

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),” “adjusted diluted net operating income (loss) per share” and “adjusted net operating return on equity,” which are 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),” “adjusted diluted net operating income (loss) per share” and “adjusted net operating return on equity” 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 (loss) is defined as GAAP consolidated pretax income (loss) excluding the effects of: (i) net gains (losses) on investments and other financial instruments; (ii) loss on extinguishment of debt; (iii) amortization and impairment of goodwill and other acquired intangible assets; and (iv) impairment of other long-lived assets and other non-operating items, such as impairment of internal-use software, gains (losses) from the sale of lines of business and acquisition-related income and expenses. Adjusted diluted net operating income (loss) per share is calculated by dividing (i) adjusted pretax operating income (loss) attributable to common stockholders, 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. Adjusted net operating return on equity is calculated by dividing annualized adjusted pretax operating income (loss), net of taxes computed using the Company’s statutory tax rate, by average stockholders’ equity, based on the average of the beginning and ending balances for each period presented.

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: (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 gains and losses arise primarily from changes in the market value of our investments that are classified as trading or equity 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 and changes in fair value of other financial instruments. We do not view them to be indicative of our fundamental operating activities.

- (2) **Loss on extinguishment of debt.** Gains or losses on early extinguishment of debt and losses incurred to purchase our 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.
- (3) **Amortization and impairment of goodwill and other acquired intangible assets.** Amortization of acquired intangible assets represents the periodic expense required to amortize the cost of acquired intangible assets over their estimated useful lives. Acquired intangible assets are also periodically reviewed for potential impairment, and impairment adjustments are made whenever appropriate. We do not view these charges as part of the operating performance of our primary activities.
- (4) **Impairment of other long-lived assets and other non-operating items.** Includes activities that we do not view to be indicative of our fundamental operating activities, such as: (i) impairment of internal-use software and other long-lived assets; (ii) gains (losses) from the sale of lines of business; and (iii) acquisition-related income and expenses.

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In addition to the above non-GAAP measures for the consolidated company, we also have presented as supplemental information non-GAAP measures for our homegenius segment of adjusted pretax operating income (loss) before allocated corporate operating expenses and adjusted gross profit. Adjusted pretax operating income (loss) before allocated corporate operating expenses is calculated as adjusted pretax operating income (loss) as described above (which is the segment's ASC 280 GAAP measure of operating performance), adjusted to remove the impact of corporate allocations of other operating expenses for the homegenius segment. Adjusted gross profit is further adjusted to remove other operating expenses. In addition, homegenius adjusted pretax operating margin before allocated corporate operating expenses and adjusted gross profit margin are calculated by dividing homegenius adjusted pretax operating margin before allocated corporate operating expenses and adjusted gross profit, respectively, by GAAP total revenue for the homegenius segment. For the homegenius segment, adjusted pretax operating income (loss) before allocated corporate operating expenses, adjusted gross profit, and the related profit margins are used to facilitate comparisons with other services companies, since they are widely accepted measures of performance in the services industry and are used internally as supplemental measures to evaluate the performance of our homegenius segment.

See Exhibit G for the reconciliation of the most comparable GAAP measures, consolidated pretax income (loss), diluted net income (loss) per share and return on equity to our non-GAAP financial measures for the consolidated company, adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share and adjusted net operating return on equity, respectively. Exhibit G also contains the reconciliation of adjusted pretax operating income (loss) to adjusted pretax operating income (loss) before allocated corporate operating expenses and adjusted gross profit for the homegenius segment.

Total adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share, adjusted net operating return on equity, homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses and homegenius adjusted gross profit should not be considered in isolation or viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share, return on equity or net income (loss), or in the case of the homegenius non-GAAP measures, for homegenius adjusted pretax operating income (loss). Our definitions of adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share, adjusted net operating return on equity and homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses, homegenius adjusted gross profit, homegenius adjusted pretax operating margin before allocated corporate operating expenses or homegenius adjusted gross profit margin 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 3)

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

(In thousands)	2021		2020		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
Consolidated pretax income (loss)	\$ 195,496	\$ 161,189	\$ 179,167	\$ 161,205	\$ (42,224)
Less reconciling income (expense) items:					
Net gains (losses) on investments and other financial instruments	15,661	(5,181)	17,376	17,652	47,276
Amortization and impairment of other acquired intangible assets	(863)	(862)	(2,225)	(961)	(979)
Impairment of other long-lived assets and other non-operating items ⁽¹⁾	(4,021)	(84)	(6,971)	(466)	(22)
Total adjusted pretax operating income (loss) ⁽²⁾	<u>\$ 184,719</u>	<u>\$ 167,316</u>	<u>\$ 170,987</u>	<u>\$ 144,980</u>	<u>\$ (88,499)</u>

(1) The amounts for all the periods presented are included in other operating expenses on the Condensed Consolidated Statement of Operations in Exhibit A and primarily relate to impairments of other long-lived assets.

