

Solvency and Financial Condition Report

Ambac Assurance UK Limited

31 December 2025

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1 Executive Summary

Ambac Assurance UK Limited ("**AUK**" or "**the Company**") presents its Solvency and Financial Condition Report ("**SFCR**") for the year ended 31 December 2025.

The main purpose of the SFCR is for AUK to communicate to policyholders and other stakeholders, its performance over the past year, the governance processes in place, its key risks, the valuation of its assets and technical provisions and the nature of its capital resources and capital requirements.

There has been no change to AUK's business over the year ended 31 December 2025, except as noted in 2.1 Business and External Environment, and AUK's priority continues to be the continuing run-off of its portfolio of policies over the period to the scheduled maturity of its final policy in 2047.

The SFCR follows the guidance of the Prudential Regulatory Authority ("**PRA**"). It has been reviewed by the Executive Management Group ("**EMG**") of AUK, and presented to the Audit and Risk Committee ("**ARC**") for review before presentation for approval by the Board. The information has been prepared based on the Financial Statements of AUK as at 31 December 2025 and technical provision data as at that date. In line with the PRA Policy Statement 25/18 (Solvency II: External audit of the public disclosure requirement) the SFCR has not been subject to external audit as AUK meets the requirements set out in PS 25/18 of a small firm for external audit purposes.

Following the UK's withdrawal from the EU, the PRA has replaced Solvency II assimilated law with the Solvency UK framework ("Solvency UK"), which maintains the core structure of Solvency II while introducing UK-specific reforms designed to support policyholder protection and market competitiveness.

AUK had Solvency UK Eligible Assets in excess of its Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR") throughout the year. The year-end ratio of Solvency UK Own Funds to SCR ("Solvency Ratio") was 194% (2024: 213%). The Solvency Ratio decreased during 2025 due to: (i) increased Market Risk as a consequence of the increase in value of investments over the year, new allocations to investments in hedge funds, equities and securitised products which have increased investment returns but carry higher market risk charges, and (ii) greater holdings of non-GBP denominated assets, offset by an increase in Own Funds, primarily due to (a) an increase in value of investments over the year due to strong returns from pooled funds, fixed income and equity investments, offset to some degree by foreign exchange losses on translation of holdings denominated in USD and (b) a decrease in technical provisions from reductions in Risk Margin, and a reduction in Non Life Risk due to the run-off of insured exposures.

The change in Net Assets and Available Own Funds and SCR over the year is shown below.

Table 1: Regulatory Capital Adequacy

GBP m's	Dec 2025	Dec 2024
Total Eligible funds to meet SCR	528.7	478.1
Solvency Capital Requirement	272.4	224.6
Capital Surplus for SCR	256.3	253.5
Solvency Ratio	194%	213%
Total Available and Eligible funds to meet MCR	515.7	460.2
Minimum Capital Requirement	68.1	56.2
Capital Surplus for MCR	447.6	404.0

2 Business and Performance

2.1 Business and External Environment

AUK is incorporated under the laws of England and Wales and is in the non-life financial guarantee insurance business. AUK commenced writing policies in 1997. AUK is a wholly owned subsidiary of Ambac Assurance Corporation ("AAC"), a financial guarantee insurance company domiciled in Wisconsin, United States of America. The ultimate controlling entity is Oaktree Opportunities Fund XII GP, L.P. ("Fund XII"). Until 29 September 2025 AUK's ultimate controlling entity was Ambac Financial Group, Inc. ("AFG") (which has now been renamed Octave Specialty Group, Inc.). On 29 September 2025 AFG sold all of the issued and outstanding shares of common stock of AAC to American Acorn Corporation ("American Acorn") following receipt of regulatory and shareholder approvals. American Acorn is a Delaware corporation owned by Fund XII. The group structure as at 31 December 2025 is set out in Appendix A.

AUK's external auditor is PKF Littlejohn LLP (15 Westferry Circus, London E14 4HD).

AUK's only line of business is credit and suretyship and as such its principal business activity is portfolio risk management of its existing long term book of financial guarantee business. The portfolio comprises 38 financial guaranteed obligations with a gross par outstanding of £5.7 billion as of 31 December 2025 (39 obligations and £6.4 billion gross par outstanding as at 31 December 2024). AUK's portfolio of financial guarantee business is monitored by its portfolio risk management team, based in London. Activity in the year has included on-going monitoring and remediation activity relating to AUK's portfolio. AUK continues to collect instalment premiums from its portfolio of transactions and also generates fees from processing requests for amendments, consents and waivers ("ACW") to existing transactions.

AUK is dual regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). In 2009 following the creation of significant claims provisions, AUK's then regulator, the Financial Services Authority ("FSA"), curtailed AUK's licence to undertake new business, and limited its licence to undertaking only run-off related activity. Accordingly, AUK is authorised to run-off its financial guarantee insurance portfolio in the United Kingdom.

AUK is not party to any reinsurance arrangements and is exposed to 100% of potential claims in the existing insured portfolio. Any such claims are expected to be met by AUK's own claims paying resources.

Middle East Conflict

The downturn in global markets during March 2026 triggered by the conflict in the Middle East has indirectly impacted the market value of the Company's investment portfolio. However to the date of approval of the financial statements, this has been largely negated by foreign exchange gains on US Dollar holdings. There are no known exposures within the investment portfolio which are directly linked to the affected region. There are also no known exposures linked to the affected region within the Company's insured portfolio.

2.2 Objectives and Strategies

AUK's insured portfolio is contractually scheduled to run-off in 2047 on a gradually declining basis, although certain transactions can be prepaid and/or unwound under certain circumstances that mean the expected profile of the decline in liabilities would show a steeper decline than the scheduled pattern of decline.

AUK's business priority is the continued close management of the run-off of the book, to mitigate the risk of claims and to actively encourage and examine derisking (early policy termination opportunities) where they exist. Such run-off is being conducted with the goal of achieving the best outcomes for policyholders in general over the remaining period of the run-off.

2.3 Performance from Underwriting Activities

2.3.1 Overview

The historical underwriting performance of AUK, as presented in the Financial Statements prepared under UK GAAP FRS102, is summarised below.

Table 2: Historical P&L - UK GAAP

GBP m's	Dec 2025	Dec 2024
	£'m	£'m
Net Earned Premium	19.7	18.1
Net Claims Incurred and changes in other technical provisions	0.8	7.0
Other Technical Income	7.5	8.4
Net Underwriting Performance	28.0	33.5

2.3.2 Underwriting Profit and Loss

Net Earned Premium

Net premiums earned in 2025 were £19.7 million (2024: £18.1 million). The year on year increase in premiums earned is primarily due to a greater value of accelerated repayments of financial guarantee obligations by issuers and early policy terminations in the current year, which resulted in higher accelerated premium revenues offset by, the run-off of the financial guarantees over time.

Premiums earned for the year ended 31 December 2025 are comprised of £17.2 million normal earned premiums with £2.5m accelerations (2024: £18.1 million normal earned premiums and no accelerations).

Net Claims Incurred and Changes in Other Technical Provisions

For the year ended 31 December 2025, AUK's claims incurred and other technical provision expense was a credit of £0.8 million (2024: credit of £7.0 million). The credit for claims incurred and other technical provision expense in 2025 arose from subrogation received and movements in subrogation receivable, offset by claims management expenses paid in respect of AUK's financial guarantee obligations.

Other Technical Income

Other Technical Income was £7.5 million in 2025 (2024: £8.4 million). These fees are generated from ACWs connected with AUK's policies. Fees may be charged when the borrower requires AUK to provide consent to an amendment to a transaction document or to waive its right to object to an event.

2.4 Performance from Investment Activities

2.4.1 Investment Profit and Loss

In 2025, investment income, net of investment expenses and interest expense on borrowings, and excluding FX losses, increased to a profit of £43.1 million (income of £24.6 million including FX losses) (2024: profit of £25.6 million, income of £29.1million including FX gains). The higher level of investment returns excluding FX in the year was a consequence of profits from the majority of asset classes in which AUK invests driven by the continued rally over the year in risk assets. Gains were led by Insurance Linked Securities (+24.2%), Equities (+19.9%), Listed Infrastructure (+16.1%), Securitised Products (+14.1%), Convertible Debt (+12.1%), and Illiquid Credit (+11.7%). After allowing for FX losses from AUK's USD holdings, investment returns were lower than in the prior year. 2024 saw strong performance from Equities (+9.3%), Loans (+8.9%), Illiquid Credit (+8.1%) and FX gains on AUK's USD holdings.

The investment return included FX losses for 2025 of £18.5 million from the revaluation of AUK's foreign currency investments of £394.2 million as at 31 December 2025. AUK holds significant USD (and some EUR) investments in order to diversify its sources of return and provide protection against potential UK economic weakness/recession over the longer term.

Table 3: Historical Investment P&L (UK GAAP Basis)

GBP m's	Dec 2025	Dec 2024
	£'m	£'m
Investment Income Earned	20.5	16.5
Impairment	0.0	(0.2)
Realised Losses on Fixed Income Investments	(1.2)	(2.6)
Gains on Assets Held at Fair Value	29.0	13.8
Gross Investment Return	48.3	27.5
Investment Expenses	(4.1)	(0.8)
Interest Expense and Other	(1.1)	(1.1)
Net Foreign Exchange (Losses) / Gains	(18.5)	3.5
Net Investment Income	24.6	29.1

There were no gains and losses recognised directly in equity.

The detail of AUK's investment portfolio for 31 December 2025 and the return from that portfolio is summarised below, in comparison to the year ended 31 December 2024.

Table 4: Investment Return Analysis by Asset Class

	Solvency UK Value	Return %	Return	Solvency UK Value	Return %	Return
	2025	2025	2025	2024	2024	2024
	£'m	%	£'m	£'m	%	£'m
Bonds and Loans	228.0	4.9 %	12.3	261.5	3.1 %	8.9
Pooled Investments						
Loans and Private Credit	78.5	8.4 %	6.6	86.8	7.1 %	6.2
Global High Yield; EM Debt	44.7	7.3 %	3.3	39.0	3.9 %	1.5
Structured Products	35.4	9.0 %	3.2	0.0	0.0 %	2.4
Real Asset Debt	49.4	7.4 %	3.6	0.0	0.0 %	0.0
Listed Equities and Convertible Bonds	52.1	12.9 %	6.7	43.8	9.7 %	4.2
Insurance Linked Securities	26.0	24.4 %	6.4	22.3	1.4 %	0.3
Listed Real Assets (Property and Infrastructure)	25.5	10.3 %	2.6	25.0	1.6 %	0.4
Private Equity	33.4	7.6 %	2.5	32.6	8.0 %	2.6
Money Market Funds	23.8	2.4 %	0.6	44.5	2.1 %	0.9
Operating Cash	5.6	0.0 %	0.0	4.9	0.0 %	0.0
Total	602.4	8.3 %	47.8	560.5	5.1 %	27.5

2.4.2 Securitisations

AUK invests in securitisations both directly and indirectly (through pooled investments). The direct investments include AUK's holdings of its Own Wrapped Debt. Holdings which arise through pooled investments are present within AUK's structured credit investments (which exclusively invest in securitisations) together with AUK's holding in Illiquid Credit where as at 31 December 2025 the majority of the holdings within this fund related to securitisations.

Indirect holdings in funds which invest in securitisations are part of AUK's overall investment strategy which is reviewed quarterly by its Board and subject to an annual asset and liability review exercise.

AUK's direct holdings in Own Wrapped Debt are part of its remediation strategy for offsetting the risk within technical provisions.

Table 5: Securitisations

	Market Value	Market Value
	2025	2024
	£'m	£'m
Bonds	28.5	17.9
Own Wrapped Debt	15.7	16.0
Other	12.8	1.9
Pooled Investments	53.9	23.3
Structured Credit	35.4	0.0
Illiquid Credit	18.5	23.3
Total Securitisations	82.4	41.2

2.5 Operating/Other Expenses

2.5.1 Overview

For 2025 operating costs totalled £6.0 million, broadly in line with the 2024 level.

