RAM HOLDINGS LTD.

NINE MONTH REPORT

SEPTEMBER 30, 2009

RAM Holdings Ltd.

Unaudited Financial Statements
For the Period Ended
September 30, 2009

RAM Holdings Ltd.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS	**As Restated**	
Investments: Fixed-maturity securities held as available for sale, at fair value (amortized cost of $354,073,477 and $415,558,752)	$ 362,556,395	$ 421,890,248
Cash and cash equivalents	9,846,544	8,763,062
Restricted cash	4,969,436	8,284,459
Accrued investment income	2,470,005	4,437,636
Reinsurance balances receivable, net	14,065,987	1,115,413
Recoverables on paid losses	7,542,402	1,796,842
Deferred policy acquisition costs	63,551,396	74,795,257
Prepaid reinsurance premiums	1,004,447	1,599,174
Deferred expenses	1,447,497	1,588,217
Prepaid expenses	1,213,461	377,372
Financial instruments at fair value	—	43,083,370
Other assets	501,321	6,550,875
Total assets	**$ 469,168,891**	**$ 574,281,925**
LIABILITIES AND EQUITY		
Liabilities:		
Losses and loss expense reserve	$ 55,423,406	$ 95,794,254
Unearned premiums	157,309,778	158,593,738
Reinsurance balances payable	6,046,305	24,621,111
Accounts payable and accrued liabilities	2,811,713	2,493,959
Accrued interest payable	—	693,151
Derivative liabilities	58,662,202	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 September 30, 2009 and December 31, 2008)	75,000,000	75,000,000
Total liabilities	**390,253,404**	**484,924,036**
Commitments and contingencies		
Shareholders' equity:		
Common shares ($0.10 par value; authorized shares – 90,000,000; issued and outstanding shares – 26,340,174 shares at September 30, 2009 and 27,251,595 shares at December 31, 2008)	2,634,017	2,725,160
Additional paid-in capital	230,844,840	230,438,128
Accumulated other comprehensive income	8,482,918	6,331,496
Retained deficit	(171,160,678)	(150,136,895)
Total shareholders' equity	**70,801,097**	**89,357,889**
Noncontrolling interest – Class B preference shares of subsidiary	8,114,390	—
Total equity	**78,915,487**	**89,357,889**
Total liabilities and equity	**$ 469,168,891**	**$ 574,281,925**

RAM Holdings Ltd.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:	**As Restated**		**As Restated**	
Net premiums earned	$ 7,654,084	$ 20,726,873	$ 23,371,360	$ 53,396,416
Change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	1,123,941	(67,548,504)	3,119,435	(62,222,268)
Unrealized gains	25,164,894	66,299,497	26,670,660	51,450,347
Net change in fair value of credit derivatives	26,288,835	(1,249,007)	29,790,095	(10,771,921)
Net investment income	3,354,323	7,136,522	11,337,980	23,671,534
Net realized gains on sale of investments	222,328	3,564,597	8,274,259	4,642,096
Total other-than-temporary impairment losses	—	(8,561,479)	(4,938,091)	(9,886,343)
Portion of impairment losses recognized in other comprehensive income (loss)	(66,140)	—	265,655	—
Net other-than-temporary impairment losses (recognized in earnings)	(66,140)	(8,561,479)	(4,672,436)	(9,886,343)
Net unrealized gain (loss) on other financial instruments	—	1,500,000	(1,196,760)	6,420,000
Foreign currency gains (losses)	244,488	(38,606)	416,455	(41,520)
Net gains on extinguishment of debt	—	—	3,403,040	—
Total revenues	**37,697,918**	**23,078,900**	**70,723,993**	**67,430,262**
Expenses:				
Loss and loss adjustment expenses	3,648,517	50,010,828	16,858,299	133,290,946
Acquisition expenses	3,536,033	8,276,779	17,524,385	19,663,807
Operating expenses	3,138,678	4,540,268	13,246,161	13,245,696
Interest expense	584,375	681,849	1,884,974	4,869,349
Total expenses	**10,907,603**	**63,509,724**	**49,513,819**	**171,069,798**
Net income (loss) before noncontrolling interest	**$ 26,790,315**	**$ (40,430,824)**	**$ 21,210,174**	**$ (103,639,536)**
Noncontrolling interest – dividends on preference shares of subsidiary	—	—	(921,743)	—
Net income (loss) available to common shareholders	**$ 26,790,315**	**$ (40,430,824)**	**$ 20,288,431**	**$ (103,639,536)**
Net income (loss) per common share:				
Basic	$ 1.02	$ (1.48)	$ 0.76	$ (3.80)
Diluted	$ 1.02	$ (1.48)	$ 0.76	$ (3.80)
Weighted-average number of common shares outstanding:				
Basic	26,340,327	27,251,466	26,848,610	27,248,423
Diluted	26,340,327	27,251,466	26,848,610	27,248,423

