



Ambac

2011 Quarterly Operating Supplement

Q 1

► Financial Highlights

Share price	\$0.15
Market capitalization	\$46.6 million
Net loss	\$(819.3) million
Net loss per diluted share	\$(2.71)

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. 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 Company will continue to operate in the ordinary course of business as “debtor-in-possession” under the jurisdiction of the Bankruptcy Court and 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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For further information on Ambac Financial Group, Inc., or to obtain a copy of Ambac Financial Group, Inc.’s latest annual or quarterly report filed with the Securities and Exchange Commission, please call, write or e-mail the Investor Relations Department at the above number or address, or download it from our website at www.ambac.com.

Ambac Financial Group, Inc.

Quarterly Operating Supplement

First Quarter 2011

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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 anytime 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 2011	2010	2009	2008	2007
Summary GAAP Financial Data:					
Financial Guarantee:					
Credit enhancement production (non-GAAP)	\$0	\$0	\$0	\$95	\$1,414
Net premiums earned	92	546	797	1,023	841
Net investment income	72	324	483	480	460
Change in fair value of credit derivatives	(9)	60	3,813	(4,031)	(5,928)
(Loss) gain on variable interest entities (VIEs)	(6)	(617)	7	-	n/a
Loss and loss expenses	920	719	2,815	2,228	256
Underwriting and operating expenses	42	198	176	216	139
Financial Services ⁽¹⁾ :					
Revenue	26	(72)	(136)	123	452
Expenses	5	31	47	248	432
Reorganization items	25	32	-	-	-
Net (loss) income per diluted share	(\$2.71)	(\$2.56)	(\$0.05)	(\$22.31)	(\$31.56)
Total non-VIE investments	6,983	6,853	8,703	10,293	18,396
Premium receivable	2,291	2,423	3,718	29	n/a
Subrogation recoverable	797	714	903	10	n/a
Total VIE assets	16,176	17,931	3,277	n/a	n/a
Total assets	27,410	29,047	18,886	17,260	23,565
Unearned premium reserve	3,822	4,008	5,687	2,382	3,124
Loss and loss expense reserve	6,297	5,289	4,772	2,276	484
Obligations under investment, repurchase and payment agreements	717	806	1,291	3,358	8,706
Long-term debt ⁽²⁾	211	208	1,632	1,624	1,389
Liabilities subject to compromise ⁽²⁾	1,708	1,695	-	-	-
Ambac Financial Group, Inc. stockholders' (deficit) equity	(2,748)	(2,009)	(2,288)	(3,782)	2,280

Summary Statutory Data of Ambac Assurance:

Invested assets	\$6,067	\$5,943	\$8,009	\$10,397	\$10,581
Loss and loss expense reserve	2,718	2,478	1,141	1,169	110
Estimated impairment losses on credit derivatives	-	-	3,842	3,352	757
Capital and surplus	822	1,027	802	1,554	3,316
Qualified statutory capital	1,359	1,540	1,154	3,484	6,422
Total claims-paying resources	\$7,975	\$7,877	\$10,790	\$13,501	\$14,512
Net par outstanding	\$310,480	\$318,854	\$390,406	\$434,310	\$524,025
Net debt service outstanding	\$495,006	\$509,429	\$619,566	\$695,954	\$833,303

- 1) Financial Services revenues exclude other-than-temporary losses, net realized investment gains/losses, net mark-to-market gains/losses on non-trading derivatives and net mark-to-market gains/losses on total return swaps.
- 2) 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 Consolidated Balance Sheets.

Ambac Assurance

Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

(\$ Thousands, Except Ratios)	March 31, 2011	December 31, 2010	
Contingency reserve.	\$536,649	\$512,604	
Capital and Surplus ⁽²⁾	822,192	1,026,920	
Qualified statutory capital.	1,358,841	1,539,524	
Unearned premiums	1,892,820	1,934,462	
Losses and loss adjustment expenses	2,717,972	2,478,435	
Policyholders' reserves	5,969,633	5,952,421	
Present Value of Future Installment Premiums ⁽³⁾	970,680	987,166	
Ambac Assurance UK Ltd. Claims-Paying Resources ⁽⁴⁾	1,034,949	937,391	
Total Claims-Paying Resources	\$7,975,262	\$7,876,978	
Net financial guarantees in force ⁽⁵⁾	\$495,005,729	\$509,428,738	
Claims-Paying Ratio ⁽⁶⁾	62 : 1	65 : 1	
Gross financial guarantees in force.	\$539,135,911	\$554,700,426	
Gross par outstanding.	\$336,194,755	\$345,127,082	
	First	First	Full
	Quarter	Quarter	Year
	2011	2010	2010
Ambac Assurance statutory financial ratios:			
Loss ratio ⁽⁷⁾	287.0%	444.2%	248.0%
Expense ratio ⁽⁸⁾	62.2%	52.2%	54.6%

