

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Case No. 10-15973
Chapter 11

AMBAC FINANCIAL GROUP, INC.

Monthly Operating Report for
the period from January 1, 2013 through January 31, 2013

Debtor's Address:
One State Street
New York, NY 10004

Hogan Lovells US LLP

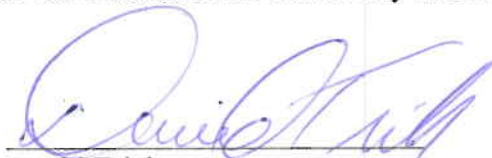
(Debtor's Attorneys)

Monthly Operating Income: \$108,428,958

Report Preparer:

The undersigned, having reviewed the attached report and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Date: March 22, 2013



David Trick
Chief Financial Officer



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DEBTOR IN POSSESSION
INDEX TO MONTHLY OPERATING REPORT

	<u>Page</u>
Global Notes	1
Corporate Monthly Operating Report.....	7
Schedule of Cash Receipts and Disbursements.....	8
Statement of Operations.....	13
Balance Sheet.....	15
Status of Postpetition Taxes.....	17
Summary of Unpaid Postpetition Debts.....	17
Accounts Receivable Reconciliation and Aging.....	18
Payments to Insider and Professionals.....	19
Debtor Questionnaire.....	20

NOTES TO MONTHLY OPERATING REPORT

A. Global Notes.**1. Introduction.**

On November 8, 2010 (the "Commencement Date"), Ambac Financial Group, Inc., as debtor and debtor in possession (the "Debtor"), filed a voluntary petition (the "Chapter 11 Case") for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor continues to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Additionally, on November 17, 2010, the United States Trustee for the Southern District of New York appointed a statutory committee of creditors pursuant to section 1102(a)(1) of the Bankruptcy Code. Information contained herein may differ from the Debtor's filings on the Commencement Date due to more accurate information becoming available. On March 14, 2012, the Debtor's Fifth Amended Plan of Reorganization was confirmed by the Bankruptcy Court.

2. GAAP.

The financial statements and supplemental information contained herein are preliminary and unaudited, and may not comply with generally accepted accounting principles in the United States of America ("GAAP") in all material respects. In addition, the financial statements and supplemental information contained herein represent information for the Debtor only and exclude all non-Debtor affiliates, except to the extent of equity income (loss) reflected on the Statement of Operations or as otherwise noted. The financial statements and supplemental information contained herein are periodically reviewed for appropriate adjustments.

The unaudited financial statements have been derived from the Debtor's books and records. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with GAAP. Upon application of such procedures (such as tests for asset impairment), the Debtor believes that the financial information could be subject to changes, which could be material. The information furnished in this report includes normal recurring adjustments but does not include all adjustments that would typically be made for financial statements in accordance with GAAP.

3. General Methodology.

The Debtor prepared this Monthly Operating Report ("MOR") relying primarily upon the information set forth in its books and records. Consequently, certain transactions that are not identified in the normal course of business in the Debtor's books and records may not be included in this MOR. Nevertheless, in preparing this MOR, the Debtor made reasonable efforts to supplement the information set forth in its books and records with additional information concerning transactions that may not have been identified therein.

4. Past Performance.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the consolidated results of operations and financial position of the Debtor in the future.

5. Prepetition vs. Postpetition Liabilities.

The Debtor allocated liabilities between prepetition and postpetition periods based upon the information available at the time of, and research conducted in connection with, the preparation of this MOR. As additional information becomes available and further research is conducted, the Debtor's allocation of liabilities between the prepetition and postpetition periods may change. The liability information, except as otherwise noted, is listed as of the close of business as of the end of the month. Accordingly, the Debtor reserves all rights to amend, supplement or otherwise modify this MOR as necessary and appropriate.

6. Accounts Payable and Accrued Expenses.

To the best of the Debtor's knowledge, all unaudited postpetition trade payables are current as of the date of this filing.

7. Book Value of Assets.

Unless otherwise indicated, the values for assets contained in this MOR are book values as of the end of the month. Amounts ultimately realized from the disposition of the Debtor's assets may materially vary from the stated book value. Thus, unless otherwise noted, this MOR reflects the carrying values of the assets as recorded on the Debtor's books and records as of the end of the month and are not based upon any estimate of their current market value. The Debtor reserves its right to amend or adjust the value of each asset or liability set forth herein.

