RAM Holdings Ltd. Announces Fourth Quarter 2010 Net Loss Available to Common Shareholders of $(13.5) Million and Full Year Net Income Available to Common Shareholders of $11.8 Million

HAMILTON, Bermuda--(BUSINESS WIRE)-- RAM Holdings Ltd. (BSX:RAMR) (Pink Sheets: RAMR.PK) ("RAM" or the "Company") today reported fourth quarter 2010 net loss available to common shareholders of $(13.5) million, or a net loss of $(0.51) per diluted share. This compares to net income of $6.0 million, or net income of $0.23 per diluted share, for the fourth quarter 2009. Net income available to common shareholders for the full year 2010 was $11.8 million, or net income of $0.45 per diluted share, compared to net income of $26.3 million, or $0.98 per diluted share, for the full year 2009.

Commenting on the financial results, RAM's Chief Executive Officer David Steel noted that, "Our fourth quarter net loss was largely driven by an increase in the realized and unrealized losses on our reinsured credit derivative portfolio. For the full year 2010, our net income was largely driven by gains on the previously announced repurchases of the Company's unsecured senior notes and a portion of the Company's Series A preference shares. In our view, the Company's operating income for the fourth quarter and full year 2010, which is a non-GAAP financial measure that is defined later in this earnings release, reflects a useful measure of the core financial performance of the Company. RAM's operating income was $5.9 million in 2010, the first year it has been positive since 2006, and was primarily attributable to our successful expense reduction efforts and moderating loss development on our financial guaranty reinsurance exposures."

Mr. Steel also stated that, "RAM is entering 2011 with what we expect will be a less volatile insured portfolio due to commutation efforts over the past three years, stabilizing and more moderate loss development, adequate capital and liquidity, and a long term portfolio run-off. Accordingly, we are evaluating the adequacy and availability of our capital to support writing a limited amount of short-term, non-catastrophe, property/casualty reinsurance business in order to enhance overall shareholder value. Any new business undertaken would be subject to Board and regulatory approval."

Assured Commutation

On December 22, 2010, the Company's subsidiary, RAM Reinsurance Company Ltd. ("RAM Re"), entered into a Settlement, Reassumption and Release Agreement (the "Agreement") with Assured Guaranty Corp. ("Assured"). The Agreement provided, among other things, for RAM Re to make a $10.3 million payment to commute seven policies previously assumed from Assured, with par in-force of $123.0 million, primarily relating to residential mortgage backed securities ("RMBS"). In return, the Company was released from all liabilities and obligations relating to the commuted policies.

The effect of the Assured commutation on the Company's results of operations was to (i) reduce gross written premiums and unearned premiums by $0.1 million, resulting in no impact on earned premiums, (ii) increase net change in fair value of credit derivatives by a gain of $11.1 million, made up of a decrease in unrealized losses of $19.5 million, offset by realized losses of $8.4 million, and (iii) increase losses and loss adjustment expenses by $0.4 million, resulting in an overall gain to net income at the time of commutation of $10.7 million.

Summary of Operating Results

Net (loss) income for the quarter and year ended December 31, 2010, was $(13.5) million and $11.8 million, respectively. The Company's net income is calculated in conformity with U.S. generally accepted accounting principles ("GAAP"). RAM also provides information regarding its operating income (loss), a non-GAAP financial measure, because the Company's management and Board of Directors, as well as many research analysts and investors, also evaluate financial performance on the basis of operating income (loss), which excludes non-operating items such as realized investment gains or losses, unrealized gains or losses on credit derivatives and foreign currency gains or losses.

During the fourth quarter of 2010, operating income was $5.2 million, or $0.20 per diluted share, compared to an operating loss of $(3.6) million, or $(0.14) per diluted share, in the fourth quarter 2009. Operating income for the full year 2010 was $5.9 million, or $0.23 per diluted share, compared to an operating loss of $(23.1) million, or $(0.86) per diluted share, for the full year 2009.

