



# RADIAN

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## Financial Results Q2 2017

NYSE: RDN  
[www.radian.biz](http://www.radian.biz)

# SAFE HARBOR STATEMENTS

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All statements in this presentation that address events, developments or results that we expect or anticipate may occur in the future are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the U.S. Private Securities Litigation Reform Act of 1995. In most cases, forward-looking statements may be identified by words such as “anticipate,” “may,” “will,” “could,” “should,” “would,” “expect,” “intend,” “plan,” “goal,” “contemplate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “seek,” “strategy,” “future,” “likely” or the negative or other variations on these words and other similar expressions. These statements, which may include, without limitation, projections regarding our future performance and financial condition, are made on the basis of management’s current views and assumptions with respect to future events. Any forward-looking statement is not a guarantee of future performance and actual results could differ materially from those contained in the forward-looking statement. These statements speak only as of the date they were made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We operate in a changing environment where new risks emerge from time to time and it is not possible for us to predict all risks that may affect us. The forward-looking statements, as well as our prospects as a whole, are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. These risks and uncertainties include, without limitation:

- changes in general economic and political conditions, including unemployment rates, interest rates and changes in housing and mortgage credit markets, that impact the size of the insurable market and the credit performance of our insured portfolio;
- changes in the way customers, investors, ratings agencies, regulators or legislators perceive our performance, financial strength and future prospects;
- Radian Guaranty’s ability to remain eligible under the Private Mortgage Insurance Eligibility Requirements (“PMIERS”) and other applicable requirements imposed by the Federal Housing Finance

Agency and by the Government-Sponsored Enterprises (“GSEs”) to insure loans purchased by the GSEs;

- our ability to successfully execute and implement our capital plans and to maintain sufficient holding company liquidity to meet our short- and long-term liquidity needs;
- our ability to successfully execute and implement our business plans and strategies, including plans and strategies to reposition our Services business as well as plans and strategies that require GSE and/or regulatory approvals;
- our ability to maintain an adequate level of capital in our insurance subsidiaries to satisfy existing and future state regulatory requirements;
- changes in the charters or business practices of, or rules or regulations imposed by or applicable to the GSEs, including the GSEs’ interpretation and application of the PMIERS to our mortgage insurance business;
- changes in the current housing finance system in the U.S., including the role of the Federal Housing Administration (“FHA”), the GSEs and private mortgage insurers in this system;
- any disruption in the servicing of mortgages covered by our insurance policies, as well as poor servicer performance;
- a significant decrease in the Persistency Rates of our mortgage insurance policies;
- competition in our mortgage insurance business, including price competition and competition from the FHA, U.S. Department of Veteran Affairs and other forms of credit enhancement;
- the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) on the financial services industry in general, and on our businesses in particular;
- the adoption of new laws and regulations, or changes in existing laws and regulations (including to the Dodd-Frank Act), or the way they are interpreted or applied;

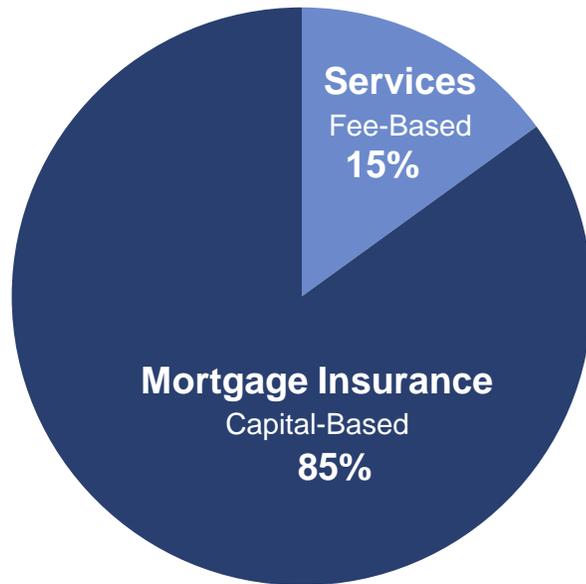
- legal and regulatory claims, assertions, actions, reviews, audits, inquiries and investigations that could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief that could require significant expenditures or have other effects on our business;
- the amount and timing of potential payments or adjustments associated with federal or other tax examinations, including deficiencies assessed by the IRS resulting from its examination of our 2000 through 2007 tax years, which we are currently contesting;
- the possibility that we may fail to estimate accurately the likelihood, magnitude and timing of losses in connection with establishing loss reserves for our mortgage insurance business;
- volatility in our results of operations caused by changes in the fair value of our assets and liabilities, including a significant portion of our investment portfolio;
- potential future impairment charges related to our goodwill and other intangible assets, and uncertainties regarding our ability to execute our restructuring plans within expected costs;
- changes in accounting principles generally accepted in the U.S. (“GAAP”) or statutory accounting principles and practices (“SAPP”) rules and guidance, or their interpretation;
- our ability to attract and retain key employees; and
- legal and other limitations on dividends and other amounts we may receive from our subsidiaries.

**For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, and subsequent reports filed from time to time with the U.S. Securities and Exchange Commission. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date on which we issued this presentation. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements to reflect new information or future events or for any other reason.**

# WHO IS RADIAN?

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## Q2 2017 REVENUE



Total Net Premiums Earned and Services Revenue: **\$269 million<sup>(1)</sup>**

1) Represents total revenues on individual segment basis.

**Radian Group Inc., headquartered in Philadelphia, provides private mortgage insurance, risk management products and real estate services to financial institutions through two business segments:**

### **Mortgage Insurance:**

Provided through its principal mortgage insurance subsidiary Radian Guaranty Inc., helps protect lenders by mitigating default-related losses, facilitates the sale of low down payment mortgages in the secondary market and enables homebuyers to purchase homes more quickly with down payments less than 20%.

### **Mortgage and Real Estate Services:**

Provided through its principal services subsidiary Clayton, as well as Green River Capital, Red Bell Real Estate and ValuAmerica. Solutions include information and services that financial institutions, investors and government entities use to evaluate, acquire, securitize, service and monitor loans and asset-backed securities.

**Ensuring the American Dream<sup>®</sup>**  
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# Q2 HIGHLIGHTS

**\$27.3 million**

**Net Loss**

**\$0.13**

**Diluted Net Loss Per Share**

Includes non-cash goodwill and other intangible assets impairment charge of \$130.9 million, after tax

**11% increase**

**In New Insurance Written**

\$14.3 billion of new insurance written, compared to \$12.9 billion in Q2 2016

NIW for the month of June 2017 represented record monthly volume written on a flow basis for the company

**\$0.48**

**Adjusted Diluted Net Operating Income Per Share <sup>(1)</sup>**

Compares to adjusted diluted net operating income per share of \$0.38 in Q2 2016 <sup>(1)</sup>

**8% increase**

**In Primary Insurance In Force**

\$191.6 billion as of June 30, 2017, compared to \$177.7 billion as of June 30, 2016

**3% increase**

**In Book Value Per Share**

Book value per share of \$13.54 as of June 30, 2017, compared to \$13.09 as of June 30, 2016

**12% increase**

**In Tangible Book Value Per Share <sup>(1)</sup>**

Tangible book value per share of \$13.22 as of June 30, 2017, compared to \$11.77 as of June 30, 2016 <sup>(1)</sup>

