



PUERTO RICO EXPOSURE

JULY 2014

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PUERTO RICO EXPOSURE & RATINGS SUMMARY (AS OF JUNE 30, 2014)

Ambac Puerto Rico Exposure (\$ in millions) as of June 30, 2014:							
Single Risk	Gross Par ²	Net Par ^{2,3}	Gross Principal & Interest	Net Principal & Interest ^{3,4}	Maturity	Credit Class	Rating
General Fund Debt:							
1 PR Commonwealth GO ¹	59.0	59.0	79.8	79.8	2023	C1A	BIG
2 PR Public Buildings Authority Revenue - GO Guaranty ¹	191.2	191.2	313.9	313.9	2035	C1A	BIG
Subtotal	<u>250.2</u>	<u>250.2</u>	<u>393.7</u>	<u>393.7</u>			
Revenue Debt:							
3 PR Highway and Transp'n Revenue 1968 Resolution - Highway Rev	27.5	26.5	38.3	37.1	2027	C3	BIG
4 PR Highway and Transp'n Revenue 1998 Resolution - Senior Transp'n Rev	732.3	706.0	1,486.8	1,432.9	2045	C3	BIG
5 PR Infrastructure Financing Special Tax Revenue (Rum Tax) ¹	573.9	560.7	1,193.5	1,166.1	2044	C2	BIG
6 Convention Center (Hotel Occupancy Tax)	137.1	137.1	219.3	219.3	2031	C2	BIG
7 Sales Tax Rev (COFINA) ¹	808.5	804.7	7,355.4	7,321.3	2054	C1A	BIG
Subtotal	<u>2,279.3</u>	<u>2,235.0</u>	<u>10,293.3</u>	<u>10,176.7</u>			
Grand total	<u>2,529.5</u>	<u>2,485.2</u>	<u>10,687.0</u>	<u>10,570.4</u>			

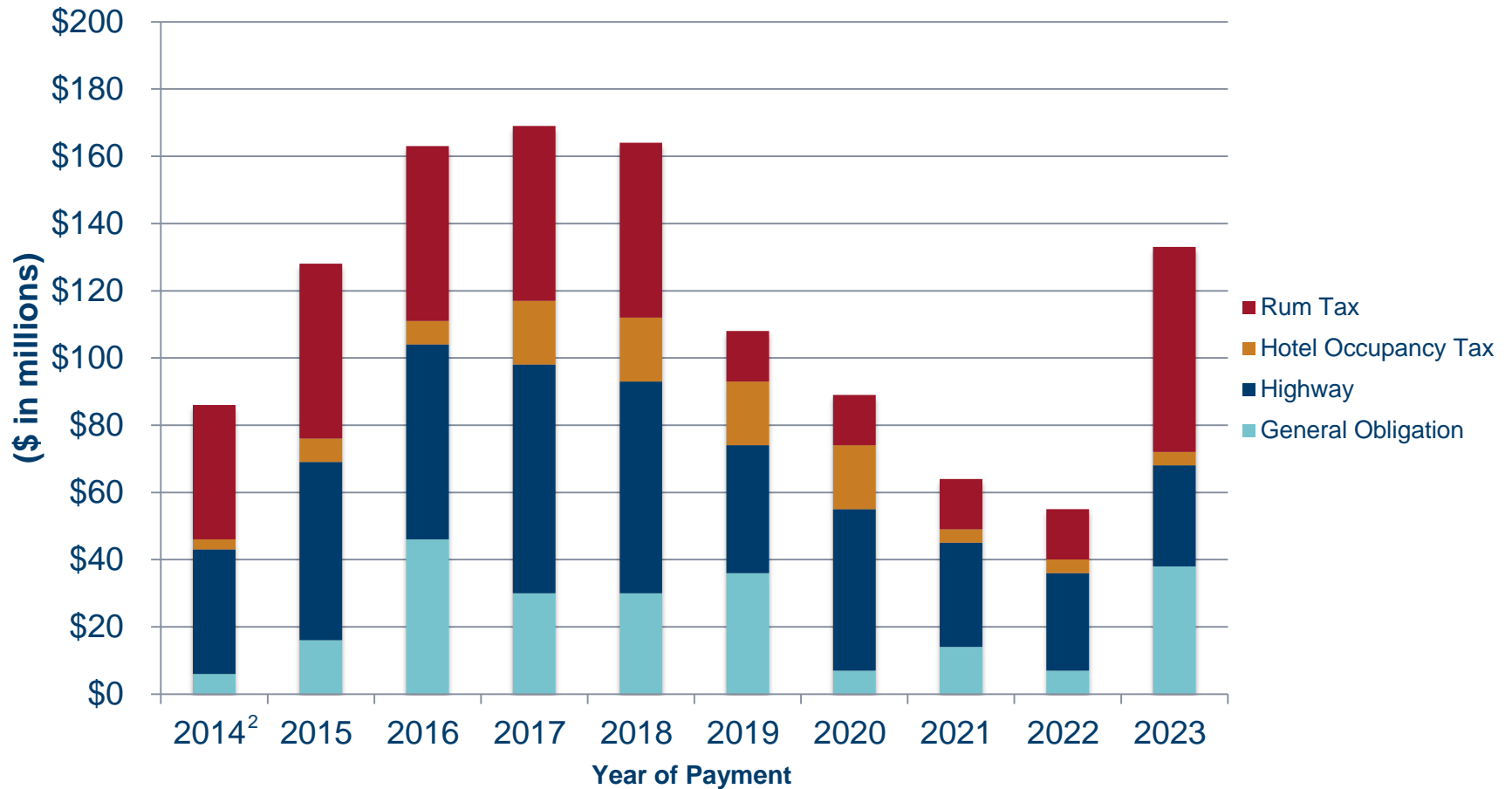
¹ Specifically excluded from The Puerto Rico Public Corporations Debt Enforcement and Recovery Act

