

Ambac Assurance UK Limited

Annual Report and Financial Statements

for the year ended 31 December 2025

Registered no: 03248674

Ambac Assurance UK Limited
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for the year ended 31 December 2025

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Ambac Assurance UK Limited

Directors and advisers

Executive Directors

David Barranco
David Trick (resigned 29 September 2025)
Alan Dee
Yadin Rozov (appointed 29 September 2025)

Non-executive directors

William Fall - Chairman of the Board
Hugh Boyle - Chairman of the Audit and Risk Committee of the Board of Directors
Ben Loomes

Secretary

Miguel Sánchez

Registered Office

5th Floor
48/54 Moorgate
London EC2R 6EJ

Registered Auditor

PKF Littlejohn LLP
15 Westferry Circus
London E14 4HD

Internal Auditor

BDO LLP
150 Aldersgate Street
London EC1A 4AB

Bankers

Barclays Bank plc
Level 11, 1 Churchill Place
London E14 5HP

Ambac Assurance UK Limited

The directors present their strategic report, directors' report and the audited financial statements for the year to 31 December 2025.

Strategic report

Principal activity

Ambac Assurance UK Limited (the "**Company**") is incorporated under the laws of England and Wales and is in the non-life financial guarantee insurance business. The Company 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**") which is managed by Oaktree Capital Management, L.P. ("**Oaktree**"). Until 29 September 2025 the ultimate controlling entity was Ambac Financial Group, Inc. ("**AFG**") (which has now been renamed Octave Specialty Group, Inc. ("**OSG**")). On 29 September 2025, following receipt of regulatory and shareholder approvals, AFG sold all of the issued and outstanding shares of common stock of AAC to American Acorn Corporation ("**American Acorn**"), a Delaware corporation controlled by Fund XII.

The Company is dual regulated and supervised in the United Kingdom by the Prudential Regulation Authority (the "**PRA**") and Financial Conduct Authority (the "**FCA**"). The Company's principal contact is with the PRA. In 2009, the previous regulator, the Financial Services Authority, curtailed the Company's licence to undertake new business and limited its licence to undertaking only run off related activity. Accordingly, the Company is authorised to run off its financial guarantee insurance portfolio in the United Kingdom.

The Company's principal business activity is portfolio risk management of its existing long term book of financial guarantee business. Financial guarantee insurance written by the Company provides an unconditional and irrevocable guarantee that protects the creditor under a debt obligation's scheduled terms. The Company makes payments if the issuer or obligor responsible for making payments fails to do so. In the event the Company does pay any insurance claims, it is generally subrogated to the rights of the claiming policyholders and may be able to claim back from the issuer any payments made under the guarantee through debt restructuring, exercising any security rights or otherwise. The Company is expected to meet potential claims entirely from its own claims paying resources. There is no recourse to or support from other parties, including AAC.

The Company's portfolio comprises 38 financial guarantee 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). 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 portfolio comprises financial guarantees for essential infrastructure, whole business securitisations, utility obligations, and other bond types, primarily in the UK, which were written by the Company prior to December 2007. The portfolio is contractually scheduled to run off through to 2047, although certain insured transactions can be prepaid and/or unwound under certain circumstances. The portfolio continues to perform satisfactorily.

The Company's portfolio of financial guarantee business is monitored by its portfolio risk management team, based in London. Activity in the year has included ongoing monitoring and remediation activity relating to the Company's portfolio. The Company continues to collect instalment premiums from its portfolio of insured transactions and also generates fees from processing requests for amendments, consents and waivers to existing transactions.

Parent Undertaking

The Company's parent, AAC, is a financial guarantee insurance firm in run-off. AAC is regulated by the Office of the Commissioner of Insurance for the State of Wisconsin (the "**OCI**") who are required to approve certain actions taken by or in respect of AAC. AAC is therefore under enhanced regulatory supervision by its regulator. It remains the view of the directors of the Company that this position will have no material impact on the Company.

Pursuant to a Stock Purchase Agreement (the "**SPA**") dated as of June 4, 2024, by and between American Acorn and AFG, American Acorn acquired all of the issued and outstanding shares of common stock of AAC and all of its wholly owned subsidiaries, including the Company, on 29 September 2025, following approval by the OCI and the PRA.

Business review

Results and Key performance indicators

Results and Shareholder's Funds

The results for the Company, as set out on page 15, show a profit for the financial year of £36.1 million (2024 profit of £42.5 million). The key drivers of the 2025 result, as compared to the 2024 result, were lower investment income after foreign exchange losses in the current year and a larger claims benefit and movement in technical provisions credit in the prior year, offset by an increase in premium earned due to accelerated run off in the current year. These items are discussed in more detail below.

The Company had a surplus in shareholder's funds of £567.5 million (2024: surplus of £531.4 million).

Key performance indicators

The Company considers the following to be the key financial performance indicators for measuring the business performance in run-off.

Earned premiums

For the year ended 31 December 2025, net premiums earned 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 and £2.5 million accelerations (2024: £18.1 million normal earned premiums and no accelerations).

Claims incurred and changes in other technical provisions

For the year ended 31 December 2025, the Company'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 the Company's financial guarantee obligations.

Cash, Investments and Investment Income

At 31 December 2025, the carrying value of cash and investments totalled £604.1 million (2024: £567.5 million). The year-on-year increase in cash and investments is primarily due to the continued receipt of premium income and investment returns during the year, offset by foreign exchange losses on foreign currency denominated investments, cash outflows linked to tax payments and other expenses.

Investment income for the year ended 31 December 2025 was £29.7 million (2024: £31.0 million). The lower investment income is the result of profits from the majority of asset classes in which the Company invests following a strong rally over the year in risk assets, offset to some degree by foreign exchange losses on foreign currency denominated investments.

Regulatory Environment and Capital

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. The Company 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.

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Strategic report –continued

Further details of the Company's Solvency UK position are set out in its Solvency and Financial Condition Report ("SFCR") which is available on AAC's website at www.ambaccorp.com.

Duty to promote the success of the Company

The directors note the requirements under s172 of the Companies Act 2006 that they must act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In so doing the directors have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term over the remaining life of the run off of policies insured by the Company until 2047,
- b. the interests of the Company's employees,
- c. the need to foster the Company's business relations with suppliers, policyholders, trustees and regulators,
- d. the impact of the Company's operations on the community and the environment,
- e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly between members of the Company.

The following summarises how the directors have fulfilled their duties with respect to specific stakeholders:

Shareholders

AAC is the sole shareholder of the Company. Representatives of AAC are also directors of the Company which ensures that the strategies and objectives of the Company are well understood by the shareholder.

Policyholders and Issuers

The Company's senior management and its advisors work closely with the issuers of debt subject to financial guarantees issued by the Company to review their plans and to consider their financial position on a regular basis.

Regulators

The Company's senior management meets periodically with the PRA and is committed to a strong relationship with its regulators.

Employees

The Company's long term success is dependent upon its commitment to its employees and their demonstration of the Company's values. As part of its governance processes the Company conducts regular training for employees on employment law, the regulatory environment, fraud prevention and IT security. The Company also hosts periodic meetings for all staff, which enables staff to engage with the Company's senior management on a variety of topics. During 2023 the Company relocated to new London premises providing employees a more modern and engaging workspace than the previous location.

Impact of the Company's operations on the community and the environment

Financial guarantee insurance written by the Company covers debt issued by a wide variety of issuers. Many of these issuers bring benefits to communities through infrastructure projects such as the provision of new roads, hospitals, utilities and university buildings. As noted in *Principal risks and uncertainties, Climate Change risk* below, the Company also considers environmental issues in its ongoing surveillance of the performance of individual transactions within its financial guarantee portfolio and investment portfolio and seeks to manage and mitigate these risks where possible. As noted above, during 2023 the Company relocated to new, smaller and more modern premises, helping to reduce the Company's direct environmental impact.

The Company has noted the recommendations made by the PRA with regard to Climate Change Risk and has prepared disclosures in line with Taskforce on Climate-related Financial Disclosure ("TCFD") which are available on AAC's website at www.ambaccorp.com.

