



RAM HOLDINGS LTD.

SIX MONTH REPORT

JUNE 30, 2010

RAM Holdings Ltd.

**Unaudited Consolidated Financial Statements
For the Period Ended
June 30, 2010**



RAM Holdings Ltd.
Consolidated Balance Sheets
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Investments: Fixed-maturity securities held as available for sale, at fair value (amortized cost of \$312,626,886 and \$338,380,021)	\$ 326,865,926	\$ 345,779,503
Cash and cash equivalents	2,136,022	9,311,110
Restricted cash	2,381,533	2,884,962
Accrued investment income	1,973,654	2,243,925
Reinsurance balances receivable, net	19,172,851	22,344,848
Recoverables on paid losses	15,159,382	11,352,701
Deferred policy acquisition costs	58,514,685	61,899,987
Deferred expenses	564,665	1,408,449
Prepaid expenses	858,347	455,060
Other assets	44,483	145,497
Total assets	\$ 427,671,548	\$ 457,826,042
LIABILITIES AND EQUITY		
Liabilities:		
Losses and loss expense reserve	\$ 54,303,900	\$ 56,672,359
Unearned premiums	146,264,994	153,429,709
Accounts payable and accrued liabilities	1,878,530	3,050,362
Accrued interest payable	—	618,750
Derivative liabilities	48,091,688	50,135,456
Long-term debt	—	35,000,000
Redeemable 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 June 30, 2010 and December 31, 2009)	59,700,000	75,000,000
Total liabilities	310,239,112	373,906,636
Commitments and contingencies		
Shareholders' equity:		
Common shares (\$0.10 par value; authorized shares – 90,000,000; issued and outstanding shares – 26,394,372 shares at June 30, 2010 and 26,340,174 shares at December 31, 2009)	2,639,437	2,634,017
Additional paid-in capital	231,259,469	230,961,616
Accumulated other comprehensive income	14,239,040	7,399,482
Retained deficit	(137,716,365)	(165,190,099)
Total shareholders' equity	110,421,581	75,805,016
Noncontrolling interest – Class B preference shares of subsidiary	7,010,855	8,114,390
Total equity	117,432,436	83,919,406
Total liabilities and equity	\$ 427,671,548	\$ 457,826,042

RAM Holdings Ltd.
Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Net premiums earned	\$ 4,232,129	\$ 6,511,979	\$ 7,920,210	\$ 15,717,276
Change in fair value of credit derivatives:				
Realized gains (losses) and other settlements	1,023,214	1,102,894	(446,150)	1,995,494
Unrealized gains (losses)	11,966,082	(10,506,451)	4,414,237	1,505,766
Net change in fair value of credit derivatives	12,989,296	(9,403,557)	3,968,087	3,501,260
Net investment income	2,760,184	3,500,826	5,919,233	7,983,657
Net realized gains on sale of investments	861,972	3,534,113	1,306,337	8,051,931
Total other-than-temporary impairment losses	(22,716)	(885,015)	(32,500)	(4,938,091)
Portion of impairment losses recognized in other comprehensive income (loss)	19,905	331,795	23,504	331,795
Net other-than-temporary impairment losses (recognized in earnings)	(2,811)	(553,220)	(8,996)	(4,606,296)
Net unrealized loss on other financial instruments	—	—	—	(1,196,760)
Foreign currency gains (losses)	(617,297)	1,227,143	(979,765)	171,967
Net gain on extinguishment of redeemable preference shares	—	—	11,475,000	—
Net gain on extinguishment of long-term debt	10,750,000	3,403,040	15,250,000	3,403,040
Total revenues	30,973,473	8,220,324	44,850,106	33,026,075
Expenses:				
Loss and loss adjustment expenses	(1,235,065)	(3,533,560)	4,731,451	13,209,782
Acquisition expenses	1,897,485	10,027,552	3,490,956	13,988,352
Operating expenses	3,725,720	4,890,569	7,638,924	10,107,483
Interest expense	334,201	618,750	918,576	1,300,599
Total expenses	4,722,341	12,003,311	16,779,907	38,606,216
Net income (loss) before noncontrolling interest	\$ 26,251,132	\$ (3,782,987)	\$ 28,070,199	\$ (5,580,141)
Noncontrolling interest – dividends on preference shares of subsidiary	—	(784,515)	—	(921,743)
Net income (loss) available to common shareholders	\$ 26,251,132	\$ (4,567,502)	\$ 28,070,199	\$ (6,501,884)
Net income (loss) per common share:				
Basic	\$ 1.00	\$ (0.17)	\$ 1.06	\$ (0.24)
Diluted	\$ 1.00	\$ (0.17)	\$ 1.06	\$ (0.24)
Weighted-average number of common shares outstanding:				
Basic	26,379,752	26,952,060	26,364,819	27,106,964
Diluted	26,379,752	26,952,060	26,364,819	27,106,964