8. Liabilities Subject to Compromise.

As a result of commencing the Chapter 11 Case, the payment of prepetition indebtedness is subject to compromise or other treatment under a chapter 11 plan. Generally, actions to enforce or otherwise effect payment of prepetition liabilities are stayed.

The filing of the Chapter 11 Case constituted an event of default under, or otherwise triggered repayment obligations with respect to, a number of debt instruments and agreements relating to direct and indirect financial obligations of the Debtor (collectively, the "Prepetition Debt"). As a result, obligations under the Prepetition Debt became automatically and immediately due and payable. The Debtor believes that any efforts to enforce the payment obligations under the Prepetition Debt have been stayed as

NOTES TO MONTHLY OPERATING REPORT

a result of the filing of the Chapter 11 Case. While operating in chapter 11, the Debtor ceased recording interest on the Prepetition Debt subject to compromise.

9. Liabilities Not Subject to Compromise.

Although payment of prepetition claims generally is not permitted, the Bankruptcy Court has authorized the Debtor to pay certain prepetition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtor's businesses and assets. To the extent such claims have been categorized as "Liabilities Not Subject to Compromise," the Debtor reserves its right to dispute its obligation to make such payments.

The Debtor has been paying and intends to continue to pay undisputed postpetition claims in the ordinary course of business.

10. Reservation of Rights.

Given the complexity of the Debtor's business, inadvertent errors or omissions may have occurred in the preparation of this MOR. Accordingly, the Debtor hereby reserves all of its rights to dispute the validity, status, enforceability or the executory nature of any claim amounts, representations or other statements in this MOR and reserves the right to amend or supplement this MOR, if necessary.

Nothing contained in this MOR shall constitute a waiver of the Debtor's rights or an admission with respect to the Chapter 11 Case, including with respect to any issues involving the Debtor's ownership interests, substantive consolidation, equitable subordination, defenses and/or causes of action arising under the provisions of chapter 5 of the Bankruptcy Code and any other relevant non-bankruptcy laws.

B. Notes to Debtor's Schedule of Receipts and Disbursements.

1. In accordance with the *Final Order Pursuant to Sections 105(a), 345, 363, and 364 of The Bankruptcy Code and Bankruptcy Rule 6004 (I) Authorizing Debtor to Continue Using Existing Cash Management System and Bank Accounts and Honor Related Prepetition Obligations, and (II) Extending Debtor's Time to Comply with Section 345(b) Of The Bankruptcy Code* entered on December 21, 2010 (Docket No. 80) (the "Cash Management Order") and the related motion filed on November 8, 2010 (Docket No. 4) (the "Cash Management Motion"), the Debtor maintains an integrated cash management system (the "Cash Management System") for the purposes of collecting, concentrating, transferring, disbursing, and investing cash.

Pursuant to the Cash Management Order, the Debtor continues to operate in accordance with its traditional, customary practices. Such practices include, where applicable, reimbursement to Ambac Assurance Corporation ("AAC") for the Debtor's allocable share of certain direct and shared expenses paid by AAC.

Before and after the Commencement Date, certain of the disbursements made through the Cash Management System on behalf of the Debtor were directly attributable to expenses associated with personnel, services and goods solely for the benefit of the Debtor (the "Direct Expenses"). In addition to the Direct Expenses, the Debtor also recognizes expenses associated with personnel, services and goods for which it is the partial beneficiary (the "Shared Expenses"), along with AAC, and for which the Debtor reimburses or is allocated a portion of such expenses. These Shared Expenses include certain personnel, operating expenses, lease payments, and other services. The amount of the Shared Expenses allocated and/or settled between the Debtor and AAC is based on, and consistent with, past practice and the Debtor's management experience. The Shared Expenses are typically allocated between the Debtor and AAC on a monthly or quarterly basis. Per the Cash Management Order, the Debtor maintains accurate records of all transfers and transactions within the Cash Management System so that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, its books and records, in the same manner maintained by the Debtor prior to the Commencement Date.

Since the Commencement Date, the intercompany settlement process has remained the same, including the approach to allocation. The Debtor, in the ordinary course, accrues for any Shared Expenses at the time they are accrued by AAC. As described above, disbursements made by AAC with respect to Shared Expenses allocable to the Debtor are reflected in the Debtor's Schedule of Receipts and Disbursements as payments are made by the Debtor to AAC for its settled share, at the time of such settlement, and not at the time such expenses are paid by AAC. Disbursements made with respect to Direct Expenses are also reflected in the Debtor's Schedule of Receipts and Disbursements during the period in which they are released.