Suppliers

The Company has adopted a vendor management policy developed by AAC which aims to assess the suitability of all suppliers and their ability to meet the standards expected by the Company. Suppliers are assessed under this policy at the point they are initially engaged and on a periodic basis thereafter to ensure that they continue to meet the requirements under the policy.

Going Concern

The Company 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 the Company in the event that a transaction was prepaid before its scheduled maturity date, thereby ensuring a base-line of premium income. Additionally, the Company invests premium income (as well as investment income and principal receipts), seeking a reasonable return, to further support its guaranteed obligations (however note that projected investment returns are not included in the following claims paying resources calculations).

The Company uses net claims paying resources as a measure of its ability to pay claims. Net claims paying resources at 31 December 2025 and 31 December 2024 as follows:

+/-	Claims Paying Resource Components £'000's	At 31/12/2025	At 31/12/2024
(+)	Cash and equivalents	5,590	5,568
(+)	Investments (at market value)	594,643	552,722
(+)	Minimum Guaranteed Premiums and other minimum contractual premiums	86,394	94,629
(+)	Subrogation recoverable, net of expected future claims and expenses	8,819	9,982
(-)	Annual operating expenditure	(5,764)	(6,000)
(+)	Expected Premiums beyond Minimum Guaranteed Premiums	10,717	17,406
(=)	AUK Net Claims Paying Resources	700,399	674,307

The calculation of a number of components of this non-UK GAAP measure differ from the equivalent items in the accounting balance sheet in the following ways:

Component	Balance Sheet	Claims Paying Resources
Investments	Fixed income investments are calculated at amortised cost	Presented at market value
Expected future claims and expenses	Discounted using risk free interest rates	Discounted at rates derived from market swap curves
Subrogation recoverable	Discounted at a rate reflective of the credit risk of the counterparty from which subrogation will be received	
Expected Premiums beyond Minimum Guaranteed Premiums	Not taken account of	
Annual operating expenditure	Not taken account of	Deducted at the coming year budgeted level

The Company's insured obligations are to pay scheduled principal and interest when due, and are not generally subject to acceleration (except that the Company 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 the Company are of investment grade, the Company regards its exposure to liquidity risk in respect of material claims over the coming 12 months as being limited. In addition, in assessing the Company'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 the Company prepares an Own Risk and Solvency Assessment ("ORSA"). Within the ORSA, the directors have considered the Company'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 the Company's current

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Strategic report –*continued*

position, the possible impacts on the Company from an economic downturn (as set out in more detail below) and the output of the stress scenarios set out in the ORSA, the directors are satisfied that the Company 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 the Company's claims paying resources are sufficient to satisfy projected claims as they fall due within this same period. Accordingly, the Company has adopted and continues to consider appropriate the going concern basis in preparing the Annual Report and Financial Statements.

Whilst the directors have focused their going concern assessment on a period of one year from the date of approval of the financial statements, the Company'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 the Company 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.

Principal risks and uncertainties

The key risks and uncertainties to which the Company is exposed are:

Insurance risk

The Company is exposed to insurance risk on its portfolio of financial guarantee business, which is the risk that losses within the portfolio might exceed those identified by management. The Company undertakes ongoing surveillance of the performance of individual insured transactions within its portfolio, and of the portfolio as a whole, including stress testing and downside scenario modelling.

Estimates of any future claim payments and recoveries under subrogation rights in respect of these financial guarantees are made to establish unexpired risk provisions (see Note 18). Given the duration of the period until repayment of obligations guaranteed by the Company, actual claims costs could differ from these estimates and as such there is an element of uncertainty in these estimates. Uncertainties include the impact of future economic shocks and idiosyncratic events which may impact the future performance of the insured portfolio. Such economic shocks could, for example, include recessions, periods of high inflation or climate change related impacts. Management considers a range of possible outcomes (including stress scenarios) in order to determine the most appropriate basis for unexpired risk provisions.

Credit risk

The Company has credit risk on issuers of assets in its investment portfolio. This is mitigated by the Company's investment policy, which provides for ongoing monitoring of the credit rating of the issuers of those securities and ensures that counterparty exposure is well diversified. The Company has appointed an investment advisor to assist it in the management of its investment portfolio.

Market risk

Market risk is the risk that the performance of the Company's investment portfolio declines as a result of adverse movements in market prices of assets in which the Company is invested. Market price movements may be impacted by interest rates, credit spreads, foreign exchange rates or equity and property markets. The Company continually reviews its investment policy in consultation with its investment advisor to ensure that the duration, yield, investment return and currency of its investment portfolio remain appropriate in light of its potential future liabilities. Additionally, the Company has exposure to interest and foreign exchange rate movements in respect of the insured portfolio.

Liquidity risk

Liquidity risk is the risk that the Company has insufficient liquid assets to meet claims as they fall due. The Company's insured obligations generally require the payment of scheduled principal and interest by the Company when due, and are not generally subject to acceleration (except that the Company may have the right to accelerate insured obligations if the insured obligation defaults). Further, the insured transactions within the Company's financial guarantee portfolio include transaction-level mitigants such as cash reserves and other credit enhancements which enable the Company to manage liquidity within each individual transaction that it has guaranteed. In addition, claims may arise if issuers face difficulties in refinancing maturing debt obligations.

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Strategic report –continued

The Company mitigates liquidity risk by investing at least 40% of its investment portfolio in liquid securities and by holding cash and money market liquidity funds sufficient to meet any known liabilities falling due in the coming three months. There are however some investments in its portfolio which are subject to certain limitations on the ability of the Company to liquidate or redeem these investments.

Operational risk

The Company monitors the operational risks in relation to its policies, premium billing and collection processes, cash and investments, claims processes and other operational processes through a Risk Management Governance Framework. A member of the senior management team is the Head of the Risk Management function and reports on the effectiveness of the controls over operational risks on a quarterly basis to the Audit and Risk Committee. The Company outsources certain operational functions to American Acorn Services LLC ("AAS"), who in turn outsource service provision to AAC, and to other third party service providers under services agreements. The effectiveness of these outsourcing arrangements is reviewed at least annually by a member of the management team and the Board is updated on a quarterly basis as to the continuing suitability of the various outsource providers to carry out the functions required of them.

Both the Company and AAC actively seek to mitigate cyber risk across the organisation. Specific measures include a cybersecurity training programme, active monitoring to ensure the integrity and security of IT systems and data and regular internal cyber risk assessments and vulnerability scans. The Company maintains a business continuity plan which users test annually.

As a small business with only 9 employees as at 31 December 2025 the Company recognises that staff retention is a key business risk and has accordingly established a long term incentive plan which addresses the risk of employees leaving the Company. The Company continues to monitor its operating requirements and risk management structure to ensure that they continue to meet its requirements.

Climate Change risk

The Company monitors its exposure to climate change risk both within its portfolio of financial guarantee business and within its investment portfolio. The Company's portfolio of financial guarantee business is in run-off with the last policy expiring in 2047. The Company therefore considers long term climate change impacts as part of this monitoring process.

Economic Uncertainty

UK economic growth is likely to remain low in 2026, although inflation is anticipated to return to UK Government target levels during the year. The Company has considered the potential impacts of this outlook upon its insured obligations, balance sheet asset valuations and general financial stability. Although low growth may give rise to elevated credit concerns (primarily those transactions where the revenue of the issuer is demand dependent or where the issuer is already below investment grade), nonetheless no claims have been received to date as a consequence of these factors. The Company and its advisors continue to work closely with impacted issuers to review their plans and forecasts, stress-testing undertaken and liquidity facilities in light of the UK economic outlook and the Government's response to it.

More generally global economic concerns continue to be elevated as a consequence of the policy actions of the US administration and asset valuations at historic highs in many asset classes. These factors may lead to volatile investment returns during 2026. The Company maintains a diversified investment portfolio of fixed income, equity, loans, securitised and private assets in GBP, USD and EUR as mitigants to this volatility.

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.

By order of the Board



M Sánchez

Secretary

Registered no: 03248674

Date: 24th March 2026

Ambac Assurance UK Limited

Directors' report

Results and dividends

The results for the year are set out in the profit and loss account on page 16.