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 26,251,132	\$ (3,782,987)	\$ 28,070,199	(5,580,141)
Other comprehensive income (loss)				
Change in unrealized fair value of investments	4,274,145	4,952,083	8,160,403	(981,755)
Less: Reclassification adjustment for net realized gains included in net income (loss)	(861,972)	(3,534,113)	(1,306,337)	(8,051,931)
Less: Net other-than-temporary impairment losses (recognized in earnings)	2,811	553,220	8,996	4,606,296
Portion of impairment losses recognized in other comprehensive income (loss)	(19,905)	(331,795)	(23,504)	(331,795)
Other comprehensive income (loss)	3,395,079	1,639,395	6,839,558	(4,759,185)
Comprehensive income (loss) for the period	\$ 29,646,211	\$ (2,143,592)	\$ 34,909,757	\$ (10,339,326)

RAM Holdings Ltd.
Consolidated Statements of Equity and Retained Deficit

(unaudited)

	<u>Share Capital</u>	<u>Noncontrolling interest in subsidiary</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income</u>	<u>Retained deficit</u>	<u>Total</u>
Balance, December 31, 2009	\$ 2,634,017	\$ 8,114,390	\$ 230,961,616	\$ 7,399,482	\$ (165,190,099)	\$ 83,919,406
Share issuance	5,420	—	(5,420)	—	—	—
Share based compensation	—	—	303,273	—	—	303,273
Net income	—	—	—	—	28,070,199	28,070,199
Non credit component of impairment losses on available-for-sale securities	—	—	—	(23,504)	—	(23,504)
Net change in unrealized gains and losses on available-for-sale securities	—	—	—	6,863,062	—	6,863,062
Repurchase of noncontrolling interest	—	(1,103,535)	—	—	(596,465)	(1,700,000)
Balance, June 30, 2010	<u>\$ 2,639,437</u>	<u>\$ 7,010,855</u>	<u>\$ 231,259,469</u>	<u>\$ 14,239,040</u>	<u>\$ (137,716,365)</u>	<u>\$ 117,432,436</u>

