



Ambac

First Quarter 2022

Investor Presentation

Quarterly Highlights

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Forward looking statement

In this presentation, we have included statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “estimate,” “project,” “plan,” “believe,” “anticipate,” “intend,” “planned,” “potential” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” “could,” and “may,” or the negative of those expressions or verbs, identify forward-looking statements. We caution readers that these statements are not guarantees of future performance. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, which may by their nature be inherently uncertain and some of which may be outside our control. These statements may relate to plans and objectives with respect to the future, among other things which may change. We are alerting you to the possibility that our actual results may differ, possibly materially, from the expected objectives or anticipated results that may be suggested, expressed or implied by these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed under “Risk Factors”

Any or all of management’s forward-looking statements here or in other publications may turn out to be incorrect and are based on management’s current belief or opinions. Ambac Financial Group’s (“AFG”) and its subsidiaries’ (collectively, “Ambac” or the “Company”) actual results may vary materially, and there are no guarantees about the performance of Ambac’s securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially are: (1) the highly speculative nature of AFG’s common stock and volatility in the price of AFG’s common stock; (2) uncertainty concerning the Company’s ability to achieve value for holders of its securities, whether from Ambac Assurance Corporation (“AAC”) and its subsidiaries or from the specialty property and casualty program insurance business, the distribution business, or related businesses; (3) the inability of AAC to realize the expected recoveries, including RMBS litigation recoveries, included in its financial statements, or changes in estimated RMBS litigation recoveries over time; (4) failure to recover claims paid on Puerto Rico exposures or realization of losses in amounts higher than expected; (5) inadequacy of reserves established for losses and loss expenses and possibility that changes in loss reserves may result in further volatility of earnings or financial results; (6) potential for rehabilitation proceedings or other regulatory intervention against AAC; (7) credit risk throughout Ambac’s business, including but not limited to credit risk related to insured residential mortgage-backed securities, student loan and other asset securitizations, public finance obligations (including risks associated with Chapter 9 and other restructuring proceedings), issuers of securities in our investment portfolios, and exposures to reinsurers; (8) our inability to effectively reduce insured financial guarantee exposures or achieve recoveries or investment objectives; (9) our inability to generate the significant amount of cash needed to service our debt and financial obligations, including through litigation recoveries or disposition of assets, and our inability to refinance our indebtedness; (10) Ambac’s substantial indebtedness could adversely affect its financial condition and operating flexibility; (11) Ambac may not be able to obtain financing or raise capital on acceptable terms or at all due to its substantial indebtedness and financial condition; (12) the impact of catastrophic public health, environmental or natural events, including events like the COVID-19 pandemic, or global or regional conflicts, on significant portions of our insured portfolio; (13) credit risks related to large single risks, risk concentrations and correlated risks; (14) risks associated with adverse selection as Ambac’s financial guarantee insurance portfolio runs off; (15) the risk that Ambac’s risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss; (16) restrictive covenants in agreements and instruments that impair Ambac’s ability to pursue or achieve its business strategies; (17) adverse effects on operating results or the Company’s financial position resulting from measures taken to reduce financial guarantee risks in its insured portfolio; (18) disagreements or disputes with Ambac’s insurance regulators; (19) loss of control rights in transactions for which we provide financial guarantee insurance; (20) adverse tax consequences or other costs resulting from the characterization of the AAC’s surplus notes or other obligations as equity; (21) risks attendant to the change in composition of securities in the Ambac’s investment portfolio; (22) adverse impacts from changes in prevailing interest rates; (23) events or circumstances that result in the impairment of our intangible assets and/or goodwill that was recorded in connection with Ambac’s acquisition of 80% of the membership interests of Xchange Benefits, LLC; (24) risks associated with the expected discontinuance of the London Inter-Bank Offered Rate; (25) factors that may negatively influence the amount of installment premiums paid to Ambac; (26) risks relating to determinations of amounts of impairments taken on investments; (27) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith; (28) actions of stakeholders whose interests are not aligned with broader interests of Ambac’s stockholders; (29) system security risks, data protection breaches and cyber attacks; (30) regulatory oversight of Ambac Assurance UK Limited (“Ambac UK”) and applicable regulatory restrictions may adversely affect our ability to realize value from Ambac UK or the amount of value we ultimately realize; (31) failures in services or products provided by third parties; (32) our inability to attract and retain qualified executives, senior managers and other employees, or the loss of such personnel; (33) fluctuations in foreign currency exchange rates; (34) failure to realize our business expansion plans or failure of such plans to create value; (35) greater competition for our specialty property & casualty program insurance business; (36) loss or lowering of the AM Best rating for our property and casualty insurance company subsidiaries; (37) disintermediation within the insurance industry or greater competition that negatively impacts our managing general agency/underwriting business; (38) changes in law or in the functioning of the healthcare market that impair the business model of our accident and health managing general underwriter; and (39) other risks and uncertainties that have not been identified at this time.

Overview

Ambac Financial Group, Inc. (NYSE: AMBC) is a financial services holding company headquartered in New York City. Ambac's core business is a high growth specialty P&C distribution and underwriting platform. Ambac also has a legacy financial guarantee business in run off.

