



# radian

Financial Results  
Q4 2022

NYSE: RDN

[www.radian.com](http://www.radian.com)

# Safe Harbor Statements

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 Securities Exchange Act of 1934 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. 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 are not guarantees of future performance, and 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:

- the health of the U.S. housing market generally and changes in economic conditions that impact the size of the insurable mortgage market, the credit performance of our insured mortgage portfolio and our business prospects, including more recently, changes resulting from inflationary pressures, the higher interest rate environment and the risks of a recession and higher unemployment rates, as well as other macroeconomic stresses such as those that may arise from the Russia-Ukraine conflict or other geopolitical events;
- changes in the way customers, investors, ratings agencies, regulators or legislators perceive our performance, financial strength and future prospects;
- Radian Guaranty Inc.’s (“Radian Guaranty”) ability to remain eligible under the Private Mortgage Insurer Eligibility Requirements (the “PMIERs”) to insure loans purchased by Fannie Mae and Freddie Mac (collectively, the “GSEs”);
- our ability to maintain an adequate level of capital in our insurance subsidiaries to satisfy current and future regulatory requirements;
- changes in the charters or business practices of, or rules or regulations imposed by or applicable to, the GSEs or loans purchased by the GSEs, which may include changes in furtherance of housing policy objectives such as the accessibility and affordability of homeownership for low-and moderate-income borrowers and underrepresented communities, or changes in the requirements for Radian Guaranty to remain an approved insurer to the GSEs, such as changes in the PMIERs or the GSEs’ interpretation and application of the PMIERs or other applicable requirements;

- the effects of the Enterprise Regulatory Capital Framework, which establishes a new regulatory capital framework for the GSEs, and which, as finalized, increases the capital requirements for the GSEs, and among other things, could impact the GSEs’ operations and pricing as well as the size of the insurable mortgage market, and which may form the basis for future changes to the PMIERs to align with the Enterprise Regulatory Capital Framework;
- changes in the current housing finance system in the United States, including the roles of the Federal Housing Administration (the “FHA”), the GSEs and private mortgage insurers in this system;
- our ability to successfully execute and implement our capital plans, including our risk distribution strategy through the capital markets and traditional reinsurance markets, and to maintain sufficient holding company liquidity to meet our liquidity needs;
- our ability to successfully execute and implement our business plans and strategies, including plans and strategies that may require GSE and/or regulatory approvals and licenses, that are subject to complex compliance requirements that we may be unable to satisfy, or that may expose us to new risks, including those that could impact our capital and liquidity positions;
- uncertainty from the discontinuance of LIBOR and transition to one or more alternative benchmarks that could cause interest rate volatility and, among other things, impact our investment portfolio, cost of debt and cost of reinsurance through mortgage insurance-linked notes transactions;
- risks related to the quality of third-party mortgage underwriting and mortgage servicing;
- a decrease in the “Persistence Rates” (the percentage of insurance in force that remains in force over a period of time) of our mortgage insurance on monthly premium products;
- competition in the private mortgage insurance industry generally, and more specifically: price competition in our mortgage insurance business, including the prevalence of formulaic, granular risk-based pricing methodologies that are less transparent than historical rate-card-based pricing practices; and competition from the FHA and the U.S. Department of Veterans Affairs as well as from other forms of credit enhancement, such as GSE-sponsored alternatives to traditional mortgage insurance;
- U.S. political conditions and legislative and regulatory activity (or inactivity), including the failure to take action to increase the U.S.’s debt limit, adoption of (or failure to adopt) new laws and regulations, or changes in existing laws and regulations, 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, new or increased reserves or have other effects on our business;
- the amount and timing of potential payments or adjustments associated with federal or other tax examinations;

- the possibility that we may fail to estimate accurately, especially in the event of an extended economic downturn or a period of extreme market volatility and economic uncertainty, the likelihood, magnitude and timing of losses in establishing loss reserves for our mortgage insurance business or to accurately calculate and/or project our Available Assets and Minimum Required Assets under the PMIERs, which will be impacted by, among other things, the size and mix of our insurance in force, the level of defaults in our portfolio, the reported status of defaults in our portfolio, (including whether they are subject to mortgage forbearance, a repayment plan or a loan modification trial period), the level of cash flow generated by our insurance operations and our risk distribution strategies;
- volatility in our financial results caused by changes in the fair value of our assets and liabilities, including with respect to our use of derivatives and within our investment portfolio;
- changes in “GAAP” (accounting principles generally accepted in the U.S.) or “SAPP” (statutory accounting principles and practices including those required or permitted, if applicable, by the insurance departments of the respective states of domicile of our insurance subsidiaries) rules and guidance, or their interpretation;
- risks associated with investments to grow our existing businesses, or to pursue new lines of business or new products and services, including our ability and related costs to develop, launch and implement new and innovative technologies and digital products and services, whether these products and services receive broad customer acceptance or will disrupt existing customer relationships, and additional financial risks related to these investments, including required changes in our investment, financing and hedging strategies, risks associated with our increased use of financial leverage, which could expose us to liquidity risks resulting from changes in the fair values of assets, and the risk that we may fail to achieve forecasted results which could result in lower or negative earnings contribution and/or impairment charges associated with intangible assets;
- the effectiveness and security of our information technology systems and digital products and services, including the risk that these systems, products or services fail to operate as expected or planned or expose us to cybersecurity or third-party risks, including due to malware, unauthorized access, cyber-attack, ransomware or other similar events;
- our ability to attract and retain key employees; and
- legal and other limitations on amounts we may receive from our subsidiaries, including dividends or ordinary course distributions under our internal tax- and expense-sharing arrangements.

**For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, and to subsequent reports and registration statements 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.**







# About Us

Radian Group Inc. is a diversified mortgage and real estate business that maintains two reportable segments: **mortgage** and **homegenius**

**Our mortgage segment** provides credit-related insurance coverage, principally through private mortgage insurance on residential first-lien mortgage loans, as well as contract underwriting and other credit risk management solutions, to mortgage lending institutions and mortgage credit investors.

**Our homegenius segment** offers an array of title, real estate and technology products and services to consumers, mortgage lenders, mortgage and real estate investors, GSEs, real estate brokers and agents.

Our culture is built around a set of **core organizational values** that we live by, and define who we are as an enterprise:

-  Innovate for the Future
-  Deliver the Brand Promise
-  Our People are the Difference
-  Create Shareholder Value
-  Partner to Win
-  Do What's Right

# Full Year 2022 Summary Financial Metrics

**\$742.9 million**

**Net Income**

Compared to \$600.7 million in 2021

**\$4.35**

**Diluted Net Income Per Share**

Compared to diluted net income per share of \$3.16 in 2021

**\$4.87**

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

Compared to adjusted diluted net operating income per share of \$3.15 in 2021 <sup>(1)</sup>

**\$24.95**

**Book Value Per Share**

Compared to \$24.28 as of December 31, 2021. This represents a 2.8% growth year-over-year and includes accumulated other comprehensive income (loss) of \$(2.91) per share as of December 31, 2022 and \$0.68 per share as of December 31, 2021, which, if excluded as of both dates, would represent 18.1% growth for the period.

**18.2%**

**Return on Average Equity**

Compared to 14.1% return on average equity in 2021

**20.3%**

**Adjusted Net Operating Return on Average Equity <sup>(1)</sup>**

Compared to 14.0% adjusted net operating return on average equity in 2021

**\$68.0 billion**

**New Insurance Written**

Compared to \$91.8 billion in 2021

**\$(338.2) million**

**Provision for Losses**

Compared to \$20.9 million expense in 2021. The decrease primarily relates to the increase in positive development on prior period defaults as compared to 2021

**\$400.2 million**

**Shares Repurchased**

**\$136.9 million**

**Dividends Declared**

Purchased \$400.2 million or 19.5 million shares of our common stock and declared \$136.9 million in dividends in 2022 after increasing our dividend 43% to \$0.20 per share in February 2022

1) Adjusted results, including adjusted diluted net operating income (loss) per share and adjusted net operating return on equity, 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 (loss) per share and adjusted net operating return on equity, see Appendix, Slides 28-32.

# Q4 2022 Summary Financial Metrics

**\$162.3 million**

**Net Income**

Compared to \$198.3 million in Q3 2022 and \$193.4 million in Q4 2021

**\$1.01**

**Diluted Net Income Per Share**

Compared to \$1.20 in Q3 2022 and \$1.07 in Q4 2021

**\$1.05**

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

Compared to \$1.31 in Q3 2022 and \$1.07 in Q4 2021 <sup>(1)</sup>

**17.0%**

**Return on Average Equity**

Compared to 20.7% in Q3 2022 and 18.2% in Q4 2021

**17.6%**

**Adjusted Net Operating Return on Average Equity <sup>(1)</sup>**

Compared to 22.5% in Q3 2022 and 18.2% in Q4 2021 <sup>(1)</sup>

**\$902.8 million**

**Available Holding Company Liquidity**

Compared to \$572.6 million as of September 30, 2022 and \$604.9 million as of December 31, 2021

**\$5.7 billion**

**Investment Portfolio**

Compared to \$5.6 billion as of September 30, 2022 and \$6.5 billion as of December 31, 2021

1) Adjusted results, including adjusted diluted net operating income (loss) per share and adjusted net operating return on equity, 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 (loss) per share and adjusted net operating return on equity, see Appendix, Slides 28-32.