- 1) Total claims-paying resources quantifies total resources available to pay claims.
- 2) Surplus Notes with a par value of \$2,053 million and \$2,050 million are included in the March 31, 2011 and December 31, 2010 capital and surplus, respectively. 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% at March 31, 2011 and December 31, 2010.
- 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.
- 5) Includes Ambac UK net financial guarantees in force of \$48,120,084 and \$46,311,475 as of March 31, 2011 and December 31, 2010, respectively.
- 6) Claims-paying Ratio is net financial guarantees in force divided by total claims-paying resources.
- 7) Loss ratio represents statutory net incurred losses divided by statutory net earned premiums for Ambac Assurance.
- 8) Expense ratio represents statutory underwriting expenses (including reinsurance commissions) divided by net premiums written for Ambac Assurance.

Ambac Assurance
Rollforward of Statutory Capital and Surplus

(in thousands)

	For the three months ended March 31, 2011	For the year ended December 31, 2010
Surplus to Policyholders, beginning of period	\$ 1,026,920	\$ 801,869
Net loss ⁽¹⁾	(169,071)	(1,471,903)
Issuance of surplus notes - general account	-	2,000,000
Issuance of surplus notes - segregated account	3,000	50,000
Change in contingency reserves	(23,903)	(159,271)
Change in investment in subsidiaries	1,695	(165,233)
Preferred stock activity	-	(817)
Other changes in surplus	(16,449)	(27,725)
Surplus to Policyholders, end of period	<u>\$ 822,192</u>	<u>\$ 1,026,920</u>

- 1) Net loss includes incurred losses under commutations in 2011. The Segregated Account commuted two insurance policies (\$494.95 million of par outstanding) with a cash payment of \$11 million and the issuance of segregated account surplus notes with a par value of \$3 million. These policies did not have loss reserves prior to commutation and accordingly \$14 million is included in net loss.

Ratio of Net Claims Presented

(\$ Thousands)	2011	2010	2009	2008	2007
Net claims presented and paid (recovered) - Insurance ⁽¹⁾	(\$4,988)	\$290,519	\$1,458,498	\$571,012	(\$2,128)
Net claims presented and not paid - Insurance ⁽²⁾	357,260	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	\$352,272	\$6,290,808	\$2,886,875	\$2,428,165	(\$2,128)
Net insurance premiums and credit derivative fees	\$97,122	\$577,195	\$846,001	\$1,085,482	\$917,895
Ratio of net claims presented ⁽⁴⁾	362.7%	1089.9%	341.2%	223.7%	-0.2%

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

(\$ Thousands)	
2011	1,387,104
2012 ⁽⁶⁾	211,850
2013 ⁽⁶⁾	(773,084)
2014	488,903
2015	321,347
2016	190,199
2011	1,387,104
2012-2016	439,215
2017-2021	344,556
2022-2026	51,312
2027-2031	(34,966)
After 2031	503,810
Total	<u>\$ 2,691,031</u>

- 1) Net claims presented and paid (recovered) are net of subrogation received of \$23.7 million, \$107.9 million, \$72.2 million, \$11.7 million, and \$27.9 million for the three months ended March 31, 2011, full years ended December 31, 2010, 2009, 2008, and 2007, respectively. Includes the issuance of surplus notes at par value in the amount of \$3.0 million and \$50.0 million for three months ended March 31, 2011 and the year ended December 31, 2010.
- 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 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, 2010 Form 10-K.
- 3) 2010 credit derivative commutation payments include the issuance of surplus notes by Ambac Assurance at par in the amount of \$2.0 billion.
- 4) Ratio of net claims presented is net claims presented for payment divided by net premiums earned and other credit enhancement fees.
- 5) Represents management's estimate of future loss obligations, net of recoveries. Actual payments or recoveries may differ from estimates.
- 6) Net of estimated recoveries of \$864.5 million in 2012 and \$1,727.8 million in 2013 for breaches of representation and warranties on certain RMBS transactions.

