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Ambac

Quarterly Operating Supplement

3Q17

About Ambac

Ambac Financial Group, Inc. ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation ("AAC"), Everspan Financial Guarantee Corp. and Ambac Assurance UK Limited ("Ambac UK"), provide financial guarantees to clients in both the public and private sectors globally. AAC, including the Segregated Account of AAC (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac's primary goal is to maximize stockholder value by executing the following key strategies: (i) active runoff of Ambac Assurance and its subsidiaries through transaction terminations, policy commutations, settlements and restructurings, with a focus on known and potential future adversely classified credits, that we believe will improve our risk profile, and maximizing the risk-adjusted return on invested assets, (ii) rationalization of Ambac's and its subsidiaries' capital and liability structures, enabling simplification of corporate governance and facilitating the successful rehabilitation of the Segregated Account of Ambac Assurance, (iii) loss recovery through active litigation management and exercise of contractual and legal rights, (iv) ongoing review of organizational effectiveness and efficiency of the operating platform, and (v) evaluation of opportunities in certain business sectors that meet acceptable criteria that will generate long-term stockholder value with attractive risk-adjusted returns. Ambac's common stock trades on the NASDAQ Global Select Market under the symbol "AMBC". 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. 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, and the posting of updates to the status of certain residential mortgage backed securities litigations. For more information, please go to www.ambac.com.

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

Ambac Financial Group, Inc.

Quarterly Operating Supplement

Third Quarter 2017

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Notes:

- 1) Internal 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, and for Ambac UK related transactions, based on the view of Ambac UK. In cases where Ambac Assurance or Ambac UK 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 and Ambac UK credit ratings are subject to revision at any time and do not constitute investment advice. Ambac Assurance, or one of its affiliates, has insured the obligations listed and may also provide other products or services to the issuers of these obligations for which Ambac may have received premiums or fees.
- 2) Information contained in this report is unaudited.
- 3) Numbers may not add due to rounding.

Consolidated Statements of Income (Loss) — Quarter

(\$ in thousands, except share data)	Three Months Ended September 30,	
	2017	2016
Revenues:		
Net premiums earned:		
Normal premiums earned	\$ 26,811	\$ 35,044
Accelerated net premiums earned	26,178	18,174
Total net premiums earned	52,989	53,218
Net investment income:		
Securities available-for-sale and short-term	80,999	79,530
Other investments	6,178	11,387
Total net investment income	87,177	90,917
Net other-than-temporary impairment losses recognized in earnings	(13,510)	(2,853)
Net realized investment gains (losses)	6,150	11,749
Change in fair value of credit derivatives:		
Realized gains and other settlements	134	226
Unrealized gains (losses)	45	1,507
Net change in fair value of credit derivatives	179	1,733
Net gains (losses) on interest rate derivatives	3,984	(14,510)
Net realized gains (losses) on extinguishment of debt	—	24
Other income	46	2,693
Income (loss) on variable interest entities	(4,049)	2,057
Total revenues	132,966	145,028
Expenses:		
Losses and loss expense (benefit)	209,806	(69,204)
Insurance intangible amortization	45,690	44,553
Operating expenses	33,791	21,466
Interest expense	29,145	31,493
Total expenses	318,432	28,308
Pretax income (loss)	(185,466)	116,720
Provision for income taxes	5,439	15,282
Net income (loss)	(190,905)	101,438
Less: net gain (loss) attributable to noncontrolling interest	—	(36)
Net income (loss) per share attributable to common stockholders	\$ (190,905)	\$ 101,474
Net income (loss) per share attributable to common stockholders	\$ (4.20)	\$ 2.24
Net income (loss) per diluted share attributable to common stockholders	\$ (4.20)	\$ 2.22
Weighted average number of shares outstanding	45,404,315	45,229,570
Weighted average number of diluted shares outstanding	45,404,315	45,792,083

Consolidated Statements of Income (Loss) — Year

(\$ in thousands, except share data)	Nine Months Ended September 30,	
	2017	2016
Revenues:		
Net premiums earned:		
Normal premiums earned.....	\$ 88,106	\$ 109,189
Accelerated net premiums earned.....	55,648	38,231
Total net premiums earned.....	143,754	147,420
Net investment income:		
Securities available-for-sale and short-term	235,092	201,880
Other investments	18,804	20,616
Total net investment income.....	253,896	222,496
Net other-than-temporary impairment losses recognized in earnings	(19,215)	(19,628)
Net realized investment gains (losses).....	5,434	27,748
Change in fair value of credit derivatives:		
Realized gains and other settlements	1,467	711
Unrealized gains (losses)	6,388	17,843
Net change in fair value of credit derivatives	7,855	18,554
Net gains (losses) on interest rate derivatives.....	36,538	(134,265)
Net realized gains on extinguishment of debt.....	4,920	4,845
Other income.....	427	17,611
Income (loss) on variable interest entities	(1,567)	(16,119)
Total revenues.....	432,042	268,662
Expenses:		
Losses and loss expense (benefit).....	410,917	(226,981)
Insurance intangible amortization.....	116,686	134,456
Operating expenses.....	92,822	77,470
Interest expense.....	88,951	92,632
Total expenses (benefit).....	709,376	77,577
Pretax income (loss).....	(277,334)	191,085
Provision for income taxes.....	31,902	21,877
Net income (loss).....	(309,236)	169,208
Less: net gain (loss) attributable to noncontrolling interest.....	—	(328)
Net income (loss) per share attributable to common stockholders	\$ (309,236)	\$ 169,536
Net income (loss) per share attributable to common stockholders.....	\$ (6.82)	\$ 3.75
Net income (loss) per diluted share attributable to common stockholders.....	\$ (6.82)	\$ 3.74
Weighted average number of shares outstanding.....	45,355,671	45,206,429
Weighted average number of diluted shares outstanding.....	45,355,671	45,372,704

Consolidated Balance Sheets

(\$ in thousands, except share data)	September 30, 2017	December 31, 2016
Assets:		
Investments:		
Fixed income securities, at fair value (amortized cost of \$4,825,555 and \$5,435,385)	\$ 4,978,118	\$ 5,554,215
Fixed income securities pledged as collateral, at fair value (amortized cost of \$99,424 and \$64,833)	99,424	64,905
Short-term investments, at fair value (amortized cost of \$716,666 and \$430,827)	716,516	430,788
Other investments (includes \$406,310 and \$420,304 at fair value)	439,987	450,307
Total investments	6,234,045	6,500,215
Cash and cash equivalents	107,018	91,025
Receivable for securities	68,686	2,090
Investment income due and accrued	20,137	26,023
Premium receivables	601,757	661,337
Reinsurance recoverable on paid and unpaid losses	45,976	30,418
Deferred ceded premium	54,773	69,624
Subrogation recoverable	703,930	684,731
Loans	10,390	4,160
Derivative assets	77,287	77,742
Insurance intangible asset	877,972	962,080
Other assets	48,228	158,423
Variable interest entity assets	14,442,384	13,367,834
Total assets	\$ 23,292,583	\$ 22,635,702
Liabilities and Stockholders' Equity:		
Liabilities:		
Unearned premiums	\$ 817,538	\$ 967,258
Loss and loss expense reserves	4,704,285	4,380,769
Ceded premiums payable	38,593	42,529
Obligations under investment agreements	—	82,358
Deferred taxes	1,930	1,720
Current taxes	18,484	14,280
Long-term debt	988,148	1,114,405
Accrued interest payable	417,522	421,975
Derivative liabilities	90,899	319,286
Other liabilities	65,840	76,589
Payable for securities purchased	55,486	1,084
Variable interest entity liabilities	14,321,721	13,235,425
Total liabilities	21,520,446	20,657,678
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 20,000,000 shares authorized shares; issued and outstanding shares—none	—	—
Common stock, par value \$0.01 per share; 130,000,000 shares authorized; issued and outstanding shares: 45,275,982 and 45,194,954	453	452
Additional paid-in capital	198,629	195,267
Accumulated other comprehensive income (loss)	62,680	(38,990)
Retained earnings	1,246,736	1,557,681
Treasury stock, shares at cost: 24,816 and 22,458	(471)	(496)
Total Ambac Financial Group, Inc. stockholders' equity	1,508,027	1,713,914
Noncontrolling interest	264,110	264,110
Total stockholders' equity	1,772,137	1,978,024
Total liabilities and stockholders' equity	\$ 23,292,583	\$ 22,635,702
Number of shares outstanding (net of treasury shares)	45,251,166	45,172,496
Ambac Financial Group, Inc. book value per share	\$ 33.33	\$ 37.94