Shareholders' Equity: \$914 million⁽¹⁾

Ambac's Specialty P&C Segments

Everspan

Specialty Property
& Casualty Insurance

*Specialty Property & Casualty Insurance
Segment*

Cirrata

Insurance Distribution

Insurance Distribution Segment

Redgrove

Strategic Investments in
Insurtech & Insurance Services

Corporate and Other

Ambac Assurance and Ambac UK

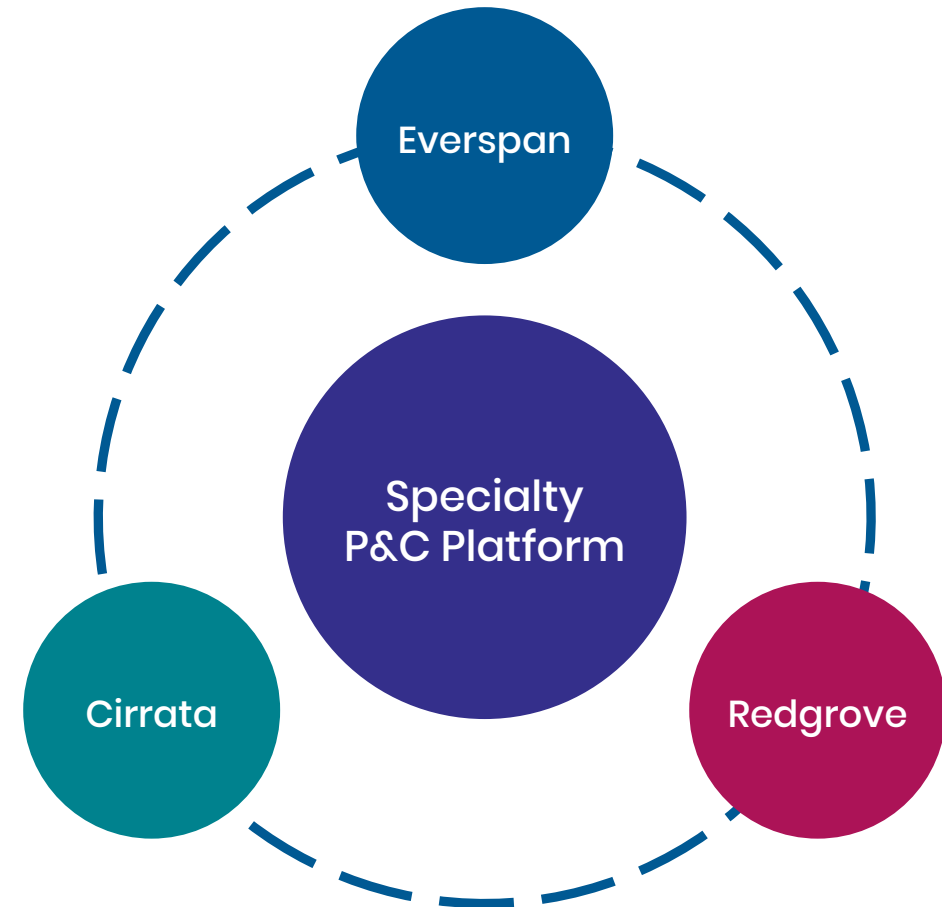
Legacy Financial Guarantee Insurance

*Legacy Financial Guarantee Insurance
Segment*

(1) Ambac common stockholders' equity as of March 31, 2022

Ambac: A Diversified, Capital Light Specialty P&C Platform

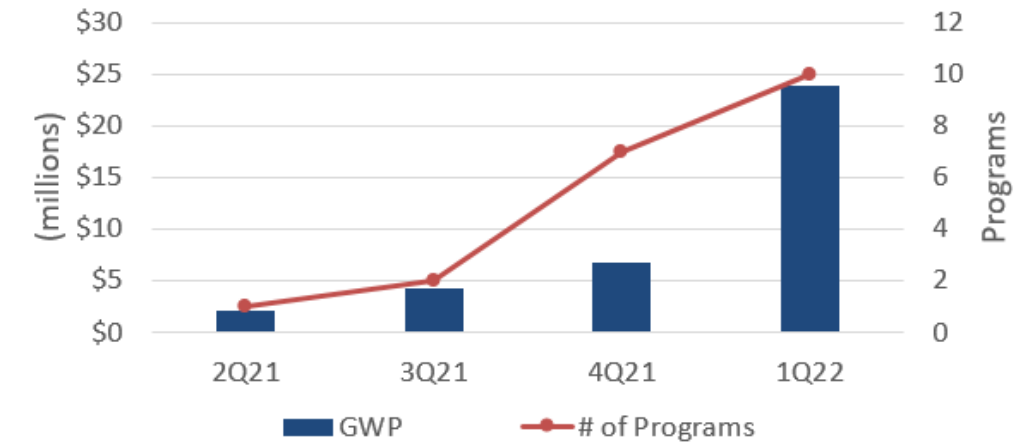
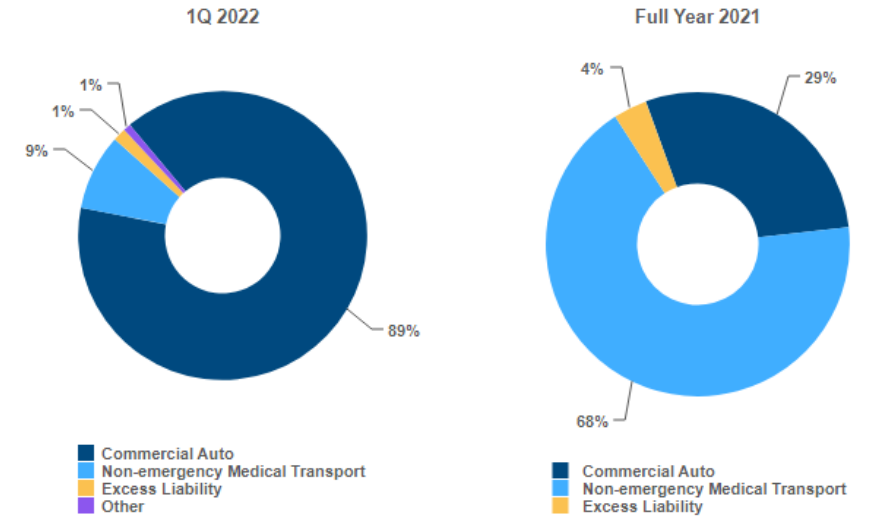
- Ambac's Specialty P&C Platform includes its high growth specialty P&C participatory fronting business (Everspan), the insurance distribution segment (Cirrata), and the strategic investments division (Redgrove). Ambac also has a legacy financial guarantee business in run off.
- Ambac's growth strategy for its Specialty P&C Platform is to take advantage of the inherent capital efficiency of the rapidly expanding US program and fronting market.
- Ambac's late-stage legacy financial guarantee business has key catalysts expected to be resolved in the near term.