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

(\$ Thousands)	03/31/11	12/31/10	12/31/09	12/31/08
Total insurance reserves ⁽¹⁾	5,358,859	4,424,450	3,777,321	2,129,758
Estimated credit impairment losses on credit derivatives ⁽²⁾	21,294	22,055	4,208,198	3,740,202
Total impairment losses	5,380,153	4,446,505	7,985,519	5,869,960
Mark-to-market reserve (asset) on credit derivatives ⁽²⁾	214,616	199,629	(1,168,707)	4,491,955
Mark-to-market reserve on total return swaps	-	-	-	77,960
Grand total net insurance loss reserves and credit derivatives	<u>\$5,594,769</u>	<u>\$4,646,134</u>	<u>\$6,816,812</u>	<u>\$10,439,875</u>

Summary of Below Investment Grade Exposures ⁽³⁾

(\$ Millions)	Segregated Account Net Par Outstanding	Total Net Par Outstanding	Total Impairment Losses ⁽⁴⁾
Public Finance:			
Transportation Revenue	\$502	\$1,163	\$229
Utilities	-	176	(5)
Health Care	-	104	1
Other	-	1,904	5
Total Public Finance	<u>502</u>	<u>3,347</u>	<u>230</u>
Structured Finance:			
Mortgage-Backed & Home Equity - First Lien & Other.	12,390	12,390	3,001
Mortgage-Backed & Home Equity - Second Lien	9,674	9,674	716
Student Loans	10,071	10,314	841
Other	398	3,395	557
Total Structured Finance	<u>32,533</u>	<u>35,773</u>	<u>5,115</u>
International Finance:			
	320	2,416	35
Total	<u>\$33,355</u>	<u>\$41,536</u>	<u>\$5,380</u>

1) As a result of the claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$1,768.7 million 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 \$235,910 as of March 31, 2011, \$221,684 as of December 31, 2010 and \$3,039,491 as of December 31, 2009 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 segments of Ambac Assurance's 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, 2010 Form 10-K.

4) Claims presented and not paid are included in total impairment losses and our net insurance reserves.

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

2011 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Public Finance	\$42,400				\$42,400
Structured Finance	29,691				29,691
International Finance	19,778				19,778
Total Normal Insurance Premiums Earned	91,869	-	-	-	91,869
Accelerated Premiums Earned	(70)				(70)
Total Premiums Earned	\$91,799	-	-	-	\$91,799
Fees on credit derivative contracts ⁽¹⁾	\$5,323				\$5,323
Total Premiums Earned eliminated in consolidation ⁽²⁾	\$10,977	-	-	-	\$10,977

2010 (\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Public Finance	\$45,181	\$45,037	\$44,363	\$43,822	\$178,403
Structured Finance	40,587	43,566	42,383	38,308	164,844
International Finance	27,325	24,094	26,335	19,825	97,579
Total Normal Insurance Premiums Earned	113,093	112,697	113,081	101,955	440,826
Accelerated Premiums Earned	12,138	54,308	30,004	8,699	105,149
Total Premiums Earned	\$125,231	\$167,005	\$143,085	\$110,654	\$545,975
Fees on credit derivative contracts ⁽¹⁾	\$9,661	\$11,812	\$4,862	\$4,885	\$31,220
Total Premiums Earned eliminated in consolidation ⁽²⁾	\$17,717	\$13,707	\$(803)	\$13,244	\$43,865

Net Unearned Premium Amortization and Estimated Future Installment Premiums (GAAP)

(\$ Millions)	Net Unearned Premium Amortization ⁽³⁾	Fees on Credit Derivative Contracts	Estimated Net Future Installments ⁽⁴⁾
2011 (2nd, 3rd and 4th Qtrs)	221.0	13.7	142.4
2012	267.9	15.7	160.7
2013	242.6	12.1	140.8
2014	225.5	8.1	130.2
2015	211.0	5.0	119.9
2016	200.2	2.4	107.8
2011 (2nd, 3rd and 4th Qtrs)	221.0	13.7	142.4
2012-2016	1,147.2	43.3	659.4
2017-2021	841.2	7.6	447.9
2022-2026	616.0	0.7	316.7
2027-2031	418.2	0.4	219.0
After 2031	327.8	0.2	197.3
Total	\$3,571.4	\$65.9	\$1,982.7

- 1) Fees on credit derivative contracts are included in "Realized gains and losses and other settlements on credit derivative contracts" on the consolidated statement of operations.
- 2) Represents total premiums earned excluded from "Total net premiums earned" on the consolidated statement of operations pertaining to VIEs consolidated in accordance with ASU 2009-17. Please see discussion in Ambac's March 31, 2011 Form 10-Q
- 3) 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 Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of March 31, 2011. 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.
- 4) 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 new Consolidations Accounting Standard (\$344 million). Please see discussion in Ambac's March 31, 2011 Form 10-Q.

