



**Ambac**

## 2011 Quarterly Operating Supplement

# Q 2

### ► Financial Highlights

|                            |                   |
|----------------------------|-------------------|
| Share price                | \$0.10            |
| Market capitalization      | \$31.7 million    |
| Net loss                   | \$(102.4) million |
| Net loss per diluted share | \$(0.34)          |

---

## **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:

Ambac Financial Group, Inc.  
One State Street Plaza  
New York, New York 10004  
(212) 668-0340  
(212) 509-9190 (fax)  
[www.ambac.com](http://www.ambac.com)

Investor Relations Contact:  
Michael Fitzgerald  
(212) 208-3222  
(212) 208-3108 (fax)  
[mfitzgerald@ambac.com](mailto:mfitzgerald@ambac.com)

To obtain a copy of Ambac Financial Group, Inc.’s latest annual or quarterly report filed with the Securities and Exchange Commission or the most recent Annual Report to Stockholders, please visit our website at [www.ambac.com](http://www.ambac.com).

**Ambac Financial Group, Inc.**  
**Quarterly Operating Supplement**  
**Second Quarter 2011**

**Table of Contents**

|   |    |
|---|----|
| Key Financial Data.....   | 1  |
| Claims-Paying Resources and Statutory Financial Ratios .....                            | 2  |
| Roll-forward of Statutory Capital and Surplus .....                                     | 3  |
| Ratio of Net Claims Presented.....  | 4  |
| Estimated Future Gross RMBS Claim Payments (Recoveries) .....                           | 4  |
| Summary of Net Insurance Loss Reserves (GAAP) and Credit Derivative Impairments .....   | 5  |
| Summary of Below Investment Grade Exposures .....                                       | 5  |
| Net Insurance Premiums Earned and Fees on Credit Derivatives (GAAP).....                | 6  |
| Net Unearned Premium Amortization and Estimated Future Installment Premiums (GAAP)..... | 6  |
| Fixed Income Investment Portfolio.....  | 7  |
| Rating Distribution of Investment Portfolio.....  | 7  |
| Expense Analysis (GAAP) .....   | 8  |
| Historical Financial Guarantee Exposures Outstanding .....                              | 9  |
| Geographic Distribution of Financial Guarantee Exposures Outstanding .....              | 10 |
| Rating Distribution of Net Financial Guarantee Exposures Outstanding .....              | 10 |
| Largest Domestic Public Finance Exposures.....  | 11 |
| Largest Structured Finance Exposures.....   | 12 |
| Largest International Finance Exposures .....   | 12 |
| Net Exposure Amortization.....  | 13 |

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)

|   | 2Q 2011   | 1Q 2011   | 2010      | 2009      | 2008      | 2007      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Summary GAAP Financial Data:</b>   |           |           |           |           |           |           |
| <b>Statement of Operations:</b>   |           |           |           |           |           |           |
| Financial Guarantee:  |           |           |           |           |           |           |
| Credit enhancement production (non-GAAP)                                    | \$ -      | \$ -      | \$ -      | \$ -      | \$95      | 1,414     |
| Net premiums earned   | 99        | 92        | 546       | 797       | 1,023     | 841       |
| Net investment income   | 88        | 72        | 324       | 483       | 480       | 460       |
| Change in fair value of credit derivatives                                  | 24        | (9)       | 60        | 3,813     | (4,031)   | (5,928)   |
| Gain (loss) gain on variable interest entities (VIEs)                       | 2         | (6)       | (617)     | 7         | -         | n/a       |
| Loss and loss expenses  | 196       | 920       | 719       | 2,815     | 2,228     | 256       |
| Underwriting and operating expenses   | 12        | 42        | 198       | 176       | 216       | 139       |
| Financial Services <sup>(1)</sup> :   |           |           |           |           |           |           |
| Revenue   | (58)      | 26        | (72)      | (136)     | 123       | 452       |
| Expenses  | 3         | 5         | 31        | 47        | 248       | 432       |
| Reorganization items  | 6         | 25        | 32        | -         | -         | -         |
| Net loss attributable to Ambac Financial Group, Inc.                        | (102)     | (819)     | (753)     | (15)      | (5,609)   | (3,248)   |
| Net loss per diluted share attributable to AFG, Inc.<br>common shareholders | (\$0.34)  | (\$2.71)  | (\$2.56)  | (\$0.05)  | (\$22.31) | (\$31.56) |
| <b>Balance Sheets:</b>  |           |           |           |           |           |           |
| Total non-VIE investments   | 7,080     | 6,983     | 6,853     | 8,703     | 10,293    | 18,396    |
| Premium receivable  | 1,925     | 2,291     | 2,423     | 3,718     | 29        | n/a       |
| Subrogation recoverable   | 740       | 797       | 714       | 903       | 10        | n/a       |
| Total VIE assets  | 17,071    | 16,176    | 17,931    | 3,277     | n/a       | n/a       |
| Total assets  | 27,940    | 27,410    | 29,047    | 18,886    | 17,260    | 23,565    |
| Unearned premium reserve  | 3,409     | 3,822     | 4,008     | 5,687     | 2,382     | 3,124     |
| Loss and loss expense reserve   | 6,445     | 6,297     | 5,289     | 4,772     | 2,276     | 484       |
| Obligations under investment, repurchase and<br>payment agreements          | 590       | 717       | 806       | 1,291     | 3,358     | 8,706     |
| Long-term debt <sup>(2)</sup>   | 217       | 211       | 208       | 1,632     | 1,624     | 1,389     |
| Liabilities subject to compromise <sup>(2)</sup>                            | 1,707     | 1,708     | 1,695     | -         | -         | -         |
| Ambac Financial Group, Inc. stockholders' (deficit) equity                  | (2,728)   | (2,748)   | (2,009)   | (2,288)   | (3,782)   | 2,280     |
| <b>Summary Statutory Data of Ambac Assurance:</b>                           |           |           |           |           |           |           |
| Invested assets   | \$5,985   | \$6,067   | \$5,943   | \$8,009   | \$10,397  | \$10,581  |
| Loss and loss expense reserve   | 3,120     | 2,739     | 2,478     | 1,141     | 1,169     | 110       |
| Estimated impairment losses on credit derivatives                           | -         | -         | -         | 3,842     | 3,352     | 757       |
| Capital and surplus   | 476       | 801       | 1,027     | 802       | 1,554     | 3,316     |
| Qualified statutory capital   | 1,042     | 1,338     | 1,540     | 1,154     | 3,484     | 6,422     |
| Total claims-paying resources   | \$7,939   | \$7,975   | \$7,877   | \$10,790  | \$13,501  | \$14,512  |
| Net par outstanding   | \$299,683 | \$310,480 | \$318,854 | \$390,406 | \$434,310 | \$524,025 |
| Net debt service outstanding  | \$476,948 | \$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 <sup>(1)</sup> and Statutory Financial Ratios

