



## SECOND QUARTER 2015 HIGHLIGHTS

AUGUST 11, 2015

## ASSET-LIABILITY MANAGEMENT – 2Q15 HIGHLIGHTS

### Asset Management

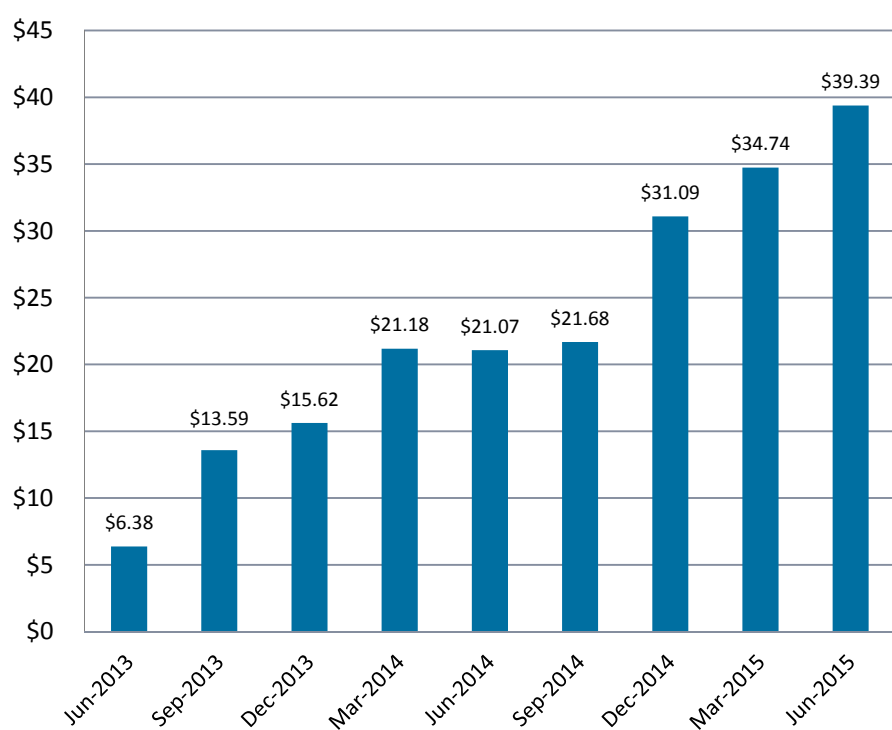
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|---|--|
| ▶ Consolidated investment portfolio of \$5.5 billion (fair value)   | ▶ Purchased \$186 million market value of distressed insured RMBS  |
| ▶ Financial guarantee investment portfolio (excluding AUK) <ul style="list-style-type: none"> <li>• GAAP book yield 5.6%; STAT book yield 6.3%</li> </ul> | ▶ \$946 million of Deferred Amounts (including interest) owned, or 28% of total Deferred Amounts outstanding |
| ▶ Completed RMBS re-securitization on 7/24/2015 generating \$146 million of gross proceeds  |  |

