RAM Holdings Ltd. Announces Fourth Quarter 2009 Net Income Available to Common Shareholders of $6.0 Million, Full Year Net Income Available to Common Shareholders of $26.3 Million and Restatement of Unaudited Third Quarter Financial Statements to Correct

HAMILTON, Bermuda, Apr 15, 2010 (BUSINESS WIRE) -- RAM Holdings Ltd. (BSX:RAMR) (Pink Sheets:RAMR) ("RAM" or the "Company") today reported fourth quarter 2009 net income available to common shareholders of $6.0 million, or net income of $0.23 per diluted share. This compares to a net loss of $55.8 million, or net loss of $2.05 per diluted share, for the fourth quarter 2008. The net income available to common shareholders for the full year 2009 was $26.3 million, or net income of $0.98 per diluted share, compared to a net loss of $159.5 million, or a net loss of $5.85 per diluted share, for the full year 2008.

Restatement of Unaudited Financial Statements for the Three and Nine Months ended September 30, 2009

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. A copy of these restated financial statements are available on the Company's website.

The above described $4.3 million increase to loss and loss adjustment expense as of September 30, 2009 was subsequently partially offset by a $1.9 million decrease to loss and loss adjustment expense as of December 31, 2009, in respect of remediation credits from the same ceding company.

Business Strategy

In response to adverse economic conditions throughout 2009, the Company continued the strategy it began in 2008 to reduce the volatility of its insured portfolio, to reduce its insured risk exposure, to preserve its capital position, to deleverage its balance sheet and to reduce its expenses. Going forward, the Company intends to pursue a run off plan that includes the following:

- *Insured portfolio run off*: During 2009, the Company commuted its entire insured portfolio assumed from Ambac Assurance Corporation ("Ambac") effective April 8, 2009, along with other smaller commutations throughout 2009. There have been no further commutations since December 31, 2009, and the Company does not intend to initiate commutation discussions in the future, although it may consider offers made by its ceding companies at acceptable prices. The Company is continuing to run off its existing book of business, which could take many years to accomplish as the longest stated remaining maturity of insured risk in its insured portfolio is approximately 58 years. The run off could be completed sooner if the insured portfolio is recaptured by the ceding companies prior to such maturity.
- *Capital preservation*: The Company reduced its new business growth in 2008 and has not written any business in 2009. The Company will not write new financial guaranty reinsurance business and has no current plans to write any other type of insurance or reinsurance business.
- *Deleveraging and dividends:* During the first half of 2009, the Company completed a common share repurchase program and repurchased $5.0 million of its Senior Notes due 2024 ("Senior Notes"). During the first quarter of 2010, the Company completed a tender offer for its Non-Cumulative Preference Shares, Series A (the "Series A Preference Shares"), pursuant to which 15,300 shares were tendered out of the 75,000 shares outstanding; the Series A Preference Shares are mandatorily redeemable in 2066. The Company also repurchased $10.0 million of its Senior Notes during the first quarter of 2010. In addition, during the first quarter of 2010, RAM Reinsurance Company Ltd., the Company's operating subsidiary ("RAM Re") completed a tender offer for its perpetual Class B Preference Shares (the "Class B Preference Shares" and, together with the Series A Preference Shares, the "Preference Shares"), pursuant to which

68.00 shares were tendered out of the 500.01 shares outstanding. The Company expects that these first quarter transactions will result in approximately $15.4 million of net gain to the consolidated financial statements in the period ended March 31, 2010.

The Company does not intend to initiate any further repurchases of these securities. The dividends on both the Series A Preference Shares and the Class B Preference Shares, which are noncumulative in the case of the Series A Preference Shares and are generally noncumulative in the case of the Class B Preference Shares, were suspended in 2009. The Company is not permitted under the terms of the Series A Preference Shares to pay common share dividends or repurchase common shares unless full dividends for the latest completed dividend period on all Series A Preference Shares have been paid. Accordingly, the Company has no plans to liquidate, to pay common share dividends or to repurchase any of its common shares.