| (\$ Thousands, Except Ratios)  | June 30, 2011      | December 31, 2010  |
|--|--------------------|--------------------|
| Contingency reserve.....   | \$565,143          | \$512,604          |
| Capital and Surplus <sup>(2)</sup> .....                             | 476,379            | 1,026,920          |
| Qualified statutory capital.....                                     | 1,041,522          | 1,539,524          |
| Unearned premiums.....   | 1,838,719          | 1,934,462          |
| Losses and loss adjustment expenses.....                             | 3,119,769          | 2,478,435          |
| Policyholders' reserves.....   | 6,000,010          | 5,952,421          |
| Present Value of Future Installment Premiums <sup>(3)</sup> .....    | 901,897            | 987,166            |
| Ambac Assurance UK Ltd. Claims-Paying Resources <sup>(4)</sup> ..... | 1,037,373          | 937,391            |
| <b>Total Claims-Paying Resources.....</b>                            | <b>\$7,939,280</b> | <b>\$7,876,978</b> |
| Net financial guarantees in force <sup>(5)</sup> .....               | \$476,948,365      | \$509,428,738      |
| Claims-Paying Ratio <sup>(6)</sup> .....                             | 60 : 1             | 65 : 1             |
| Gross financial guarantees in force.....                             | \$520,141,872      | \$554,700,426      |
| Gross par outstanding.....   | \$324,979,541      | \$345,127,082      |
|  | Second             | Full               |
|  | Quarter            | Year               |
|  | 2011               | 2010               |
| Ambac Assurance statutory financial ratios:                          |                    |                    |
| Loss ratio <sup>(7)</sup> .....                                      | 396.3%             | 248.0%             |
| Expense ratio <sup>(8)</sup> .....                                   | 34.1%              | 54.6%              |

1) Total claims-paying resources quantifies total resources available to pay claims.

2) Surplus Notes with a par value of \$2,089 million and \$2,050 million are included in the June 30, 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%.

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 \$47,157,159 and \$46,311,475 as of June 30, 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 six months<br>ended June 30, 2011 | For the year ended<br>December 31, 2010 |
|---|---|---|
| Surplus to Policyholders, beginning of period           | \$ 1,026,920                              | \$ 801,869                              |
| Net loss <sup>(1)</sup>                                 | (472,592)                                 | (1,471,903)                             |
| Issuance of surplus notes - general account             | -   | 2,000,000                               |
| Issuance of surplus notes - segregated account          | 39,082                                    | 50,000                                  |
| Change in contingency reserves                          | (52,219)                                  | (159,271)                               |
| Change in investment in subsidiaries                    | 3,781                                     | (165,233)                               |
| Preferred stock activity                                | -   | (817)                                   |
| Unrealized (loss) gain on non-impaired, BIG investments | (33,082)                                  | 5,951                                   |
| Other changes in surplus                                | (35,511)                                  | (33,676)                                |
| Surplus to Policyholders, end of period                 | <u>\$ 476,379</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. 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 existing headquarters office lease with One State Street LLC.

## Ratio of Net Claims Presented

| (\$ Thousands)   | YTD 2011   | 2010        | 2009        | 2008        | 2007      |
|--|------------|-------------|-------------|-------------|-----------|
| Net claims presented and paid (recovered) - Insurance <sup>(1)</sup> | (\$28,369) | \$290,519   | \$1,458,498 | \$571,012   | (\$2,128) |
| Net claims presented and not paid - Insurance <sup>(2)</sup>         | 702,309    | 1,411,445   | -           | -           | -         |
| Net Credit Derivatives payments                                      | -          | (263)       | 47,749      | 7,153       | -         |
| Net Credit Derivatives commutation payments <sup>(3)</sup>           | -          | 4,589,107   | 1,380,628   | 1,850,000   | -         |
| Total net claims presented for payment                               | \$673,940  | \$6,290,808 | \$2,886,875 | \$2,428,165 | (\$2,128) |
| Net insurance premiums and credit derivative fees                    | \$200,617  | \$577,195   | \$846,001   | \$1,085,482 | \$917,895 |
| Ratio of net claims presented <sup>(4)</sup>                         | 335.9%     | 1089.9%     | 341.2%      | 223.7%      | -0.2%     |