Table 6: Operating Expenses

GBP m's	Dec 2025	Dec 2024
	£'m	£'m
Change in deferred acquisition costs	0.2	0.2
Overhead expenses	5.8	5.9
Operating Expenses	6.0	6.1

3 Systems of Governance

3.1 General Governance Arrangements

AUK's risk management governance is based on:

- strong managerial involvement in the risk management system and promotion of risk culture, throughout the entire organisation, from the Board down to operational teams;
- clearly defined internal rules and procedures; and,
- independent assurance by internal audit to monitor risks and to ensure policies and procedures are being complied with.

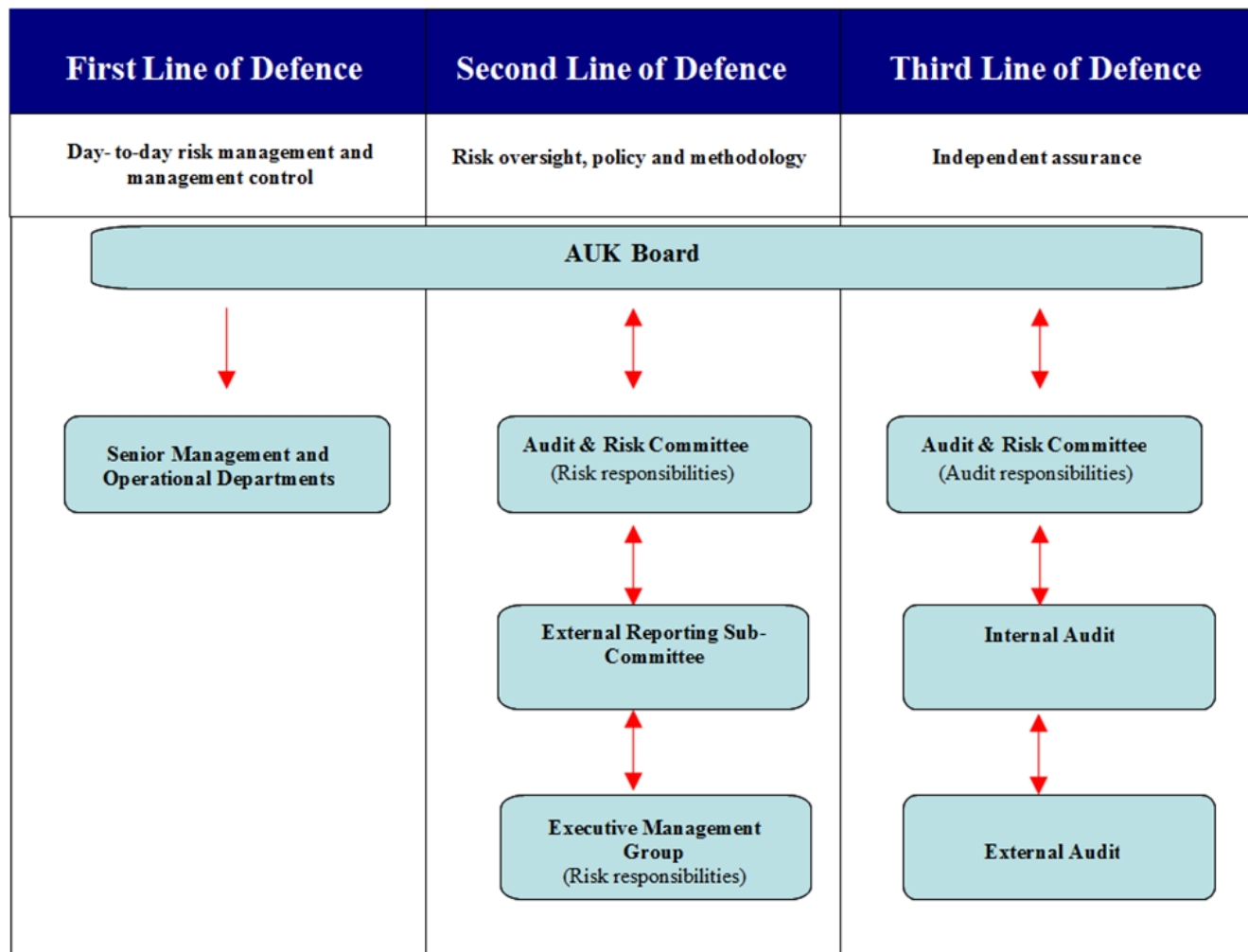
The Board has overall responsibility for risk management. The Board defines AUK's strategy, while assuming and controlling risks, and ensuring its implementation. In particular, the Board ensures the adequacy of AUK's risk management infrastructure and monitors changes in the insured and investment portfolios. Presentations on the main aspects of, and notable changes to, AUK's risk management strategy are made to the Board by the senior management team at least once a year (more often if circumstances require it), within the framework of the Risk Appetite exercise.

The Board may choose to delegate aspects of risk management to the ARC (e.g. risk oversight) and to the business (including management). In turn, an escalation process is put in place in the event that the business needs to escalate any risk matters directly to the Board and/or to the ARC and from there to the Board.

3.2 Risk Management System

3.2.1 The Three Lines of Defence Model

A three line of defence model is applied in order to apportion risk responsibilities as follows:



3.2.2 First Line of Defence

The first line of defence identifies, assesses, manages, monitors and reports on risk. It manages the risk profile of the organisation in line with the appetites and expectations established by the Board. The risk profile is managed through the creation of a high level risk appetite statement which seeks to define acceptable levels of risk for each area of risk.

Risk appetite is a core part of AUK’s risk management framework. AUK has defined a series of statements at Board level (the “High Level Risk Appetite Statement”) to set out AUK’s risk appetite and strategy, summarise key controls and provide parameters for the perceived level of risk in given decisions. These are defined and approved by the Board (as noted above) and are reviewed at least annually.

Additionally, senior management and operational departments are responsible for ensuring that risks are managed within the risk appetite set by the Board. In particular the following topics are reviewed in regular Executive Management Group meetings:

- Identify existing and emerging risks;
- Participate in the scoring of risks;
- Mitigate risks through the implementation and operation of controls;
- Monitor the risk profile of the business; and
- Report on risk matters as appropriate.

Additionally within the first line of defence is the actuarial function (of which the CFO is the function holder) as described at section 3.7.

3.2.3 Second Line of Defence

It is the responsibility of stakeholders engaged in the second line of defence to coordinate, facilitate and oversee the effectiveness and integrity of the Risk Management Framework.

In carrying out these responsibilities the ARC performs the following:

- Review and (re)approve risk management framework and risk policies on a periodic basis;
- Identify existing and emerging business risks (financial and non-financial) and understand their impact on AUK;
- Review the risk matrix and consider whether changes are required as a result of any changed risks in the business;
- Monitor actual risk exposures against risk appetite and consider ad hoc risk related exception reports of a material nature;
- Review the integration between AUK's risk management procedures and its capital modelling procedures;
- Make recommendations for changes to risks, controls, risk and control owners; and
- Escalate risk matters if such matters result in a breach of the Board-approved risk appetites.

EMG is responsible for coordinating risk management activities on a day-to-day basis. Within EMG, the Company Secretary has responsibility for the Risk Management and Compliance Functions. EMG is a management committee (not a committee of the Board) and produces the relevant risk management information for the ARC and the Board.

Additionally an investment committee has been established, comprised of relevant members of EMG, together with external investment advisors and AAC's chief financial officer, to advise on and execute AUK's investment strategy.

On an annual basis the Board reviews the asset allocation of investments with the assistance of external advisors, using appropriate studies which consider the performance of the investment portfolio under a range of scenarios to establish the potential impact of various investment risks crystallising on AUK's solvency position and on its ability to pay policyholders as claims fall due.

In addition AUK's investment risk monitoring at its quarterly investment committee covers:

- investment returns and volatility by asset class and across the portfolio as a whole,

- performance of investment managers against benchmarks and consideration of the drivers of performance of assets managed by each manager over the period (for example changes in credit rating of assets or changes in the external environment),
- any breaches in limits for asset classes, single issuers or risk concentrations, and
- any changes in AUK's risk profile which may require amendments to asset allocations.

The investment committee also considers in establishing its investment approach liquidity risk management. This includes examining its liquidity needs and sources in its regular run off and under both idiosyncratic and market wide stress scenarios. This includes establishment of both primary and secondary liquidity buffers and assessment of AUK's liquidity needs over various durations.

The Board has also established an External Reporting Sub-Committee ("ERSC") comprising the ARC Chair, AUK CEO, AUK CFO and finance representatives from the shareholder AAC. The role of the ERSC is to assist the ARC in fulfilling its Board delegated oversight responsibilities in relation to external filings made by AUK, in particular the integrity of AUK's annual financial statements and required annual regulatory returns, and other material financial information provided to regulators as applicable from time to time.

3.2.4 Third Line of Defence

The third line of defence provides independent assurance and challenge across all areas of the business in respect of the integrity and effectiveness of the Risk Management Framework. Internal Audit provides an independent, objective assurance function to AUK as set out at 3.6 below.

External auditors review the main processes in the business to give an opinion on AUK's financial statements. Based on this work they may produce a management letter, which may report findings relating to risk matters (e.g. control exceptions) and is reviewed by management, Internal Audit and the ARC. The management letter is followed up with appropriate investigation and mitigation work by Internal Audit and the business. Relevant external auditors' findings and the associated mitigation work will be reflected in the Risk Matrix.

3.2.5 Prudent Person Principle

The Board and its advisors consider the diversification of assets, return targets and a variety of risk factors in making its assessment of assets in which to invest and the target allocation ranges of such assets. On a quarterly basis, or more frequently if required, the Investment Committee then reviews performance and the allocation of assets within the defined ranges. Investment management itself is outsourced to external managers.

The performance of external managers is reviewed against appropriate benchmarks and managers are all rated at least annually against a scorecard.

Through this process AUK manages its investments in accordance with the prudent person principle as set out in Solvency UK.

3.2.6 Use of External Rating Agencies

Generally for each of AUK's policies, the Company has access to the Moody's and S&P (the "Agencies") ratings and credit analysis. However not all deals are rated by the Agencies and some were only rated by the Agencies at inception with no on-going coverage. The AUK ratings decision on its policies is part of the AUK Credit Review process and the rating ascribed represents AUK's own "rating-agency equivalent" view.

The rating criteria used in determining that "rating-agency equivalent" view are set out in AUK's internal procedure documentation and mapped to AUK's detailed review of the credit. Consideration is given to the Agencies ratings levels and credit analysis (if it exists) when determining the AUK rating with our final rating decision based upon AUK's assessment and knowledge of the deal.

For determining the rating applied to AUK's investments the lower of the ratings of the two Agencies is applied. For pooled investments a look-through approach is applied and the average rating of the underlying investments in the pooled fund (where applicable) is applied as the rating for that pooled fund in applicable Market Risk calculations.

3.2.7 Matching Adjustment, Volatility Adjustment and Risk Free Rates

AUK does not utilise matching adjustments or volatility adjustments in its solvency calculations. The risk free rates utilised for determining the present value of technical provisions are sourced from the PRA and do not require extrapolation.

3.3 Fit and Proper

AUK has put in place a Fit and Proper Person Policy designed with the primary objective of ensuring the persons who effectively run AUK or who have other key functions are "fit" and take account of the respective duties allocated to individuals to ensure that there is an appropriate diversity of qualifications, knowledge and experience to ensure that AUK is managed and overseen in a professional manner.

