
# Financial Results

## Third Quarter 2014

# Safe Harbor Statements

All statements in this report 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. 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 including:

- changes in general economic and political conditions, including unemployment rates, changes in the U.S. housing and mortgage credit markets (including declines in home prices and property values), the performance of the U.S. or global economies, the amount of liquidity in the capital or credit markets, changes or volatility in interest rates or consumer confidence and changes in credit spreads, all of which may be impacted by, among other things, legislative activity or inactivity (including legislative changes impacting the obligations of the public or sovereign entities that our financial guaranty business insures), actual or threatened downgrades of U.S. government credit ratings, or actual or threatened defaults on U.S. government obligations;
- changes in the way customers, investors, regulators or legislators perceive the strength of private mortgage insurers or financial guaranty providers, in particular in light of the fact that certain of our former competitors have ceased writing new insurance business and have been placed under supervision or receivership by insurance regulators;
- catastrophic events, municipal and sovereign or sub-sovereign bankruptcy filings or other economic changes in geographic regions where our mortgage insurance exposure is more concentrated or where we have financial guaranty exposure;
- our ability to maintain sufficient holding company liquidity to meet our short- and long-term liquidity needs;
- a reduction in, or prolonged period of depressed levels of, home mortgage originations due to reduced liquidity in the lending market, tighter underwriting standards, or general reduced housing demand in the U.S., which may be exacerbated by regulations impacting home mortgage originations, including requirements established under the Dodd-Frank Act;
- our ability to maintain an adequate risk-to-capital position, minimum policyholder position and other surplus requirements for Radian Guaranty, our principal mortgage insurance subsidiary, and an adequate minimum policyholder position and surplus for our insurance subsidiaries that provide reinsurance or capital support to Radian Guaranty;
- Radian Guaranty's ability to comply with the financial requirements of the PMIERs (once adopted) within the applicable transition period which, based on the proposed PMIERs, may require us to contribute a substantial portion of our holding company cash and investments to Radian Guaranty, and could depend on our ability to, among other things: (1) successfully monetize Radian Asset Assurance, a direct subsidiary of Radian Guaranty, or otherwise utilize the capital at Radian Asset Assurance in a manner that complies with the PMIERs; and (2) obtain reinsurance for a portion of our mortgage insurance risk-in-force in a manner that is compliant with the PMIERs. The amount of capital or capital relief that may be required to comply with the PMIERs also may be impacted by the performance of our mortgage insurance business, including our level of defaults, the losses we incur on new and existing defaults and the amount and credit characteristics of new business we write, among other factors. Contributing a substantial portion of our holding company cash and investments to Radian Guaranty would leave Radian Group with less liquidity to satisfy its obligations, and we may not be successful in monetizing or otherwise utilizing the capital of Radian Asset Assurance or in obtaining qualifying reinsurance for our mortgage insurance risk-in-force on terms that are acceptable to us, if at all. In the event we are unable to successfully execute these or similar transactions or strategies, or such transactions are not available on terms that are acceptable to us, we may be required or we may decide to seek additional capital by incurring additional debt, by issuing additional equity, or by selling assets, which we may not be able to do on favorable terms, if at all. The ultimate form of the PMIERs and the timeframe for their implementation remain uncertain;

# Safe Harbor Statements (Continued)

- changes in the charters or business practices of, or rules or regulations applicable to the GSEs, including the adoption of the PMIERs, which in their current proposed form: (1) would require Radian Guaranty to hold significantly more capital than is currently required and could negatively impact our returns on equity; (2) could limit the type of business that Radian Guaranty and other private mortgage insurers are willing to write, which could reduce our NIW; (3) could increase the cost of private mortgage insurance, including as compared to the FHA pricing, or result in the emergence of other forms of credit enhancement; and (4) could require changes to our business practices that may result in substantial additional costs in order to achieve and maintain compliance with the PMIERs;
- our ability to continue to effectively mitigate our mortgage insurance and financial guaranty losses;
- a more rapid than expected decrease in the levels of mortgage insurance rescissions and claim denials, which have reduced our paid losses and resulted in a significant reduction in our loss reserves, including a decrease in net rescissions or denials resulting from an increase in the number of successful challenges to previously rescinded policies or claim denials (including as part of one or more settlements of disputed rescissions or denials), or by the GSEs intervening in or otherwise limiting our loss mitigation practices, including settlements of disputes regarding loss mitigation activities;
- the negative impact that our loss mitigation activities may have on our relationships with our customers and potential customers, including the potential loss of current or future business and the heightened risk of disputes and litigation;
- the need, in the event the BAC Settlement Agreement is not implemented or we are unsuccessful in defending our loss mitigation activities, to increase our loss reserves for, and reassume risk on, rescinded or cancelled loans or denied claims, and to pay additional claims, including amounts previously curtailed;
- any disruption in the servicing of mortgages covered by our insurance policies, as well as poor servicer performance;
- adverse changes in the severity or frequency of losses associated with certain products that we formerly offered (and which remain a small part of our insured portfolio) that are riskier than traditional mortgage insurance or financial guaranty insurance policies;
- a substantial decrease in the persistency rates of our mortgage insurance policies, which has the effect of reducing our premium income on our monthly premium policies and could decrease the profitability of our mortgage insurance business;
- heightened competition for our mortgage insurance business from others such as the FHA, the U.S. Department of Veterans Affairs and other private mortgage insurers, including with respect to other private mortgage insurers, those that have been assigned higher ratings than we have, that may be perceived as having a greater ability to comply with the PMIERs, that may have access to greater amounts of capital than we do, that are less dependent on capital support from their subsidiaries than we are or that are new entrants to the industry, and therefore, are not burdened by legacy obligations;
- changes to the current system of housing finance, including the possibility of a new system in which private mortgage insurers are not required or their products are significantly limited in effect or scope;
- the effect of the Dodd-Frank Act on the financial services industry in general, and on our businesses in particular, including whether and to what extent loans with private mortgage insurance may be considered "qualified residential mortgages" for purposes of the Dodd-Frank Act securitization provisions;
- the adoption of new or application of existing federal or state laws and regulations, or changes in these laws and regulations or the way they are interpreted, including, without limitation: (i) the resolution of existing, or the possibility of additional, lawsuits or investigations (including in particular investigations and litigation relating to arrangements under RESPA); (ii) changes to the Mortgage Guaranty Insurers Model Act being considered by the NAIC that could include more stringent capital and other requirements for Radian Guaranty in states that adopt the new Mortgage Guaranty Insurers Model Act in the future; and (iii) legislative and regulatory changes (a) impacting the demand for our products, (b) limiting or restricting the products we may offer or increasing the amount of capital we are required to hold, (c) affecting the form in which we execute credit protection, or (d) otherwise impacting our existing businesses or future prospects;