## Estimated Future Gross RMBS Claim Payments (Recoveries) <sup>(5)</sup>

| (\$ Thousands)      |                     |
|---------------------|---------------------|
| 2011                | 922,033             |
| 2012 <sup>(6)</sup> | 312,623             |
| 2013 <sup>(6)</sup> | (945,052)           |
| 2014                | 568,224             |
| 2015                | 280,370             |
| 2016                | 200,580             |
| 2011                | 922,033             |
| 2012-2016           | 416,745             |
| 2017-2021           | 427,782             |
| 2022-2026           | 58,686              |
| 2027-2031           | (12,123)            |
| After 2031          | 577,423             |
| Total               | <u>\$ 2,390,546</u> |

- 1) Net claims presented and paid (recovered) are net of subrogation received of \$61.8 million, \$107.9 million, \$72.2 million, \$11.7 million, and \$27.9 million for the six months ended June 30, 2011, and 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 six months ended June 30, 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 \$824.5 million in 2012 and \$1,821.9 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)  | 06/30/11           | 12/31/10           | 12/31/09           | 12/31/08            |
|---|--------------------|--------------------|--------------------|---------------------|
| Total insurance reserves <sup>(1)</sup>                                 | 5,539,278          | 4,424,450          | 3,777,321          | 2,129,758           |
| Estimated credit impairment losses on credit derivatives <sup>(2)</sup> | 32,731             | 22,055             | 4,208,198          | 3,740,202           |
| Total impairment losses   | 5,572,009          | 4,446,505          | 7,985,519          | 5,869,960           |
| Mark-to-market reserve (asset) on credit derivatives <sup>(2)</sup>     | 183,116            | 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>\$5,755,125</u> | <u>\$4,646,134</u> | <u>\$6,816,812</u> | <u>\$10,439,875</u> |

## Summary of Below Investment Grade Exposures<sup>(3)</sup>

| (\$ Millions)                                      | Segregated Account<br>Net Par Outstanding | Total<br>Net Par Outstanding | Total<br>Impairment Losses <sup>(4)</sup> |
|--|---|------------------------------|---|
| <b>Public Finance:</b>                             |   |                              |   |
| Transportation Revenue                             | \$505                                     | \$1,133                      | \$291                                     |
| Utilities  | -   | 176                          | (5)                                       |
| Health Care  | -   | 104                          | 1   |
| Other  | -   | 2,142                        | 10  |
| Total Public Finance                               | <u>505</u>                                | <u>3,555</u>                 | <u>297</u>                                |
| <b>Structured Finance:</b>                         |   |                              |   |
| Mortgage-Backed & Home Equity - First Lien & Other | 13,573                                    | 13,573                       | 3,014                                     |
| Mortgage-Backed & Home Equity - Second Lien        | 9,422                                     | 9,422                        | 662                                       |
| Student Loans                                      | 10,093                                    | 10,093                       | 1,035                                     |
| Other  | 173                                       | 2,987                        | 564                                       |
| Total Structured Finance                           | <u>33,261</u>                             | <u>36,075</u>                | <u>5,275</u>                              |
| <b>International Finance:</b>                      |   |                              |   |
|  | 437                                       | 2,565                        | -   |
| Total  | <u>\$34,203</u>                           | <u>\$42,195</u>              | <u>\$5,572</u>                            |

1) As a result of the claim moratorium on the Segregated Account of Ambac Assurance by the Rehabilitator, \$2,114 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 \$215,847 as of June 30, 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      | \$42,541       |               |                | \$84,941     |
| Structured Finance . . . . .   | 29,691        | 25,034         |               |                | 54,725       |
| International Finance . . . . .  | 19,778        | 20,365         |               |                | 40,143       |
| Total Normal Insurance Premiums Earned . . . . .                           | 91,869        | 87,940         | -             | -              | 179,809      |
| Accelerated Premiums Earned . . . . .                                      | (70)          | 11,331         |               |                | 11,261       |
| Total Premiums Earned . . . . .  | \$91,799      | \$99,271       | -             | -              | \$191,070    |
| Fees on credit derivative contracts <sup>(1)</sup> . . . . .               | \$5,323       | \$4,224        |               |                | \$9,547      |
| Total Premiums Earned eliminated in consolidation <sup>(2)</sup> . . . . . | \$10,977      | \$15,553       | -             | -              | \$26,530     |

  

| 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 <sup>(1)</sup> . . . . .               | \$9,661       | \$11,812       | \$4,862       | \$4,885        | \$31,220  |
| Total Premiums Earned eliminated in consolidation <sup>(2)</sup> . . . . . | \$17,717      | \$13,707       | \$(803)       | \$13,244       | \$43,865  |

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

| (\$ Millions)                     | Net Unearned Premium Amortization <sup>(3)</sup> | Fees on Credit Derivative Contracts | Estimated Net Future Installments <sup>(4)</sup> |
|-----------------------------------|--|-------------------------------------|--|
| 2011 (3rd and 4th Qtrs) . . . . . | 147.9  | 8.7                                 | 86.7   |
| 2012 . . . . .                    | 250.4  | 15.0                                | 151.7  |
| 2013 . . . . .                    | 225.5  | 12.5                                | 137.5  |
| 2014 . . . . .                    | 208.7  | 7.8                                 | 121.8  |
| 2015 . . . . .                    | 194.6  | 3.9                                 | 108.7  |
| 2016 . . . . .                    | 183.7  | 2.7                                 | 101.4  |
| 2011 (3rd and 4th Qtrs) . . . . . | 147.9  | 8.7                                 | 86.7   |
| 2012-2016 . . . . .               | 1,062.9  | 41.9                                | 621.1  |
| 2017-2021 . . . . .               | 760.0  | 10.8                                | 417.6  |
| 2022-2026 . . . . .               | 538.3  | 0.4                                 | 290.3  |
| 2027-2031 . . . . .               | 370.6  | -                                   | 200.1  |
| After 2031 . . . . .              | 295.9  | -                                   | 182.2  |
| Total . . . . .                   | \$3,175.6  | \$61.8                              | \$1,798.0  |

- 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 June 30, 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 June 30, 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 (\$394 million). Please see discussion in Ambac's June 30, 2011 Form 10-Q.