# Q4 2022 Summary Financial Metrics

**\$261.0 billion**

**Primary Insurance In Force**

Compared to \$259.1 billion as of September 30, 2022 and \$246.0 billion as of December 31, 2021, reflecting a year-over-year 10.0% increase in monthly premium policies in force, partially offset by a 12.6% decline in Single Premium Policies in force

**\$(43.6) million**

**Provision for Losses**

Compared to \$(97.0) million in Q3 2022 and \$(46.2) million in Q4 2021. The decreased benefit as compared to prior quarter is primarily related to a decrease in the positive development on prior period defaults.

**\$12.9 billion**

**New Insurance Written**

Compared to \$17.6 billion in Q3 2022 and \$23.7 billion in Q4 2021

**\$426.8 million**

**Reserve for Losses and Loss Adjustment Expense**

Compared to \$483.7 million as of September 30, 2022 and \$828.6 million as of December 31, 2021

**\$229.9 million**

**Net Mortgage Premiums Earned**

Compared to \$235.2 million in Q3 2022 and \$249.7 million in Q4 2021

**\$1.7 billion**

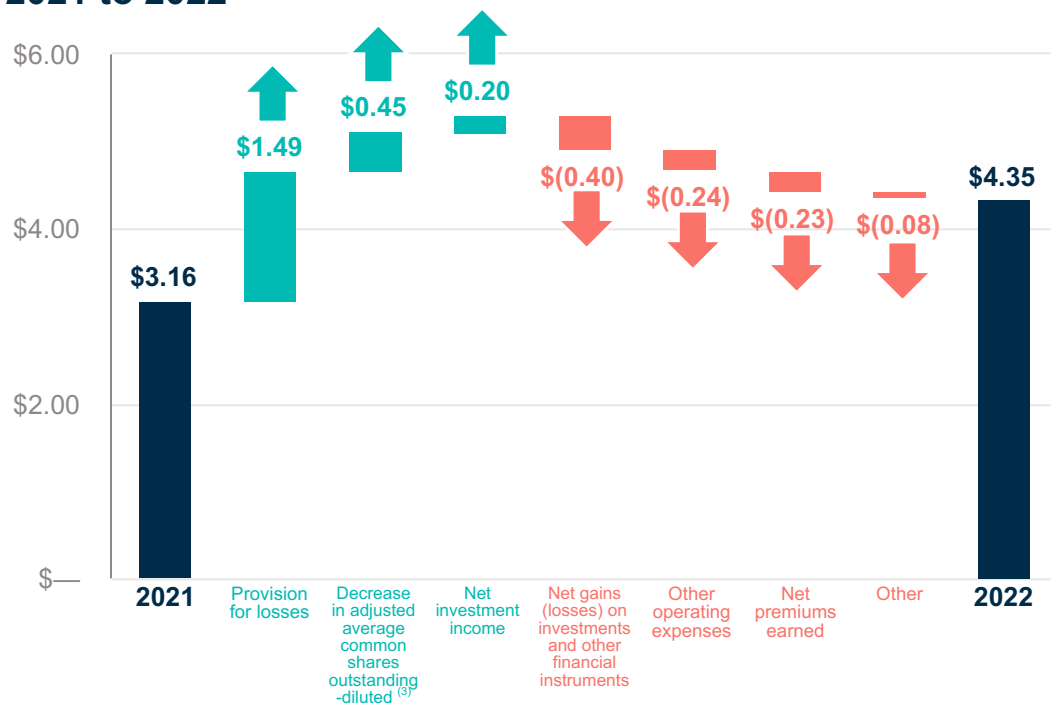
**PMIERS Excess Available Assets <sup>(1)</sup>**

Compared to \$1.6 billion as of September 30, 2022 and \$2.1 billion as of December 31, 2021

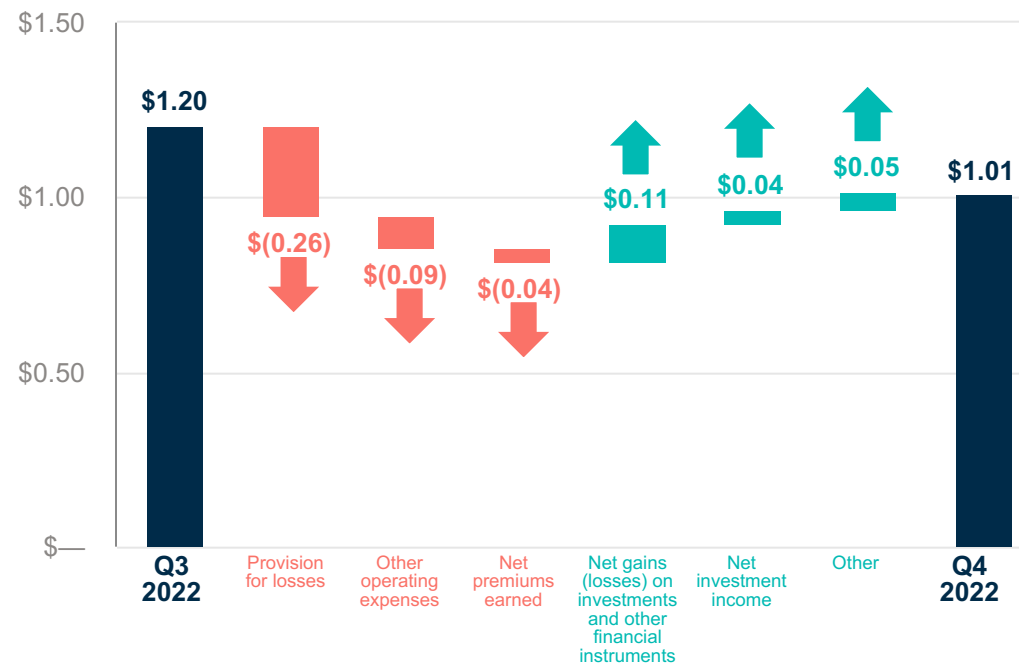
1) Represents Radian Guaranty's excess or "cushion" of Available Assets over its Minimum Required Assets (MRA), calculated in accordance with the PMIERS financial requirements in effect for each date shown.

