



## **PUERTO RICO EXPOSURE**

THIRD QUARTER 2015

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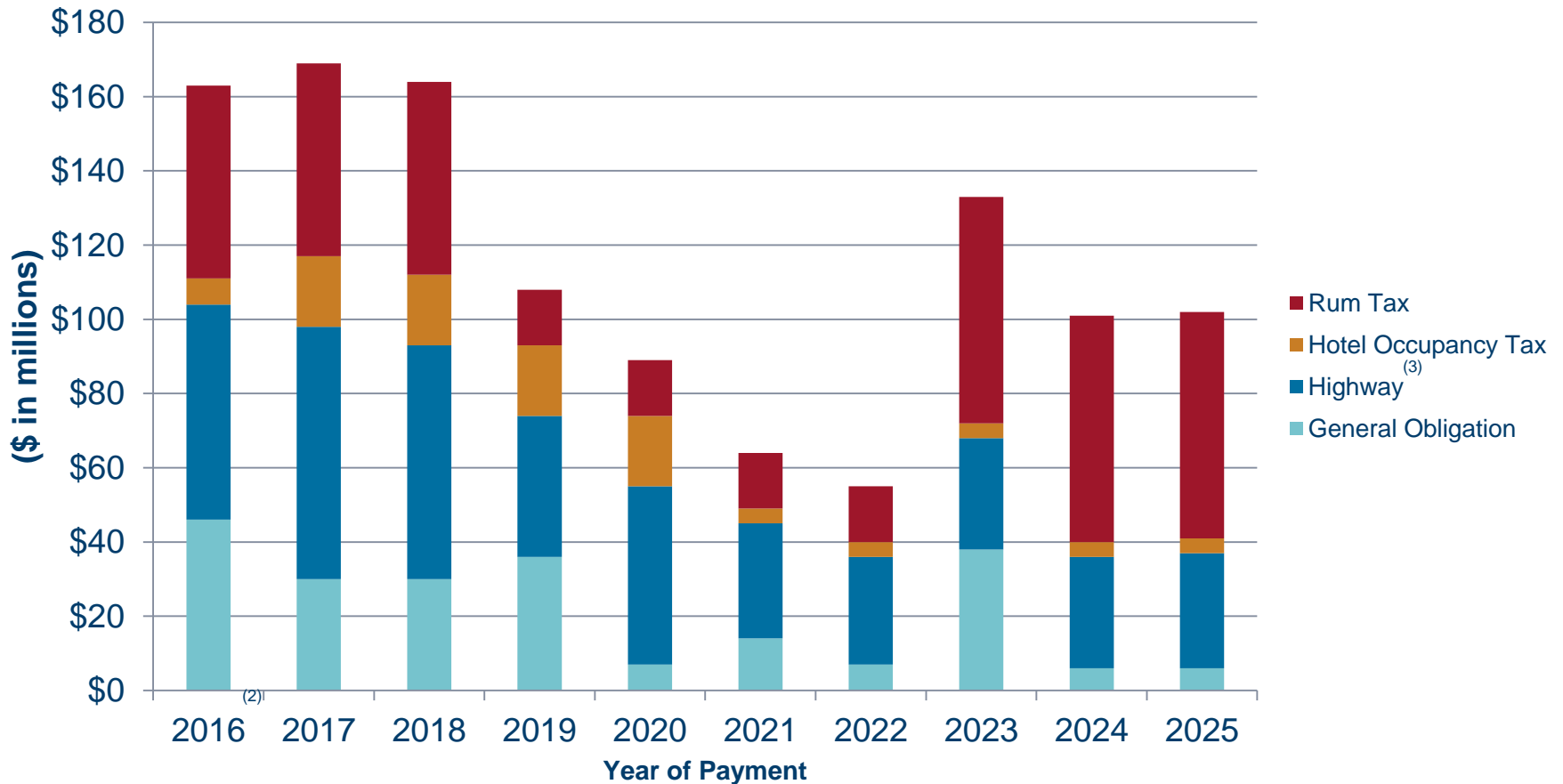
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# PUERTO RICO EXPOSURE & RATINGS SUMMARY