Key Quarterly Financial Data

(\$ in millions, except share data)	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income (Loss):					
Net premiums earned	\$ 53	\$ 43	\$ 48	\$ 50	\$ 53
Net investment income	87	85	82	91	91
Net change in fair value of credit derivatives	—	7	1	2	2
Income (loss) on variable interest entities (VIEs)	(4)	(1)	4	2	2
Losses and loss expenses (benefit) ⁽¹⁾	210	66	135	215	(69)
Insurance intangible amortization	46	33	38	40	45
Operating expenses	34	31	28	36	21
Interest expense	29	28	32	32	31
Net income (loss) per share attributable to Ambac stockholders	(191)	7	(125)	(95)	101
Net income (loss) per diluted	\$ (4.20)	\$ 0.16	\$ (2.77)	\$ (2.09)	\$ 2.22
Balance Sheets:					
Total non-VIE investments	\$ 6,234	\$ 6,339	\$ 6,335	\$ 6,500	\$ 6,606
Premium receivables	602	653	653	661	706
Insurance intangible asset	878	912	931	962	1,023
Subrogation recoverable	704	659	680	685	704
Total VIE assets	14,442	14,095	13,763	13,368	14,385
Total assets	23,293	23,005	22,764	22,636	24,016
Unearned premiums	818	893	925	967	1,049
Loss and loss expense reserves	4,704	4,582	4,510	4,381	4,208
Obligations under investment agreements	—	—	—	82	82
Long-term debt ⁽²⁾	988	988	1,016	1,114	1,110
Ambac stockholders' equity	\$ 1,508	\$ 1,674	\$ 1,625	\$ 1,714	\$ 1,910
Non-GAAP Measurements:⁽³⁾					
Adjusted earnings (loss)	\$ (150)	\$ 70	\$ (91)	\$ (13)	\$ 144
Adjusted book value	\$ 1,112	\$ 1,283	\$ 1,225	\$ 1,332	\$ 1,446
Summary Statutory Data of Ambac Assurance:					
Invested assets	\$ 5,420	\$ 5,441	\$ 5,462	\$ 5,415	\$ 5,472
Loss and loss expense reserves ⁽⁴⁾	5,244	4,976	4,961	4,838	4,886
Estimated impairment losses on subsidiary guarantees	—	—	35	25	—
Policyholders' Surplus	754	954	945	976	922
Qualified statutory capital	1,197	1,383	1,358	1,369	1,314
Total claims-paying resources, including Ambac UK ⁽⁴⁾	\$ 8,899	\$ 8,831	\$ 8,871	\$ 8,813	\$ 8,860

- (1) Under the amended Segregated Account Rehabilitation Plan, holders of permitted policy claims will receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. Includes interest expense on Deferred Amounts of \$44.7, \$43.8, and \$43.8 for the third, second and first quarters of 2017, and \$43.9 and \$43.0 for the fourth and third quarters of 2016, respectively.
- (2) Long-term debt includes surplus notes issued and outstanding to third parties by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation and notes issued and outstanding to third parties under a secured borrowing transaction. Long-term debt for all years excludes the portion of long-term debt associated with variable interest entities consolidated as a result of Ambac's variable interest arising from the financial guarantees of its subsidiaries.
- (3) In response to a comment letter received from the Division of Corporation Finance of the SEC, Ambac has implemented the following changes to its non-GAAP measures effective December 31, 2016: (i) Ambac has changed the name of its non-GAAP measure "Operating Earnings" to "Adjusted Earnings" and (ii) Ambac no longer eliminates the effects of VIEs in the calculation of its non-GAAP measures for Adjusted Earnings and Adjusted Book Value. For comparative purposes, prior period amounts have been recast to conform to the new presentation. See Non-GAAP Financial Measures page of this Operating Supplement for further details.
- (4) Loss and loss expense reserves and total claims-paying resources present loss and loss expense reserves before the recorded statutory benefit for expected subrogation receipts.

Key Yearly Financial Data

Eight
Months
Ended
Dec. 31,
2013

(\$ in millions, except share data)	YTD 2017	2016	2015	2014	
Summary GAAP Financial Data:					
Statement of Total Comprehensive Income:					
Net premiums earned	\$ 144	\$ 197	\$ 313	\$ 246	\$ 214
Net investment income	254	313	266	301	146
Net change in fair value of credit derivatives	8	20	42	24	193
Income (loss) on variable interest entities (VIEs)	(2)	(14)	32	(32)	(49)
Losses and loss expenses (benefit) ⁽¹⁾	411	(11)	(769)	(546)	(185)
Insurance intangible amortization	117	175	170	152	100
Operating expenses	93	114	103	101	69
Interest expense	89	124	117	127	85
Goodwill impairment	—	—	515	—	—
Net income (loss) per share attributable to Ambac stockholders	(309)	75	493	484	505
Net income (loss) per diluted	\$ (6.82)	\$ 1.64	\$ 10.72	\$ 10.31	\$ 10.91
Balance Sheets:					
Total non-VIE investments	\$ 6,234	\$ 6,500	\$ 5,645	\$ 5,507	\$ 6,524
Premium receivables	602	661	832	1,001	1,453
Insurance intangible asset	878	962	1,212	1,411	1,598
Goodwill	—	—	—	515	515
Subrogation recoverable	704	685	1,229	953	499
Total VIE assets	14,442	13,368	14,288	15,126	15,989
Total assets	23,293	22,636	23,728	25,160	27,092
Unearned premiums	818	967	1,280	1,674	2,256
Loss and loss expense reserves	4,704	4,381	4,088	4,752	5,969
Obligations under investment agreements	—	82	100	160	359
Long-term debt ⁽²⁾	988	1,114	1,125	971	963
Ambac stockholders' equity	\$ 1,508	\$ 1,714	\$ 1,685	\$ 1,399	\$ 703
Non-GAAP Measurements: ⁽³⁾					
Adjusted earnings (loss)	\$ (171)	\$ 315	\$ 1,154	\$ 637	\$ 462
Adjusted book value	\$ 1,112	\$ 1,332	\$ 1,268	\$ 675	\$ 374
Summary Statutory Data of Ambac Assurance:					
Invested assets	\$ 5,420	\$ 5,415	\$ 4,783	\$ 4,422	\$ 5,747
Loss and loss expense reserves ⁽⁴⁾	5,244	4,838	5,105	5,259	6,538
Estimated impairment losses on subsidiary guarantees	—	25	—	5	57
Policyholders' Surplus	754	976	625	100	840
Qualified statutory capital	1,197	1,369	1,017	269	906
Total claims-paying resources, including Ambac UK ⁽⁴⁾	\$ 8,899	\$ 8,813	\$ 9,052	\$ 8,674	\$ 10,196