# Safe Harbor Statements (Continued)

- the amount and timing of potential payments or adjustments associated with federal or other tax examinations, including deficiencies assessed by the IRS resulting from the 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 or financial guaranty businesses, or to estimate accurately the fair value amounts of derivative instruments in determining gains and losses on these instruments;
- volatility in our earnings caused by changes in the fair value of our assets and liabilities carried at fair value, including our derivative instruments, a significant portion of our investment portfolio and certain of our long-term incentive compensation awards;
- our ability to realize some or all of the tax benefits associated with our gross deferred tax assets, which will depend, in part, on our ability to generate sufficient sustainable taxable income in future periods;
- changes in GAAP or statutory accounting practices, rules and guidance, or their interpretation;
- legal and other limitations on amounts we may receive from our subsidiaries as dividends or through our tax- and expense-sharing arrangements with our subsidiaries;
- our ability to fully realize the benefits anticipated from our recent acquisition of Clayton, which may be impeded by, among other things, a loss of customers and/or employees; the potential inability to successfully incorporate Clayton's business into Radian Group; and the potential distraction of management time and attention in connection with the post-acquisition process; and
- the possibility that we may need to impair the estimated fair value of goodwill established in connection with our acquisition of Clayton, the valuation of which requires the use of significant estimates and assumptions with respect to the estimated future economic benefits arising from certain assets acquired in the transaction such as the value of expected future cash flows of Clayton, Clayton's workforce, expected synergies with our other affiliates and other unidentifiable intangible assets.

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 Part I of our Annual Report on Form 10-K for the year ended December 31, 2013, Item 1A of Part II of our Quarterly Reports on Form 10-Q filed in 2014, and 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 filed this report. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements made in this report to reflect new information or future events or for any other reason.

# Who Is Radian?

Radian Group Inc., headquartered in Philadelphia, provides private mortgage insurance, risk management products and real estate services to financial institutions.

For more than **35 years**, our services have helped promote and preserve homeownership opportunities for homebuyers, while protecting lenders from default-related losses on residential first mortgages and facilitating the sale of low downpayment mortgages in the secondary market.

**NYSE: RDN**
*www.radian.biz*

Ensuring the American Dream®

# Who Is Radian?

## Segment Overview

**Mortgage and Real Estate Services**

**$2,880 Million(1)**

**Mortgage Insurance**

**$1,392 Million**

**Financial Guaranty**

**Total Statutory Claims Paying Resources as of September 30, 2014**

(1) Excludes $1.0 billion of Financial Guaranty statutory surplus.

# Q3 Highlights

**Net income of $154 million, or $0.67 net income per diluted share**

- Includes $11.5 million of combined net gains from the change in fair value of derivatives and net losses on investments
- Book value per share of $9.08

**Adjusted pretax operating income of $147 million(1)**

- Consists of $132.6 million of income from the mortgage insurance segment, $9.3 million of income from the financial guaranty segment and $5.3 million of income from the mortgage and real estate services segment

**Approximately $760 million of currently available holding company liquidity**

- Risk-to-capital ratio for Radian Guaranty of 18.4 to 1
- Radian Asset had approximately $1.0 billion in statutory surplus with an additional $0.4 billion in claims-paying resources

**Strong share of high-quality new mortgage insurance business**

- NIW of $11.2 billion compared to $13.7 billion in Q3 2013
- 100% Prime; 62% with FICO of 740 or above