## Fixed Income Investment Portfolio

As of June 30, 2011

| INCOME ANALYSIS BY TYPE OF SECURITY            | Fair Value  | Amortized Cost | Pre-tax Yield to Maturity <sup>(1)</sup> | YTD GAAP Investment Income |
|--|-------------|----------------|--|----------------------------|
| Investment category (\$ thousands)             |             |                |  |                            |
| Financial Guarantee investments:               |             |                |  |                            |
| Long-term investments                          |             |                |  |                            |
| U.S. government obligations                    | 190,592     | 186,138        | 1.84%                                    | 1,805                      |
| U.S. agency obligations                        | 83,372      | 77,494         | 4.24%                                    | 1,651                      |
| Municipal obligations <sup>(2)</sup>           | 1,974,319   | 1,889,072      | 5.20%                                    | 48,747                     |
| Foreign obligations                            | 97,973      | 93,163         | 4.13%                                    | 2,021                      |
| Corporate obligations                          | 901,750     | 855,808        | 4.84%                                    | 19,949                     |
| Mortgage and asset-backed securities           | 1,877,703   | 1,526,422      | 10.98%                                   | 85,597                     |
| Total long-term investments                    | 5,125,709   | 4,628,097      | 6.87%                                    | 159,770                    |
| Short-term investments                         | 1,013,802   | 1,013,802      | 0.15%                                    | 995                        |
| Other <sup>(3)</sup>                           | 100         | 100            |  | 333                        |
| Total Financial Guarantee investments          | 6,139,611   | 5,641,999      | 5.66%                                    | 161,098                    |
| Investment expenses                            |             |                |  | (1,469)                    |
| Financial Guarantee net investment income      |             |                |  | 159,629                    |
| Financial Services investments: <sup>(4)</sup> |             |                |  |                            |
| Long-term investments                          |             |                |  |                            |
| U.S. government obligations                    | 35,208      | 34,490         |  |                            |
| U.S. agency obligations                        | 4,380       | 3,839          |  |                            |
| Corporate obligations                          | 111,481     | 117,744        |  |                            |
| Mortgage and asset-backed securities           | 736,303     | 700,557        |  |                            |
| Total long-term investments                    | 887,372     | 856,630        |  |                            |
| Short-term investments                         | 1,364       | 1,364          |  |                            |
| Total Financial Services investments           | 888,736     | 857,994        |  |                            |
| Corporate investments:                         |             |                |  |                            |
| Short-term investments                         | 51,187      | 51,187         |  |                            |
| Total Corporate investments                    | 51,187      | 51,187         |  |                            |
| Total Investments                              | \$7,079,534 | \$6,551,180    |  |                            |

### RATING DISTRIBUTION OF INVESTMENT PORTFOLIO <sup>(5)(6)</sup>

| Rating   | Percent of Investment Portfolio |               |          |
|--|---------------------------------|---------------|----------|
|  | Fin. Guar.                      | Fin. Services | Combined |
| AAA  | 30%                             | 60%           | 34%      |
| AA   | 30                              | 14            | 28       |
| A  | 19                              | <1            | 16       |
| BBB  | 8                               | 5             | 8        |
| Below investment grade <sup>(7)</sup>                | 13                              | 21            | 14       |
| Not rated  | <1                              | -             | <1       |
|  | 100%                            | 100%          | 100%     |
| Duration of Financial Guarantee investment portfolio |                                 |               | 3.6      |

- 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 \$491,450 and \$1,482,869 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 RMBS bonds purchased as part of our loss remediation strategy.

## Expense Analysis (GAAP)

| 2011  |                  |                   |                  |                   |                  |
|---|------------------|-------------------|------------------|-------------------|------------------|
| (\$ Thousands)  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Year-to<br>Date  |
| Financial Guarantee operating expenses:                           |                  |                   |                  |                   |                  |
| Compensation . . . . .  | \$ 16,612        | \$ (805)          |                  | \$                | 15,807           |
| Non-compensation . . . . .  | 16,644           | 941               |                  |                   | 17,585           |
| <b>Gross operating expenses . . . . .</b>                         | <b>33,256</b>    | <b>136</b>        | <b>-</b>         | <b>-</b>          | <b>33,392</b>    |
| Ceding commissions and change in deferred acquisition costs . . . | 9,120            | 11,700            |                  |                   | 20,820           |
| Total Financial Guarantee operating expenses . . . . .            | 42,376           | 11,836            | -                | -                 | 54,212           |
| <b>Financial Services operating expenses . . . . .</b>            | <b>2,614</b>     | <b>2,707</b>      |                  |                   | <b>5,321</b>     |
| <b>Corporate and other operating expenses . . . . .</b>           | <b>477</b>       | <b>990</b>        |                  |                   | <b>1,467</b>     |
| Total operating expenses, net of deferred expenses. . . . .       | \$ 45,466        | \$ 15,533         | \$ -             | \$ -              | \$ 60,999        |
| <b>Total gross operating expenses . . . . .</b>                   | <b>\$ 36,347</b> | <b>\$ 3,833</b>   | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ 40,180</b> |
| <b>Reorganization costs . . . . .</b>                             | <b>\$ 24,805</b> | <b>\$ 6,470</b>   | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ 31,275</b> |
| <b>Total gross expenses . . . . .</b>                             | <b>\$ 61,151</b> | <b>\$ 10,303</b>  | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ 71,454</b> |