Everspan Group: Specialty P&C Participatory Fronting Insurer

- Everspan Group entered the P&C insurance program marketplace in February 2021, as a disciplined, underwriting-profit oriented, specialty lines participatory fronting carrier
- AM Best Financial Strength Rating of 'A-' (Excellent) and Financial Size Category Class VIII
- Everspan now has broad admitted and E&S capabilities, with P&C certificates of authority in all 50 states
- Everspan's meaningful risk retention ability (up to 30% of underwritten risks) creates strong alignment of interest, value and oversight for its reinsurance partners
- GAAP equity: \$115 million & Statutory surplus: \$110 million

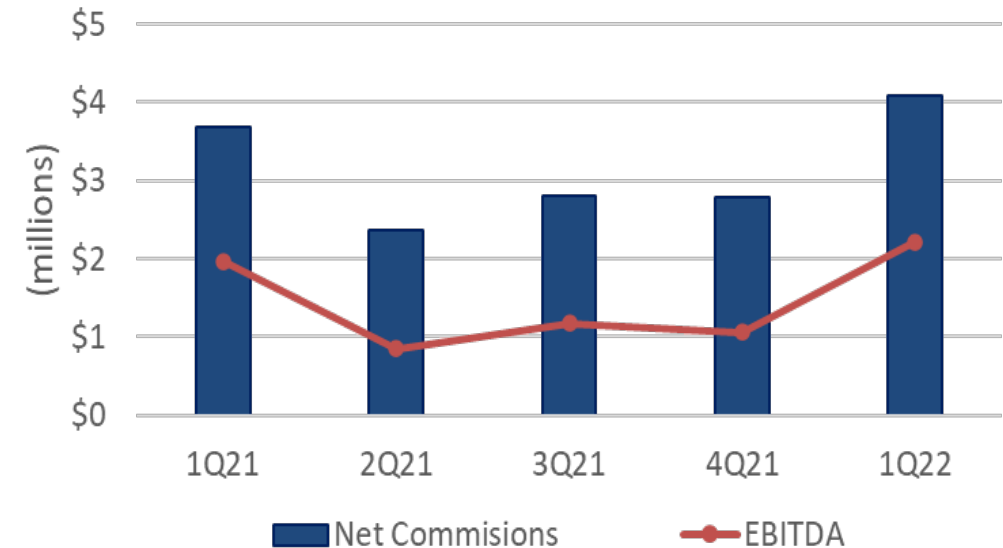
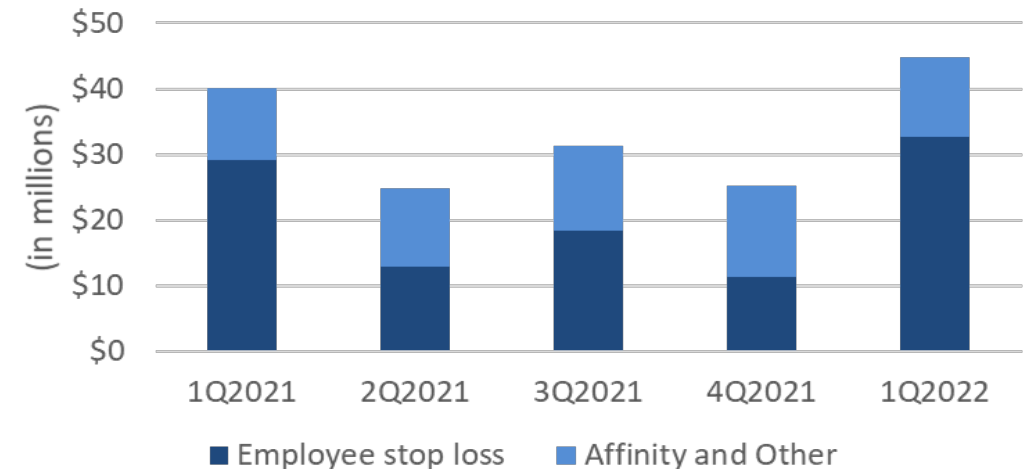
Gross Written Premium by Line of Business



Cirrata: Insurance Distribution via Majority Owned MGAs

- Partner model targeting control positions (51-80%) in MGA/ MGUs with significant medium to long-term management ownership (20-49%)
- High margin businesses that generate fee-based income
- Growth model is based on acquisitions, organic growth and de novo start ups focused in the P&C sector
- \$45 million of premium placed by Xchange in 1Q22 up 13% from 1Q21
- Xchange executed a renewal rights transaction in April which is expected to expand Xchange's Employee Stop Loss gross premiums placed by over 15%
- ~\$8 million of distributions to AFG to date