Earned premiums in the fourth quarter 2010 of $5.2 million were 53% higher than the $3.4 million earned in the fourth quarter 2009. By eliminating accelerated premiums from refundings of $1.0 million from total earned premiums, core earned premiums in the fourth quarter 2010 were $4.2 million; this was 35% higher than the comparable 2009 period, which included accelerated premiums from refundings of $0.3 million. The increase in earned premiums in the fourth quarter 2010, was primarily due to the

Company's change in estimate to eliminate the one-month lag in reporting premium and acquisition cost information. Earned premiums for the full year 2010 were $16.8 million, including accelerated premiums from refundings of $2.5 million. Earned premiums for the full year 2010 were 37% lower than the $26.7 million of earned premiums for the full year 2009, which included accelerated premiums from refundings of $10.6 million. After eliminating accelerated premiums from refundings, earned premiums for the full year 2010 and 2009, were $14.3 million and $16.1 million, respectively. This reduction primarily reflects the reduction in ongoing earnings due to the commutation of a treaty with Ambac Assurance Corporation ("Ambac") in the second quarter of 2009.

Net change in fair value of credit derivatives totaled a loss of $(18.4) million in the fourth quarter 2010, which was $27.4 million less than the $9.0 million gain in the fourth quarter of 2009. Net change in fair value of credit derivatives for the fourth quarters of 2010 and 2009 were comprised of $(11.4) million and $7.8 million of unrealized gains (losses) on derivatives, respectively, and $(7.0) million and $1.2 million of realized gains (losses), respectively. The net unrealized loss in the fourth quarter 2010 was primarily attributable to: (i) the decrease in the adjustment for RAM's own non-performance risk of $48.5 million, partially offset by (ii) the decrease in gross unrealized losses on credit derivative policies of $37.1 million. The decrease in gross unrealized losses on credit derivative policies was primarily due to improvements in pricing across the portfolio along with the reduction of unrealized losses on commutation of a number of credit derivative policies with Assured. Included within realized losses for the fourth quarter 2010 was $8.4 million of realized losses associated with the commutation with Assured discussed above. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820 - "Fair Value Measurements and Disclosures" ("ASC 820"), RAM calculates an adjustment for its own non-performance risk. The effect of the ASC 820 requirement on RAM's derivative liabilities on the balance sheet was a reduction of approximately $71.3 million at December 31, 2010. Net change in fair value of credit derivatives for the full year 2010 and 2009 were $(21.1) million and $38.8 million, respectively.

Net investment income for the fourth quarter 2010 was $2.9 million, 7% below the $3.1 million recorded in the fourth quarter 2009. For the full year 2010, net investment income was $11.5 million, 20% below the $14.4 million recorded in the full year 2009. The decrease in investment income in the fourth quarter and full year ended December 31, 2010, was primarily the result of a decrease in cash and invested assets due to payments on commutations in 2009 totaling $99.2 million, together with a decrease of $25.3 million in cash and invested assets during the first half of 2010 due to payments associated with the repurchases of the Company's unsecured senior notes (the "Notes"), a portion of the Company's Series A preference shares ("Series A Preference Shares") and a portion of the Class B preference shares ("Class B Preference Shares") of RAM Reinsurance Company Ltd. ("RAM Re"), the operating subsidiary of the Company. The decrease in investment income is also due to a decline in the book yield from 3.7% to 3.4% as of December 31, 2010.

Realized gains on investments for the fourth quarter 2010 were $0.7 million compared to $0.6 million in realized gains for the same period in 2009. Realized gains were offset by $nil and $0.4 million of other-than-temporary impairment losses for the fourth quarter of 2010 and 2009, respectively. For the full year 2010 and 2009, realized gains on investments were $2.4 million and $8.9 million, respectively, offset by an immaterial amount and $5.1 million of other-than-temporary impairment losses, respectively.

Net gains on extinguishment of debt of $15.3 million were recognized on the repurchase of the Company's remaining Notes during the full year 2010. During the comparable 2009 period, the Company repurchased $5.0 million of its Notes, realizing a gain of $3.4 million. The Notes that were repurchased in each such period were cancelled immediately after such repurchase. Gains of $11.5 million were recognized on the repurchase of 15,300 of the Company's Series A Preference Shares during the full year 2010.

Losses and loss adjustment expenses were $0.5 million in the fourth quarter 2010, contributing to a loss ratio of 10%, compared to losses and loss adjustment expenses of $3.8 million and a loss ratio of 112% for the comparable 2009 period. For the full year 2010, losses and loss adjustment expenses were $5.7 million, contributing to a loss ratio of 34%, compared to losses of $20.7 million and a loss ratio of 78% for the full year 2009. The improvement in the 2010 loss ratios was attributable to several factors including improved delinquency experience and an increase in representation and warranties repurchase credit on RAM's exposure to insured RMBS transactions.