### Liability Management

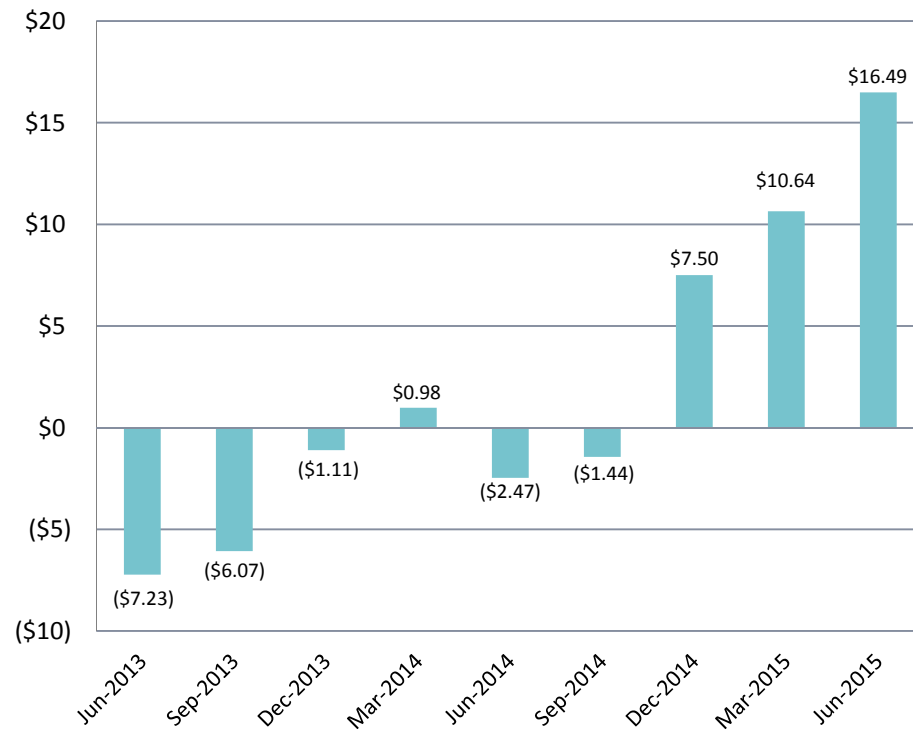
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|--|--|
| ▶ Heightened engagement in risk management including active involvement in Puerto Rico discussions | ▶ Purchased \$11.8 million notional in AAC Surplus Notes   |
| ▶ Net par insured decreased by \$6.8 billion or 5% since 3/31/15                                   | ▶ Authorized AMBC warrant buyback program with purchases of approximately 538,678 warrants as of August 7, 2015  |
| ▶ Adversely classified credits reduced by \$2.2 billion or 8%, since 3/31/15                       | ▶ Continue to special service RMBS collateral underlying \$4.2 billion of insured net par, 33% of RMBS book <ul style="list-style-type: none"> <li>• Continuous direct engagement with servicers to improve loan resolution</li> </ul> |