Fixed Income Investment Portfolio

As of March 31, 2011

INCOME ANALYSIS BY TYPE OF SECURITY	Fair	Amortized	Pre-tax	YTD GAAP
Investment category (\$ thousands)	Value	Cost	Yield to	Investment
			Maturity ⁽¹⁾	Income
Financial Guarantee investments:				
Long-term investments				
U.S. government obligations	185,200	181,635	1.84%	970
U.S. agency obligations	83,205	77,814	4.25%	826
Municipal obligations ⁽²⁾	2,204,352	2,163,183	4.58%	24,387
Foreign obligations	97,372	93,134	4.13%	1,057
Corporate obligations	862,067	825,397	4.83%	9,695
Mortgage and asset-backed securities	1,752,636	1,495,597	11.54%	34,999
Total long-term investments	5,184,832	4,836,760	6.66%	71,934
Short-term investments	745,539	745,539	0.17%	299
Other ⁽³⁾	100	100		165
Total Financial Guarantee investments	5,930,471	5,582,399	5.79%	72,398
Investment expenses				(733)
Financial Guarantee net investment income				71,665
Financial Services investments: ⁽⁴⁾				
Long-term investments				
U.S. government obligations	35,488	34,671		
U.S. agency obligations	4,360	3,832		
Corporate obligations	111,260	117,786		
Mortgage and asset-backed securities	832,116	784,828		
Total long-term investments	983,224	941,117		
Short-term investments	11,035	11,035		
Total Financial Services investments	994,259	952,152		
Corporate investments:				
Long-term investments				
Municipal obligations	22,500	22,500		
Total long-term investments	22,500	22,500		
Short-term investments	35,852	35,852		
Total Corporate investments	58,352	58,352		
Total Investments	\$6,983,082	\$6,592,903		

RATING DISTRIBUTION OF INVESTMENT PORTFOLIO ⁽⁵⁾⁽⁶⁾

Rating	Percent of Investment Portfolio		
	Fin. Guar.	Fin. Services	Combined
AAA	30%	60%	34%
AA	31	16	29
A	17	<1	14
BBB	9	5	9
Below investment grade	13	19	14
Not rated	<1	-	<1
	100%	100%	100%
Duration of Financial Guarantee investment portfolio			3.9

- 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 current cost basis, 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 \$472,533 and \$1,731,819 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.

Expense Analysis (GAAP)

2011					
(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year-to Date
Financial Guarantee operating expenses:					
Compensation	\$ 16,612				\$ 16,612
Non-compensation	16,644				16,644
gross operating expenses	33,256	-	-	-	33,256
Ceding commissions and change in deferred acquisition costs . .	9,120				9,120
Total Financial Guarantee operating expenses	42,376	-	-	-	42,376
Financial Services operating expenses	2,614				2,614
Corporate and other operating expenses	477				477
Total operating expenses, net of deferred expenses.	\$ 45,466	\$ -	\$ -	\$ -	\$ 45,466
Total gross operating expenses	\$ 36,347	\$ -	\$ -	\$ -	\$ 36,347
Reorganization costs	\$ 24,805	\$ -	\$ -	\$ -	\$ 24,805
Total gross expenses	\$ 61,151	\$ -	\$ -	\$ -	\$ 61,151

2010					
(\$ Thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Financial Guarantee operating expenses:					
Compensation	\$ 21,222	\$ 16,268	\$ 14,997	\$ 15,109	\$ 67,596
Non-compensation ⁽¹⁾	16,829	32,949	21,118	20,890	91,786
gross operating expenses	38,051	49,218	36,115	35,999	159,382
Ceding commissions and change in deferred acquisition costs . .	12,445	9,714	5,085	11,797	39,041
Total Financial Guarantee operating expenses	50,496	58,932	41,200	47,796	198,423
Financial Services operating expenses	3,627	3,124	3,460	3,529	13,740
Corporate and other operating expenses⁽¹⁾	11,948	12,645	13,695	4,014	42,302
Total operating expenses, net of deferred expenses.	\$ 66,070	\$ 74,701	\$ 58,354	\$ 55,339	\$ 254,464
Total gross operating expenses	\$ 53,625	\$ 64,987	\$ 53,269	\$ 43,542	\$ 215,423
Reorganization costs	\$ -	\$ -	\$ -	\$ 31,980	\$ 31,980
Total gross expenses	\$ 53,625	\$ 64,987	\$ 53,269	\$ 75,522	\$ 247,403