# GAAP Diluted Net Income Per Share

## 2021 to 2022 <sup>(1)</sup>



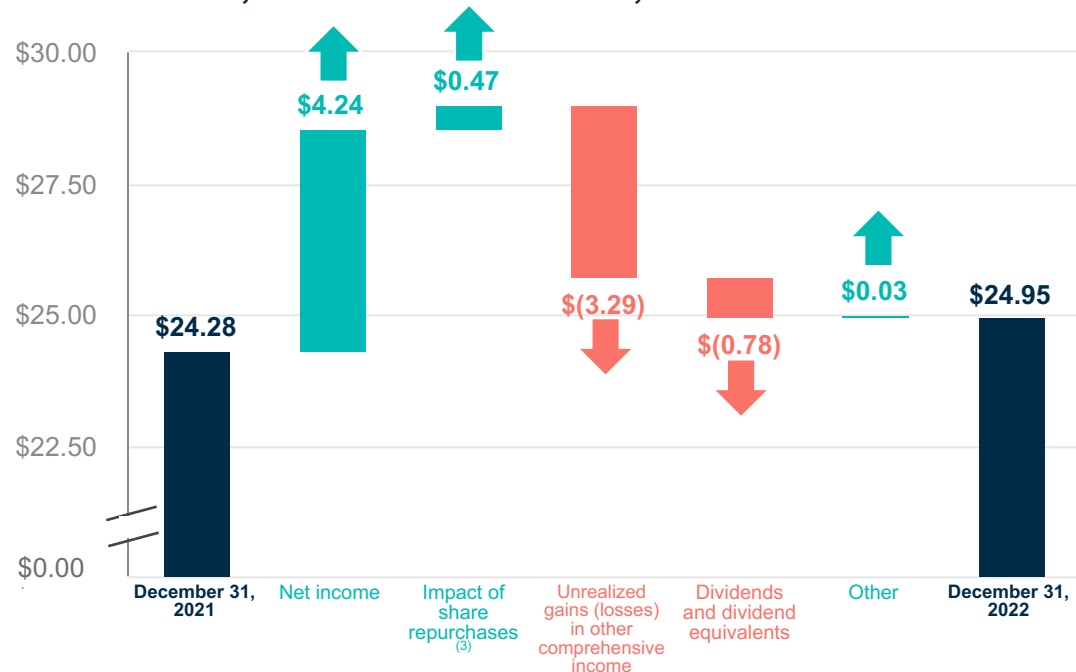
## Q3 2022 to Q4 2022 <sup>(2)</sup>



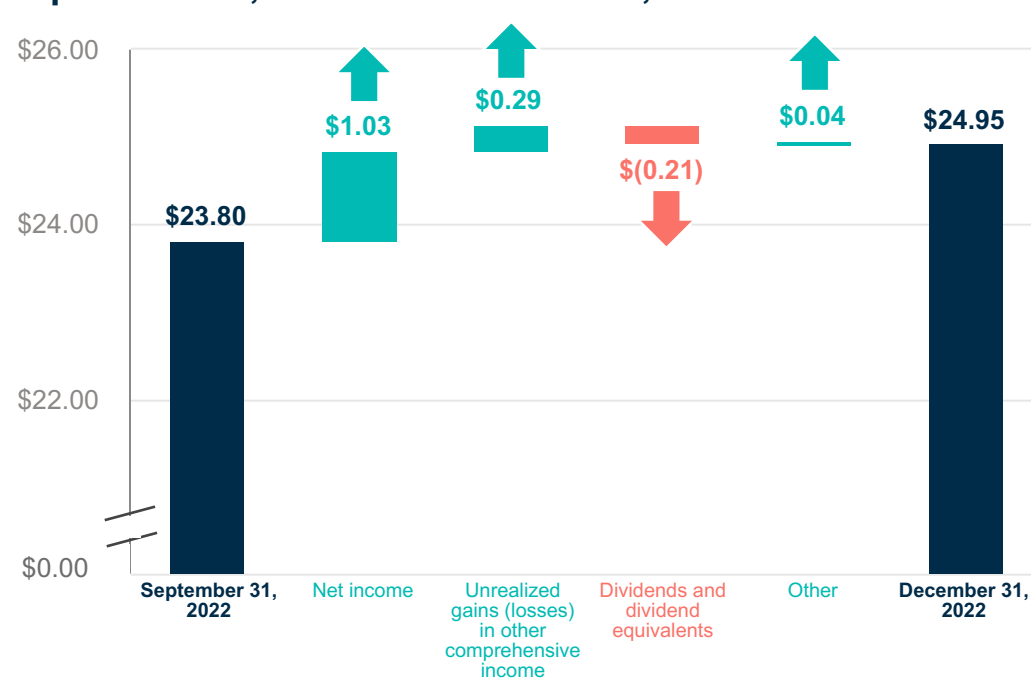
- 1) All diluted net income (loss) per share items are calculated based on 190.3 million weighted-average diluted shares outstanding for the year ended December 31, 2021, except for the December 31, 2022 diluted net income (loss) per share, which was calculated based on 170.7 million weighted-average diluted shares outstanding for the year ended December 31, 2022.
- 2) All diluted net income (loss) per share items are calculated based on 164.7 million weighted-average diluted shares outstanding for the quarter ended September 30, 2022, except for the December 31, 2022 diluted net income (loss) per share, which was calculated based on 160.8 million weighted-average diluted shares outstanding for the quarter ended December 31, 2022.
- 3) The impact from the decrease in adjusted diluted average common shares outstanding represents the difference between (i) diluted net income as of December 31, 2022 divided by the weighted-average shares outstanding for the year ended December 31, 2022; and (ii) diluted net income as of December 31, 2022 divided by the weighted-average shares outstanding for the year ended December 31, 2021.

# GAAP Book Value Per Share

December 31, 2021 to December 31, 2022 <sup>(1)</sup>



September 30, 2022 to December 31, 2022 <sup>(2)</sup>

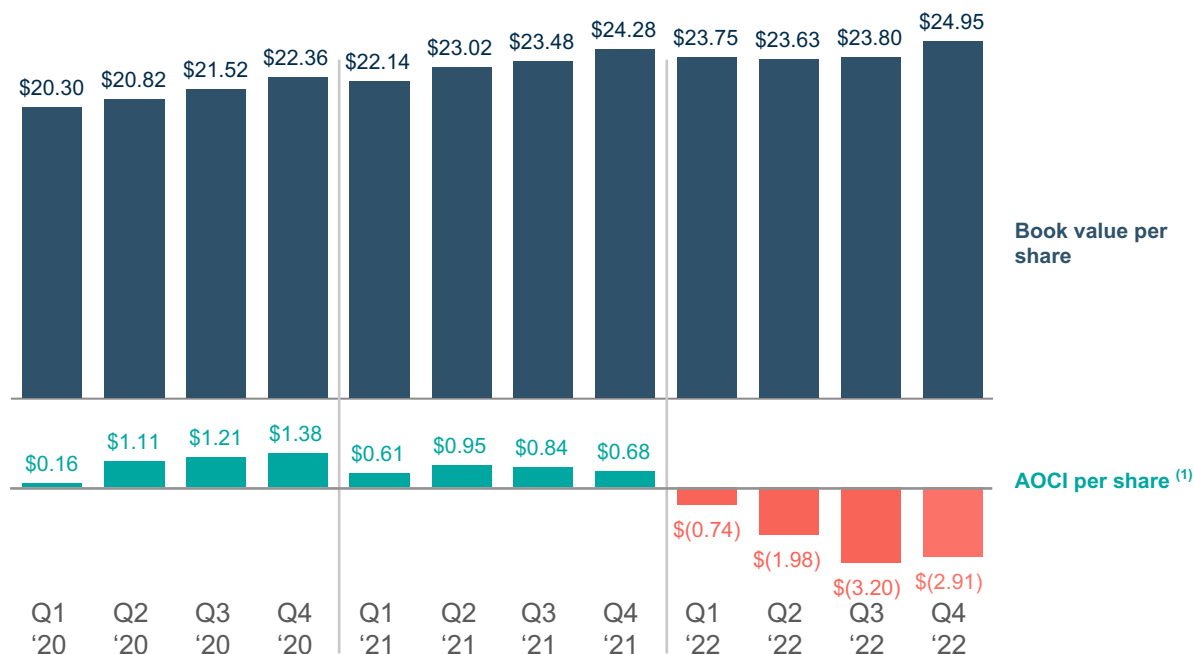


- 1) All book value per share items are calculated based on 175.4 million shares outstanding as of December 31, 2021, except for the December 31, 2022 book value per share, which was calculated based on 157.1 million shares outstanding as of December 31, 2022.
- 2) All book value per share items are calculated based on 157.1 million shares outstanding as of both September 30, 2022 and December 31, 2022.
- 3) Reflects the impact of our share repurchases for the year ended December 31, 2022, inclusive of the cost of these repurchases.



# Accumulated Other Comprehensive Income (Loss) (AOCI) Impact to Book Value Per Share

## GAAP Book Value Per Share



## Contractual Maturities of Fixed-Maturities Available for Sale

As of December 31, 2022

<i>\$ in millions</i>	Amortized Cost	Fair Value	Unrealized gain (loss) recorded in AOCI
Due in one year or less	\$112	\$111	\$(1)
Due after one year through five years <sup>(2)</sup>	\$1,275	\$1,198	\$(77)
Due after five years through 10 years <sup>(2)</sup>	\$990	\$857	\$(133)
Due after 10 years <sup>(2)</sup>	\$854	\$665	\$(189)
Asset-backed and mortgage-backed securities <sup>(3)</sup>	\$2,413	\$2,234	\$(179)
<b>Total <sup>(4)</sup></b>	<b>\$5,644</b>	<b>\$5,065</b>	<b>\$(579)</b>
<b>Tax effect</b>			<b>\$(122)</b>
<b>Accumulated other comprehensive income (loss)</b>			<b>\$(457)</b>

- 1) AOCI per share, a component of book value per share, is calculated by dividing (i) accumulated other comprehensive income (loss), by (ii) shares outstanding as of the end of each period shown. Changes in accumulated other comprehensive loss for 2022 are primarily from net unrealized losses on investments as a result of an increase in market interest rates during 2022. We do not expect to realize these losses given that we have the ability and the expectation to hold these securities until recovery.
- 2) Actual maturities may differ as a result of calls before scheduled maturity.
- 3) Includes residential mortgage-backed securities, commercial mortgage-backed securities, collateralized loan obligations, other asset-backed securities and mortgage insurance-linked notes, which are not due at a single maturity date. The average duration for these investments is three years.
- 4) Total amortized cost and total fair value include \$56 million and \$47 million, respectively, of securities loaned to third-party borrowers under securities lending agreements.

# Financial Highlights

<b>Radian Group Inc. Consolidated</b> <i>(In millions, except per-share amounts)</i>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Primary Insurance In Force</b>	\$260,994	\$259,121	\$254,226	\$248,951	\$245,972
<b>Total Assets</b>	\$7,064	\$6,986	\$7,274	\$7,616	\$7,839
<b>Total Investments</b>	\$5,693	\$5,592	\$5,906	\$6,335	\$6,514
<b>Loss Reserves</b>	\$427	\$484	\$595	\$727	\$829
<b>Debt-to-capital <sup>(1)</sup></b>	26.5 %	27.4 %	26.4 %	25.4 %	24.9 %
<b>Stockholders' Equity <sup>(2)</sup></b>	\$3,919	\$3,738	\$3,931	\$4,148	\$4,259
<b>Shares Outstanding</b>	157	157	166	175	175
<b>Book Value Per Share <sup>(3)</sup></b>	\$24.95	\$23.80	\$23.63	\$23.75	\$24.28
<b>Available / Total Holding Company Liquidity <sup>(4)</sup></b>	\$903 / \$1,178	\$573 / \$848	\$773 / \$1,048	\$1,007 / \$1,282	\$605 / \$880
<b>PMIERS Excess Available Assets (or "Cushion") <sup>(5)</sup></b>	\$1,727 / 45 %	\$1,628 / 44 %	\$1,424 / 38 %	\$1,560 / 44 %	\$2,077 / 62 %

1) See slide 20 for further detail on the components and calculation of the debt-to-capital ratio as of December 31, 2022.