- (1) Under the amended Segregated Account Rehabilitation Plan, holders of permitted policy claims will receive an initial interim cash payment for a portion of such policy claim ("Interim Payment"), together with the right to receive a deferred payment equal to the balance of the unpaid policy claim, as may be adjusted from time to time pursuant to the terms of the amended Segregated Account Rehabilitation Plan ("Deferred Amount"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. Includes interest expense on Deferred Amounts of \$132.2 for the nine months ended September 30, 2017 and \$170.8, \$161.9 and \$411.7 for the years ended December 31, 2016, 2015 and 2014, respectively.
- (2) Long-term debt includes surplus notes issued and outstanding to third parties by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation and notes issued and outstanding to third parties under a secured borrowing transaction. Long-term debt for all years excludes the portion of long-term debt associated with variable interest entities consolidated as a result of Ambac's variable interest arising from the financial guarantees of its subsidiaries.
- (3) As discussed on page 4, Ambac has implemented changes its non-GAAP measures effective December 31, 2016. See Non-GAAP Financial Measures page for further details.
- (4) Loss and loss expense reserves and total claims-paying resources present loss and loss expense reserves before the recorded statutory benefit for expected subrogation receipts.

Non-GAAP Financial Measures ^{(1) (2)}
(\$ in millions, except share amounts)

	3Q2017		2Q2017		1Q2017		4Q2016		3Q2016	
	\$	P.D.S. ⁽³⁾	\$	P.D.S. ⁽³⁾	\$	P.D.S. ⁽³⁾	\$	P.D.S. ⁽³⁾	\$	P.D.S. ⁽³⁾
Adjusted Earnings (Loss):										
Net income (loss) attributable to common stockholders	\$ (190.9)	\$ (4.20)	\$ 7.1	\$ 0.16	\$ (125.4)	\$ (2.77)	\$ (94.7)	\$ (2.09)	\$ 101.5	\$ 2.22
Adjustments:										
Non-credit impairment fair value (gain) loss on credit derivatives	(0.1)	—	(4.6)	(0.10)	1.7	0.04	(1.0)	(0.02)	(1.6)	(0.03)
Insurance intangible amortization	45.7	1.01	33.5	0.73	37.5	0.83	40.2	0.89	44.6	0.97
Foreign exchange (gain) losses	(4.5)	(0.11)	(8.5)	(0.19)	(7.1)	(0.16)	13.1	0.28	(15.3)	(0.34)
Fair value (gain) loss on interest rate derivatives from Ambac CVA...	—	—	42.9	0.94	2.0	0.05	29.6	0.66	14.8	0.32
Adjusted earnings (loss)	\$ (149.8)	\$ (3.30)	\$ 70.4	\$ 1.54	\$ (91.2)	\$ (2.01)	\$ (12.7)	\$ (0.28)	\$ 143.9	\$ 3.14

	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016	
	\$	P.S. ⁽³⁾	\$	P.S. ⁽³⁾	\$	P.S. ⁽³⁾	\$	P.S. ⁽³⁾	\$	P.S. ⁽³⁾
Adjusted Book Value:										
Total Ambac Financial Group, Inc. stockholders' equity	\$ 1,508.0	\$ 33.33	\$ 1,674.1	\$ 37.00	\$ 1,624.8	\$ 35.92	\$ 1,713.9	\$ 37.94	\$ 1,909.6	\$ 42.32
Adjustments:										
Non-credit impairment fair value losses on credit derivatives	8.5	0.19	8.6	0.19	13.2	0.29	11.4	0.25	12.4	0.27
Insurance intangible asset	(878.0)	(19.41)	(912.2)	(20.16)	(931.2)	(20.58)	(962.1)	(21.30)	(1,022.9)	(22.67)
Ambac CVA on interest rate derivative liabilities	—	—	—	—	(42.9)	(0.95)	(44.9)	(0.99)	(74.6)	(1.65)
Net unearned premiums and fees in excess of expected losses	625.4	13.82	665.0	14.70	701.4	15.51	732.2	16.21	805.3	17.85
Net unrealized investment (gains) losses in Accumulated Other Comprehensive Income	(152.4)	(3.37)	(152.8)	(3.38)	(140.2)	(3.10)	(118.9)	(2.63)	(183.6)	(4.07)
Adjusted book value	\$ 1,111.6	\$ 24.56	\$ 1,282.7	\$ 28.35	\$ 1,225.2	\$ 27.09	\$ 1,331.7	\$ 29.48	\$ 1,446.2	\$ 32.05

- (1) In addition to reporting Ambac's financial results in accordance with GAAP, Ambac reports two non-GAAP financial measures: Adjusted Earnings (see Note 2) and 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 are presenting these non-GAAP financial measures because they provide greater transparency and enhanced visibility into the underlying drivers of our business and the impact of certain items that Ambac believes will reverse from GAAP book value over time through the GAAP statements of comprehensive income. Adjusted Earnings and Adjusted Book Value are not substitutes for Ambac'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.
- (2) As discussed on page 4, Ambac has implemented changes its non-GAAP measures effective December 31, 2016. Under the prior measurement, Ambac reported Operating Earnings of \$148 for the three months ended September 2016 and reported Adjusted Book Value of \$1,449 as of September 30, 2016.
- (3) Per diluted share ("P.D.S.") and per share outstanding at balance sheet date ("P.S.").

Ambac Assurance — Claims-Paying Resources ⁽¹⁾ and Statutory Financial Ratios

(\$ in thousands, except ratios)	September 30, 2017	December 31, 2016
Policyholders' surplus ⁽²⁾	\$ 753,554	\$ 976,477
Contingency reserve	443,411	392,793
Qualified statutory capital	1,196,965	1,369,270
Unearned premiums	399,233	488,506
Loss and loss adjustment expenses ⁽³⁾	5,244,074	4,837,618
Surplus notes classified as a liability	913,851	913,851
Estimated impairment losses on subsidiary guarantees	—	25,000
Policyholders' reserves	7,754,123	7,634,245
Present value of future installment premiums ⁽⁴⁾	254,499	280,671
Ambac Assurance claims-paying resources	8,008,622	7,914,916
Ambac UK claims-paying resources ⁽⁵⁾	890,263	898,190
Total claims-paying resources	\$ 8,898,885	\$ 8,813,106
Net financial guarantees in force ⁽⁶⁾		
Ambac Assurance	\$ 85,002,145	\$ 104,956,575
Ambac UK	21,929,660	21,349,397
Total net financial guarantees in force	\$ 106,931,805	\$ 126,305,972
Total claims-paying ratio ⁽⁷⁾	12: 1	14: 1

(1) Total claims-paying resources quantifies total resources available to pay claims, including guarantees on subsidiary obligations.

(2) Junior surplus notes of the Segregated Account, with a par value of \$371,156 and \$374,037 as of September 30, 2017 and December 31, 2016, respectively, are included in capital and surplus subject to limitations due to the Minimum Surplus Amount.

(3) Loss and loss expense reserves are presented before the recorded statutory benefit for expected subrogation receipts of \$2,499,778 (R&W subrogation receipts of \$1,774,738 and other subrogation receipts of \$725,040) and \$2,396,858 (R&W subrogation receipts of \$1,813,377 and other subrogation receipts of \$583,481) at September 30, 2017 and December 31, 2016, respectively.