**Clayton total gross revenues of $42 million**

- Gross profit on services of $18.3 million
- Total expenses for the segment, excluding direct cost of services, were $13.1 million, including $4.4 million of allocated interest expense relating to the company's $300 million debt issuance in June 2014

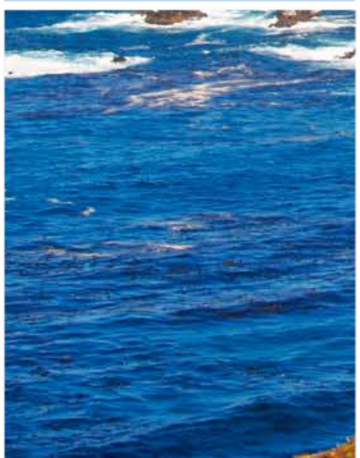
(1) Adjusted results, as used in this presentation, are non-GAAP financial measures. For a reconciliation of the adjusted results to the comparable GAAP measures, see Exhibit E to Radian's third quarter 2014 earnings press release dated October 30, 2014, or Radian's website.

# Q3 Highlights

## Improved composition of MI portfolio

New business written after 2008 represents 78% of primary risk in force

New business written after 2008, excluding HARP volume, represents 67% of primary risk in force



## Industry-leading mortgage insurance in force grows to $169 billion

Compared to $165.0 billion as of June 30, 2014, and $158.6 billion as of September 30, 2013

Persistency, the percentage of mortgage insurance in force that remains on books after a 12-month period, was 83.5%

## Continued decline in number of mortgage insurance defaults

Total number of primary delinquent loans decreased by 28% from Q3 2013 including impact of Freddie Mac agreement which reduced total defaults by 9,756

Primary mortgage insurance delinquency rate decreased to 5.4% from 7.8% in Q3 2013

## Mortgage insurance loss provision of $49 million

Loss reserves of approximately $1.6 billion – down from $2.3 billion in Q3 2013

Primary reserves (excluding IBNR and other reserves) were $27,477 per primary default vs. $27,202 in Q3 2013

Loss ratio of 22.5% was down compared to 74.8% in Q3 2013

## Total mortgage insurance net claims paid of $174 million

Includes $13.5 million of claims related to a settlement of legacy exposure. Excludes approximately $22 million of claims processed in the quarter in accordance with the terms of the Freddie Mac Agreement.

Expects net claims paid for full-year 2014 of $900 million to $1.0 billion

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# Financial Highlights

Radian Group Inc. Consolidated
($ in millions, except per share amounts)

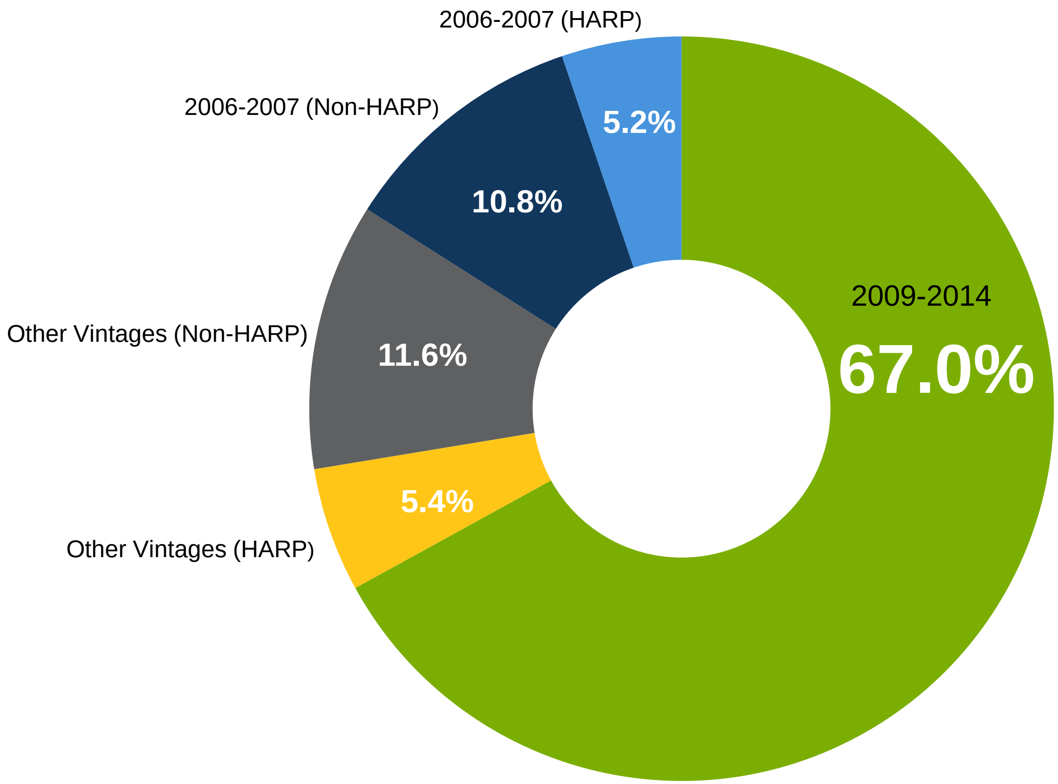
| | September 30, 2014 | December 31, 2013 | September 30, 2013 |
|---|---|---|---|
| **Total assets** | $ 5,959.7 | $ 5,621.7 | $ 5,758.6 |
| **Loss reserves** | $ 1,620.4 | $ 2,185.4 | $ 2,346.9 |
| **Unearned premiums** | $ 796.7 | $ 768.9 | $ 751.6 |
| **Long-term debt** | $ 1,201.1 | $ 930.1 | $ 921.9 |
| **Stockholders' equity** | $ 1,734.4 | $ 939.6 | $ 894.5 |
| **Book value per share** | $ 9.08 | $ 5.43 | $ 5.17 |
| **Valuation allowance against deferred tax asset per share** | $ 4.37 | $ 5.91 | $ 5.99 |
| **Available holding company liquidity** | $ 762.1 | $ 615.3 | $ 702.6 |
| **Risk-to-capital ratio (Radian Guaranty)** | 18.4:1* | 19.5:1 | 19.8:1 |