Historical Financial Guarantee Exposures Outstanding ⁽¹⁾

(\$ Millions Net Par Value)	March 31,	December 31,			Segregated Account March 31, 2011
	2011	2010	2009	2008	
Public Finance:					
Lease and tax backed	\$65,134	\$65,843	\$73,081	\$77,060	\$10
General obligation	47,134	48,241	54,047	58,296	11
Utility	25,529	26,360	30,835	32,166	398
Transportation	20,258	20,722	22,501	22,306	860
Higher education	15,131	15,279	16,577	17,959	-
Housing	9,636	9,878	10,247	10,862	-
Health care	9,278	9,603	11,987	15,115	87
Other	2,670	3,423	3,892	4,457	-
Total Public Finance	194,770	199,349	223,167	238,221	1,366
Structured Finance:					
Mortgage-backed & home equity	26,419	27,488	32,407	36,995	26,419
Other CDOs	10,670	11,463	18,313	19,988	591
Student loan	10,663	11,408	14,518	16,644	10,482
Investor-owned utilities	10,368	10,685	13,212	14,650	390
Asset-backed and conduits	8,624	10,005	16,455	25,443	49
CDO of ABS >25% MBS	-	-	16,718	23,190	-
Other	2,240	2,750	3,092	3,499	296
Total Structured Finance	68,984	73,799	114,715	140,409	38,227
International Finance ⁽²⁾:					
Investor-owned and public utilities	11,528	10,861	10,388	8,492	-
Asset-backed and conduits	10,719	10,738	13,691	16,383	89
Sovereign/sub-sovereign	7,809	7,119	6,859	5,980	76
Transportation	6,841	6,744	7,584	6,870	387
Other CDOs	6,322	6,775	9,083	12,784	1,196
Mortgage-backed & home equity	1,873	1,898	3,386	3,669	663
Other	1,634	1,571	1,533	1,502	-
Total International Finance	46,726	45,706	52,524	55,680	2,411
Grand Total	\$310,480	\$318,854	\$390,406	\$434,310	\$42,004
Percent of Total Net Par Outstanding					
Public Finance	62.7%	62.5%	57.2%	54.9%	3.3%
Structured Finance	22.3%	23.2%	29.4%	32.3%	91.0%
International Finance	15.0%	14.3%	13.4%	12.8%	5.7%
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 \$18,274, \$18,766, \$43,276 and \$53,918 and \$64,988 at March 31, 2011 and December 31, 2010, 2009 and 2008, respectively.

(2) International transactions include components of domestic exposure.

Geographic Distribution of Financial Guarantee Exposures Outstanding

(\$ Millions Net Par Value)	March 31,		December 31,			
	2011	%	2010	2009	2008	2007
Domestic:						
California	\$38,858	12.5%	\$39,210	\$43,388	\$45,343	\$53,434
New York	19,777	6.4%	20,944	22,865	25,972	31,923
Florida	15,750	5.1%	15,910	17,816	18,724	22,462
Texas	14,480	4.7%	14,776	16,941	17,674	19,898
New Jersey	10,268	3.3%	10,415	11,654	12,204	14,309
Illinois	9,018	2.9%	9,351	10,472	10,544	12,592
Massachusetts	6,336	2.0%	6,576	8,255	8,184	10,338
Pennsylvania	5,920	1.9%	6,036	7,405	10,879	13,444
Colorado	5,658	1.8%	5,786	6,392	6,818	7,570
Washington	5,518	1.8%	5,710	6,124	6,249	6,874
Mortgage and asset-backed	35,043	11.3%	37,493	48,862	62,438	79,485
Other states	97,128	31.3%	100,941	137,708	153,601	179,322
Total Domestic	263,754	85.0%	273,148	337,882	378,630	451,651
International:						
United Kingdom	23,788	7.7%	22,215	22,840	20,151	27,207
Australia	6,128	2.0%	6,292	6,034	4,952	6,400
Italy	3,876	1.2%	3,674	3,821	2,843	3,017
Austria	1,058	0.3%	999	1,149	905	491
Turkey	812	0.3%	848	1,842	1,913	1,995
Internationally diversified	7,312	2.4%	7,793	9,914	14,937	16,550
Other international	3,752	1.2%	3,885	6,924	9,979	16,714
Total International	46,726	15.0%	45,706	52,524	55,680	72,374
Grand Total	\$310,480	100.0%	\$318,854	\$390,406	\$434,310	\$524,025

