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## Ambac Financial Group, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions) Your first question comes from Andrew Wessel - J.P. Morgan.

#### Andrew Wessel - J.P. Morgan

I just had a couple of questions about the intercompany transfers of assets. But first, so the hold co has \$2.3 billion in lines about, available from Ambac Assurance. How much of that has been drawn as of 12/31 and to date?

#### Sean Leonard

Andrew, we have a good slide in the deck, Slide 38. But what Slide 38 shows is the various approvals we have for the different companies and different products, Financial Services products. But it shows the approved limit and it shows the amount used.

So as it related to the investment agreement book, it's pretty clear there. We purchased in about \$2.6 billion of securities. Those securities had a par value of \$3.1 billion. They had a book value of \$2.6 billion. The difference between par and book was impairments that were already taken in the business in prior quarters, and the market value of those securities were about \$1.2 billion.

#### Andrew Wessel - J.P. Morgan

So the market value was \$1.2 billion?

#### Sean Leonard

Yes. And they're primarily Alt-A RMBS securities.

#### Andrew Wessel - J.P. Morgan

So from a cash transfer basis, it's market value of \$1.2 billion and you borrowed \$2.6 billion against that?

#### Sean Leonard

Well, the insurance company paid \$2.5 billion and it got assets which we believe have a statutory value of that but have a lower market value due to the stress pricing on that portfolio.

#### Andrew Wessel - J.P. Morgan

And then there's the \$1 billion of unsecured lending up and I guess my question is, if you go back to Slide 9, it mentions the \$233 million of cash and intercompany loans. It seems like total on the hook to the op co is going to be, I mean, you're looking at like almost \$3 billion, right, or over \$3 billion that you would owe back to the op co over time?

**Sean Leonard**

Well, the Ambac Assurance - the op co in your language - received the securities. So it purchased the securities for the first line, so it has those securities. The deal is that those will sit in the back end of the portfolio from a liquidity perspective; we won't have to sell those. So the current market price is kind of a very distressed price, so we think that the value's going to there's going to be more cash flow coming back than the market value. So the securities are already in the business, so there's nothing else to be done there.

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