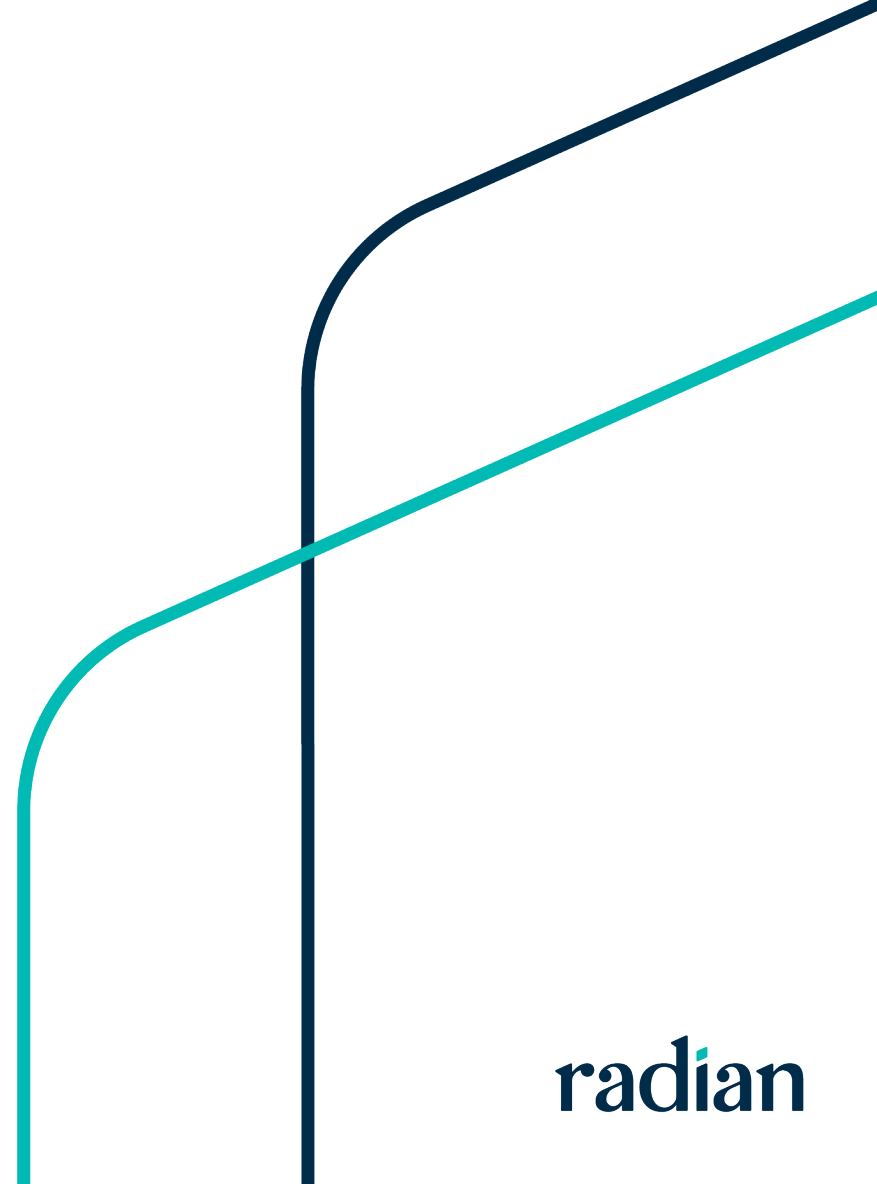
2) Includes accumulated other comprehensive income (loss) of \$(457) million, \$(502) million, \$(329) million, \$(130) million and \$120 million as of December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 31, 2021, respectively.

3) Book value per share includes accumulated other comprehensive income (loss) of \$(2.91) per share, \$(3.20) per share, \$(1.98) per share, \$(0.74) per share and \$0.68 per share as of December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 31, 2021, respectively.

4) Total holding company liquidity includes the Company's unsecured revolving credit facility of \$275 million for all periods presented.

5) Radian Guaranty currently is an approved mortgage insurer under the PMIERS, and is in compliance with the PMIERS financial requirements. PMIERS Cushion represents Radian Guaranty's excess of Available Assets over its Minimum Required Assets, calculated in accordance with the PMIERS financial requirements in effect for each date shown.

# Mortgage



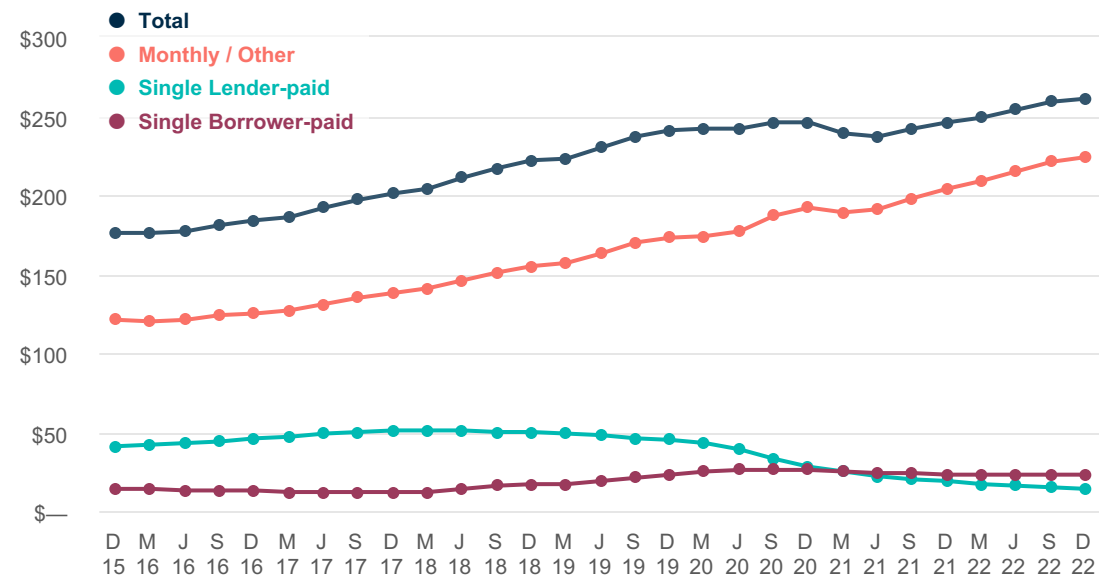
# Primary Insurance In Force

Vintage written in: (\$ in billions)	Insurance in Force <sup>(1)</sup> as of:					
	December 31, 2022		September 30, 2022		December 31, 2021	
<b>2022</b>	\$65.2	25.0 %	\$53.5	20.6 %	\$—	— %
<b>2021</b>	\$77.3	29.6 %	\$79.5	30.7 %	\$87.4	35.5 %
<b>2020</b>	\$57.7	22.1 %	\$61.3	23.7 %	\$74.3	30.2 %
<b>2019</b>	\$17.9	6.8 %	\$18.7	7.2 %	\$24.0	9.8 %
<b>2018</b>	\$9.0	3.5 %	\$9.5	3.6 %	\$12.4	5.0 %
<b>2017</b>	\$8.2	3.1 %	\$8.7	3.4 %	\$11.5	4.7 %
<b>2009 - 2016</b>	\$16.7	6.4 %	\$18.4	7.1 %	\$25.0	10.2 %
<b>2008 &amp; Prior</b>	\$9.0	3.5 %	\$9.5	3.7 %	\$11.4	4.6 %
<b>Total</b>	<b>\$261.0</b>	<b>100.0 %</b>	<b>\$259.1</b>	<b>100.0 %</b>	<b>\$246.0</b>	<b>100.0 %</b>

1) Policy years represent the original policy years, and have not been adjusted to reflect subsequent refinancing activity under HARP.

## Monthly and Single Mix

(\$ in billions)



% of total Insurance in Force	2016	2017	2018	2019	2020	2021	December 31, 2022
● Monthly / Other	68%	69%	70%	72%	78%	83%	86%
● Single Lender-paid	25%	25%	23%	18%	11%	7%	5%
● Single Borrower-paid	7%	6%	7%	10%	11%	10%	9%

# In Force Portfolio Premium Yield

(in basis points, except as otherwise indicated)

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>In Force Portfolio Premium Yield <sup>(1)</sup></b>	38.1	39.2	40.0	39.6	41.0
<b>Single Premium Cancellations <sup>(2)</sup></b>	0.9	1.0	1.1	2.4	3.4
<b>Total Direct Yield</b>	39.0	40.2	41.1	42.0	44.4
<b>Ceded Earned Premiums - QSR <sup>(3)</sup></b>	(3.3)	(3.2)	(2.1)	(3.1)	(3.8)
<b>Ceded Earned Premiums - ILN/XOL <sup>(3) (4)</sup></b>	(2.7)	(3.4)	(3.1)	(2.8)	(2.9)
<b>Profit Commission <sup>(5)</sup></b>	2.4	3.1	3.4	3.5	3.3
<b>Total Net Yield <sup>(6)</sup></b>	35.4	36.7	39.3	39.6	41.0
<b>Beginning Primary IIF (\$B)</b>	\$259.1	\$254.2	\$249.0	\$246.0	\$241.6
<b>Ending Primary IIF (\$B)</b>	\$261.0	\$259.1	\$254.2	\$249.0	\$246.0
<b>Average Primary IIF (\$B)</b>	\$260.1	\$256.7	\$251.6	\$247.5	\$243.8
<b>Monthly Premium %</b>	86 %	85 %	84 %	83 %	82 %
<b>Single Premium %</b>	14 %	15 %	16 %	17 %	18 %

1) Total direct premiums earned, excluding single premium policy cancellations, annualized, as a percentage of average primary IIF. Includes premiums earned related to Radian's participation in GSE credit risk sharing transactions (Freddie Mac ACIS and Fannie Mae CIRT). The impact of this revenue ranges from approximately 0.4 – 0.5 basis points for Q4 2021 through Q3 2022 and approximately (0.1) basis point for Q4 2022. In Q4 2022, this insured risk was novated to an unrelated third-party reinsurer, which assumed all rights, interests, liabilities and obligations related to our participation in these programs on a prospective basis.

2) Single premium policy cancellations, annualized, as a percentage of average primary IIF.

3) Ceded premiums earned, annualized, as a percentage of average primary IIF.

4) Q3 2022 includes a \$2.8 million or 0.4 basis point impact of acceleration of deferred outstanding fees upon termination of Radian Guaranty's excess of loss reinsurance agreement with Eagle Re 2020-2 Ltd. See slide 23 for further detail on Eagle Re 2020-2.

5) Profit commission, annualized, as a percentage of average primary IIF.

6) Net premiums earned, annualized, as a percentage of average primary IIF.