(4) Present value of future installment premiums includes premiums on installment financial guarantee insurance contracts (excluding Ambac UK) and credit derivatives. Present value calculations are discounted at 5.1%.

(5) Ambac UK's claims paying resources will become available to Ambac Assurance only to the extent Ambac UK receives approval from its regulator to dividend monies to Ambac Assurance. Components of Ambac UK's claims paying resources are discounted at Ambac UK's projected investment rate of return. Ambac UK's claims-paying resources includes the present value of future installment premiums of approximately \$308,171 at September 30, 2017.

(6) Financial guarantees in force represents the amount of principal and interest outstanding on a guaranteed obligation.

(7) Total claims-paying ratio is net financial guarantees in force divided by total claims-paying resources.

Ambac Assurance — Rollforward of Statutory Policyholders' Surplus

(\$ in thousands)	Nine Months Ended	Year Ended
	September 30, 2017	December 31, 2016
Policyholders' Surplus, beginning of period ⁽¹⁾	\$ 976,477	\$ 624,795
Net income ^{(2) (3) (4)}	113,016	359,052
Change in contingency reserves.....	(50,618)	(921)
Change in investments ^{(3) (4) (5)}	(289,090)	(9,269)
Other changes in surplus	3,769	2,820
Policyholders' Surplus, end of period ⁽¹⁾	\$ 753,554	\$ 976,477

- (1) Pursuant to a prescribed practice by the Wisconsin Insurance Commissioner, the results of the Segregated Account are not included in Ambac Assurance's statutory financial statements if it causes Ambac Assurance's surplus to drop below the Minimum Surplus Amount.
- (2) Net income for the nine months ended September 30, 2017 and the year ended December 31, 2016 includes an expense of \$132,245 and \$170,826, respectively, for the accrual of interest on Deferred Amounts.
- (3) During first quarter of 2017, Ambac Assurance recognized \$190,654 of net income as a result of a subsidiary's repayment of a partially impaired inter-company loan. This income was offset through surplus as a change in investment and had no overall surplus impact.
- (4) During the second quarter of 2017, Ambac Assurance contributed \$94,407 of capital to its swap subsidiary in connection with a commutation of swap transactions, which reduced surplus by an equivalent amount. As a result of the commutation, Ambac Assurance recognized \$65,071 of net income due to a reduced impairment of the subsidiary's inter-company loan and guarantee.
- (5) Includes non-income statement changes in investments such as changes in non-admitted investments, changes in valuation of investments carried at fair value, changes in deferred gains from sales of investments to subsidiaries and changes in Ambac's investment in subsidiaries, excluding dividends.

Ambac Assurance Segregated Account, in Rehabilitation — Claims Paying Position ⁽¹⁾

(\$ in thousands)	September 30, 2017	December 31, 2016
Liabilities allocated from Ambac Assurance ⁽²⁾	\$ 4,599,974	\$ 4,568,933
Surplus notes classified as a liability	39,102	39,102
Total Segregated Account policy related obligations	4,639,076	4,608,035
Policy related obligations ceded to Ambac Assurance ⁽³⁾	4,639,076	4,608,035
Junior surplus notes ceded to Ambac Assurance ⁽³⁾	371,156	374,037
Other Segregated Account Net Assets.....	6,345	7,250
Total Segregated Account resources available	5,016,577	4,989,322
Segregated Account policyholders' surplus	\$ 377,501	\$ 381,287

- (1) Total resources available to pay claims at Ambac Assurance are the same resources available to pay claims at the Segregated Account subject to limitations discussed in footnote (3) below.
- (2) Pursuant to the Plan of Operation for the Segregated Account, Ambac Assurance has allocated certain policies to the Segregated Account, including (i) residential mortgage-backed securities, (ii) student loans, (iii) collateralized debt obligations and (iv) other policies insuring obligations with substantial projected impairments or relating to transactions which have contractual triggers based upon Ambac Assurance's financial condition or the commencement of rehabilitation, which triggers are potentially damaging. Please refer to Ambac's filings with the Securities and Exchange Commission for further information.
- (3) Cessions to Ambac Assurance via an excess of loss reinsurance agreement are limited by Ambac Assurance maintaining the Minimum Surplus Amount of \$100,000.

Ratio of Net Claims Recorded ⁽¹⁾

(\$ in thousands)	Nine Months Ended September 30, 2017	Year Ended December 31,			Eight Months Ended December 31, 2013
		2016	2015	2014	
Net claims paid (recovered) - Insurance ⁽²⁾⁽³⁾	\$ 108,179	\$ (989,867)	\$ 36,630	\$ 922,481	\$ (92,480)
Change in net unpaid claims - Insurance ⁽³⁾	13,960	26,394	22,861	(959,304)	241,916
Tot net claims recorded	\$ 122,139	\$ (963,473)	\$ 59,491	\$ (36,823)	\$ 149,436
Net insurance premiums earned and credit derivative fees	\$ 145,221	\$ 198,199	\$ 315,380	\$ 249,403	\$ 223,296
Ratio of net claims recorded ⁽⁴⁾	84.1%	(486.1)%	18.9%	(14.8)%	66.9%

Estimated Future Gross RMBS Claims Presented ⁽⁵⁾

(\$ in thousands)	Projected as of	
	September 30 2017	December 31 2016
2017 (Three months for September 30, 2017. Full year for December 31, 2016)	\$ (27,628)	\$ 11,879
2018	9,986	48,221
2019	37,905	59,743
2020	44,928	65,904
2021	48,938	59,268
2022	42,129	40,112
2017 (Three months for September 30, 2017. Full year for December 31, 2016)	\$ (27,628)	\$ 11,879
2018-2022	183,886	273,248
2023-2027	54,079	58,720
2028-2032	15,718	13,765
2033-2037	481,526	487,047
After 2037	182,079	202,130
Total	\$ 889,660	\$ 1,046,789

- (1) Net claims recorded is net of reinsurance and includes (i) claims paid (recovered), including commutation payments; and (ii) changes to claims presented and not yet presented for policies which were allocated to the Segregated Account. Net claims recorded does not include interest accrued or paid on Deferred Amounts.
- (2) Net claims paid (recovered) are net of subrogation received of \$155,948 for the nine months ended September 30, 2017 and \$1,355,360, \$308,369, \$500,485, and \$292,067 for the years ended December 31, 2016, 2015, 2014 and the eight months ended December 31, 2013, respectively. Included in the year ended December 31, 2016, is \$992.8 million (\$995 million gross of reinsurance) received from the settlement of representation and warranty related litigation with JP Morgan and \$99.1 million (\$100.3 million gross of reinsurance) related to the Countrywide Investor Settlement.
- (3) Represents increases (decreases) to claims not yet paid for policies allocated to the Segregated Account, including Deferred Amounts. A portion of Deferred Amounts outstanding was paid on December 22, 2014 in accordance with the Segregated Account Rehabilitation Plan, as amended. The 2014 payment of Deferred Amounts, excluding the payments of accrued interest, was \$1,054,965 which reduced unpaid claims and increased net claims paid. At September 30, 2017, claims that have been presented and not paid by the Segregated Account were \$3,802,194, including \$794,087 of accrued interest on Deferred Amounts.
- (4) Ratio of net claims recorded is total net claims recorded divided by net premiums earned and fees on credit derivative contracts.
- (5) Represents management's estimate of undiscounted future RMBS claims presented, gross of reinsurance and representation and warranty subrogation recoveries. Future claims recorded in these tables exclude RMBS claims presented and unpaid of \$2,995,218 and \$2,982,008 as of September 30, 2017 and December 31, 2016, respectively, and Ambac's undiscounted estimate of representation and warranty subrogation recoverables of \$1,861,859 and \$1,926,165 at September 30, 2017 and December 31, 2016, respectively. Actual claims presented may differ from estimates.