The directors do not recommend the payment of a dividend. For the avoidance of doubt, any dividend recommended by the directors would require the non-objection of the PRA prior to payment.

Financial Risk Management Objectives and Policies

An overview of the Company's financial risk management objectives and policies is set out within the Principal risks and uncertainties section of the Strategic Report.

Future Developments

It is the intention of the directors to continue the run off of the financial guarantee insurance portfolio as set out in the Strategic Report.

Directors and directors' interests

The directors who held office during the year are shown on page 1.

Qualifying third party indemnity provisions

The Company has provided qualifying third party indemnities for the benefit of its directors. These were provided during the year and remain in force at the date of this report.

Political contributions

The Company made no political or charitable donations nor incurred any political expenditure during the year (2024: £Nil).

Auditor

The Company has, by elective resolution, dispensed with the need to appoint the registered auditor annually and therefore PKF Littlejohn LLP continue to hold office.

BDO LLP continued as outsourced Internal Auditor of the Company throughout the year.

Statement as to disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that: i) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and ii) each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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Directors' report –*continued*

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102, which is the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Company or to cease operations, or have no alternative but to do so. As explained in note 1, the financial statements are prepared on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



M Sánchez

Secretary

Registered no: 03248674

Date: 24th March 2026

Ambac Assurance UK Limited

Independent Auditor's Report to the Members of Ambac Assurance UK Limited

Opinion

We have audited the financial statements of Ambac Assurance UK Limited (the 'company') for the year ended 31 December 2025 which comprise the Profit and Loss Account, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the reasonableness of the going concern analysis performed by management which covers at least a 12-month period and challenging the company's key assumptions applied by management and agreeing them to supporting evidence, including expected losses over the financial guarantee obligations;
- reviewing the historical accuracy of the company's forecasting process, including the consideration of post-year-end performance;
- ensuring that calculations applied in the forecasts are mathematically accurate;
- evaluating the appropriateness of the stress test scenarios performed by the directors;
- reviewing the company's significant correspondence with regulators up to the date of signing our audit report;
- reviewing the company's Own Risk and Solvency Assessment (ORSA) reports submitted during the period and post year-end to gain assurance that the company has sufficient capital over the period of assessment;
- assessing the completeness of principal risks and uncertainties risks identified by the company, which include insurance risk, credit risk, market risk, liquidity risk, operational risk and climate change risk; and
- reviewing management's going concern disclosures to ensure they are fair, balanced and understandable to users of financial statements, as well as consistent with management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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Independent Auditor's Report to the Members of Ambac Assurance UK Limited

Our application of materiality

The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing, and extent of our audit procedures. The overall materiality applied to the company's financial statements was £3,390k (2024: £3,320k), which equates to 0.5% (2024: 0.5%) of the gross assets. Gross assets was deemed to be the most appropriate benchmark as this measure is used to determine the entity's ability to pay future claims arising from the existing portfolio of financial guarantee contracts written. Furthermore, the company is in a run-off position and does not write new business, and as such claims will be paid by the underlying assets and the profits generated from them.

The performance materiality was £2,370k (2024: £2,320k). We set performance materiality at 70% (2024: 70%) of the overall materiality based on our risk assessment.

We agreed with those charged with governance that we would report all differences identified during the course of our audit in excess of £169k (2024: £166k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our approach to the audit

The assessment of audit risk, evaluation of materiality and allocation of performance materiality determine the audit scope. This enables us to form an opinion on the financial statements. We take into account the account size, risk profile and the effectiveness of controls, including changes in the business environment when assessing the level of work to be performed.

Following our work to ensure we had a sufficient understanding of the Company's operations, including its systems and controls and the risks within the business, we designed our audit approach. This approach was designed so as to place appropriate focus on the most material areas. The most important of these areas are detailed within the Key audit matters section of our report. Our work included a combination of substantive and analytical procedures, including obtaining direct confirmations from third parties where we considered this to be necessary, to address the risks of material misstatement for financial statement line items. We ensured that our team consisted of individuals with appropriate knowledge, skills and experience.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our scope addressed this matter
<p>Other technical provisions - valuation of unexpired risk provision and loss adjusting expense provision (note 18)</p>	
<p>An unexpired risk provision is recognised when it is judged that a monetary default is likely to occur which would result in the company incurring a loss exceeding the value of the unearned premium reserve for a given policy.</p> <p>The valuation of unexpired risk provisions is highly judgemental, and it requires management to analyse numerous factors to assess the credit quality of the insured obligations covered by the financial guarantee contracts written. This process involves making numerous subjective assumptions about the future performance of the insured obligations and modelling numerous scenarios. Management estimates the probability of each scenario materialising and exercises significant judgement as to whether a loss reserve is required on the financial guarantee contracts written by the company.</p> <p>In addition to the valuation of unexpired risk provision, technical provisions also include a loss adjusting expense provision that represents management's estimation of the expected legal and consulting costs related to the de-risking process of the adversely classified financial guarantee contracts. The estimation of this provision is also highly judgemental and often lacks third party evidence or detailed calculations to support the provision estimated by management.</p> <p>The valuation of these provisions is highly judgmental and susceptible to management override and error.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Testing the design and implementation of the key controls over the credit monitoring and loss reserving process; • Reviewing credit ratings and other relevant available public information for all the counterparties of the insured obligations; • Independently corroborating management's assumptions and evaluating any public information to determine whether management's assumptions are reasonable for a sample of insured obligations; • Reviewing the supporting evidence and calculations of the loss adjusting expense provisions to ensure the completeness of the accruals recognised; • Performing procedures subsequent to year-end to identify if there are any reported claims that management should have considered in their year-end assessment; and • Assessing the appropriateness of the accounting policy and disclosures in the financial statements. <p>Based on the audit procedures performed and the evidence obtained, we conclude that the valuation of the unexpired risk provision and loss adjusting expense provision are reasonable.</p>

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Independent Auditor's Report to the Members of Ambac Assurance UK Limited

<p>Valuation of Level 3 financial investments (Note 11)</p>	
<p>The company has level 3 financial investments comprising of fund investments in private markets, real estate debt, structured products, illiquid credit and insurance linked securities as well as own wrapped debt. Pricing information for these investments is not directly observable due to the investments not being actively traded and thus the valuation is subject to judgement.</p> <p>The valuation of the fund investments are estimated using statements from investment managers that could present a lag between the date the valuation report is produced and the year-end. This therefore requires management to exercise judgement and consider whether there have been significant movements between the date of the most recent valuations and the balance sheet date.</p> <p>The fair value of own wrapped debt investments is estimated with reference to the respective securities' market values excluding the market's assessment of the value of the company's guarantee provided on them.</p> <p>This is deemed to be an audit risk area due to the level of judgement applied in the fair value estimation and increasing balance of such investments in the company's overall portfolio.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Testing the design and implementation of the key controls over the fair value estimation process; • Substantive testing of the valuation of a sample of investments by agreeing to the latest information from the market or investment managers; • Assessing the reputation of the investment managers to publicly available information; • Reviewing reconciliations of the ledger to investment manager reports and obtaining third party confirmations for verification of ownership; • Assessing management's consideration of any lag in information used in fair value estimation; • Reviewing substantive events occurring post year-end in relation to the investments to ensure all material events and movements from the dates of the valuation reports up to year-end are appropriately considered in management's assessment; • Corroborating any valuation assumptions used to relevant market information; and • Assessing the appropriateness of the accounting policy and disclosures in the financial statements. <p>Based on the audit procedures performed and the evidence obtained, we conclude that the valuation of Level 3 financial investments included in the financial statements are reasonable.</p>

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Ambac Assurance UK Limited

Independent Auditor's Report to the Members of Ambac Assurance UK Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the financial reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax