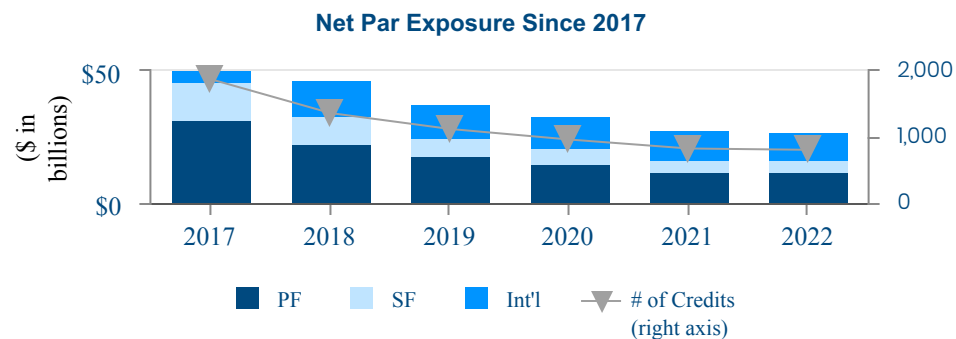
Gross Premium Produced by Line



Legacy FG: Ambac Assurance & Ambac UK Run-off Subsidiaries

Segment Overview

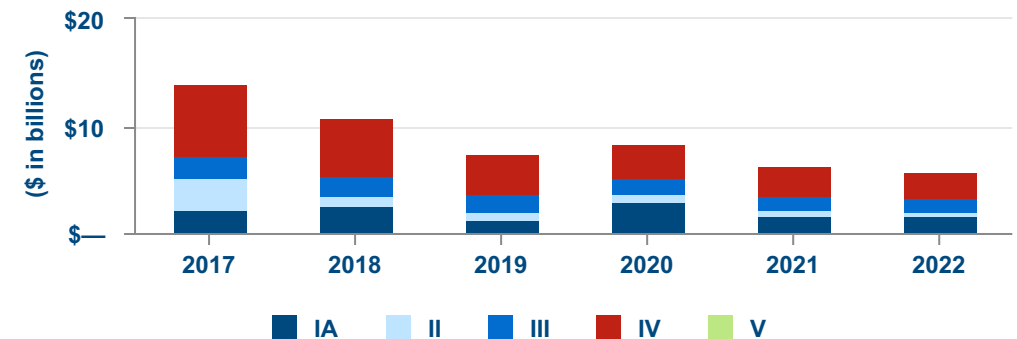
- Active de-risking of legacy financial guarantee insured portfolios towards stable run-off
- Watch List and Adversely Classified credits reduced 23% in 2021 and an additional 6% in 1Q2022
- \$450 million reduction in insured principal and interest following the Puerto Rico restructuring plan and \$716 million reduction from elimination of PRFIA & CCDA
- Aggressively pursuing RMBS and other recoveries, through litigation and other means



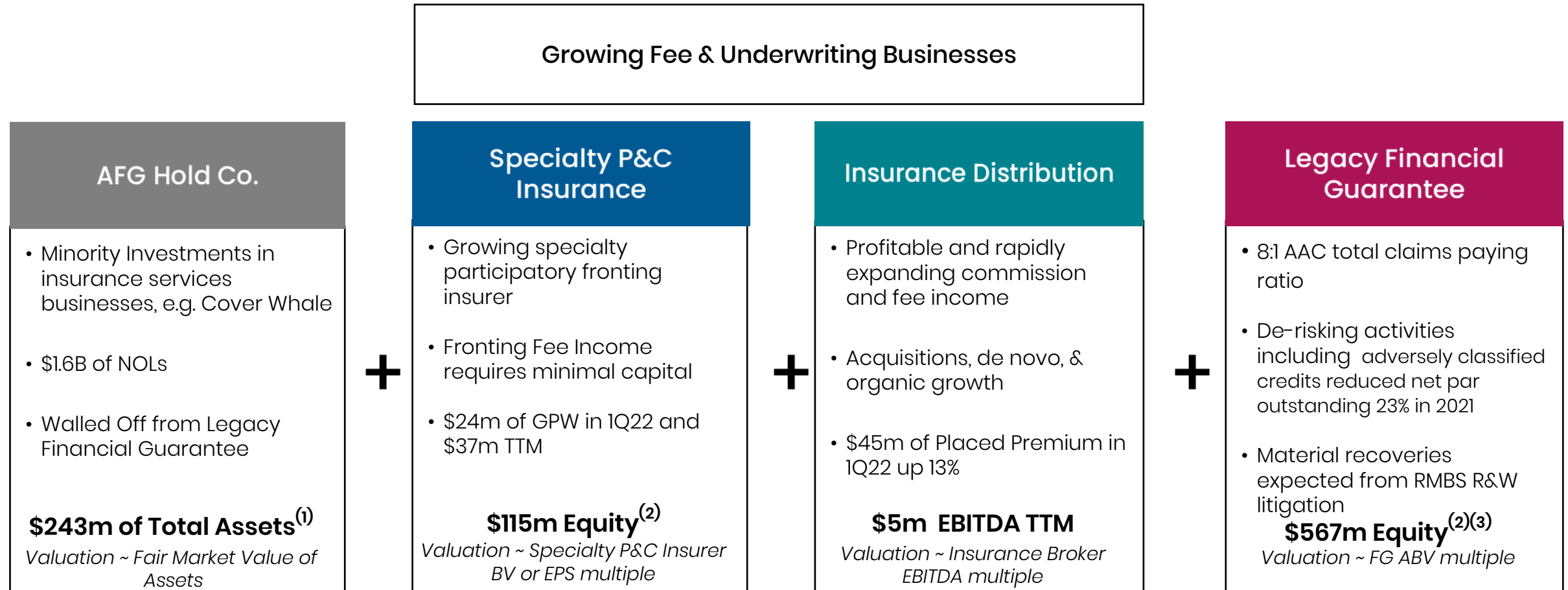
RMBS Litigation Overview

- Countrywide, First Franklin and Nomura
 - Estimated GAAP gross subrogation related to representation and warranty ("R&W") claims of \$1.5 billion as of March 31, 2022
- Countrywide
 - Trial on breach of contract claim scheduled for Sept. 2022
- First Franklin and Nomura
 - Moving through summary judgement phase and anticipating a trial date in one or both cases in 2023
- Harborview
 - Pursuing a fraud-only case moving to summary judgement in Sept.
 - Recoveries not reflected in Estimated GAAP gross subrogation recoverable
- U.S. Bank
 - Seeking redress for trustee's failure to enforce rights and its effort to obtain court approval of its acceptance of an inadequate settlement

Adversely Classified Credits - Net Par (definitions in Appendix)



Ambac's Key Components of Value



Ambac's Businesses at Various Stages of Evolution Support a Sum-of-the-Parts Valuation

(1) includes \$77m of AAC surplus notes at FV

(2) Ambac Stockholders' Equity as shown on slide 11

(3) includes \$303m of intangible assets and excludes \$279m of unearned premium in excess of expected losses

Ambac

Financial Review

1Q21



1Q2022 Consolidated Financial Overview

Net income attributable to common stockholders for 1Q2022 was \$2 million compared to net income of \$17 million in 1Q2021

Adjusted earnings for 1Q2022 of \$14 million and adjusted earnings for 1Q2021 of \$41 million excludes insurance intangible asset amortization of \$14 million and \$19 million, respectively

(\$ in millions, except per share amounts)	1Q2022	1Q2021
Net income (loss) attributable to common stockholders	\$ 2	\$ 17
Net income (loss) per diluted share	\$ 0.04	\$ 0.08
Adjusted net income (loss) attributable to common stockholders	\$ 14	\$ 41
Adjusted net income (loss) per diluted share	\$ 0.30	\$ 0.59
(\$ in millions, except per share amounts)	1Q2022	4Q2021
Ambac Financial Group Inc. stockholders' equity (Book value)	\$ 914	\$ 1,038
Book value per share	\$ 19.65	\$ 22.42
Adjusted book value	\$ 841	\$ 874
Adjusted book value per share	\$ 18.07	\$ 18.88