Rating Distribution of Net Financial Guarantee Exposures Outstanding ⁽¹⁾

As of March 31, 2011

Rating	Percentage of Guaranteed Portfolio		
	Public Finance	Structured and International	Total
AAA	<1	3	1
AA	30	12	24
A	55	24	43
BBB	13	28	19
BIG	2	33	13
	100	100	100

(1) Based upon Ambac ratings. See Note 2 on the Table of Contents page.

Largest Domestic Public Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	AADS ⁽²⁾	Net Par Outstanding	% of Total Net Par Outstanding
California State - GO	A	\$208.2	\$3,094	1.0%
New Jersey Transportation Trust Fund Authority - Transportation System	A +	\$162.5	2,062	0.7%
Washington State - GO	AA	\$142.4	1,813	0.6%
NYS Thruway Authority, Highway & Bridge Revenue	AA -	\$151.6	1,694	0.5%
Bay Area Toll Authority, CA Toll Bridge Revenue ⁽³⁾	AA -	\$84.7	1,670	0.5%
MTA, NY, Transportation Revenue (Farebox) ⁽³⁾	A	\$92.0	1,447	0.5%
New Jersey Turnpike Authority Revenue	A	\$84.4	1,264	0.4%
Massachusetts School Building Authority, MA, Sales Tax Revenue	AA	\$93.7	1,248	0.4%
Massachusetts Commonwealth - GO	AA	\$87.2	1,227	0.4%
Los Angeles Unified School District, CA - GO	AA -	\$85.8	1,126	0.4%
South Carolina Transportation Infrastructure Bank Revenue	A	\$75.5	1,038	0.3%
Central Texas Turnpike, System Revenue	BBB +	\$103.2	986	0.3%
Port Authority of New York & New Jersey, Consolidated Revenue	AA -	\$70.6	921	0.3%
Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement	A	\$54.7	884	0.3%
New York City, NY - GO	AA	\$48.1	876	0.3%
Sales Tax Asset Receivable Corporation, NY, Revenue	A	\$74.6	846	0.3%
Puerto Rico Highways & Transportation Authority, Transportation Revenue ⁽³⁾	BBB +	\$50.6	828	0.3%
University of California Board of Regents, General Revenue	AA -	\$47.9	826	0.3%
New York City, NY Water and Sewer System Revenue	AA -	\$53.6	807	0.3%
Puerto Rico Sales Tax Financing Corporation	A +	\$168.9	805	0.3%
New Jersey Economic Development Authority - School Facilities Construction	A +	\$50.5	802	0.3%
Chicago, IL - GO	A +	\$37.3	762	0.2%
South Carolina Public Service Authority, Revenue	AA	\$41.8	754	0.2%
Hawaii State - GO	AA	\$59.4	717	0.2%
Cook County, IL - GO	AA	\$51.7	686	0.2%
Total:			<u>\$29,183</u>	<u>9.4%</u>

1) See Note 2 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.