**\$17.2M**

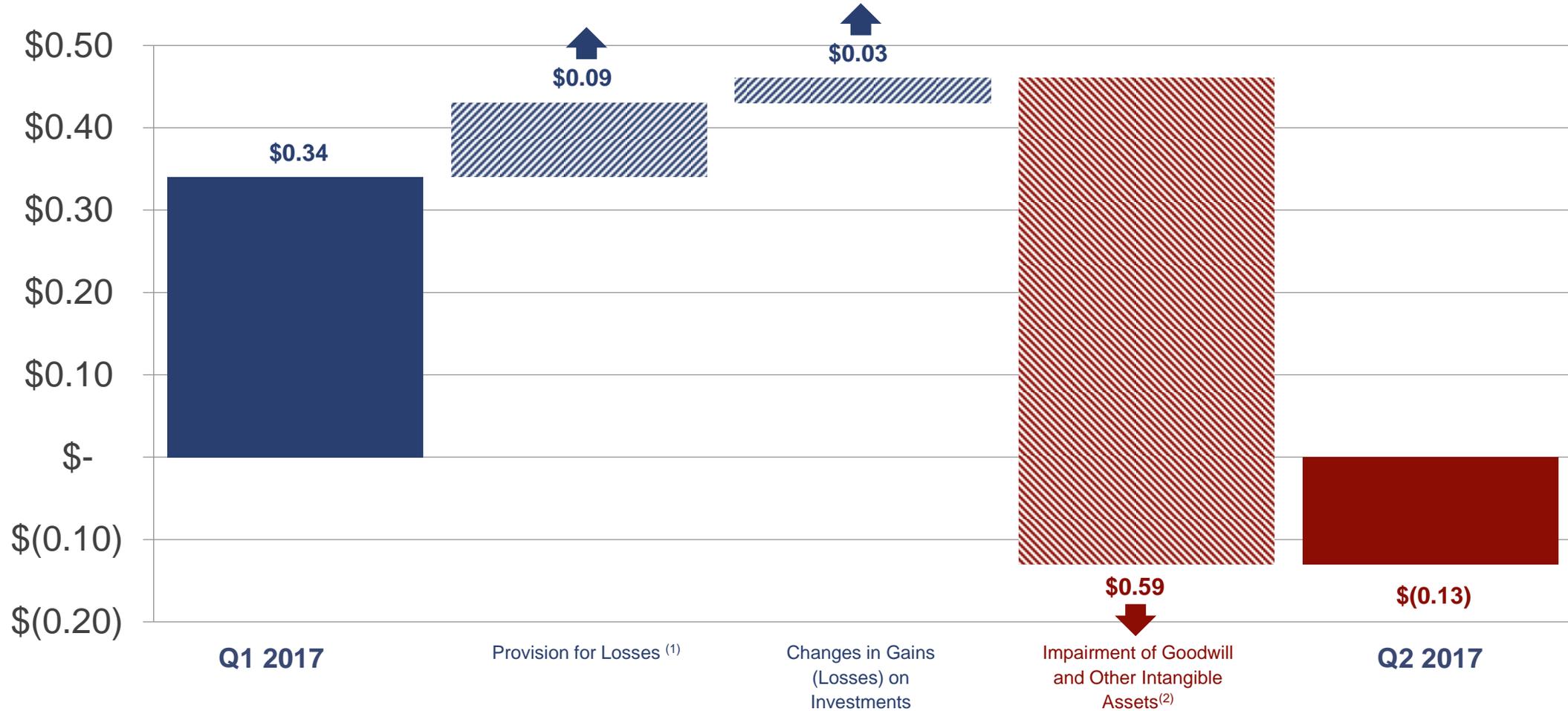
**Provision for Losses**

65% improvement from Q2 2016 primarily due to positive reserve development on prior period defaults as well as a modest reduction in default to claim rate assumptions on new defaults

1) Adjusted results, including adjusted diluted net operating income per share and tangible book value per share, as used in this presentation, are non-GAAP financial measures. For a reconciliation of the adjusted results to the comparable GAAP measures and the definitions of adjusted diluted net operating income per share and tangible book value per share, see Appendix, Slides 26-30.

# NET INCOME (LOSS)

Q1 2017 to Q2 2017 GAAP Diluted Net Income (Loss) Per Share



1) Includes \$26.6M positive impact from improved default to claim rate assumptions, including a 0.50% reduction in the assumed rate for new primary notices of default (now 11.0%).

2) Consists of \$0.54 per share goodwill impairment and \$0.05 per share impairment of other intangible assets, each net of tax.

# BOOK VALUE

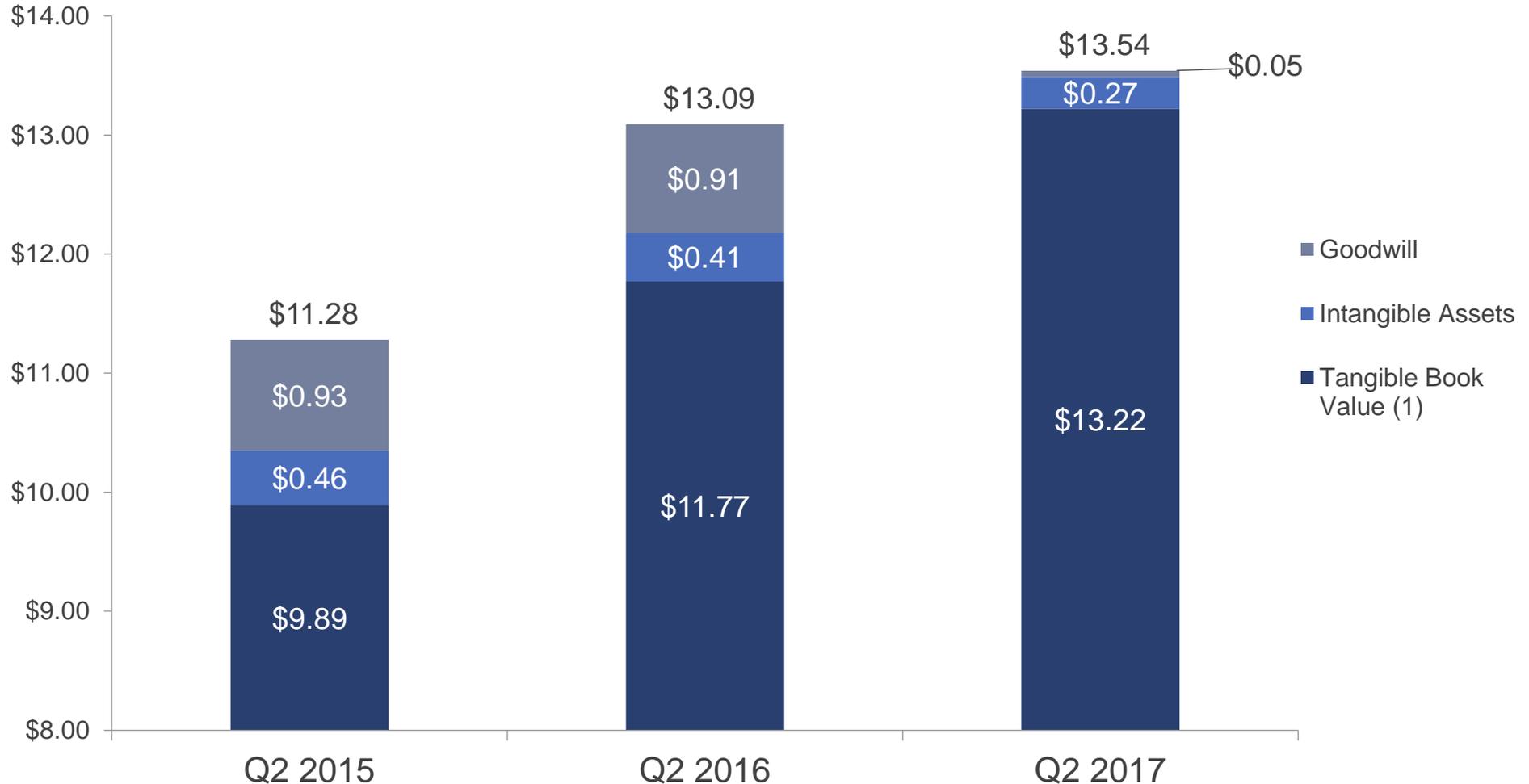
Q1 2017 to Q2 2017 GAAP Book Value Per Share <sup>(1)</sup>



- 1) All book value per share items above are calculated based on 215.1 million shares outstanding as of March 31, 2017, except for the June 30, 2017 book value per share, which was calculated based on 215.2 million shares outstanding as of June 30, 2017.
- 2) The \$0.13 impact of the net loss on book value per share includes the impact of a goodwill and other intangible assets impairment charge of \$0.61 per share, which differs from the \$0.59 impact to net income given that book value per share is calculated using outstanding, and not fully diluted, shares.
- 3) Tangible book value per share, as used in this presentation, is a non-GAAP financial measure. For a reconciliation to the comparable GAAP measure, see Appendix Slide 29, and for a definition of tangible book value per share, see Appendix Slide 26.