- *Reducing expenses*: In order to reduce its expenses during 2009, the Company has de-listed from NASDAQ and de-registered its securities under the Securities Exchange Act of 1934. As a result, the Company is no longer required to file annual, quarterly and current reports or proxy statements with the U.S. Securities and Exchange Commission. The Company estimates that these actions will reduce its expenses by at least $2 million per year beginning in 2010. On March 17, 2009, the Company requested that Moody's Investor Service ("Moody's") withdraw its financial strength rating of RAM Re, and, on May 20, 2009, the Company also requested that Standard & Poor's Rating Services ("S&P) withdraw its financial strength rating of RAM Re, which has resulted in the Company no longer paying annual fees to these agencies. RAM Re cancelled its bank soft capital facilities effective May 13, 2009, which provided capital for rating agency purposes only. In addition, at the Annual General Meeting in December 2009, the shareholders approved reductions in the size of both the RAM and RAM Re Boards to five members from eleven. RAM and RAM Re also completed a number of redundancies throughout 2009 and the beginning of 2010 to reduce staff costs. The Company continues to evaluate other measures to reduce expenses to a level that is appropriate for its run off status.

There can be no assurance that the strategies that have been implemented or that will be pursued in the future will improve the Company's business, financial condition, liquidity or results of operations or will not have a material adverse effect on the Company.

Summary of Operating Results

Net income was $6.0 million and $27.2 million for the quarter and year ended December 31, 2009, respectively.

Earned premiums in the fourth quarter 2009 of $3.4 million were 78% lower than the $15.2 million earned in the fourth quarter 2008. By eliminating accelerated premiums from refundings of $0.3 million from total earned premiums, normal earned premiums in the fourth quarter 2009 were $3.1 million, 66% lower than the comparative 2008 period, which included accelerated premiums from refundings of $6.0 million. The decline in the fourth quarter 2009 earned premiums after refundings primarily reflected the reduction in ongoing earnings due to the commutation of treaties with three of the Company's ceding companies during 2008 and 2009, along with the change in earnings following the adoption of the new accounting for Financial Guarantee Insurance Contracts ("ASC 944-20") on January 1, 2009. For the full year 2009, earned premiums were $26.7 million, 61% lower than the $68.6 million for the full year 2008.

Net change in fair value of credit derivatives totaled a gain of $9.0 million in the fourth quarter 2009, which was $9.7 million below the $18.7 million in the fourth quarter of 2008. Net change in fair value of credit derivatives for the fourth quarters of 2009 and 2008 were comprised of $7.8 million and $42.8 million of unrealized gains on derivatives, respectively, and $1.2 million and $(24.1) million of realized gains (losses), respectively. Gross unrealized losses on credit derivative policies decreased in the fourth quarter 2009 primarily due to the narrowing of credit spreads in the market. Gross unrealized losses on credit derivatives were offset by the adjustment for RAM's own non-performance risk in accordance with fair value accounting standards. The effect of this adjustment for RAM's own non-performance risk was a reduction in RAM's derivative liability of approximately $146.8 million at December 31, 2009.

Net investment income for the fourth quarter 2009 was $3.1 million, 46% below the $5.7 million recorded in the fourth quarter of 2008. For the full year 2009, net investment income was $14.4 million, 51% below the $29.4 million for the full year 2008. The decrease in investment income in the fourth quarter and full year 2009 versus the prior year's comparative periods was primarily the result of a decrease in cash and invested assets due to payments on commutations in 2008 and 2009 totaling $350.8 million, along with a decrease in the book yield on the invested assets from 4.5% to 3.7%.

Net realized gains on investments for the fourth quarter 2009 were $0.6 million compared to the $3.5 million realized gains for the same period in 2008. Realized gains were offset by other-than-temporary impairment losses for the fourth quarter of 2009 of $0.4 million compared to $0.6 million for the comparable 2008 period. For the full year 2009, realized gains were $8.9 million compared to $8.1 million for the comparative 2008 period, offset by other-than-temporary impairment losses of $5.1 million and $10.5 million, respectively. The 2008 other-than-temporary impairments primarily relate to losses taken on two Lehman Brothers Holdings Inc. bonds.

Losses and loss adjustment expenses were $3.8 million in the fourth quarter 2009, contributing to a loss ratio of 112%. For the full year 2009, losses and loss adjustment expenses were $20.7 million, contributing to a loss ratio of 77%. These loss ratios are the result of continued adverse developments on RAM's exposure to insured transactions with residential mortgage-backed security ("RMBS") exposures, particularly from the 2005 - 2007 vintages. In comparison, there were $81.5 million and $214.8 million of incurred losses in the comparable 2008 periods due to the significant adverse developments during 2008 on the Company's exposure to insured transactions with RMBS exposures.