The objectives of this Policy are also to:

- define the minimum standards for determining the fitness and propriety of individuals as a "Fit and Proper Person" to serve in their respective position as a "Person of Responsibility" within AUK;
- for Directors and other persons of responsibility, in addition to determining the fitness and propriety of individuals, to provide for an objective framework and criteria to be set from time to time which promotes the election or appointment of a person with suitable knowledge, qualifications, competencies, skill and experience which complement and improve:
 - a) the existing collective capacity of the Board;
 - b) the Board's succession plans and development intentions;
 - c) the governance framework within AUK; and
 - d) confidence in AUK and its officers.

In accordance with Solvency UK guidelines, AUK has ensured that the members of the administrative, management or supervisory body collectively possess at least qualification, experience and knowledge about:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial analysis; and
- regulatory framework and requirements.

In assessing whether a person is 'proper', AUK has included an assessment of that person's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial or supervisory aspects regardless of location. The period of limitation of the committed offence is judged based on English law.

3.4 ORSA Process

AUK prepares on an annual basis an Own Risk and Solvency Assessment ("ORSA") to engage in the process of assessing all the risks inherent in its business and determining its corresponding capital needs. To achieve this, AUK makes an assessment of its risk profile, approved risk tolerance limits and business strategy and the role that they play in determining the business's capital needs.

Based on this assessment AUK reviews both the current and future forecast position of its regulatory capital. The ORSA also makes consideration of the applicability of the Standard Formula approach to AUK given the firm's risk profile.

The ORSA is reviewed by the EMG, and presented to the ARC for review before presentation for approval by the Board. The ORSA and ORSA process are reviewed by Internal Audit periodically.

The output of the ORSA process is used in decision making through the year particularly when consideration is being made of possible early termination of any policies.

3.5 Internal Control

The internal control framework of AUK has a number of key elements and functions which combine to provide a strong control environment across the organisation. Internal control is managed through the Risk Management Governance Framework described in section 3.2.

AUK has put in place policies and procedures around its key processes throughout the business. These provide the guidelines for staff throughout AUK to operate processes in a consistent manner. All policies and, where applicable, procedures are subject to review and approval by either:

- The Board, where they relate to Surveillance, Investments and Outsourcing;
- The ARC (as delegated by the Board), where they relate to financial (including regulatory) reporting, risk, internal/external audit or controls; or
- The EMG in respect of other policies and procedures.

Board and ARC level policies and procedures are subject to two levels of review prior to approval. The first level is review by the EMG and the final step is review by the appropriate approving body as described immediately above.

All policies and procedures have an owner who is responsible for their maintenance. Compliance with the requirement to review policies and procedures annually is monitored by the Compliance Function (see below).

3.6 Internal Audit Function

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Internal Audit has a key role in that it helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The independence of Internal Audit is safeguarded through the fact that their reporting line is to the chair of the ARC. Internal Audit services are provided to AUK by way of an outsourced service provider, BDO. Internal audit apply a risk based approach to their selection of areas for audit and prepare an annual audit plan.

3.7 Actuarial Function

The Actuarial Function holder for AUK is the CFO. The Function holder is responsible for:

- The co-ordination of the calculation of technical provisions, review of assumptions used and quality of data used in technical provisions; and
- Reporting to the ARC.

The Actuarial Function Holder reports at least annually in writing to the ARC on the following topics:

- The tasks undertaken by the actuarial function in the year and their results identifying any deficiencies noted and giving recommendations on how those deficiencies could be remedied.
- Commentary on the reliability of technical provisions, on the data sources used and the degree of uncertainty in the estimation of technical provisions. This commentary is accompanied by analysis of the sensitivity of technical provisions to variability in each of the constituents which underlie the provision.
- Commentary on the sufficiency of premiums earned to cover future claims and expenses, together with commentary on the variability of future premiums with inflation, external ratings or other events; and
- Commentary on how the make-up of the insured portfolio is likely to change in the future and whether there is a tendency in the portfolio toward retention of higher risk profile policies over time (anti-selection).

In the production of this report and in the preparation of quarterly and annual Solvency UK reporting, the Actuarial Function Holder uses outsourced actuarial support to review calculations and to produce any parts of the report where the review would otherwise result in the Actuarial Function Holder reviewing his/her own work or the work of individuals reporting to them.

3.8 Outsourcing

Management is responsible, when relying on a third party provider, for the performance of functions which are critical for the performance of AUK's regulated activities, on a continuous and satisfactory basis, ensuring that it takes reasonable steps to avoid undue additional operational risk. In exercising this responsibility external suppliers are used as and when appropriate to assist the Company when it would not be efficient to utilise internal resources or where additional expertise is needed. Indeed in light of the small staff numbers at AUK (9 staff as at 31 December 2025) outsourcing of certain activities is critical to enable AUK to manage its operations in an efficient and controlled manner.

Specifically, where AUK outsources critical or important functions, it remains fully responsible for discharging all of its obligations under the regulatory system and must comply, in particular, with the following conditions:

- the outsourcing must not result in the delegation by the Senior Management Team ("SMT") or the Board of their responsibility;
- the relationship and obligations of AUK towards its policyholders under the regulatory system must not be altered;
- a member of AUK's SMT must take responsibility for the activities of the outsourced service provider;
- the conditions with which AUK must comply in order to be authorised, and to remain so, must not be undermined; and
- none of the other conditions subject to which AUK's authorisation was granted must be removed or modified.

Consequently, management will not undertake the outsourcing of important functions in such a way as to impair materially:

- the quality of its internal control (including ensuring that internal and external audit access to information is not inhibited); or
- the ability of the regulator (PRA and/or FCA) to monitor AUK's compliance with all obligations under the regulatory system.

The Board of AUK are informed of the appointment of any material outsourced provider in order that it can give consideration to whether the outsourced provision is well controlled. Directors and key officers will also assess the cost-benefit analysis and quality implications of any decision and will review the range of potential providers.

The results of performance of outsource service providers against service levels and/or expectations are monitored by the responsible SMT member on a quarterly basis. Where material service levels are not met, the individual will report this to the Board with proposed specific steps and timescales for service levels to be restored based on the perceived risk of non-compliance. Where material service levels cannot be restored, the outsourced service should be terminated with the associated services either passing to a different supplier or brought back in-house.

Additionally each material outsource provider is subject to a written annual review to ensure that they still meet all AUK's requirements.

3.9 Material Transactions with Shareholders

As noted in section 2.1 of this document AUK is a wholly owned subsidiary of AAC, a financial guarantee insurance company domiciled in Wisconsin, United States of America. The ultimate holding company as at 31 December 2024 was AFG, but subsequent to the sale of AAC and AUK to funds managed by Oaktree Capital Management, L.P. on 29 September 2025 the ultimate holding company of AUK is now Fund XII.

Up until 30 September 2025 AUK was party to a Management Framework Services Agreement with AAC whereby AAC provided run off insurance services to AUK. On 1 October 2025 AUK transferred provision of run off insurance services from AAC to American Acorn Services LLC ("AAS"), a service company ultimately owned by Fund XII. AAS in turn is supported in its provision of run off insurance services to AUK by a back to back agreement with AAC. As a result run off insurance services continue to be provided in the same fashion as previously notwithstanding the legal change to the arrangements. The services provided by AAC and AAS are subject to the same controls as those in operation for third party outsource providers as set out in section 3.8.

On 1 October 2025 AUK entered into a Investment Management Agreement with Acorn Investment Partners, LLC ("AIP") (a subsidiary of AAS) under which AIP is responsible for the investment management of AUK's investment portfolio. Under this arrangement AIP is responsible for the execution of investments across AUK's custody accounts in line with defined investment guidelines.

Transactions with related parties which are required to be disclosed under UK law and regulations are set out in the notes to the company's financial statements, which are available at www.ambaccorp.com.

3.10 Remuneration Policy and Practices

Staff compensation contains the following components:

- Base salary (or fixed pay) which constitutes the material majority of normalised annual compensation. AUK determined that this approach was the better way to retain staff, as well as eliminate potential short-termism in staff behaviour driven by annual cash bonus incentives.
- Annual cash bonus (or variable pay) constituting the minority of normalised annual compensation, which is based on individual performance, is recommended by the CEO to the Board, and must be approved by the Board.
- A Long Term Incentive Plan ("LTIP") (or non-normalised variable pay) approved by the Board established with the intent of motivating and retaining staff to achieve certain business goals and imperatives that are in the best interest of AUK. The plan seeks to correlate staff and company interests, requires that payment is deferred, and malus clauses are incorporated.
- A company contribution to pension or similar benefit is provided in compliance with auto-enrolment requirements.

4 Risk Profile

4.1 Underwriting Risk

Underwriting Risk is the risk of loss to AUK from losses arising on a transaction which benefits from one of our policies (i.e. a claim arising) or reduction of premium income from policy cancellation or other events.

The orderly and proactive management of the run-off of AUK's book of business is AUK's continuing priority. At the end of 2025 future claims are considered probable (net of subrogation recoveries). Technical provisions also incorporate allowances for other statistical losses on the remainder of the portfolio based on internal ratings-based probabilities of default and loss given default.

This is considered a reasonable assumption due to the nature of the risk underwritten and remote risk of loss in respect thereof, and due to the structure of the transactions underwritten (specifically AUK's protections and rights under the transaction structure or contracts). In this regard proactive oversight is essential.

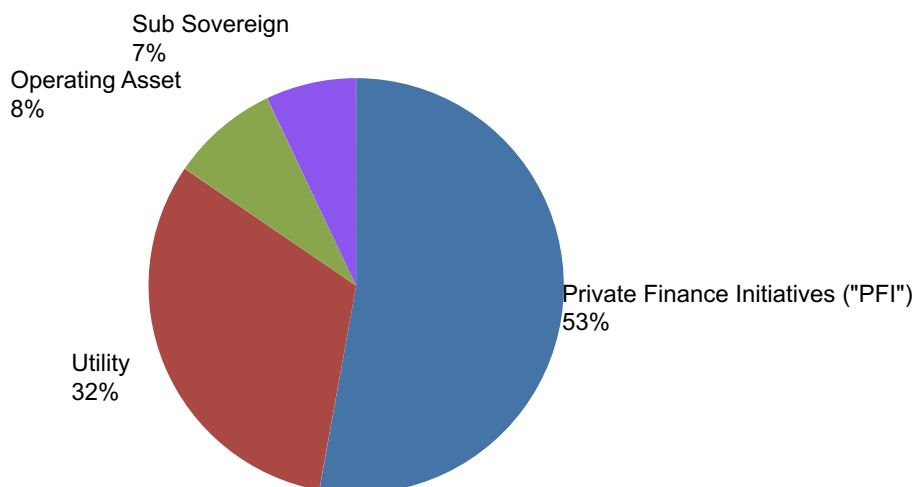
AUK seeks to manage the risks presented from its policies in three main ways:

- At least annually, each deal is thoroughly reviewed to identify any issues that may lead to deterioration in the credit profile of the transaction. Reporting is performed on an exception basis of any issues that could increase the risk profile of AUK. Credit reviews are signed by the transaction analyst and the Head of Portfolio Risk Management ("PRM") plus a member of the management team (in respect of any below investment grade exposures) and the CEO (in respect of adversely classified transactions).
- Credit categorisation is applied to all deals independently of any external rating assessments. Any policy with a heightened risk of default is identified as adversely classified and is subject to more frequent review. All adversely classified exposures are discussed at Board meetings. The rating criteria used in determining that "rating-agency equivalent" view are set out in AUK's internal procedure documentation and mapped to AUK's detailed review of the credit as set out at section 3.2.6.
- The PRM policies and procedures manual includes the procedures to follow in the event of an issuer requesting any ACW to an insured transaction to ensure that AUK's creditor and security rights are protected. The more material the ACW, the higher the level of review, including up to Board sign off.

The analysis of AUK's book of business by the type of business of the issuer of the debt guaranteed by AUK is shown below.