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
	As Restated		**As Restated**	
Net income (loss)	$ 26,790,315	$ (40,430,824)	$ 21,210,174	$ (103,639,536)
Other comprehensive income (loss)				
Change in unrealized fair value of investments	9,865,694	(14,761,994)	8,751,659	(23,739,366)
Less: Reclassification adjustment for net realized gains included in net income	(222,328)	(3,564,597)	(8,274,259)	(4,642,096)
Less: Net other-than-temporary impairment losses (recognized in earnings)	66,140	8,561,479	4,672,436	9,886,343
Portion of impairment losses recognized in other comprehensive income (loss)	(66,140)	—	(265,655)	—
Other comprehensive income (loss)	9,643,366	(9,765,112)	4,884,181	(18,495,119)
Comprehensive income (loss)	**$ 36,433,681**	**$ (50,195,936)**	**$ 26,094,355**	**$ (122,134,655)**

RAM Holdings Ltd.
Consolidated Statements of Equity and Retained Deficit

As Restated

(unaudited)

	Share Capital	Noncontrolling interest in subsidiary	Additional paid-in capital	Accumulated other comprehensive income	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 ASC 944-20, effective January 1, 2009	—	—	—	—	(43,840,968)	(43,840,968)
Share issuance	3,157	8,114,390	(3,157)	—	—	8,114,390
Share based compensation	—	—	409,869	—	—	409,869
Net income	—	921,743	—	—	20,288,431	21,210,174
Dividends on preference shares of subsidiary	—	(921,743)	—	—	—	(921,743)
Cumulative effect of adopting of ASC 320-10, effective April 1, 2009	—	—	—	(2,732,759)	2,732,759	—
Non credit component of impairment losses on available-for-sale securities	—	—	—	(265,655)	—	(265,655)
Net change in unrealized gains and losses on available-for-sale securities	—	—	—	5,149,836	—	5,149,836
Treasury shares reacquired	(94,300)	—	—	—	(204,005)	(298,305)
Balance, September 30, 2009	$ 2,634,017	$ 8,114,390	$ 230,844,840	$ 8,482,918	$ (171,160,678)	$ 78,915,487

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

	Nine Months Ended September 30,	
	2009	**2008**
	As Restated	
Cash flows from operating activities:		
Net income (loss) for the period	$ 21,210,174	$ (103,639,536)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized gains on sale of investments	(8,274,259)	(4,642,096)
Net other-than-temporary impairment losses recognized in earnings	4,672,436	9,886,343
Foreign currency gains on revaluation	(443,387)	—
Net unrealized gains on credit derivatives	(26,670,660)	(51,450,347)
Net unrealized loss (gain) on other financial instruments	1,196,760	(6,420,000)
Net gain on extinguishment of debt	(3,403,040)	—
Depreciation and amortization	172,941	152,012
Amortization of debt discount	4,710	4,710
Amortization of bond premium and discount	834,509	1,074,308
Share based compensation	409,869	834,066
Changes in assets and liabilities:		
Accrued investment income	1,967,631	1,401,104
Reinsurance balances receivable	73,033,453	2,677,743
Recoverables on paid losses	(5,372,823)	1,224,769
Deferred policy acquisition costs	65,952,522	(10,673,577)
Prepaid reinsurance premiums	876,369	260,903
Prepaid expenses and other assets / liabilities	2,818,911	(4,974,725)
Losses and loss adjustment expenses	(66,609,706)	71,613,682
Unearned premiums	(177,313,902)	(34,520,516)
Derivative liability	(20,808)	(400,364)
Reinsurance balances payable	(1,050,654)	29,167,592
Accounts payable, accrued liabilities and interest payable	(375,398)	(1,110,971)
Net cash used in operating activities	**(116,384,352)**	**(99,534,900)**
Cash flows from investing activities:		
Proceeds from sales of fixed maturity securities	216,861,176	245,193,677
Purchases of fixed maturity securities	(182,972,619)	(232,806,521)
Proceeds on maturities of fixed maturity securities	33,096,792	78,983,938
Net change in restricted cash	3,315,023	(2,239,627)
Purchases of fixed assets	(16,530)	(63,890)
Net cash provided by investing activities	**70,283,842**	**89,067,577**
Cash flows from financing activities:		
Dividends on preference shares of subsidiary	(921,743)	—
Net proceeds from issuance of preference shares	50,001,000	—
Purchase of treasury stock	(298,305)	—
Repurchase of long-term debt	(1,596,960)	—
Net cash provided by financing activities	**47,183,992**	**—**
Net increase (decrease) in cash and cash equivalents	**1,083,482**	**(10,467,323)**
Cash and cash equivalents – Beginning of period	8,763,062	12,326,313
Cash and cash equivalents – End of period	**$ 9,846,544**	**$ 1,858,990**
Supplemental cash flow disclosure:		
Interest paid on redeemable preference shares	—	2,812,500
Interest paid on long-term debt	$ 2,578,125	$ 2,750,000

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.