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

(\$ in thousands)	September 30,	December 31,			
	2017	2016	2015	2014	2013
Total insurance reserves, net of reinsurance ⁽¹⁾	\$ 3,954,332	\$ 3,665,271	\$ 2,814,754	\$ 3,698,378	\$ 5,347,877
Estimated credit impairment losses on credit derivatives ⁽²⁾	455	3,910	15,560	17,804	21,531
Total impairment losses ⁽³⁾⁽⁴⁾	3,954,787	3,669,181	2,830,314	3,716,182	5,369,408
Mark-to-market reserve on credit derivatives ⁽²⁾	8,506	11,439	18,983	55,655	72,791
Grand total net insurance loss reserves and credit derivatives	\$ 3,963,293	\$ 3,680,620	\$ 2,849,297	\$ 3,771,837	\$ 5,442,199

Summary of Insured Exposures With Impairment Losses

(\$ in thousands)	Segregated Account Net Par Outstanding	Total Net Par Outstanding	Total Impairment Losses ⁽³⁾⁽⁴⁾
Public Finance:			
Lease & tax backed	\$ —	\$ 1,960,347	\$ 635,083
General obligation	—	1,106,809	72,049
Transportation revenue	29,475	504,177	63,784
Housing	—	348,869	43,009
Other	—	67,798	8,004
Total Public Finance	29,475	3,988,000	821,929
Structured Finance:			
Mortgage-backed & home equity — first lien & other	3,960,217	3,960,217	2,409,845
Mortgage-backed & home equity — second lien	1,862,716	1,862,716	139,239
Student loans	594,169	594,169	276,431
Other	137,000	1,037,000	274,584
Total Structured Finance	6,554,102	7,454,102	3,100,099
International Finance:			
	73,715	510,554	32,759
Total	\$ 6,657,292	\$ 11,952,656	\$ 3,954,787

- (1) Under the Segregated Account Rehabilitation Plan, as amended, holders of permitted policy claims will receive an Interim Payment, together with the right to receive a Deferred Amount. Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate in his sole discretion. Deferred Amounts will generally accrue and compound interest at an annual effective rate of 5.1%. As of September 30, 2017, December 31, 2016, 2015, and 2014, \$3,802,194, \$3,655,989, \$3,458,771 and \$3,274,216 of claims remain unpaid, respectively, including \$794,087, \$661,842, \$491,017 and \$329,227 of interest accrued on Deferred Amounts, respectively. Total insurance reserves are inclusive of these unpaid claims.
- (2) Total net mark-to-market losses are \$8,961, \$15,349, \$34,543, \$73,459 and \$94,322, as of September 30, 2017, December 31, 2016, 2015, 2014 and 2013, respectively, and are reported on the consolidated balance sheet under derivative assets and liabilities.
- (3) Total estimated impairment losses includes insurance loss and loss expense reserves, net of estimated representation and warranty subrogation recoverables of \$1,816,289 (\$1,844,116 gross of reinsurance) as of September 30, 2017, and estimated credit impairment losses on credit derivatives. Additionally, it excludes impairment losses (recoverables) eliminated as a result of the Consolidations Accounting Standard of \$(4,462).
- (4) Total estimated impairment losses includes loss and loss expenses relating to insurance policies issued by Ambac UK of \$295,722 (\$290,818 loss reserves and \$4,904 loss expense reserves).

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

(\$ in thousands)	1Q	2Q	3Q	4Q	Year-to Date
2017					
Public Finance	\$ 18,682	\$ 17,589	\$ 14,701	\$ —	\$ 50,972
Structured Finance ⁽¹⁾	5,657	5,214	5,607	—	16,478
International Finance	6,994	7,159	6,503	—	20,656
Total Normal Insurance Premiums Earned	31,333	29,962	26,811	—	88,106
Accelerated Premiums Earned	16,280	13,190	26,178	—	55,648
Total Premiums Earned	\$ 47,613	\$ 43,152	\$ 52,989	\$ —	\$ 143,754
Fees on credit derivative contracts	\$ 199	\$ 1,134	\$ 134	\$ —	\$ 1,467

(\$ in thousands)	1Q	2Q	3Q	4Q	Full Year
2016					
Public Finance	\$ 21,651	\$ 21,660	\$ 20,836	\$ 20,655	\$ 84,802
Structured Finance ⁽¹⁾	7,418	6,109	6,406	7,764	27,697
International Finance	8,755	8,552	7,802	7,263	32,372
Total Normal Insurance Premiums Earned	37,824	36,321	35,044	35,682	144,871
Accelerated Premiums Earned	14,976	5,081	18,174	14,185	52,416
Total Premiums Earned	\$ 52,800	\$ 41,402	\$ 53,218	\$ 49,867	\$ 197,287
Fees on credit derivative contracts	\$ 252	\$ 233	\$ 226	\$ 201	\$ 912

Net Unearned Premium Amortization and Estimated Future Installment Premiums

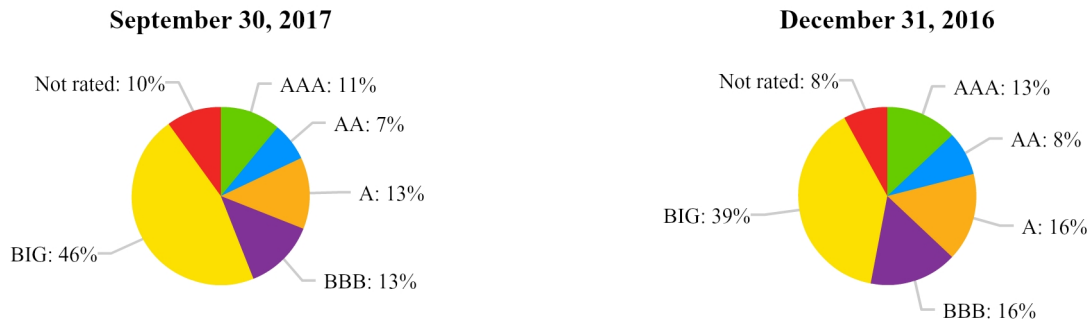
(\$ in millions)	Net Unearned Premium Amortization (GAAP) ⁽²⁾	Fees on Credit Derivative Contracts ⁽³⁾	Estimated Net Future Installments ⁽³⁾	Consolidated VIE ⁽⁴⁾
2017 (Three Months)	\$ 19.4	\$ 0.2	\$ 14.4	\$ 4.2
2018	69.1	0.4	55.0	32.0
2019	62.7	0.4	55.9	10.1
2020	58.5	0.4	45.9	9.6
2021	53.3	0.3	39.1	9.0
2022	49.5	0.3	36.6	8.6
2017 (Three Months)	\$ 19.4	\$ 0.2	\$ 14.4	\$ 4.2
2018-2022	293.1	1.8	232.5	69.3
2023-2027	201.1	0.3	156.6	35.9
2028-2032	133.6	—	121.4	24.4
2033-2037	73.1	—	70.1	13.1
After 2037	42.5	—	42.3	—
Total	\$ 762.8	\$ 2.3	\$ 637.3	\$ 146.9

- (1) Reductions/(increases) to net insurance premiums earned for changes in premium receivables deemed uncollectible were \$17, \$351 and (\$5) for the first, second and third quarters of 2017, and (\$13), \$709, \$100 and (\$1,644) for the first, second, third and fourth quarters of 2016, respectively.
- (2) Represents unearned premium amounts for both upfront and installment paying policies, net of deferred ceded premiums, which is reported separately as an asset on Ambac's Consolidated Balance Sheet. Depicts amortization of existing guaranteed portfolio, assuming no advance refunding as of September 30, 2017. 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 considers the use of contractual lives for many bond types that do not have homogeneous pools of underlying collateral, which may result in different unearned premium than if expected lives were considered. Therefore, if installment paying policies are retired early, premium earnings may be negative in the period of call or refinancing.
- (3) Represents management's undiscounted estimate of fees on credit derivative contracts and 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 exclude amounts eliminated as a result of consolidating variable interest entities ("Consolidated VIE") as required under the Consolidations Accounting Standard.
- (4) Estimated net future installment amounts eliminated under the U.S. GAAP Consolidations Accounting Standard; not included in Estimated Net Future Installments.