Acquisition expenses were $1.0 million in the fourth quarter of 2009 compared to $10.9 million for the comparable 2008 period. For the full year 2009 acquisition expenses were $18.5 million compared to $30.6 million for the comparable 2008 period. The decrease in acquisition expenses in the fourth quarter and full year 2009 as compared to the comparable 2008 periods were primarily due to the decrease in earned premiums in the period. This decrease was offset by the write off of deferred acquisition costs ("DAC") considered unrecoverable in 2009 of $4.4 million compared to the write off of $2.0 million of DAC considered unrecoverable in 2008.

Fourth quarter 2009 operating expenses of $4.3 million were $0.6 million, or 16%, above the level in the fourth quarter of 2008. For the full year 2009, operating expenses were $17.5 million, compared to $16.9 million for the comparable 2008 period. During the fourth quarter 2009, the Company paid $1.0 million to the majority holder of the Senior Notes to waive the restrictions set forth in the replacement capital covenant the Company had previously entered into in connection with the issuance of the Series A Preference Shares and allow the tender offer on the Series A Preference Shares (see "Subsequent events" below). Excluding this payment, operating expenses for the fourth quarter and full year 2009 decreased by 11% and 2%, respectively. The decrease in operating expenses for 2009 as compared to 2008 was primarily due to the reduced operating costs associated with the withdrawal of the Company's ratings and cancellation of the Company's soft capital facilities.

Balance Sheet

Total assets of $457.8 million at December 31, 2009, were $116.5 million, or 20%, below the level at December 31, 2008. This decrease was primarily related to the reduction in invested assets on payment for the commutation with Ambac. Shareholders' equity of $75.8 million was $13.6 million, or 15%, below the level at December 31, 2008, primarily due to the cumulative effect of adopting ASC 944-20 of $(43.8) million offset by net income earned in 2009. Book value per share was $2.88, a decrease of 12% from year-end 2008. Operating book value and adjusted operating book value per share, each of which are non-GAAP financial measures, were $4.19 and $8.56, respectively, at December 31, 2009, a decrease of 8% and a decrease of 17%, respectively, from year-end 2008.

Subsequent events

<u>Preference Shares</u>

On January 29, 2010, RAM announced a tender offer to purchase any and all of its 75,000 outstanding Series A Preference Shares with a par value of $0.10 per share and a liquidation preference of $1,000 per share. At the same time, RAM Re announced a tender offer to purchase any and all of its 500.01 Class B Preference Shares, with a par value of US $1,000 per share and a liquidation preference of US $100,000 per share.

On March 15, 2010, RAM and RAM Re announced the final results of the tender offers. Holders of the Series A Preference Shares validly tendered 15,300 shares, or 20.40% of the 75,000 shares previously outstanding. Holders of the RAM Re Class B Preference Shares validly tendered 68.00 shares, or 13.60% of the 500.01 shares previously outstanding. RAM and RAM Re accepted for purchase all such Preference Shares that were validly tendered as of the applicable expiration date. RAM Re paid $1.7 million for all such Class B Preference Shares on March 9, 2010. RAM paid $3.8 million for all such Series A Preference Shares on March 10, 2010.

Following the settlement of the tender offers, 59,700 shares of Series A Preference Shares remain outstanding and 432.01 shares of Class B Preference Shares remain outstanding.

The Company expects that the repurchase of the Series A Preference Shares will result in a gain on repurchase during the first quarter of 2010 of $11.5 million. The Company expects that the repurchase of the Class B Preference Shares will result in a reduction to the Noncontrolling interest in Equity of $1.1 million during the first quarter of 2010, leaving $7.0 million Noncontrolling interest in Equity subsequent to this repurchase. The Company expects that a loss of $0.6 million will also be recorded during the first quarter of 2010 on the repurchase of the Class B Preference Shares of RAM Re.