- Adjusted earnings and adjusted book value are non-GAAP financial measures of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) net income attributable to common stockholders for Adjusted Earnings and Total Ambac Financial Group, Inc. stockholders' equity for Adjusted Book Value. A reconciliation between both financial measures can be found in Ambac's 1Q2022 Earnings Release included in Ambac's Current Report on Form 8-K filed with the SEC on May 10, 2022 and at the end of this document
- Per Diluted share includes the impact of adjusting the Xchange related noncontrolling interest to current redemption value

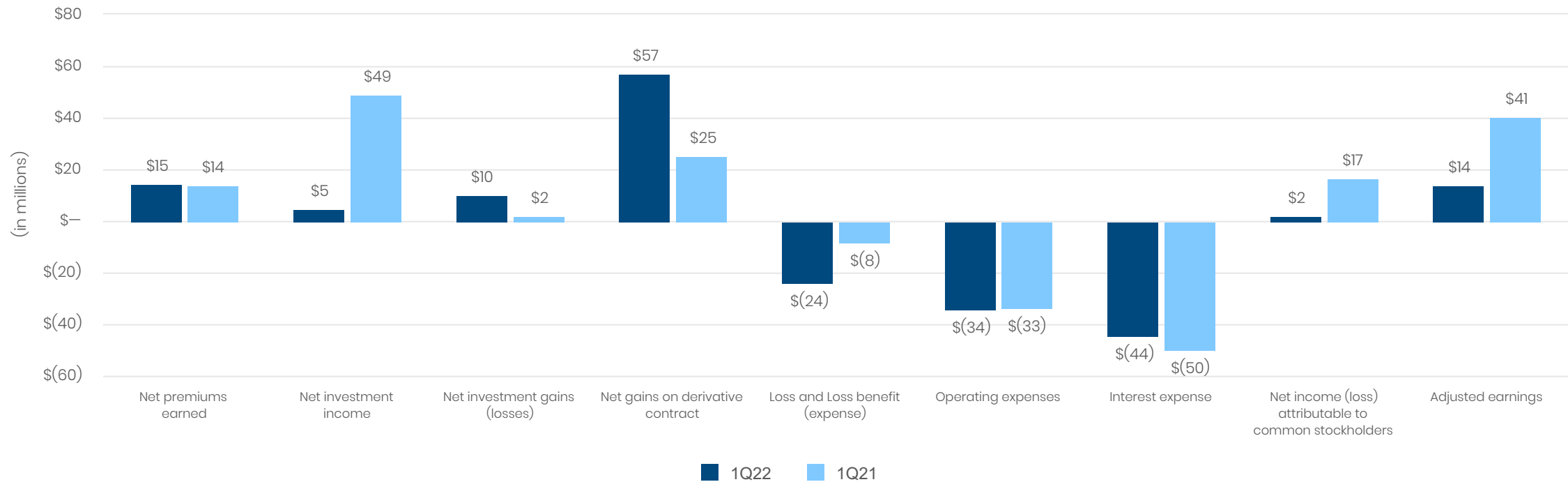
Ambac's Operating Segment Highlights

(\$ in millions)	Legacy Financial Guarantee Insurance	Specialty Property & Casualty Insurance	Insurance Distribution	Corporate & Other	Consolidated
Three Months Ended March 31, 2022					
Gross premiums written	\$ 6	\$ 24			\$ 30
Net premiums written	7	5			12
Total revenues	109	2	\$ 9	\$ —	119
Total expenses	102	4	6	3	116
Pretax income (loss)	6	(2)	2	(3)	3
EBITDA ⁽¹⁾	65	(2)	2	(3)	61
Ambac Stockholders' Equity	\$ 567	\$ 115	\$ 66	\$ 166	\$ 914
Non-redeemable noncontrolling interest	60				60
GAAP equity	\$ 627	\$ 115	\$ 66	\$ 166	\$ 974
Three Months Ended March 31, 2021					
Gross premiums written	\$ (2)	\$ —			\$ (2)
Net premiums written	(9)	—			(9)
Total revenues	118	—	\$ 7	\$ 4	129
Total expenses	94	1	5	10	110
Pretax income (loss)	24	(1)	2	(6)	19
EBITDA ⁽¹⁾	93	(1)	2	(6)	88
Ambac Stockholders' Equity	\$ 727	\$ 106	\$ 69	\$ 161	\$ 1,063
Non-redeemable noncontrolling interest	60				60
GAAP equity	\$ 787	\$ 106	\$ 69	\$ 161	\$ 1,123

⁽¹⁾ see slide 19 for EBITDA reconciliation to pre-tax GAAP Net Income

1Q2022 vs 1Q2021 – Key Consolidated Financial Metrics

Results for 1Q2022 were primarily driven by lower net investment income from pooled funds and higher incurred loss and loss expenses; partially offset by gains on interest rate derivatives and higher investment related gains as compared to 1Q2021

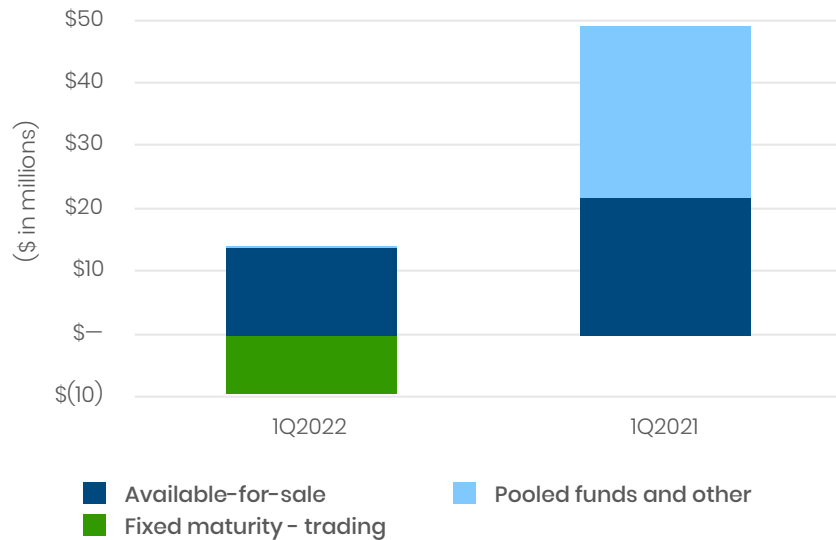


1. Adjusted earnings is a non-GAAP financial measure of financial position that excludes (or includes) amounts that are included in (or excluded from) net income which is presented in accordance with GAAP. A reconciliation to Net income (loss) attributable to common shareholders can be found in Ambac's 1Q2022 Earnings Release, included in Ambac's Current Report on Form 8-K filed with the SEC on May 10, 2022 and at the end of this document