Acquisition expenses were $1.0 million in both the fourth quarter of 2010 and 2009. Acquisition expenses in the fourth quarter 2010 remained constant relative to the prior year period despite the increase in earned premiums over the comparable 2009 period. Each period changes in premiums written and related acquisition costs are made on installment policies, and any change in written premiums or acquisition expenses is normally offset by a corresponding change in unearned premium or deferred acquisition costs ("DAC"), respectively, in accordance with ASC 944-20. During the fourth quarter 2010, due to the early termination of an installment policy, there was an adjustment to premiums written and unearned premiums, with no effect on earned premium. There was a corresponding decrease in acquisition costs; however, as discussed below, the associated DAC had been previously written off in 2009 and therefore the change resulted in a credit to acquisition expenses with no corresponding adjustment to DAC. This resulted in a $1.3 million reduction in acquisition expenses during the fourth quarter 2010. Excluding this item, the change in acquisition expenses was closely related to the change in earned premiums for the period. For the full year 2010, acquisition expenses were $6.1 million, compared to $18.5 million for the comparable 2009 period. Acquisition expenses for the full year 2010 were $12.4 million below the comparable 2009 period primarily due to the following items: (i) the write off of $4.4 million of DAC in 2009 which was not considered recoverable, (ii) an increase in 2009 in the recognition of previously deferred operating expenses of $1.9 million due to a commutation during the second quarter of 2009 and (iii) a $1.3 million credit to acquisition expenses in 2010 as noted above. Apart from the above items, acquisition expenses are closely related to earned premiums. Thus, the decrease in acquisition expenses for the full year 2010 as compared to the comparable 2009 period was also due to the decrease in earned premiums in the period.

Fourth quarter 2010 operating expenses of $2.4 million were $1.9 million, or 44%, below the level in the fourth quarter of 2009. For the full year 2010 and 2009, operating expenses were $11.9 million and $17.5 million, respectively. The decrease in operating expenses for 2010 as compared to 2009 was primarily due to (i) reductions in staff made during 2009 and 2010 and (ii) other expense-reducing measures taken in 2009, such as de-listing from the NASDAQ, suspending the Company's obligation to file reports with the Securities and Exchange Commission, and withdrawal of RAM Re's financial strength ratings, which had their full impact in 2010.

Balance Sheet

Total assets of $408.4 million at December 31, 2010, were $49.4 million, or 11%, below the level at December 31, 2009. This decrease was primarily related to the reduction in invested assets due to the payments for the repurchase of the Notes and a portion of the Series A Preference Shares of the Company along with a payment for the repurchase of a portion of the Class B Preference Shares of RAM Re. Shareholders' equity of $90.8 million was $15.0 million, or 20%, above the level at December 31, 2009, primarily due to net income earned in the full year 2010 along with improvements in unrealized gains on investments. Book value per share was $3.44, an increase of 19% from year-end 2009. Operating book value and adjusted operating book value per share, both of which are non-GAAP financial measures, were $5.63 and $9.32, respectively at December 31, 2010, an increase of 34% and 9%, respectively, from year-end 2009.

Subsequent Events:

Effective April 15, 2011, RAM Re entered into a Settlement Agreement (the "Settlement Agreement") with one of its ceding companies. The Settlement Agreement provided, among other things, for RAM Re to make a $2.3 million payment to commute the reinsurance with respect to certain policies written in credit derivative form, with par in-force as of December 31, 2010, of $129.8 million. Under the Settlement Agreement, each party was released from all liabilities and obligations under the commuted reinsurance. The effect of this transaction will be recorded by the Company in the second quarter of 2011.

On April 15, 2011, Assured Guaranty Ltd. and its subsidiaries ("Assured") announced that they had reached a settlement with Bank of America Corporation and its subsidiaries regarding their liabilities with respect to various RMBS transactions insured by Assured, including claims relating to reimbursement for breaches of representations and warranties ("R&W"). The Company has determined that a number of its policies ceded from Assured would be affected by this settlement. The Company anticipates that a substantial amount of its R&W credit will be reduced by cash receipts on these credits; however, there is considerable uncertainty regarding the timing and amount of these payments and the impact on the Company's consolidated balance sheets and consolidated statements of operations at this time. The Company expects to record the impact of this transaction in 2011.