*Preliminary

# MORTGAGE INSURANCE

# Improved Composition of MI Portfolio[1]

NIW since 2009 and HARP volume combined now represent 78% of Radian's mortgage insurance primary risk in force as of Q3 2014




**Approximately 70%**
of Radian's performing mortgage insurance risk in force from the 2005 - 2008 vintage years has never been in default.

(1) Includes amounts subject to the Freddie Mac Agreement.

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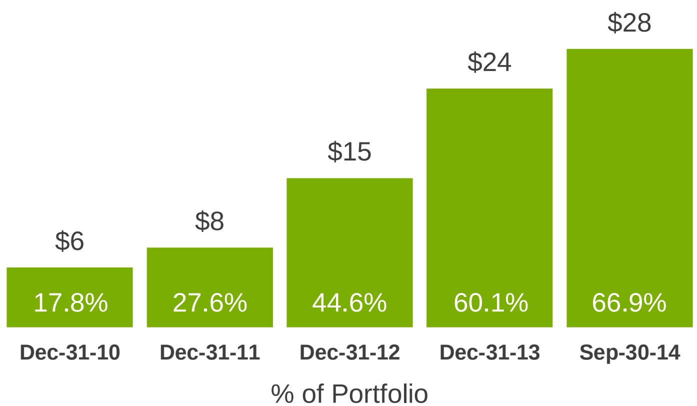
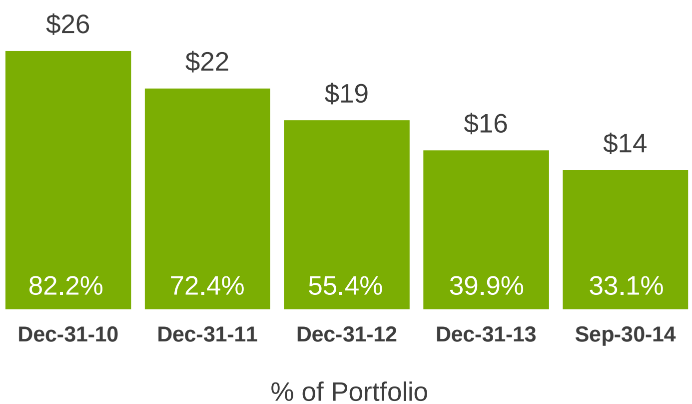
# Profitability of Newer Vintages Improving Performance of MI Portfolio

Gross Primary Risk in Force
($ in billions)

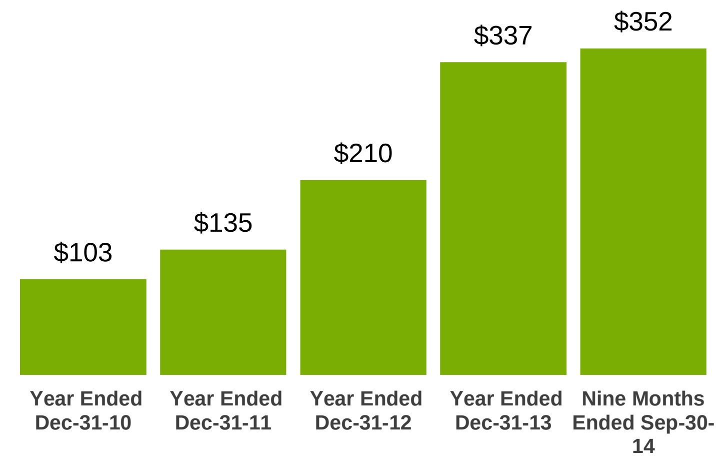


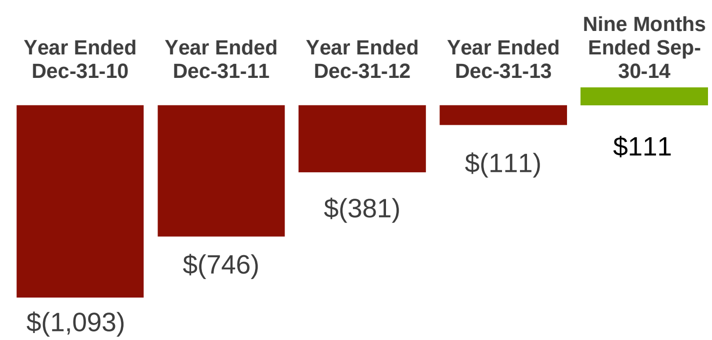

2009 and Later Vintages




2008 and Prior Vintages

Earned Premiums Less Incurred Losses
($ in millions)[1]