(2) Total adjusted pretax operating income (loss) consists of adjusted pretax operating income (loss) for each reportable segment and All Other activities as follows:

(In thousands)	2021		2020		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
Adjusted pretax operating income (loss):					
Mortgage segment	\$ 191,462	\$ 174,287	\$ 184,306	\$ 147,336	\$ (85,821)
homegenius segment	(9,198)	(10,453)	(11,132)	(5,046)	(3,909)
All Other activities	2,455	3,482	(2,187)	2,690	1,231
Total adjusted pretax operating income (loss)	<u>\$ 184,719</u>	<u>\$ 167,316</u>	<u>\$ 170,987</u>	<u>\$ 144,980</u>	<u>\$ (88,499)</u>

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

	2021		2020		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
Diluted net income (loss) per share	\$ 0.80	\$ 0.64	\$ 0.76	\$ 0.70	\$ (0.15)
Less per-share impact of reconciling income (expense) items:					
Net gains (losses) on investments and other financial instruments	0.08	(0.03)	0.09	0.09	0.24
Amortization and impairment of other acquired intangible assets	—	—	(0.01)	—	(0.01)
Impairment of other long-lived assets and other non-operating items	(0.02)	—	(0.04)	—	—
Income tax (provision) benefit on reconciling income (expense) items ⁽¹⁾	(0.01)	0.01	(0.01)	(0.02)	(0.05)
Difference between statutory and effective tax rate	—	(0.02)	0.04	0.04	0.03
Per-share impact of reconciling income (expense) items	0.05	(0.04)	0.07	0.11	0.21
Adjusted diluted net operating income (loss) per share ⁽¹⁾	\$ 0.75	\$ 0.68	\$ 0.69	\$ 0.59	\$ (0.36)

(1) Calculated using the company's federal statutory tax rate of 21%. Any permanent tax adjustments and state income taxes on these items have been deemed immaterial and are not included.

Reconciliation of Return on Equity to Adjusted Net Operating Return on Equity ⁽¹⁾

	2021		2020		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
Return on equity ⁽¹⁾	14.5 %	11.8 %	14.1 %	13.3 %	(3.1)%
Less impact of reconciling income (expense) items: ⁽²⁾					
Net gains (losses) on investments and other financial instruments	1.5	(0.5)	1.7	1.7	4.8
Amortization and impairment of other acquired intangible assets	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Impairment of other long-lived assets and other non-operating items	(0.4)	—	(0.7)	—	—
Income tax (provision) benefit on reconciling income (expense) items ⁽³⁾	(0.2)	0.1	(0.2)	(0.3)	(1.0)
Difference between statutory and effective tax rate	0.1	(0.1)	0.6	0.7	0.3
Impact of reconciling income (expense) items	0.9	(0.6)	1.2	2.0	4.0
Adjusted net operating return on equity	13.6 %	12.4 %	12.9 %	11.3 %	(7.1)%

(1) Calculated by dividing annualized net income (loss) by average stockholders' equity, based on the average of the beginning and ending balances for each period presented.

(2) Annualized, as a percentage of average stockholders' equity.

(3) Calculated using the company's federal statutory tax rate of 21%. Any permanent tax adjustments and state income taxes on these items have been deemed immaterial and are not included.

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Reconciliation of homegenius Adjusted Pretax Operating Income (Loss) to homegenius Adjusted Gross Profit

(In thousands)	2021		2020		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
homegenius adjusted pretax operating income (loss)	\$ (9,198)	\$ (10,453)	\$ (11,132)	\$ (5,046)	\$ (3,909)
Less reconciling income (expense) items:					
Allocation of corporate operating expenses	(4,721)	(3,996)	(3,369)	(3,248)	(2,823)
Adjusted pretax operating income (loss) before allocated corporate operating expenses	(4,477)	(6,457)	(7,763)	(1,798)	(1,086)
Less reconciling income (expense) items:					
Other operating expenses before allocated corporate operating expenses	(16,160)	(14,928)	(15,238)	(13,136)	(10,527)
homegenius adjusted gross profit	\$ 11,683	\$ 8,471	\$ 7,475	\$ 11,338	\$ 9,441

On a consolidated basis, "adjusted pretax operating income (loss)," "adjusted diluted net operating income (loss) per share" and "adjusted net operating return on equity" are measures not determined in accordance with GAAP. In addition, "homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses", "homegenius adjusted gross profit," "homegenius adjusted pretax operating margin before allocated corporate operating expenses" and "homegenius adjusted pretax operating margin" are also non-GAAP measures. These measures should not be considered in isolation or viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share, return on equity or net income (loss), or in the case of the homegenius non-GAAP measures, for homegenius adjusted pretax operating income (loss). Our definitions of adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share, adjusted net operating return on equity, homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses, homegenius adjusted gross profit, homegenius adjusted pretax operating margin before allocated corporate operating expenses or homegenius adjusted gross profit margin 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.