² Gross Par and Net Par include capital appreciation bonds ("CABS") which are reported at the par amount at the time of issuance of the insurance policy

³ Net Par and Net Principal & Interest are net of reinsurance

⁴ On of July 1, 2014 Net Principal & Interest decreased by \$86.6 million due to regularly scheduled debt service

SCHEDULE OF NET DEBT SERVICE¹ ON INSURED DEBT (AS OF JUNE 30, 2014)



¹ Net of reinsurance

² On July 1, 2014 Net Principal & Interest decreased by \$86.6 million due to regularly scheduled debt service

PUERTO RICO NET PRINCIPAL AND INTEREST¹ AMORTIZATION

Net Principal and Interest Amortization of Ambac Insured Puerto Rico Exposures by Calendar Year (\$ in millions)								
Calendar Year	Commonwealth GO	Public Bldg - GO Guaranteed	Senior Highway (1968)	Senior Transportation (1998)	Rum Tax	Hotel Occupancy Tax	Sales Tax (COFINA)	Total P & I
2014 (Jul - Dec) ²	1.5	5.0	0.6	36.0	40.1	3.4	-	86.6
2015	5.9	10.1	1.2	51.8	52.0	6.9	-	127.9
2016	2.7	43.7	1.2	56.8	52.0	6.9	-	163.3
2017	2.7	27.1	13.7	54.6	52.0	18.6	-	168.7
2018	2.7	27.1	10.1	52.8	52.0	18.6	-	163.3
2019	27.7	8.6	-	37.8	15.2	18.6	-	107.9
2020	1.4	5.9	-	48.2	15.2	18.6	-	89.3
2021	1.4	12.9	1.3	30.0	15.2	4.3	-	65.1
2022	1.4	5.5	-	29.5	15.2	4.3	-	55.9
2023	32.4	5.5	-	30.5	60.8	4.3	-	133.5
2024	-	5.5	-	30.0	60.8	4.3	-	100.6
2025	-	5.5	1.0	30.0	60.8	4.3	-	101.6
2026	-	5.5	1.0	31.5	60.8	4.3	-	103.1
2027	-	5.5	7.0	57.9	60.8	4.3	-	135.5
2028	-	5.5	-	57.6	60.8	24.3	-	148.2
2029	-	5.5	-	57.8	68.7	24.3	-	156.3
2030	-	31.0	-	84.8	-	24.3	-	140.1
2031	-	27.9	-	104.2	-	24.7	-	156.8
2032	-	2.9	-	17.7	-	-	-	20.6
2033	-	2.9	-	17.7	-	-	-	20.6
2034	-	29.5	-	17.7	68.7	-	-	115.9
2035	-	35.3	-	17.7	68.7	-	-	121.7
2036	-	-	-	75.8	68.7	-	-	144.5
2037	-	-	-	75.8	49.1	-	-	124.9
2038	-	-	-	51.2	-	-	-	51.2
2039	-	-	-	9.4	-	-	-	9.4
2040	-	-	-	9.4	-	-	-	9.4
2041	-	-	-	9.4	-	-	-	9.4
2042	-	-	-	90.4	-	-	-	90.4
2043	-	-	-	68.9	84.0	-	-	152.9
2044	-	-	-	45.1	84.5	-	-	129.6
2045	-	-	-	44.9	-	-	-	44.9
2046	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	786.2	786.2
2048	-	-	-	-	-	-	820.2	820.2
2049	-	-	-	-	-	-	855.5	855.5
2050	-	-	-	-	-	-	892.3	892.3
2051	-	-	-	-	-	-	930.5	930.5
2052	-	-	-	-	-	-	970.3	970.3
2053	-	-	-	-	-	-	1,011.7	1,011.7
2054	-	-	-	-	-	-	1,054.6	1,054.6
Grand Total	79.8	313.9	37.1	1,432.9	1,166.1	219.3	7,321.3	10,570.4