# BOOK VALUE AND ADJUSTED BOOK VALUE PER SHARE<sup>(1)</sup> SINCE EMERGENCE FROM BANKRUPTCY

## Book Value /Share



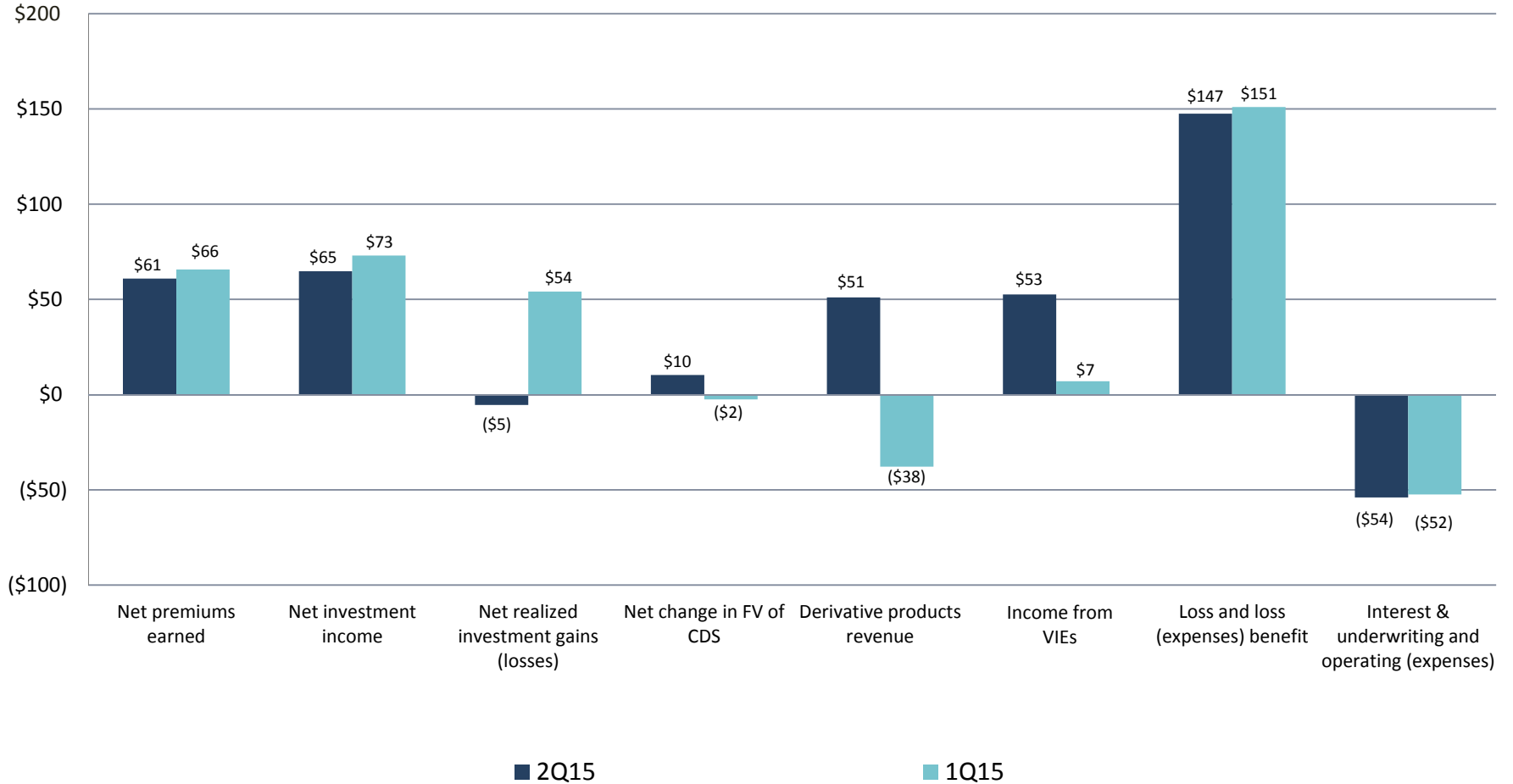
## Adjusted Book Value /Share <sup>(1)</sup>



(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 Second Quarter 2015 Earnings Release and Ambac's Second Quarter 2015 Form 10-Q filed with the SEC