# BOOK VALUE

Comparison of Book Value Per Share



1) Tangible book value per share, as used in this presentation, is a non-GAAP financial measure. For a reconciliation to the comparable GAAP measure, see Appendix Slide 29, and for a definition of tangible book value per share, see Appendix Slide 26.

# FINANCIAL HIGHLIGHTS

<b>Radian Group Inc. Consolidated</b> (\$ in millions, except per-share amounts)	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Total Assets	\$5,817	\$5,828	\$5,863
Loss Reserves	\$652	\$726	\$760
Unearned Premiums	\$702	\$685	\$681
Long-Term Debt	\$989	\$1,009	\$1,070
Stockholders' Equity	\$2,914	\$2,920	\$2,872
Book Value Per Share	\$13.54	\$13.58	\$13.39
Tangible Book Value Per Share <sup>(1)</sup>	\$13.22	\$12.31	\$12.10
Available Holding Company Liquidity	\$363	\$360	\$461
PMIERS Cushion <sup>(2)</sup>	\$321	\$320	\$210
Statutory Capital (Radian Guaranty)	\$2,617	\$2,527 <sup>(3)</sup>	\$2,610

- 1) Tangible book value per share, as used in this presentation, is a non-GAAP financial measure. For a reconciliation to the comparable GAAP measure, see Appendix Slide 29, and for a definition of tangible book value per share, see Appendix Slide 26.
- 2) Radian Guaranty currently is an approved mortgage insurer under the PMIERS, and is in compliance with the PMIERS financial requirements. PMIERS cushion is the excess of Radian Guaranty's Available Assets under the PMIERS, which were approximately \$4.1 billion as of June 30, 2017, over its Minimum Required Assets under the PMIERS, which were approximately \$3.8 billion as of June 30, 2017.
- 3) The decrease in Radian Guaranty's statutory capital during the first quarter of 2017 was a result of a re-allocation of capital among subsidiaries. On March 31, 2017, Radian Guaranty transferred \$175.0 million of cash and marketable securities to Radian Group by way of an extraordinary dividend approved by the Pennsylvania Department of Insurance, for the exclusive purpose of making a capital contribution to Radian Reinsurance. This transaction resulted in a \$175.0 million decrease in Radian Guaranty's statutory policyholders' surplus (i.e., statutory capital and surplus) and a corresponding increase in Radian Reinsurance's statutory policyholders' surplus.