# First-lien Mortgage Insurance

## 2022 Performance by Vintage

(\$ in millions)

Three Months Ended December 31, 2022

Vintage	Premiums Earned <sup>(1)</sup>	Incurred Losses <sup>(1)</sup>	Net
<b>2008 &amp; Prior</b>	\$9.7	(\$14.2)	\$23.9
<b>2009 - 2016</b>	\$20.0	(\$14.7)	\$34.7
<b>2017</b>	\$10.2	(\$6.8)	\$17.0
<b>2018</b>	\$11.9	(\$8.3)	\$20.2
<b>2019</b>	\$19.7	(\$7.4)	\$27.1
<b>2020</b>	\$54.4	(\$7.7)	\$62.1
<b>2021</b>	\$65.3	\$8.5	\$56.8
<b>2022</b>	\$39.6	\$5.4	\$34.2

1) Represents premiums earned and incurred losses on first-lien portfolio, net of reinsurance.

# Primary Mortgage Insurance

Cumulative Incurred Loss Ratio by Development Year<sup>(1)</sup>

Vintage	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20 <sup>(2)</sup>	Dec-21 <sup>(2)</sup>	Dec-22
2013	2.5 %	4.0 %	3.4 %	3.7 %	3.5 %	3.4 %	3.3 %	4.2 %	4.1 %	2.9 %
2014		2.7 %	4.1 %	4.9 %	5.0 %	5.1 %	5.2 %	6.9 %	6.8 %	4.5 %
2015			2.1 %	4.8 %	5.2 %	5.0 %	4.7 %	7.4 %	6.8 %	3.8 %
2016				2.9 %	5.0 %	4.8 %	4.7 %	9.7 %	8.0 %	3.7 %
2017					4.7 %	5.1 %	6.1 %	14.3 %	11.9 %	5.1 %
2018						3.0 %	6.4 %	22.8 %	19.0 %	7.2 %
2019							2.8 %	35.6 %	23.5 %	6.8 %
2020								25.6 %	14.9 %	6.0 %
2021									7.9 %	10.9 %
2022										9.4 %

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

2) Incurred losses in 2020 and 2021 were elevated due to the impact of the COVID-19 pandemic.

# Components of Mortgage Provision for Losses

(\$ in millions)	Three Months Ended				
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
<b>Current period defaults <sup>(1)</sup></b>	\$45.9	\$39.2	\$33.9	\$40.7	\$39.4
<b>Prior period defaults <sup>(2)</sup></b>	(89.4)	(136.7)	(148.1)	(124.9)	(86.0)
<b>Provision for losses</b>	<b>(\$43.5)</b>	<b>(\$97.5)</b>	<b>(\$114.2)</b>	<b>(\$84.2)</b>	<b>(\$46.6)</b>

1) Defaulted loans with the 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. Defaults reported include defaults subject to implemented forbearance programs in response to the COVID-19 pandemic.

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



# Default Rollforward

Primary Insurance in Force <i>(number of loans)</i>	Q4 2022 <sup>(1)</sup>	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>Beginning Default Inventory</b>	21,077	21,861	25,510	29,061	33,795
<b>Total New Defaults <sup>(2)</sup></b>	10,735	9,601	8,009	9,393	9,342
<b>Cures</b>	(9,573)	(10,222)	(11,552)	(12,789)	(13,677)
<b>Claims Paid <sup>(3)</sup></b>	(307)	(141)	(86)	(125)	(375)
<b>Rescissions and Denials, net <sup>(4)</sup></b>	(19)	(22)	(20)	(30)	(24)
<b>Ending Default Inventory</b>	<b>21,913</b>	<b>21,077</b>	<b>21,861</b>	<b>25,510</b>	<b>29,061</b>
<b>Primary Default Rate</b>	2.2 %	2.1 %	2.2 %	2.6 %	2.9 %

1) Defaults for the fourth quarter of 2022 were impacted by two items: (i) approximately 300 incremental new defaults from areas impacted by Hurricane Ian and (ii) approximately 700 incremental total defaults (comprised of approximately 500 incremental new defaults and 200 fewer cures) due to a timing change in when Radian receives servicer default reporting. The change realigned certain servicers that had previously reported near the end of each month to the mid-month reporting convention that is standard for the industry and for the rest of the servicers in our portfolio. As a result, cure activity occurring toward the end of the month associated with those servicers will now be captured in the subsequent month. Since these incremental defaults are expected to be temporary in nature, there is no material impact expected to our provision for losses, loss reserves or claims paid from either of these items.

2) New Defaults remaining as of December 31, 2022:	8,279	3,676	2,112	1,403	925
Cumulative Cure Rate	22.9 %	61.7 %	73.6 %	85.1 %	90.1 %

Loans that cure and then re-default in a subsequent period are counted as a new default in the period in which they re-default.

3) Claims paid	(73)	(76)	(86)	(125)	(81)
Commutations	(234)	(65)	—	—	(294)

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.

# Primary Loans In Default

December 31, 2022

(\$ in millions)

	Total		Foreclosure Stage Defaulted Loans	Cure % During Q4	Reserve for Losses	% of Reserve
Missed Payments	#	%	#	%	\$	%
<b>3 Payments or Fewer</b>	9,584	43.7 %	8	35.5 %	\$78.0	19.5 %
<b>4 to 11 Payments</b>	6,842	31.2	189	27.4	114.5	28.7
<b>12 Payments or More <sup>(1)</sup></b>	5,158	23.6	750	22.9	190.2	47.7
<b>Pending Claims <sup>(1)</sup></b>	329	1.5	N/A	23.5	16.2	4.1
<b>Total</b>	<b>21,913</b>	<b>100.0 %</b>	<b>947</b>		<b>398.9</b>	<b>100.0 %</b>
<b>LAE</b>					10.0	
<b>IBNR</b>					2.1	
<b>Total Primary Reserve</b>					<b>\$411.0</b>	

## Key Reserve Assumptions

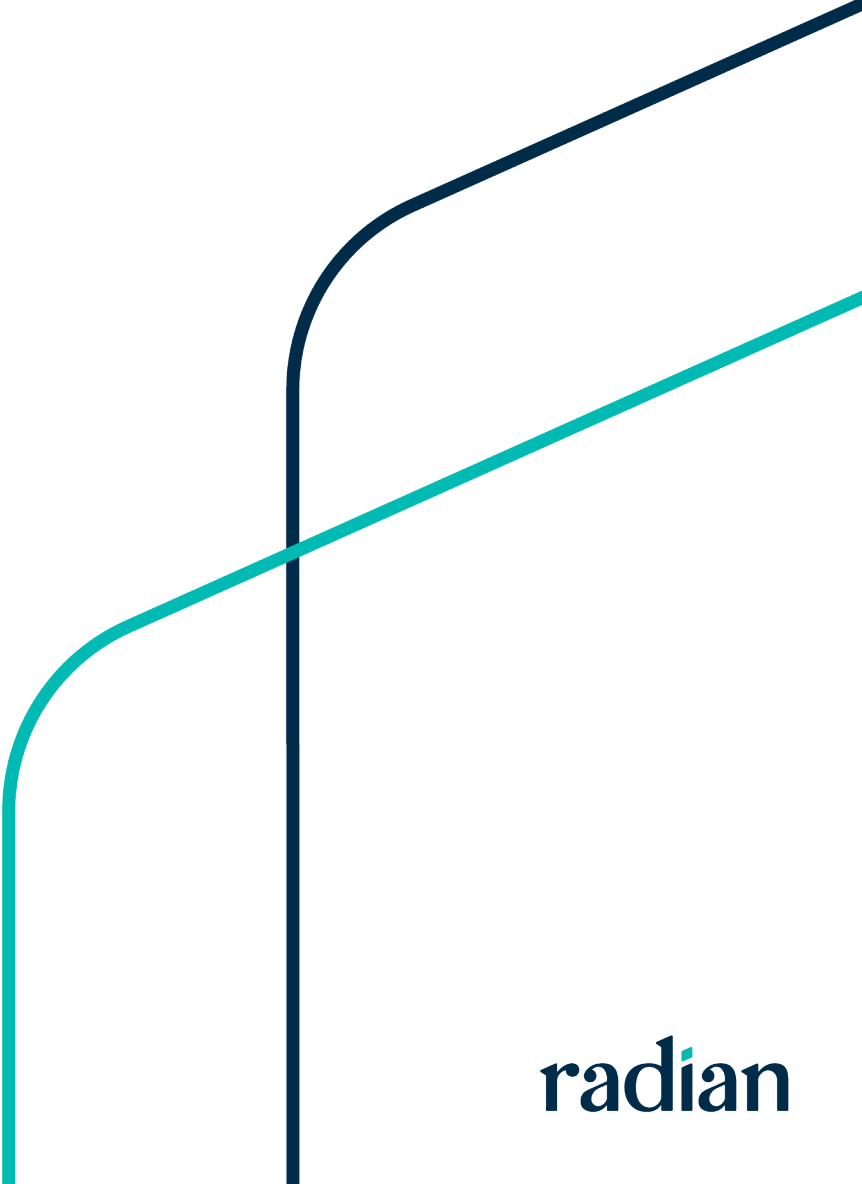
Net Default to Claim Rate % <sup>(2)</sup>	Claim Severity % <sup>(3)</sup>
30%	98%

1) 40.9% of defaults that had missed 12 payments or more (including the portion in pending claims) made a payment during Q4 2022.

2) For every one percentage point change in our primary net Default to Claim Rate, we estimated a change of approximately \$12.9 million in our primary loss reserve at December 31, 2022.