Ambac Assurance UK Limited

Independent Auditor's Report to the Members of Ambac Assurance UK Limited

compliance regulations and distributable profits legislation in the UK. Our considerations of other laws and regulations that may have a direct effect on the financial statements included in the prudential and supervisory requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - discussing with management any potential instances of non-compliance;
 - inspecting correspondence with the Prudential Regulation Authority and Financial Conduct Authority;
 - reviewing legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
 - reviewing the minutes of meetings of those charged with governance.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there is a potential for management bias in relation to the valuation of the unexpired risk provision and level 3 financial investments measured at fair value. Details of work performed in these areas can be found in the key audit matters section
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were first appointed by Ambac Assurance Corporation, the sole shareholder of the company, on 2 December 2021 to audit the financial statements for the period ending 31 December 2022 and subsequent financial periods. Our total uninterrupted period of engagement is four years, covering the periods ended 31 December 2022 to 31 December 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Garin McFarlane (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 25 March 2026

Ambac Assurance UK Limited
Profit and Loss Account
For the year ended 31 December 2025

Technical account - general business

	<i>Notes</i>	2025	2024
		£'000	£'000
Earned premiums			
Gross premiums written	3	7,538	7,916
Change in the gross provision for unearned premiums	18	12,184	10,140
Earned premiums		19,722	18,056
Other technical income		7,532	8,382
Claims incurred and changes in other technical provisions	18		
Claims paid, net of subrogation received		1,604	1,678
Claims management expenses		160	(1,694)
Change in other technical provisions		(949)	6,980
Claims (incurred) / benefit and other technical provisions		815	6,964
Operating expenses	4	(6,007)	(6,099)
Balance on the general business technical account		22,062	27,303

Non - technical account - general business

	<i>Notes</i>	2025	2024
		£'000	£'000
Balance on the general business technical account		22,062	27,303
Investment income	5	29,663	31,025
Investment expenses and charges	6	(4,098)	(837)
Other income / (expense)		1,014	(194)
Interest expense	20	(1,015)	(973)
Profit on ordinary activities before tax	7	47,626	56,324
Tax charge on result on ordinary activities	10	(11,540)	(13,857)
Profit on ordinary activities after tax		36,086	42,467
Profit for the financial year		36,086	42,467

All amounts are derived from continuing operations.

There are no material recognised gains and losses other than profit for the financial year shown above and consequently no separate statement of comprehensive income has been presented.

Ambac Assurance UK Limited
Statement of Changes in Equity
For the year ended 31 December 2025

	Called Up Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1 January 2025	36,000	495,413	531,413
Profit for the financial year	—	36,086	36,086
Balance at 31 December 2025	36,000	531,499	567,499

	Called Up Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance at 1 January 2024	36,000	452,946	488,946
Profit for the financial year	—	42,467	42,467
Balance at 31 December 2024	36,000	495,413	531,413

Ambac Assurance UK Limited

Balance Sheet

At 31 December 2025

	<i>Notes</i>	2025	2024
		£'000	£'000
Assets			
Investments			
Other financial investments	11	598,520	561,922
Debtors			
Debtors arising out of direct insurance operations from policyholders	12	86,394	94,629
Other debtors	13	13,632	17,487
Deferred taxes	10	42	151
Other assets			
Tangible assets	14	38	55
Cash and cash equivalents		5,590	5,568
Prepayments and accrued income			
Deferred acquisition costs	15	1,110	1,285
Total assets		705,326	681,097
Liabilities			
Capital and reserves			
Called up share capital	17	36,000	36,000
Profit and Loss account		531,499	495,413
Shareholder's funds – equity interests		567,499	531,413
Technical Provisions			
Provision for unearned premium	18	112,543	124,728
Other Technical Provisions	18	—	50
Creditors			
Other creditors including current taxation and social security	16	4,847	3,902
Accruals and deferred income	19	6,036	6,564
Interest bearing loans and borrowings	20	14,401	14,440
Total liabilities		705,326	681,097

The financial statements were approved and authorised for issue by the board of directors on 24th March 2026 and were signed on its behalf by:



Alan Dee - Chief Executive Officer
Registered no: 03248674

Ambac Assurance UK Limited

Cash Flow Statement

At 31 December 2025

	<i>Notes</i>	2025	2024
		£'000	£'000
Cash flow from operating activities			
Profit on ordinary activities before tax		47,626	56,324
Adjustments for:			
Net foreign exchange (gains)/losses		17,453	(3,305)
Net realised and unrealised gains on assets held at fair value		(28,955)	(13,784)
Investment income on financial assets measured at amortised cost		(19,216)	(13,677)
Depreciation of tangible assets		18	18
Interest expense		1,055	908
Investment expenses and charges		4,098	837
Changes in operational assets and liabilities:			
Decrease/(increase) in debtors		9,211	9,913
(Decrease)/increase in unearned premium		(12,184)	(10,141)
(Decrease)/increase in other technical provisions		(50)	(8,241)
Decrease/(increase) in deferred acquisition costs		175	152
(Decrease)/increase in creditors, accruals and deferred income		1,188	25
Cash generated from operations		20,419	19,029
Taxation paid		(12,950)	(11,700)
Net cash generated from operating activities		7,469	7,329
Cash flow from investing activities			
Investment income received		13,876	13,896
Purchase of other financial investments		(663,425)	(395,814)
Sale of other financial investments		640,345	379,074
Increase / (decrease) in investment payables		(162)	(290)
Decrease / (increase) in investment receivables		3,734	(4,601)
Investment expenses and charges paid		(1,623)	(539)
Net cash from/(used in) investing activities		(7,255)	(8,274)
Net increase/(decrease) in cash and cash equivalents		214	(945)
Cash and cash equivalents at the beginning of the year		5,568	6,443
Net increase/(decrease) in cash and cash equivalents		214	(945)
Effect of exchange rate fluctuations on cash and cash equivalents		(192)	70
Cash and cash equivalents at the end of the year		5,590	5,568

Ambac Assurance UK Limited

Notes to the financial statements

for the year ended 31 December 2025

1 Basis of preparation

The financial statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies.

Ambac Assurance UK Limited is a limited liability company incorporated under the laws of England and Wales. The Registered Office is 5th Floor, 48/54 Moorgate, London, EC2R 6EJ. These financial statements have been prepared in accordance with Financial Reporting Standard 102, which is the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Going concern

The financial statements are prepared on a going concern basis for the following reasons:

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

The Company's insured obligations are to pay scheduled principal and interest when due, and are not generally subject to acceleration (except that the Company may have the right to accelerate insured obligations, should it choose to, 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 the Company are of investment grade, the Company's exposure to liquidity risk in respect of material claims in the short term is limited. In addition, in assessing the Company'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 the Company prepares an ORSA. Within the ORSA, the directors have considered the Company'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 the Company's current position, the possible impacts on the Company from an economic downturn and the output of the stress scenarios set out in the ORSA, the directors are satisfied that the Company 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 the Company's claims paying resources are sufficient to satisfy projected claims as they fall due within this same period. Accordingly, the Company has adopted and continues to consider appropriate the going concern basis in preparing the Annual Report and Financial Statements.

Whilst the directors have focused their going concern assessment on a period of one year from the date of approval of the financial statements, the Company'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 the Company 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.

The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

Ambac Assurance UK Limited

Notes to the financial statements

for the year ended 31 December 2025

2 Accounting policies

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from these estimates.

The following judgements have had a significant effect on amounts recognised in the financial statements:

- Other technical provisions are based upon judgements by management supported by the Portfolio Risk Management group ("PRM") which performs active surveillance of the insured portfolio. From period to period PRM tracks credit migration of insured obligations and updates internal credit classifications and ratings for each transaction. Other technical provisions are established when management has observed credit deterioration, for example when the underlying credit is considered adversely classified, and when in the judgement of management a monetary default in the timely payment of debt service is likely to occur. The criteria for an exposure to be assigned an adversely classified credit rating includes the deterioration of an issuer's financial condition and creditworthiness, underperformance of the underlying collateral, poor performance by the servicer of the underlying collateral and other adverse economic events or trends. Key judgements made by PRM include the risk of default, the severity of loss upon default, management's ability to execute policy commutations and/or restructurings, and estimated remediation recoveries. In making these judgements, PRM may review forecasting models and other information provided by issuers and the underlying assumptions therein. PRM may examine the impact of various scenarios and their respective likelihoods on these models in determining the value of potential other technical provisions required. The timing and amount of claim payments and claim management expenses may differ from such judgements. This is described further in '*Claims and Unexpired risk provisions*' below.
- The estimated fair values of the Company's "**Level 3 fund investments**", comprising fund investments in private markets, real estate debt, structured products, illiquid credit and insurance linked securities, are determined using statements received from each fund's investment manager on either a monthly or quarterly in arrears basis. Where there has been significant market movements between the date of the most recent valuation and the balance sheet date then these valuations will be compared with benchmarks, estimates received from investment managers or other indices to assess the reasonableness of the estimated fair value of each fund. If this comparison indicates that there may have been a material movement in the valuation of these funds between the date of the most recent valuation and the balance sheet date then an estimated fair value is used, otherwise the most recent valuation received from each fund's investment manager is utilised to provide the period end valuation.