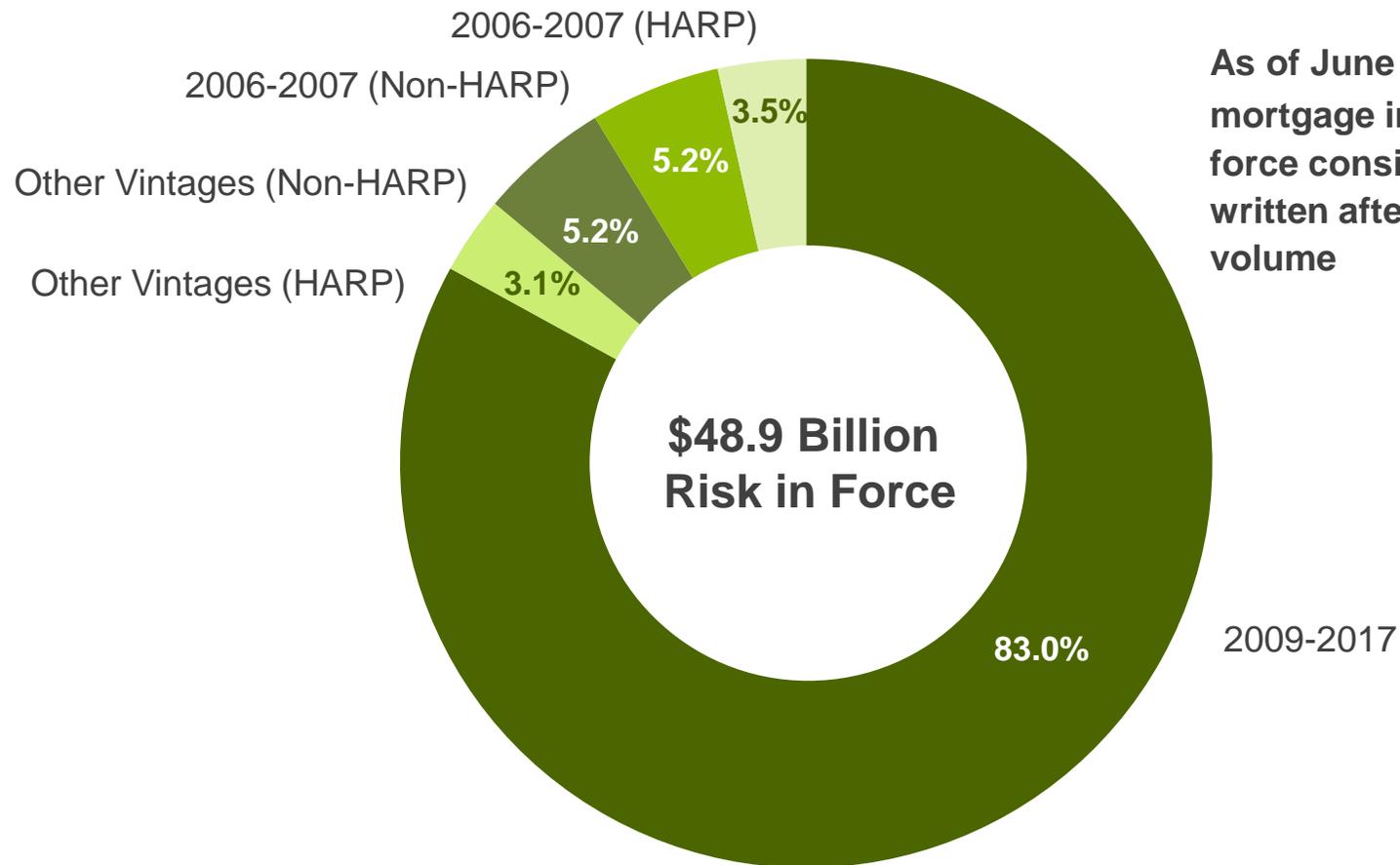


# MORTGAGE INSURANCE



# IMPROVED COMPOSITION OF MI PORTFOLIO

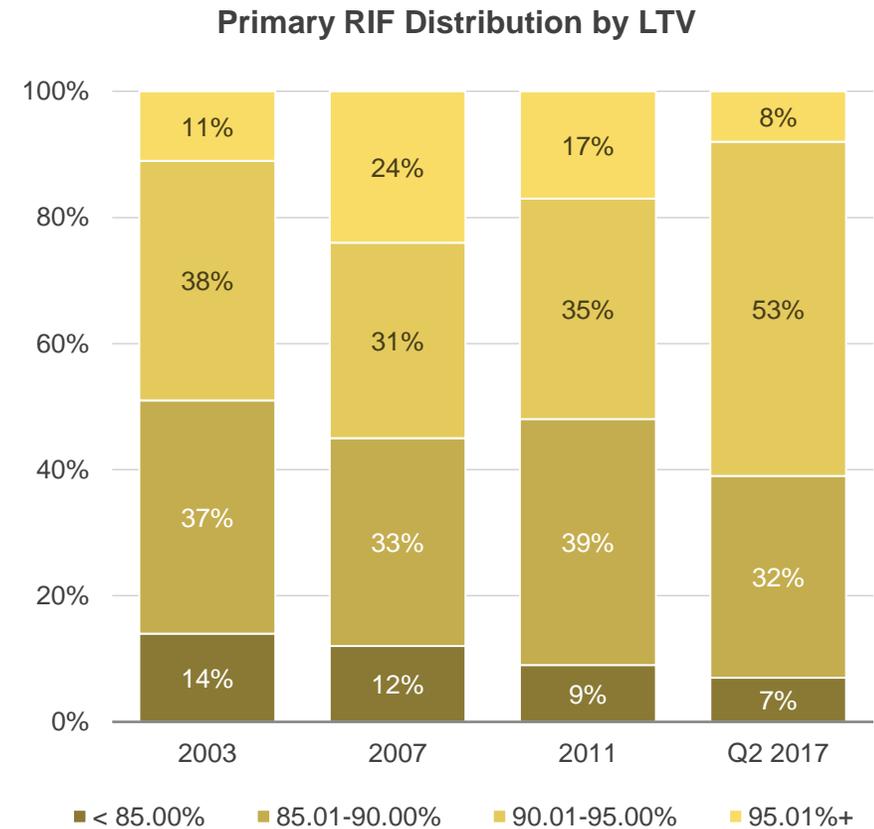
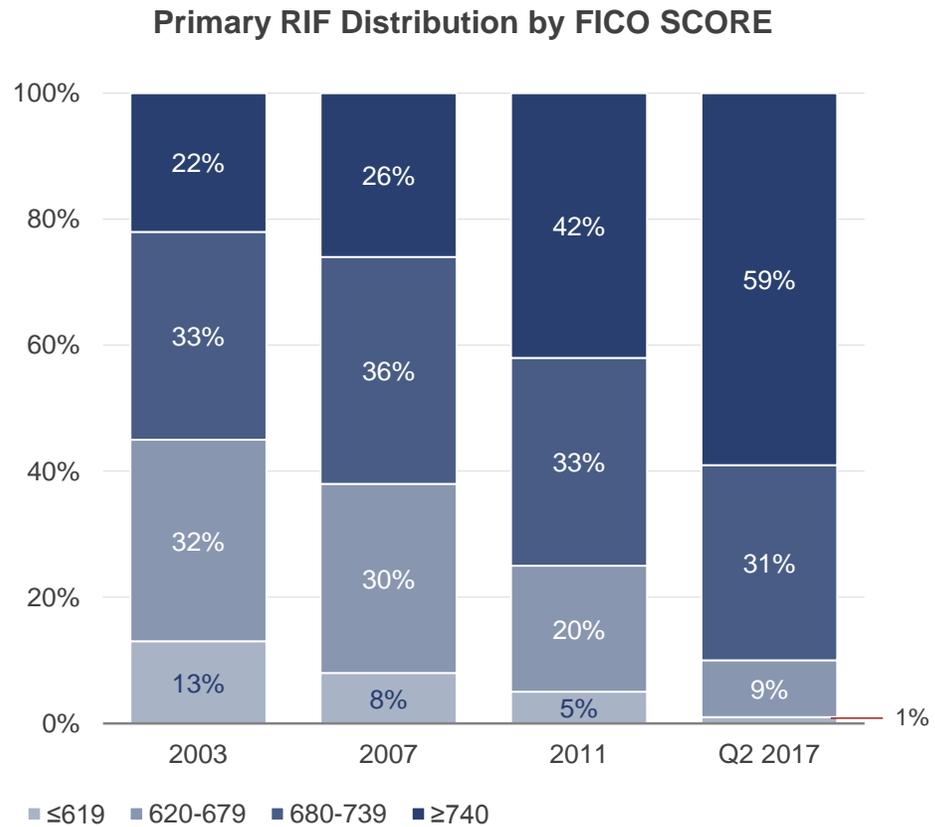
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As of June 30, 2017, **90%** of mortgage insurance primary risk in force consists of new business written after 2008, including HARP volume

# IMPROVED COMPOSITION OF MI PORTFOLIO

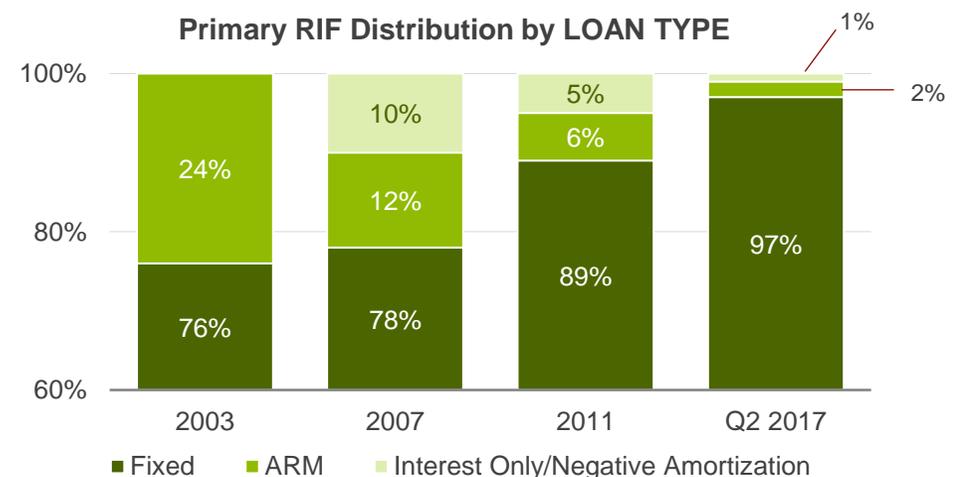
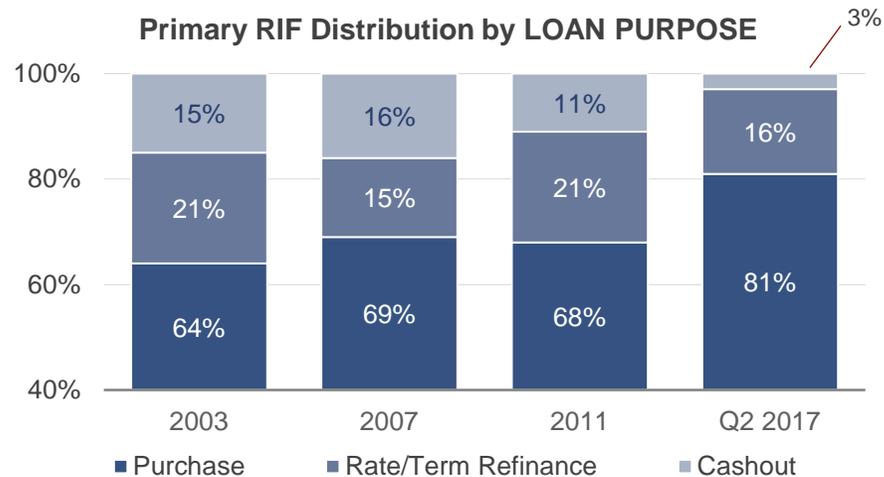
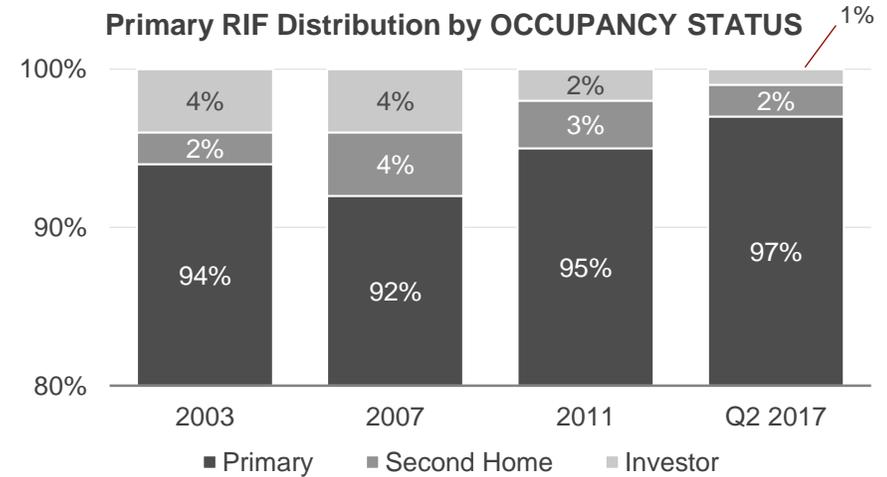
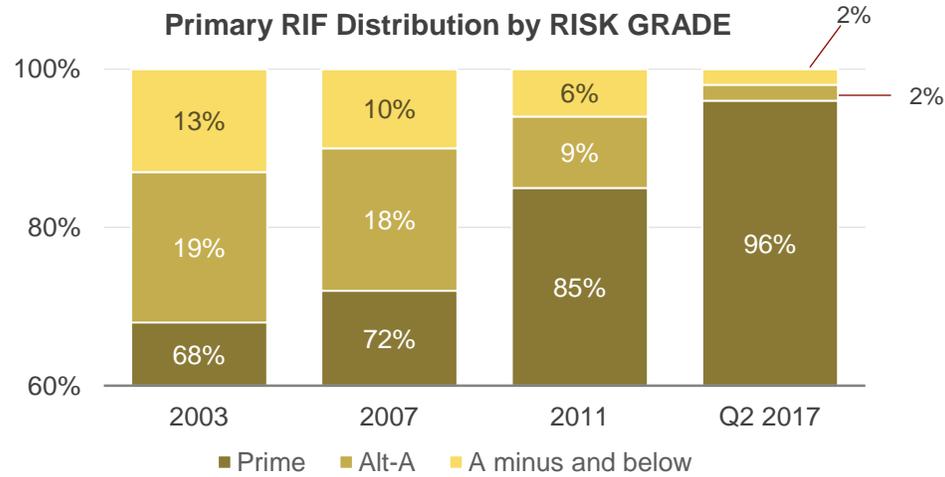
Risk in Force by FICO and LTV