Chart 1: Policies by Collateral Type 2025

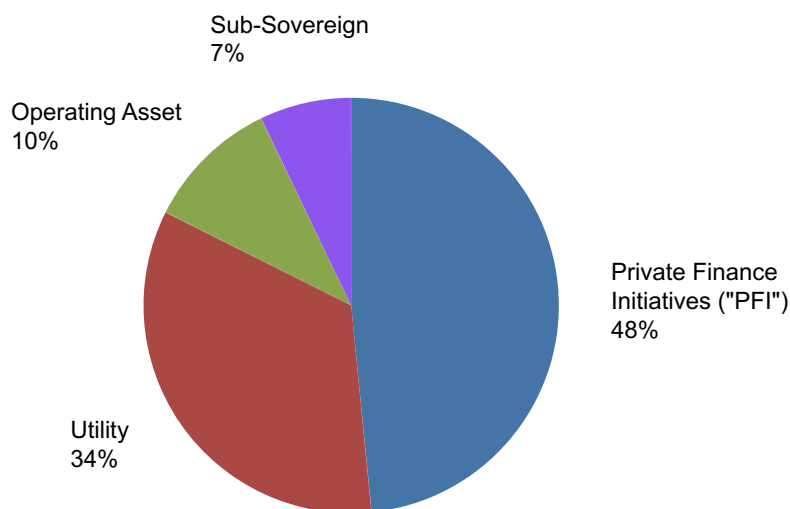
**AUK Total Policy exposure profile by AUK Collateral Type
(all numbers GBP equivalent) - as at Q4 2025**



The equivalent exposures as at 31 December 2024 were as set out below.

Chart 2: Policies by Collateral Type 2024

**AUK Total Policy exposure profile by AUK Collateral Type
(all numbers GBP equivalent) - as at Q4 2024**



Between 2024 and 2025 the distribution of exposures shows a slight decrease in the level of utility exposures driven primarily by two partial terminations of those policies over the year. AUK has no re-insurance in place and so bears 100% of the risk on its insured portfolio.

In recent years a number of significant deriskings of transactions were achieved and further opportunities for this will continue to be reviewed and pursued. Any derisking decision includes

careful analysis and modelling of those opportunities which may lead to a reduction in expected premium to ensure that this is in the best interests of policyholders generally.

AUK's assessment of the 1 year 99.5% change in own funds which could result from Non-Life and Counterparty Default Risk related Insurance Risk calculated using the Standard Formula approach is summarised below.

Table 7: Non-Life Solvency Capital Requirements

GBP m's	Standard Formula Approach Dec 2025	Standard Formula Approach Dec 2024
Catastrophe Risk	118.4	131.0
Lapse Risk	—	—
Premium & Reserve Risk	68.6	76.4
Diversification Effects	(33.0)	(37.7)
Non-Life Solvency Capital Requirements	154.0	169.7

The decrease in Non-Life Risk over the year has been primarily due to partial terminations of certain policies and the continued run off of the portfolio which has reduced premium and reserve risk.

4.2 Material Risk Concentrations

The detailed breakdown of exposures by sub-sector as at 31 December 2025 and 31 December 2024 are summarised below together with the average internal credit categorisation in each year and the % of total insured exposure which they represent. These exposures represent the most material risk concentrations to which AUK is exposed.

Table 8: Top 5 Exposures

	As at 31 December 2025				As at 31 December 2024		
	Country of Risk	Nominal Par Outstanding £'m	% of Total Exposure	Internal Rating *	Nominal Par Outstanding £'m	% of Total Exposure	Internal Rating *
Investor Owned Utility Other - unsecured	UK	590	10.4	BBB+	555	8.7	A-
PFI - Hospitals	UK	564	9.9	BBB+	563	8.8	BBB+
PFI - Accommodation	UK	542	9.5	A-	561	8.8	A-
Investor Owned Utility Gas - unsecured	UK	416	7.3	BBB+	708	11.1	BBB+
Operating Asset - Public Houses	UK	409	7.2	BBB	483	7.6	BBB+
Total		2,520	44.3		2,871	45.0	

Outside of the top 5 exposures no single exposure represents more than 7.0% of AUK's total exposure. As at 31 December 2025, 53% of policies (2024: 55%) are subject to periodic indexation and so their future exposure is sensitive to future Retail Price Index ("RPI") rates.

The table above shows the country of risk of each exposure.

Of the nominal par outstanding as of 31 December 2025 5.4% (2024: 4.8%) is rated below investment grade based on internal ratings. Moody's rates 5.4% and S&P 19.6% of AUK's insured exposure below investment grade. Unrated exposures comprise 9.6% of exposures based on Moody's ratings and 15.6% based on S&P ratings as at 31 December 2025.

Below investment grade exposures could increase as a relative proportion of the guarantee portfolio given that stressed borrowers generally have less ability to prepay or refinance their debt. Accordingly, due to these and other factors, it is not unreasonable to expect the proportion of below investment grade exposure in the guarantee portfolio to continue to increase in the future.

4.3 Market Risk

4.3.1 Overview

AUK faces Market Risk in a number of categories. The distribution of this risk when calculated in accordance with the Standard Formula is as set out below:

Table 9: Market Risk Summary

GBP m's	Standard Formula	Standard Formula
	Dec 2025	Dec 2024
Interest Rate Risk	18.6	21.0
Equity Risk	62.4	34.5
Spread Risk	99.8	66.1
Currency Risk	90.7	57.4
Concentration Risk	22.3	19.1
Diversification Effects	(92.6)	(69.4)
Total Market Risk Solvency Capital Requirements	201.2	128.7

Market Risk is reviewed and mitigated through quarterly consideration by AUK's Investment Committee and annual ALM assessment as described in section 3.2.3.

Further detail around the specific risks faced are set out below.

4.3.2 Interest Rate Risk

The risk of a change in value of the Solvency UK Balance Sheet caused by a deviation of the actual interest rates from the expected interest rates.

AUK is exposed to Interest Rate Risk as a result of discount rates applied in the calculation of its technical provisions and to a lesser degree due to fixed income investments held. AUK has a portfolio of 38 guaranteed obligations with gross par outstanding of £5.7 billion as of 31 December 2025 (31 December 2024: 39 obligations with a gross par outstanding of £6.4 billion).

The losses to own funds which would result from the change to Solvency UK resources from upward or downward interest rate shocks as prescribed by the Solvency UK Standard Formula approach are set out below.

Table 10: Interest Rate Risk Summary as at 31 December 2025

All figures are stated in GBP m's equivalent	Assets	Liabilities	Total 2025	Total 2024
Up Shock	(24.1)	5.5	(18.6)	(21.0)
Down Shock	24.7	(6.2)	18.5	20.4
Worst Case Shock Total			(18.6)	(21.0)

The overall interest risk charge as at 31 December 2025 has decreased over the year due to decreased holdings of fixed income securities and the impact of decreasing risk free rates.

4.3.3 Equity Risk

This is the risk of a change in value in the Solvency UK Balance Sheet caused by deviations of the actual market values of equities and/or income from equities from their expected values.

As noted in section 2.4 AUK is invested in a number of fund holdings and therefore AUK is exposed to Equity Risk. The fund holdings are as follows:

- four listed equity funds, three directly held equities, a hedge fund and four private equity funds

Through these holdings AUK is exposed to equity market volatility which can lead to volatility in the market value of its investments.

AUK has adopted a Standard Formula approach to these assets and therefore has applied a 39% capital charge in relation to directly owned listed equity positions and the equity index tracking unit trusts in developed markets and a 49% capital charge in relation to other funds plus or minus the appropriate symmetric adjustment.

AUK has used the following parameters in its calculation of Equity Risk.

Table 11: Equity Sub Module Parameters

Equity Type	Capital Requirement	Symmetric Adjustment	Total
1	39.0%	7.8%	46.8%
2	49.0%	7.8%	56.8%

The resultant quantification of the risk to own funds from the equity portfolio is £62.4 million (2024: £34.5 million) with the increase reflecting the addition of new equity fund holdings during the year.

4.3.4 Property Risk

This is the risk of a change in value in the Solvency UK Balance Sheet caused by deviations of the actual market values of property and/or income from property from their expected values. During 2024 AUK's only investment in property terminated and therefore the allocation to property risk as at 31 December 2025 is now zero. (2024: zero).

4.3.5 Spread Risk

This is the risk of a change in value in the Solvency UK Balance Sheet caused by deviation of the actual market price of credit risk from the expected price of credit risk.

AUK's assessment of Spread Risk follows the Standard Formula approach. At both 31 December 2024 and 31 December 2025 the majority of AUK's fixed income investments were in highly rated corporate and government securities and therefore the risk to the value of AUK's investments from shifts in credit were minimal. However, AUK also invests in a number of high yield fixed income securities and, via pooled investments in securitised products, senior secured loans and private debt, at lower investment grade or non-investment grade ratings and these are more sensitive to changes in credit spread.

Spread Risk, as calculated under the Standard Formula approach, as at 31 December 2025 equated to a value of £99.8 million (2024: £67.2 million) with the increase during the year linked to an increase in the investments in Securitised Products, Own Wrapped Debt and Real Estate Debt.

4.3.6 Currency Risk

This is the risk of a change in value in the Solvency UK Balance Sheet caused by deviation of the actual FX rates from those expected.

AUK's assessment of Currency Risk follows the Standard Formula approach. As at 31 December 2025 100% (2024 100%) of AUK's investments were in GBP, USD and EUR in line with those currencies in which it has outstanding policies.

AUK retains a significant portion of its investment portfolio in USD and expects to continue to do so to mitigate against possible negative impacts on AUK's investment portfolio from UK economic weakness and from recessionary pressures on the UK economy. It is these USD investments that are responsible for the majority of AUK's currency risk. Currency mismatches are subject to FX rate stresses of +/- 25% which have been applied to these currency mismatches and the results are set out in the table below.

Table 12: Currency Risk Summary as at 31 December 2025

All figures are stated in GBP m's equivalent	2025 Total	2024 Total
SII Mismatch	363.0	229.4
Worst Case Shock Movement	90.7	57.4

4.3.7 Concentration Risk

This is the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and/or obligations.

AUK's assessment of Concentration Risk follows the Standard Formula approach. As at 31 December 2025 approximately 11% of AUK's investments were in UK, US, EU and other OECD government securities which do not attract a Concentration Risk charge and the remaining securities were well diversified.

The risk to the value of AUK's investments from concentration is therefore limited. Concentration Risk as calculated under the Standard Formula approach as at 31 December 2025 is £22.3 million (2024 £19.1 million). The increase in Concentration Risk over the year is predominately the result of the purchase of certain listed preferred equities and listed real estate shares.

4.4 Counterparty Default Risk

AUK is exposed to limited counterparty default risk from its exposure to the banks holding its cash deposits. The risk of this is controlled through the use of concentration limits with its banking counterparties such that the maximum exposure to a banking counterparty is capped at £10 million per bank. In addition AUK will only maintain banking relations with banks rated A- or better by both S&P and Moody's.

Counterparty Default Risk calculated under the Standard Formula approach as at 31 December 2025 is £1.9 million (2024: £1.6 million).

4.5 Liquidity Risk

This is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss. It also includes the risk that sufficient financial resources are not maintained to meet liabilities as they fall due and that the business is not a going concern respectively.