Basis of accounting for underwriting activities

All business is accounted for on an annual basis.

Premium income and unearned premiums

The policy for premium recognition is dependent upon whether a premium is received by instalment or up-front. Where the premium on a policy is received up front, the premium is recognised as written at the date of inception, and earned in the technical account on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured. Unearned premiums for premiums received upfront represent the portion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

When the premium on a policy is received in instalments, the premium recognition is dependent on whether the Company is contractually entitled to future premiums. For those contracts with guaranteed premium amounts, the contractually entitled amount was recognised as written at the inception of the policy. Changes to such contractually entitled amounts, including negotiated settlements, are recognised as written at the time of such change. For those contracts where there is no contractual entitlement to future premiums, future instalment premiums are considered sufficiently uncertain such that recognition of future premiums as written at inception is not considered appropriate. For these contracts, instalment premiums are generally recognised as written when received. Instalment premiums are earned in the technical account over each instalment period. Unearned premiums for instalment premiums represent the portion of premiums written that relate to a future period.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

2 Accounting policies - continued

When an obligation insured by the Company has been refunded or called, the remaining unrecognised premium is recognised at that time. Differences between settlement proceeds on refunded or called issues and unrecognised premium are taken to profit and loss.

Other technical income

Other technical income comprises fees earned in connection with the Company's portfolio of insured transactions. Structuring fees represent consideration received from clients in return for the Company's involvement in structuring or restructuring certain insured transactions. These non-refundable fees are collected at the time of structuring and are earned over the remaining estimated life of the insured transaction.

The Company also receives certain fees from clients in respect of consents, waivers, amendments and surveillance relating to certain insured transactions. Amendment, waiver and consent fees are earned in the period in which they are received and surveillance fees are earned in the period to which they relate. Where fees are received in relation to an amendment to a policy and where that amendment has an impact on the risk profile of the policy then the fee is earned over the remaining estimated life of the insured transaction.

Pension costs, termination benefits and long term incentive plans

Pension contributions are charged to the profit and loss account and represent the contributions payable to a money purchase pension scheme in respect of the financial year for UK employees.

Severance costs and other termination benefits are recognised and charged to the profit and loss account immediately once a commitment is identified.

The Company operates long term incentive plans ("LTIP") and, where future awards under the LTIP are likely to arise, recognises a liability at the balance sheet date pro-rata between the date of the LTIP award and the date that the LTIP vests.

Acquisition costs

Certain costs incurred in prior years that related to the production of new business were deferred in those respective years. These costs generally included compensation costs, premium taxes and certain other costs. These deferred acquisition costs are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs on the balance sheet represent the proportion of acquisition costs that corresponds to the proportion of premiums written which are unearned at the balance sheet date. Given that no new business was underwritten during the current or prior year, the Company has not deferred further acquisition costs during these periods.

Claims and Unexpired risk provisions

An unexpired risk provision is established for insured obligations when, in the judgement of management, a monetary default in the timely payment of debt service is likely to occur, which would result in the Company incurring a loss for an amount exceeding the value of unearned premium reserve for a policy. An unexpired risk provision is established in an amount that is sufficient to cover the present value of the excess of anticipated debt service payments compared to unearned premium reserve over the expected period of default and estimated expenses associated with settling the claim less estimated recoveries under salvage and subrogation rights. Provisions for insured obligations denominated in foreign currencies are converted to sterling at the prevailing spot rate as of the balance sheet date, with foreign currency movements included as a component of the provision for claims.

The unexpired risk provision is based upon estimates and judgements by management, including consideration as to whether any events arising between the reporting date and the date of signing of the financial statements require amendments of those estimates. As such, there can be no assurance that the actual losses in the Company's financial guarantee insurance portfolio will not exceed its unexpired risk reserves.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

2 Accounting policies - continued

The company owns fixed income securities which benefit from guarantee policies issued by the Company (“**Own Wrapped Debt**”) against those guarantees. Therefore, a proportion of any guarantee amounts payable by the Company will be repaid to the Company in its capacity as an investor where a technical provision exists. Unexpired risk provisions related to policies where the Company owns a proportion of the fixed income securities which benefit from a guarantee policy are therefore reduced by the fraction of the outstanding exposure owned by the Company.

Where the Company purchases Own Wrapped Debt for which an unexpired risk provision is in place, the purchase price paid is split into two elements. The first element is the “Intrinsic Price” of the debt. This is the value of the Own Wrapped Debt excluding the market’s assessment of the value of the guarantee that the Company provides. The second element is the excess of the price paid over this Intrinsic Price and represents the value of the Company’s guarantee. The Intrinsic Price paid is recognised as the cost of the fixed income security purchased. The price paid in excess of the Intrinsic Price is recorded as a claims management expense.

The rate utilised to discount provisions is a pre tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The risks specific to the liability shall be reflected either in the discount rate or in the estimation of the amount required to settle the obligation, but not both. Estimated recoveries under subrogation rights are discounted at a rate reflective of the credit risk of the counterparty from which subrogation will be received.

Claims paid comprise claims and related expenses paid in the year, less amounts recovered under subrogation rights.

Cash and cash equivalents

Cash and cash equivalents comprise cash deposits and financial investments that are within three months of maturity at the date of acquisition. These assets are highly liquid, convertible into known amounts of cash and have insignificant risk of change in fair market value.

Provisions

Provisions are recognised where there is a present obligation (legal or constructive) as a result of a past event that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle that obligation.

Financial Assets and Liabilities

When a financial asset or liability is first recognised it is measured at fair value (which is the transaction price (including transaction costs)). The Company has adopted sections 11 and 12 of FRS 102 for presentation and measurement of these assets and liabilities. The Company treats all investments as financial assets and any other assets as non-financial assets.

Investments

Investments which are financial assets are measured in accordance with Section 11 and 12 of FRS 102.

Fixed income securities, including Own Wrapped Debt, and debt investments are shown at amortised cost. The difference between the purchase price of such securities and the amount repayable at maturity is charged or credited to the profit and loss account over the period to maturity using the effective interest method.

As noted under Claims and Unexpired risk provisions above, the purchase price of Own Wrapped Debt fixed income securities, for which an unexpired risk provision is in place, is the Intrinsic Price at the date of purchase.

Investments in securities other than fixed income securities and debt investments are included in the balance sheet at fair value. With the exception of Level 3 fund investments, as defined above in *Judgements and key sources of estimation uncertainty*, fair value is determined using the closing bid price of the securities on the balance sheet date. The difference between the purchase price and current value is charged or credited to the non-technical profit and loss account as investment income.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

2 Accounting policies - continued

The estimated fair values of the Company's Level 3 fund investments are determined using the methods described above in *Judgements and key sources of estimation uncertainty*.

Investment income

Investment income is accounted for on an accrual basis. Interest is accrued up to the balance sheet date. All investment income, including realised and unrealised gains and losses on investments, is reported in the non-technical account.

Realised gains or losses represent, for investments included in the balance sheet at amortised cost, the difference between net sales proceeds and amortised cost, and for investments included in the balance sheet at current value, the difference between net sale proceeds and purchase price.

An impairment loss is recognised where a fixed income security valued at amortised cost has suffered an other-than-temporary diminution in value. The loss recognised is for the amount by which the carrying value exceeds its recoverable amount.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value being the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using effective interest method.