Data provided for 2003-2011 is as of year end.

# IMPROVED COMPOSITION OF MI PORTFOLIO

## Other Risk in Force Characteristics



Data provided for 2003-2011 is as of year end.

# PREMIUM YIELDS

	Mortgage Insurance Premium Yield Trends				
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>In Force Portfolio Yield <sup>(1)</sup></b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.50%</b>	<b>0.51%</b>
<b>Single Premium Cancellations <sup>(2)</sup></b>	0.03%	0.02%	0.06%	0.07%	0.05%
<b>Total Direct Yield</b>	<b>0.52%</b>	<b>0.51%</b>	<b>0.55%</b>	<b>0.57%</b>	<b>0.56%</b>
<b>Ceded Earned Premiums, Incl. Profit Commission <sup>(3)</sup></b>	-0.03%	-0.03%	-0.04%	-0.04%	-0.04%
<b>Total Net Yield <sup>(4)</sup></b>	<b>0.49%</b>	<b>0.48%</b>	<b>0.51%</b>	<b>0.53%</b>	<b>0.52%</b>

<b>Beginning Primary IIF (\$B)</b>	<b>\$185.9</b>	<b>\$183.5</b>	<b>\$181.2</b>	<b>\$177.7</b>	<b>\$175.4</b>
<b>Ending Primary IIF (\$B)</b>	\$191.6	\$185.9	\$183.5	\$181.2	\$177.7
<b>Average Primary IIF (\$B)</b>	<b>\$188.8</b>	<b>\$184.7</b>	<b>\$182.3</b>	<b>\$179.5</b>	<b>\$176.5</b>

- 1) Total direct premiums earned, excluding single premium cancellations, annualized, as a percentage of average primary IIF.
- 2) Single premium cancellations, annualized, as a percentage of average primary IIF.
- 3) Ceded premiums earned, annualized, as a percentage of average primary IIF.
- 4) Net premiums earned, annualized, as a percentage of average primary IIF.

# FIRST-LIEN MORTGAGE INSURANCE

## 2017 Performance by Vintage

(\$ in millions)

Vintage	SIX MONTHS ENDED JUNE 30, 2017		
	Premiums Earned <sup>(1)</sup>	Incurred Losses <sup>(1)</sup>	Net
2008 & Prior	\$84.9	\$52.1	\$32.8
2009	\$4.8	\$0.3	\$4.5
2010	\$3.8	\$0.1	\$3.7
2011	\$7.6	\$0.4	\$7.2
2012	\$28.4	\$0.1	\$28.3
2013	\$52.4	\$1.7	\$50.7
2014	\$57.5	\$2.7	\$54.8
2015	\$85.7	\$4.1	\$81.6
2016	\$110.1	\$3.9	\$106.2
2017	\$15.0	\$0.1	\$14.9

Pre-2009 portfolio is contributing to earnings.

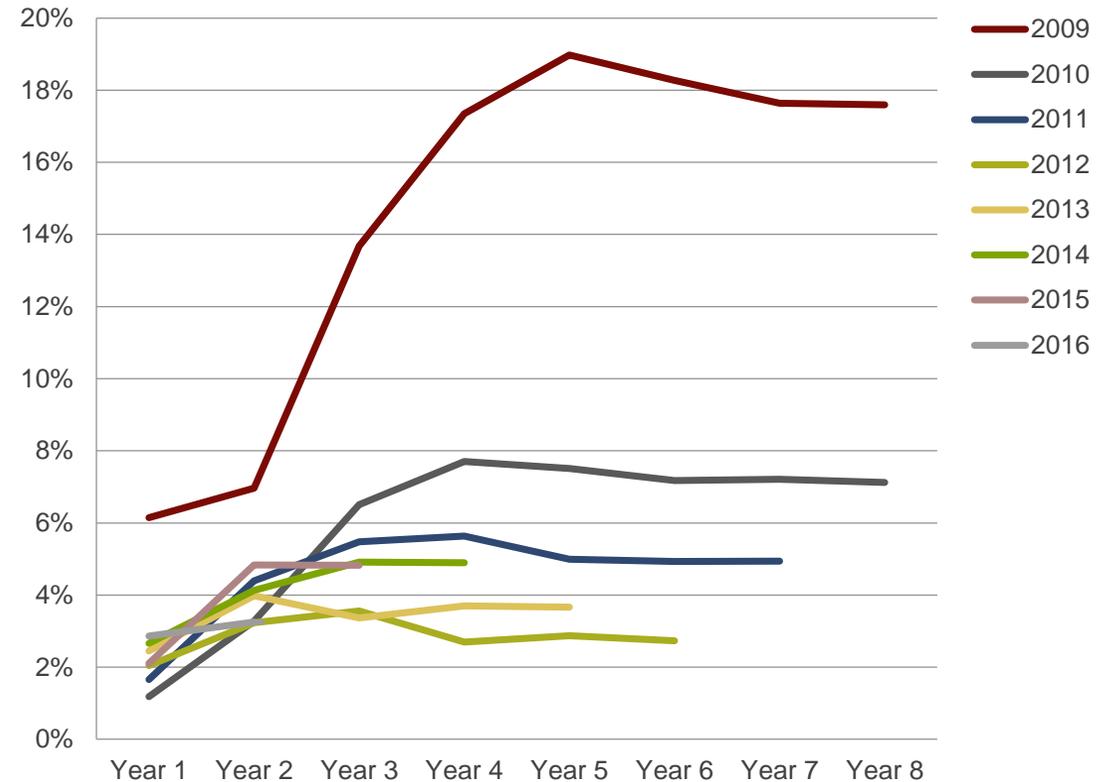
1) Represents premiums earned and incurred losses on first-lien portfolio, including the impact of ceded premiums and losses related to the Initial and Second Quota Share Reinsurance Transactions and the Single Premium Quota Share Reinsurance Transaction, but excluding any reduction for ceded premiums and losses recoverable through our other reinsurance transactions, as these impacts are not material.