2. Total disbursements for calculating U.S. Trustee fees include amounts earned by certain professionals and satisfied through drawing down on prepetition retainers held by such professionals.

Total disbursements for calculating U.S. Trustee fees also include amounts due from the Debtor to AAC and reimbursed by the Debtor or otherwise settled. Such amounts are not independently reflected as cash disbursements because of netting of intercompany obligations in accordance with the Cash Management Order.

Total disbursements for calculating U.S. Trustee fees exclude amounts disbursed to the U.S. Trustee for payment of such fees.

C. Notes to Statement of Operations (Income Statement).

1. The negative balance in the Cumulative Filing to Date column for Employee Benefits Programs results from a reversal during the month of December 2010 of the Debtor's accrual of post-employment expenses that the Debtor does not intend to pay without prior authorization of the Bankruptcy Court.

2. Reorganization Expenses include (i) adjustments to the carrying amount of liabilities based on estimated allowable claims, including the acceleration of deferred debt costs which were to be amortized over the life of the debt, and (ii) professional fees (as discussed in Notes to Balance Sheet below). Reorganization Expenses also reflects certain prepetition claims settled pursuant to Court order and may in the future reflect additional settlements.

D. Notes to Balance Sheet.

1. Amounts included in "Book Value on Petition Date or Scheduled" reflect book value as of October 31, 2010, rather than the petition date.

2. Professional Fees include accruals with respect to monthly estimates for professional fees which may not yet have been billed or remain subject to Bankruptcy Court approval and certain contingent success fees for professionals, which have not yet been earned in accordance with the terms of the orders approving such professionals' retentions. The Debtor typically accrues such success fees as well as unbilled attorney fees on a quarterly basis.

3. The Balance Sheet reflects a negative Net Owner's Equity because, among other things, the Debtor's primary subsidiary is AAC which has a negative GAAP equity value which consequently reduces the Debtor's total assets to a negative amount on an equity basis of accounting.

4. Amount Due from Insiders includes \$5 million due from AAC to Debtor for reimbursement of operating expenses pursuant to the expense sharing agreement signed in March 2012, partially offset by intercompany amounts owed by Debtor to AAC.

E. Notes to Summary of Unpaid Postpetition Debts.

For Taxes Payable and Professional Fees, see Notes to Balance Sheet above.

F. Notes to Payments to Insiders and Professionals.

1. Gross Salary includes taxes and other benefits payable by the Debtor on behalf of such Insider. In accordance with the Cash Management Order, a portion of Gross Salary is reimbursed by AAC to the Debtor.

2. Intercompany Payments represent gross obligations to subsidiaries, not actual cash disbursements. Cash receipts or disbursements are made after netting obligations between and among the Debtor and its subsidiaries.

3. Total Incurred and Unpaid Professional Fees are not intended to correspond with the estimated accrued fees stated in the Income Statement.

4. Reimbursement to AAC includes \$106,344 paid by AAC for postpetition Debtor director fees and expense reimbursements.

5. Amounts included in "Amount Approved" reflect one hundred percent (100%) of amounts previously invoiced by professionals and approved by the court for payment in the current period by the Debtor. Amounts included in "Amount Paid" reflect at least eighty percent (80%) of fees and one hundred percent (100%) of expenses previously invoiced by professionals and paid by the Debtor during the current period. Professional amounts approved by the court but not paid during the current period have not been included in the "Amount Approved." Amounts of professional fees previously incurred but held back in accordance with prior orders of the Bankruptcy Court (the "Holdback Amount") are reflected in "Total Incurred & Unpaid." Success fees payable to certain professionals upon consummation of the Debtor's reorganization are not reflected in MOR-6.

G. Debtor Questionnaire

Question 7: See Note 4 to the Debtor's Balance Sheet

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)

Reporting Period: January 1-31, 2013

Federal Tax I.D. # 13-3621676

CORPORATE MONTHLY OPERATING REPORT

File with the Court and submit a copy to the United States Trustee within 20 days after the end of the month and submit a copy of the report to any official committee appointed in the case.

(Reports for Rochester and Buffalo Divisions of Western District of New York are due 15 days after the end of the month, as are the reports for Southern District of New York.)