Foreign currencies

Transactions in foreign currencies are translated to sterling at the rate ruling at the date the transaction is made. Monetary assets and liabilities expressed in foreign currencies are translated to the Company's functional currency (sterling) at rates of exchange ruling at the end of the financial year. Differences arising on exchange, not related to claims outstanding, are reflected in the non-technical account.

Taxation

Provision is made for all taxation expected to be payable on taxable profits of the year and adjustments to tax payable in respect of prior years. Taxation includes current taxation plus deferred taxation. Where taxation is recognised in income, comprehensive income or Equity, the tax rates used are those enacted at the balance sheet date.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Deferred tax assets are only established as far as it is considered that there is a reasonable expectation that the tax will be recoverable.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Leasehold improvements	- Remaining life of the lease
Fixtures, fittings and office equipment	- 3 to 5 years

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

3 Segmental information

The Company only wrote one class of business, that being non-life financial loss insurance, therefore the directors regard any segmental analysis as inappropriate at the present time.

4 Operating expenses

	2025 £'000	2024 £'000
Change in deferred acquisition costs	175	152
Administrative expenses	5,832	5,947
Operating expenses	6,007	6,099

5 Investment income - non-technical account

	2025 £'000	2024 £'000
Investment income including interest receivable	20,456	16,465
Net realised (losses) on fixed income securities	(1,202)	(2,626)
Impairment losses	(38)	(162)
Total investment income on financial assets measured at amortised cost	19,216	13,677
Net realised and unrealised gains on assets held at fair value	28,954	13,783
Net foreign exchange gains / (losses)	(18,507)	3,565
Investment income	29,663	31,025

Investment income includes £15,675,000 (2024: £13,214,000) of income from listed investments.

6 Investment expenses

	2025 £'000	2024 £'000
Investment management expenses	4,098	837

Investment management expenses from affiliated companies are disclosed in Note 24 *Related Party Transactions*.

7 Profit on ordinary activities before tax

	2025 £'000	2024 £'000
Profit on ordinary activities before tax is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	160	132
Depreciation	17	18
Hire of land and buildings - Operating leases	75	85
Foreign Exchange revaluation of interest bearing loans	(1,014)	194

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

8 Remuneration of directors

	2025 £'000	2024 £'000
Directors' emoluments	<u>839</u>	<u>808</u>

The emoluments of the highest paid director were 639,000 in 2025 (2024: 608,000). No Company pension contributions were made to any money purchase scheme on his behalf (2024: £Nil).

The aggregate compensation expensed by the Company in respect of loss of office by directors in 2025 was £Nil (2024: £Nil). The aggregate amount of money paid to or receivable by directors under the LTIP scheme in 2025 was £91,000 (2024: £86,000).

As of 31 December 2025, the Company did not have any advances outstanding or amounts guaranteed on behalf of any of the directors (2024: £Nil).

There are no retirement benefits accruing to the directors of the Company (2024: £Nil).

9 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	Number of Employees	
	2025	2024
Insured portfolio management	3	3
Executive management	2	2
Finance and investments management	2	2
Administration	2	2
	<u>9</u>	<u>9</u>

The aggregate payroll costs in respect of these persons were as follows:

	2025 £'000	2024 £'000
Wages and salaries	2,880	2,581
Social security costs	385	368
Other pension costs	65	73
	<u>3,330</u>	<u>3,022</u>

In addition to the above payroll costs, the Company charged £45,000 (2024: £893,000) in respect of LTIP costs including associated payroll taxes to the profit and loss account. Benefits are expected to be paid out during 2028 under the LTIP.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

10 Taxation

	2025 £'000	2024 £'000
Analysis of charge in year:		
Current tax:		
UK corporation tax at 25%	11,343	13,969
UK Tax adjustment in respect of prior periods	<u>88</u>	<u>(103)</u>
Total UK tax expense	<u>11,431</u>	<u>13,866</u>
Total current tax	<u>11,431</u>	<u>13,866</u>
Deferred tax:		
UK Tax timing differences	109	(12)
Tax adjustment in respect of prior periods	—	3
Total deferred tax expense	<u>109</u>	<u>(9)</u>
Tax expense on Profit on ordinary activities	<u>11,540</u>	<u>13,857</u>

Factors affecting tax charge for period:

The tax assessed for the years ended 31 December 2025 and 2024 differ from the standard rates of corporation tax in the UK of 25%. The differences are explained below:

	2025 £'000	2024 £'000
Profit on ordinary activities before tax	<u>47,626</u>	<u>56,324</u>
Tax charge at 25%	11,907	14,081
Non-taxable income	(457)	(78)
Adjustment in respect of prior periods	88	(100)
Other	2	(46)
Tax expense	<u>11,540</u>	<u>13,857</u>

Deferred tax has been provided at the tax rate in force when temporary timing differences are expected to reverse, being 25%.

The deferred tax asset is attributable to temporary differences arising on the following:

	Other Provisions £'000	Other Timing Differences £'000	Total £'000
At 31 December 2024	128	23	151
Movements in the year	(109)	0	(109)
At 31 December 2025	<u>19</u>	<u>23</u>	<u>42</u>

Deferred tax assets of £42,000 (2024: £24,000) are expected to be recovered after more than 12 months from the balance sheet date.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

11 Other financial investments

	Original Cost		Market Value		Carrying value	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Financial assets measured at fair value through the Profit and Loss account						
Units in money market liquidity funds	23,774	44,311	23,766	44,524	23,766	44,524
Other pooled funds and equities at current value	335,844	241,557	344,995	249,513	344,995	249,513
Financial assets measured at amortised cost						
Fixed income securities and debt	233,607	267,049	225,882	258,685	229,759	267,885
	593,225	552,917	594,643	552,722	598,520	561,922

The fixed income securities which are predominantly listed are carried at amortised cost, net of foreign currency translation gains or losses. At 31 December 2025, the amount receivable upon maturity of fixed income securities is £32,160,000 higher than the amortised cost (2024: higher than amortised cost by £23,854,000).

The carrying value of fixed income securities is stated net of impairment losses of £108,000 (2024: £83,000) recognised on assets where there is objective evidence of impairment. This arises when there is an indication from the investment manager of their intent to sell a fixed income security after the balance sheet date where the observable market value is less than the current carrying value or where there is other objective evidence that the realisable value of an investment has been permanently diminished. During the year impairment losses of £38,000 (2024: £162,000) were recognised. There are no financial assets that are past due at the end of the year which are not impaired (2024: £Nil).

11 a) Interest Rate Risk

Financial instruments for which fair value may be affected by changes in interest rates consist of fixed income securities and money market liquidity funds. Own Wrapped Debt purchased by the Company neutralises interest rate risk associated with future financial guarantee claim payments. Accordingly, such securities are excluded from the Company's interest rate sensitivity measures. The following table summarises the estimated change in fair value on financial instruments, assuming immediate changes in interest rates at specified levels at 31 December 2025 and at 31 December 2024.

	At 31 December 2025		At 31 December 2024	
	Estimated Change in Net Fair Value £'000	Estimated Net Fair Value £'000	Estimated Change in Net Fair Value £'000	Estimated Net Fair Value £'000
300 basis point rise	(25,188)	165,951	(28,833)	224,615
200 basis point rise	(17,922)	173,217	(19,231)	234,217
100 basis point rise	(9,526)	181,613	(9,620)	243,828
Base scenario	—	191,139	—	253,448
100 basis point decline	10,655	201,794	9,628	263,076
200 basis point decline	22,441	213,580	19,265	272,713
300 basis point decline	34,460	225,599	28,854	282,302

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

11 b) Currency risk

The Company holds cash and cash equivalents and has invested in financial instruments denominated in currencies other than sterling with fair value amounting to £394,156,000 (2024: £262,198,000). The table below summarises the estimated net change in fair value of these instruments assuming immediate shifts in foreign exchange rates.