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 the volatility of its insured portfolio, losses, loss reserves and loss development, the adequacy and availability of its liquidity and capital resources, its current run off strategy, its consideration of other reinsurance businesses, 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 its business strategy, including with respect to any new reinsurance businesses; (ii) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors; (iii) the loss of significant customers with which RAM Re 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 Re's insured portfolio; (vii) losses on credit derivatives; (viii) changes in RAM's accounting policies and procedures that impact RAM's reported financial results; (ix) the effects of ongoing and future litigation and (x) 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 income (loss): The Company believes operating income (loss) is a useful measure because it measures income from operations, unaffected by non-operating items such as realized investment gains or losses, unrealized gains or losses on credit derivatives and foreign currency gains or losses. Operating income (loss) is typically used by research analysts and rating agencies in their analysis of the Company.

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 they give a measure of the value of RAM, excluding non-operating items such as unrealized gains and losses on credit derivatives. The Company derives operating book value by beginning with GAAP book value and adding back the unrealized gain or loss portion of its 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 1.26% at December 31, 2010, and 2.20% 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 Re'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 financial measure 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 credit derivative policies as a normal extension of RAM Re's 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 December 31, 2010 and 2009
(dollars in thousands)

	December 31, 2010	December 31, 2009
Assets		
Investments:		
Fixed-maturity securities held as available for sale, at fair value (Amortized Cost: $280,807 and $338,380)	$ 291,620	$ 345,780
Cash and cash equivalents	5,718	9,311
Restricted cash	16,722	2,885
Accrued investment income	1,818	2,244
Reinsurance balances receivable, net	17,659	22,345
Recoverables on paid losses	19,231	11,353
Deferred policy acquisition costs	54,870	61,900
Deferred expenses	521	1,408
Other assets	193	600
Total Assets	$ 408,352	$ 457,826
Liabilities and Equity		
Liabilities:		

	2010	2009
Loss and loss expense reserve	$ 52,412	$ 56,672
Unearned premiums	133,666	153,430
Accounts payable and accrued liabilities	1,248	3,050
Accrued interest payable	-	619
Derivative liabilities	63,525	50,135
Long-term debt	-	35,000
Redeemable Series A preference shares ($1,000 redemption value and $0.10 par value; authorized shares - 75,000; issued and outstanding shares - 59,700 and 75,000 at December 31, 2010 and 2009)	59,700	75,000
Total Liabilities	310,551	373,906
Shareholders' Equity:		
Common shares ($0.10 par value; authorized shares - 90,000,000; issued and outstanding shares - 26,394,564 shares at December 31, 2010 and 26,340,174 at December 31, 2009)	2,639	2,634
Additional paid-in capital	231,339	230,962
Accumulated other comprehensive income	10,813	7,400
Retained deficit	(154,001)	(165,190)
Total Shareholders' Equity	90,790	75,806
Noncontrolling interest - Class B preference shares of subsidiary	7,011	8,114
Total Equity	97,801	83,920
Total Liabilities and Equity	$ 408,352	$ 457,826

RAM Holdings Ltd.

Consolidated Statements of Operations

(unaudited)

For the three months and year ended December 31, 2010 and 2009

(dollars in thousands except share and per share amounts)

	Three Months Ended Dec 31,		Year Ended Dec 31,	
	2010	**2009**	**2010**	**2009**
Revenues				
Net premiums earned	$ 5,225	$ 3,364	$ 16,763	$ 26,735
Change in fair value of credit derivatives				
Realized gains (losses) and other settlements	(6,976)	1,170	(6,513)	4,290
Unrealized gains (losses)	(11,414)	7,820	(14,538)	34,490
Net change in fair value of credit derivatives	(18,390)	8,990	(21,051)	38,780
Net investment income	2,874	3,093	11,531	14,431
Net realized gains on sale of investments	723	593	2,389	8,867
Total other-than-temporary impairment losses	-	(1)	(32)	(4,939)
Portion of impairment losses recognized in other comprehensive income (loss)	-	(384)	23	(118)
Net other-than-temporary impairment losses (recognized in earnings)	-	(385)	(9)	(5,057)
Net unrealized loss on other financial instruments	-	-	-	(1,197)
Foreign currency gains	91	56	68	473