3) For every one percentage point change in primary Claim Severity, we estimated a change of approximately \$4.1 million in our total loss reserve at December 31, 2022.

# Financial Strength and Risk Distribution Overview



# Capital & Ratings

## Total Capitalization as of December 31, 2022

(\$ in millions)

Coupon	Description	Carrying Value	Principal	% of Total Capitalization <sup>(1)</sup>
4.500 %	Senior Notes due October 2024	\$448	\$450	8.5 %
6.625 %	Senior Notes due March 2025	\$520	\$525	9.8 %
4.875 %	Senior Notes due March 2027	\$446	\$450	8.4 %
	<b>Total</b>	<b>\$1,414</b>	<b>\$1,425</b>	<b>26.5 %</b>
	Stockholders' Equity	\$3,919		73.5 %
	<b>Total Capitalization</b>	<b>\$5,333</b>		<b>100.0 %</b>

## Share Repurchase Activity

In January 2023, Radian Group's board of directors approved a share repurchase program authorizing the Company to spend up to \$300 million, excluding commissions, to repurchase Radian Group common stock in the open market or in privately negotiated transactions, based on market and business conditions, stock price and other factors. Radian Group plans to utilize a trading plan under Rule 10b5-1 of the Exchange Act, which, once implemented, permits the Company to purchase shares, at predetermined price targets, when it may otherwise be precluded from doing so. The authorization will expire in January 2025.

1) Based on carrying value of our outstanding senior notes and stockholders' equity.

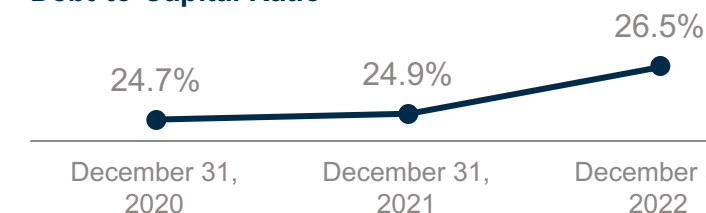
2) Calculated as carrying value of senior notes divided by carrying value of senior notes and stockholders' equity.

## Stockholders' Equity

(\$ in billions)



## Debt-to-Capital Ratio <sup>(2)</sup>



## Current Radian Group Senior Debt Ratings

<b>S&amp;P</b>	<b>BB+ with Stable outlook</b> Based on May 21, 2021 update
<b>Moody's</b>	<b>Baa3 with Stable outlook</b> Upgraded from Ba1 to Baa3 on July 21, 2022
<b>Fitch</b>	<b>BBB- with Stable outlook</b> Based on April 27, 2022 update

# Investment Portfolio <sup>(1)</sup>

## Investment Portfolio Scheduled Maturity

As of December 31, 2022

<i>\$ in millions</i>	Fair Value	Percent
<b>Short-term investments</b>	\$403	6.9 %
<b>Due in one year or less <sup>(2)</sup></b>	110	1.9
<b>Due after one year through five years <sup>(2)</sup></b>	1,211	20.8
<b>Due after five years through 10 years <sup>(2)</sup></b>	872	15.0
<b>Due after 10 years <sup>(2)</sup></b>	741	12.8
<b>Asset-backed securities and mortgage-related assets <sup>(3)</sup></b>	2,250	38.8
<b>Equity securities and other invested assets</b>	219	3.8
<b>Total</b>	<b>\$5,806</b>	<b>100.0 %</b>

## Investment Portfolio Diversification

As of December 31, 2022

<i>\$ in millions</i>	Fair Value	Percent
<b>Corporate bonds and commercial paper</b>	\$2,728	47.0 %
<b>Agency residential mortgage-backed securities</b>	935	16.1
<b>Commercial mortgage-backed securities</b>	599	10.3
<b>Collateralized loan obligations</b>	498	8.6
<b>Money market instruments and certificate of deposit</b>	243	4.1
<b>State and municipal obligations</b>	216	3.7
<b>Other asset-backed securities</b>	161	2.8
<b>U.S. government and agency securities</b>	145	2.5
<b>Mortgage insurance-linked notes</b>	53	0.9
<b>Equity securities and other invested assets</b>	228	4.0
<b>Total</b>	<b>\$5,806</b>	<b>100.0 %</b>

## Investment Portfolio by Rating

As of December 31, 2022

<i>\$ in millions</i>	Fair Value	Percent
<b>U.S. government / AAA</b>	\$2,208	38.0 %
<b>AA</b>	885	15.2
<b>A</b>	1,609	27.7
<b>BBB</b>	807	13.9
<b>BB and below</b>	65	1.1
<b>Not rated <sup>(4)</sup></b>	232	4.1
<b>Total</b>	<b>\$5,806</b>	<b>100.0 %</b>

1) Includes \$112 million of securities loaned to third-party borrowers under securities lending agreements.

2) Actual maturities may differ as a result of calls before scheduled maturity.

3) Includes residential mortgage-backed securities, commercial mortgage-backed securities, collateralized loan obligations, other asset-backed securities, mortgage insurance-linked notes and mortgage loans, which are not due at a single maturity date.

4) Primarily consists of equity securities.

# Statutory Capital - Radian Guaranty Inc. <sup>(1)</sup>

(\$ in millions)	As of:				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
<b>Statutory Financial Information:</b>					
<b>Risk-to-capital ratio</b>	10.7:1	11.1:1	11.9:1	12.1:1	11.1:1
<b>Common stock and paid-in surplus <sup>(2)</sup></b>	\$500	\$741	\$741	\$741	\$1,241
<b>Surplus notes</b>	—	100	100	100	100
<b>Unassigned funds <sup>(3)</sup></b>	258	(102)	(269)	(418)	(563)
<b>Statutory policyholders' surplus</b>	758	739	572	423	778
<b>Contingency reserve <sup>(4)</sup></b>	4,431	4,246	4,130	4,008	3,887
<b>Total statutory capital</b>	5,189	4,985	4,702	4,431	4,665
<b>Reserve for losses</b>	396	448	550	667	756
<b>Total</b>	\$5,585	\$5,433	\$5,252	\$5,098	\$5,421
<b>PMIERS Financial Requirements:</b>					
<b>PMIERS available assets</b>	\$5,553	\$5,358	\$5,175	\$5,102	\$5,406
<b>PMIERS minimum required assets</b>	3,826	3,730	3,751	3,542	3,329
<b>PMIERS excess available assets</b>	\$1,727	\$1,628	\$1,424	\$1,560	\$2,077

(\$ in millions)	Scheduled Contingency Reserve Releases <sup>(3)</sup>
<b>2023</b>	\$12
<b>2024</b>	427
<b>2025</b>	461
<b>2026</b>	473
<b>2027</b>	478
<b>2028</b>	517
<b>2029</b>	550
<b>2030</b>	537
<b>2031</b>	498
<b>2032</b>	478
<b>Total</b>	\$4,431

- 1) Effective December 28, 2022, Radian Group completed the merger of Radian Reinsurance into Radian Guaranty, an approved insurer under the GSEs' PMIERS. Prior periods have not been restated to reflect this merger.
- 2) Common stock and paid-in surplus can only be affected by direct capital contributions and returns of capital approved by the Pennsylvania Insurance Department.
- 3) Unassigned funds are enhanced by earnings (net of contingency reserve inflows and outflows) and is a regulatory constraint on the ability to pay an ordinary dividend, since unassigned funds must be positive in order to pay such a dividend. While all proposed dividends and distributions to stockholders must be filed with the Pennsylvania Insurance Department prior to payment, if a Pennsylvania domiciled insurer has positive unassigned funds, such insurer can pay dividends or other distributions out of such funds during any 12-month period in an aggregate amount less than or equal to the greater of: (i) 10% of the preceding year-end statutory policyholders' surplus or (ii) the preceding year's statutory net income, in each case without the prior approval of the Pennsylvania Insurance Department.
- 4) Contingency reserves are established by contributing 50% of earned premiums every year. Releases of contingency reserves occur with either an annual loss ratio greater than 35% or after 10 years on a first-in, first-out basis, and are released into unassigned funds.

# Eagle Re Mortgage Insurance-Linked Notes Reinsurance Key Metrics <sup>(1)</sup>

(\$ in millions)

Coverage dates for policies issued between	Eagle Re 2021-2 1/21-7/21	Eagle Re 2021-1 8/20-12/20	Eagle Re 2020-1 1/19-9/19	Eagle Re 2019-1 1/18-12/18	Eagle Re 2018-1 1/17-12/17
<b>Initial Risk In Force</b>	\$10,758	\$11,061	\$9,866	\$10,705	\$9,109
<b>Current Risk In Force</b>	\$9,150	\$7,758	\$2,401	\$1,769	\$1,509
<b>Initial coverage at issuance date</b>	\$484	\$498	\$488	\$562	\$434
<b>Current coverage</b>	\$472	\$366	\$368	\$385	\$276
<b>Radian's initial retention layer</b>	\$242	\$221	\$202	\$268	\$205
<b>Radian's current retention layer</b>	\$242	\$221	\$202	\$263	\$200
<b>Claims paid under Radian's retention layer</b>	\$—	\$—	\$—	\$5	\$5
<b>Current PMIERS MRA Reduction <sup>(2)</sup></b>	\$410	\$256	\$—	\$—	\$—
<b>Delinquency % <sup>(3)</sup></b>	1.05 %	0.98 %	3.24 %	5.97 %	4.36 %
<b>Delinquency trigger % <sup>(4) (5)</sup></b>	5.90 %	5.79 %	4.00 %	4.00 %	4.00 %
<b>Initial attachment % <sup>(6)</sup></b>	2.25 %	2.00 %	2.05 %	2.50 %	2.25 %
<b>Initial detachment % <sup>(7)</sup></b>	6.75 %	6.50 %	7.00 %	7.75 %	7.25 %
<b>Current attachment % <sup>(6)</sup></b>	2.65 %	2.85 %	8.41 %	14.85 %	13.25 %
<b>Current detachment % <sup>(7)</sup></b>	7.80 %	7.57 %	23.76 %	36.59 %	32.94 %