| 2010   |                  |                   |                  |                   |                   |
|--|------------------|-------------------|------------------|-------------------|-------------------|
| (\$ Thousands)   | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Full<br>Year      |
| Financial Guarantee operating expenses:                                |                  |                   |                  |                   |                   |
| Compensation . . . . .   | \$ 21,222        | \$ 16,268         | \$ 14,997        | \$ 15,109         | \$ 67,596         |
| Non-compensation <sup>(1)</sup> . . . . .                              | 16,829           | 32,949            | 21,118           | 20,890            | 91,786            |
| <b>Gross operating expenses . . . . .</b>                              | <b>38,051</b>    | <b>49,218</b>     | <b>36,115</b>    | <b>35,999</b>     | <b>159,382</b>    |
| 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           |
| <b>Financial Services operating expenses . . . . .</b>                 | <b>3,627</b>     | <b>3,124</b>      | <b>3,460</b>     | <b>3,529</b>      | <b>13,740</b>     |
| <b>Corporate and other operating expenses <sup>(1)</sup> . . . . .</b> | <b>11,948</b>    | <b>12,645</b>     | <b>13,695</b>    | <b>4,014</b>      | <b>42,302</b>     |
| Total operating expenses, net of deferred expenses. . . . .            | \$ 66,070        | \$ 74,701         | \$ 58,354        | \$ 55,339         | \$ 254,464        |
| <b>Total gross operating expenses . . . . .</b>                        | <b>\$ 53,625</b> | <b>\$ 64,987</b>  | <b>\$ 53,269</b> | <b>\$ 43,542</b>  | <b>\$ 215,423</b> |
| <b>Reorganization costs . . . . .</b>                                  | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ 31,980</b>  | <b>\$ 31,980</b>  |
| <b>Total gross expenses . . . . .</b>                                  | <b>\$ 53,625</b> | <b>\$ 64,987</b>  | <b>\$ 53,269</b> | <b>\$ 75,522</b>  | <b>\$ 247,403</b> |