Change in Foreign Exchange rates against sterling 31 December 2025

	20% Decrease	10% Decrease	10% Increase	20% Increase
	£'000	£'000	£'000	£'000
Estimated change in fair value	(78,831)	(39,416)	39,416	78,831

Change in Foreign Exchange rates against sterling 31 December 2024

	20% Decrease	10% Decrease	10% Increase	20% Increase
	£'000	£'000	£'000	£'000
Estimated change in fair value	(52,440)	(26,220)	26,220	52,440

11 c) Credit Risk

The assets bearing credit risk are summarised by credit rating in the table below. The fair value of fixed income securities and debt investments by rating is summarised as follows:

	2025	2024
	£'000	£'000
AAA	580	1,178
AA	69,076	109,016
A	26,348	37,410
BBB	50,935	70,582
Below investment grade	50,036	39,583
Not rated	28,907	916
	<u>225,882</u>	<u>258,685</u>

Ratings are based on the lower of Moody's or S&P ratings. If guaranteed, the rating represents the higher of the underlying or guarantor's financial strength rating. Own Wrapped Debt represents £24,728,000 of the BBB rated securities and £33,782,000 of the below investment grade securities within the fixed income portfolio above (2024: £33,808,000 of the below investment grade fixed income portfolio).

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

11 d) Fair value estimation

The table below analyses financial instruments by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices for government bonds and UCIT funds in active markets.
- Level 2 Quoted prices for other bonds in active markets (including Own Wrapped Debt where third party pricing data is available) and other funds (except in relation to assets classified as Level 3 investments in Note 2 *Accounting policies*, where valuations are received in arrears)
- Level 3 includes model derived valuations for Own Wrapped Debt, where the fair value is determined by reference to the market value of the security excluding the market's assessment of the value of the guarantee which the Company provides. Additionally, debt investments and other assets classified as Level 3 fund investments in Note 2 *Accounting policies*, are classified as level 3.

The estimated fair values of the Company's Level 3 fund investments are determined using statements received from each fund's investment manager on either a monthly or quarterly in arrears basis. Where there has been significant market movements between the date of the most recent valuation and the balance sheet date then these valuations will be compared with benchmarks, estimates received from investment managers or other indices to assess the reasonableness of the estimated fair value of each fund. If this comparison indicates that there may have been a material movement in the valuation of these funds between the date of the most recent valuation and the balance sheet date then an estimated fair value is used, otherwise the most recent valuation received from each fund's investment manager is utilised to provide the period end valuation. Given the Company's knowledge of the underlying investments and the size of the Company's investment therein, we would not anticipate any material variance between estimated valuations and the final valuations reported by the investment managers.

At 31 December 2025

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at amortised cost	65,856	105,352	54,674	225,882
Financial assets measured at fair value	121,519	82,541	164,701	368,761
Total Financial assets	187,375	187,893	219,375	594,643

At 31 December 2024

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at amortised cost	102,819	122,058	33,808	258,685
Financial assets measured at fair value	152,321	50,712	91,004	294,037
Total Financial assets	255,140	172,770	124,812	552,722

11 e) Liquidity risk

The estimation of the timing of payment of claims liabilities is uncertain and incorporates a significant amount of judgement. The Company will make a claim payment only if the issuer or obligor responsible for making principal or interest payments fails to do so. The Company's obligation in relation to the timing of payments is to pay scheduled interest and principal.

As noted in the Strategic Report, the Company invests the majority of its investment portfolio in liquid securities and holds cash and money market funds sufficient to meet any known liabilities falling due in the coming three months. Longer dated liabilities will be met from the Company's holdings of fixed income securities and pooled funds.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

11 f) Property Catastrophe risk

The Company has invested in financial instruments with fair value amounting to £26,044,000 the performance of which is linked to the performance of a retrocession insurance contract entered into between the issuer of those securities and a ceding reinsurer. These Insurance Linked Securities ("ILS") are therefore exposed to insurance risks from natural and man-made catastrophic events, including, without limitation, hurricanes, earthquakes, windstorms, wildfires, severe thunderstorms, winter storms, terrorism, conflagration and, in certain cases, cyber. The frequency and severity of catastrophe losses are inherently unpredictable and may vary from year to year. The return which the Company will generate from the ILS is linked to the premium received by the issuer under the retrocession agreement less losses from catastrophic events.

11 g) Capital Management

The Company has a Capital Management Policy and Investment Guidelines which define the Company's risk appetite and tolerances for various categories of asset classes. Management regularly reviews investment performance and profile to ensure that investments are maintained within the risk appetite framework.

The primary objective of capital management is to optimise the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite.

Overall capital risk appetite, which is reviewed and approved by the directors, is expressed in terms of Solvency Ratio targets. In setting these targets the directors consider, within the Company's ORSA, 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 include the impacts which may arise from an economic downturn and the longer term impacts that may arise as a result of climate change.

In managing capital the Company seeks to:

- maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support business growth and satisfy the requirements of the Company's regulators and other stakeholders;
- maximise shareholder's funds to enhance the Company's returns to its shareholder, subject to the Company's capital risk appetite and balancing the requirements of the range of stakeholders;
- retain financial flexibility by maintaining strong liquidity, whilst optimising risk and return; and
- make capital decisions with reference to factors including growth in cash flows and earnings.

The Company is dual regulated and supervised in the United Kingdom by the PRA and FCA and is subject to insurance solvency regulation, which specifies the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Solvency UK Framework as adopted by the PRA in the United Kingdom, seeks to ensure there is sufficient capital within the Company to protect policyholders and meet claims payments when due. The Company is required to maintain eligible capital, or Own Funds, in excess of the value of its SCR. The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests over the next one-year time horizon of each risk type that the Company is exposed to.

The Company calculates its SCR in accordance with the standard formula prescribed in Solvency UK regulations. The Company had Solvency UK Eligible Assets in excess of its MCR and SCR throughout the year. The year-end Solvency Ratio was 194% (2024: 213%) (unaudited).

The capital managed is Tier 1 capital consisting of ordinary share capital and profit and loss reserves and also Tier 3 capital which reflects deferred tax assets recognised under Solvency UK.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

12 Debtors arising out of direct insurance operations from policyholders

	2025	2024
	£'000	£'000
Due within one year	8,338	8,519
Due after one year	78,056	86,110
	<u>86,394</u>	<u>94,629</u>

13 Other Debtors

	2025	2024
	£'000	£'000
Accrued interest on financial investments	2,904	2,335
Subrogation recoverable	8,372	9,371
Receivable for Securities	1,468	5,771
Other assets	33	10
Corporation tax receivable	855	—
	<u>13,632</u>	<u>17,487</u>

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

14 Tangible assets

	Leasehold Improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 1 January 2025	62	50	112
Additions	—	—	—
Disposals	—	—	—
At 31 December 2025	62	50	112
Depreciation:			
At 1 January 2025	16	41	57
Charge for the year	12	5	17
Disposals	—	—	—
At 31 December 2025	28	46	74
Net book value:			
At 31 December 2025	34	4	38
At 31 December 2024	46	9	55

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

15 Deferred Acquisition Costs

	2025	2024
	£'000	£'000
Deferred acquisition costs		
At beginning of year	1,285	1,437
Movement in provision in year	(175)	(152)
At end of year	<u>1,110</u>	<u>1,285</u>

16 Other creditors

	2025	2024
	£'000	£'000
Accrued LTIP costs	68	851
Investment management fees (<i>non-affiliated</i>)	241	309
Other accrued expenditure	1,932	1,239
Payable for securities	334	496
Corporation Tax payable	—	623
Amounts owed to affiliated companies	2,272	384
	<u>4,847</u>	<u>3,902</u>

Investment management expenses from affiliated companies are disclosed in Note 24 *Related Party Transactions*.

17 Capital and Reserves

Called up Share Capital	2025	2024
	£'000	£'000
Ordinary shares of £1 each		
Allotted and called up and fully paid : 36,000,000 shares (2024 : 36,000,000)	<u>36,000</u>	<u>36,000</u>

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

18 Technical provisions

	2025		2024			
	Unearned Premium £'000	Other Technical Provisions £'000	Total £'000	Unearned Premium £'000	Other Technical Provisions £'000	Total £'000
At beginning of year	124,728	(9,321)	115,407	134,867	(2,341)	132,526
Movement in the provision	(12,185)	—	(12,185)	(10,139)	—	(10,139)
(Claims paid) net of subrogation received	—	1,604	1,604	—	1,678	1,678
Claims management expenses recovered / (paid)	—	160	160	—	(1,694)	(1,694)
Movement in unexpired risk provision in respect of prior accident years	—	(210)	(210)	—	(6,547)	(6,547)
Movement in the estimated recoveries under subrogation	—	(605)	(605)	—	(417)	(417)
At end of the year	112,543	(8,372)	104,171	124,728	(9,321)	115,407

Other technical provisions includes unexpired risk provisions linked to claims management expenses and to expected claims in excess of unearned premium reserves for specific insured obligations, less a deduction for estimated recoveries under subrogation rights.