As at 31 December 2025 AUK held a broadly diversified portfolio of:

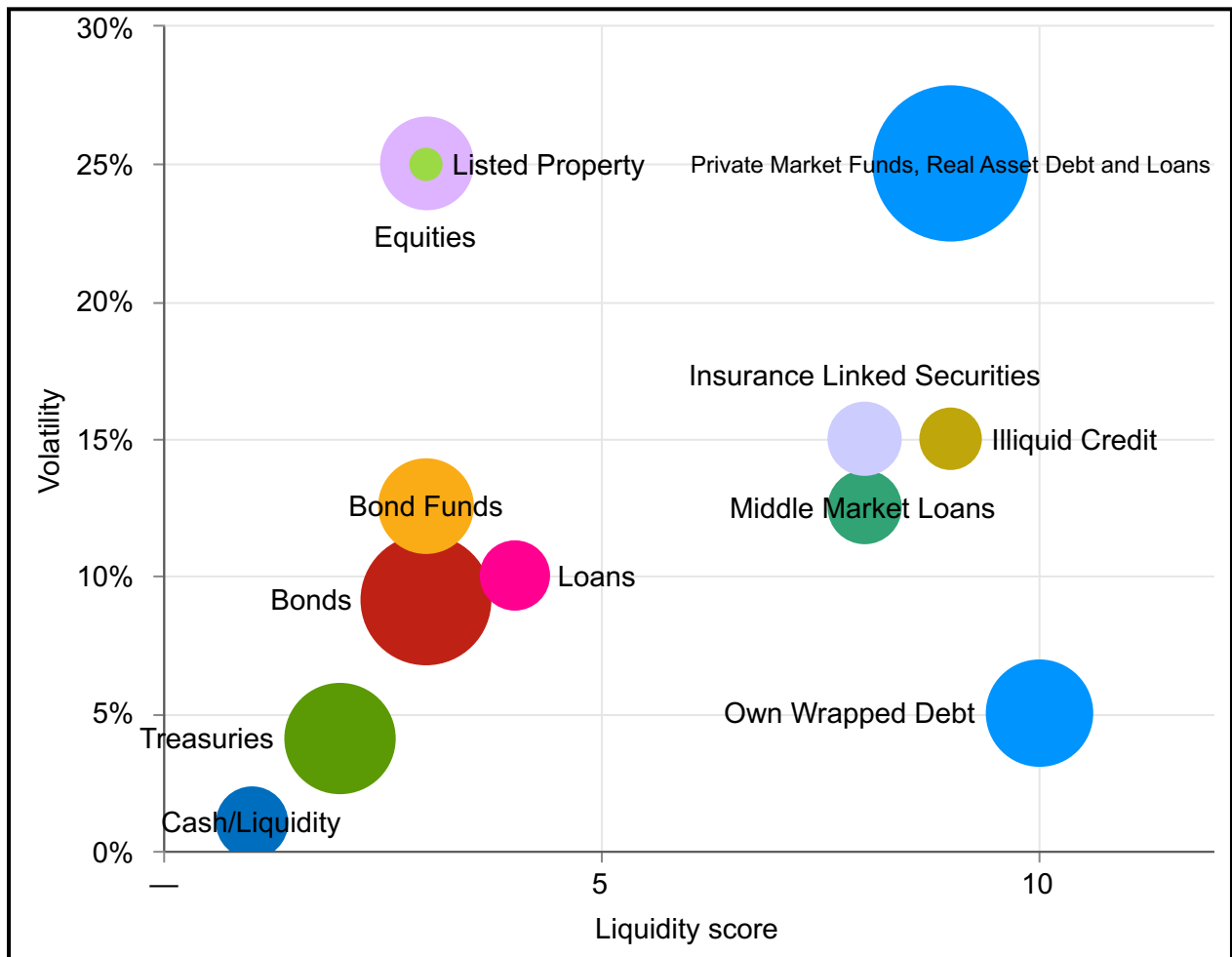
- Cash and money market funds,
- government and corporate fixed income investments,
- listed equities and equity funds,
- private equity and private debt funds (private markets),
- real estate debt funds
- bank loan funds,
- bond funds of high yield, structured products, convertible bonds or emerging market debt
- ILS,
- Illiquid credit funds, and
- holdings in Own Wrapped Debt.

The liquidity profile of AUK’s investments as at 31 December 2025 is shown below and demonstrates the diversity and liquid nature of AUK’s investments.

The value of investments which could not be sold within a 5 day time period represents 53% of AUK’s investments. The remaining 47% of assets remain very liquid and will provide more than adequate liquidity to meet foreseeable claims within the next year. AUK’s liquidity policy is to maintain sufficient liquidity in cash and money market funds to meet known or expected claims within the coming 90 days.

The chart below represents the relative liquidity of each asset category in which AUK invests with the size of circle being representative of market value of assets within that asset category. The liquidity of investments is ranked on a scale of 1 to 10 with the most liquid in category 1 being available same day, category 2 next day and category 3 within 1 week. In contrast the least liquid investments in categories 8, 9 and 10 are available within 6 months, 18 months or have no reliably active market respectively.

Chart 3: Liquidity Profile of Investments



To assess AUK’s longer term liquidity position AUK models the run-off of its portfolio, its financial statements and its cash flow projections over the remaining period of its run-off. AUK also models a range of scenario and stress tests based upon the risk factors that AUK has identified.

Both short term liquidity risk (as represented by AUK’s ability to meet any known and expected claims falling due within the next 90 days) and longer term liquidity risk are assessed on a quarterly basis.

Although AUK is in run-off, its portfolio of business continues to perform satisfactorily and AUK continues to believe that ongoing premiums, investment income and the investment portfolio taken together are sufficient to meet AUK's projected obligations as they fall due and that AUK remains a going concern. This assessment is based upon a number of assumptions and estimates relating to the following key risk factors:

Key risk factors:

- Magnitude and timing of losses on the insured portfolio,
- The amount of ongoing premiums received by the Company,
- Returns on the investment portfolio, and
- Interest rate and exchange rate volatility.

AUK management assesses these risks annually and documents its conclusions in the ORSA which is reviewed and approved by the Board. As at 31 December 2025 this analysis concluded that it was clear that even under reasonable stress scenarios AUK has sufficient resources to meet its obligations as they fall due and was therefore solvent on a cashflow basis.

Overall, both due to the fact that AUK's current and prospective investment portfolios are liquid and that the majority of its policies have long dated maturities and are all currently performing with no payment defaults, the current liquidity risk is low.

AUK considers additional capital is an imperfect mitigant (i.e. is not a preventative measure) for these long term liquidity risks and does not allocate additional capital in relation to Liquidity Risk.

The expected profit included in future premiums as at 31 December 2025 is £106.6 million.

4.6 Operational Risk

This is the risk of a change in value caused by the fact that actual losses, incurred due to inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses.

AUK has put in place a risk management framework that incorporates the methodology that AUK uses to monitor and track Operational Risk. AUK's experience is that the number of control exceptions and losses stemming from Operational Risk events is low. Any events that have occurred in the past three years have been rectified without AUK incurring any losses.

Operational Risk calculated under the Standard Formula approach as at 31 December 2025 is £0.6 million (2024: £0.5 million).

4.7 Other Material Risks

4.7.1 Group Risk

As noted in section 2.1, AUK is a wholly owned subsidiary of AAC, a financial guarantee insurance company domiciled in Wisconsin, United States of America. The ultimate holding company is Fund XII.

AAC's Segregated Account was subject to Segregated Account Rehabilitation Proceedings which were completed on 12 February 2018, but AAC remains under the enhanced supervision of its regulator, the OCI.

Notwithstanding the situation of its parent AAC, AUK does not believe that Group Risk represents a significant risk to AUK for the following reasons:

- A. AUK manages its own cash and investments and AAC has no power to move funds without AUK's authorisation;
- B. the non-executive directors of AUK's Board hold the majority of votes and the 2 AAC directors may not vote on conflicted matters;
- C. the Supervisory Notice issued by the FSA (predecessor to the PRA and FCA) dated 22 April 2010 explicitly prohibits AUK from paying premiums or dividends (or transferring assets) to AAC or any other Ambac Group entity, evidencing the FSA's concern to preserve income and assets to support AUK's obligations to its policyholders
- D. As noted in section 3.9, AUK is party to a Management Services Agreement with AAS whereby AAC provides run off insurance services to AUK. However, AUK is not reliant upon these services for the day to day management of its portfolio of insured obligations. The functions performed by AAC are mainly administrative in nature (preparation of premium invoices, collection of premium, policy administration, payment of invoices and claims etc.); and
- E. On 1 October 2025 AUK entered into a Investment Management Agreement with AIP under which AIP is responsible for the investment management of AUK's investment portfolio. Under this arrangement AIP is responsible for the execution of investments across AUK's custody accounts in line with defined investment guidelines. Treasury back office functions are performed by AUK and AAC. AUK retains ultimate control over payment of funds and reviews investment performance across its custody accounts on a weekly basis. AIP presents investment performance to the AUK Board on a quarterly basis and as such both AUK and the Board continue to have strong oversight of the activity which mitigates against any additional group risk.

For these reasons, AUK does not currently believe that its relationship with AAC and AAS (and its subsidiaries) presents AUK with any significant additional risk to its operations and does not believe that it requires additional capital as a result of its relationship with AAC and AAS (and subsidiaries).

4.7.2 Legal and Regulatory Risk

AUK no longer writes any new business and as such the risk that a change in law or regulation may change its ability to operate is significantly reduced.

AUK is not aware of any material legal or regulatory matters of concern at this time.

4.7.3 Going Concern

AUK had Solvency UK eligible assets in excess of its MCR and SCR throughout the year. The year-end ratio of Solvency UK Own Funds to SCR ("Solvency Ratio") was 194% (2024: 213%). The Solvency Ratio decreased during 2025 due to: (i) increased Market Risk as a consequence of the increase in value of investments over the year, new allocations to investments in hedge funds, equities and securitised products which have increased investment returns but carry higher market risk charges, and (ii) greater holdings of non-GBP denominated assets, offset by an increase in Own Funds, primarily due to (a) an increase in value of investments over the year due to strong returns from pooled funds, fixed income and equity investments, offset to some degree by foreign exchange losses on translation of holdings denominated in USD and (b) a decrease in technical provisions from reductions in Risk Margin, and a reduction in Non Life Risk due to the run-off of insured exposures.

AUK continues to be entitled to receive instalment premium income in respect of its guaranteed obligations and is retaining these cash flows for the benefit of its policyholders. These future premium cash flows are supported by contractual make-wholes on the majority of transactions, which would be payable to AUK in the event that a transaction was prepaid before its scheduled maturity date, thereby ensuring a base-line of premium income. Additionally, AUK invests premium income (as well as investment income and principal receipts), seeking a reasonable return, to further support its guaranteed obligations.

AUK's insured obligations are to pay scheduled principal and interest when due, and are not generally subject to acceleration (except that AUK may have the right to accelerate insured obligations if they default). Accordingly, in light of the contractual debt service of insured obligations falling due within the coming 12 months and the fact that the majority of obligations insured by AUK are of investment grade, AUK regards its exposure to liquidity risk in respect of material claims over the coming 12 months as being limited. In addition, in assessing AUK's claims paying resources, the directors have considered the value of its assets compared with the amount of its liabilities, the measure of which, having taken legal and specialist insolvency advice, is assessed on a different basis from the accounting measures set out in the balance sheet.

Annually AUK prepares an ORSA. Within the ORSA, the directors have considered AUK's detailed cash flow projections (not just of claims paying resources), Solvency UK capital adequacy position and liquidity position under stressed scenarios, including increased claims payments from currently unimpaired insured transactions, reduced premiums and/or investment income scenarios and other changes to assumptions and estimates. These considerations have included the impacts which may arise from an economic downturn and the longer term impacts that may arise as a result of climate change. Accordingly, taking into account AUK's current position, the possible impacts on AUK from an economic downturn and the output of the stress scenarios set out in the ORSA, the directors are satisfied that AUK has adequate resources to meet the day-to-day operational needs of the business for at least a year from the date of approval of the financial statements and that AUK's claims paying resources are sufficient to satisfy projected claims as they fall due within this same period.

For this reason AUK remains a going concern at this time.

Whilst the directors have focused their going concern assessment on a period of one year from the date of approval of the financial statements, AUK's insured obligations run off until 2047. There is inherent subjectivity in the process for determining the cost of future claims from insured

obligations over such a long period. Consequently, in light of these time frames and uncertainties, the adoption of a going concern basis in preparing the financial statements is not a guarantee that AUK will continue in operation or continue to be able to meet all claims as they fall due over the entire remaining duration of the run-off.