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

| (\$ Millions Net Par Value)                   | June 30,  | December 31, |           |           | Segregated Account |
|---|-----------|--------------|-----------|-----------|--------------------|
|   | 2011      | 2010         | 2009      | 2008      | June 30, 2011      |
| <b>Public Finance:</b>                        |           |              |           |           |                    |
| Lease and tax backed . . . . .                | \$63,805  | \$65,843     | \$73,081  | \$77,060  | \$10               |
| General obligation . . . . .                  | 46,102    | 48,241       | 54,047    | 58,296    | 11                 |
| Utility . . . . .                             | 24,606    | 26,360       | 30,835    | 32,166    | 402                |
| Transportation . . . . .                      | 19,835    | 20,722       | 22,501    | 22,306    | 862                |
| Higher education . . . . .                    | 14,703    | 15,279       | 16,577    | 17,959    | -                  |
| Housing . . . . .                             | 9,284     | 9,878        | 10,247    | 10,862    | -                  |
| Health care . . . . .                         | 8,968     | 9,603        | 11,987    | 15,115    | 87                 |
| Other . . . . .                               | 2,476     | 3,423        | 3,892     | 4,457     | -                  |
| Total Public Finance . . . . .                | 189,779   | 199,349      | 223,167   | 238,221   | 1,372              |
| <b>Structured Finance:</b>                    |           |              |           |           |                    |
| Mortgage-backed & home equity . . . . .       | 25,374    | 27,488       | 32,407    | 36,995    | 25,374             |
| Student loan . . . . .                        | 10,438    | 11,408       | 14,518    | 16,644    | 10,259             |
| Investor-owned utilities . . . . .            | 9,944     | 10,685       | 13,212    | 14,650    | 390                |
| Other CDOs . . . . .                          | 9,681     | 11,463       | 18,313    | 19,988    | 578                |
| Asset-backed and conduits . . . . .           | 6,390     | 10,005       | 16,455    | 25,443    | 45                 |
| CDO of ABS >25% MBS . . . . .                 | -         | -            | 16,718    | 23,190    | -                  |
| Other . . . . .                               | 2,377     | 2,750        | 3,092     | 3,499     | 433                |
| Total Structured Finance . . . . .            | 64,204    | 73,799       | 114,715   | 140,409   | 37,079             |
| <b>International Finance <sup>(2)</sup>:</b>  |           |              |           |           |                    |
| Investor-owned and public utilities . . . . . | 11,367    | 10,861       | 10,388    | 8,492     | -                  |
| Asset-backed and conduits . . . . .           | 10,611    | 10,738       | 13,691    | 16,383    | 80                 |
| Sovereign/sub-sovereign . . . . .             | 7,886     | 7,119        | 6,859     | 5,980     | 76                 |
| Transportation . . . . .                      | 6,481     | 6,744        | 7,584     | 6,870     | 398                |
| Other CDOs . . . . .                          | 6,143     | 6,775        | 9,083     | 12,784    | 1,122              |
| Mortgage-backed & home equity . . . . .       | 1,597     | 1,898        | 3,386     | 3,669     | 396                |
| Other . . . . .                               | 1,615     | 1,571        | 1,533     | 1,502     | -                  |
| Total International Finance . . . . .         | 45,700    | 45,706       | 52,524    | 55,680    | 2,072              |
| Grand Total . . . . .                         | \$299,683 | \$318,854    | \$390,406 | \$434,310 | \$40,523           |
| <b>Percent of Total Net Par Outstanding</b>   |           |              |           |           |                    |
| Public Finance . . . . .                      | 63.3%     | 62.5%        | 57.2%     | 54.9%     | 3.4%               |
| Structured Finance . . . . .                  | 21.5%     | 23.2%        | 29.4%     | 32.3%     | 91.5%              |
| International Finance . . . . .               | 15.2%     | 14.3%        | 13.4%     | 12.8%     | 5.1%               |
| 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 \$17,372, \$18,766, \$43,276 and \$53,918 and \$64,988 at June 30, 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)           | June 30,  |        | December 31, |           |           |           |
|---------------------------------------|-----------|--------|--------------|-----------|-----------|-----------|
|                                       | 2011      | %      | 2010         | 2009      | 2008      | 2007      |
| <b>Domestic:</b>                      |           |        |              |           |           |           |
| California . . . . .                  | \$38,148  | 12.7%  | \$39,210     | \$43,388  | \$45,343  | \$53,434  |
| New York . . . . .                    | 19,357    | 6.5%   | 20,944       | 22,865    | 25,972    | 31,923    |
| Florida . . . . .                     | 15,430    | 5.1%   | 15,910       | 17,816    | 18,724    | 22,462    |
| Texas . . . . .                       | 14,091    | 4.7%   | 14,776       | 16,941    | 17,674    | 19,898    |
| New Jersey . . . . .                  | 10,192    | 3.4%   | 10,415       | 11,654    | 12,204    | 14,309    |
| Illinois . . . . .                    | 8,897     | 3.0%   | 9,351        | 10,472    | 10,544    | 12,592    |
| Massachusetts . . . . .               | 6,061     | 2.0%   | 6,576        | 8,255     | 8,184     | 10,338    |
| Pennsylvania . . . . .                | 5,746     | 1.9%   | 6,036        | 7,405     | 10,879    | 13,444    |
| Colorado . . . . .                    | 5,431     | 1.8%   | 5,786        | 6,392     | 6,818     | 7,570     |
| Washington . . . . .                  | 5,369     | 1.8%   | 5,710        | 6,124     | 6,249     | 6,874     |
| Mortgage and asset-backed . . . . .   | 31,764    | 10.6%  | 37,493       | 48,862    | 62,438    | 79,485    |
| Other states . . . . .                | 93,497    | 31.2%  | 100,941      | 137,708   | 153,601   | 179,322   |
| Total Domestic . . . . .              | 253,983   | 84.8%  | 273,148      | 337,882   | 378,630   | 451,651   |
| <b>International:</b>                 |           |        |              |           |           |           |
| United Kingdom . . . . .              | 23,776    | 7.9%   | 22,215       | 22,840    | 20,151    | 27,207    |
| Australia . . . . .                   | 6,011     | 2.0%   | 6,292        | 6,034     | 4,952     | 6,400     |
| Italy . . . . .                       | 3,830     | 1.3%   | 3,674        | 3,821     | 2,843     | 3,017     |
| Austria . . . . .                     | 1,077     | 0.4%   | 999          | 1,149     | 905       | 491       |
| Turkey . . . . .                      | 778       | 0.3%   | 848          | 1,842     | 1,913     | 1,995     |
| Internationally diversified . . . . . | 7,114     | 2.4%   | 7,793        | 9,914     | 14,937    | 16,550    |
| Other international . . . . .         | 3,114     | 1.0%   | 3,885        | 6,924     | 9,979     | 16,714    |
| Total International . . . . .         | 45,700    | 15.2%  | 45,706       | 52,524    | 55,680    | 72,374    |
| Grand Total . . . . .                 | \$299,683 | 100.0% | \$318,854    | \$390,406 | \$434,310 | \$524,025 |

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

As of June 30, 2011

| Rating        | Percentage of Guaranteed Portfolio |                              |       |
|---------------|------------------------------------|------------------------------|-------|
|               | Public Finance                     | Structured and International | Total |
| AAA . . . . . | <1                                 | 3                            | 1     |
| AA . . . . .  | 30                                 | 11                           | 23    |
| A . . . . .   | 55                                 | 24                           | 44    |
| BBB . . . . . | 13                                 | 27                           | 18    |
| BIG . . . . . | 2                                  | 35                           | 14    |
|               | 100                                | 100                          | 100   |