N.I.I. & Investment Portfolio Components as of March 31, 2022

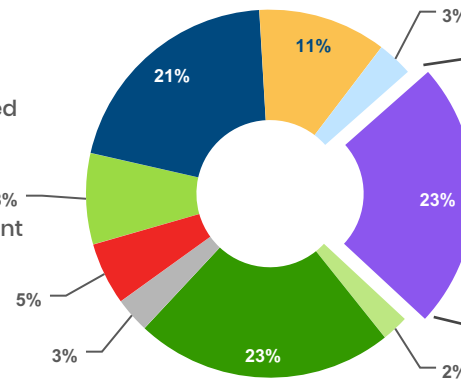
Net investment income in 1Q2022 was \$5 million, compared to \$49 million for 1Q2021 reflecting lower returns from both pooled fund and available-for-sale investments. Investment income from pooled fund and other equity investments was less than \$1 million for 1Q2022 compared to gains of \$27 million in 1Q2021 driven primarily by lower returns on hedge funds and declines in global equity values in 1Q2022, compared to very strong performance in both of these asset categories in 1Q2022. Net investment income on available-for-sale securities declined to \$14 million in 1Q2022 from \$22 million in 1Q2021 due to the July 2021 redemption of Ambac LSNI secured notes held in the investment portfolio; and 1Q2022 also included a \$9 million loss on securities classified as trading that were received as subrogation from the Puerto Rico restructuring

Net Investment Income

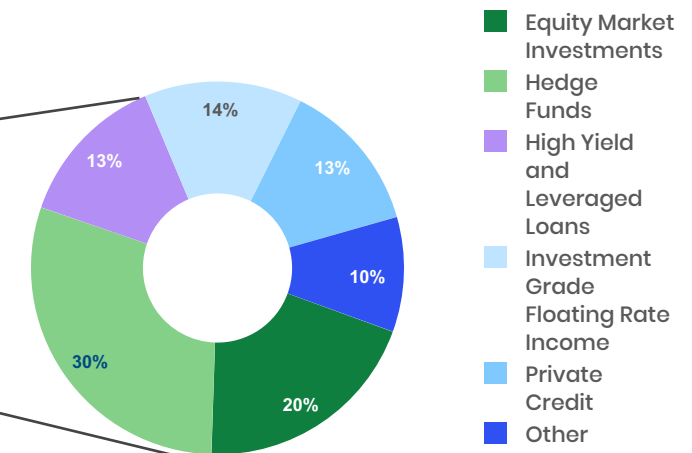


Total Portfolio - \$2.8 billion

- Ambac-insured RMBS
- Corporate Obligations
- MBS and ABS
- Ambac-insured Other
- Other Investments
- U.S. Government Obligations
- Short-term
- Foreign Obligations
- Municipal Obligations



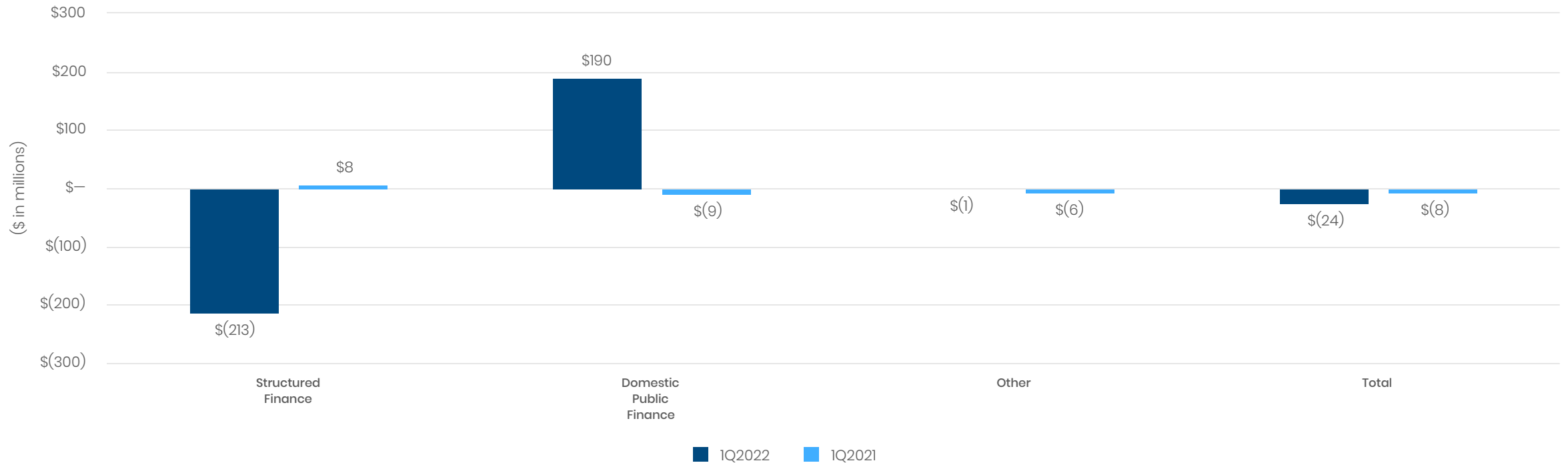
Other Investments - \$660 million



Incurring Losses (Benefit) by Category⁽¹⁾ – 1Q2022 vs 1Q2021

Structured Finance loss of \$213 million in 1Q2022 was primarily due to a reduction in estimated R&W subrogation recoveries

