RAM Holdings Ltd.

Unaudited Financial Statements
For the Period Ended
June 30, 2009

RAM Holdings Ltd.
Consolidated Balance Sheets
(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Investments: Fixed-maturity securities held as available for sale, at fair value (amortized cost of $366,330,443 and $415,558,752)	$ 365,169,995	$ 421,890,248
Cash and cash equivalents	2,638,607	8,763,062
Restricted cash	5,555,846	8,284,459
Accrued investment income	2,562,774	4,437,636
Reinsurance balances receivable, net	14,885,674	1,115,413
Recoverables on paid losses	4,380,976	1,796,842
Deferred policy acquisition costs	66,994,455	74,795,257
Prepaid reinsurance premiums	1,023,633	1,599,174
Deferred expenses	1,486,545	1,588,217
Prepaid expenses	1,880,364	377,372
Financial instruments at fair value	—	43,083,370
Other assets	1,157,425	6,550,875
Total assets	**$ 467,736,294**	**$ 574,281,925**
LIABILITIES AND EQUITY		
Liabilities:		
Losses and loss expense reserve	$ 56,648,886	$ 95,794,254
Unearned premiums	165,204,829	158,593,738
Reinsurance balances payable	6,345,456	24,621,111
Accounts payable and accrued liabilities	2,809,272	2,493,959
Accrued interest payable	618,750	693,151
Derivative liabilities	83,755,010	85,353,670
Other liabilities	—	2,374,153
Long-term debt	35,000,000	40,000,000
Redeemable preference shares ($1,000 redemption value and $0.10 par value; authorized shares – 75,000; issued and outstanding shares – 75,000 at June 30, 2009 and December 31, 2008)	75,000,000	75,000,000
Total liabilities	**425,382,203**	**484,924,036**
Commitments and contingencies		
Shareholders' equity:		
Common shares ($0.10 par value; authorized shares – 90,000,000; issued and outstanding shares – 26,352,982 shares at June 30, 2009 and 27,251,595 shares at December 31, 2008)	2,635,298	2,725,160
Additional paid-in capital	230,714,675	230,438,128
Accumulated other comprehensive (loss) income	(1,160,448)	6,331,496
Retained deficit	(197,949,824)	(150,136,895)
Total shareholders' equity	**34,239,701**	**89,357,889**
Noncontrolling interest – Series B preferred shares of subsidiary	8,114,390	—
Total equity	**42,354,091**	**89,357,889**
Total liabilities and equity	**$ 467,736,294**	**$ 574,281,925**

RAM Holdings Ltd.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Net premiums earned	$ 6,511,979	$ 19,471,332	$ 15,717,276	$ 32,669,542
Change in fair value of credit derivatives:				
Realized gains and other settlements	1,102,894	2,712,355	1,995,494	5,326,267
Unrealized gains (losses)	(10,506,451)	151,535,161	1,505,766	(14,849,150)
Net change in fair value of credit derivatives	(9,403,557)	154,247,516	3,501,260	(9,522,883)
Net investment income	3,500,826	8,322,025	7,983,657	16,535,012
Net realized gains on sale of investments	3,534,113	726,215	8,051,931	1,077,499
Total other-than-temporary impairment losses	(885,015)	(61,864)	(4,938,091)	(1,324,864)
Portion of impairment losses recognized in other comprehensive income (loss)	331,795	—	331,795	—
Net other-than-temporary impairment losses (recognized in earnings)	(553,220)	(61,864)	(4,606,296)	(1,324,864)
Net unrealized gain (loss) on other financial instruments	—	3,580,000	(1,196,760)	4,920,000
Foreign currency gains (losses)	1,227,143	(2,232)	171,967	(2,914)
Net gains on extinguishment of debt	3,403,040	—	3,403,040	—
Total revenues	**8,220,324**	**186,282,992**	**33,026,075**	**44,351,392**
Expenses:				
Loss and loss adjustment expenses	(3,533,560)	45,752,289	13,209,782	83,280,148
Acquisition expenses	10,027,552	6,768,057	13,988,352	11,387,028
Operating expenses	4,890,569	3,996,637	10,107,483	8,705,428
Interest expense	618,750	3,505,651	1,300,599	4,187,500
Total expenses	**12,003,311**	**60,022,634**	**38,606,216**	**107,560,104**
Net (loss) income before noncontrolling interest	**$ (3,782,987)**	**$ 126,260,358**	**$ (5,580,141)**	**$ (63,208,712)**
Noncontrolling interest – dividends on preferred shares of subsidiary	(784,515)	—	(921,743)	—
Net (loss) income available to common shareholders	**$ (4,567,502)**	**$ 126,260,358**	**$ (6,501,884)**	**$ (63,208,712)**
Net (loss) income per common share:				
Basic	$ (0.17)	$ 4.63	$ (0.24)	$ (2.32)
Diluted	$ (0.17)	$ 4.63	$ (0.24)	$ (2.32)
Weighted-average number of common shares outstanding:				
Basic	26,952,060	27,250,453	27,106,964	27,246,885
Diluted	26,952,060	27,250,453	27,106,964	27,246,885