4.8 Any Other Information

As part of AUK's ORSA process and in light of the long run off of AUK's outstanding policies, AUK has examined the extent to which Technical Provisions and SCR calculations are sensitive to changes in a variety of assumptions. These sensitivities are summarised below:

- With respect to Technical Provisions the assumption to which the calculation is most sensitive is the estimation of the Loss Given Default ("LGD") applied to calculate expected losses on a statistical basis. An increase of 10% in the assumption of LGD increases Best Estimate Technical Provisions by £17.3 million to £28.6 million from £11.3 million.
- With respect to SCR calculations the assumption to which the calculation is most sensitive is the calculation of Non-Life Risk. Alternative methods could increase SCR by £3.5 million from £272.4 million to £275.9 million.

Within the ORSA AUK also examines the sensitivity of the Technical Provisions and SCR to stresses by examining the impact of specific loss scenarios. As stated in section 4.7 above, AUK's insured obligations run off until 2047 and there is inherent subjectivity in the process for determining the cost of future claims from insured obligations over such a long period. Consequently, in light of these time frames and uncertainties, scenarios can arise where Technical Provisions increase significantly in certain stressed loss scenarios.

5 Valuation for Solvency Purposes

5.1 Solvency UK Balance Sheet

The Solvency UK Balance Sheet as at 31 December 2025 is presented below together with a comparison to both prior years and the audited UK GAAP Balance Sheet at those same dates.

Table 13: Solvency UK Balance Sheet and Financial Balance Sheet

GBP m's	Solvency UK		GBP m's	Financial Statements	
	Dec 2025	Dec 2024		Dec 2025	Dec 2024
Deferred Tax Assets	13.0	17.9	Deferred Tax Assets	0.1	0.1
Property, Plant and Equipment	0.0	0.1	Fixed Assets	0.0	0.1
Financial Investments	584.8	555.6	Financial Investments	586.6	561.9
<i>Government Bonds</i>	<i>78.4</i>	<i>104.9</i>	<i>Government Bonds</i>	<i>79.9</i>	<i>109.6</i>
<i>Corporate Bonds</i>	<i>109.1</i>	<i>138.8</i>	<i>Corporate Bonds</i>	<i>110.0</i>	<i>141.1</i>
<i>Collateralised securities</i>	<i>28.6</i>	<i>17.9</i>	<i>Collateralised securities</i>	<i>28.0</i>	<i>17.2</i>
<i>Collective Investment Undertakings</i>	<i>331.2</i>	<i>294.0</i>	<i>Collective Investment Undertakings</i>	<i>331.2</i>	<i>294.0</i>
<i>Listed Equities</i>	<i>37.5</i>	—	<i>Listed Equities</i>	<i>37.5</i>	—
Other Loans and mortgages	12.0	—	Other Loans and mortgages	11.9	—
			Other Insurance Debtors	86.4	94.6
Cash & Equivalents	5.6	4.9	Cash & Equivalents	5.6	5.6
Other Debtors	3.1	5.9	Other Debtors	13.6	17.5
			Deferred Acquisition Costs	1.1	1.3
Total Assets	618.5	584.4	Total Assets	705.3	681.1
Technical Provisions	70.6	88.0	Unearned Premiums	112.5	124.7
			Other Technical Provisions	—	0.1
Interest bearing loans and borrowings	14.4	14.4	Interest bearing loans and borrowings	14.4	14.4
Other Creditors	4.8	3.9	Other Creditors	10.9	10.5
Total Liabilities	89.8	106.3	Total Liabilities	137.8	149.7
Net Assets	528.7	478.1	Net Assets	567.5	531.4

5.2 Financial Statement and Solvency UK Valuation Methods and Assumptions

The primary differences between the Financial Statement balance sheet presentation and the Solvency UK balance sheet are highlighted below. In addition sections 5.3 and 5.4.1 provide detail of the financial impact of these reclassification and valuation differences between the Financial Statement and Solvency UK presentation.

Component	Financial Statements	Solvency UK
Financial Investments (as set out below)		
Government Bonds	Level 1 investments in the fair value hierarchy under FRS102 (valued from quoted prices for identical instruments in active markets) and valued at amortised cost.	Level 1 investments under Solvency UK and valued using quoted market prices in active markets including accrued interest
Equities	Level 1 investments in the fair value hierarchy under FRS102 (valued from quoted prices for identical instruments in active markets), unless there is no active market for the equity in which case broker quotes are utilised and the investment is recorded as Level 2. All equities are held at fair value.	Level 1 investments in the fair value hierarchy under FRS102 (valued from quoted prices for identical instruments in active markets), unless there is no active market for the equity in which case broker quotes are utilised the investment is recorded as Level 2. All equities are held at fair value.
Corporate Bonds and Collateralised Securities	Level 2 investments in the fair value hierarchy under FRS102 (valued from prices of recent transactions for identical instruments), including holdings of fixed income securities which benefit from guarantee policies issued by the Company ("Own Wrapped Debt") where third party pricing data is available. Holdings of Own Wrapped Debt valued using other pricing techniques are categorised as Level 3. All corporate bonds and collateralised securities are valued at amortised cost.	Level 2 investments under Solvency UK and valued using prices obtained from brokers and other pricing providers (including accrued interest), other than in respect of Corporate Bond holdings of Own Wrapped Debt which are categorised as Level 3 and valued using alternative valuation methods as set out at section 5.5 below.

Component	Financial Statements	Solvency UK
Collective investment schemes	Level 1 investments in the fair value hierarchy under FRS102 for UCIT qualifying funds. Collective investment schemes (other than funds investing in Private Markets) are categorised as Level 2. Private Market funds investing in Private Equity or Private Debt, real estate debt, structured products, illiquid credit and Insurance Linked Securities ("ILS") are categorised as Level 3. All collective investment schemes are held at fair value.	Level 1 investments under Solvency UK for UCIT qualifying funds. All other collective investment schemes (other than funds investing in Private Markets) are categorised as Level 2. Private Market funds investing in Private Equity or Private Debt, real estate debt, structured products, illiquid credit and Insurance Linked Securities are categorised as Level 3. Market value is determined using the closing bid price at the balance sheet date
Loans	Investments in term loans are considered to be Level 3 investments and are valued at amortised cost.	Included on the same basis as the Financial Statements
Other Insurance Debtors	Includes only debtors linked to Minimum Guaranteed Premiums ("MGP") due or other contractual premiums. Amounts are discounted at market rates.	The present value of future premium receivable is included within the calculation of technical provisions. The amount includes both MGP amounts and expected premiums due beyond MGP. Amounts are discounted at PRA risk free term structure rates.
Cash and Cash Equivalents	Balances comprise cash deposits and financial investments that are within 3 months of maturity at the date of acquisition. Assets are highly liquid, convertible into known amounts of cash and have insignificant risk of change in fair market value.	Cash equivalent holdings in government securities have been reclassified as government bonds for Solvency UK. The remaining balance under Solvency UK represents cash deposits and is available on demand and without penalty.
Other Debtors	Includes accrued interest, security settlement amounts, other receivables on investments and subrogation recoverables.	Security settlement amounts are included within other debtors at their fair value in line with the Financial Statements. Accrued interest and subrogation recoverables are not included in other debtors, but form part of Financial Investments and Technical Provisions respectively.

Component	Financial Statements	Solvency UK
Deferred Tax Assets	Deferred tax assets in connection with timing differences. Deferred tax assets are only recognised as far as it is considered that there is a reasonable expectation that the tax will be recoverable.	Deferred tax assets in connection with timing differences are recognised (in line with the recognition in the Financial Statements), together with a notional net deferred tax asset created by the difference between the Solvency UK and UK GAAP balance sheets at foreseeable tax rates, arising from the unwind of Risk Margin offset by crystallisation of unrealised losses on investments over time. Risk Margin will unwind over the remaining period of the run off of AUK's insured portfolio to 2047 and AUK reviews at least annually as part of its ORSA process its future profitability over this period to assess the recoverability of this asset. This leads to the deferred tax asset under Solvency UK being higher than the equivalent deferred tax asset in the Financial Statements.
Deferred Acquisition Costs ("DAC")	Amortised over the remaining life of policies written in the year in which the acquisition cost arose.	Acquisition costs deferred from prior periods are not included as they have no future cashflow impact. AUK has no future acquisition costs as it is in run off and not writing any new business.
Unearned Premium Reserve ("UPR")	Amortised over the remaining life of the policies.	Not included under Solvency UK.
Technical Provisions	Expected losses on currently impaired transactions are discounted at a single rate based on historic investment returns. Any loss adjusting expenses forecast to be incurred in remediating the transaction are also included within Technical Provisions (at undiscounted values).	The sum of expected losses on both currently impaired and all other transactions on a statistical basis and future operating and loss adjusting expenses, less future expected premiums receivable. All amounts are discounted at PRA Risk-free term structure rates. The calculation includes a value for Risk Margin.

Component	Financial Statements	Solvency UK
Risk Margin	Not taken account of.	This is derived from projected future solvency capital requirements excluding Market Risk with no simplification.
Other Creditors and Accrued Income	Includes accrued expenditure and payables for securities. Amounts are generally payable within 1 year. Also includes any accrued income being recognised over the life of the policy.	Other than in respect of accrued income other creditors are included on the same basis as the Financial Statements as the liabilities are reflected at fair value. Accrued income in respect of fees recognised over the life of the policy is not recognised as a liability under Solvency UK.
Deferred Tax Liabilities	Deferred tax liabilities due in respect of temporary timing differences (where they exist).	Included on the same basis as the Financial Statements.
Interest Bearing Loans and Borrowings	Comprises loan notes issued in 2019 in connection with a commutation. The notes are zero coupon notes repayable in 2035. The liability is recognised at its fair value at date of issuance and then amortised to final par.	Included on the same basis as the Financial Statements.

5.3 Assets

The value of assets held by AUK valued under Solvency UK and UK GAAP principles are shown in the table below. The explanation for any differences in the valuation between the two bases is set out in section 5.2 and is quantified in the table below.

Table 14: Reconciliation of the UK GAAP Assets to the Solvency UK Assets

GBP m's	Financial Statements Dec 2025	Reclassification Adjustments	Valuation Adjustments	Solvency UK Dec 2025
Deferred Tax Assets	0.1	—	12.9	13.0
Financial Investments	586.6	2.1	(3.9)	584.8
Other Loans and mortgages	11.9	0.1	—	12.0
Other Insurance Debtors	86.4	(86.4)	—	—
Cash & Equivalents	5.6	—	—	5.6
Other Debtors	13.6	(10.5)	—	3.1
Deferred Acquisition Costs	1.1	—	(1.1)	—
Total Assets	705.3	(94.7)	7.9	618.5

5.4 Technical Provisions and Other Liabilities

5.4.1 Overview

AUK's technical provisions and other liabilities as valued under Solvency UK and UK GAAP principles are shown in the table 13. The explanation for any differences in the valuation between the two bases is set out in section 5.2 and is quantified in the table below.