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

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss) for the period	\$ 28,070,199	\$ (5,580,141)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized gains on sale of investments	(1,306,337)	(8,051,931)
Net other-than-temporary impairment losses recognized in earnings	8,996	4,606,296
Foreign currency losses (gains) on revaluation	968,952	(199,033)
Net unrealized gains on credit derivatives	(4,414,237)	(1,505,766)
Net unrealized loss on other financial instruments	—	1,196,760
Net gain on extinguishment of redeemable preference shares	(11,475,000)	—
Net gain on extinguishment of debt	(15,250,000)	(3,403,040)
Depreciation and amortization	861,510	123,874
Amortization of debt discount	89,399	3,140
Amortization of bond premium and discount	312,586	614,000
Share based compensation	303,273	279,685
Changes in assets and liabilities:		
Accrued investment income	270,271	1,874,862
Reinsurance balances receivable	2,203,045	72,128,929
Recoverables on paid losses	(3,806,681)	(2,211,397)
Deferred policy acquisition costs	3,385,302	62,509,463
Prepaid reinsurance premiums	—	857,183
Prepaid expenses and other assets / liabilities	(403,285)	1,507,492
Losses and loss adjustment expenses	(2,368,459)	(65,384,226)
Unearned premiums	(7,164,715)	(169,418,851)
Derivative liability	2,370,469	(92,894)
Reinsurance balances payable	—	(911,020)
Accounts payable, accrued liabilities and interest payable	(1,790,583)	240,912
Net cash used in operating activities	(9,135,295)	(110,815,703)
Cash flows from investing activities:		
Purchases of investments	(56,119,386)	(176,235,019)
Proceeds from sales of investments	57,424,337	202,508,434
Proceeds on maturities of investments	25,432,937	28,519,289
Net change in restricted cash	503,429	2,728,612
Purchases of fixed assets	(6,110)	(16,529)
Net cash provided by investing activities	27,235,207	57,504,787
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 preference shares	(3,825,000)	—
Repurchase of long-term debt	(19,750,000)	(1,596,960)
Repurchase of noncontrolling interest	(1,700,000)	—
Net cash provided by (used in) financing activities	(25,275,000)	47,186,461
Decrease in cash and cash equivalents	(7,175,088)	(6,124,455)
Cash and cash equivalents – Beginning of period	9,311,110	8,763,062
Cash and cash equivalents – End of period	\$ 2,136,022	\$ 2,638,607
Supplemental cash flow disclosure:		
Interest paid on redeemable preferred shares	—	—
Interest paid on long-term debt	\$ 1,537,326	\$ 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, 2009, for RAM Holdings Ltd. which are posted on the Company’s website and can be found at www.ramre.com under “investor information”.

Security Ownership of EXECUTIVE 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 June 30, 2010, were 522,652 shares.

Equity Compensation of EXECUTIVE Officers and Directors

The table below sets forth the aggregate number of shares underlying option awards outstanding at June 30, 2010, for each director who has received option awards

Name	Shares Underlying Options at June 30, 2010 (#) (Outstanding)	Shares Underlying Options at June 30, 2010(##) (Exercisable)	RSU's: Number of Shares that Have Not Vested (#)
Edward F. Bader	50,800	19,500	28,674
David L. Boyle	48,200	16,900	28,674
Clement S. Dwyer	30,000	-	28,674
Steven J. Tynan	30,000	-	28,674

Share options granted to the directors under our 2001 Stock Option Plan prior to 2006 vest quarterly over a three-year period. Share options granted to directors beginning in 2006 under the 2006 Equity Plan vest in four equal annual installments on the first four anniversaries of the date of grant.

The following table shows equity awards granted to executive officers of the Company outstanding at June 30, 2010:

Name	Shares Underlying Options at June 30, 2010 (#) (Outstanding)	Shares Underlying Options at June 30, 2010(##) (Exercisable)	RSUs: Number of Shares that Have Not Vested (#)
David K. Steel	435,903	324,157	1,918

Options granted prior to May 2006 were awarded under our 2001 Stock Option Plan and vest in 5% increments at the end of each quarter, beginning with the quarter in which the grant occurred. Our 2001 Stock Option Plan was terminated in May 2006, except as to awards that were already outstanding at that date. No further awards will be granted under our 2001 Stock Option Plan.

Options granted beginning in May 2006 were awarded under our 2006 Equity Plan, and vest in four equal installments on the first four anniversaries of the date of grant.

There have been no options exercised during the six months ended June 30, 2010.

RAM Holdings Ltd. Corporate Information**Corporate Headquarters**

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www.ramre.com

Investor Information

Information about RAM Holdings Ltd., 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 Ltd. 2010 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 Ltd. 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)

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

Independent Registered Auditors

Deloitte & Touche Ltd.