RAM Holdings Ltd.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net (loss) income	$ (3,782,987)	$ 126,260,358	$ (5,580,141)	$ (63,208,712)
Other comprehensive income (loss)				
Change in unrealized fair value of investments	4,952,083	(17,119,647)	(981,755)	(8,977,372)
Less: Reclassification adjustment for net realized (gains)/losses included in net income	(3,534,113)	(726,215)	(8,051,931)	(1,077,499)
Less: Net other-than-temporary impairment losses (recognized in earnings)	553,220	61,864	4,606,296	1,324,864
Portion of impairment losses recognized in other comprehensive income (loss)	(331,795)	—	(331,795)	—
Other comprehensive income (loss)	1,639,395	(17,783,998)	(4,759,185)	(8,730,007)
Comprehensive (loss) income	**$ (2,143,592)**	**$ 108,476,360**	**$ (10,339,326)**	**$ (71,938,719)**

RAM Holdings Ltd.
Consolidated Statements of Equity and Retained Deficit

(unaudited)

	Share Capital	Noncontrolling interest in subsidiary	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained deficit	Total
Balance, December 31, 2008	$ 2,725,160	$ —	$ 230,438,128	$ 6,331,496	$ (150,136,895)	$ 89,357,889
Cumulative effect of adopting FAS 163, effective January 1, 2009	—	—	—	—	(43,840,968)	(43,840,968)
Share issuance	3,138	8,114,390	(3,138)	—	—	8,114,390
Share based compensation	—	—	279,685	—	—	279,685
Net loss	—	921,743	—	—	(6,501,884)	(5,580,141)
Dividends on preferred shares of subsidiary	—	(921,743)	—	—	—	(921,743)
Cumulative effect of adopting of FSP FAS 115-2, effective April 1, 2009	—	—	—	(2,732,759)	2,732,759	—
Non credit component of impairment losses on available-for-sale securities	—	—	—	(331,795)	—	(331,795)
Net change in unrealized gains and losses on available-for-sale securities	—	—	—	(4,427,390)	—	(4,427,390)
Treasury shares reacquired under share repurchase program	(93,000)	—	—	—	(202,836)	(295,836)
Balance, June 30, 2009	$ 2,635,298	$ 8,114,390	$ 230,714,675	$ (1,160,448)	$ (197,949,824)	$ 42,354,091