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	<u>MOR-1</u>		X
Bank Reconciliation (or copies of debtor's bank reconciliations)	<u>MOR-1 (CON'T)</u>	X	
Copies of bank statements		X	
Cash disbursements journals		n/a	
Statement of Operations	<u>MOR-2</u>	X	
Balance Sheet	<u>MOR-3</u>	X	
Status of Post-petition Taxes	<u>MOR-4</u>	X	
Copies of IRS Form 6123 or payment receipt		n/a	
Copies of tax returns filed during reporting period		n/a	
Summary of Unpaid Post-petition Debts	<u>MOR-4</u>	X	
Listing of Aged Accounts Payable		n/a	
Accounts Receivable Reconciliation and Aging	<u>MOR-5</u>	n/a	
Taxes Reconciliation and Aging	<u>MOR-5</u>	n/a	
Payments to Insiders and Professional	<u>MOR-6</u>		X
Post Petition Status of Secured Notes, Leases Payable	<u>MOR-6</u>	n/a	
Debtor Questionnaire	<u>MOR-7</u>		X

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Authorized Individual*

Date 3/22/13

Printed Name of Authorized Individual David Trick

Date 3/22/13

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be from the debtor's books and not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CON'T)]

ACCOUNT NUMBER (LAST 4)	BANK ACCOUNTS				CURRENT MONTH ACTUAL (TOTAL OF ALL ACCOUNTS)
	OPER CITI9478	INVESTMENT BNY0982	MMF	BNY0982	
CASH BEGINNING OF MONTH	\$ 41,523	\$ -	\$ 30,315,673	\$ 30,357,196	
RECEIPTS					
CASH SALES				-	
ACCOUNTS RECEIVABLE - PREPETITION				-	
ACCOUNTS RECEIVABLE - POSTPETITION				-	
LOANS AND ADVANCES				-	
SUBORDINATED PROMISSORY NOTE (PFM)				-	
SALE OF ASSETS				-	
OTHER (ATTACH LIST)	-	3,210	-	3,210	
TRANSFERS (FROM DIP ACCTS)	2,373,000	2,376,210	3,210	4,752,420	
TOTAL RECEIPTS	\$ 2,373,000	\$ 2,379,420	\$ 3,210	\$ 4,755,630	
DISBURSEMENTS					
GROSS PAYROLL				-	
SALES, USE, & OTHER TAXES				-	
INVENTORY PURCHASES				-	
SECURED/ RENTAL/ LEASES				-	
INSURANCE				-	
ADMINISTRATIVE				-	
SELLING				-	
OTHER (ATTACH LIST)	2,373,125	-	-	2,373,125	
OWNER DRAW *				-	
TRANSFERS (TO DIP ACCTS)	-	2,379,420	2,373,000	4,752,420	
PROFESSIONAL FEES				-	
U.S. TRUSTEE QUARTERLY FEES				-	
COURT COSTS				-	
TOTAL DISBURSEMENTS	\$ 2,373,125	\$ 2,379,420	\$ 2,373,000	\$ 7,125,545	
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)	\$ (125)	\$ -	\$ (2,369,790)	\$ (2,369,915)	
CASH - END OF MONTH	\$ 41,398	\$ -	\$ 27,945,883	\$ 27,987,281	

* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)

TOTAL DISBURSEMENTS	7,125,545
LESS: TRANSFERS TO OTHER DEBTOR IN POSSESSION ACCOUNTS	(4,752,420)
PLUS: REDUCTION TO RETAINERS	
LESS: DISBURSEMENT TO U.S. TRUSTEE	
PLUS: EXPENSE REIMBURSEMENTS FROM AMBAC ASSURANCE CORPORATION	557,195
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	2,930,320

MOR 1 Category

Accounts:

	<u>Operating</u>	<u>Investments</u>	<u>Total</u>
<u>Other Receipts</u>			
Blackrock Liquidity Temp. Fund		\$ 1,006	\$ 1,006
DWS Money Mkt Series Inst'l #2403		526	526
JPMorgan Prime Interest		538	538
Federated Prime Mmkt Capital		1,140	1,140
Grand Total - Other Receipts	\$ -	\$ 3,210	\$ 3,210

Other Disbursements

Audit	\$ 60,000		\$ 60,000
Consulting Fees	46,315		46,315
Directors' Fees and Travel	106,344		106,344
Expense Allocations	863,872		863,872
Other	2,489		2,489
Outside Services	7,740		7,740
Printing	21,730		21,730
Reorg Costs - Professional Fees	1,821,830		1,821,830
Total Expense Reimbursement to Ambac Assurance	\$ 2,930,320	\$ -	\$ 2,930,320
Reimbursements from Ambac Assurance	\$ (557,195)	\$ -	\$ (557,195)
Total AAC Intercompany Settlement	\$ 2,373,125	\$ -	\$ 2,373,125

In re Ambac Financial Group, Inc.