# PRIMARY MORTGAGE INSURANCE

Cumulative Incurred Loss Ratio by Development Year

CUMULATIVE INCURRED LOSS RATIO <sup>(1)</sup>									
Vintage	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Jun-17
2009	6.1%	7.0%	13.7%	17.4%	19.0%	18.3%	17.6%	17.6%	17.5%
2010		1.2%	3.3%	6.5%	7.7%	7.5%	7.2%	7.2%	7.1%
2011			1.7%	4.4%	5.5%	5.6%	5.0%	4.9%	4.9%
2012				2.0%	3.2%	3.6%	2.7%	2.9%	2.7%
2013					2.5%	4.0%	3.4%	3.7%	3.7%
2014						2.7%	4.1%	4.9%	4.9%
2015							2.1%	4.8%	4.8%
2016								2.9%	3.3%

*Radian assumes a through-the-cycle loss ratio of approximately 20% for profitability projections on newly originated MI business.*



1) Represents inception-to-date losses incurred as a percentage of net premiums earned.

# COMPONENTS OF PROVISIONS FOR LOSSES

(\$ in millions)

	THREE MONTHS ENDED				
	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
<b>Current period defaults <sup>(1)</sup></b>	\$45.3	\$51.4	\$58.5	\$57.6	\$50.9
<b>Prior period defaults <sup>(2)</sup></b>	(28.2)	(4.3)	(4.1)	(1.8)	(1.0)
<b>Second-lien premium deficiency reserve &amp; other</b>	0.6	0.1	0.3	0.3	0.2
<b>Provision for losses</b>	<b>\$17.7</b>	<b>\$47.2</b>	<b>\$54.7</b>	<b>\$56.1</b>	<b>\$50.1</b>

1) Related to defaulted loans with a most recent default notice dated in the quarter indicated. For example, if a loan had defaulted in a prior quarter, but then subsequently cured and later re-defaulted in the current quarter, that default would be considered a current period default.

2) Related to defaulted loans with a default notice dated in a period earlier than the period indicated, which have been continuously in default since that time.

# PRIMARY LOANS IN DEFAULT

June 30, 2017  
(\$ in thousands)

MISSED PAYMENTS	TOTAL		FORECLOSURE STAGE DEFAULTED LOANS	CURE % DURING Q2	RESERVE FOR LOSSES	% OF RESERVE
	#	%	#	%	\$	%
3 Payments or Fewer	8,152	34.3%	135	36.7%	\$83,869	15.6%
4 to 11 Payments	6,433	27.1	504	21.3	111,711	20.9
12 Payments or More <sup>(1)</sup>	7,959	33.5	2,240	4.9	278,759	52.1
Pending Claims <sup>(1)</sup>	1,211	5.1	N/A	2.8	60,931	11.4
<b>Total</b>	<b>23,755 <sup>(2)</sup></b>	<b>100.0%</b>	<b>2,879</b>	<b>19.4%</b>	<b>535,270</b>	<b>100.0%</b>
IBNR and Other					69,620	
LAE					15,492	
<b>Total Primary Reserves</b>					<b>\$620,382</b>	

## KEY RESERVE ASSUMPTIONS

Gross Default to Claim Rate %	Net Default to Claim Rate % <sup>(3)</sup>	Claim Severity % <sup>(4)</sup>
46%	43%	101%

- 1) 14% of defaults that had missed 12 payments or more (including the portion in pending claims) made a payment during Q2 2017.
- 2) Primary risk in force on defaulted loans at June 30, 2017 was \$1.1 billion, which excludes 1,305 loans subject to the Freddie Mac Agreement that are in default at June 30, 2017, as we no longer have claims exposure on these loans.
- 3) For every one percentage point change in our primary net Default to Claim Rate, we estimated a change of approximately \$12 million in our primary loss reserve at June 30, 2017.
- 4) For every one percentage point change in primary Claim Severity, we estimated that our total loss reserve would change by approximately \$5 million at June 30, 2017.

# DEFAULT ROLLFORWARD

## Primary Insurance in Force

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>Beginning Default Inventory</b>	25,793	29,105	29,530	29,827	30,869
<b>Pre-2009 New Defaults</b>	5,714	6,179	7,589	7,642	7,309
<b>2009+ New Defaults</b>	2,856	3,009	3,340	2,817	2,235
<b>Total New Defaults <sup>(1)</sup></b>	8,570	9,188	10,929	10,459	9,544
<b>Cures <sup>(1)</sup></b>	(8,513)	(10,989)	(9,135)	(9,127)	(8,750)
<b>Claims Paid <sup>(2) (3)</sup></b>	(2,082)	(1,504)	(2,323)	(1,615)	(1,797)
<b>Recessions and Denials, net <sup>(4)</sup></b>	(13)	(7)	104	(14)	(39)
<b>Ending Default Inventory</b>	<b>23,755</b>	<b>25,793</b>	<b>29,105</b>	<b>29,530</b>	<b>29,827</b>

1) Amounts reflected above are compiled on a monthly basis consistent with reports received from loan servicers. The number of New Defaults and Cures presented includes the following number of monthly defaults that both defaulted and cured within the period indicated:

3,518

4,685

4,342

4,160

3,653

2) Includes: (i) those charged to a deductible or captive and (ii) commutations.

3) Excludes 61 claims processed in accordance with the terms of the Freddie Mac Agreement in Q2 2017.

4) Net of any previously rescinded and denied policies and/or claims that were reinstated during the period. Reinstated rescissions may ultimately result in a paid claim. Previously denied but reinstated claims are generally reviewed for possible rescission prior to any claim payment. In Q2 2017, there were 180 reinstatements of previously rescinded policies and denied claims.