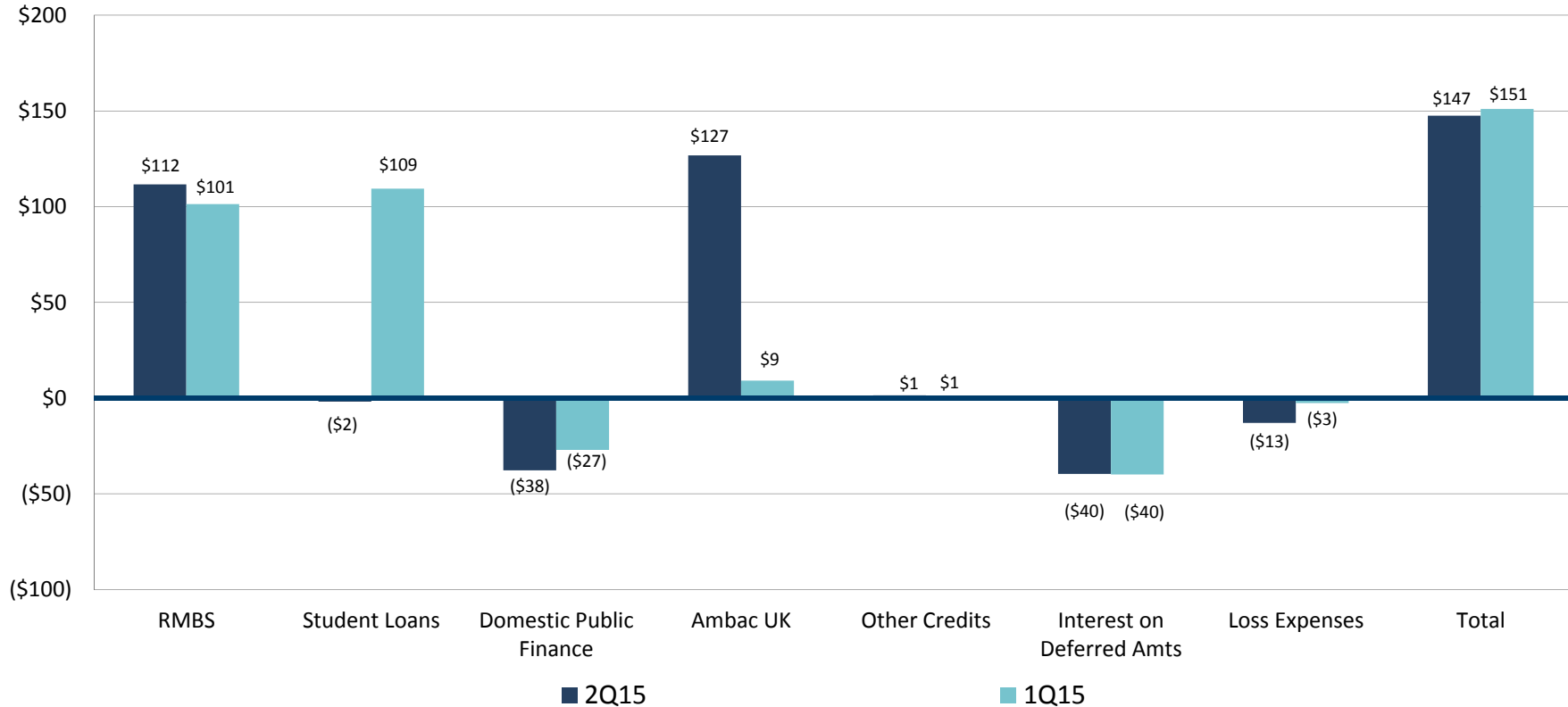
# KEY FINANCIAL RESULTS

\$ in millions



# INCURRED (LOSSES) BENEFIT BY CATEGORY<sup>(1)</sup>

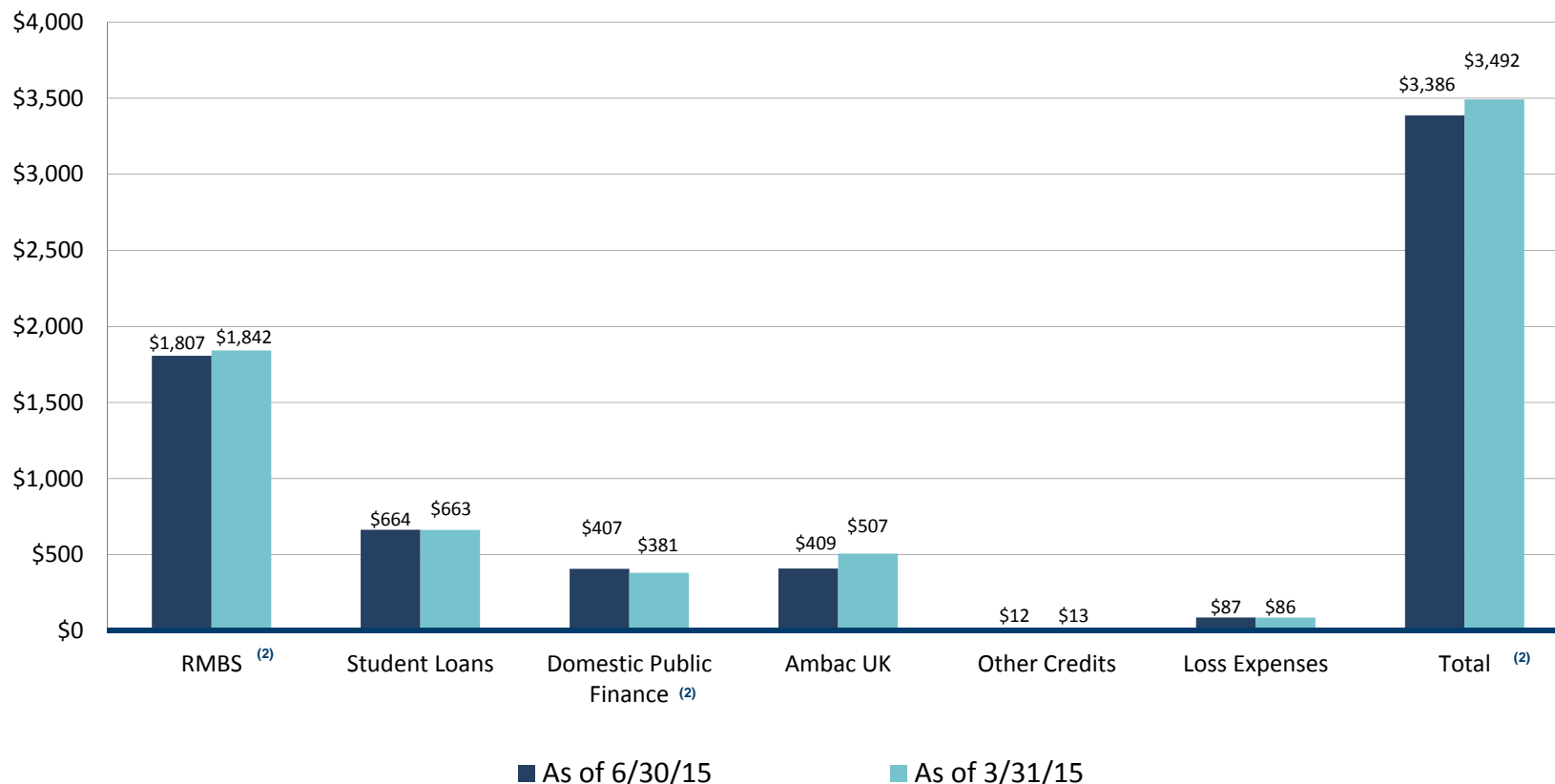
\$ in millions



(1) Components may not add to total due to rounding

## GROSS LOSS RESERVES BY CATEGORY<sup>(1)</sup>

\$ in millions



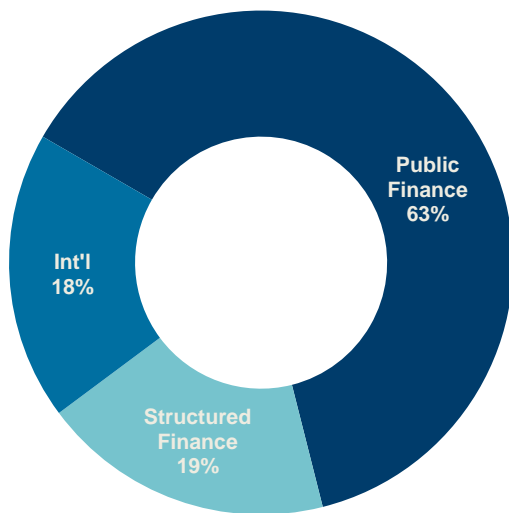
- (1) Gross loss reserves are net of estimated R&W subrogation recoveries of \$2.6 billion and \$2.6 billion, other subrogation recoverables of \$0.7 billion and \$0.7 billion, and include \$3.4 billion and \$3.3 billion of unpaid segregated account policy claims and interest, as of June 30, 2015 and March 31, 2015, respectively
- (2) Gross loss reserves for June 30, 2015 and March 31, 2015 include accrued interest on Deferred Amounts as follows: RMBS \$408 million and \$368 million; Domestic Public Finance \$1 million and \$1 million; and Total \$409 million and \$369 million, respectively