Case No. 10-15973 (SCC)

Debtor

Reporting Period: January 1-31, 2013

BANK RECONCILIATIONS (See Attached)

Continuation Sheet for MOR-1

A bank reconciliation must be included for each bank account. The debtor's bank reconciliation may be substituted for this page.
(Bank account numbers may be redacted to last four numbers.)

	#	Operating	#	Payroll	#	Tax	#	Other
BALANCE PER BOOKS								
BANK BALANCE								
(+) DEPOSITS IN TRANSIT (<i>ATTACH LIST</i>)								
(-) OUTSTANDING CHECKS (<i>ATTACH LIST</i>):								
OTHER (<i>ATTACH EXPLANATION</i>)								
ADJUSTED BANK BALANCE *								

**Adjusted Bank Balance" must equal "Balance per Books"

DEPOSITS IN TRANSIT	Date	Amount	Date	Amount
CHECKS OUTSTANDING	Ck. #	Amount	Ck. #	Amount

OTHER



Balance Summary Report

Bank Name	CITIBANK									
Customer Number / Name	4855988									
Branch Number / Name	930									
Account Number / Name	40609478									
Account Currency / Type	USD									
Last Entry Date	01/31/2013									
Statement Date	Opening Ledger Balance	Current / Closing Ledger Balance	Opening Available Balance	Current / Closing Available Balance	Credit Count	Total Credit Amount	Debit Count	Total Debit Amount		
01/31/2013	2,414,523.07	41,398.13	2,414,523.07	41,398.13	0	0.00	1	2,373,124.94		
1 Day Float	0.00	2 Day Float	0.00	3 Day Float		0.00	4 Day Float	0.00		

= Indicates Calculated Balances

Report Date 02/19/2013 15:17:31 (EST)

MOR - Balance Summary Report VA

AMBAC FINANCIAL GROUP
Account # 003982
January 31, 2013

SUMMARY OF ASSETS HELD	MARKET VALUE	EST ANN INCOME	YLD-MKT	% A/C
FIXED INCOME INVESTMENTS	27,945,883.18*	30,207.56	.10	100.00
CASH	.00	.00		
ACCOUNT TOTALS	\$27,945,883.18**	\$30,207.56	.10%	100.00

* Includes \$27,945,883.18 noted as MMIF BNY 3982 account on the Schedule of Cash Receipts and Disbursements.

**Market values agree to books; no reconciliation is necessary.

In re Ambac Financial Group, Inc.

Case No. 10-15973 (SCC)

Debtor

Reporting Period: January 1-31, 2013

STATEMENT OF OPERATIONS (Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	MONTH	CUMULATIVE-FILING TO DATE
Gross Revenues		
Less: Returns and Allowances		
Net Revenue		
COST OF GOODS SOLD		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor		
Add: Other Costs <i>(attach schedule)</i>		
Less: Ending Inventory		
Cost of Goods Sold		
Gross Profit		
OPERATING EXPENSES		
Advertising		
Auto and Truck Expense		
Bad Debts		
Contributions		
Employee Benefits Programs	\$ -	\$ (313,164)
Officer/Insider Compensation*		2,992,626
Insurance	57,423	1,217,959
Management Fees/Bonuses		
Office Expense		9,572
Pension & Profit-Sharing Plans		
Repairs and Maintenance		
Rent and Lease Expense		-
Salaries/Commissions/Fees		
Supplies		625
Taxes - Payroll		40,079
Taxes - Real Estate		
Taxes - Other		(8,595)
Travel and Entertainment		
Utilities		
Other <i>(attach schedule)</i>	417,810	1,314,000
Total Operating Expenses Before Depreciation	\$ 475,233	\$ 5,253,102
Depreciation/Depletion/Amortization		
Net Profit (Loss) Before Other Income & Expenses	\$ (475,233)	\$ (5,253,102)
OTHER INCOME AND EXPENSES		
Other Income <i>(attach schedule)</i>	\$ 10,332	\$ 8,724,318
Interest Expense		
Other Expense <i>(attach schedule)</i> ⁽¹⁾	(108,917,985)	2,164,159,976
Net Profit (Loss) Before Reorganization Items	\$ 108,453,084	\$ (2,160,688,760)

In re Ambac Financial Group, Inc.