<u>Long Term Debt</u>

On March 31, 2010, the Company repurchased $10.0 million of its remaining $35.0 million unsecured Senior Notes for $5.5 million plus accrued interest of $0.3 million, realizing a gain of $4.5 million. The Senior Notes that were repurchased were cancelled immediately after such repurchase. Following the settlement of the repurchase, $25.0 million of the Senior Notes remain outstanding.

Operating Supplement

Going forward, the Company's operating supplement will be provided on an annual basis only.

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 its current run off strategy, the financial results related to its security repurchases 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 our business strategy; (ii) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors; (iii) the loss of significant customers with whom RAM 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's insured portfolio; (vii) losses on credit derivatives; (viii) changes in RAM's accounting policies and procedures that impact RAM's reported financial results; and (ix) 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 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 it gives a measure of the value of RAM, excluding non-operating items of unrealized gains and losses on: (a) other financial instruments and (b) credit derivatives. The Company derives operating book value by beginning with GAAP book value and adding back (i) the fair value of other financial instruments; and (ii) the 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 2.2% at December 31, 2009, and 3.00% at December 31, 2008);

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'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 metric 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 our credit derivative policies as a normal extension of our 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, 2009 and 2008

(dollars in thousands)

	Dec 31, 2009	Dec 31, 2008
Assets		
Investments:		
Fixed-maturity securities held as available for sale, at fair value (Amortized Cost: $338,380 and $415,559)	$ 345,780	$ 421,890
Cash and cash equivalents	9,311	8,763
Restricted cash	2,885	8,285
Accrued investment income	2,244	4,438
Reinsurance balances receivable, net	22,345	1,115
Recoverable on paid losses	11,353	1,797
Deferred policy acquisition costs	61,900	74,795
Prepaid reinsurance premiums	0	1,599
Deferred expenses	1,408	1,588
Prepaid expenses	455	377
Other financial instruments (at fair value)	-	43,083
Other assets	145	6,552
Total Assets	$ 457,826	$ 574,282
Liabilities and Equity		
Liabilities:		
Loss and loss expense reserve	$ 56,672	$ 95,794
Unearned premiums	153,430	158,594
Reinsurance balances payable	-	24,621
Accounts payable and accrued liabilities	3,050	2,494
Long-term debt	35,000	40,000
Redeemable preference shares: $0.10 par value and $1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 75,000	75,000	75,000
Accrued interest payable	619	693
Derivative liabilities	50,135	85,354
Other liabilities	-	2,375
Total Liabilities	373,906	484,925
Shareholders' Equity:		
Common stock: $0.10 par value; authorized shares - 90,000,000; Issued and outstanding shares - 26,340,174 shares at December 31, 2009 and 27,251,595 at December 31, 2008	2,634	2,725
Additional paid-in capital	230,962	230,438
Accumulated other comprehensive income	7,400	6,331
Retained deficit	(165,190)	(150,137)
Total Shareholders' Equity	75,806	89,357
Noncontrolling interest - Class B preference shares of subsidiary	8,114	-
Total Equity	83,920	89,357
Total Liabilities and Equity	$ 457,826	$ 574,282

RAM Holdings Ltd.

Consolidated Statements of Operations

(unaudited)

For the three months and year ended December 31, 2009 and 2008

(dollars in thousands except share and per share amounts)

	Three Months Ended Dec 31,		Year ended Dec 31,	
	2009	2008	2009	2008
Revenues				
Net premiums earned	$ 3,364	$ 15,181	$ 26,735	$ 68,577
Change in fair value of credit derivatives				

