



RAM HOLDINGS LTD.

THREE MONTH REPORT

MARCH 31, 2010

RAM Holdings Ltd.

**Unaudited Consolidated Financial Statements
For the Quarter Ended
March 31, 2010**

RAM Holdings Ltd.
Consolidated Balance Sheets
(Unaudited)

ASSETS	March 31, 2010	December 31, 2009 (Audited)
Investments: Fixed-maturity securities held as available for sale, at fair value (amortized cost of \$323,052,180 and \$338,380,021)	\$ 333,896,141	\$ 345,779,503
Cash and cash equivalents	9,438,417	9,311,110
Restricted cash	4,483,397	2,884,962
Accrued investment income	2,376,272	2,243,925
Reinsurance balances receivable, net	20,083,902	22,344,848
Recoverables on paid losses	11,342,850	11,352,701
Deferred policy acquisition costs	60,366,985	61,899,987
Deferred expenses	982,388	1,408,449
Prepaid expenses	1,116,057	455,060
Other assets	108,828	145,497
Total assets	\$ 444,195,237	\$ 457,826,042
LIABILITIES AND EQUITY		
Liabilities:		
Losses and loss expense reserve	\$ 58,725,734	\$ 56,672,359
Unearned premiums	150,059,344	153,429,709
Accounts payable and accrued liabilities	3,330,122	3,050,362
Accrued interest payable	-	618,750
Derivative liabilities	59,741,839	50,135,456
Long-term debt	25,000,000	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 March 31, 2010 and December 31, 2009, respectively)	59,700,000	75,000,000
Total liabilities	356,557,039	373,906,636
Commitments and contingencies		
Shareholders' equity:		
Common shares (\$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 shares at December 31, 2009, respectively)	2,636,405	2,634,017
Additional paid-in capital	231,114,474	230,961,616
Accumulated other comprehensive income	10,843,961	7,399,482
Retained deficit	(163,967,497)	(165,190,099)
Total shareholders' equity	80,627,343	75,805,016
Noncontrolling interest – Class B preference shares of subsidiary	7,010,855	8,114,390
Total equity	87,638,198	83,919,406
Total liabilities and equity	\$ 444,195,237	\$ 457,826,042

RAM Holdings Ltd.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Net premiums earned	\$ 3,688,081	\$ 9,205,297
Change in fair value of credit derivatives:		
Realized gains (losses) and other settlements	(1,469,364)	892,600
Unrealized gains (losses)	(7,551,845)	12,012,217
Net change in fair value of credit derivatives	(9,021,209)	12,904,817
Net investment income	3,159,049	3,427,655
Net realized gains on sale of investments	444,365	4,517,818
Total other-than-temporary impairment losses	(9,784)	(4,053,076)
Portion of impairment losses recognized in other comprehensive income (loss)	3,599	-
Net other-than-temporary impairment losses (recognized in earnings)	(6,185)	(4,053,076)
Net unrealized loss on other financial instruments	-	(1,196,760)
Foreign currency losses	(362,467)	-
Net gain on extinguishment of redeemable preference shares	11,475,000	-
Net gain on extinguishment of long-term debt	4,500,000	-
Total revenues	13,876,634	24,805,751
Expenses:		
Losses and loss adjustment expenses	5,966,516	16,743,342
Acquisition expenses	1,593,471	3,960,800
Operating expenses	3,913,205	5,216,914
Interest expense	584,375	681,849
Total expenses	12,057,567	26,602,905
Net income (loss)	\$ 1,819,067	\$ (1,797,154)
Noncontrolling interest – dividends on preference shares of subsidiary	-	(137,228)
Net income (loss) available to common shareholders	\$ 1,819,067	\$ (1,934,382)
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

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

	Three Months Ended March 31,	
	2010	2009
Net income (loss)	\$ 1,819,067	\$ (1,797,154)
Other comprehensive income (loss)		
Change in unrealized fair value of investments	3,886,258	(5,933,838)
Less: Reclassification adjustment for net realized (gains) losses on investments included in net income (loss)	(444,365)	(4,517,818)
Less: Net other-than-temporary impairment losses (recognized in earnings)	6,185	4,053,076
Portion of impairment losses recognized in other comprehensive income (loss)	(3,599)	-
Other comprehensive income (loss)	3,444,479	(6,398,580)
Comprehensive income (loss) for the period	5,263,546	(8,195,734)

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	2,388	-	(2,388)	-	-	-
Share based compensation	-	-	155,246	-	-	155,246
Net income	-	-	-	-	1,819,067	1,819,067
Non credit component of impairment losses on available-for-sale securities	-	-	-	(3,599)	-	(3,599)
Net change in unrealized gains and losses on available-for-sale securities	-	-	-	3,448,078	-	3,448,078
Repurchase of noncontrolling interest	-	(1,103,535)	-	-	(596,465)	(1,700,000)
Balance, March 31, 2010	<u>\$ 2,636,405</u>	<u>\$ 7,010,855</u>	<u>\$ 231,114,474</u>	<u>\$ 10,843,961</u>	<u>\$ (163,967,497)</u>	<u>\$ 87,638,198</u>