Accounting for Financial Guarantee Insurance Contracts
On May 23, 2008, the Financial Accounting Standards Board ("FASB") issued a new standard addressing how to account for financial guarantee insurance contracts (ASC 944-20) ("the Standard"). The Standard clarifies how previous accounting literature applies to financial guaranty insurance contracts. The Standard is focused on the recognition and measurement of premium revenue and claims liabilities, along with additional disclosure requirements for financial guaranty contracts. The Standard 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 the Standard.

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.

The Standard 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. The Standard does not apply to policies which are accounted for as credit derivatives. The cumulative effect of adopting the Standard is recognized as an adjustment to opening retained earnings as of January 1, 2009.

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

	December 31, 2008 As reported	Transition Adjustment	January 1, 2009 As adjusted
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 the Standard 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 the Standard. This was offset by a decrease in reserves for the release of the unallocated loss reserves which are not allowed under the Standard.
(4) Retained deficit was increased for the net effect of the transition adjustments as at January 1, 2009.

Other-than-temporary Impairments:
In April 2009 the FASB issued 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 also provided some new disclosure requirements for both debt and equity securities (ASC 320-10). The new guidance 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. The new guidance 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 this guidance for the period ending June 30, 2009.

The new guidance required 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. The Company therefore 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.

Codification:
In June 2009, the FASB issued Accounting Standards Codification ("ASC") 105 on Generally Accepted Accounting Principles (the "Codification"). The Codification is now the single source for all authoritative GAAP recognized by the FASB, except for releases issued by the Securities and Exchange Commission ("SEC"). The Codification is to be applied to financial statements issued for periods ending after September 15, 2009 and the Company adopted this guidance as of the third quarter of 2009. The Codification does not change GAAP and will not have an effect on our financial position, results of operations or liquidity, however technical references to accounting literature throughout the financial statements are now provided under the new ASC structure.

Restatement:

During April 2010, the Company was notified by one of its ceding companies that information previously reported to the Company relating to the remediation credit taken when calculating the third quarter loss reserves was not correct. The correct amount was $4.3 million less than that originally reported by the ceding company and used by the Company in its financial statements for the three and nine months ended September 30, 2009. As a result, the loss and loss expense reserve should have been $1.4 million higher and the recoverable on paid losses should have been $2.9 million lower on the Company's Consolidated Balance Sheet as of September 30, 2009. The loss and loss adjustment expenses reported in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2009, should have been $4.3 million higher than that reported, resulting in an overstatement of net income available to common shareholders of $4.3 million in the September 30, 2009, financial statements that the Company originally released. The financial statements for the three and nine months ended September 30, 2009, have been restated in order to correct this error, resulting in restated net income available to common shareholders of $20.3 million for the nine months ended September 30, 2009, as compared to the $24.6 million net income available to common shareholders previously reported.

Security Ownership of Officers and Directors

Pursuant to Regulation 6.9(2)(x)(a) and (b) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and executive officers of the Company in the common shares of the Company as at September 30, 2009 were 4,229,583 shares.

RAM Holdings Corporate Information

Corporate Headquarters
RAM Re House
46 Reid Street
Hamilton
HM 12 Bermuda
441-296-6501
www.ramre.com

Investor Information

Information about RAM Holdings, including all quarterly earnings releases and reports, can be accessed via our website at www.ramre.com under Investor Information.

Requests for copies of the RAM Holdings 2009 quarterly reports may be made by contacting the Secretary of RAM Holdings at the Corporate Headquarters address above or info@ramre.com.

Exchange Listing

RAM Holdings' common shares are listed on the Bermuda Stock Exchange (BSX) located at:

Phase 1 – Third Floor, Washington Mall
Church Street
Hamilton, HM 11 Bermuda
441-292-7212 or -7213
www.bsx.com

Transfer Agent

BNY Mellon

Telephone Number:
1-877-296-3711
1-610-382-7833 (Outside the U.S.)
1-888-269-5221 (Hearing Impaired - TDD Phone)

Mailing Address:
BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, New Jersey 07310-1900
USA

Web Address: http://www.bnymellon.com/shareowner/isd

Independent Registered Public Accounting Firm

PricewaterhouseCoopers
Hamilton, Bermuda