# INSURED PORTFOLIO NET PAR <sup>(1)</sup>

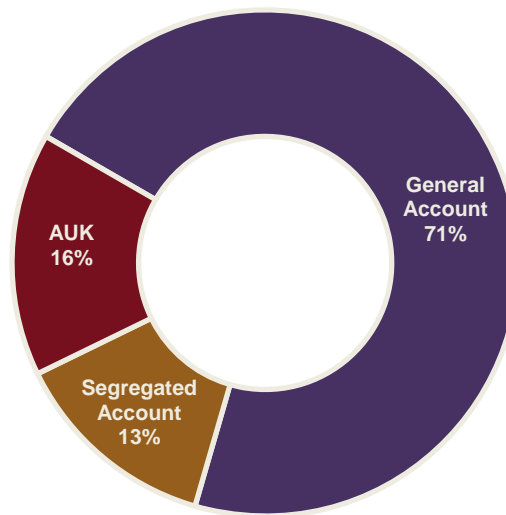
▶ \$130.0 billion net par as of June 30, 2015

- -5% since March 31, 2015

Sector % Breakdown



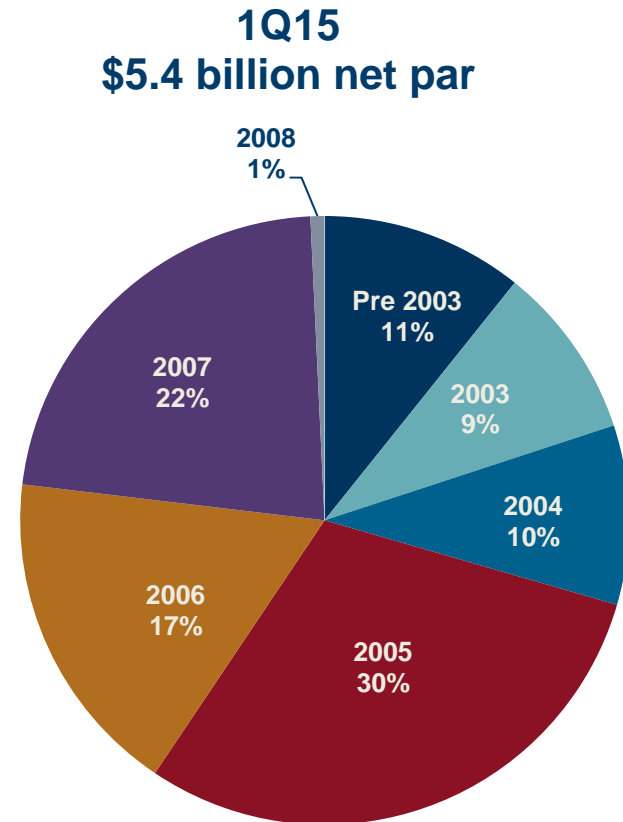
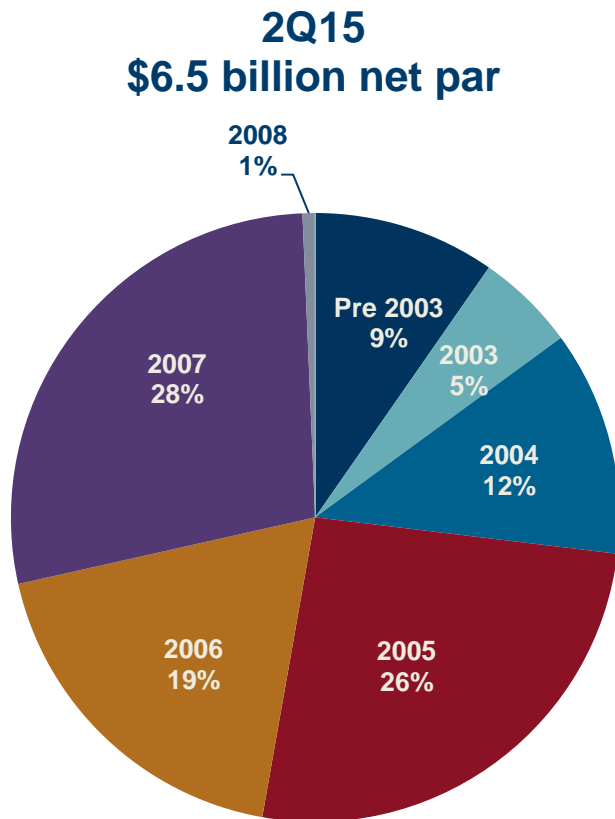
Portfolio % Breakdown



