBS Transaction	AA	535	0.2%
Total:		<u>\$23,555</u>	<u>8.9%</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 a portion of this transaction to the Segregated Account.

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

Net Exposure Amortization ⁽¹⁾

As of March 31, 2012

(\$ 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
2012 (2nd, 3rd and 4th Qtrs)	\$18,449	\$399,879	\$2,825	\$43,763
2013.	24,827	375,052	2,907	40,856
2014.	21,566	353,486	2,381	38,475
2015.	23,328	330,158	2,067	36,408
2016.	20,498	309,660	1,776	34,632
2017.	20,526	289,134	1,614	33,018
2012 (2nd, 3rd and 4th Qtrs)	\$18,449	\$399,879	\$2,825	\$43,763
2013-2017.	110,745	289,134	10,745	33,018
2018-2022.	94,924	194,210	6,599	26,419
2023-2027.	67,459	126,751	5,542	20,877
2028-2032.	53,963	72,788	5,936	14,941
After 2032.	72,788	-	14,941	-
Total	\$418,328		\$46,588	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2012. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.