



RAM Holdings Ltd. Announces First Quarter 2010 Net Income Available to Common Shareholders of \$1.8 Million

HAMILTON, Bermuda, Jun 28, 2010 (BUSINESS WIRE) -- RAM Holdings Ltd. (BSX:RAMR) (Pink Sheets:RAMR) ("RAM" or the "Company") today reported first quarter 2010 net income available to common shareholders of \$1.8 million, or net income of \$0.07 per diluted share. This compares to a net loss of \$1.9 million, or net loss of \$0.07 per diluted share, for the first quarter 2009.

Summary of Operating Results

Net income was \$1.8 million for the quarter ended March 31, 2010.

Earned premiums in the quarter of \$3.7 million were 60% lower than the \$9.2 million earned in the first quarter of 2009. By eliminating accelerated premiums from refundings of \$0.2 million from total earned premiums, normal earned premiums in the first quarter 2010 were \$3.5 million, 49% lower than the \$6.9 million from the comparable 2009 period, net of accelerated premiums from refundings of \$2.3 million. The decline in the first quarter 2010 earned premiums after refundings primarily reflects the reduction in ongoing earnings due to the commutation of treaties with three of our ceding companies during 2009.

Net change in fair value of credit derivatives totaled a loss of \$9.0 million in the first quarter 2010, which was \$21.9 million below the \$12.9 million gain in the first quarter of 2009. Gross unrealized losses on credit derivative policies decreased in the first quarter 2010 primarily due to the narrowing of credit spreads in the market. This improvement in gross unrealized losses on credit derivatives was offset by the adjustment for RAM's own non-performance risk in accordance with fair value accounting standards. The effect of this adjustment for RAM's own non-performance risk was an increase in RAM's derivative liability of \$21.1 million at March 31, 2010. The net change in fair value of credit derivatives for the first quarters of 2010 and 2009 were comprised of \$(7.5) million and \$12.0 million of unrealized gains (losses) on derivatives, respectively, and \$(1.5) million and \$0.9 million of realized gains (losses), respectively.

Net investment income for the first quarter 2010 was \$3.2 million, 6% below the \$3.4 million recorded in the first quarter of 2009. The decrease in investment income in the first quarter 2010 was primarily the result of a decrease in cash and invested assets due to payments on commutations in 2009 totaling \$99.9 million, along with a decrease in the book yield on the invested assets from 3.9% to 3.6%. In addition, net investment income for the first quarter of 2009 was inclusive of \$1.1 million in foreign exchange losses primarily on revaluation of the premiums receivable balance set up under FAS 163.

Net realized gains on investments for the first quarter 2010 were \$0.4 million compared to the \$4.5 million realized gains for the same period in 2009. Realized gains were offset by other-than-temporary impairment losses for the first quarter of 2010 of \$6,185 compared to \$4.1 million for the comparable 2009 period.

Net realized gains of \$11.5 million and \$4.5 million were recognized on the repurchase of 15,300 of RAM's Series A Preference Shares and \$10.0 million of long-term debt, respectively, during the first quarter of 2010.

Loss and loss adjustment expenses were \$6.0 million in the first quarter 2010. This was the result of adverse developments on RAM's exposure to insured transactions with residential mortgage-backed security ("RMBS") exposures, particularly from the 2006 and 2007 vintages. This compares to \$16.7 million of incurred losses in the comparable 2009 period.

Acquisition expenses were \$1.6 million in the first quarter of 2010 compared to \$4.0 million for the comparable 2009 period. Acquisition expenses are closely related to earned premiums, and the decrease in acquisition expenses in the first quarter 2010 as compared to the comparable 2009 period was primarily due to the decrease in earned premiums in the period. First quarter 2010 operating expenses of \$3.9 million were \$1.3 million, or 25%, below the level in the first quarter of 2009. The decrease in operating expenses for 2010 as compared to 2009 was primarily due to the reduced operating costs associated with the withdrawal of RAM's ratings and the cancellation of our soft capital facilities in 2009.