Case No. 10-15973 (SCC)

Debtor

Reporting Period: January 1-31, 2013

REORGANIZATION ITEMS	MONTH	CUMULATIVE-FILING TO DATE
Professional Fees	\$ 24,126	\$ 48,503,288
U. S. Trustee Quarterly Fees		93,784
Interest Earned on Accumulated Cash from Chapter 11 <i>(see continuation sheet)</i>		
Gain (Loss) from Sale of Equipment		
Other Reorganization Expenses <i>(attach schedule)</i>	-	40,483,947
Total Reorganization Expenses	24,126	89,081,019
Income Taxes		3,763,849
Net Profit (Loss)	\$ 108,428,958	\$ (2,253,533,628)

**"Insider" is defined in 11 U.S.C. Section 101(31).

BREAKDOWN OF "OTHER" CATEGORY

OTHER COSTS

OTHER OPERATIONAL EXPENSES

Audit and consulting	60,482	920,116
Outside services	7,740	245,976
Flex spending expense adjustment		(1,700)
Legal fees		1,361,920
Printing	21,730	212,576
Net expense allocations among affiliates	320,566	(1,789,839)
Other disbursements	4,902	301,830
Subscription and data access	2,390	63,121

OTHER INCOME

Investment and other income	10,332	694,055
Payment from Ambac Assurance		8,030,263

OTHER EXPENSES

Net loss (gain) on wholly-owned subsidiaries for the period	(108,917,985)	2,165,101,266
New York State franchise tax refund		(744,891)
Delaware State franchise tax refund		(196,399)

OTHER REORGANIZATION EXPENSES

Adjustments to carrying amount of debt		26,476,579
Lease settlement		14,007,368

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)
Reporting Period: January 1-31, 2013

BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from post-petition obligations.

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE OR SCHEDULED
CURRENT ASSETS			
Unrestricted Cash and Equivalents	\$ 27,987,281	\$ 30,357,196	\$ 51,664,858
Restricted Cash and Cash Equivalents (see continuation sheet)	-	-	-
Accounts Receivable (Net)			
Notes Receivable	1,293,168	1,293,168	646,584
Inventories			
Prepaid Expenses	344,542	401,965	-
Professional Retainers	123,476	123,476	-
Other Current Assets (attach schedule)	24,221	17,098	22,595,996
TOTAL CURRENT ASSETS	\$ 29,772,688	\$ 32,192,903	\$ 74,907,438
PROPERTY & EQUIPMENT			
Real Property and Improvements			
Machinery and Equipment			
Furniture, Fixtures and Office Equipment			
Leasehold Improvements			
Vehicles			
Less: Accumulated Depreciation			
TOTAL PROPERTY & EQUIPMENT			
OTHER ASSETS			
Amounts due from Insiders*	\$ 4,646,430	\$ 4,513,777	\$ 2,031,707
Other Assets (attach schedule)	(2,108,512,991)	(2,220,723,631)	(189,319,094)
TOTAL OTHER ASSETS	\$ (2,103,866,561)	\$ (2,216,209,854)	\$ (187,287,387)
TOTAL ASSETS	\$ (2,074,093,873)	\$ (2,184,016,951)	\$ (112,379,949)
LIABILITIES AND OWNER EQUITY			
	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)			
Accounts Payable			
Taxes Payable (refer to FORM MOR-4)	\$ 1,900,000	\$ 1,900,000	\$ 45,950
Wages Payable			
Notes Payable			
Rent / Leases - Building/Equipment			
Secured Debt / Adequate Protection Payments			
Professional Fees	14,873,306	16,671,842	4,000,000
Amounts Due to Insiders*	-	-	-
Other Post-petition Liabilities (attach schedule)	-	-	-
TOTAL POST-PETITION LIABILITIES	\$ 16,773,306	\$ 18,571,842	\$ 4,045,950
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)			
Secured Debt			
Priority Debt			
Unsecured Debt	\$ 1,704,939,747	\$ 1,704,939,747	\$ 1,695,259,764
TOTAL PRE-PETITION LIABILITIES	\$ 1,704,939,747	\$ 1,704,939,747	\$ 1,695,259,764
TOTAL LIABILITIES	\$ 1,721,713,053	\$ 1,723,511,589	\$ 1,699,305,714
OWNERS' EQUITY			
Capital Stock	\$ 3,080,168	\$ 3,080,168	\$ 3,080,168
Additional Paid-In Capital	2,172,026,548	2,172,026,548	2,186,743,295
Partners' Capital Account			
Owner's Equity Account			
Retained Earnings - Pre-Petition	(3,896,443,042)	(3,896,443,042)	(3,889,596,442)
Retained Earnings - Post-petition	(2,292,393,240)	(2,400,822,199)	-
Adjustments to Owner Equity (attach schedule)	217,922,640	214,629,985	(111,912,684)
Post-petition Contributions (attach schedule)			
NET OWNERS' EQUITY	(3,795,806,926)	(3,907,528,540)	(1,811,685,663)
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ (2,074,093,873)	\$ (2,184,016,951)	\$ (112,379,949)