Investment Portfolio
As of September 30, 2017

INCOME ANALYSIS BY TYPE OF SECURITY Investment category (\$ in thousands)	U.S. GAAP Carrying Value	U. S. GAAP Book Value	Pre-tax Yield to Maturity ⁽¹⁾
Ambac Assurance and Subsidiaries:			
Long-term investments			
U.S. government and agency obligation	\$ 53,886	\$ 54,033	1.37%
Municipal obligations	104,456	104,539	3.78%
Corporate obligations	1,165,519	1,160,121	2.75%
Ambac insured residential mortgage-backed securities ⁽²⁾	2,263,493	2,181,932	10.05%
Ambac insured non-RMBS ⁽²⁾	586,418	579,183	5.91%
Mortgage and asset-backed securities	444,367	437,578	5.06%
Other ⁽³⁾	29,808	29,808	4.86%
Total long-term investments	4,647,947	4,547,194	6.91%
Short-term investments	726,992	727,129	1.27%
Total Ambac Assurance and Subsidiaries investments excluding Ambac UK	5,374,939	5,274,323	6.12%
Ambac UK Investments ⁽²⁾⁽⁴⁾	690,004	638,610	5.41%
Total Ambac Assurance and Subsidiaries investments	6,064,943	5,912,933	6.06%
Ambac Financial Group:			
Long-term investments			
Corporate obligations	3,286	3,289	
Ambac insured residential mortgage-backed securities ⁽²⁾	5,943	5,506	
Asset-backed securities	28,840	28,858	
Total long-term investments	38,069	37,653	
Short-term investments	57,306	57,319	
Other ⁽⁵⁾	73,727	73,727	
Total Ambac Financial Group investments ⁽⁶⁾	169,102	168,699	
Total Investments	\$ 6,234,045	\$ 6,081,632	

RATINGS DISTRIBUTION OF THE FIXED INCOME INVESTMENT PORTFOLIO ^{(2) (7)}



Duration of financial guarantee investment portfolio ⁽²⁾ 3.1

- (1) Yield to maturity refers to the rate of interest to be earned over the remaining life of the investments based on book value. For mortgage and other asset-backed securities remaining life is calculated using estimated future cash flows. For floating rate positions, yield to maturity is based on the current interest rate and not forward rates.
- (2) BIG and not rated securities include Ambac insured bonds that Ambac Assurance or Ambac UK has internally rated BIG. These securities represent 55% and 43% of the consolidated fair value of the fixed income investment portfolio at September 30, 2017 and December 31, 2016, respectively, and are excluded from the company's measure of duration.
- (3) Represents equity interests in pooled funds that invest in primarily high yield loans and debt instruments. The yield to maturity is based on the market value of the instruments within the fund.
- (4) Includes fixed income investments as well as pooled investment funds. The pre-tax yield to maturity is from the fixed income portfolio and pooled funds that invest in fixed income instruments. Pooled fund investments in property, hedge funds and equities are not included in the pre-tax yield.
- (5) Represents interests in an unconsolidated trust in connection with the 2014 sale of Segregated Account Junior Surplus Notes.
- (6) Excludes \$203,531 fair value of Ambac Assurance and Segregated Account of Ambac Assurance surplus notes owned by Ambac Financial Group, Inc. that are eliminated in consolidation and \$8,425 of cash and cash equivalents.
- (7) Ratings are based on the lower of Moody's or S&P ratings. If ratings are unavailable from Moody's or S&P, Fitch ratings are used. If guaranteed, rating represents the higher of the underlying or wrapped rating. Rating distribution is calculated based on fair value.

Expenses Analysis (GAAP)

(\$ in thousands)	1Q	2Q	3Q	4Q	Year-to Date
2017:					
Ambac Assurance & Subsidiaries:					
Compensation					
Salaries.....	\$ 7,488	\$ 7,568	\$ 7,482	\$ —	\$ 22,538
Incentive Compensation ⁽¹⁾	3,761	3,213	4,513	—	11,487
Other Compensation ⁽²⁾	528	528	3,782	—	4,838
Total Compensation	11,777	11,309	15,777	—	38,863
Non-Compensation					
Legal, Consulting & Advisory Services.....	7,677	12,155	11,341	—	31,173
Premises.....	865	721	742	—	2,328
Audit.....	729	558	587	—	1,874
Subscriptions & Data Access.....	515	641	638	—	1,794
Other Non-Compensation ⁽³⁾	4,551	2,811	2,305	—	9,667
Total Non-Compensation	14,337	16,886	15,613	—	46,836
Total	26,114	28,195	31,390	—	85,699
Ambac Financial Group	1,523	2,898	2,335	—	6,756
Total gross operating expenses	27,637	31,093	33,725	—	92,455
Ceding commissions.....	343	(42)	66	—	367
Total operating expenses	\$ 27,980	\$ 31,051	\$ 33,791	\$ —	\$ 92,822

(\$ in thousands)	1Q	2Q	3Q	4Q	Full Year
2016:					
Ambac Assurance & Subsidiaries:					
Compensation					
Salaries.....	\$ 8,284	\$ 8,555	\$ 7,627	\$ 7,560	\$ 32,026
Incentive Compensation ⁽¹⁾	3,872	4,365	4,135	1,974	14,346
Other Compensation ⁽²⁾	1,350	2,128	1,181	3,036	7,695
Total Compensation	13,506	15,048	12,943	12,570	54,067
Non-Compensation					
Legal, Consulting & Advisory Services.....	5,078	4,675	3,987	6,386	20,126
Premises.....	901	797	808	757	3,263
Audit.....	977	527	637	559	2,700
Subscriptions & Data Access.....	441	737	694	785	2,657
Other Non-Compensation ⁽³⁾	2,651	2,965	384	11,802	17,802
Total Non-Compensation	10,048	9,701	6,510	20,289	46,548
Total	23,554	24,749	19,453	32,859	100,615
Ambac Financial Group	3,488	3,054	1,679	3,265	11,486
Total gross operating expenses	27,042	27,803	21,132	36,124	112,101
Ceding commissions.....	967	192	334	66	1,559
Total operating expenses	\$ 28,009	\$ 27,995	\$ 21,466	\$ 36,190	\$ 113,660

(1) Incentive compensation includes short-term and long-term incentive awards, including both cash and equity based awards

(2) Other compensation includes severance, payroll taxes, medical and other benefits

(3) Other non-compensation includes \$1,500 and \$10,000 in the three months ended March 31, 2017 and December 31, 2016, respectively related to changes in litigation contingencies