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

## Largest Domestic Public Finance Exposures

| (\$ Millions)  | Ambac<br>Rating <sup>(1)</sup> | AADS <sup>(2)</sup> | Net Par<br>Outstanding | % of Total<br>Net Par<br>Outstanding |
|--|--------------------------------|---------------------|------------------------|--------------------------------------|
| California State - GO  | A                              | \$208.4             | \$3,080                | 1.0%                                 |
| New Jersey Transportation Trust Fund Authority - Transportation System                 | A +                            | \$162.6             | 2,062                  | 0.7%                                 |
| Washington State - GO  | AA                             | \$144.0             | 1,810                  | 0.6%                                 |
| Bay Area Toll Authority, CA Toll Bridge Revenue <sup>(3)</sup>                         | AA -                           | \$84.5              | 1,663                  | 0.6%                                 |
| NYS Thruway Authority, Highway & Bridge Revenue  | AA -                           | \$147.1             | 1,627                  | 0.5%                                 |
| MTA, NY, Transportation Revenue (Farebox) <sup>(3)</sup>                               | A                              | \$91.5              | 1,447                  | 0.5%                                 |
| New Jersey Turnpike Authority Revenue  | A                              | \$85.3              | 1,264                  | 0.4%                                 |
| Massachusetts School Building Authority, MA, Sales Tax Revenue                         | AA                             | \$94.6              | 1,248                  | 0.4%                                 |
| Massachusetts Commonwealth - GO  | AA                             | \$87.5              | 1,227                  | 0.4%                                 |
| Los Angeles Unified School District, CA - GO   | AA -                           | \$86.8              | 1,126                  | 0.4%                                 |
| South Carolina Transportation Infrastructure Bank Revenue                              | A                              | \$75.2              | 1,038                  | 0.3%                                 |
| Central Texas Turnpike, System Revenue   | BBB +                          | \$104.0             | 986                    | 0.3%                                 |
| Port Authority of New York & New Jersey, Consolidated Revenue                          | AA -                           | \$70.5              | 921                    | 0.3%                                 |
| Golden State Tobacco Securitization Corp., CA, Enhanced Tobacco Settlement             | A                              | \$53.8              | 860                    | 0.3%                                 |
| New York City, NY - GO   | AA                             | \$47.0              | 847                    | 0.3%                                 |
| Sales Tax Asset Receivable Corporation, NY, Revenue                                    | A                              | \$74.5              | 846                    | 0.3%                                 |
| Puerto Rico Highways & Transportation Authority, Transportation Revenue <sup>(3)</sup> | BBB +                          | \$51.0              | 828                    | 0.3%                                 |
| New York City, NY Water and Sewer System Revenue                                       | AA -                           | \$53.3              | 807                    | 0.3%                                 |
| Puerto Rico Sales Tax Financing Corporation  | A +                            | \$169.9             | 805                    | 0.3%                                 |
| New Jersey Economic Development Authority - School Facilities Construction             | A +                            | \$50.7              | 802                    | 0.3%                                 |
| University of California Board of Regents, General Revenue                             | AA -                           | \$45.3              | 771                    | 0.3%                                 |
| Chicago, IL - GO   | A +                            | \$37.5              | 762                    | 0.3%                                 |
| South Carolina Public Service Authority, Revenue                                       | AA                             | \$42.1              | 754                    | 0.3%                                 |
| Hawaii State - GO  | AA                             | \$60.0              | 717                    | 0.2%                                 |
| Cook County, IL - GO   | AA                             | \$51.5              | 686                    | 0.2%                                 |
| Total:   |                                |                     | <u>\$28,984</u>        | <u>9.7%</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 <sup>(1)</sup> | Net Par Outstanding | % of Total Net Par Outstanding |
|--|-----------------------------|---------------------|--------------------------------|
| CDO of ABS < 25% MBS   | A +                         | \$1,781             | 0.6%                           |
| Wachovia Asset Securitization Issuance II, LLC 2007-HE2 <sup>(2)</sup>     | BIG                         | 1,489               | 0.5%                           |
| Iowa Student Loan Liquidity Corporation Revenue Bonds <sup>(2)</sup>       | BIG                         | 1,467               | 0.5%                           |
| Vermont Student Assistance Corporation Revenue Bonds <sup>(2)</sup>        | BIG                         | 1,345               | 0.4%                           |
| Private Consumer Asset-Backed Transaction                                  | AA                          | 1,266               | 0.4%                           |
| The National Collegiate Student Loan Trust 2007-4 <sup>(2)</sup>           | BIG                         | 1,035               | 0.3%                           |
| The National Collegiate Student Loan Trust 2007-3 <sup>(2)</sup>           | BIG                         | 1,014               | 0.3%                           |
| Wachovia Asset Securitization Issuance II, LLC 2007-HE1 <sup>(2)</sup>     | BIG                         | 1,006               | 0.3%                           |
| Ballantyne Re Plc <sup>(3)</sup>   | BIG                         | 900                 | 0.3%                           |
| Cendant Rental Car Funding   | BIG                         | 820                 | 0.3%                           |
| Spirit Master Funding  | BBB                         | 790                 | 0.3%                           |
| Michigan Higher Education Student Loan Authority <sup>(2)</sup>            | BIG                         | 758                 | 0.3%                           |
| Timberlake Financial, LLC  | BBB -                       | 620                 | 0.2%                           |
| Privately Placed RMBS Transaction <sup>(2)</sup>                           | BIG                         | 587                 | 0.2%                           |
| Countrywide Asset-Backed Certificates Trust 2005-16 <sup>(2)</sup>         | BIG                         | 559                 | 0.2%                           |
| Progress Energy Carolinas, INC   | A -                         | 558                 | 0.2%                           |
| Countrywide Revolving Home Equity Loan Trust 2005-F <sup>(2)</sup>         | BIG                         | 554                 | 0.2%                           |
| Morgan Stanley Credit Corporation Heloc Trust 2007-1 <sup>(2)</sup>        | BIG                         | 553                 | 0.2%                           |
| Option One Mortgage Loan Trust 2007-FXD1 <sup>(2)</sup>                    | BIG                         | 542                 | 0.2%                           |
| National Collegiate Master Student Loan Trust I <sup>(2)</sup>             | BIG                         | 507                 | 0.2%                           |
| Massachusetts Educational Financing Authority Revenue Bonds <sup>(2)</sup> | BIG                         | 504                 | 0.2%                           |
| Local Insight Media LLC  | BIG                         | 492                 | 0.2%                           |
| Ares XI CLO, Ltd.  | AA +                        | 483                 | 0.2%                           |
| Countrywide Asset Backed Certificates Trust 2005-17 <sup>(2)</sup>         | BIG                         | 479                 | 0.2%                           |
| CenterPoint Energy Inc.  | BBB                         | 476                 | 0.2%                           |
| Total:   |                             | <u>\$20,585</u>     | <u>6.9%</u>                    |

