

The unaudited pro forma balance sheets (the “Pro Forma”) and unaudited pro forma adjustments included herein are based upon available information at the date hereof and upon assumptions and estimates that AAC believes are reasonable under the circumstances, including the terms of the Plan Amendment and Exchange Offers as currently proposed (the “Transactions”). The assumptions and estimates that the Pro Forma is based upon are subject to change, and even small alterations in the underlying assumptions and estimates of the Pro-Forma can have a significant impact upon it. The Pro Forma is provided for informational purposes only and does not purport to represent what the results of operations or financial condition will be on the date on which any of the Transactions occur, nor what the results or financial condition will be if the Transactions do not occur, nor do they purport to project the results of operations or financial condition for any future period or as of any future date. [The Pro Forma was not prepared in accordance with Regulation S-X or any other rules or regulations of the U.S. Securities and Exchange Commission (the “SEC”). The Pro Forma should be read in conjunction with the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” in Part II, Item 7 and the Company’s audited Consolidated Financial Statements in Part II, Item 8 of the Company’s Annual Report for the year ended December 31, 2016 on Form 10-K filed with the SEC and the Company’s unaudited Consolidated Financial Statements in Part I, Item 1 of the Company’s Form 10-Q for the period ended March 31, 2017 filed with the SEC. The Company has not updated the Pro Forma as a result of any changes to the assumptions or estimates used, the occurrence of actual or proposed events or changes to the proposed Transactions, and it does not undertake to provide any update at any time. The Company makes no representation that the Pro Forma will satisfy the requirements of any person, and no person should rely on the Pro Forma for any reason whatsoever.

Ambac Financial Group, Inc.
US GAAP Balance Sheet - Proforma
3/31/2017
(\$ in 000's)

	Reported 3/31/2017	Post Regulatory Capital Accretive Transactions 3/31/2017	Post Restructuring & Tier II Note Issuance 3/31/2017
Assets:			
Invested Assets			
Invested Assets, excluding Ambac-insured RMBS Portfolio	\$ 4,063,464	\$ 3,899,153	\$ 3,822,008
AFG Claim Bonds	6,256	6,256	-
AAC Claim Bonds	622,730	648,660	-
AAC RMBS Portfolio	1,642,200	1,642,200	-
Cash and cash equivalents	118,772	118,772	118,772
Premium Receivables	652,677	652,677	652,677
Reinsurance Recoverables on paid and unpaid losses	34,273	34,273	34,273
Deferred ceded premium	63,336	62,793	62,793
Subrogation recoverable	679,974	679,974	679,974
Derivative Assets	74,397	74,397	74,397
Insurance intangible asset	931,159	931,159	924,159
Other Assets	111,634	111,634	111,634
VIE Assets	13,762,688	13,762,688	13,762,688
Total Assets	\$ 22,763,560	\$ 22,624,636	\$ 20,243,375
Liabilities:			
Unearned premiums	\$ 924,686	\$ 921,467	\$ 921,467
Loss and loss expense reserves	4,510,329	4,510,329	832,415
Ceded premiums payable	40,201	40,201	40,201
Obligations under investment agreements	-	-	-
Long term debt	-	-	-
Secured Borrowing	92,311	92,311	92,311
Junior Surplus Notes	248,443	248,443	248,443
Senior Surplus Notes - General Account			
Senior Surplus Note Principal Liability	764,752	764,752	387,570
Senior Surplus Note Principal (Owned by AFG)	(74,098)	(102,678)	(27,014)
Senior Surplus Note Principal (Owned by AAC)	(15,882)	(15,882)	(115,630)
Senior Surplus Notes - Segregated Account			
Senior Surplus Notes - Segregated Account	33,475	33,475	33,475
Senior Surplus Notes - Segregated Account (Owned by AFG)	(33,475)	(33,475)	(33,475)
Senior Surplus Notes - Segregated Account (Owned by AAC)	-	-	-
Secured Notes			
Secured Notes Principal Liability	-	-	2,059,443
Secured Notes Principal Liability (Owned By AFG)	-	-	(120,067)
Secured Notes Principal Liability (Owned By AAC)	-	-	(621,952)
Secured Notes - Prior Obligation Carryvalue Discount			
Secured Notes - Prior Obligation Carryvalue Discount	-	-	(60,731)
Secured Notes - Prior Obligation Carryvalue Discount (Owned By AFG)	-	-	-
Secured Notes - Prior Obligation Carryvalue Discount (Owned By AAC)	-	-	-
Secured Notes - Deferred Gain			
Secured Notes - Deferred Gain	-	-	44,014
Secured Notes - Deferred Gain (Owned By AFG)	-	-	-
Secured Notes - Deferred Gain (Owned By AAC)	-	-	-
Tier II Notes	-	-	240,000
Debt Issuance Costs	-	-	-
Accrued interest payable	-	-	-
Secured Borrowing	-	-	-
Investment agreement	-	-	-
Junior Surplus Notes	74,522	74,522	74,522
Senior Surplus Notes - General Account			
Senior Surplus Note Interest Liability	360,809	360,809	182,856
Senior Surplus Note Principal (Owned by AFG)	(34,960)	(48,444)	(12,746)
Senior Surplus Note Principal (Owned by AAC)	(7,493)	(7,493)	(54,554)
Senior Surplus Note Interest Liability on Called Notes	4,046	-	-
Senior Surplus Notes - Segregated Account			
Senior Surplus Notes - Segregated Account	15,384	15,384	15,384
Senior Surplus Notes - Segregated Account (Owned by AFG)	(15,384)	(15,384)	(15,384)
Senior Surplus Notes - Segregated Account (Owned by AAC)	-	-	-
Derivative liabilities	244,235	97,201	97,201
Other Liabilities	111,546	111,902	154,371
VIE Liabilities	13,631,197	13,631,197	13,631,197

