Radian Group Inc. and Subsidiaries
Definition of Consolidated Non-GAAP Financial Measures
Exhibit F (page 1 of 2)

Use of Non-GAAP Financial Measures

In addition to the traditional GAAP financial measures, we have presented non-GAAP financial measures for the consolidated company, “adjusted pretax operating income (loss)” and “adjusted diluted net operating income (loss) per share,” among our key performance indicators to evaluate our fundamental financial performance. These non-GAAP financial measures align with the way the Company’s business performance is evaluated by both management and the board of directors. These measures have been established in order to increase transparency for the purposes of evaluating our core operating trends and enabling more meaningful comparisons with our peers. Although on a consolidated basis “adjusted pretax operating income (loss)” and “adjusted diluted net operating income (loss) per share” are non-GAAP financial measures, we believe these measures aid in understanding the underlying performance of our operations. Our senior management, including our Chief Executive Officer (the Company’s chief operating decision maker), uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of the Company’s business segments and to allocate resources to the segments.

Adjusted pretax operating income (loss) is defined as GAAP pretax income (loss) from continuing operations excluding the effects of net gains (losses) on investments and other financial instruments, loss on induced conversion and debt extinguishment, acquisition-related expenses, amortization and impairment of intangible assets and net impairment losses recognized in earnings. Adjusted diluted net operating income (loss) per share is calculated by dividing (i) adjusted pretax operating income (loss) attributable to common shareholders, net of taxes computed using the company’s statutory tax rate, by (ii) the sum of the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. Interest expense on convertible debt, share dilution from convertible debt and the impact of stock-based compensation arrangements have been reflected in the per share calculations consistent with the accounting standard regarding earnings per share, whenever the impact is dilutive.

Although adjusted pretax operating income (loss) excludes certain items that have occurred in the past and are expected to occur in the future, the excluded items represent those that are: (1) not viewed as part of the operating performance of our primary activities; or (2) not expected to result in an economic impact equal to the amount reflected in pretax income (loss) from continuing operations. These adjustments, along with the reasons for their treatment, are described below.

(1) *Net gains (losses) on investments and other financial instruments.* The recognition of realized investment gains or losses can vary significantly across periods as the activity is highly discretionary based on the timing of individual securities sales due to such factors as market opportunities, our tax and capital profile and overall market cycles. Unrealized investment gains and losses arise primarily from changes in the market value of our investments that are classified as trading. These valuation adjustments may not necessarily result in economic gains or losses.

    Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these realized and unrealized gains or losses. We do not view them to be indicative of our fundamental operating activities. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss). However, we include the change in expected economic loss or recovery associated with our consolidated VIEs, if any, in the calculation of adjusted pretax operating income (loss).

(2) *Loss on induced conversion and debt extinguishment.* Gains or losses on early extinguishment of debt and losses incurred to induce conversion of convertible debt prior to maturity are discretionary activities that are undertaken in order to take advantage of market opportunities to strengthen our financial position; therefore, we do not view these activities as part of our operating performance. Such transactions do not reflect expected future operations and do not provide meaningful insight regarding our current or past operating trends. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss).

(3) *Acquisition-related expenses.* Acquisition-related expenses represent the costs incurred to effect an acquisition of a business (i.e., a business combination). Because we pursue acquisitions on a strategic and selective basis and not in the ordinary course of our business, we do not view acquisition-related expenses as a consequence of a primary business activity. Therefore, we do not consider these expenses to be part of our operating performance and they are excluded from our calculation of adjusted pretax operating income (loss).

(4) *Amortization and impairment of intangible assets.* Amortization of intangible assets represents the periodic expense required to amortize the cost of intangible assets over their estimated useful lives. Intangible assets with an indefinite useful life are also periodically reviewed for potential impairment, and impairment adjustments are made whenever appropriate. These charges are not viewed as part of the operating performance of our primary activities and therefore are excluded from our calculation of adjusted pretax operating income (loss).

(5) *Net impairment losses recognized in earnings.* The recognition of net impairment losses on investments can vary significantly in both size and timing, depending on market credit cycles. We do not view these impairment losses to be indicative of our fundamental operating activities. Therefore, whenever these losses occur, we exclude them from our calculation of adjusted pretax operating income (loss).

In addition to the above non-GAAP measures for the consolidated company, we also have presented as supplemental information a non-GAAP measure for our Services segment, representing earnings before interest, income taxes, depreciation and amortization ("EBITDA"). We calculate Services EBITDA by using adjusted pretax operating income as described above, further adjusted to remove the impact of depreciation and corporate allocations for interest and operating expenses. We have presented Services EBITDA to facilitate comparisons with other services companies, since it is a widely accepted measure of performance in the services industry.

See Exhibit G for the reconciliation of our non-GAAP financial measures for the consolidated company, adjusted pretax operating income and adjusted diluted net operating income per share, to the most comparable GAAP measures, pretax income from continuing operations and net income per share from continuing operations, respectively. Exhibit G also contains the reconciliation of Services EBITDA to the most comparable GAAP measure, pretax income from continuing operations.