(1) Represents premiums earned and incurred losses on first-lien portfolio including the impact of ceded premiums and losses related to the 2012 Quota Share Reinsurance transactions, but excluding any reduction for ceded premiums and losses recoverable through our other reinsurance transactions.

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# First-Lien Mortgage Insurance: 2014 Performance by Vintage

($ in millions)

| | Nine Months Ended September 30, 2014 | | | Three Months Ended September 30, 2014 |
|---|---|---|---|---|
| Vintage | Premiums Earned[(1)] | Incurred Losses[(1)] | Net | Net |
| 2005 and Prior | $ 79.6 | $ (8.7) | $ 88.3 | $ 32.7 |
| 2006 | 47.4 | 43.4 | 4.0 | 2.6 |
| 2007 | 84.6 | 91.0 | (6.4) | (0.8) |
| 2008 | 50.8 | 25.3 | 25.5 | 8.2 |
| 2009 | 25.6 | 2.9 | 22.7 | 7.3 |
| 2010 | 21.0 | 0.5 | 20.5 | 6.7 |
| 2011 | 34.1 | 1.6 | 32.5 | 10.7 |
| 2012 | 98.7 | 3.3 | 95.4 | 31.5 |
| 2013 | 154.3 | 5.5 | 148.8 | 50.3 |
| 2014 | 33.0 | 0.5 | 32.5 | 21.7 |

(1) Represents premiums earned and incurred losses on first-lien portfolio including the impact of ceded premiums and losses related to the 2012 Quota Share Reinsurance transactions, but excluding any reduction for ceded premiums and losses recoverable through our other reinsurance transactions.

# Net Fair Value Liability of Derivatives and VIEs

($ in millions)

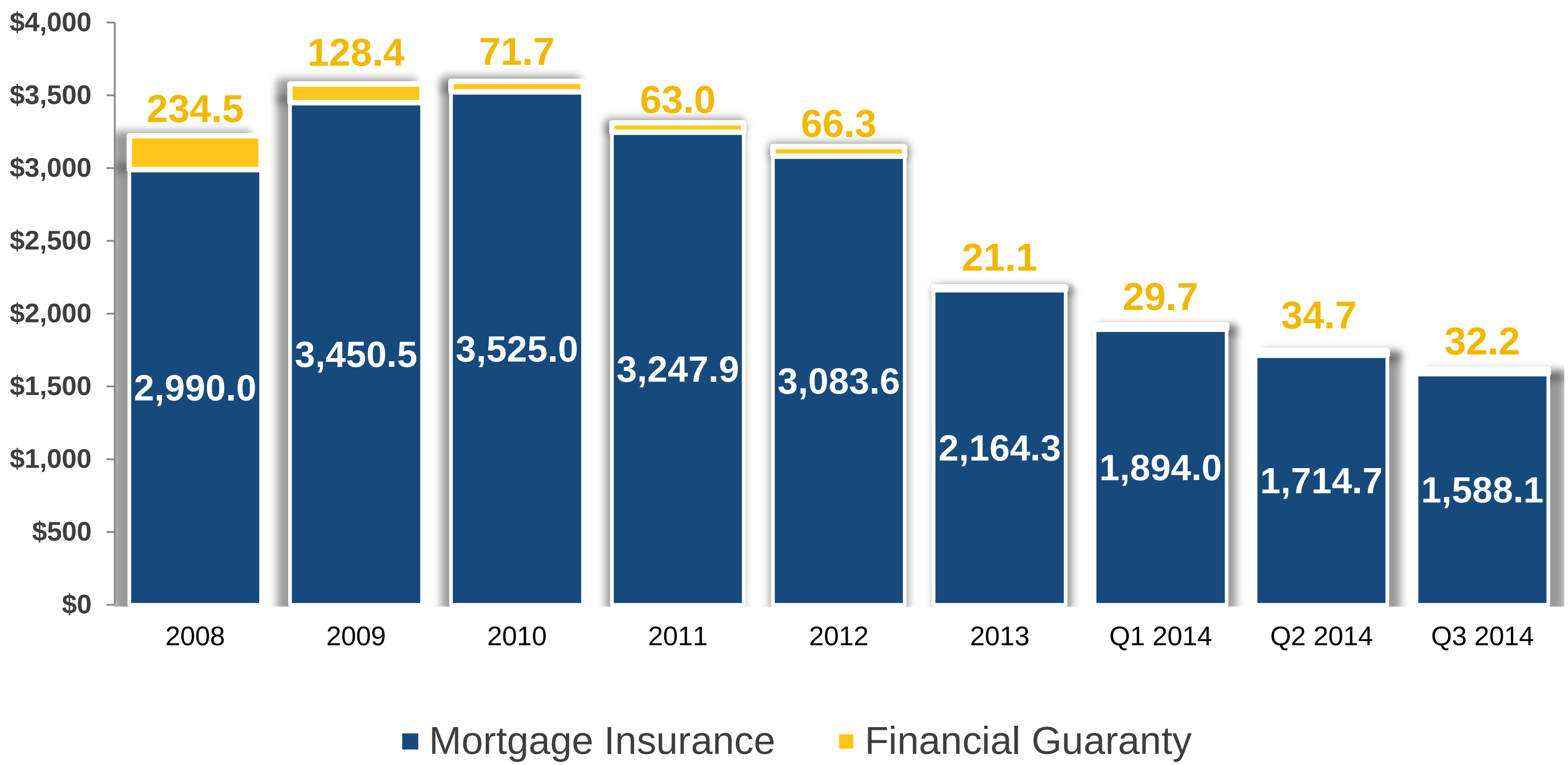
| | September 30, 2014 | | |
|---|---|---|---|
| **Balance Sheet** | **NIMs and Other** | **FG Derivatives and VIEs** | **Total** |
| **Other invested assets** | $ - | $ 82.5 | $ 82.5 |
| **Derivative assets** | 18.1 | 6.1 | 24.2 |
| **Other assets** | - | 88.2 | 88.2 |
| **Total assets** | **18.1** | **176.8** | **194.9** |
| | | | |
| **Derivative liabilities (including VIE derivatives)** | - | 185.3 | 185.3 |
| **VIE debt - at fair value** | 3.2 | 88.0 | 91.2 |
| **Other liabilities** | - | 0.2 | 0.2 |
| **Total liabilities** | **3.2** | **273.5** | **276.7** |
| **Total fair value net assets (liabilities)** | **$ 14.9** | **$ (96.7)** | **$ (81.8)** |