*"Insider" is defined in 11 U.S.C. Section 101(31).

In re Ambac Financial Group, Inc.
 Debtor

Case No. 10-15973 (SCC)

Reporting Period: January 1-31, 2013

BALANCE SHEET - continuation section

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Current Assets			
Variable rate demand obligations	-	-	22,500,000
Receivable for securities	6,200	6,200	43,839
Investment income due and accrued	18,021	10,898	52,157
Other Assets			
Investment in subsidiaries	(2,108,512,991)	(2,220,723,631)	(213,670,849)
Other receivables	-	-	1,493,245
Deferred debt costs	-	-	19,625,591
Loan receivable	-	-	3,232,919
LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Post-petition Liabilities			
Adjustments to Owner's Equity			
Treasury stock	(410,754,662)	(410,754,662)	(449,569,100)
Accumulated other comprehensive gain	628,677,302	625,384,647	337,656,416
Post-Petition Contributions			

Restricted Cash: Cash that is restricted for a specific use and not available to fund operations.
 Typically, restricted cash is segregated into a separate account, such as an escrow account.

In re Ambac Financial Group, Inc.

Case No. 10-15973 (SCC)

Debtor

Reporting Period: January 1-31, 2013

STATUS OF POST-PETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

Federal	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Date Paid	Reference No.	Ending Tax
Withholding						\$ -
FICA-Employee						-
FICA-Employer						-
Unemployment						\$ -
Income						
Other:						
Total Federal Taxes						\$ -
State and Local						
Withholding						\$ -
Sales						
Excise						
Unemployment						
Real Property						
Personal Property						
Other:						\$ -
Total State and Local		\$ -	\$ -			\$ -
Total Taxes	\$ -	\$ -	\$ -			\$ -

SUMMARY OF UNPAID POST-PETITION DEBTS

Attach aged listing of accounts payable.

Number of Days Past Due

	Current	0-30	31-60	61-90	Over 91	Total
Accounts Payable						\$ -
Wages Payable						\$ -
Taxes Payable	\$ 1,900,000					\$ 1,900,000
Rent/Leases-Building						\$ -
Rent/Leases-Equipment						\$ -
Secured Debt/Adequate Protection Payments						\$ -
Professional Fees	14,873,306					\$ 14,873,306
Amounts Due to Insiders						\$ -
Other:						\$ -
Other:						\$ -
Total Post-petition Debts	\$ 16,773,306					\$ 16,773,306

Explain how and when the Debtor intends to pay any past due post-petition debts.

In re Ambac Financial Group, Inc. Case No. 10-15973 (SCC)
Debtor Reporting Period: January 1-31, 2013

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	
Plus: Amounts billed during the period	
Less: Amounts collected during the period	
Total Accounts Receivable at the end of the reporting period	

Accounts Receivable Aging	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
0 - 30 days old					
31 - 60 days old					
61 - 90 days old					
91+ days old					
Total Accounts Receivable					
Less: Bad Debts (Amount considered uncollectible)					
Net Accounts Receivable					

TAXES RECONCILIATION AND AGING

Taxes Payable	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
0 - 30 days old					\$ -
31 - 60 days old					
61 - 90 days old					
91+ days old					
Total Taxes Payable	\$ -				\$ -
Total Accounts Payable					

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)
Reporting Period: January 1-31, 2013

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown on the Cash Receipts and Disbursements Report (MOR-1) list the amount paid to insiders (as defined in Section 101(31) (A)-(F) of the U.S. Bankruptcy Code) and to professionals. For payments to insiders, identify the type of compensation paid (e.g. Salary, Bonus, Commissions, Insurance, Housing Allowance, Travel, Car Allowance, Etc.). Attach additional sheets if necessary.

