



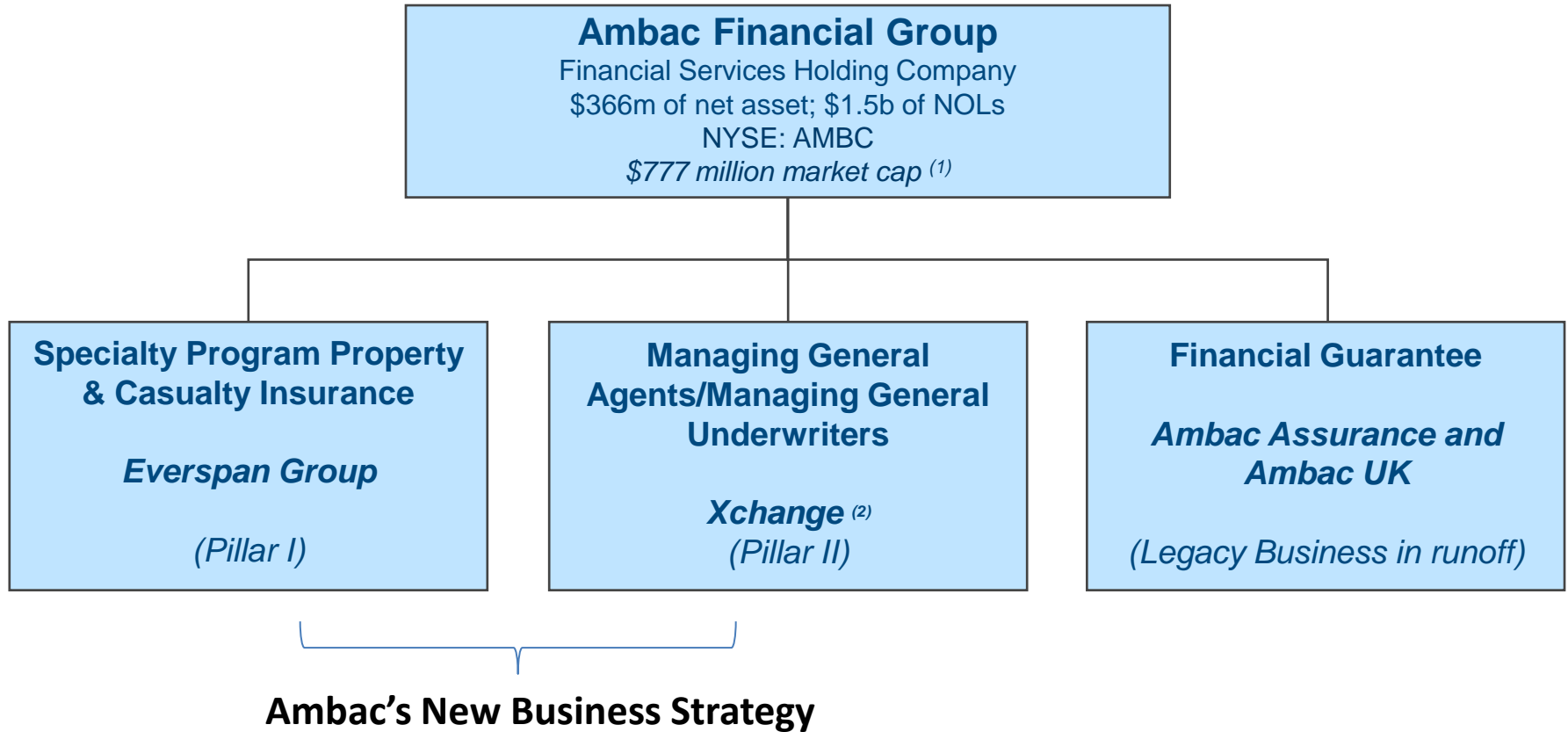
# ***Ambac***

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## **Investor Presentation**

**Fourth Quarter 2020**

# AMBAC SIMPLIFIED ORGANIZATIONAL STRUCTURE



<sup>(1)</sup> Common Stock Market Cap based on 46 million AMBC common shares outstanding at the closing stock price of \$16.95 on 2/26/2021

<sup>(2)</sup> December 31, 2020 acquisition of Xchange was the first transaction as part of a broader MGA/MGU strategy

# AMBAC'S NEW BUSINESS STRATEGY

Ambac's new business strategy is focused on creating a portfolio of capital light, synergistic, recurring fee-based businesses that will allow for utilization of Ambac's Net Operating Loss carryforwards