¹ Net of reinsurance

² On July 1, 2014 Net Principal & Interest decreased by \$86.6 million due to regularly scheduled debt service

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” in Part I, Item 1A of the 2013 Annual Report on Form 10-K and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the three month period ended March 31, 2014, and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2 of the Quarterly Report on Form 10-Q for the three month period ended March 31, 2014.

Any or all of management’s forward-looking statements here or in other publications may turn out to be incorrect and are based on management’s current belief or opinions. Ambac’s actual results may vary materially, and there are no guarantees about the performance of Ambac’s securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially are: (1) volatility in the price of Ambac’s common stock; (2) uncertainty concerning our ability to achieve value for holders of Ambac securities, whether from Ambac Assurance Corporation (“Ambac Assurance”) or from new business opportunities, including risks associated with the possible dilution of the ownership interests of our stockholders; (3) our inability to achieve the financial results projected during our Chapter 11 proceeding; (4) potential of rehabilitation proceedings against Ambac Assurance; (5) decisions made by the Rehabilitator of the Segregated Account of Ambac Assurance Corporation (the “Segregated Account”) for the benefit of policyholders that may result in material adverse consequences for Ambac’s security holders; (6) our inability to realize the expected recoveries included in our financial statements; (7) intercompany disputes or disputes with the Rehabilitator of the Segregated Account; (8) material changes to the Segregated Account rehabilitation plan or to current rules and procedures governing the payment of permitted policy claims, with resulting adverse impacts; (9) decisions of the Rehabilitator concerning payments of deferred claim amounts or payments on surplus notes, the timing or magnitude of which is disadvantageous to Ambac, (10) increased fiscal stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings by municipal issuers; (11) adverse events arising from the rehabilitation proceedings for the Segregated Account, including the failure of the injunctions issued by the Wisconsin rehabilitation court to protect the Segregated Account and Ambac Assurance from certain adverse actions; (12) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan or from rules and procedures governing the payment of permitted policy claims; (13) credit risk throughout our business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, collateralized loan obligations, public finance obligations and exposures to reinsurers; (14) risks attendant to the change in composition of securities in our investment portfolio; (15) inadequacy of reserves established for losses and loss expenses; (16) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (17) changes in prevailing interest rates; (18) factors that may influence the amount of installment premiums paid to Ambac, including the Segregated Account rehabilitation proceedings; (19) default by one or more of Ambac Assurance’s portfolio investments, insured issuers or counterparties; (20) market risks impacting assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap transactions; (21) risks relating to determinations of amounts of impairments taken on investments; (22) credit and liquidity risks due to unscheduled and unanticipated withdrawals on investment agreements; (23) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (24) system security risks; (25) the effects of U.S. fiscal policies; (26) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (27) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (28) changes in accounting principles or practices that may impact Ambac’s financial results, including those resulting from potential amendments to the Segregated Account Rehabilitation Plan; (29) legislative and regulatory developments; (30) operational risks, including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (31) Ambac’s financial position and the Segregated Account rehabilitation proceedings that may prompt departures of key employees and may impact our ability to attract qualified executives and employees; and (32) other risks and uncertainties that have not been identified at this time.