

Ambac Financial Group, Inc.

Charter of the Compensation Committee of the Board of Directors

(Adopted by the Board on October 31, 2014)

I. Purpose.

This Charter specifies the scope and responsibilities of the Compensation Committee (the “Committee”) of the Board of Directors of Ambac Financial Group, Inc. (the “Company”) and the manner in which those responsibilities shall be performed, including its structure, process and membership requirements. The Committee is established by the Board of Directors (the “Board”) for the primary purpose of assisting the Board in:

- Ensuring that the compensation strategies of the Company support and enhance its strategic objectives;
- Overseeing the annual base salary and annual incentive compensation of each Executive Officer of the Corporation;
- Overseeing major compensation plans, policies and programs of the Company for its employees;
- Administering the Company’s equity-based compensation plans;
- Overseeing the Company’s compliance with the Securities and Exchange Commission’s rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in this Charter. In addition, the Committee will also undertake such other actions or duties as the Board may from time to time prescribe.

II. Resources and Authority.

- A. *Engagement of Advisors.* The Committee shall have the authority, in its sole discretion, to retain and terminate any adviser to assist it in the performance of its duties, but only after taking into consideration factors relevant to the adviser’s independence from management specified in NASDAQ Listing Rule 5605(d)(3). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Committee, and shall have sole authority to approve the adviser’s fees and the other terms and conditions of the adviser’s retention. The Company must provide for appropriate funding, as

determined by the Committee, for payment of reasonable compensation to any adviser retained by the Committee.

- B. ***Delegation to Subcommittees.*** In fulfilling its responsibilities, the Committee shall be entitled to delegate, in compliance with applicable listing rules and law, any or all of its responsibilities to a subcommittee of the Committee which shall be comprised of one or more Committee members.
- C. ***Employees.*** In carrying out its duties and responsibilities, the Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

III. **Structure and Process.**

- A. ***Composition and Qualifications.*** The Committee will be comprised of two or more directors as determined by the Board. Each Committee member will satisfy the requirements of qualifying as an "independent director" as defined under the rules of NASDAQ or such other securities exchange(s) on which the Company's securities are listed and the determination of independence will be made by the Board. At least two members of the Committee also shall qualify as "outside" directors within the meaning of Internal Revenue Code Section 162(m) and as "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. No member of the Committee shall be employed or otherwise affiliated with any compensation consultant employed by the Company, the Board, or the Committee.
- B. ***Appointment and Removal.*** The members of the Committee will be appointed by the Board on the recommendation of the Governance and Nominating Committee to serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee serve at the discretion of the Board and may be removed, with or without cause, by a majority vote of the Board.
- C. ***Chairperson.*** Unless a Chairperson is elected by the full Board, the members of the Committee may designate a Chairperson by majority vote.
- D. ***Compensation.*** Members and the Chairman of the Committee shall receive such fees, if any, for their service as Committee members and Chairman as may be determined by the Board, upon the recommendation of the Governance and Nominating Committee.

III. Meetings.

- A. ***Frequency and Notice.*** The Committee shall meet as often as necessary to carry out its responsibilities. The Committee may establish its own meeting schedule.
- B. ***Agenda and Board Materials.*** The Committee Chairperson will approve the agenda for the Committee's meetings and any member may suggest items for consideration. Briefing materials will be provided to the Committee as far in advance of meetings as practicable. The Committee Chairperson shall preside at each meeting. In the event the Committee Chairperson is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.
- C. ***Attendance.*** The Committee may request any Board member, officer or employee of or consultant to the Company or the Company's outside counsel or advisors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee may also exclude from its meetings any persons it deems appropriate.
- D. ***Reports and Minutes.*** The Committee will report its activities and actions to the Board on a regular basis and maintain minutes or other records of meetings and activity of the Committee, including actions taken by unanimous written consent, which will be filed with the minutes of the meetings of the Board.

IV. Duties and Responsibilities.

In fulfilling their responsibilities under this Charter, it is recognized that the members of the Committee are not full-time employees. Each member of the Committee shall be entitled to rely on the information, opinions, report or statements, and other data prepared or presented by officers or employees of the Company, its legal counsel, or other persons with professional or expert competence.

To fulfill its responsibilities and duties, the Committee will take the following actions:

- A. ***Evaluation and Compensation: Chief Executive Officer.*** Evaluate the performance of the Chief Executive Officer and determine and approve the Chief Executive Officer's compensation (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites) based on such evaluation. The Chief Executive Officer shall not be present during any Committee deliberations or voting with respect to his or her compensation.
- B. ***Evaluation and Compensation: Non-CEO Executive Officers.*** Determine all non-CEO Executive Officer compensation (including but not limited to salary, bonus,

incentive compensation, equity awards, benefits and perquisites). The Committee shall also review the procedures for the evaluation of the non-CEO Executive Officers and the results of the Chief Executive Officer's evaluation of such other officers.

- C. ***Incentive Compensation of Executive Officers.*** The Committee shall, periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (i) all incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (ii) any employment agreements and severance arrangements; (iii) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (iv) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
- D. ***Documents/reports/ information review.*** The Committee shall produce the annual Compensation Committee Report for inclusion in the Company's Annual Report on Form 10-K or proxy statement in compliance with the rules and regulations promulgated by the Securities and Exchange Commission (the "SEC"). The Committee shall review and discuss with management the Compensation Discussion and Analysis (the "CD&A") if required to be included in the Company's proxy statement and annual report on Form 10-K by the rules and regulations of the SEC, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.
- E. ***Compliance with Sarbanes-Oxley Act of 2002.*** The Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.
- F. ***Compliance with SEC Rules.*** The Committee shall oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.
- G. ***Employee Compensation Programs.*** Review annually the overall compensation principles of the Company governing the compensation and benefits of the officers and other employees of the Company. The Committee shall receive periodic reports on the Company's compensation programs as they affect all employees. The Committee shall review and approve the Company's major compensation plans, policies and programs for all employees.

- H. ***Selection of Peer Group.*** Select the peer group of companies that shall be used as a reference in determining competitive compensation packages.
- I. ***Options and Other Awards to employees.*** Make and approve grants of options and other awards to all eligible employees. The Committee may authorize one or more officers to (i) designate eligible individuals other than executive officers and directors to be recipients of equity compensation and (ii) determine, within an amount established by the Committee or the Board, the size of equity awards to be granted to each such recipient; provided, however, that no officer may designate himself or herself as such a recipient. Any officer to whom such authority is delegated shall regularly report to the Committee on the grants so made.

V. **Annual Performance Evaluation.**

The Committee shall periodically perform a review and self-evaluation of the performance of the Committee and its members, including a review of the compliance by the Committee with this Charter. In addition, the Committee shall periodically review and reassess the adequacy of this Charter and recommend to the Board any revisions to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.