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 “adjusted pretax operating income (loss)” and “adjusted diluted net operating income (loss) per share,” non-GAAP financial measures for the consolidated company, 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 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) 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). 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 purchase our convertible debt prior to maturity are discretionary activities that are undertaken in order to take advantage of market opportunities to strengthen our financial and capital positions; 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 a measure of earnings before interest, income taxes, depreciation and amortization ("EBITDA"). We calculate Services adjusted 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 adjusted 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 and diluted net income per share, respectively. Exhibit G also contains the reconciliation of Services adjusted EBITDA to the most comparable GAAP measure, net income.

Total adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share and Services adjusted EBITDA are not measures of total profitability, and therefore should not be viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share or net income. Our definitions of adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share or Services adjusted 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

	2016			2015	
(In thousands)	**Qtr 3**	Qtr 2	Qtr 1	Qtr 4	Qtr 3
Adjusted pretax operating income (loss):					
Mortgage Insurance	**$ 142,468**	$ 137,345	$ 140,132	$ 125,904	$ 115,905
Services	**(2,539)**	(5,960)	(9,913)	(1,797)	(279)
Total adjusted pretax operating income	**139,929**	131,385	130,219	124,107	115,626
Net gains (losses) on investments and other financial instruments	**7,711**	30,527	31,286	(13,402)	3,868
Loss on induced conversion and debt extinguishment	**(17,397)**	(2,108)	(55,570)	(2,320)	(11)
Acquisition-related expenses (1)	**(10)**	54	(205)	(266)	(525)
Amortization and impairment of intangible assets (1)	**(3,292)**	(3,311)	(3,328)	(3,409)	(3,273)
Consolidated pretax income	**$ 126,941**	$ 156,547	$ 102,402	$ 104,710	$ 115,685

(1) Please see Exhibit F for the definition of this line item.

Reconciliation of Adjusted Diluted Net Operating Income Per Share to Diluted Net Income Per Share

	2016			2015	
	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3
Adjusted diluted net operating income per share (1)	**$ 0.41**	$ 0.38	$ 0.37	$ 0.34	$ 0.31
Per share impact of debt items:					
Loss on induced conversion and debt extinguishment	**(0.08)**	(0.01)	(0.23)	(0.01)	—
Income tax provision (benefit) (2)	**(0.03)**	—	(0.03)	(0.04)	—
Per share impact of debt items	**(0.05)**	(0.01)	(0.20)	0.03	—
Per share impact of other reconciling items:					
Net gains (losses) on investments and other financial instruments	**0.03**	0.13	0.13	(0.05)	0.01
Acquisition-related expenses	**—**	—	—	—	—
Amortization and impairment of intangible assets	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Income tax provision (benefit) on other reconciling items (1)	**0.01**	0.04	0.04	(0.02)	—
Difference between statutory and effective tax rate	**—**	(0.01)	0.04	(0.01)	(0.02)
Per share impact of other reconciling items	**0.01**	0.07	0.12	(0.05)	(0.02)
Diluted net income per share	**$ 0.37**	$ 0.44	$ 0.29	$ 0.32	$ 0.29

(1) Calculated using the company’s federal statutory tax rate. Any permanent tax adjustments and state income taxes on these items have been deemed immaterial and are not included.
(2) A portion of the loss on induced conversion and debt extinguishment is non-deductible for tax purposes. The income tax benefit is based on the tax deductible loss using the company's federal statutory tax rate.

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

Reconciliation of Services Adjusted EBITDA to Net Income

(In thousands)	2016			2015	
	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3
Services adjusted EBITDA	**$ 5,031**	$ 1,988	$ (3,079)	$ 4,197	$ 6,266
Allocation of corporate operating expenses to Services	**(2,265)**	(2,779)	(1,751)	(968)	(1,567)
Allocation of corporate interest expenses to Services	**(4,423)**	(4,422)	(4,422)	(4,414)	(4,423)
Services depreciation and amortization	**(882)**	(747)	(661)	(612)	(555)
Services adjusted pretax operating income (loss)	**(2,539)**	(5,960)	(9,913)	(1,797)	(279)
Mortgage Insurance adjusted pretax operating income	**142,468**	137,345	140,132	125,904	115,905
Total adjusted pretax operating income	**139,929**	131,385	130,219	124,107	115,626
Net gains (losses) on investments and other financial instruments	**7,711**	30,527	31,286	(13,402)	3,868
Loss on induced conversion and debt extinguishment	**(17,397)**	(2,108)	(55,570)	(2,320)	(11)
Acquisition-related expenses	**(10)**	54	(205)	(266)	(525)
Amortization and impairment of intangible assets	**(3,292)**	(3,311)	(3,328)	(3,409)	(3,273)
Consolidated pretax income	**126,941**	156,547	102,402	104,710	115,685
Income tax provision	**44,138**	58,435	36,153	30,182	45,594
Net income	**$ 82,803**	$ 98,112	$ 66,249	$ 74,528	$ 70,091

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 adjusted 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 or diluted net income per share. Our definitions of adjusted pretax operating income, adjusted diluted net operating income per share or Services adjusted 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.