

Available capital resources under Solvency II were a surplus of £196 million at December 31, 2020, of which £188 million are eligible to meet solvency capital requirements. This is an increase from December 31, 2019, when available capital resources were a surplus of £184 million of which £178 million were eligible to meet solvency capital requirements. Eligible capital resources at December 31, 2020 and December 31, 2019, are in comparison to regulatory capital requirements of £256 million and £208 million, respectively. Therefore, Ambac UK was deficient in terms of compliance with applicable regulatory capital requirements by £72 million and £30 million at December 31, 2020 and December 31, 2019, respectively. The deficit increased as at December 31, 2020, due to the combined impact of (i) the reduction in long term interest rates, which resulted in an increase in technical provision liabilities and hence a reduction in eligible own funds and (ii) an increase in capital requirements for non-life risk due to parameter changes within the solvency capital requirement calculation. The regulators are aware of the deficiency in capital resources as compared to capital requirements and dialogue between Ambac UK management and its regulators remains ongoing with respect to options for addressing the shortcoming, although such options remain few.