| Ambac Puerto Rico Exposure (\$ in millions) as of September 30, 2015:                  |                |                |                            |                          |          |              |        |                             |
|--|----------------|----------------|----------------------------|--------------------------|----------|--------------|--------|-----------------------------|
| Single Risk  | (1)            | (1),(2)        | (2)                        |                          | Maturity | Credit Class | Rating | (3)                         |
|  | Gross Par      | Net Par        | Gross Principal & Interest | Net Principal & Interest |          |              |        | Debt Service Coverage Ratio |
| <b>General Fund Debt:</b>  |                |                |                            |                          |          |              |        |                             |
| 1 PR Commonwealth GO   | 56.0           | 56.0           | 72.4                       | 72.4                     | 2023     | III          | BIG    | N/A                         |
| 2 PR Public Buildings Authority Revenue - GO Guaranty                                  | 191.2          | 191.2          | 298.8                      | 298.8                    | 2035     | III          | BIG    | N/A                         |
| <b>Subtotal</b>  | <b>247.2</b>   | <b>247.2</b>   | <b>371.2</b>               | <b>371.2</b>             |          |              |        |                             |
| <b>Revenue Debt:</b>   |                |                |                            |                          |          |              |        |                             |
| 3 PR Highway and Transp'n Revenue 1968 Resolution - Highway Rev                        | 27.5           | 26.5           | 36.5                       | 35.3                     | 2027     | III          | BIG    | 4.1X                        |
| 4 PR Highway and Transp'n Revenue 1998 Resolution - Senior Transp'n Rev <sup>(4)</sup> | 694.6          | 673.5          | 1,390.5                    | 1,345.2                  | 2045     | III          | BIG    | 1.6X                        |
| 5 PR Infrastructure Financing Special Tax Revenue (Rum Tax)                            | 514.6          | 502.8          | 1,099.2                    | 1,073.9                  | 2044     | III          | BIG    | 2.8X                        |
| 6 Convention Center (Hotel Occupancy Tax)  | 137.1          | 137.1          | 209.0                      | 209.0                    | 2031     | III          | BIG    | 2.3X                        |
| 7 Senior Sales Tax Rev (COFINA)  | 808.5          | 804.7          | 7,355.4                    | 7,321.3                  | 2054     | II           | BIG    | 2.8X                        |
| <b>Subtotal</b>  | <b>2,182.3</b> | <b>2,144.6</b> | <b>10,090.6</b>            | <b>9,984.7</b>           |          |              |        |                             |
| <b>Grand total</b>   | <b>2,429.5</b> | <b>2,391.8</b> | <b>10,461.8</b>            | <b>10,355.9</b>          |          |              |        |                             |

- 1) 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.
- 2) Net Par and Net Principal & Interest are net of reinsurance.
- 3) Source: FY 2014 Continuing Disclosure.
- 4) Includes \$233.2 million and \$228.5 million of Gross and Net Par, respectively, and approximately \$503 million and \$493 million of Gross and Net Principal & Interest, respectively, of bonds that are expected to be cancelled as required under the bond documents.

# SCHEDULE OF NET DEBT SERVICE<sup>(1)</sup> ON INSURED DEBT (AS OF SEPTEMBER 30, 2015)



<sup>1)</sup> Net of reinsurance.

<sup>2)</sup> The next scheduled debt service is January 1, 2016.

<sup>3)</sup> Aggregate of Highway (1968) and Senior Transportation (1998). Senior Transportation bonds include those that are expected to be cancelled as required under the bond documents.

# PUERTO RICO NET PRINCIPAL AND INTEREST<sup>(1)</sup> AMORTIZATION (\$MILLIONS)

(AS OF SEPTEMBER 30, 2015)