## Largest International Finance Exposures

| (\$ Millions)  | Ambac Rating <sup>(1)</sup> | Net Par Outstanding | % of Total Net Par Outstanding |
|--|-----------------------------|---------------------|--------------------------------|
| Mitchells & Butlers Finance plc-UK Pub Securitisation <sup>(3)</sup> | A +                         | 2,113               | 0.7%                           |
| Telereal Securitisation plc <sup>(3)</sup>                           | A +                         | 1,788               | 0.6%                           |
| Romulus Finance s.r.l. <sup>(3)</sup>                                | BIG                         | 1,614               | 0.5%                           |
| Punch Taverns Finance plc-UK Pub Securitisation <sup>(3)</sup>       | BBB +                       | 1,314               | 0.4%                           |
| Regione Campania <sup>(3)</sup>                                      | A -                         | 1,277               | 0.4%                           |
| Channel Link Enterprises <sup>(3)</sup>                              | BBB -                       | 1,226               | 0.4%                           |
| Aspire Defence Finance plc <sup>(3)</sup>                            | BBB                         | 1,174               | 0.4%                           |
| National Grid Electricity Transmission <sup>(3)</sup>                | A -                         | 1,144               | 0.4%                           |
| Ostregion Investmentgesellschaft NR 1 SA <sup>(3)</sup>              | BBB -                       | 1,063               | 0.4%                           |
| Dampier to Bunbury Natural Gas Pipeline                              | BBB                         | 962                 | 0.3%                           |
| Capital Hospitals plc <sup>(3)</sup>                                 | BBB -                       | 961                 | 0.3%                           |
| RMPA Services plc <sup>(3)</sup>                                     | BBB +                       | 839                 | 0.3%                           |
| CDO of HY Corporate  | AA                          | 824                 | 0.3%                           |
| Anglian Water <sup>(3)</sup>   | A -                         | 799                 | 0.3%                           |
| Powercor Australia   | A -                         | 778                 | 0.3%                           |
| Private CMBS Transaction <sup>(3)</sup>                              | AAA                         | 745                 | 0.2%                           |
| CitiPower  | A -                         | 745                 | 0.2%                           |
| National Grid Gas <sup>(3)</sup>                                     | A -                         | 741                 | 0.2%                           |
| United Energy Distribution   | BBB                         | 730                 | 0.2%                           |
| Spirit Issuer plc <sup>(3)</sup>                                     | BBB -                       | 720                 | 0.2%                           |
| Scotia Gas Networks <sup>(3)</sup>                                   | BBB                         | 719                 | 0.2%                           |
| Catalyst Healthcare (Manchester) Financing plc <sup>(3)</sup>        | BBB -                       | 676                 | 0.2%                           |
| CDO of HY Corporate  | AAA                         | 656                 | 0.2%                           |
| Babcock & Brown Air Funding I Limited                                | BBB +                       | 654                 | 0.2%                           |
| Broadcast Australia  | BBB                         | 617                 | 0.2%                           |
| Total:   |                             | <u>\$ 24,879</u>    | <u>8.3%</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 <sup>(1)</sup>

As of June 30, 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 (3rd and 4th Qtrs) . . . . . | \$14,570                                | \$462,378                           | \$2,317                                 | \$55,882                            |
| 2012 . . . . .                    | 26,039                                  | 436,339                             | 4,291                                   | 51,591                              |
| 2013 . . . . .                    | 27,411                                  | 408,928                             | 3,174                                   | 48,417                              |
| 2014 . . . . .                    | 25,120                                  | 383,808                             | 2,725                                   | 45,692                              |
| 2015 . . . . .                    | 25,534                                  | 358,274                             | 2,355                                   | 43,337                              |
| 2016 . . . . .                    | 22,607                                  | 335,667                             | 2,010                                   | 41,327                              |
| 2011 (3rd and 4th Qtrs) . . . . . | \$14,570                                | \$462,378                           | \$2,317                                 | \$55,882                            |
| 2012-2016 . . . . .               | 126,711                                 | 335,667                             | 14,555                                  | 41,327                              |
| 2017-2021 . . . . .               | 106,302                                 | 229,365                             | 7,966                                   | 33,361                              |
| 2022-2026 . . . . .               | 80,429                                  | 148,936                             | 6,985                                   | 26,376                              |
| 2027-2031 . . . . .               | 60,956                                  | 87,980                              | 6,860                                   | 19,516                              |
| After 2031 . . . . .              | 87,980                                  | -                                   | 19,516                                  | -                                   |
| Total . . . . .                   | \$476,948                               |                                     | \$58,199                                |                                     |

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of June 30, 2011. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.





Ambac Financial Group, Inc.  
One State Street Plaza  
New York, New York 10004  
212-668-0340  
212-509-9190 (fax)

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