| | | | |
|---|---|---|---|
| **Present value of estimated credit loss payments (recoveries)*** | **$ 6.5** | **$ (66.0)** | **$ (59.5)** |

* Represents the present value of our estimated credit loss payments (net of estimated recoveries) for those transactions for which we currently anticipate paying net losses or receiving recoveries of losses already paid. The present value is calculated using a discount rate of 1.9%, which represents our current investment yield.

# Total Loss Reserves

($ in millions)



# Components of Provision for Losses

($ in millions)

| | Three Months Ended | |
|---|---|---|
| | **September 30, 2014** | **September 30, 2013** |
| **New defaults** | $ 72.4 | $ 112.0 |
| **Existing defaults, Second-lien, LAE and Other** [(1)] | (23.8) | 40.0 |
| **Provision for Losses** | **$48.6** | **$152.0** |

(1) Represents the provision for losses attributable to loans that were in default as of the beginning of each period indicated, including: (a) the change in reserves for loans that were in default status (including pending claims) as of both the beginning and end of each period indicated; (b) the net impact to provision for losses from loans that were in default as of the beginning of each period indicated but were either cured, prepaid, or resulted in a paid claim or a rescission or denial during the period indicated; (c) the impact to our IBNR reserve during the period related to changes in actual and estimated reinstatements of previously rescinded policies and denied claims, including potential reinstatements we are in the process of discussing with servicers, including those subject to the BAC Settlement Agreement; (d) Second-lien loss reserves; and (e) LAE and other loss reserves.

# Primary Loans in Default

September 30, 2014

($ in thousands)

| | Total | | Foreclosure Stage Defaulted Loans | Cure % During the 3rd Quarter | Reserve for Losses | % of Reserve |
|---|---|---|---|---|---|---|
| **Missed payments** | **#** | **%** | **#** | **%** | **$** | **%** |
| **3 payments or fewer** | 11,437 | 24.4% | 207 | 30.6% | $132,652 | 10.8% |
| **4-11 payments** | 10,213 | 21.8 | 701 | 16.3 | 197,662 | 16.0 |
| **12 payments or more** | 19,324 | 41.3 | 4,344 | 4.6 | 629,713 | 51.0 |
| **Pending claims** | 5,869 | 12.5 | N/A | 0.7 | 274,153 | 22.2 |
| | **46,843**(1) | **100.0%** | **5,252** | | **$1,234,180** | **100.0%** |
| **IBNR and other** | | | | | 212,908 | |
| **LAE** | | | | | 52,690 | |
| **Total primary reserves** | | | | | **$1,499,778** | |