## ILN Current Totals

Policies issued between 1/17-7/21

Risk In Force	Coverage	PMIERS MRA Reduction <sup>(2)</sup>
\$22,587	\$1,867	\$666

- 1) Through December 31, 2022, Radian Guaranty has entered into six fully collateralized reinsurance arrangements with the Eagle Re Issuers, of which five remain active as of December 31, 2022. The Eagle Re Issuers are not subsidiaries or affiliates of Radian Guaranty. Based on the accounting guidance that addresses VIEs, we have not consolidated any of the Eagle Re Issuers in our consolidated financial statements.
- 2) PMIERS MRA Reduction represents the reduction in the Minimum Required Assets as of Q4 2022, which is a risk-based minimum required asset amount, as defined in PMIERS.
- 3) Delinquency % represents the percentage of risk in force that is 60 or more days delinquent.
- 4) When the predetermined delinquency trigger % is reached, then the amortization of the issued notes stops and coverage remains constant.
- 5) Based on the current level of defaults reported to us, Eagle Re 2019-1 and Eagle Re 2018-1 insurance-linked notes are currently subject to a delinquency trigger event. Both the amortization of the outstanding reinsurance coverage amount pursuant to our reinsurance arrangements with the Eagle Re Issuers and the amortization of the principal amount of the related insurance-linked notes issued by the Eagle Re Issuers have been suspended and will continue to be suspended during the pendency of the trigger event.
- 6) Attachment % represents the amount of cumulative paid losses as a percentage of initial and current risk in force, respectively, that Radian retains prior to the reinsurance provided through the insurance-linked notes structure absorbing losses.
- 7) Detachment % represents the amount of cumulative paid losses as a percentage of initial and current risk in force, respectively, that must be reached before Radian starts absorbing losses again.

# Quota Share Reinsurance (QSR) Key Summary Metrics <sup>(1)</sup>

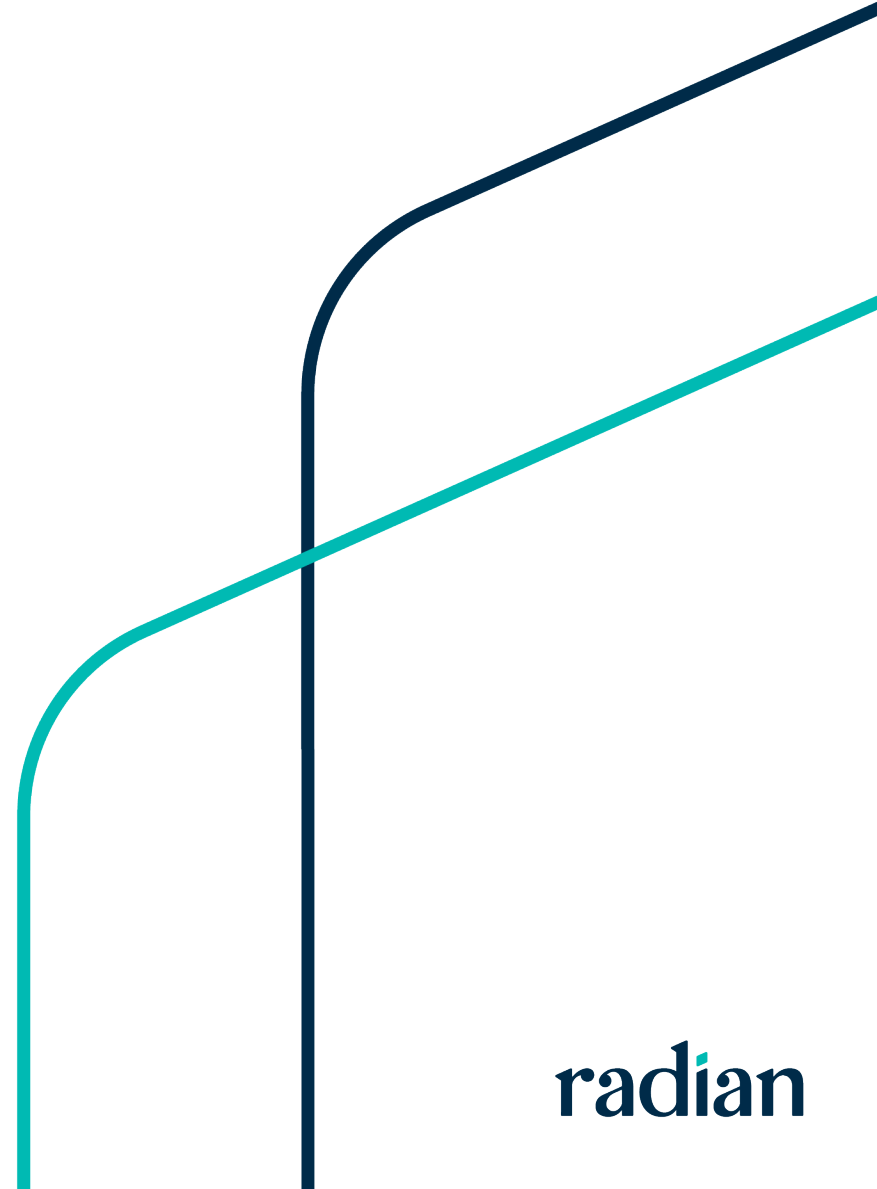
(\$ in millions)

		Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>2016 Single Premium QSR Agreement</b>		<b>2012 – 2017</b>				
	<i>NIW Policy Dates</i>					
<b>Quota Share — 20% - 65% <sup>(2)</sup></b>	Ceded Risk in Force	\$1,207	\$1,319	\$1,612	\$1,698	\$1,913
<b>Ceding / Profit Commission — 25% / Up to 55%</b>	PMIERS MRA Reduction <sup>(3)</sup>	\$70	\$76	\$94	\$102	\$115
<b>2018 Single Premium QSR Agreement</b>		<b>2018 – 2019</b>				
	<i>NIW Policy Dates</i>					
<b>Quota Share — 65%</b>	Ceded Risk in Force	\$876	\$917	\$968	\$1,021	\$1,117
<b>Ceding / Profit Commission — 25% / Up to 56%</b>	PMIERS MRA Reduction <sup>(3)</sup>	\$58	\$61	\$65	\$70	\$79
<b>2020 Single Premium QSR Agreement</b>		<b>2020 – 2021</b>				
	<i>NIW Policy Dates</i>					
<b>Quota Share — 65%</b>	Ceded Risk in Force	\$1,993	\$2,038	\$2,085	\$2,137	\$2,198
<b>Ceding / Profit Commission — 25% / Up to 56%</b>	PMIERS MRA Reduction <sup>(3)</sup>	\$103	\$107	\$110	\$115	\$120
<b>2022 QSR Agreement</b>		<b>January 2022 – June 2023</b>				
	<i>NIW Policy Dates</i>					
<b>Quota Share — 20%</b>	Ceded Risk in Force	\$3,307	\$2,710	N/A	N/A	N/A
<b>Ceding / Profit Commission — 20% / Up to 59%</b>	PMIERS MRA Reduction <sup>(3)</sup>	\$234	\$189	N/A	N/A	N/A
<b>Total of QSRs as of Q4 2022</b>						
		<b>Ceded Risk in Force</b>	<b>PMIERS MRA Reduction <sup>(3)</sup></b>			
		\$7,383	\$465			

- 1) Analysis excludes the impact of the 2012 QSR Agreements with a third-party reinsurance provider, which provided a reduction of \$8 million in PMIERS Minimum Required Assets as of December 31, 2022.
- 2) Effective December 31, 2017, we amended the 2016 Single Premium QSR Agreement to increase the amount of ceded risk on performing loans under the agreement from 35% to 65% for the 2015 through 2017 vintages. Loans included in the 2012 through 2014 vintages, and any other loans subject to the agreement that were delinquent at the time of the amendment, were unaffected by the change and therefore the amount of ceded risk for those loans continues to range from 20% to 35%. Effective September 30, 2022, one reinsurer terminated its interest in the 2016 Single Premium QSR Agreement in exchange for participating in the 2022 QSR Agreement. As a result, the portions ceded under this agreement declined from 20% to 65% to approximately 18% to 57% as of September 30, 2022.
- 3) PMIERS MRA Reduction represents the reduction in the Minimum Required Assets, which is a risk-based minimum required asset amount, as defined in PMIERS.



homegenius



radian

# homegenius Highlights

(\$ in millions)