## PILLAR I

Specialty Program  
Property & Casualty  
Insurance



## PILLAR II

Managing General Agency  
/ Managing General  
Underwriting



## PILLAR III

Insurance Services



# AMBAC'S NEW BUSINESS STRATEGY – PILLAR I

## Pillar I - Specialty Program Property & Casualty Insurance

Type of Business	<ul style="list-style-type: none"> <li>• Specialty program participatory fronting insurance</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>• Ceding Commissions/Fronting Fees</li> <li>• Premiums on insurance risk retained</li> <li>• Investment Income</li> </ul>
Platforms	<ul style="list-style-type: none"> <li>• Everspan Indemnity Insurance Company (Excess and surplus lines carrier)</li> <li>• Everspan Insurance Company (Admitted carrier)</li> </ul>
Investment Thesis	<ul style="list-style-type: none"> <li>• Capital light with attractive margins</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Pursuing a differentiated specialty P&amp;C program strategy through disciplined participatory fronting underwriting across diverse classes of risk</li> <li>• Sourcing business from MGAs/MGUs, reinsurance brokers, aggregators, and other producers</li> </ul>
Timing	<ul style="list-style-type: none"> <li>• Initial program onboarding expected during the second quarter of 2021</li> </ul>

## AMBAC'S NEW BUSINESS STRATEGY – PILLAR I (CONT'D)

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### Everspan Group's Competitive Advantage

- **A.M. Best Financial Strength Rating of 'A-' (Excellent) and Financial Size Category Class VIII (as categorized by AM Best)**
- **Over \$100 million of capital**
- **Management team highly experienced in the insurance, reinsurance, and MGA markets**
- **Broadly licensed with diverse product line risk appetite**
- **Strategy to retain appropriate underwriting risk to be an attractive market to disciplined MGAs/MGUs while creating strong alignment of interest with reinsurers**
- **Public company infrastructure and related resources, including deeply experienced board and executive leadership with valuable institutional relationships**
- **Strong Enterprise Risk Management**

## AMBAC's NEW BUSINESS STRATEGY – PILLAR II

### Pillar II - Managing General Agency/Underwriting

Type of business	<ul style="list-style-type: none"> <li>• Managing General Agent/Underwriter</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>• Base and profit commissions</li> </ul>
Platforms	<ul style="list-style-type: none"> <li>• Currently, Xchange Benefits, LLC and Xchange Affinity Underwriting Agency, LLC</li> </ul>
Investment thesis	<ul style="list-style-type: none"> <li>• High margin businesses that generate fee based income</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Organic growth</li> <li>• Additional acquisitions and/or partnerships</li> <li>• Establishing de novo platforms</li> <li>• Future expansion of the MG/MGU business is expected to include other property and casualty products and services in addition to Accident &amp; Health (Xchange)</li> </ul>
Timing	<ul style="list-style-type: none"> <li>• Xchange has been operating for 10 years with an organic growth strategy while also actively exploring strategic transactions</li> <li>• Ambac is actively assessing additional M&amp;A and de novo opportunities</li> </ul>

## AMBAC's NEW BUSINESS STRATEGY – PILLAR II (CONT'D)

### Xchange Transaction

- Ambac acquired an 80% membership interest in Xchange on December 31, 2020
- Xchange is a niche, property and casualty Managing General Underwriter, with a history of strong underwriting results, focused on accident and health ("A&H") products
  - Employer Stop Loss
  - Limited Medical
  - Short-term Medical
- Xchange provides various services to customers including underwriting, placement, claims and finance servicing, reinsurance brokerage and consulting
- Additional growth is expected from organic sources, geographic expansion and product diversification

## AMBAC's NEW BUSINESS STRATEGY – PILLAR III

### Pillar III - Insurance Services

Type of business	Various, including Insurtech platforms and third-party administrators
Revenues	Commissions and fees
Platforms	Actively exploring
Investment thesis	Fee based, capital light businesses that are synergistic with Pillar I and Pillar II
Strategy	Acquire and/or partner with platforms that will add synergies and efficiencies to Pillar I and Pillar II
Timing	Dependent on market opportunity and price