INSIDERS						
NAME	TYPE OF PAYMENT	AMOUNT PAID	EMPLOYER TAX	BENEFIT DEDUCTIONS	TOTAL PAID DURING THE MONTH	TOTAL PAID TO DATE
Michael Callen	Gross Salary					\$ 217,758
David Wallis	Gross Salary					762,105
Diana Adams	Gross Salary					128,576
David Trick	Gross Salary					69,488
David Wallis	Restricted Stock Unit Settlement					7,027
Diana Adams	Restricted Stock Unit Settlement					148
Kevin Doyle	Restricted Stock Unit Settlement					6,524
David Trick	Restricted Stock Unit Settlement					1,835
Robert Eisman	Restricted Stock Unit Settlement					1,876
Ambac Assurance Corporation	Intercompany Payments	\$ 2,930,320	\$ -	\$ -	\$ 2,930,320	\$ 46,684,212
TOTAL PAYMENTS TO INSIDERS		\$ 2,930,320	\$ -	\$ -	\$ 2,930,320	\$ 47,879,549

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING RETENTION	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID*
Blackstone Advisory Partners LP	12/21/2010	\$ 25,120	\$ 20,120	\$ 3,530,785	\$ 72,512
Buttner Hammock and Company	7/15/2011	-	626	840,617	241
Cornerstone Research, Inc.	3/24/2011	-	-	50,986	245
Dewey & LeBoeuf LLP	12/21/2010	342,759	1,380,944	22,323,238	-
Hogan Lovells US LLP	6/14/2012	-	33,320	422,226	621,002
KPMG LLP	1/19/2011	69,017	55,213	1,016,891	136,005
Kurtzman Carson Consultants, LLC	11/9/2010	5,472	5,472	1,642,479	10,326
Lathrop and Clark LLP	7/6/2011	-	-	14,370	1,856
Lazard Freres & Co. LLC	12/21/2010	167,058	137,058	2,741,052	89,752
Mayer Brown LLP	4/12/2012	15,755	14,240	14,240	32,137
Morrison & Foerster LLP	12/21/2010	-	144,321	6,920,359	424,879
PriceWaterhouseCoopers LLC	9/26/2011	32,087	55,890	492,688	39,046
Shearman & Sterling LLP	6/21/2012	-	3,139	105,993	224,360
The Brattle Group, Inc.	7/22/2011	-	-	407,704	45,773
Togut, Segal & Segal LLP	12/6/2010	-	-	144,496	-
Wachtell, Lipton, Rosen & Katz	2/18/2011	-	-	1,523,221	64,173
Whyte Hirschboeck and Dudek SC	7/15/2011	33,987	28,555	56,115	27,334
Winston & Strawn LLP	5/9/2012	-	2,931	28,144	3,322
TOTAL PAYMENTS TO PROFESSIONALS		\$ 691,255	\$ 1,881,829	\$ 42,275,604	\$ 1,792,963

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENT DUE	AMOUNT PAID DURING MONTH	TOTAL UNPAID POST-PETITION
TOTAL PAYMENTS			

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)
Reporting Period: January 1-31, 2013

DEBTOR QUESTIONNAIRE

Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.		Yes	No
1	Have any assets been sold or transferred outside the normal course of business this reporting period?		X
2	Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
3	Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
4	Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		X
5	Is the Debtor delinquent in paying any insurance premium payment?		X
6	Have any payments been made on pre-petition liabilities this reporting period?		X
7	Are any post petition receivables (accounts, notes or loans) due from related parties?	X	
8	Are any post petition payroll taxes past due?		X
9	Are any post petition State or Federal income taxes past due?		X
10	Are any post petition real estate taxes past due?		X
11	Are any other post petition taxes past due?		X
12	Have any pre-petition taxes been paid during this reporting period?		X
13	Are any amounts owed to post petition creditors delinquent?		X
14	Are any wage payments past due?		X
15	Have any post petition loans been received by the Debtor from any party?		X
16	Is the Debtor delinquent in paying any U.S. Trustee fees?		X
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X

* Pursuant to the Cash Management Order, the Debtor has retained the use of its prepetition accounts and processes and has not established new debtor-in-possession accounts.