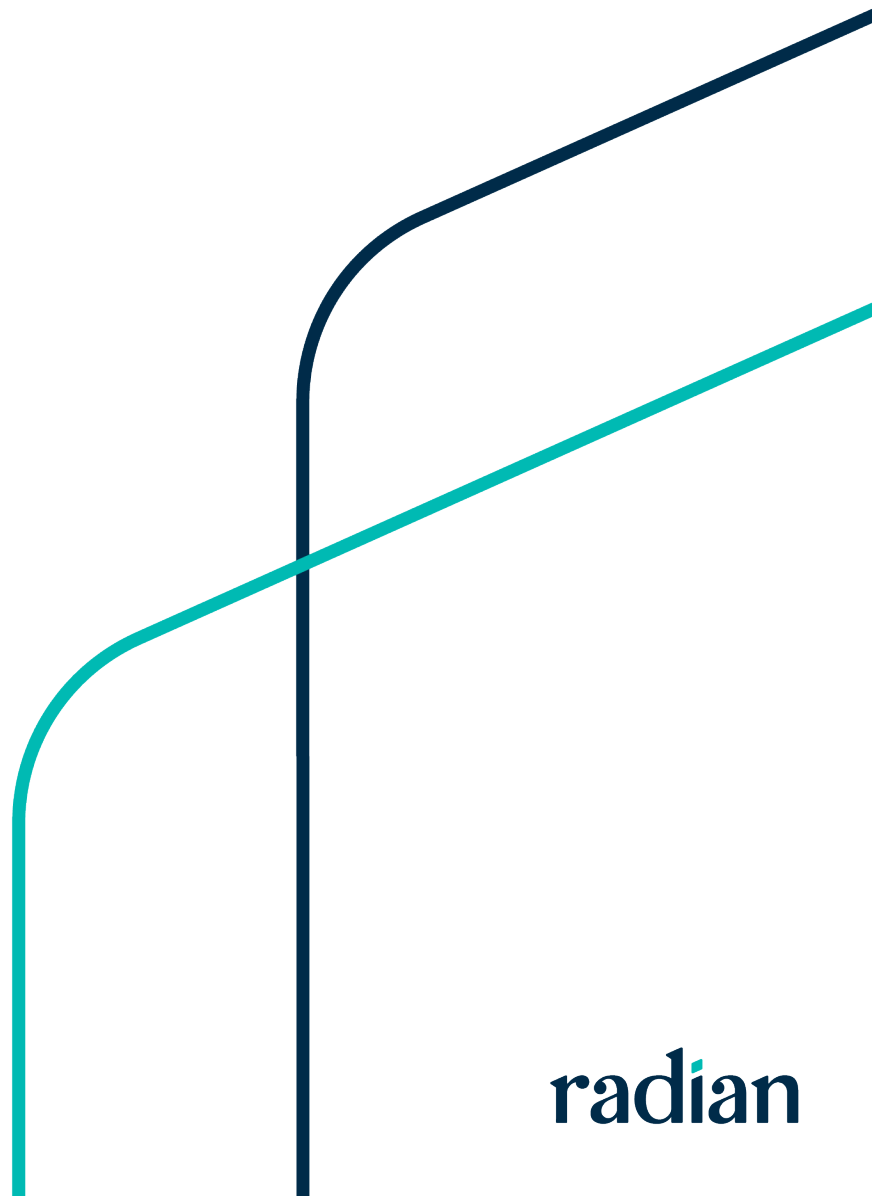
	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>Revenue</b>					
<b>Title</b>	\$5.7	\$9.8	\$11.9	\$15.4	\$21.6
<b>Real estate <sup>(1)</sup></b>	\$11.0	\$13.2	18.1	16.1	20.9
<b>Technology <sup>(2)</sup></b>	\$1.9	\$2.1	2.3	2.4	2.2
<b>Total Revenue</b>	\$18.6	\$25.1	\$32.3	\$33.9	\$44.7
<b>Adjusted Gross Profit <sup>(3)</sup></b>	\$2.8	\$6.3	\$11.2	\$12.1	\$19.7
<b>Adjusted Pretax Operating Income (Loss) before Allocated Corporate Operating Expenses <sup>(3)</sup></b>	\$(25.2)	\$(20.0)	\$(12.0)	\$(8.2)	\$2.7

1) Includes valuation, single family rental, real estate owned asset management and other real estate services. Q4 2021 also includes \$1.5 million net gains on investments.

2) Includes Software-as-a-Service and other technology services, including our asset management technology platform.

3) As used in this presentation, homegenius adjusted gross profit and homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses are non-GAAP financial measures. For a reconciliation of the adjusted results to the comparable GAAP measures and the definitions of homegenius adjusted gross profit and homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses, see Appendix, Slides 28-32.

# 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 (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 our business performance is evaluated by both management and by our 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 our 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, except for certain investments attributable to our segments; (ii) gains (losses) 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. Except for certain investments attributable to our segments, 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.

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. For the homegenius segment, adjusted pretax operating income (loss) before allocated corporate operating expenses and adjusted gross profit 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 Slides 29 through 31 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. Slide 32 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, homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses and homegenius adjusted gross profit may not be comparable to similarly-named measures reported by other companies.

# Reconciliation of Consolidated Pretax Income to Adjusted Pretax Operating Income

	2022				2021
	Q4	Q3	Q2	Q1	Q4
<i>(\$ in millions)</i>					
<b>Consolidated pretax income</b>	\$203.3	\$255.5	\$259.9	\$234.1	\$246.5
<b>Less reconciling income (expense) items</b>					
<b>Net gains (losses) on investments and other financial instruments <sup>(1)</sup></b>	6.8	(16.2)	(41.9)	(29.5)	1.5
<b>Amortization of other acquired intangible assets</b>	(1.6)	(1.0)	(0.8)	(0.8)	(0.9)
<b>Impairment of other long-lived assets and other non-operating items <sup>(2)</sup></b>	(14.9)	—	0.6	(0.5)	0.8
<b>Total adjusted pretax operating income <sup>(3)</sup></b>	<b>\$213.0</b>	<b>\$272.7</b>	<b>\$302.0</b>	<b>\$264.9</b>	<b>\$245.1</b>

1) Excludes certain net gains (losses) on investments that are attributable to specific operating segments and therefore included in adjusted pretax operating income (loss).

2) The amounts for all the periods are included in other operating expenses and primarily relate to impairments of other long-lived assets.

3) Please see slide 28 for the definition of this line item and additional information regarding our use of non-GAAP financial measures.

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

	2022				2021
	Q4	Q3	Q2	Q1	Q4
<b>Diluted net income per share</b>	\$1.01	\$1.20	\$1.15	\$1.01	\$1.07
<b>Less per-share impact of reconciling income (expense) items</b>					
Net gains (losses) on investments and other financial instruments	0.04	(0.10)	(0.24)	(0.16)	0.01
Amortization of other acquired intangible assets	(0.01)	(0.01)	—	(0.01)	—
Impairment of other long-lived assets and other non-operating items	(0.09)	—	—	—	—
Income tax (provision) benefit on reconciling income (expense) items <sup>(1)</sup>	0.01	0.02	0.05	0.03	—
Difference between statutory and effective tax rates	0.01	(0.02)	(0.02)	(0.02)	(0.01)
<b>Per-share impact of reconciling income (expense) items</b>	<b>(0.04)</b>	<b>(0.11)</b>	<b>(0.21)</b>	<b>(0.16)</b>	<b>—</b>
<b>Adjusted diluted net operating income per share <sup>(1) (2)</sup></b>	<b>\$1.05</b>	<b>\$1.31</b>	<b>\$1.36</b>	<b>\$1.17</b>	<b>\$1.07</b>

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.

2) Please see slide 28 for additional information regarding our use of non-GAAP financial measures.

# Reconciliation of Return on Equity to Adjusted Net Operating Return on Equity

	2022				2021
	Q4	Q3	Q2	Q1	Q4
<b>Return on equity <sup>(1)</sup></b>	17.0 %	20.7 %	19.9 %	17.2 %	18.2 %
<b>Less impact of reconciling income (expense) items <sup>(2)</sup></b>					
<b>Net gains (losses) on investments and other financial instruments</b>	0.7	(1.7)	(4.1)	(2.8)	0.1
<b>Amortization of other acquired intangible assets</b>	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Impairment of other long-lived assets and other non-operating items</b>	(1.6)	—	0.1	—	0.1
<b>Income tax (provision) benefit on reconciling income (expense) items <sup>(3)</sup></b>	0.2	0.4	0.9	0.6	—
<b>Difference between statutory and effective tax rates</b>	0.3	(0.4)	(0.5)	(0.4)	(0.1)
<b>Impact of reconciling income (expense) items</b>	(0.6)	(1.8)	(3.7)	(2.7)	—
<b>Adjusted net operating return on equity <sup>(3) (4)</sup></b>	<b>17.6 %</b>	<b>22.5 %</b>	<b>23.6 %</b>	<b>19.9 %</b>	<b>18.2 %</b>

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

2) Stated as a percentage of average stockholders' equity. Quarterly periods are annualized.

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.

4) Please see slide 28 for additional information regarding our use of non-GAAP financial measures.

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

	2022				2021
	Q4	Q3	Q2	Q1	Q4
<i>(\$ in millions)</i>					
<b>homegenius adjusted pretax operating income (loss)</b>	\$ (31.5)	\$ (25.5)	\$ (17.7)	\$ (13.5)	\$ (2.1)
<b>Less reconciling income (expense) items</b>					
<b>Allocation of corporate operating expenses to homegenius</b>	(6.3)	(5.5)	(5.7)	(5.3)	(4.8)
<b>homegenius adjusted pretax operating income (loss) before allocated corporate operating expenses <sup>(1)</sup></b>	<b>(25.2)</b>	<b>(20.0)</b>	<b>(12.0)</b>	<b>(8.2)</b>	<b>2.7</b>
<b>Less reconciling income (expense) items</b>					
<b>Other operating expenses before allocated corporate operating expenses</b>	(28.0)	(26.3)	(23.2)	(20.3)	(17.0)
<b>homegenius adjusted gross profit <sup>(1)</sup></b>	<b>\$2.8</b>	<b>\$6.3</b>	<b>\$11.2</b>	<b>\$12.1</b>	<b>\$19.7</b>

1) Please see slide 28 for the definition of this line item and additional information regarding our use of non-GAAP financial measures.



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