# 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 our most recent SEC filed quarterly or annual report.

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) the highly speculative nature of AFG’s common stock and volatility in the price of AFG’s common stock; (2) Ambac’s inability to realize the expected recoveries, including RMBS litigation recoveries, included in its financial statements which would have a materially adverse effect on Ambac Assurance Corporation’s (“AAC”) financial condition and may lead to regulatory intervention; (3) failure to recover claims paid on Puerto Rico exposures or realization of losses in amounts higher than expected; (4) increases to loss and loss expense reserves; (5) inadequacy of reserves established for losses and loss expenses and possibility that changes in loss reserves may result in further volatility of earnings or financial results; (6) uncertainty concerning the Company’s ability to achieve value for holders of its securities, whether from AAC and its subsidiaries or from transactions or opportunities apart from AAC and its subsidiaries, including new business initiatives relating to the specialty property and casualty program insurance business, the managing general agency/underwriting business, or related businesses; (7) potential of rehabilitation proceedings against AAC; (8) increased fiscal stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings or other restructuring proceedings by public finance issuers, including an increased risk of loss on revenue bonds of distressed public finance issuers due to judicial decisions adverse to revenue bond holders; (9) our inability to mitigate or remediate losses, commute or reduce insured exposures or achieve recoveries or investment objectives, or the failure of any transaction intended to accomplish one or more of these objectives to deliver anticipated results; (10) insufficiency or unavailability of collateral to pay secured obligations; (11) credit risk throughout Ambac’s business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, public finance obligations and exposures to reinsurers; (12) the impact of catastrophic environmental or natural events, including catastrophic public health events like the COVID-19 pandemic, on significant portions of our insured and investment portfolios; (13) credit risks related to large single risks, risk concentrations and correlated risks; (14) the risk that Ambac’s risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss; (15) risks associated with adverse selection as Ambac’s insured portfolio runs off; (16) Ambac’s substantial indebtedness could adversely affect its financial condition and operating flexibility; (17) Ambac may not be able to obtain financing or raise capital on acceptable terms or at all due to its substantial indebtedness and financial condition; (18) Ambac may not be able to generate the significant amount of cash needed to service its debt and financial obligations, and may not be able to refinance its indebtedness; (19) restrictive covenants in agreements and instruments may impair Ambac’s ability to pursue or achieve its business strategies; (20) adverse effects on operating results or the Company’s financial position resulting from measures taken to reduce risks in its insured portfolio; (21) disagreements or disputes with Ambac’s insurance regulators; (22) default by one or more of Ambac’s portfolio investments, insured issuers or counterparties; (23) loss of control rights in transactions for which we provide insurance due to a finding that Ambac has defaulted; (24) adverse tax consequences or other costs resulting from the characterization of the AAC’s surplus notes or other obligations as equity; (25) risks attendant to the change in composition of securities in the Ambac’s investment portfolio; (26) adverse impacts from changes in prevailing interest rates; (27) our results of operation may be adversely affected by events or circumstances that result in the impairment of our intangible assets and/or goodwill that was recorded in connection with Ambac’s acquisition of 80% of the membership interests of Xchange; (28) risks associated with the expected discontinuance of the London Inter-Bank Offered Rate; (29) factors that may negatively influence the amount of installment premiums paid to the Ambac; (30) market risks impacting assets in the Ambac’s investment portfolio or the value of our assets posted as collateral in respect of interest rate swap transactions; (31) risks relating to determinations of amounts of impairments taken on investments; (32) 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 Ambac’s business, operations, financial position, profitability or cash flows; (33) actions of stakeholders whose interests are not aligned with broader interests of the Ambac’s stockholders; (34) system security risks, data protection breaches and cyber attacks; (35) changes in accounting principles or practices that may impact Ambac’s reported financial results; (36) regulatory oversight of Ambac Assurance UK Limited (“Ambac UK”) and applicable regulatory restrictions may adversely affect our ability to realize value from Ambac UK or the amount of value we ultimately realize; (37) operational risks, including with respect to internal processes, risk and investment models, systems and employees, and failures in services or products provided by third parties; (38) Ambac’s financial position that may prompt departures of key employees and may impact the its ability to attract qualified executives and employees; (39) fluctuations in foreign currency exchange rates could adversely impact the insured portfolio in the event of loss reserves or claim payments denominated in a currency other than US dollars and the value of non-US dollar denominated securities in our investment portfolio; (40) disintermediation within the insurance industry that negatively impacts our managing general agency/underwriting business; (41) changes in law or in the functioning of the healthcare market that impair the business model of our accident and health managing general underwriter; and (42) other risks and uncertainties that have not been identified at this time.

# ABOUT AMBAC

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Ambac Financial Group, Inc. (“Ambac” or “AFG”), headquartered in New York City, is a financial services holding company. Ambac's subsidiaries include: Ambac Assurance Corporation and Ambac Assurance UK Limited, financial guarantee insurance companies currently in runoff; Everspan Indemnity Insurance Company and Everspan Insurance Company, specialty property & casualty program insurers; and Xchange Benefits, LLC and Xchange Affinity Underwriting Agency, LLC, property & casualty Managing General Underwriters. Ambac's common stock trades on the New York Stock Exchange 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. For more information, please go to [www.ambac.com](http://www.ambac.com).

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