| Principal and Interest Amortization of Ambac Insured Puerto Rico Exposures by Calendar Year |                 |                             |                       |  |   |                |                     |                    |                 |  |
|---|-----------------|-----------------------------|-----------------------|--|---|----------------|---------------------|--------------------|-----------------|--|
| Calendar Year   | Commonwealth GO | Public Bldg - GO Guaranteed | Senior Highway (1968) | Senior Transportation (1998), excluding HTA Series N Bonds | Senior Transportation (1998), HTA Series N Bonds <sup>(2)</sup> | Rum Tax        | Hotel Occupancy Tax | Sales Tax (COFINA) | Total P & I     |  |
| 2016  | 2.7             | 43.7                        | 1.2                   | 47.4   | 9.4   | 52.0           | 6.9                 | -                  | 163.3           |  |
| 2017  | 2.7             | 27.1                        | 13.7                  | 45.3   | 9.4   | 52.0           | 18.6                | -                  | 168.8           |  |
| 2018  | 2.7             | 27.1                        | 10.1                  | 43.4   | 9.4   | 52.0           | 18.6                | -                  | 163.3           |  |
| 2019  | 27.7            | 8.6                         | -                     | 28.4   | 9.4   | 15.2           | 18.6                | -                  | 107.9           |  |
| 2020  | 1.4             | 5.9                         | -                     | 38.8   | 9.4   | 15.2           | 18.6                | -                  | 89.3            |  |
| 2021  | 1.4             | 12.9                        | 1.3                   | 20.6   | 9.4   | 15.2           | 4.3                 | -                  | 65.1            |  |
| 2022  | 1.4             | 5.5                         | -                     | 20.1   | 9.4   | 15.2           | 4.3                 | -                  | 55.9            |  |
| 2023  | 32.4            | 5.5                         | -                     | 21.1   | 9.4   | 60.8           | 4.3                 | -                  | 133.5           |  |
| 2024  | -               | 5.5                         | -                     | 20.6   | 9.4   | 60.8           | 4.3                 | -                  | 100.6           |  |
| 2025  | -               | 5.5                         | 1.0                   | 20.6   | 9.4   | 60.8           | 4.3                 | -                  | 101.6           |  |
| 2026  | -               | 5.5                         | 1.0                   | 22.1   | 9.4   | 60.8           | 4.3                 | -                  | 103.1           |  |
| 2027  | -               | 5.5                         | 7.0                   | 48.5   | 9.4   | 60.8           | 4.3                 | -                  | 135.5           |  |
| 2028  | -               | 5.5                         | -                     | 48.2   | 9.4   | 60.8           | 24.3                | -                  | 148.2           |  |
| 2029  | -               | 5.5                         | -                     | 48.4   | 9.4   | 68.7           | 24.3                | -                  | 156.3           |  |
| 2030  | -               | 31.0                        | -                     | 75.4   | 9.4   | -              | 24.3                | -                  | 140.1           |  |
| 2031  | -               | 27.9                        | -                     | 94.8   | 9.4   | -              | 24.7                | -                  | 156.8           |  |
| 2032  | -               | 2.9                         | -                     | 8.3  | 9.4   | -              | -                   | -                  | 20.6            |  |
| 2033  | -               | 2.9                         | -                     | 8.3  | 9.4   | -              | -                   | -                  | 20.6            |  |
| 2034  | -               | 29.5                        | -                     | 8.3  | 9.4   | 68.7           | -                   | -                  | 115.9           |  |
| 2035  | -               | 35.3                        | -                     | 8.3  | 9.4   | 68.7           | -                   | -                  | 121.7           |  |
| 2036  | -               | -                           | -                     | 66.4   | 9.4   | 68.7           | -                   | -                  | 144.5           |  |
| 2037  | -               | -                           | -                     | 66.4   | 9.4   | 49.1           | -                   | -                  | 124.9           |  |
| 2038  | -               | -                           | -                     | 41.9   | 9.4   | -              | -                   | -                  | 51.3            |  |
| 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  | 84.4           | -                   | -                  | 129.5           |  |
| 2045  | -               | -                           | -                     | -  | 44.8  | -              | -                   | -                  | 44.8            |  |
| 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         |  |
| <b>Grand Total</b>  | <b>72.4</b>     | <b>298.8</b>                | <b>35.3</b>           | <b>851.6</b>   | <b>493.6</b>  | <b>1,073.9</b> | <b>209.0</b>        | <b>7,321.3</b>     | <b>10,355.9</b> |  |

<sup>1)</sup> Net of reinsurance.

<sup>2)</sup> Includes \$233.2 million and \$228.5 million of Gross and Net Par, respectively, and approximately \$503 million and \$493 million of Gross and Net Principal & Interest, respectively, of bonds that are expected to be cancelled as required under the bond documents.

# 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 2014 Annual Report on Form 10-K and in Part II, Item 1A of the most recent Quarterly Report on Form 10-Q.

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; (3) dilution of current shareholder value or adverse effects on our share price resulting from the issuance of additional shares of common stock; (4) adverse effects on our share price resulting from future offerings of debt or equity securities that rank senior to our common stock; (5) potential of rehabilitation proceedings against Ambac Assurance; (6) 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; (7) our inability to realize the expected recoveries included in our financial statements; (8) intercompany disputes or disputes with the rehabilitator of the Segregated Account; (9) our inability to monetize assets or restructure or exchange outstanding debt and insurance obligations, or the failure of any such monetization, restructuring or exchange to deliver anticipated results; (10) our results of operations may be adversely affected by events or circumstances that result in the accelerated amortization of our insurance intangible asset; (11) increased fiscal stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings by municipal issuers; (12) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan, from rules and procedures governing the payment of permitted policy claims, or from the characterization of our surplus notes as equity; (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) 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; (23) our inability to realize value from Ambac Assurance UK Limited; (24) system security risks; (25) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (26) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (27) changes in accounting principles or practices that may impact Ambac’s reported financial results; (28) legislative and regulatory developments; (29) operational risks, including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (30) 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 (31) other risks and uncertainties that have not been identified at this time.