Table 15: Reconciliation of UK GAAP Liabilities to Solvency UK Liabilities

GBP m's	Financial Statements Dec 2025	Reclassification Adjustments	Valuation Adjustments	Solvency UK Dec 2025
Technical Provisions / Best Estimate	112.5	(94.7)	(6.5)	11.3
Risk Margin	—	—	59.3	59.3
Interest bearing loans and borrowings	14.4	—	—	14.4
Other Creditors	10.9	—	(6.1)	4.8
Total Liabilities	137.8	(94.7)	46.7	89.8

5.4.2 Technical Provisions and Other Liabilities

Technical provisions together with the Risk Margin comprise five elements (with the first four elements making up the Best Estimate and the final element being the Risk Margin) each discounted at PRA risk free term structure rates:

- Expected losses from impaired transactions less expected subrogation recoveries in respect of claims and commutations paid in prior periods, plus
- Expected losses calculated on a statistical basis for all policies other than those currently impaired, plus
- The present value of future operating expenses, less
- The present value of future expected premiums (being the sum of MGP amounts and premiums in excess of MGP), plus
- The Risk Margin

The policies issued by AUK terminate at various dates in the future with the scheduled maturity of its final policy being 2047. The establishment of the appropriate level of technical provisions, particularly given the extended period of time to the maturity of many of AUK's policies, is an inherently uncertain process involving numerous estimates and subjective judgements by management. The most significant of these assumptions and uncertainties are summarised below:

- Expected losses from impaired transactions are estimated based on the present value of the estimated value of future claims for debt service payments (as to both interest and principal), less any estimated future recoveries. Losses and recoveries are estimated under a number of scenarios for each impaired transaction with the resulting contribution to the Best Estimate being based on the probability weighted outcome of those scenarios.
- Expected losses calculated on a statistical basis consider the creditworthiness of the underlying issuer of the insured obligation, whether the obligation is secured or unsecured and

the expected recovery rates on the insured obligation. These calculations use information from both external rating agencies and internal management judgements.

- Future operating expenses are based on the level of overhead and investment expenses projected over the remaining period of the run off of AUK's policies to 2047. Expense projections are prepared for a 5 year forward period. Overhead expenses beyond that period are assumed to be constant over the remaining run off of AUK's policies to 2037 (reflecting real costs declining with the run off of the portfolio and then increasing by the level of future inflation), and investment expenses are assumed to grow in line with the anticipated future level of AUK's financial investments. From 2037 to 2040 expenses are then expected to drop to £3.3m per annum rising with inflation by 2% per annum, before then falling to £3.2m per annum from 2041 (again rising by inflation by 2% per annum). The lower level of expenses expected from 2037 reflects the fact that from this point there are only 11 policies remaining, falling to 4 policies by 2041. Uncertainties in these projections arise as the future level of AUK's expenses and the level of inflation may differ from the assumptions used.
- The present value of future premiums is based on the premium rate applicable to each policy and the level of future exposure for each policy based on the probable and reasonably estimated amounts and timing of any early termination of that policy. Premium receivable amounts are underpinned by makewhole agreements under which the present value of future premium receivable becomes payable in the event of the early termination of a policy resulting in the receipt by AUK of a MGP. Approximately 89% of the present value of future premiums is represented by MGP amounts which therefore removes a significant portion of the uncertainty in this element of the Best Estimate.
- No simplifications have been made in the calculation of Risk Margin. Risk Margin has been based upon the full future projected SCR to 2047. Consequently the SCR requirement for each future year to 2047 has been calculated (excluding the component of SCR linked to market risk) and then discounted by the relevant GBP risk free term structure rate. These discounted SCR requirements are then multiplied by a cost of capital rate of 4% and then summed to provide the overall Risk Margin figure. There are inherent uncertainties in this calculation stemming from the need to project SCR requirements over a 25 year period.

The breakdown between Best Estimate and Risk Margin is set out below as at 31 December 2025 and 31 December 2024. The entire technical provision relates to credit and surety and as a monoline insurer this is AUK's only line of business.

Table 16: Technical Provision Analysis

GBP m's	Dec 2025	Dec 2024
Best Estimate	11.3	12.0
Risk Margin	59.3	76.0
Total Technical Provision	70.6	88.0

The decrease in the Technical Provision over the year is a result of:

- The credit rating upgrades of certain policies and the continued run off of the portfolio, offset by,
- decreases in the present value of future premium receivable due to the collection of premium income over the year.

5.4.3 Other Liabilities

Other liabilities relate to accrued expenditure, a zero coupon loan note due in 2036 issued in connection with a commutation in 2019 and payables for security purchases.

5.5 Alternative Methods of Valuation

As noted in section 5.2 AUK holds Own Wrapped Debt. For Own Wrapped Debt fair value is determined using third party pricing where available, or (as in the comparative year) by reference to the market value of the security excluding the market's assessment of the value of the guarantee which AUK provides. The value which is attributable to the guarantee is derived from comparison of broker price quotations of Own Wrapped Debt to price quotations of pari-passu unwrapped tranches of debt issued by the same issuer where available or by reference to swap rates and spreads for comparable instruments where this is not possible.

6 Capital Management

6.1 Own Funds

AUK holds Tier I and Tier 3 capital as set out below. There are no deductions from or restrictions to capital.

Table 17: Own Funds

GBP m's	Dec 2025	Dec 2024
Tier I Capital	515.7	460.2
Tier 3 Capital	13.0	17.9
Total Available Own Funds	528.7	478.1

The reconciliation of UK GAAP shareholder's funds as at 31 December 2025 to own funds under Solvency UK regulations is shown below and further detail of components of capital and the reconciliation reserve are set out on QRT IR.23.01.01. Tier I capital comprises ordinary share capital and the reconciliation reserve and Tier 3 capital comprises the net of deferred tax assets and liabilities. There is no prohibition within AUK's articles of association to the payment of a dividend being conditional upon the fulfilment by AUK of the Solvency UK regulations at the time of payment.

Table 18: Reconciliation of UK GAAP Reserves to Own Funds

GBP m's	Dec 2025	Dec 2024
UK GAAP Shareholders funds	567.5	531.4
Valuation Differences between UK GAAP technical items and Best Estimate technical provisions	11.5	14.1
Risk Margin	(59.3)	(76.0)
Valuation of Financial Investments	(3.9)	(9.2)
Deferred tax	12.9	17.8
Solvency UK Net Assets and Available Own Funds	528.7	478.1

As the table shows the most significant difference relates to the requirement to establish a risk margin under Solvency UK whereas there is no such requirement under UK GAAP. Due to the extended period of AUK's run off to 2047 the risk margin calculation results in a very significant liability under Solvency UK principles. The difference in the valuation of financial investments between UK GAAP and Solvency UK relates to the differences between the value of fixed income investments valued at amortised cost and the market value of those investments. The deferred tax adjustment recognises the notional deferred tax asset under Solvency UK created by the difference between the Solvency UK balance sheet and UK GAAP balance sheet at the applicable rate.

Total eligible own funds to meet SCR and MCR may differ from the available own funds noted in table 17 above, due to limitations on the eligibility of Tier 3 capital to meet SCR and MCR. These limitations require that the eligible amount of Tier 3 items used to meet SCR is less than 15% of SCR and that no amount of Tier 3 capital is eligible to meet MCR.

The reconciliation of total available own funds to total eligible own funds is shown below.

Table 19: Reconciliation of Available Own Funds to Eligible Own Funds

GBP m's	Dec 2025	Dec 2024
Total Available own funds	528.7	478.1
Limitation of Tier 3 funds to 15% of SCR	—	—
Total Eligible own funds to meet SCR	528.7	478.1
Limitation of Tier 3 funds for the purpose of meeting MCR	(13.0)	(17.9)
Total Eligible own funds to meet MCR	515.7	460.2

6.2 Minimum Capital Requirement and Solvency Capital Requirement

6.2.1 Overall Comments

In its overall assessment of its capital needs AUK has considered;

- SCR both as at 31 December 2025 and looking forward over the planning cycle to 31 December 2030;
- the stress and reverse stress test outcomes modelled over the full contractual run-off of AUK's insurance book to 2047;
- the particular circumstances of its shareholder AAC and the Group Risk profile as noted in section 4.7.1;
- its longer term Pillar I capital requirements over the full run-off of the book to 2047; and
- whether any of these would change in a more recessionary environment.

6.2.2 SCR

In relation to the SCR AUK's conclusion is that the current capital needs of AUK are £272.4 million (2024: £224.6 million). It should be noted that AUK's capital requirements are expected to diminish over time with the natural run-off of its insurance policies and therefore the current capital requirements may represent a long term peak. No simplifications are used in the calculation of SCR and the duration-based equity risk sub-module has not been used. The capital requirements as at 31 December 2025 and 31 December 2024 are as set out below.

Table 20: Solvency Capital Requirement

GBP m's	Dec 2025	Dec 2024
Pillar I		
Non-Life Risk	154.0	169.7
Counterparty Default Risk	1.9	1.6
Market Risk	201.2	128.7
Operational Risk	0.6	0.5
Loss Absorbing Capacity of Deferred Tax	(11.3)	(14.0)
Pillar I Diversification Claimed	(74.0)	(61.9)
Solvency Capital Requirement	272.4	224.6

The table above shows the SCR increased by £47.8 million in 2025. The largest drivers of this change have been:

- an increase in Market Risk due to the increase in value of investments over the year, new allocations to investments in hedge funds, equities and securitised products which have increased investment returns but carry higher market risk charges, and greater holdings of non-GBP denominated assets.

- offset by a decrease, due to de-risking and run-off of the portfolio, in Non-Life Risk and within this the largest component of risk is due to the Catastrophe Risk requirements that come from the simultaneous default of AUK's two largest exposures with a 10% Loss Given Default ("LGD").

6.2.3 MCR

The MCR as at 31 December 2025 and 31 December 2024 are as set out in the table below.

Table 21: Minimum Capital Requirement

GBP m's	Dec 2025	Dec 2024
Minimum Capital Requirement	68.1	56.2

The MCR has increased due to the increase in SCR over the year. MCR is calculated using the Standard Formula approach and is equal to the sum of 17.7% of technical provisions without risk margin, plus 11.3% of premiums written in the last 12 months, subject to a floor of 25% of SCR and a cap of 45% of SCR. For AUK this results in a MCR equal to 25% of the SCR.

6.3 Use of internal model

AUK uses the Standard Formula approach and does not use an internal model or undertaking-specific parameters in its calculation. In using the Standard Formula approach AUK has considered its appropriateness for each risk and sub module of the SCR calculation and compared the Standard Formula approach output with its own solvency and risk assessment. Whilst AUK's own assessment differs from the standard formula AUK's conclusion is that the Standard Formula approach is not inappropriate and AUK applies the Standard Formula approach without any simplifications.

6.4 Compliance with the SCR

As at 31 December 2025 AUK is in compliance with both MCR and SCR requirements. The comparison of these capital requirements to AUK's Solvency UK eligible own funds is set out below:

Table 22: Regulatory Capital Adequacy

GBP m's	Dec 2025	Dec 2024
Total Eligible funds to meet SCR	528.7	478.1
Solvency Capital Requirement	272.4	224.6
Capital Surplus for SCR	256.3	253.5
Solvency Ratio	194%	213%
Total Eligible funds to meet MCR	515.7	460.2
Minimum Capital Requirement	68.1	56.2
Capital Surplus for MCR	447.6	404.0

As table 22 demonstrates AUK had Solvency UK eligible assets in excess of its MCR and SCR throughout the year. The year-end ratio of Solvency UK Own Funds to SCR ("Solvency Ratio") was 194% (2024: 213%). The Solvency Ratio decreased during 2025 due to: (i) increased Market Risk as a consequence of the increase in value of investments over the year, new allocations to investments in hedge funds, equities and securitised products which have increased investment returns but carry higher market risk charges, and (ii) greater holdings of non-GBP denominated assets, offset by an increase in Own Funds, primarily due to (a) an increase in value of investments over the year due to strong returns from pooled funds, fixed income and equity investments, offset to some degree by foreign exchange losses on translation of holdings denominated in USD and (b) a decrease in technical provisions from reductions in Risk Margin, and a reduction in Non Life Risk due to the run-off of insured exposures.

AUK's Capital Management Policy establishes a target range for the Solvency Ratio. AUK seeks to manage its current and forecasted levels of capital against this range in order to meet its capital management objectives, including retaining compliance with its regulatory capital requirements. AUK regularly assesses the appropriateness of its capital position under its ORSA, which incorporates regular use of stress and scenario testing.

Ambac Assurance UK Limited.

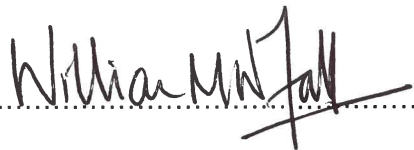
Directors' Certificate

Financial year ended 31 December 2025

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and Solvency UK Regulations.