Realized gains (losses) and other settlements	1,170	(24,098)	4,290	(86,320)
Unrealized gains	7,820	42,838	34,490	94,288
Net change in fair value of credit derivatives	8,990	18,740	38,780	7,968
Net investment income	3,093	5,687	14,431	29,358
Net realized gains on investments	593	3,470	8,867	8,112
Total other-than-temporary impairment losses	(1)	(582)	(4,939)	(10,468)
Portion of impairment losses recognized in other comprehensive income (loss)	(384)	-	(118)	-
Net other-than-temporary impairment losses (recognized in earnings)	(385)	(582)	(5,057)	(10,468)
Net unrealized (loss) gain on other financial instruments	-	1,333	(1,197)	7,754
Foreign currency gains (losses)	56	(10)	473	(51)
Net gains on extinguishment of debt	-	-	3,403	-
Total revenues	**15,711**	**43,819**	**86,435**	**111,250**
Expenses				
Losses and loss adjustment expenses	3,826	81,537	20,684	214,828
Acquisition expenses	1,016	10,912	18,540	30,576
Operating expenses	4,280	3,684	17,526	16,930
Interest expense	618	3,506	2,504	8,375
Total expenses	**9,740**	**99,639**	**59,254**	**270,709**
Net income (loss)	**$ 5,971**	**$ (55,820)**	**$ 27,181**	**$ (159,459)**
Noncontrolling interest - dividends on preference shares	-	-	(922)	-
Net income (loss) available to common shareholders	**$ 5,971**	**$ (55,820)**	**$ 26,259**	**$ (159,459)**
Net income (loss) per common share:				
Basic	$ 0.23	$ (2.05)	$ 0.98	$ (5.85)
Diluted	0.23	(2.05)	0.98	(5.85)
Weighted-average number of common shares outstanding:				
Basic	26,340,174	27,251,595	26,720,456	27,249,220
Diluted	26,340,174	27,251,595	26,720,456	27,249,220

Reconciliation of net income (loss) to operating loss:

	Three Months Ended Dec 31,		Year ended Dec 31,	
	2009	**2008**	**2009**	**2008**
Operating Income (Loss)				
Net income (loss) available to common shareholders	$ 5,971	$ (55,820)	$ 26,259	$(159,459)
Less: Realized gains on investments and other-than-temporary impairment losses	(208)	(2,888)	(3,810)	2,356
Less: Unrealized gains on credit derivatives	(7,820)	(42,838)	(34,490)	(94,288)
Add back: credit impairment on derivatives	(1,489)	21,237	(8,363)	38,399
Less: Foreign currency (gains) losses	(56)	10	(473)	51
Less: Other gains on debt and other financial instruments	-	(1,333)	(2,206)	(7,754)
Operating Loss	$ (3,602)	$ (81,632)	$(23,083)	$(220,695)
Net income (loss) per diluted share	$ 0.23	$ (2.05)	$ 0.98	$ (5.85)
Less: Realized gains on investments and other-than-temporary impairment losses	(0.01)	(0.11)	(0.14)	0.09
Less: Unrealized gains on credit derivatives	(0.30)	(1.57)	(1.29)	(3.46)
Add back: credit impairment on derivatives	(0.06)	0.78	(0.31)	1.41
Less: Foreign currency (gains) losses	(0.00)	0.00	(0.02)	0.00
Less: Other gains on debt and other financial instruments	0.00	(0.05)	(0.08)	(0.28)
Operating loss per diluted share	$ (0.14)	$ (3.00)	$ (0.86)	$ (8.10)

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

	31-Dec-09	31-Dec-08
Shares outstanding	26,340	27,252
Shareholders' Equity (Book Value)	75,806	89,357
Derivative Liability (Asset) (3)	48,938	83,429
Add back credit impairments on derivatives	(14,377)	(6,014)
Fair value of other financial instruments	-	(43,083)
Operating book value	110,367	123,689
Operating book value per share	4.19	4.54
Noncontrolling interest	8,114	-
Unearned premiums (1)	155,262	160,519
Prepaid reinsurance premiums	-	(1,599)
Deferred Acquisition Costs	(61,900)	(74,795)
Present Value of Installment Premiums (2)	21,028	78,697
Unrealized Losses (Gains) on Investments	(7,400)	(6,331)
Adjusted book value	225,471	280,180
Adjusted Operating Book Value Per Share	$ 8.56	$ 10.28

(1) Includes unearned premium balances on credit derivative policies. In 2009 includes the present value of future installment premiums on financial guarantee policies

(2) Estimated present value of future installments, net of ceding commissions, on policies written in credit derivative form only in 2009 and on all policies (written in credit derivative or financial guarantee form) in 2008. At December 31, 2009 and December 31, 2008, the discount rate was 2.20% and 3.00%, respectively.

(3) Represents the unrealized gains/losses portion of the Derivative liability.

RAM will post its year end 2009 financial results and annual report 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 or annual report by mail, please contact:

SOURCE: RAM Holdings Ltd.

RAM Holdings Ltd.
Ted Gilpin, 441-298-2107
tgilpin@ramre.bm