Balance Sheet

Total assets of \$444.2 million at March 31, 2010 were \$13.6 million, or 3%, below the level at December 31, 2009; this decrease was primarily related to the reduction in invested assets due to the repurchases of the Series A Preference Shares, the Class B Preference Shares (of RAM Reinsurance Company Ltd., RAM's operating subsidiary ("RAM Re")) and the long-term debt during the first quarter 2010. Shareholders' equity of \$80.6 million was \$4.8 million, or 6%, above the level at

December 31, 2009, primarily due to the improvement in unrealized gains on investments together with net income earned in the first quarter 2010. Book value per share was \$3.06, an increase of 6% from year-end 2009. Operating book value and adjusted operating book value per share, each of which are non-GAAP financial measures, were \$4.77 and \$8.88, respectively, at March 31, 2010, an increase of 14% and 4%, respectively, from year end 2009.

Subsequent events

Long-Term Debt

On June 14, 2010, the Company repurchased its remaining \$25.0 million 6.875% senior notes due 2024 (the "Senior Notes") for \$14.3 million plus accrued interest of \$0.3 million, realizing a gain of \$10.7 million. The repurchased Senior Notes were cancelled immediately after such repurchase.

Management Agreement with Reid Street Services Ltd. ("RSSL")

On May 1, 2010, the Company, RAM Re, RSSL and Orpheus Group Ltd. entered into a Management Agreement whereby RSSL was contracted to provide to both the Company and RAM Re insurance management and administrative services. The Management Agreement, which has a three-year term, is consistent with the Company's runoff strategy. As part of the Management Agreement, RSSL will employ all RAM and RAM Re personnel other than the current Chief Executive Officer, David K. Steel. In addition, RSSL will assume all leasehold obligations of RAM. This arrangement will preserve the availability of RAM's and RAM Re's infrastructure while allowing RAM and RAM Re to reduce operating expenses over time. The fees payable by RAM and RAM Re to RSSL pursuant to the Management Agreement represent an allocation of the cost of the services and leasehold space provided by RSSL to RAM and RAM Re without a profit component.

The Management Agreement was negotiated at arm's length and approved by a special committee of the independent directors of the Board of RAM. RSSL is a wholly owned subsidiary of Orpheus Group Ltd., a Bermuda exempted company in which the Chairman of RAM, Steven J. Tynan, has a beneficial interest.

Forward-Looking Statements

This release contains statements that may be considered "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, the Company's expectations respecting its current run off strategy, the financial results related to its security repurchases and its expense reduction measures. These statements are based on current expectations and the current views of the economic and operating environment and are not guarantees of future performance. A number of risks and uncertainties, including economic competitive conditions, could cause actual results to differ materially from those projected in forward-looking statements. The Company's actual results could differ materially from those expressed or implied in the forward-looking statements. Among the factors that could cause actual results to differ materially are: (i) RAM's ability to execute our business strategy; (ii) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors; (iii) the loss of significant customers with whom RAM has a concentration of its reinsurance in force; (iv) legislative and regulatory developments; (v) changes in regulation or tax laws applicable to RAM or its customers; (vi) more severe or more frequent losses associated with RAM's insured portfolio; (vii) losses on credit derivatives; (viii) changes in RAM's accounting policies and procedures that impact RAM's reported financial results; and (ix) other risks and uncertainties that have not been identified at this time. RAM undertakes no obligation to revise or update any forward-looking statement to reflect changes in conditions, events, or expectations, except as required by law.

Explanation of Non-GAAP Financial Measures

RAM believes that the following non-GAAP financial measures included in this release serve to supplement GAAP information and are meaningful to investors.