RAM Holdings Ltd.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities:		
Net loss for the period	$ (5,580,141)	$ (63,208,712)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized gains on sale of investments	(8,051,931)	(1,077,499)
Net other-than-temporary impairment losses recognized in earnings	4,606,296	1,324,864
Foreign currency gains on revaluation	(199,033)	—
Net unrealized losses (gains) on credit derivatives	(1,505,766)	14,849,150
Net unrealized (gain) loss on other financial instruments	1,196,760	(4,920,000)
Net gain on extinguishment of debt	(3,403,040)	—
Depreciation and amortization	123,874	99,051
Amortization of debt discount	3,140	3,140
Amortization of bond premium and discount	614,000	681,890
Share based compensation	279,685	579,449
Changes in assets and liabilities:		
Accrued investment income	1,874,862	155,677
Reinsurance balances receivable	72,128,929	2,510,847
Recoverables on paid losses	(2,211,397)	855,799
Deferred policy acquisition costs	62,509,463	(77,099)
Prepaid reinsurance premiums	857,183	(742,952)
Prepaid expenses and other assets / liabilities	1,507,492	(5,836,085)
Losses and loss adjustment expenses	(65,384,226)	59,204,749
Unearned premiums	(169,418,851)	(15,462,473)
Derivative liability	(92,894)	71,929
Reinsurance balances payable	(911,020)	18,845,261
Accounts payable, accrued liabilities and interest payable	240,912	(948,670)
Net cash (used in) provided by operating activities	**(110,815,703)**	**6,908,316**
Cash flows from investing activities:		
Proceeds from sales of fixed maturity securities	202,508,434	95,868,886
Purchases of fixed maturity securities	(176,235,019)	(167,081,725)
Proceeds on maturities of fixed maturity securities	28,519,289	63,244,180
Net change in restricted cash	2,728,612	2,628,607
Purchases of fixed assets	(16,529)	(45,723)
Net cash provided by (used in) investing activities	**57,504,787**	**(5,385,775)**
Cash flows from financing activities:		
Dividends on preferred shares of subsidiary	(921,743)	—
Net proceeds from issuance of preference shares	50,001,000	—
Purchase of treasury stock	(295,836)	—
Repurchase of long-term debt	(1,596,960)	—
Net cash provided by financing activities	**47,186,461**	**—**
Net (decrease) increase in cash and cash equivalents	**(6,124,455)**	**1,522,541**
Cash and cash equivalents – Beginning of period	8,763,062	12,326,313
Cash and cash equivalents – End of period	**$ 2,638,607**	**$ 13,848,854**
Supplemental cash flow disclosure:		
Interest paid on redeemable preferred shares	—	2,812,500
Interest paid on long-term debt	$ 1,375,000	$ 1,375,000

RAM Holdings Ltd.
Explanatory notes

The interim unaudited consolidated financial statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America ("US GAAP"). These statements should be read in conjunction with the audited consolidated financial statements and notes for the period ended December 31, 2008, for RAM Holdings Ltd. included in the Company's Annual Report on Form 10-K ("Form 10-K"), filed with the Securities and Exchange Commission ("SEC"). Certain reclassifications have been made to the prior period amounts to conform to the current period's presentation.

Adoption of FAS 163
On May 23, 2008, the Financial Accounting Standards Board ("FASB") issued FASB Statement No.163 "Accounting for Financial Guarantee Insurance Contracts" ("FAS 163"). FAS 163 clarifies how FASB Statement No.60 "Accounting and Reporting by Insurance Enterprises" applies to financial guaranty insurance contracts. FAS 163 is focused on the recognition and measurement of premium revenue and claims liabilities, along with additional disclosure requirements for financial guaranty contracts. FAS 163 requires the following:

1. Premium revenue will be recognized as a function of the amount of insurance protection provided over the contract term.

2. Present value of installment premiums due pursuant to the terms of a financial guaranty insurance contract will be recognized at inception of the contract as unearned premiums and premiums receivable.

3. A claim liability will be established on a financial guaranty contract when the probability weighted net present value of an expected claim loss is estimated to exceed the related unearned premium revenue. Provision of unallocated reserves is not permitted under FAS 163.

4. Additional disclosures will be required on financial guaranty contracts, including the accounting and risk management activities used to evaluate credit deterioration in the Company's insured obligations and surveillance lists.

FAS 163 was effective for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, with the exception of certain risk management disclosures which were effective for the interim financial statements prepared as of September 30, 2008. FAS 163 does not apply to policies which are credit derivatives under the scope of FAS 133 "Accounting for Derivative Instruments and Hedging Activities". The cumulative effect of adopting FAS 163 is recognized as an adjustment to opening retained earnings as of January 1, 2009.