Net gain on extinguishment of redeemable Series preference shares	-	-	11,475	-
Net gain on extinguishment of long-term debt	-	-	15,250	3,403
Total revenues	**(9,477)**	**15,711**	**36,416**	**86,435**
Expenses				
Losses and loss adjustment expenses	548	3,826	5,737	20,684
Acquisition expenses	991	1,016	6,116	18,540
Operating expenses	2,449	4,280	11,860	17,526
Interest expense	-	618	918	2,504
Total expenses	**3,988**	**9,740**	**24,631**	**59,254**
Net income (loss) before noncontrolling interest	**$ (13,465)**	**$ 5,971**	**$ 11,785**	**$ 27,181**
Noncontrolling interest - dividends on Class B preference shares of subsidiary	-	-	-	(922)
Net income (loss) available to common shareholders	**$ (13,465)**	**$ 5,971**	**$ 11,785**	**$ 26,259**
Net income (loss) per common share:				
Basic	$ (0.51)	$ 0.23	$ 0.45	$ 0.98
Diluted	(0.51)	0.23	0.45	0.98
Weighted-average number of common shares outstanding:				
Basic	26,394,564	26,340,174	26,379,781	26,720,456
Diluted	26,394,564	26,340,174	26,381,096	26,720,456

Reconciliation of net income (loss) to operating income (loss):

	Three Months Ended Dec 31,		Year Ended Dec 31,	
	2010	**2009**	**2010**	**2009**
Operating Income (Loss)				
Net income (loss) available to common shareholders	$ (13,465)	$ 5,971	$ 11,785	$ 26,259
Less: Realized gains on sale of investments and other-than-temporary impairment losses	(723)	(208)	(2,380)	(3,810)
Less: Unrealized (gains) losses on credit derivatives	11,414	(7,820)	14,538	(34,490)
Add back: credit impairment on derivatives	8,074	(1,489)	8,707	(8,363)
Less: Foreign currency (gains)	(91)	(56)	(68)	(473)
Less: Gains on debt, preferred shares and other financial instruments	-	-	(26,725)	(2,206)
Operating Income (Loss)	$ 5,209	$ (3,602)	$ 5,857	$ (23,083)
Net income (loss) per diluted share	$ (0.51)	$ 0.23	$ 0.45	$ 0.98
Less: Realized gains on sale of investments and other-than-temporary impairment losses	(0.03)	(0.01)	(0.09)	(0.14)
Less: Unrealized (gains) losses on credit derivatives	0.43	(0.30)	0.55	(1.29)
Add back: credit impairment on derivatives	0.31	(0.06)	0.33	(0.31)
Less: Foreign currency (gains)	(0.00)	(0.00)	(0.00)	(0.02)

Less: Gains on debt, preferred shares and other financial instruments	0.00	0.00	(1.01)	(0.08)
Operating income (loss) per diluted share	$ 0.20	$ (0.14)	$ 0.23	$ (0.86)

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

	As at Dec 31, 2010	As at Dec 31, 2009
Shares outstanding	26,395	26,340
Operating Book Value		
Shareholders' Equity (Book Value)	90,790	75,806
Derivative liability [(1)]	63,476	48,938
Add back credit impairments on derivatives	(5,670)	(14,377)
Operating Book Value Per Share	5.63	4.19
Noncontrolling interest	7,011	8,114
Unearned premiums [(2)]	135,070	155,262
Deferred acquisition costs	(54,870)	(61,900)
Present value of installment premiums [(3)]	21,011	21,028
Unrealized gains on investments	(10,813)	(7,400)
Adjusted Operating Book Value Per Share	$ 9.32	$ 8.56

(1) Represents only the unrealized gains/losses portion of the derivative liability.

(2) Includes unearned premium balances on credit derivative policies and the present value of future installment premiums on financial guarantee policies.

(3) Estimated present value of future installments, net of ceding commissions, on policies written in credit derivative form only. December 31, 2010 and 2009, the discount rate was 1.26% and 2.20%, respectively.

RAM will post its full year 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, HM 12
Bermuda

Attention: David Steel
Telephone: 441-296-6501
Email: info@ramre.bm

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

Source: RAM Holdings Ltd.

News Provided by Acquire Media