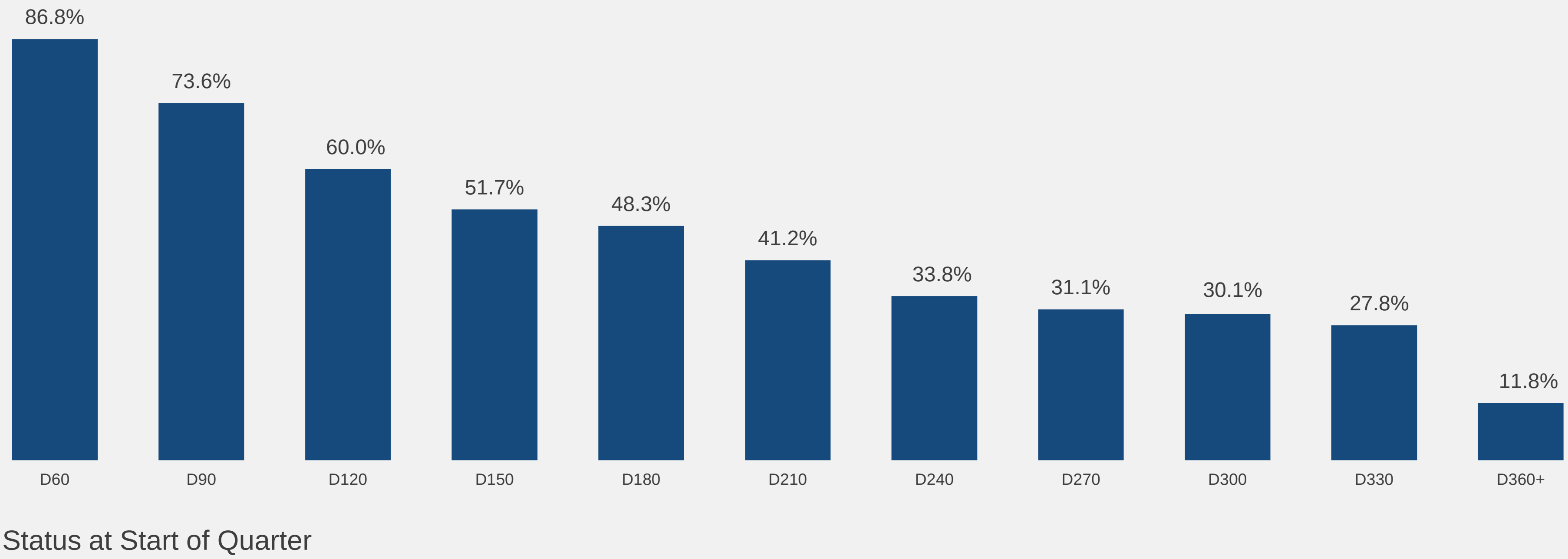
| Key Reserve Assumptions | Gross Default to Claim Rate % | Net Default to Claim Rate % | Severity % |
|---|---|---|---|
| | **57%** | **53%** | **103%** |

(1) Primary risk in force on defaulted loans at September 30, 2014 was $2.2 billion, which excludes risk related to loans subject to the Freddie Mac Agreement. Excludes 4,824 loans subject to the Freddie Mac Agreement that are in default at September 30, 2014, as we no longer have claims exposure on these loans.

# Primary Loans in Default: Payments Made in Quarter

39% made at least one monthly payment in Q3 2014 but remained in default

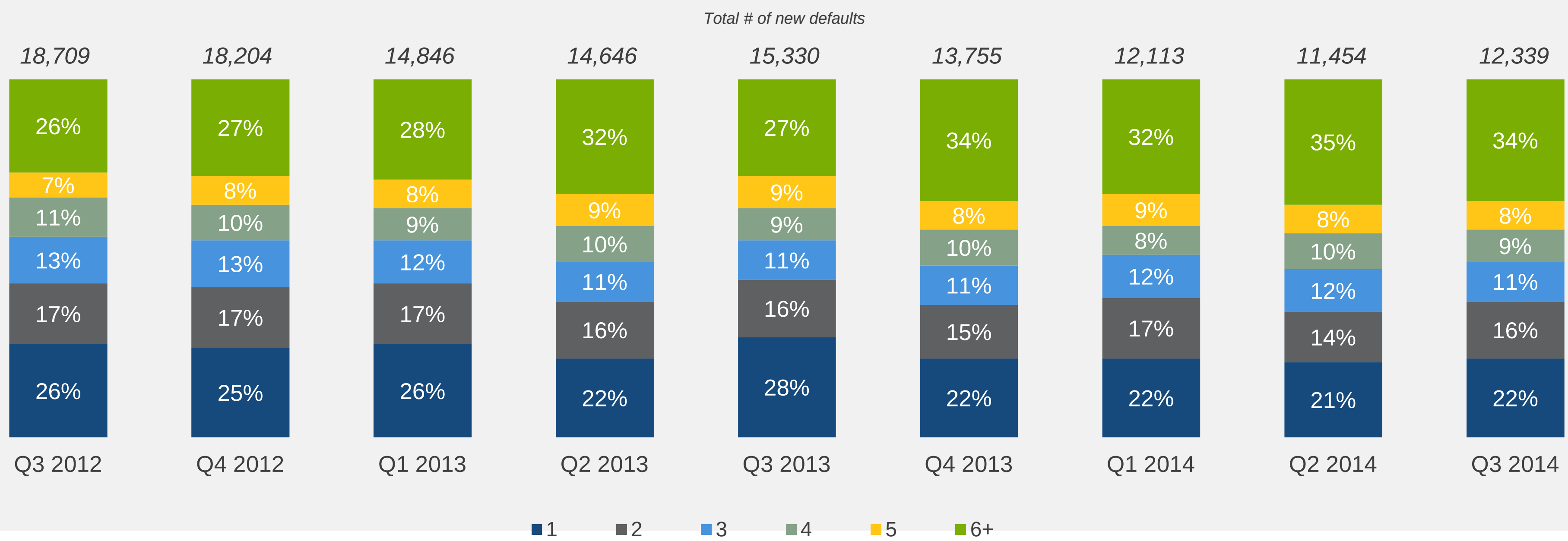
## Defaults that Made at Least One Payment in Q3 2014