Largest Structured Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
CDO of ABS < 25% MBS	A +	\$1,989	0.6%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 ⁽²⁾	BIG	1,560	0.5%
Iowa Student Loan Liquidity Corporation Revenue Bonds ⁽²⁾	BIG	1,497	0.5%
Vermont Student Assistance Corporation Revenue Bonds ⁽²⁾	BIG	1,346	0.4%
Private Commercial Asset-Backed Transaction	BBB +	1,324	0.4%
Private Consumer Asset-Backed Transaction	AA	1,266	0.4%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 ⁽²⁾	BIG	1,053	0.3%
The National Collegiate Student Loan Trust 2007-4 ⁽²⁾	BIG	1,046	0.3%
The National Collegiate Student Loan Trust 2007-3 ⁽²⁾	BIG	1,024	0.3%
Ballantyne Re Plc ⁽³⁾	BIG	900	0.3%
Cendant Rental Car Funding	BIG	820	0.3%
Spirit Master Funding	BBB	794	0.3%
Michigan Higher Education Student Loan Authority ⁽²⁾	BIG	762	0.2%
Timberlake Financial, LLC	BBB -	620	0.2%
Countrywide Revolving Home Equity Loan Trust 2005-F ⁽²⁾	BIG	616	0.2%
Morgan Stanley Credit Corporation Heloc Trust 2007-1 ⁽²⁾	BIG	566	0.2%
Countrywide Asset-Backed Certificates Trust 2005-16 ⁽²⁾	BIG	565	0.2%
Progress Energy Carolinas, INC	A -	558	0.2%
Option One Mortgage Loan Trust 2007-FXD1 ⁽²⁾	BIG	549	0.2%
Privately Placed RMBS Transaction ⁽²⁾	BIG	521	0.2%
National Collegiate Master Student Loan Trust I ⁽²⁾	BIG	521	0.2%
Ares XI CLO, Ltd.	AA +	509	0.2%
Massachusetts Educational Financing Authority Revenue Bonds ⁽²⁾	BIG	504	0.2%
Local Insight Media LLC	BIG	492	0.2%
Countrywide Asset Backed Certificates Trust 2005-17 ⁽²⁾	BIG	485	0.2%
Total:		<u>\$21,887</u>	<u>7.0%</u>

Largest International Finance Exposures

(\$ Millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation ⁽³⁾	A +	\$2,124	0.7%
Telereal Securitisation plc ⁽³⁾	A +	1,805	0.6%
Romulus Finance s.r.l. ⁽³⁾	BIG	1,585	0.5%
Punch Taverns Finance plc-UK Pub Securitisation ⁽³⁾	BBB +	1,324	0.4%
Channel Link Enterprises ⁽³⁾	BBB -	1,256	0.4%
Regione Campania ⁽³⁾	A -	1,256	0.4%
Aspire Defence Finance plc ⁽³⁾	BBB	1,173	0.4%
National Grid Electricity Transmission ⁽³⁾	A -	1,125	0.4%
Powercor Australia	A -	1,058	0.3%
Ostregion Investmentgesellschaft NR 1 SA ⁽³⁾	BBB -	1,053	0.3%
Capital Hospitals plc ⁽³⁾	BBB -	944	0.3%
Dampier to Bunbury Natural Gas Pipeline	BBB	928	0.3%
RMPA Services plc ⁽³⁾	BBB +	838	0.3%
CDO of HY Corporate	AA	813	0.3%
National Grid Gas ⁽³⁾	A -	793	0.3%
Anglian Water ⁽³⁾	A -	785	0.3%
Private CMBS Transaction ⁽³⁾	AAA	746	0.2%
CitiPower	A -	719	0.2%
Spirit Issuer plc ⁽³⁾	BBB -	719	0.2%
Scotia Gas Networks ⁽³⁾	BBB	719	0.2%
United Energy Distribution	BBB	718	0.2%
Catalyst Healthcare (Manchester) Financing plc ⁽³⁾	BBB -	664	0.2%
Babcock & Brown Air Funding I Limited	BBB +	656	0.2%
CDO of HY Corporate	AAA	615	0.2%
Broadcast Australia	BBB	595	0.2%
Total:		<u>\$25,011</u>	<u>8.1%</u>

1) See Note 2 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, 2011

(\$ Millions)	Total		Segregated Account	
	Estimated Net Debt Service Amortization	Ending Net Debt Service Outstanding	Estimated Net Debt Service Amortization	Ending Net Debt Service Outstanding
2011 (2nd, 3rd and 4th Qtrs)	\$21,577	\$473,429	\$3,438	\$56,824
2012.	26,466	446,963	4,053	52,771
2013.	27,826	419,137	3,215	49,556
2014.	25,783	393,354	2,712	46,844
2015.	26,094	367,260	2,332	44,512
2016.	23,231	344,029	2,016	42,496
2011 (2nd, 3rd and 4th Qtrs)	\$21,577	\$473,429	\$3,438	\$56,824
2012-2016.	129,400	344,029	14,328	42,496
2017-2021.	108,687	235,342	8,071	34,425
2022-2026.	82,109	153,233	7,175	27,250
2027-2031.	63,937	89,296	7,096	20,154
After 2031.	89,296	-	20,154	-
Total.	<u>\$495,006</u>		<u>\$60,262</u>	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of March 31, 2011. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.



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