Historical Net Financial Guarantee Exposures Outstanding ^{(1) (2) (3)}

(\$ in millions net par value)	September	December 31,			Segregated
	30, 2017	2016	2015	2014	Account September 30, 2017
Public Finance ⁽⁴⁾:					
Lease and tax-backed revenue	\$ 12,708	\$ 15,688	\$ 22,060	\$ 33,411	\$ —
General obligation.....	6,921	9,867	15,946	22,699	—
Housing revenue	6,347	6,508	6,810	7,108	—
Transportation revenue	2,673	3,860	5,589	7,738	168
Utility revenue	2,572	4,298	8,218	11,687	24
Higher education.....	1,725	2,339	3,439	6,389	—
Health care revenue	819	1,484	2,234	3,106	82
Other	1,004	1,018	1,140	1,310	—
Total Public Finance.....	34,769	45,062	65,436	93,448	274
Structured Finance:					
Mortgage-backed and home equity.....	8,031	9,383	11,387	13,686	8,031
Investor-owned utilities	3,499	3,833	4,921	5,411	41
Student loan	1,285	1,388	2,323	3,390	1,285
Asset-backed.....	487	565	1,140	1,335	—
CDOs	36	132	306	637	—
Other	1,606	1,650	1,737	1,875	175
Total Structured Finance.....	14,944	16,951	21,814	26,334	9,532
International Finance ⁽⁵⁾:					
Investor-owned and public utilities.....	5,828	6,168	7,208	8,455	—
Sovereign/sub-sovereign.....	5,616	5,211	6,218	6,758	—
Asset-backed.....	2,651	2,951	3,870	4,442	—
Transportation.....	1,855	1,700	2,118	3,425	369
Mortgage-backed and home equity.....	252	254	347	410	—
CDOs	—	186	190	233	—
Other	813	863	1,098	1,229	—
Total International Finance.....	17,015	17,333	21,049	24,952	369
Total.....	\$ 66,728	\$ 79,346	\$ 108,299	\$ 144,734	\$ 10,175
Percent of Total Net Par Outstanding					
Public Finance	52.1%	56.8%	60.4%	64.6%	2.7%
Structured Finance.....	22.4%	21.4%	20.1%	18.2%	93.7%
International Finance	25.5%	21.8%	19.5%	17.2%	3.6%
Total Net Par Outstanding.....	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes structured credit derivative net par outstanding of \$397, \$737, \$971 and \$1,530 at September 30, 2017, and December 31, 2016, 2015 and 2014, respectively.

(2) Includes net par exposures insured by Ambac UK of \$15,790, \$15,082, \$17,847 and \$21,015 at September 30, 2017, and December 31, 2016, 2015 and 2014, respectively.

(3) Includes exposure to policies allocated to the Segregated Account.

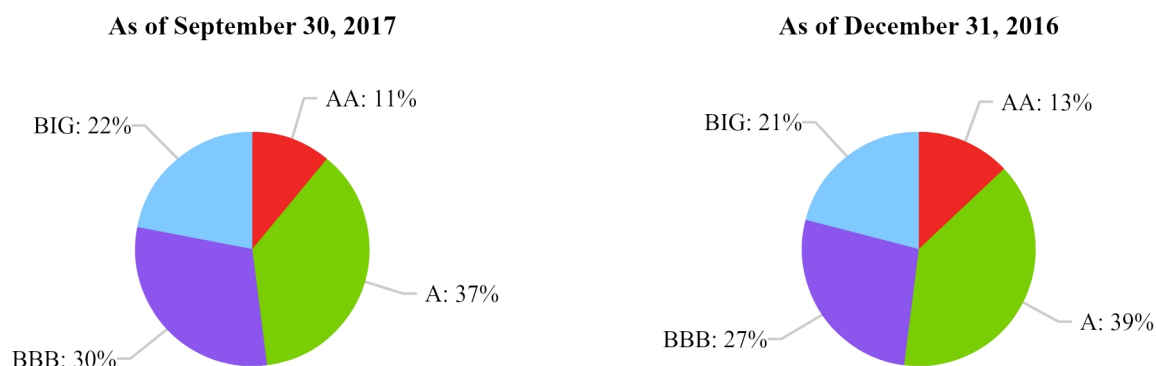
(4) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.

(5) International transactions include components of domestic exposure.

Geographic Distribution of Net Financial Guarantee Exposures Outstanding

(\$ millions net par value)	September 30,		December 31,		
	2017	%	2016	2015	2014
Domestic:					
Mortgage and asset-backed ⁽¹⁾	\$ 8,518	12.8 %	\$ 9,948	\$ 12,527	\$ 15,021
California	6,966	10.4 %	10,301	15,461	20,744
New York	3,958	5.9 %	4,270	5,719	9,245
New Jersey	3,355	5.0 %	3,699	4,422	5,464
Colorado	2,555	3.8 %	2,701	3,313	3,574
Florida	2,241	3.4 %	2,806	4,481	6,805
Texas	2,042	3.1 %	2,609	3,916	6,095
Puerto Rico	1,968	2.9 %	2,058	2,163	2,437
Illinois	1,917	2.9 %	2,423	3,599	4,326
Pennsylvania	1,530	2.3 %	1,769	2,414	3,082
Massachusetts	1,421	2.1 %	1,521	2,157	4,154
Other domestic	13,242	19.8 %	17,908	27,078	38,835
Total Domestic	49,713	74.5 %	62,013	87,250	119,782
International:					
United Kingdom	13,478	20.2 %	12,798	15,494	17,998
Italy	876	1.3 %	898	948	1,415
Australia	770	1.2 %	1,393	1,851	2,168
Austria	685	1.0 %	696	737	841
France	324	0.5 %	286	288	88
Internationally diversified ⁽²⁾	397	0.6 %	648	974	1,225
Other international	485	0.7 %	614	757	1,217
Total International Finance	17,015	25.5 %	17,333	21,049	24,952
Total	\$ 66,728	100.0 %	\$ 79,346	\$ 108,299	\$ 144,734

Rating Distribution of Net Financial Guarantee Exposures Outstanding ^{(3) (4)}



(1) Mortgage and asset-backed obligations includes guarantees with multiple locations of risk within the United States and is primarily comprised of residential mortgage and commercial asset-backed securitizations.

(2) Internationally diversified may include components of U.S. exposure.

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

(4) AAA is less than 1% in both periods.

25 Largest Domestic Public Finance Exposures ⁽¹⁾

As of September 30, 2017

(\$ in millions)	Ambac Rating ⁽²⁾	Net Par Outstanding	% of Total Net Par Outstanding
New Jersey Transportation Trust Fund Authority - Transportation System	BBB+	\$ 1,642	2.5 %
Puerto Rico Sales Tax Financing Corporation - Senior Sales Tax Revenue (COFINA) ..	BIG	805	1.2 %
Massachusetts Commonwealth - GO	AA	802	1.2 %
Mets Queens Baseball Stadium Project, NY, Lease Revenue	BBB	564	0.8 %
Hickam Community Housing LLC	BBB	474	0.7 %
Chicago, IL - GO	BBB-	452	0.7 %
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	BIG	438	0.7 %
Puerto Rico Highways & Transportation Authority, Transportation Revenue	BIG	433	0.6 %
Bragg Communities, LLC	A-	431	0.6 %
Metropolitan Washington Airports Authority, DC, Airport System Revenue	AA-	408	0.6 %
New Jersey Economic Development Authority - School Facilities Construction	BBB+	400	0.6 %
Massachusetts Port Authority Special Facility Revenue Bonds	BIG	368	0.6 %
Washington DC Convention Center Authority, Dedicated Tax Revenue	A-	340	0.5 %
Monterey Bay, CA - Military Housing	BBB+	335	0.5 %
Fort Bliss/White Sand Missile Range Housing LP	BBB+	314	0.5 %
Northeast Housing LLC	BBB-	306	0.5 %
Delaware Valley Regional Finance Authority - Local Government Pool	A	300	0.4 %
San Jose California Merged Tax Allocation	BBB	297	0.4 %
Meade Communities, LLC	A	292	0.4 %
Hampton Roads PPV, LLC	A	287	0.4 %
California State - GO	A	280	0.4 %
BLB Privatized Housing, LLC	A-	270	0.4 %
Riley Communities LLC	A+	269	0.4 %
Stewart Hunter Housing, GA	BBB	258	0.4 %
Chicago Public Schools	BIG	256	0.4 %
Total		\$ 11,021	16.5%