Total adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share and Services EBITDA are not measures of total profitability, and therefore should not be viewed as substitutes for GAAP pretax income (loss) from continuing operations or net income (loss) per share from continuing operations. Our definitions of adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share or EBITDA may not be comparable to similarly-named measures reported by other companies.

Radian Group Inc. and Subsidiaries
Consolidated Non-GAAP Financial Measure Reconciliations
Exhibit G (page 1 of 2)

Reconciliation of Adjusted Pretax Operating Income (Loss) to Consolidated Pretax Income from Continuing Operations

	2016	2015			
(In thousands)	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Adjusted pretax operating income (loss):					
Mortgage Insurance (1)	**$ 140,132**	$ 125,904	$ 115,905	$ 145,426	$ 125,892
Services	**(9,913)**	(1,797)	(279)	1,834	(1,991)
Total adjusted pretax operating income	**130,219**	124,107	115,626	147,260	123,901
Net gains (losses) on investments and other financial instruments (2)	**31,286**	(13,402)	3,868	28,448	16,779
Loss on induced conversion and debt extinguishment	**(55,570)**	(2,320)	(11)	(91,876)	—
Acquisition-related expenses (3)	**(205)**	(266)	(525)	(567)	(207)
Amortization and impairment of intangible assets (3)	**(3,328)**	(3,409)	(3,273)	(3,281)	(3,023)
Consolidated pretax income from continuing operations	**$ 102,402**	$ 104,710	$ 115,685	$ 79,984	$ 137,450

(1) For periods prior to the quarter ended June 30, 2015, includes certain corporate income and expenses that have been reallocated from our prior financial guaranty segment to the Mortgage Insurance segment and that were not reclassified to discontinued operations.
(2) This line item includes a de minimis amount of expected economic loss or recovery associated with our previously consolidated VIEs that is included in adjusted pretax operating income above.
(3) Please see Exhibit F for the definition of this line item.

Reconciliation of Adjusted Diluted Net Operating Income Per Share (1) to Net Income Per Share from Continuing Operations

	2016	2015			
	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Adjusted diluted net operating income per share	**$ 0.37**	$ 0.34	$ 0.31	$ 0.40	$ 0.35
After tax per share impact:					
Net gains (losses) on investments and other financial instruments	**0.08**	(0.03)	0.01	0.07	0.04
Loss on induced conversion and debt extinguishment	**(0.15)**	(0.01)	—	(0.28)	—
Acquisition-related expenses	**—**	—	—	—	—
Amortization and impairment of intangible assets	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Difference between statutory and effective tax rate	**—**	0.03	(0.02)	0.02	0.01
Net income per share from continuing operations	**$ 0.29**	$ 0.32	$ 0.29	$ 0.20	$ 0.39

(1) Calculated using the company's statutory tax rate.

Radian Group Inc. and Subsidiaries
Consolidated Non-GAAP Financial Measure Reconciliations
Exhibit G (page 2 of 2)

Reconciliation of Services Segment EBITDA to Consolidated Pretax Income from Continuing Operations

(In thousands)	2016 Qtr 1	2015 Qtr 4	2015 Qtr 3	2015 Qtr 2	2015 Qtr 1
Services EBITDA	**$ (3,079)**	$ 4,197	$ 6,266	$ 8,054	$ 3,871
Allocation of corporate operating expenses to Services	**(1,751)**	(968)	(1,567)	(1,307)	(981)
Allocation of corporate interest expenses to Services	**(4,422)**	(4,414)	(4,423)	(4,431)	(4,432)
Services depreciation and amortization	**(661)**	(612)	(555)	(482)	(449)
Services adjusted pretax operating (loss) income	**(9,913)**	(1,797)	(279)	1,834	(1,991)
Mortgage Insurance adjusted pretax operating income	**140,132**	125,904	115,905	145,426	125,892
Total adjusted pretax operating income	**130,219**	124,107	115,626	147,260	123,901
Net gains (losses) on investments and other financial instruments	**31,286**	(13,402)	3,868	28,448	16,779
Loss on induced conversion and debt extinguishment	**(55,570)**	(2,320)	(11)	(91,876)	—
Acquisition-related expenses	**(205)**	(266)	(525)	(567)	(207)
Amortization and impairment of intangible assets	**(3,328)**	(3,409)	(3,273)	(3,281)	(3,023)
Consolidated pretax income from continuing operations	**$ 102,402**	$ 104,710	$ 115,685	$ 79,984	$ 137,450

On a consolidated basis, “adjusted pretax operating income” and “adjusted diluted net operating income per share” are measures not determined in accordance with GAAP. "Services EBITDA" is also a non-GAAP measure. These measures are not representative of total profitability, and therefore should not be viewed as substitutes for GAAP pretax income from continuing operations or net income per share from continuing operations. Our definitions of adjusted pretax operating income, adjusted diluted net operating income per share or EBITDA may not be comparable to similarly-named measures reported by other companies. See Exhibit F for additional information on our consolidated non-GAAP financial measures.