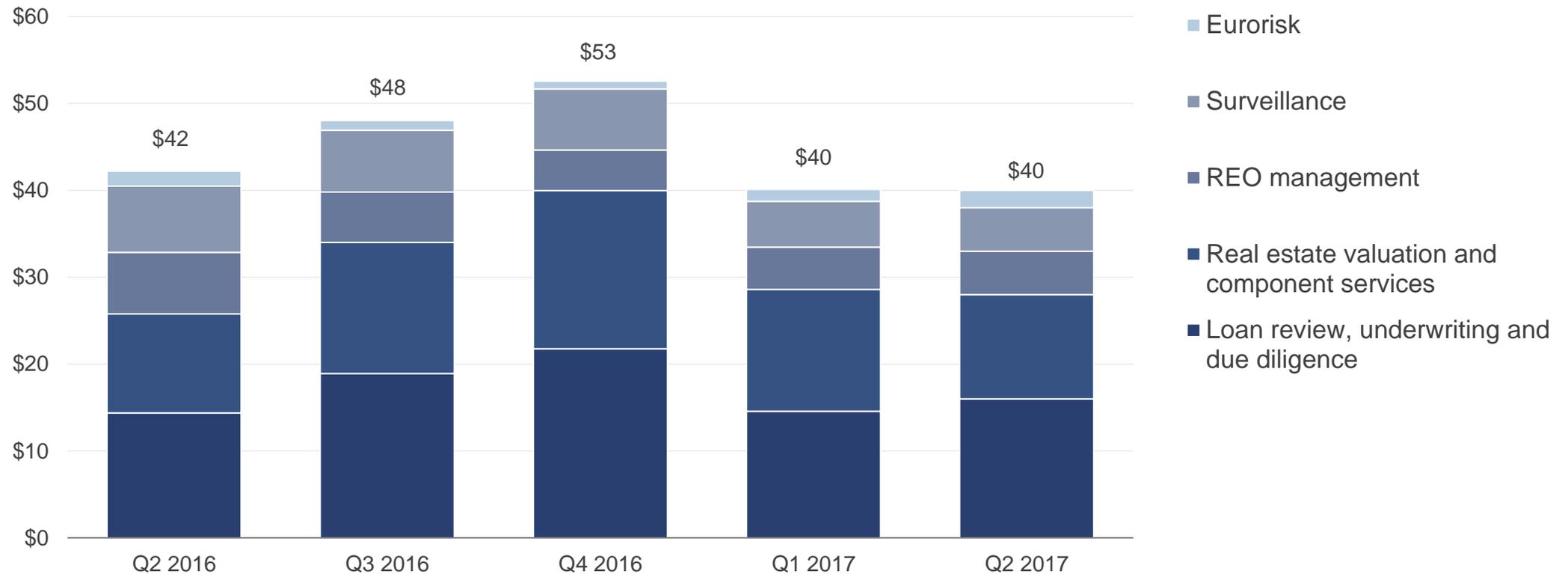
# MORTGAGE AND REAL ESTATE SERVICES

# WHAT ARE MORTGAGE & REAL ESTATE SERVICES?



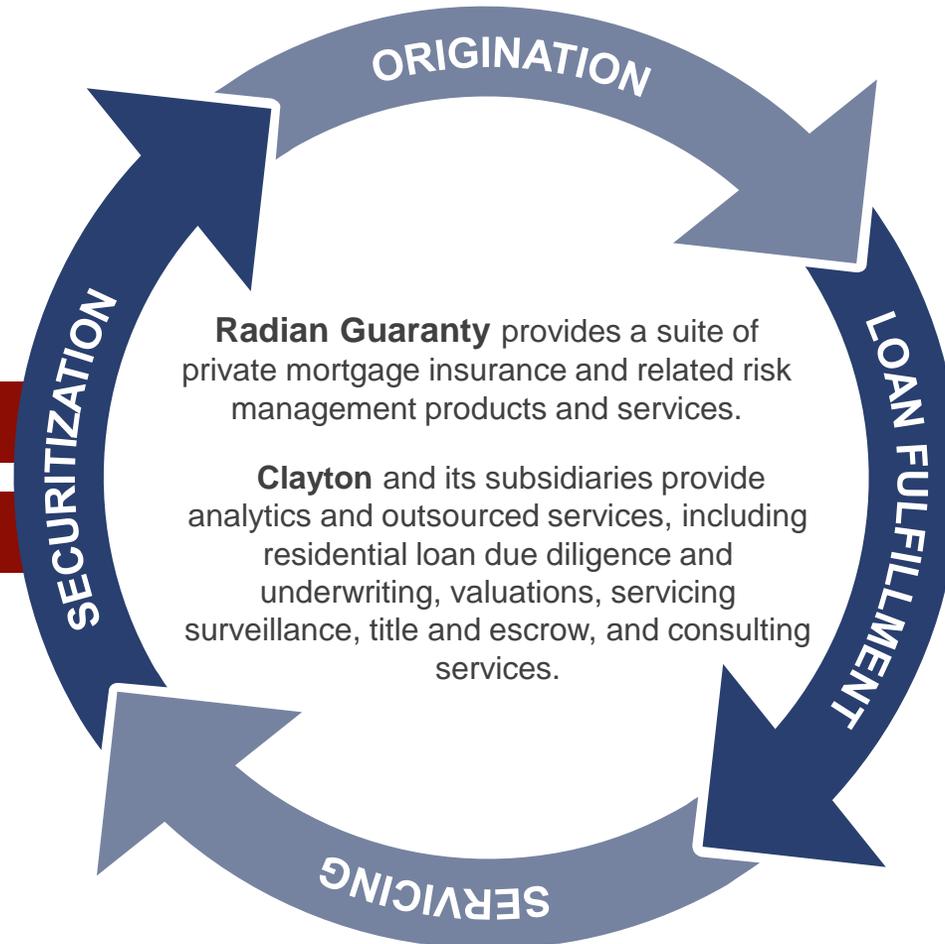
# MORTGAGE AND REAL ESTATE SERVICES REVENUE

(\$ in millions)



# GROWTH OPPORTUNITIES

Our Product and Service Offerings Span the Mortgage Value Chain



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, set against a clear, bright blue sky. The buildings are arranged in a way that creates a sense of height and architectural scale. A horizontal white band with a dark red border runs across the middle of the image, containing the title text.

# CAPITAL AND DEBT STRUCTURE

# CAPITAL STRUCTURE

## Total Capitalization as of June 30, 2017

Coupon	Description	Carrying Value (\$'000)	Principal (\$'000)	% of Total Capitalization <sup>(1)</sup>
5.50%	Senior Notes due 2019	\$297,510	\$300,000	7.6%
5.25%	Senior Notes due 2020	345,932	350,000	8.9
7.00%	Senior Notes due 2021	344,943	350,000	8.8
<b>Total Senior Notes:</b>		<b>988,385</b>	<b>1,000,000</b>	<b>25.3</b>
3.00%	Convertible Senior Notes due 2017	625	642	0.0
<b>Total Convertible Senior Notes</b>		<b>625</b>	<b>642</b>	<b>0.0</b>
<b>Total Debt</b>		<b>989,010</b>	<b>\$1,000,642</b>	<b>25.3</b>
Stockholders Equity		2,914,145		74.7
<b>Total Capitalization</b>		<b>\$3,903,155</b>		<b>100.0%</b>

Prudent balance sheet management and strong performance has led to ratings upgrades

Purchases of the company's outstanding 3.00% Convertible Senior Notes due 2017 have been negotiated and notification has been provided that the company intends to settle all remaining conversions in cash

The company has no material debt maturities prior to June 2019

Radian Group is focused on positioning for a return to investment grade ratings

### Current Radian Group Ratings:

#### S&P

- BB with stable outlook
- Upgraded from BB- to BB on September 28, 2016

#### Moody's

- Ba3 with stable outlook
- Upgraded from B1 to Ba3 on January 28, 2016

1) Based on carrying value of debt and stockholders' equity.

# Consolidated Non-GAAP Financial Measures Reconciliations

## Use of Non-GAAP Financial Measures

In addition to the traditional GAAP financial measures, we have presented “adjusted pretax operating income” and “adjusted diluted net operating income 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” and “adjusted diluted net operating income 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 (Radian’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 is defined as GAAP pretax income (loss) excluding the effects of: (i) net gains (losses) on investments and other financial instruments; (ii) loss on induced conversion and debt extinguishment; (iii) acquisition-related expenses; (iv) amortization or impairment of goodwill and other intangible assets; and (v) net impairment losses recognized in earnings. Adjusted diluted net operating income per share is calculated by dividing (i) adjusted pretax operating income 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 share-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 excludes certain items that have occurred in the past and are expected to occur in the future, the excluded items represent those that are: (i) not viewed as part of the operating performance of our primary activities or (ii) 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 securities. These valuation adjustments may not necessarily result in realized 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).

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 or impairment of goodwill and other 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).

Starting this quarter, we have also presented a non-GAAP measure for tangible book value per share, which represents book value per share less the per-share impact of goodwill and other intangible assets, net. We use this measure to assess the quality and growth of our capital. Because tangible book value per share is a widely-used financial measure which focuses on the underlying fundamentals of our financial position and operating trends without the impact of goodwill and other intangible assets, we believe that current and prospective investors may find it useful in their analysis of the Company.