Operating Book Value per share and Adjusted Operating Book Value per share: RAM believes the presentation of operating and adjusted operating book value per share to be useful because it gives a measure of the value of RAM, excluding non-operating items of unrealized gains and losses on: (a) other financial instruments and (b) credit derivatives. The Company derives operating book value by beginning with GAAP book value and adding back (i) the fair value of other financial instruments; and (ii) the derivative liability excluding the impact of credit impairments. Adjusted operating book value per share begins with operating book value as calculated above and then adding or subtracting the value of:

- a. GAAP unearned premium reserves (on policies classified as financial guarantee);
- b. Deferred acquisition costs;
- c. Unearned premiums reserves and the present value of estimated future installment premiums net of ceding commissions on

credit derivative policies (discounted at 2.65% at March 31, 2010, and 2.2% at December 31, 2009);

d. Unrealized appreciation or depreciation of investments; and

e. Noncontrolling interest in subsidiary.

Credit Impairments on Insured Credit Default Swap ("CDS") Contracts: Management measures and monitors credit impairments on RAM's credit derivatives, which are expected to be paid out over the term of the credit default swap policies. The credit impairments are a non-GAAP metric reported as management believes this information to be useful to analysts and investors to review the results of our entire portfolio of policies. Management considers our credit derivative policies as a normal extension of our financial guarantee business and reinsurance in substance.

RAM Holdings Ltd. is a Bermuda-based holding company. Its operating subsidiary, RAM Reinsurance Company Ltd., provides financial guaranty reinsurance for U.S. and international public finance and structured finance transactions. More information can be found at www.ramre.com.

RAM Holdings Ltd.
Consolidated Balance Sheets
(unaudited)
As at March 31, 2010 and December 31, 2009
(dollars in thousands)

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Assets		
Investments:		
Fixed-maturity securities held as available for sale, at fair value (Amortized Cost: \$323,052 and \$338,380)	\$ 333,896	\$ 345,780
Cash and cash equivalents	9,438	9,311
Restricted cash	4,483	2,885
Accrued investment income	2,376	2,244
Reinsurance balances receivable, net	20,084	22,345
Recoverable on paid losses	11,343	11,353
Deferred policy acquisition costs	60,367	61,900
Deferred expenses	982	1,408
Prepaid expenses	1,116	455
Other assets	110	145
Total Assets	\$ 444,195	\$ 457,826
Liabilities and Equity		
Liabilities:		
Loss and loss expense reserve	\$ 58,726	\$ 56,672
Unearned premiums	150,059	153,430
Accounts payable and accrued liabilities	3,330	3,050
Long-term debt	25,000	35,000
Redeemable preference shares: \$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 59,700 and 75,000 at March 31, 2010 and December 31, 2009 respectively	59,700	75,000
Accrued interest payable	-	619
Derivative liabilities	59,742	50,135
Other liabilities	-	-
Total Liabilities	356,557	373,906
Shareholders' Equity:		
Common stock: \$0.10 par value; authorized shares - 90,000,000; Issued and outstanding shares - 26,364,053 shares at March 31, 2010 and 26,340,174 at December 31, 2009	2,636	2,634
Additional paid-in capital	231,114	230,962
Accumulated other comprehensive income	10,844	7,400
Retained deficit	(163,967)	(165,190)
Total Shareholders' Equity	80,627	75,806

Noncontrolling interest - Class B preference shares of subsidiary	7,011	8,114
Total Equity	87,638	83,920
Total Liabilities and Equity	\$ 444,195	\$ 457,826

RAM Holdings Ltd.
Consolidated Statements of Operations
(unaudited)

For the three months ended March 31, 2010 and 2009
(dollars in thousands except share and per share amounts)