The impact of adopting FAS 163 on the Company's balance sheet was as follows:

	December 31, 2008 As reported	Transition Adjustment	January 1, 2009 As adjusted for FAS 163
ASSETS:			
Reinsurance balances receivable, net [1]	$ 1,115,413	$ 86,268,741	$ 87,384,154
Recoverable on paid losses [3]	1,796,842	372,737	2,169,579
Deferred policy acquisition costs [2]	74,795,257	54,708,661	129,503,918
Prepaid reinsurance premiums [2]	1,599,174	281,642	1,880,816
Total assets	**$ 574,281,925**	**$ 141,631,781**	**$ 715,913,706**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Losses and loss expense reserve [3]	95,794,254	26,238,858	122,033,112
Unearned premiums [2]	158,593,738	176,029,942	334,623,680
Reinsurance balances payable [1]	24,621,111	(16,796,051)	7,825,060
Total liabilities	**$ 484,924,036**	**$ 185,472,749**	**$ 670,396,785**
Retained deficit [4]	(150,136,895)	(43,840,968)	(193,977,863)
Total shareholders' equity	**89,357,889**	**(43,840,968)**	**45,516,921**
Total liabilities and shareholders' equity	**$ 574,281,925**	**$ 141,631,781**	**$ 715,913,706**

(1) Reinsurance balances receivable and reinsurance balances payable were increased and decreased, respectively, to reflect the net present value of future installment premiums, net of ceding commissions (including the accrual for additional ceding commissions), discounted at a risk free rate.

(2) Unearned premiums and prepaid reinsurance premiums were increased to reflect the change in premium earning methodology under FAS 163 along with the net present value of installment premiums, on assumed and retroceded policies respectively. Deferred policy acquisition costs increased to reflect the associated acquisition costs on the increased unearned premium balances.

(3) Losses and loss expense reserves were increased for the new reserving methodology under FAS 163. This was offset by a decrease in reserves for the release of the unallocated loss reserves which are not allowed under FAS 163.

(4) Retained deficit was increased for the net effect of the transition adjustments as at January 1, 2009.

Adoption of FSP FAS 115-2

In April 2009 the FASB issued FAS 115-2 and FAS 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP 115-2”). FSP 115-2 provides new guidance on the recognition and presentation of an other-than-temporary impairment (“OTTI”) for debt securities classified as available-for-sale and held-to-maturity and provides some new disclosure requirements for both debt and equity securities. FSP 115-2 eliminates the existing requirement that the Company has the “ability and intent to hold” an impaired security and impairment is now considered to be other-than-temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security’s entire amortized cost basis (even if the entity does not intend to sell). A “credit loss” is recognized when the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. If there is an intent to sell the impaired security then the full OTTI is recognized in earnings in the period. If there is no intent to sell the impaired security but there is a credit loss then the credit loss portion of the unrealized loss is recognized in earnings with the remainder recognized in other comprehensive income. FSP 115-2 requires that the full OTTI is presented on the statement of operations with an offset for any amounts recognized in other comprehensive income. The Company adopted FSP 115-2 for the period ending June 30, 2009.

FSP 115-2 requires that the Company record, as of the beginning of the interim period of adoption, a cumulative effect adjustment to reclassify the noncredit component of a previously recognized OTTI from retained earnings to other comprehensive income (loss). For purposes of calculating the cumulative effect adjustment, the Company reviewed OTTI it had recorded through realized losses on securities held at April 1, 2009 where there was no intent to sell, which amounted to $16.1 million, and estimated the portion related to credit losses (i.e., where the present value of cash flows expected to be collected are lower than the amortized cost basis of the security) and the portion related to all other factors. The Company determined that $13.4 million of the OTTI previously recorded related to specific credit losses and $2.7 million related to all other factors. Under FSP 115-2, the Company increased the amortized cost basis of these debt securities by $2.7 million and recorded a cumulative effect adjustment to reduce the retained deficit and reduce accumulated other comprehensive income (loss), with no net effect on shareholders’ equity.