We are satisfied that:

- (a) Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and the Solvency UK Regulations as applicable to the insurer, and
- (b) It is reasonable to believe that the insurer has continued so to comply subsequently and will continue to comply in future.


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William Fall - *Chairman of the Board of Directors*


.....

Alan Dee - *Chief Executive Officer and Director*

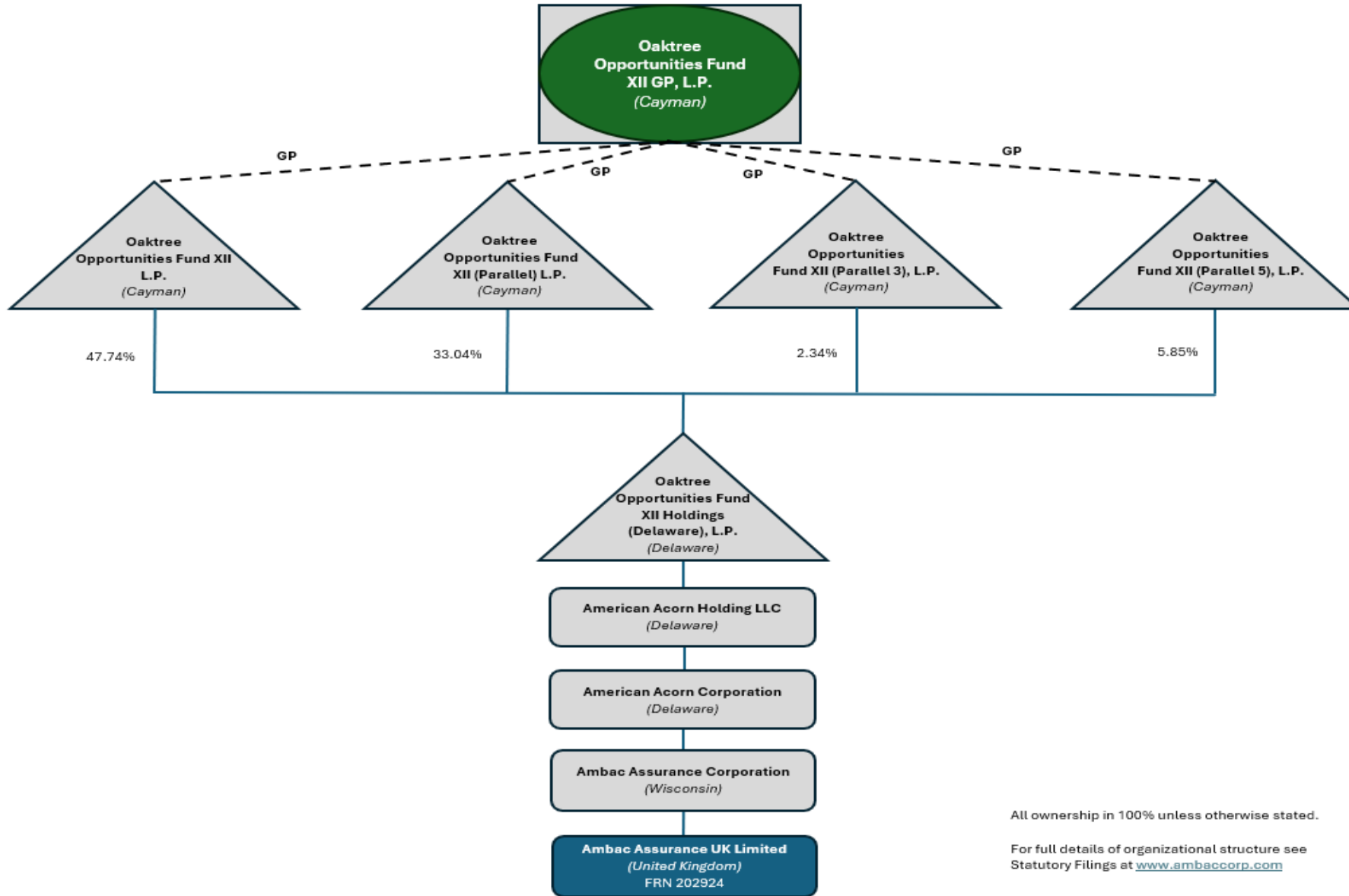

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Hugh Boyle – *Director and Audit & Risk Committee Chairman*

Date: 24 March 2026

APPENDIX A - SUMMARISED GROUP STRUCTURE CHART as at 31 December 2025

The group structure of AUK and its immediate parent entities is summarised below, full details are available at www.ambaccorp.com.



Ambac Assurance UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2025

(Monetary amounts in GBP thousands)

General information

Entity name	Ambac Assurance UK Limited
Entity identification code and type of code	LEI/213800SU17F3TWJCH23
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2025
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life obligations

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	12,987
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	38
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	584,889
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	37,553
R0110	<i>Equities - listed</i>	37,553
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	216,128
R0140	<i>Government Bonds</i>	78,448
R0150	<i>Corporate Bonds</i>	109,123
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	28,558
R0180	<i>Collective Investments Undertakings</i>	331,208
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	11,955
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	11,955
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,590
R0420	Any other assets, not elsewhere shown	3,051
R0500	Total assets	618,509

		Solvency II value
		C0010
Liabilities		
R0505	Technical provisions - total	70,597
R0510	<i>Technical provisions - non-life</i>	70,597
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	11,268
R0544	<i>Best estimate - non-life</i>	11,268
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	59,329
R0554	<i>Risk margin - non-life</i>	59,329
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	14,401
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	4,847
R0900	Total liabilities	89,844
R1000	Excess of assets over liabilities	528,665

IR.05.02.01

Premiums, claims and expenses by country: Non-life obligations

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110	Gross - Direct Business	7,538					7,538
R0120	Gross - Proportional reinsurance accepted						0
R0130	Gross - Non-proportional reinsurance accepted						0
R0140	Reinsurers' share						0
R0200	Net	7,538					7,538
Premiums earned							
R0210	Gross - Direct Business	19,722					19,722
R0220	Gross - Proportional reinsurance accepted						0
R0230	Gross - Non-proportional reinsurance accepted						0
R0240	Reinsurers' share						0
R0300	Net	19,722					19,722
Claims incurred							
R0310	Gross - Direct Business	-1,604					-1,604
R0320	Gross - Proportional reinsurance accepted						0
R0330	Gross - Non-proportional reinsurance accepted						0
R0340	Reinsurers' share						0
R0400	Net	-1,604					-1,604
R0550	Net expenses incurred	9,945					9,945

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior										0	0	0	
R0160	-9	5,045	0	0	0	0	0	0	0	0	0	0	5,045	
R0170	-8	538	0	0	0	0	0	0	0	0	0	0	538	
R0180	-7	401	0	0	0	0	0	0	0	0	0	0	401	
R0190	-6	84,473	0	0	0	0	0	0	0	0	0	0	84,473	
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	0	
R0210	-4	3,403	0	0	0	0	0	0	0	0	0	0	3,403	
R0220	-3	4,106	0	0	0	0	0	0	0	0	0	0	4,106	
R0230	-2	-357	0	0	0	0	0	0	0	0	0	0	-357	
R0240	-1	-1,678	0	0	0	0	0	0	0	0	0	0	-1,678	
R0250	0	-1,604	0	0	0	0	0	0	0	0	0	-1,604	-1,604	
R0260												Total	-1,604	94,327

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										0	0	
R0160	-9	0	0	0	0	0	0	0	0	0	0	0	
R0170	-8	0	0	0	0	0	0	0	0	0	0	0	
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	
R0210	-4	0	0	0	0	0	0	0	0	0	0	0	
R0220	-3	0	0	0	0	0	0	0	0	0	0	0	
R0230	-2	0	0	0	0	0	0	0	0	0	0	0	
R0240	-1	0	0	0	0	0	0	0	0	0	0	0	
R0250	0	0	0	0	0	0	0	0	0	0	0	0	
R0260												Total	0

Gross premium			
	C0570	C0580	
	Gross earned premium at reporting reference date	Estimate of future gross earned premium	
R0160	N-9	32,389	0
R0170	N-8	44,618	0
R0180	N-7	39,995	0
R0190	N-6	25,750	0
R0200	N-5	31,862	0
R0210	N-4	24,340	0
R0220	N-3	27,242	0
R0230	N-2	20,474	0
R0240	N-1	18,056	0
R0250	N	19,722	0

IR.23.01.01
Own Funds

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0290	Total basic own funds
	Ancillary own funds
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees
R0350	Letters of credit and guarantees other
R0360	Supplementary members calls
R0370	Supplementary members calls - other
R0390	Other ancillary own funds
R0400	Total ancillary own funds
	Available and eligible own funds
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR
	Reconciliation reserve
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0725	Deductions for participations in financial and credit institutions
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
36,000	36,000		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
479,678	479,678			
0		0	0	0
12,987				12,987
0	0	0	0	0
0				
528,665	515,678	0	0	12,987
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
528,665	515,678	0	0	12,987
515,678	515,678	0	0	
528,665	515,678	0	0	12,987
515,678	515,678	0	0	
272,382				
68,095				
194.09%				
757.29%				
C0060				
528,665				
0				
48,987				
0				
479,678				

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	C0010
Market risk	
R0070 Interest rate risk	18,576
R0080 Equity risk	62,392
R0090 Property risk	0
R0100 Spread risk	99,777
R0110 Concentration risk	22,254
R0120 Currency risk	90,743
R0125 Other market risk	
R0130 Diversification within market risk	-92,592
R0140 Total Market risk	201,150
Counterparty default risk	
R0150 Type 1 exposures	1,922
R0160 Type 2 exposures	0
R0165 Other counterparty risk	
R0170 Diversification within counterparty default risk	0
R0180 Total Counterparty default risk	1,922
Life underwriting risk	
R0190 Mortality risk	
R0200 Longevity risk	
R0210 Disability-Morbidity risk	
R0220 Life-expense risk	
R0230 Revision risk	
R0240 Lapse risk	
R0250 Life catastrophe risk	
R0255 Other life underwriting risk	
R0260 Diversification within life underwriting risk	
R0270 Total Life underwriting risk	0
Health underwriting risk	
R0280 Health SLT risk	
R0290 Health non SLT risk	
R0300 Health catastrophe risk	
R0305 Other health underwriting risk	
R0310 Diversification within health underwriting risk	
R0320 Total Health underwriting risk	0
Non-life underwriting risk	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	68,567
R0340 Non-life catastrophe risk	121,826
R0350 Lapse risk	0
R0355 Other non-life underwriting risk	
R0360 Diversification within non-life underwriting risk	-36,381
R0370 Non-life underwriting risk	154,012
R0400 Intangible asset risk	
Operational and other risks	
R0422 Operational risk	592
R0424 Other risks	
R0430 Total Operational and other risks	592
R0432 Total before all diversification	486,649
R0434 Total before diversification between risk modules	357,676
R0436 Diversification between risk modules	-73,952
R0438 Total after diversification	283,724
R0440 Loss absorbing capacity of technical provisions	
R0450 Loss absorbing capacity of deferred tax	-11,342
R0455 Other adjustments	
R0460 Solvency capital requirement including undisclosed capital add-on	272,382
R0472 Disclosed capital add-on - excluding residual model limitation	
R0474 Disclosed capital add-on - residual model limitation	
R0480 Solvency capital requirement including capital add-on	272,382
R0490 Biting interest rate scenario	
R0495 Biting life lapse scenario	

IR.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

2,846

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

0	
0	
0	
0	
0	
0	
0	
0	
0	
11,268	7,538
0	
0	
0	
0	
0	
0	
0	
0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 **Minimum Capital Requirement**

C0070

2,846
272,382
122,572
68,095
68,095
3,500
68,095