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

# PUBLIC FINANCE RUNOFF<sup>(1)</sup>

## Public Finance Runoff by Policy Vintage Year

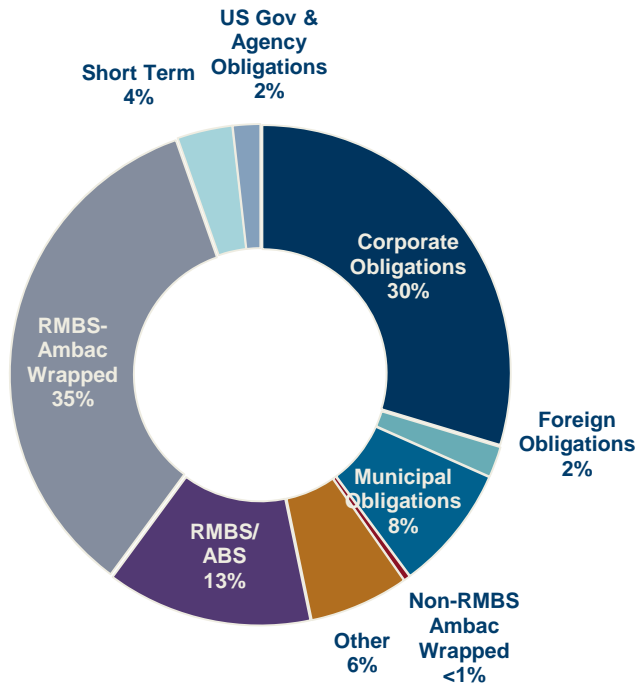


(1) Runoff includes calls, refundings, pre-refundings and amortization

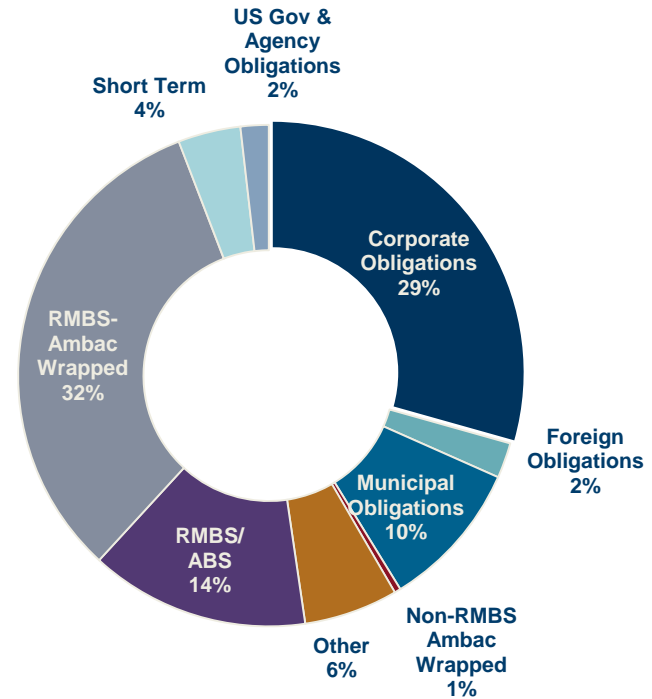


# CONSOLIDATED INVESTMENT PORTFOLIO FAIR VALUE

**As of June 30, 2015**  
**\$5.479 billion**



**As of March 31, 2015**  
**\$5.484 billion**



# STATUS OF RMBS LITIGATIONS (1)

Litigation Case	Current Status (July 24, 2015)
<p><b>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns &amp; Co. Inc.), and JP Morgan Chase Bank, N.A.</b> -- 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"> <li>▶ Fact discovery has concluded</li> <li>▶ Initial expert reports were exchanged in December 2014</li> <li>▶ 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, after which the judge ordered the parties to mediation</li> </ul>
<p><b>EMC Mortgage LLC (formerly known as EMC Mortgage Corporation), J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns &amp; Co. Inc.), and JP Morgan Chase Bank, N.A.</b> --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"> <li>▶ On June 13, 2013, the court denied defendants' motion to dismiss the claims for fraudulent inducement and successor liability but dismissed the contractual claims</li> <li>▶ 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</li> <li>▶ With respect to the fraudulent inducement claims that remain in the case, discovery is ongoing</li> </ul>
<p><b>First Franklin Financial Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner &amp; Smith Inc., Merrill Lynch Mortgage Lending, Inc., and Merrill Lynch Mortgage Investors, Inc.</b> – New York State Supreme Court, Index No. 651217/2012 [re First Franklin Mortgage Loan Trust 2007-FFC]</p>	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Discovery is ongoing</li> <li>▶ The case has been reassigned to Justice Anil Singh as of April 23, 2015</li> </ul>
<p><b>Countrywide Securities Corp., Countrywide Financial Corp. (a.k.a. Bank of America Home Loans) and Bank of America Corp</b> – 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"> <li>▶ Fact discovery has concluded</li> <li>▶ The parties have exchanged initial and rebuttal expert reports on both primary and successor liability</li> <li>▶ Summary judgment motions were filed on May 1, 2015 and the court heard oral argument on July 15, 2015</li> </ul>