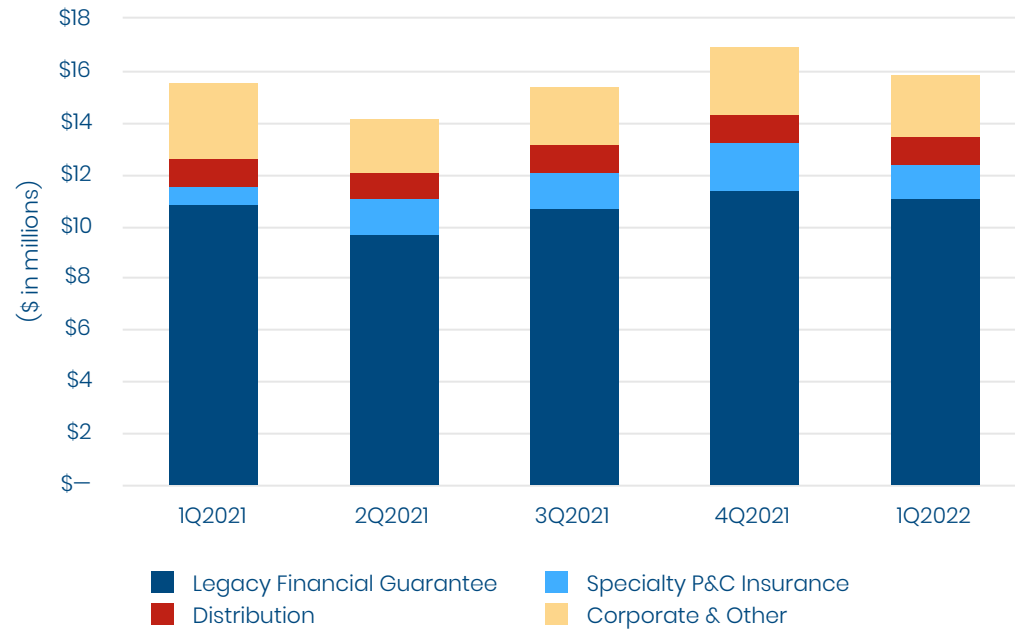
Domestic Public Finance benefit of \$(190) million in 1Q2022 was primarily driven by the March 2022 Puerto Rico restructuring



1. Components may not add to total due to rounding

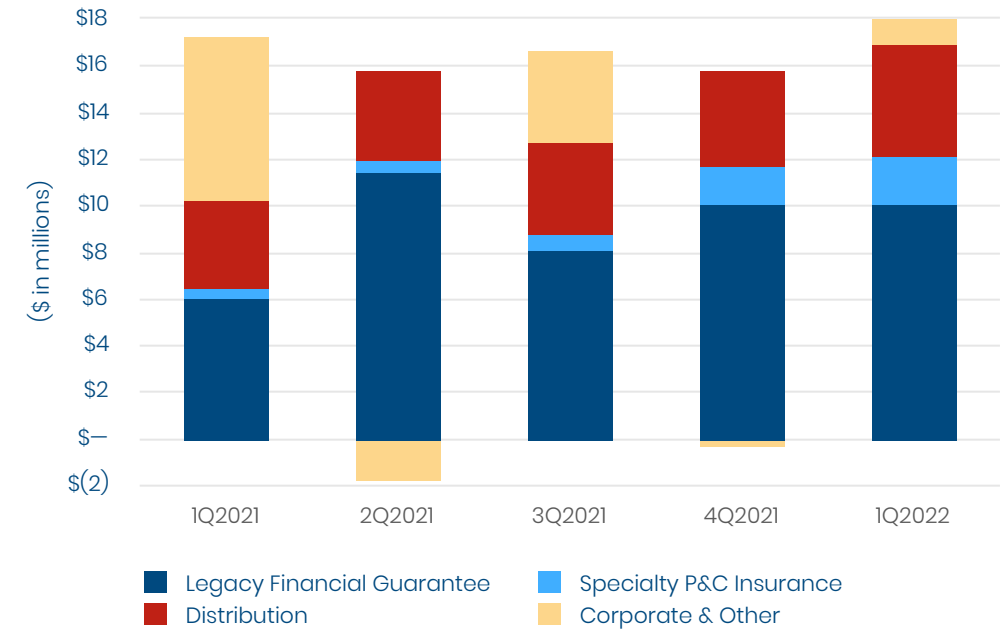
Expense Management

Compensation Expense



1Q2022 Compensation expense of \$16 million was up slightly from 1Q2021, mostly due to higher incentive performance compensation and increased headcount at Everspan Group

Non-Compensation Expense



Non-Compensation expenses were \$18 million in 1Q2022, an increase of \$0.4 million from 1Q2021 due to growth-driven sub-producer commissions in Insurance Distribution and higher legal fees in Legacy Financial Guarantee partially offset by decline in Corporate expenses

Legacy Financial Guarantee Liability and Capital Summary

Category	(in millions) 03/31/22	Comments
Claim liabilities	\$1,221	Before estimated subrogation, Unearned Premium Revenue ("UPR") and reinsurance
Secured notes	\$1,175	Includes \$0.2 million of accrued and unpaid interest
5.1% Surplus notes	\$1,378	Included \$593 million of accrued and unpaid interest
Tier 2 notes	\$340	Includes paid-in-kind interest of \$100 million
Ambac UK debt	\$15	Zero coupon note payable at maturity on May 2, 2036
Auction Market Preferred Shares (AMPS)	\$138	Liquidation preference

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**Non-GAAP
RECONCILIATIONS**



Ambac Non-GAAP Financial Data

Non-GAAP Financial Data

the Company currently reports three non-GAAP financial measures: EBITDA, adjusted earnings and adjusted book value. The most directly comparable GAAP measures are pre-tax net income for EBITDA, net income attributable to common stockholders for adjusted earnings and Total Ambac Financial Group, Inc. stockholders' equity for adjusted book value. A non-GAAP financial measure is a numerical measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. We present such non-GAAP supplemental financial information because we believe such information is of interest to the investment community that provides greater transparency and enhanced visibility into the underlying drivers of our businesses on a basis that may not be otherwise apparent on a GAAP basis. We view these non-GAAP financial measures as important indicators when assessing and evaluating our performance on a segmented and consolidated basis. These non-GAAP financial measures are not substitutes for the Company's GAAP reporting, should not be viewed in isolation and may differ from similar reporting provided by other companies, which may define non-GAAP measures differently.