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 tax provision (benefit), 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 Slides 27 through 30 for the reconciliation of the most comparable GAAP measures, consolidated pretax income (loss), diluted net income (loss) per share and book value per share, to our non-GAAP financial measures for the consolidated company, adjusted pretax operating income, adjusted diluted net operating income per share and tangible book value per share, respectively. Slides 27 through 30 also contain the reconciliation of the most comparable GAAP measure, net income (loss), to Services adjusted EBITDA.

Total adjusted pretax operating income, adjusted diluted net operating income per share, tangible book value per share and Services adjusted EBITDA should not be considered in isolation or viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share, book value per share or net income (loss). Our definitions of adjusted pretax operating income, adjusted diluted net operating income per share, tangible book value per share or Services adjusted EBITDA may not be comparable to similarly-named measures reported by other companies.

## Reconciliation of Consolidated Pretax Income (Loss) to Adjusted Pretax Operating Income

(\$ in thousands)	2017		2016		
	Q2	Q1	Q4	Q3	Q2
<b>Consolidated pretax income (loss)</b>	<b>\$(35,474)</b>	\$114,670	\$97,796	\$126,941	\$156,547
<b>Less income (expense) items:</b>					
<b>Net gains (losses) on investments and other financial instruments</b>	<b>5,331</b>	(2,851)	(38,773)	7,711	30,527
<b>Loss on induced conversion and debt extinguishment</b>	<b>(1,247)</b>	(4,456)	–	(17,397)	(2,108)
<b>Acquisition-related expenses <sup>(1)</sup></b>	<b>(64)</b>	(8)	(358)	(10)	54
<b>Impairment of goodwill</b>	<b>(184,374)</b>	–	–	–	–
<b>Amortization and impairment of other intangible assets</b>	<b>(18,856)</b>	(3,296)	(3,290)	(3,292)	(3,311)
<b>Total adjusted pretax operating income <sup>(2)</sup></b>	<b>\$163,736</b>	\$125,281	\$140,217	\$139,929	\$131,385
1) Please see Slide 26 for the definition of this line item.					
2) Adjusted pretax operating income (loss):					
Mortgage Insurance	\$170,361	\$134,633	\$142,795	\$141,814	\$137,136
Services	(6,625)	(9,352)	(2,578)	(1,885)	(5,751)
Total adjusted pretax operating income	\$163,736	\$125,281	\$140,217	\$139,929	\$131,385

## Reconciliation of Diluted Net Income (Loss) Per Share to Adjusted Diluted Net Operating Income Per Share

	2017		2016		
	Q2	Q1	Q4	Q3	Q2
Diluted net income (loss) per share	<b>\$(0.13)</b>	\$0.34	\$0.27	\$0.37	\$0.44
Less per-share impact of debt items:					
Loss on induced conversion and debt extinguishment	<b>(0.01)</b>	(0.02)	–	(0.08)	(0.01)
Income tax provision (benefit) <sup>(1)</sup>	–	(0.01)	–	(0.03)	–
Per-share impact of debt items	<b>(0.01)</b>	(0.01)	–	(0.05)	(0.01)
Less per-share impact of other income (expense) items:					
Net gains (losses) on investments and other financial instruments	<b>0.02</b>	(0.01)	(0.17)	0.03	0.13
Acquisition-related expenses	–	–	–	–	–
Impairment of goodwill	<b>(0.86)</b>	–	–	–	–
Amortization and impairment of other intangible assets	<b>(0.09)</b>	(0.01)	(0.02)	(0.01)	(0.01)
Income tax provision (benefit) on other income (expense) items <sup>(2)</sup>	<b>(0.32)</b>	(0.01)	(0.07)	0.01	0.04
Difference between statutory and effective tax rate	–	(0.01)	(0.02)	–	(0.01)
Per-share impact of other income (expense) items	<b>(0.61)</b>	(0.02)	(0.14)	0.01	0.07
Add per-share impact of share dilution	<b>(0.01)</b>	–	–	–	–
<b>Adjusted diluted net operating income per share <sup>(2)</sup></b>	<b>\$0.48</b>	\$0.37	\$0.41	\$0.41	\$0.38

1) 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.

2) 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.

## Reconciliation of Book Value Per Share to Tangible Book Value Per Share<sup>(1)</sup>

	2017		2016		
	Q2	Q1	Q4	Q3	Q2
Book value per share	\$13.54	\$13.58	\$13.39	\$13.47	\$13.09
Less: Goodwill and other intangible assets, net per share	0.32	1.27	1.29	1.30	1.32
Tangible book value per share	\$13.22	\$12.31	\$12.10	\$12.17	\$11.77

	2015
	Q2
Book value per share	\$11.28
Less: Goodwill and other intangible assets, net per share	1.39
Tangible book value per share	\$9.89

1) All book value per share items are calculated based on the number of shares outstanding at the end of each respective period.

# Reconciliation of Net Income (Loss) to Services Adjusted EBITDA

(\$ in thousands)	2017		2016		
	Q2	Q1	Q4	Q3	Q2
<b>Net income (loss)</b>	<b>\$(27,342)</b>	<b>\$76,472</b>	<b>\$61,089</b>	<b>\$82,803</b>	<b>\$98,112</b>
<b>Less income (expense) items:</b>					
<b>Net gains (losses) on investments and other financial instruments</b>	<b>5,331</b>	<b>(2,851)</b>	<b>(38,773)</b>	<b>7,711</b>	<b>30,527</b>
<b>Loss on induced conversion and debt extinguishment</b>	<b>(1,247)</b>	<b>(4,456)</b>	<b>–</b>	<b>(17,397)</b>	<b>(2,108)</b>
<b>Acquisition-related expenses</b>	<b>(64)</b>	<b>(8)</b>	<b>(358)</b>	<b>(10)</b>	<b>54</b>
<b>Impairment of goodwill</b>	<b>(184,374)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Amortization and impairment of other intangible assets</b>	<b>(18,856)</b>	<b>(3,296)</b>	<b>(3,290)</b>	<b>(3,292)</b>	<b>(3,311)</b>
<b>Income tax provision</b>	<b>(8,132)</b>	<b>38,198</b>	<b>36,707</b>	<b>44,138</b>	<b>58,435</b>
<b>Mortgage Insurance adjusted pretax operating income</b>	<b>170,361</b>	<b>134,633</b>	<b>142,795</b>	<b>141,814</b>	<b>137,136</b>
<b>Services adjusted pretax operating income (loss)</b>	<b>(6,625)</b>	<b>(9,352)</b>	<b>(2,578)</b>	<b>(1,885)</b>	<b>(5,751)</b>
<b>Less income (expense) items:</b>					
<b>Allocation of corporate operating expenses to Services</b>	<b>(3,404)</b>	<b>(3,718)</b>	<b>(1,738)</b>	<b>(2,265)</b>	<b>(2,779)</b>
<b>Allocation of corporate interest expense to Services</b>	<b>(4,431)</b>	<b>(4,429)</b>	<b>(4,426)</b>	<b>(4,423)</b>	<b>(4,422)</b>
<b>Services depreciation and amortization</b>	<b>(835)</b>	<b>(858)</b>	<b>(829)</b>	<b>(884)</b>	<b>(749)</b>
<b>Services adjusted EBITDA</b>	<b>\$2,045</b>	<b>\$(347)</b>	<b>\$4,415</b>	<b>\$5,687</b>	<b>\$2,199</b>

On a consolidated basis, “adjusted pretax operating income,” “adjusted diluted net operating income per share” and “tangible book value per share” are measures not determined in accordance with GAAP. “Services adjusted EBITDA” is also a non-GAAP measure. These measures should not be considered in isolation or viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share, book value per share or net income (loss). Our definitions of adjusted pretax operating income, adjusted diluted net operating income per share, tangible book value per share or Services adjusted EBITDA may not be comparable to similarly-named measures reported by other companies. See Slide 26 for additional information on our consolidated non-GAAP financial measures.

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