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

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss) for the period	\$ 1,819,067	\$ (1,797,154)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Net realized (gains) losses of investments	(444,365)	(4,517,818)
Net other-than-temporary impairment losses recognized in earnings	6,185	4,053,076
Foreign currency (gains) losses on revaluation	362,467	-
Net unrealized (gains) losses on credit derivatives	7,551,845	(12,012,217)
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 long-term debt	(4,500,000)	-
Depreciation and amortization	323,584	51,789
Amortization of debt discount	34,505	1,570
Amortization of bond premium and discount	182,273	423,130
Share based compensation	155,246	225,774
Changes in assets and liabilities:		
Accrued investment income	(132,347)	914,037
Reinsurance balances receivable, net	1,898,479	7,527,756
Recoverables on paid losses	9,851	(6,126,734)
Deferred policy acquisition costs	1,533,002	3,378,782
Prepaid reinsurance premiums	-	18,787
Prepaid expenses and other assets / liabilities	(549,616)	(3,090,332)
Losses and loss adjustment expenses	2,053,375	7,225,981
Unearned premiums	(3,370,365)	(7,240,737)
Derivative liability	2,054,538	(206,101)
Reinsurance balances payable	-	(51,413)
Accounts payable, accrued liabilities and interest payable	(338,990)	(318,087)
Net cash used in operating activities	(2,826,266)	(10,343,151)
Cash flows from investing activities:		
Purchases of investments	(17,788,372)	(154,255,619)
Proceeds from sales of investments	17,890,753	86,565,758
Proceeds on maturities of investments	15,481,367	17,128,680
Net change in restricted cash	(1,598,435)	6,179,380
Purchases of fixed assets	(6,740)	(9,316)
Net cash provided by (used in) investing activities	13,978,573	(44,391,117)
Cash flows from financing activities:		
Dividends on preference shares of subsidiary	-	(137,228)
Net proceeds from issuance of preference shares	-	50,001,000
Repurchase of preference shares	(3,825,000)	-
Repurchase of long-term debt	(5,500,000)	-
Repurchase of noncontrolling interest	(1,700,000)	-
Net cash (used in) provided by financing activities	(11,025,000)	49,863,772
Net (decrease) increase in cash and cash equivalents	127,307	(4,870,496)
Cash and cash equivalents – Beginning of period	9,311,110	8,763,062
Cash and cash equivalents – End of period	\$ 9,438,417	\$ 3,892,566

Supplemental cash flow disclosure:		
Dividends paid on preference shares of subsidiary	\$ —	\$ 137,228
Interest paid on long-term debt	\$ 1,203,125	\$ 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. ("RAM" or the "Company") which are posted on the Company's website and can be found at www.ramre.com under "investor information".

1. SUBSEQUENT EVENTS

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

On May 1, 2010, the Company, RAM Reinsurance Company Ltd. ("RAM Re"), Reid Street Services Ltd. ("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.

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 March 31, 2010, were 741,042 shares.

EQUITY COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The table below sets forth the aggregate number of shares underlying option awards outstanding at March 31, 2010, for each director as of March 31, 2010, who has received option awards (other than Mr. Endo).

Name	Shares Underlying Options at March 31, 2010 (#) (Outstanding)	Shares Underlying Options at March 31, 2010(#) (Exercisable)
Edward F. Bader	20,800	19,500
David L. Boyle	18,200	16,900

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 March 31, 2010:

Name	Shares Underlying Options at March 31, 2010 (#) (Outstanding)	Shares Underlying Options at March 31, 2010(#) (Exercisable)	RSUs: Number of Shares that Have Not Vested (#)
Vernon M. Endo	853,891	646,688	3,203
Edward U. Gilpin	50,000	25,000	26,811
David K. Steel	435,903	314,676	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.

The following table shows options exercised and RSUs vested during the three months ended March 31, 2010:

Name	Option Awards		RSU Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Vernon M. Endo.....	—	—	3,202	1,569 ⁽¹⁾
Edward U. Gilpin.....	—	—	3,750	1,763 ⁽²⁾
			9,655	5,021 ⁽³⁾
David K. Steel.....	—	—	1,917	939 ⁽¹⁾

(1) Value based on the closing price of RAM Holdings common shares of \$0.49 on February 19, 2010.

(2) Value based on the closing price of RAM Holdings common shares of \$0.47 on January 28, 2010.

(3) Value based on the closing price of RAM Holdings common shares of \$0.52 on March 5, 2010.

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

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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. 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 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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Jersey City, New Jersey 07310-1900
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Web Address: <http://www.bnymellon.com/shareowner/isd>

Independent Registered Auditors

PricewaterhouseCoopers
Hamilton, Bermuda