EBITDA. EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization of intangible assets. EBITDA is also adjusted for noncontrolling interests in subsidiaries where Ambac does not own 100%.

EBITDA Reconciliation

	Legacy Financial Guarantee Insurance	Specialty Property & Casualty Insurance	Insurance Distribution	Corporate & Other	Consolidated
Three Months Ended March 31, 2022					
Pretax income (loss)	\$ 6	\$ (2)	\$ 2	\$ (3)	\$ 3
Adjustments:					
Interest expense	44	—	—	—	44
Depreciation	—	—	—	—	—
Amortization of intangible assets	14	—	1	—	14
Net (gain) attributable to noncontrolling interest	—	—	(1)	—	(1)
Earnings before interest, taxes, depreciation and amortization	\$ 65	\$ (2)	\$ 2	\$ (3)	\$ 61
Three Months Ended March 31, 2021					
Pretax income (loss)	\$ 24	\$ (1)	\$ 2	\$ (6)	\$ 19
Adjustments:					
Interest expense	50	—	—	—	50
Depreciation	—	—	—	—	—
Amortization of intangible assets	19	—	1	—	19
Net (gain) attributable to noncontrolling interest	—	—	—	—	—
Earnings before interest, taxes, depreciation and amortization	\$ 93	\$ (1)	\$ 2	\$ (6)	\$ 88

Ambac Non-GAAP Financial Data – Earnings

Adjusted Earnings⁽¹⁾⁽²⁾

The following table reconciles net income attributable to common stockholders to the non-GAAP measure, adjusted earnings, for the periods listed:

(\$ in millions, except per share amounts)	1Q2022		4Q2021		3Q2021		2Q2021		1Q2021	
	\$ Amount	P.D.S. ⁽¹⁾⁽³⁾	\$ Amount	P.D.S. ⁽¹⁾⁽³⁾	\$ Amount	P.D.S. ⁽¹⁾⁽³⁾	\$ Amount	P.D.S. ⁽¹⁾⁽³⁾	\$ Amount	P.D.S. ⁽¹⁾⁽³⁾
Net income (loss) attributable to common shareholders	\$ 2	\$ 0.04	\$ (22)	\$ (0.42)	\$ 17	\$ 0.35	\$ (29)	\$ (0.63)	\$ 17	\$ 0.08
Adjustments:										
Insurance intangible amortization	14	0.29	11	0.23	10	0.22	13	0.28	19	0.40
Foreign exchange (gains) losses	(2)	(0.03)	2	0.03	(2)	(0.04)	2	0.05	5	0.11
Fair value (gain) loss on interest rate derivatives from Ambac CVA	—	—	—	—	—	—	—	—	—	—
Adjusted earnings (loss)	\$ 14	\$ 0.30	\$ (10)	\$ (0.16)	\$ 25	\$ 0.53	\$ (13)	\$ (0.30)	\$ 41	\$ 0.59

1. Per diluted share ("P.D.S.")
2. Numbers may not add due to rounding
3. Per Diluted share includes the impact of adjusting the Xchange related noncontrolling interest to current redemption value

Ambac Non-GAAP Financial Data – Book Value

Adjusted Book Value ⁽ⁱ⁾

The following table reconciles Total Ambac Financial Group, Inc. stockholders' equity to the non-GAAP measure adjusted book value as of each date presented:

(\$ in millions, except per share data)	March 31, 2022		December 31, 2021		September 30, 2021		June 30, 2021		March 31, 2021	
	\$ Amount	Per Share	\$ Amount	Per Share	\$ Amount	Per Share	\$ Amount	Per Share	\$ Amount	Per Share
Total Ambac Financial Group, Inc. Shareholders' Equity	\$ 914	\$ 19.65	\$ 1,038	\$ 22.42	\$ 1,061	\$ 22.91	\$ 1,063	\$ 23.01	\$ 1,063	\$ 23.02
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	–	–	–	0.01	–	0.01	–	0.01	–	0.01
Insurance intangible asset	(303)	(6.52)	(320)	(6.91)	(330)	(7.14)	(343)	(7.42)	(356)	(7.71)
Net unearned premiums and fees in excess of expected losses	279	6.00	310	6.68	315	6.81	337	7.29	343	7.42
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(49)	(1.06)	(154)	(3.32)	(164)	(3.54)	(168)	(3.64)	(142)	(3.08)
Adjusted book value	\$ 841	\$ 18.07	\$ 874	\$ 18.88	\$ 882	\$ 19.05	\$ 889	\$ 19.25	\$ 908	\$ 19.66
Shares outstanding (in millions)		<u>46.5</u>		<u>46.3</u>		<u>46.3</u>		<u>46.2</u>		<u>46.2</u>

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Appendix



Risk Adverse Credit Classifications

	Classification	Description
	Class I	Fully Performing – Meets Ambac Criteria with Remote Probability of Claim and includes: <ul style="list-style-type: none"> • Survey List – credits that may lack information or demonstrate a weakness but further deterioration is not expected • Watch list – credits that demonstrate the potential for future material adverse development due to such factors as long-term uncertainty about a particular sector, a certain structural element related to the issuer or transaction or overall financial and economic sustainability
Adversely Classified Credits	Class IA	Potential Problem with Risks to be Dimensioned
	Class II	Substandard Requiring Intervention
	Class III	Doubtful with Clear Potential for Loss
	Class IV	Imminent Default or Defaulted
	Class V	Fully Reserved

About Ambac

Ambac Financial Group, Inc. (“Ambac” or “AFG”) is a financial services holding company headquartered in New York City. Ambac’s core business is a growing specialty P&C distribution and underwriting platform. Ambac also has a legacy financial guaranty business in run off. Ambac’s common stock trades on the New York Stock Exchange under the symbol “AMBC”. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information. For more information, please go to www.ambac.com.

The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac’s common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac’s common stock or a holder of 5% or more of Ambac’s common stock increases its ownership interest.

Contact

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