(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 <sup>(1)</sup>

Litigation Case	Current Status (as of July 24, 2015)
<p><b>Nomura Credit &amp; Capital, Inc. and Nomura Holding America Inc.</b> – 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"> <li>▶ On July 12, 2013, defendants filed a motion to dismiss the complaint; oral argument was heard on November 13, 2013</li> <li>▶ Plaintiffs filed an Amended Complaint on September 22, 2014 adding a fraudulent inducement claim</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ The court has not ruled on defendants' motions relating to the amended complaint</li> </ul>
<p><b>Countrywide Home Loans, Inc., Countrywide Financial Corp., and Bank of America Corp.</b> – 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"> <li>▶ Complaint for fraudulent inducement filed on December 30, 2014</li> <li>▶ Countywide filed a motion to dismiss on February 20, 2015 which Bank of America joined on February 23, 2015, and which plaintiffs opposed.</li> </ul>

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## STATUS OF RMBS LITIGATIONS - CONTINUED <sup>(1)</sup>

Litigation Case	Current Status <i>(as of July 24, 2015)</i>
<p><b>Countrywide Home Loans, Inc.</b> – 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"> <li>▶ Complaint for fraudulent inducement filed on December 30, 2014</li> <li>▶ Defendant filed a motion to dismiss on February 20, 2015, which plaintiffs opposed</li> <li>▶ 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 filed a notice of appeal on July 21, 2015</li> <li>▶ 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 and litigation. Defendant filed its opposition to the motion to stay on August 5, 2015</li> <li>▶ On August 5, 2015 the New York Court referred the parties to mandatory mediation</li> </ul>

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# FORWARD LOOKING STATEMENT

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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 or impairments to goodwill; (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.