(1) Net par exposures within the U.S. public finance market include capital appreciation bonds which are reported at the par amount at the time of issuance of the insurance policy as opposed to the current accreted value of the bonds.

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

25 Largest Structured Finance Exposures

As of September 30, 2017

(\$ in millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
Ballantyne Re Plc ⁽²⁾	BIG	\$ 900	1.3%
Wachovia Asset Securitization Issuance II, LLC 2007-HE2 ⁽³⁾	BIG	569	0.9%
Progress Energy Carolinas, Inc.	A-	558	0.8%
Timberlake Financial, LLC	BBB	532	0.8%
Wachovia Asset Securitization Issuance II, LLC 2007-HE1 ⁽³⁾	BIG	399	0.6%
CenterPoint Energy Inc.	BBB+	376	0.6%
Consolidated Edison Company of New York	A	347	0.5%
Option One Mortgage Loan Trust 2007-FXD1 ⁽³⁾	BIG	294	0.4%
Niagara Mohawk Power Corporation	A	257	0.4%
Duke Energy Ohio, Inc.	BBB+	255	0.4%
Countrywide Asset-Backed Certificates Trust 2005-16 ⁽³⁾	BIG	247	0.4%
Impac CMB Trust Series 2005-7 ⁽³⁾	BIG	240	0.4%
The National Collegiate Student Loan Trust 2007-4 ⁽³⁾	BIG	237	0.4%
Terwin Mortgage Trust Asset-Backed Certificates, Series 2006-6 ⁽³⁾	BIG	224	0.3%
Countrywide Asset Backed Certificates Trust 2005-17 ⁽³⁾	BIG	203	0.3%
Countrywide Revolving Home Equity Loan Trust 2005-F ⁽³⁾	BIG	190	0.3%
Ownit Mortgage Trust 2006-OT1 ⁽³⁾	BIG	186	0.3%
Countrywide Asset Backed Certificates Trust 2006-11 ⁽³⁾	BIG	185	0.3%
Basin Electric Power Cooperative	A	179	0.3%
The National Collegiate Student Loan Trust 2005-3 ⁽³⁾	BIG	169	0.3%
EQCC Trust 2001-1F ⁽³⁾	BIG	158	0.2%
Privately Placed RMBS Transaction ⁽³⁾	BIG	142	0.2%
Capco - Excess SIPC Excess of Loss Reinsurance II ⁽³⁾	BBB	137	0.2%
The National Collegiate Student Loan Trust 2007-3 ⁽³⁾	BIG	137	0.2%
Trinity Rail Leasing V L.P. 2006-1A Notes	BBB-	130	0.2%
Total		\$ 7,251	10.9%

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

(2) Guaranteed by Ambac UK.

(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 all or a portion of this transaction to the Segregated Account.

25 Largest International Finance Exposures

As of September 30, 2017

(\$ in millions)	Ambac Rating ⁽¹⁾	Net Par Outstanding	% of Total Net Par Outstanding
Mitchells & Butlers Finance plc-UK Pub Securitisation ⁽²⁾	A+	\$ 1,483	2.2%
National Grid Electricity Transmission ⁽²⁾	A-	1,121	1.7%
Aspire Defence Finance plc ⁽²⁾	BBB+	921	1.4%
Capital Hospitals plc ⁽²⁾⁽³⁾	A-	911	1.4%
Posillipo Finance II S.r.l ⁽²⁾	BBB-	817	1.2%
Anglian Water ⁽²⁾	A-	783	1.2%
Telereal Securitisation plc ⁽²⁾	AA	771	1.2%
Ostregion Investmentgesellschaft NR 1 SA ⁽²⁾⁽³⁾	BIG	770	1.2%
National Grid Gas ⁽²⁾	A-	723	1.1%
RMPA Services plc ⁽²⁾	BBB+	616	0.9%
Catalyst Healthcare (Manchester) Financing plc ⁽²⁾⁽³⁾	BBB-	551	0.8%
South East Water (Finance) Limited ⁽²⁾	BBB	491	0.7%
Scottish Power UK plc ⁽²⁾⁽⁴⁾	BBB+	402	0.6%
Northern Powergrid (Yorkshire) plc ⁽²⁾	BBB+	369	0.6%
Scotia Gas Networks (Scotland Gas) ⁽²⁾	BBB+	302	0.5%
Airspeed Limited	BIG	301	0.5%
Road Management Services (Finance) plc. ⁽²⁾⁽³⁾	BBB+	299	0.4%
FCC Surf ⁽⁴⁾	A-	295	0.4%
Scotia Gas Networks (Southern Gas) ⁽²⁾	BBB+	288	0.4%
Annes Gate Property Plc ⁽²⁾	BBB+	284	0.4%
Northern Powergrid Holdco ⁽²⁾	BBB	268	0.4%
Arsenal Securities Plc ⁽²⁾	BBB-	244	0.4%
BY Chelmer plc ⁽²⁾	A-	232	0.3%
Hydro Quebec ⁽²⁾	A+	226	0.3%
Sydney Airport	BBB	218	0.3%
Total		<u>\$ 13,686</u>	<u>20.5%</u>

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

(2) All or a portion of transaction guaranteed by Ambac UK.

(3) Ambac Assurance has issued an insurance policy for this transaction that will only pay in the event that Ambac UK does not pay under its insurance policy.

(4) 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 all or a portion of this transaction to the Segregated Account.

Net Exposure Amortization ⁽¹⁾
As of September 30, 2017

(\$ in millions)	Total Including Segregated Account		Segregated Account	
	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force	Estimated Net Debt Service Amortization	Ending Net Financial Guarantees in Force
2017 (Three Months).....	\$ 2,214	\$ 104,718	\$ 401	\$ 12,009
2018.....	8,207	96,511	1,454	10,555
2019.....	6,868	89,643	1,235	9,320
2020.....	6,598	83,045	1,082	8,238
2021.....	6,307	76,738	974	7,264
2022.....	5,887	70,851	908	6,356
2017 (Three Months).....	\$ 2,214	\$ 104,718	\$ 401	\$ 12,009
2018-2022.....	33,867	70,851	5,653	6,356
2023-2027.....	22,746	48,105	2,213	4,143
2028-2032.....	16,795	31,310	1,200	2,943
2033-2037.....	16,409	14,901	2,336	607
After 2037.....	14,901	—	607	—
Total	\$ 106,932		\$ 12,410	

(1) Depicts amortization of existing guaranteed portfolio (principal and interest), assuming no advance refundings, as of September 30, 2017. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay guaranteed obligations.