Total Liabilities	20,874,644	20,678,637	17,993,317
Stockholders' Equity:			
Common Stock	453	453	453
Preferred Stock	-	-	-
Additional paid-in capital	196,788	196,788	196,788
Accumulated other comprehensive income (loss)	(2,775)	(12,309)	(37,471)
Accumulated earnings	1,431,397	1,498,014	1,827,235
Common stock held in treasury	(1,057)	(1,057)	(1,057)
Total AFG, Inc Stockholders' Equity	1,624,806	1,681,889	1,985,948
Non-controlling interest	264,110	264,110	264,110
Total Stockholders' Equity	1,888,916	1,945,999	2,250,058
Total Liabilities and Stockholders' Equity	\$ 22,763,560	\$ 22,624,636	\$ 20,243,375

Income Statement Line Items - Gain (Loss)

	Regulatory Capital Accretive Transactions	Restructuring & Tier II Note Issuance
Net premiums earned	2,676	-
Net investment income	-	98,957
Investment realized gains	9,534	3,173
Net realized gain on debt extinguishment	2,136	1,684
Losses (incurred) benefit	52,627	274,875
Operating Expenses	-	(34,500)
Intangible amortization	-	(7,000)
Pre-tax income	66,973	337,189
Taxes incurred	356	7,968
Net Income	\$ 66,617	\$ 329,221

Ambac Assurance Corporation
Statutory Balance Sheet Pro-Forma
3/31/2017
(\$ in 000's)

	Reported 3/31/2017	Post Regulatory Capital Accretive Transactions 3/31/2017	Post Restructuring & Tier II Note Issuance 3/31/2017
Assets:			
Cash and Invested Assets			
Invested Assets, excluding Ambac-insured RMBS Portfolio	\$ 3,245,308	\$ 3,195,842	\$ 3,063,611
AAC Claim Bonds	625,940	651,870	-
AAC RMBS Portfolio	1,590,588	1,590,588	-
Assets of Segregated Account	8,008	8,008	8,008
Other Assets	26,331	26,331	26,331
Net Admitted Assets	\$ 5,496,175	\$ 5,472,639	\$ 3,097,950
Liabilities:			
Loss and LAE Reserves	\$ (1,142,326)	\$ (1,142,326)	\$ (1,142,326)
Deferred Amounts, including accrued interest	3,677,914	3,677,914	-
Unearned Premiums	452,378	448,396	448,396
Contingency Reserves	412,149	412,149	412,149
Long-Term Debt - Principal			
Secured Borrowing	92,630	92,630	92,630
Senior Surplus Notes - General Account			
Senior Surplus Note Principal Liability	893,300	893,300	-
Senior Surplus Note Principal (Owned by AAC)	(18,551)	(18,551)	-
Senior Surplus Notes - Segregated Account			
Senior Surplus Notes - Segregated Account	39,102	39,102	-
Senior Surplus Notes - Segregated Account (Owned by AAC)	-	-	-
Secured Notes			
Secured Notes Principal Liability	-	-	2,059,443
Secured Notes Principal Liability (Owned By AAC)	-	-	(621,952)
Secured Notes - Deferred Gain			
Secured Notes - Deferred Gain	-	-	-
Secured Notes - Deferred Gain (Owned By AAC)	-	-	-
Tier II Notes	-	-	240,000
Long-Term Debt - Accrued Interest			
Secured Borrowing	-	-	-
Senior Surplus Notes - General Account (Accrued Interest Payable)	-	-	-
Senior Surplus Note Interest Liability	-	-	-
Senior Surplus Note Principal (Owned by AAC)	-	-	-
Senior Surplus Note Interest Liability on Called Notes	-	-	-
Senior Surplus Notes - Segregated Account	-	-	-
Senior Surplus Notes - Segregated Account	-	-	-
Senior Surplus Notes - Segregated Account (Owned by AAC)	-	-	-
Junior Surplus Notes	-	-	-
Current federal and foreign income taxes	27,796	30,648	94,385
Other liabilities of the Segregated Account	960	960	960
Other Liabilities	116,047	80,647	114,647
Total Liabilities	4,551,399	4,514,869	1,698,332
Surplus:			
Common Stock	82,000	82,000	82,000
Preferred Stock	26,411	26,411	26,411
Senior Surplus Notes			
Reallocated Senior Surplus Notes			
Reallocated Senior Surplus Notes	-	-	452,717
Reallocated Senior Surplus Notes (owned by AAC)	-	-	(135,065)
Segregated Account Senior Surplus Notes	-	-	39,102
Junior Surplus Notes	373,060	373,060	373,060
Gross paid and contributed surplus	3,551,311	3,551,311	3,551,311
Unassigned surplus	(3,088,006)	(3,075,012)	(2,989,918)
Surplus as regards to Policyholders	944,776	957,770	1,399,618
Total Liabilities and Surplus as regards to Policyholders	\$ 5,496,175	\$ 5,472,639	\$ 3,097,950
		Regulatory Capital Accretive Transactions	Restructuring & Tier II Note Issuance
Income Statement Line Items - Gain (Loss)			
Net Premiums Earned		3,982	-
Losses and LAE incurred		-	274,875
Other underwriting expenses		-	(34,000)
Investment income		-	65,500
Interest expense		-	(126,446)
Net realized capital gains (losses)		27,505	(852)
Aggregate write-in Misc Income (exp)		81,323	(30,247)
Net income before taxes		112,810	148,830
Taxes		2,852	63,737
Net income after taxes		\$ 109,958	\$ 85,093
Surplus Adjustment		\$ (96,964)	\$ 356,754