	2025 £'000	2024 £'000
Other technical provisions		
Unexpired risk provisions	—	50
Estimated recoveries under subrogation rights	(8,372)	(9,371)
	(8,372)	(9,321)

The undiscounted unexpired risk provisions and estimated recoveries under subrogation rights are £Nil and £(10,200,000) respectively (2024: £50,000 and £(11,813,000)).

Given the duration of the period until repayment of the obligations guaranteed by the Company, actual claims costs could differ from these estimates. Management has therefore considered a range of possible outcomes and believe that at 31 December 2025 an unexpired risk provision of £Nil (2024: £50,000) is most appropriate.

The Company discounts estimated future recoveries under subrogation rights at a rate of 4.88% (2024: 5.30%). No other technical provisions linked to expected claims in excess of unearned premium reserves existed at 31 December 2025 and as such no discount rate need be applied (discount rate applied during 2024: 4.57%). Provisions linked to claims management expenses are not discounted due to their expected settlement within 1 year.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

The unexpired risk provision linked to claims management expenses and the estimated recoveries under subrogation rights are partially denominated in currencies other than sterling. The table below summarises the estimated change in value assuming immediate shifts in foreign exchange rates.

Change in Foreign Exchange rates against sterling 31 December 2025

	20% Decrease	10% Decrease	10% Increase	20% Increase
	£'000	£'000	£'000	£'000
Undiscounted unexpired risk provision	386	193	(193)	(386)
Discounted unexpired risk provision	386	193	(193)	(386)

Change in Foreign Exchange rates against sterling 31 December 2024

	20% Decrease	10% Decrease	10% Increase	20% Increase
	£'000	£'000	£'000	£'000
Undiscounted unexpired risk provision	402	201	(201)	(402)
Discounted unexpired risk provision	402	201	(201)	(402)

19 Accruals and deferred income

	2025	2024
	£'000	£'000
Deferred restructuring and consent fees	<u>6,036</u>	<u>6,564</u>

20 Interest-bearing loans and borrowings

The Company issued a US Dollar zero coupon note on 18th June 2019 and recorded this as long term debt at an initial valuation of \$12,180,000. The par value of the note is \$40,600,000 and the initial valuation reflects the management's assessment of the market rate of interest relevant to the note of 7.4%. The zero coupon note is secured by a floating charge over the assets of the Company and is repayable on 2nd May 2036.

	2025	2024
	£'000	£'000
Due after more than one year	<u>14,401</u>	<u>14,440</u>

The interest charge to the profit and loss account for the period in respect of this note was £1,015,000 (2024: £973,000).

21 Pension scheme

The Company operates a defined contribution pension scheme in respect of its full time employees and directors. The charge to the profit and loss account for the period for pensions was £65,000 (2024: £73,000).

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

22 Commitments

There are no commitments in respect of contracts for capital expenditure not provided for.

Annual commitments for the next financial year under non-cancellable operating leases are as follows:

	Land and Buildings	
	2025	2024
	£'000	£'000
Operating leases that expire:		
Within one year	—	—
Between two through five years	82	82
In more than five years	—	—

23 Ultimate parent company

The Company is a wholly owned subsidiary of AAC. The ultimate controlling entity is Oaktree Opportunities Fund XII GP, L.P. a limited partnership established under the laws of the Cayman Islands.

The results of the Company are not consolidated in any publicly available group financial statements. For the year ended 31 December 2024 the Company's results were included in the consolidated financial statements of OSG (formerly AFG) and are available to the public and may be obtained either from 40 Wall Street, 55th Floor, New York, NY 10005, USA or via OSG's website: octavegroup.com.

24 Related party transactions

Run Off Insurance Services

The Company is a party to a Management Framework Services Agreement ("MFSA") with AAS whereby AAS provides run-off insurance services to the Company. Oaktree indirectly control American Acorn Services Holdings LLC which owns AAS. The functions performed by AAS are mainly administrative in nature (preparation of premium invoices, collection of premium, policy administration, payment of invoices and claims etc.). Costs are charged on the basis of allocation of time without mark up. The MFSA with AAS was signed on 1 October 2025. Prior to this date the Company was party to a similar MFSA with AAC. In 2025, the Company was charged £183k by AAS under the MFSA and £360k by AAC under the previous MFSA (2024: £1,171k by AAC). £67k was due in respect of these arrangements to AAS at year end (2024: £384k due to AAC).

Investment Management Agreement

On 1 October 2025, the Company entered into an Investment Management Agreement ("IMA") with Acorn Investment Partners, LLC ("AIP") (a subsidiary of AAS). Associated fees are charged on an arm's length basis. In 2025 the Company was charged a management fee of £1,179k and a performance fee of £2,191k. £2,205k was due in respect to this arrangement to AIP at year end.

Ambac Assurance UK Limited

Notes to the financial statements - *continued*

for the year ended 31 December 2025

Intercompany Purchases and Sales of Investments

AAS and subsidiaries ("Acorn Group") investments

Within its investments, the Company holds Own Wrapped Debt previously issued by entities within the Acorn Group, with book value of £34.4 million at 31 December 2025.

AAC

During the year to 31 December 2025, the Company purchased securities from AAC totalling £213.2 million (2024: £27.3 million). Similarly, the Company sold securities totalling £212.3 million (2024: £27.1 million) to AAC over the same period. These purchases and sales were undertaken on an arm's length basis to optimize the investment portfolio of the companies prior to the completion of the acquisition of the Company and AAC by funds managed by Oaktree.

Consort Healthcare (Tameside) plc ("Tameside")

On 30 August 2024 Consort Healthcare (Tameside) Holdings Limited, the parent company of Tameside was acquired by Tameside PFI Holdings Limited, a subsidiary of AFG. The Company has a financial guarantee policy outstanding covering the debt obligations of Tameside. On 29 September 2025 AFG transferred its investment in Tameside PFI Holdings Limited to Acorn Capital Partners, LLC ("ACP") (a subsidiary of AAS) for consideration of £1 as part of the wider transaction in which funds managed by Oaktree acquired AAC and its subsidiaries (including the Company) from AFG.

During 2025 the Company received £0.1 million in premium income from Tameside in respect of its financial guarantee policy on the debt obligations of Tameside (2024: £0.1 million during the period of ownership). £Nil was due in respect of these arrangements at year end (2024: £Nil). No claims have been paid under this financial guarantee policy in either 2025 or 2024.

GradBridge LLC ("Gradbridge")

On 17 October 2025 the Company purchased 185,315 units in the preferred units and common units of GradBridge a company incorporated in Wilmington, Delaware, USA, for total consideration of \$750k (£564k). The purchase of common units resulted in the Company acquiring 9.375% of GradBridge. ACP also acquired preferred units and common units of GradBridge on the same date resulting in ownership of 28.125% of GradBridge for ACP.

Following consideration of its investment strategy the Company decided to sell its holdings in GradBridge to ACP on 10 December 2025. The sale was completed at the original purchase price of \$750k (£560k) which was deemed to remain the appropriate valuation.

Ajax HoldCo LLC ("Ajax")

On 8 December 2025 the Company made a term loan of \$16.0 million (£12.015 million) at an interest rate of 10.5% to Ajax, a Delaware, USA incorporated limited liability company that is 100% owned by ACP. Interest is payable semi-annually and interest may be capitalized at the request of Ajax. The loan is repayable in instalments commencing in December 2041 and is fully repayable by December 2045. Ajax may prepay the loan in whole or in part without penalty.

In 2025, the Company earned interest of £80k from the term loan to Ajax. The outstanding loan balance including interest at year end was \$16.107 million (£11.955 million).