	Three Months Ended March 31,	
	2010	2009
Revenues		
Net premiums earned	\$ 3,688	\$ 9,205
Change in fair value of credit derivatives		
Realized gains (losses) and other settlements	(1,469)	893
Unrealized gains (losses)	(7,552)	12,012
Net change in fair value of credit derivatives	(9,021)	12,905
Net investment income	3,159	3,428
Net realized gains on sale of investments	444	4,518
Total other-than-temporary impairment losses	(10)	(4,053)
Portion of impairment losses recognized in other comprehensive income (loss)	4	-
Net other-than-temporary impairment losses (recognized in earnings)	(6)	(4,053)
Net unrealized loss on other financial instruments	-	(1,197)
Foreign currency losses	(362)	-
Net gains on extinguishment of redeemable preference shares	11,475	-
Net gain on extinguishment of long-term debt	4,500	-
Total revenues	13,877	24,806
Expenses		
Losses and loss adjustment expenses	5,967	16,743
Acquisition expenses	1,594	3,961
Operating expenses	3,913	5,217
Interest expense	584	682
Total expenses	12,058	26,603
Net income (loss)	\$ 1,819	\$ (1,797)
Noncontrolling interest - dividends on preference shares of subsidiary	-	(137)
Net income (loss) available to common shareholders	\$ 1,819	\$ (1,934)
Net income (loss) per common share:		
Basic	\$ 0.07	\$ (0.07)
Diluted	0.07	(0.07)
Weighted-average number of common shares outstanding:		
Basic	26,502,426	27,263,588
Diluted	26,502,426	27,263,588
Reconciliation of net income (loss) to operating loss:		
Operating Income (Loss)		
Net income (loss) available to common shareholders	\$ 1,819	\$ (1,934)
Less: Realized gains on sale of investments and other-than-temporary impairment losses	(438)	(465)
Less: Unrealized (gains) losses on credit derivatives	7,552	(12,012)
Add back: credit impairment on derivatives	2,964	(3,395)
Less: Foreign currency (gains) losses	362	-
Less: Other losses (gains) on debt and other financial instruments	(15,975)	1,197
Operating Income (Loss)	\$ (3,716)	\$ (16,609)

Net income (loss) per diluted share	\$	0.07	\$	(0.07)
Less: Realized gains on sale of investments and other-than-temporary impairment losses		(0.02)		(0.02)
Less: Unrealized (gains) losses on credit derivatives		0.28		(0.44)
Add back: credit impairment on derivatives		0.11		(0.12)
Less: Foreign currency (gains) losses		0.01		0.00
Less: Other losses (gains) on debt and other financial instruments		(0.60)		0.04
Operating income (loss) per diluted share	\$	(0.14)	\$	(0.61)

Reconciliation of book value to operating book value and adjusted operating book value:

RAM Holdings Ltd.
Annual Financial and Statistical Data
(dollars in thousands except per share amounts)

	<u>As at</u> <u>March 31, 2010</u>	<u>As at</u> <u>December 31, 2009</u>
Shares outstanding	26,364	26,340
<u>Operating Book Value</u>		
Shareholders' Equity (Book Value)	80,627	75,806
Derivative Liability (Asset) ⁽³⁾	56,490	48,938
Add back credit impairments on derivatives	11,414	14,377
Operating book value per share	4.77	4.19
Noncontrolling interest	7,011	8,114
Unearned premiums ⁽¹⁾	151,704	155,262
Deferred Acquisition Costs	60,367	61,900
Present Value of Installment Premiums ⁽²⁾	20,802	21,028
Unrealized Gains (Losses) on Investments	10,844	7,400
Adjusted Operating Book Value Per Share	\$ 8.88	\$ 8.56

(1) Includes unearned premium balances on credit derivative policies. In 2009 includes the present value of future installment premiums on financial guarantee policies.

(2) Estimated present value of future installments, net of ceding commissions, on policies written in credit derivative form only in 2009. At March 31, 2010 and December 31, 2009, the discount rate was 2.65% and 2.2%, respectively.

(3) Represents the unrealized gains/losses portion of the Derivative liability.

RAM has posted its first quarter 2010 financial results to its website at www.ramre.com under "Investor Information". If you are a shareholder of RAM Holdings Ltd. and wish to receive a hard copy of the financial statements by mail, please contact:

RAM Holdings Ltd.

RAM Re House

46 Reid Street

Hamilton

Bermuda

Attention: David Steel

Telephone: 441-296-6501

E-mail: info@ramre.bm

SOURCE: RAM Holdings Ltd.

RAM Holdings Ltd.
David Steel, 441-296-6501
info@ramre.bm

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