# Primary Loans in Default: Frequency of Re-default Activity

Nearly 78% of New Defaults in Q3 2014 Were Previously Delinquent

## New Defaults by Number of Times Previously in Default (%)




- Repeat defaults have previously demonstrated an ability to cure and therefore a lower propensity to result in a future claim.

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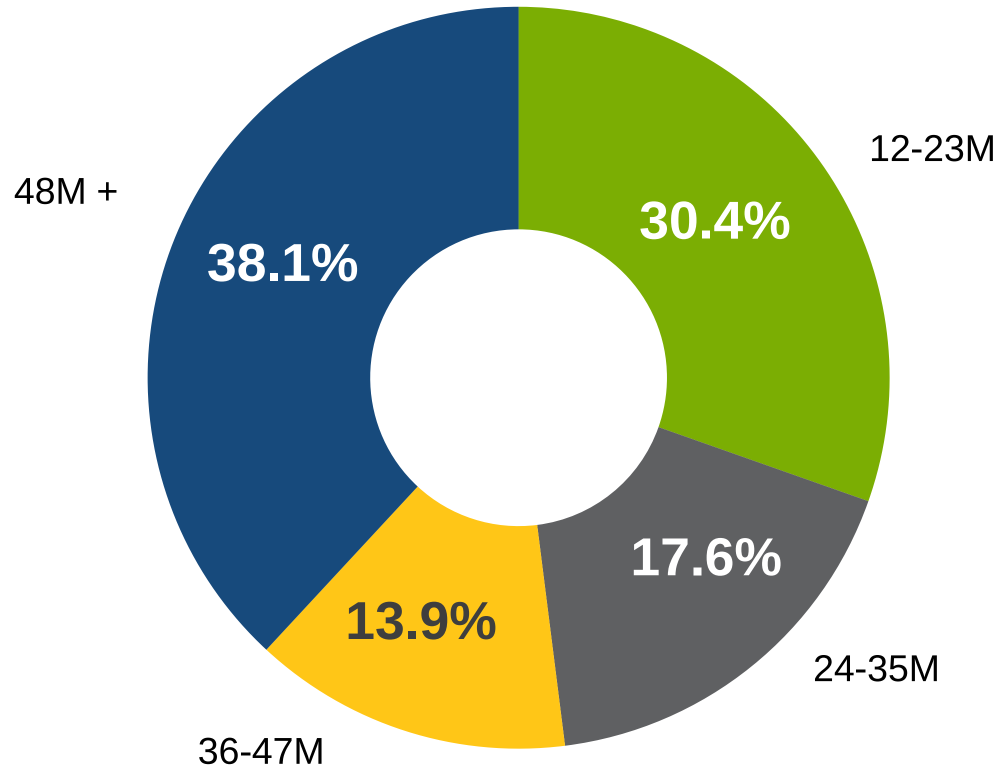
# Primary Loans in Default: Aging Breakdown of 12 Months and Greater (12M+) Bucket[1]

52% of 12M+ Defaults Are Greater Than Three Years Old




(1) Includes pending claims.

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# Direct Primary Risk in Force and Reserves by Vintage

| | September 30, 2014 | | December 31, 2013 | | September, 2013 | |
|---|---|---|---|---|---|---|
| | Risk in Force | Reserve for Losses | Risk in Force | Reserve for Losses | Risk in Force | Reserve for Losses |
| **2005 and prior** | 8.8% | 34.1% | 11.1% | 32.9% | 12.2% | 32.7% |
| **2006** | 4.9 | 18.2 | 5.8 | 18.0 | 6.2 | 18.1 |
| **2007** | 11.1 | 33.3 | 13.1 | 34.5 | 13.9 | 34.3 |
| **2008** | 8.3 | 11.4 | 9.9 | 12.1 | 10.5 | 12.7 |
| **2009** | 2.8 | 1.1 | 3.6 | 1.2 | 4.0 | 1.2 |
| **2010** | 2.3 | 0.3 | 3.0 | 0.4 | 3.3 | 0.4 |
| **2011** | 4.5 | 0.4 | 5.7 | 0.4 | 6.1 | 0.4 |
| **2012** | 16.2 | 0.7 | 19.3 | 0.4 | 20.3 | 0.2 |
| **2013** | 25.1 | 0.5 | 28.5 | 0.1 | 23.5 | - |
| **2014** | 16.0 | - | - | - | - | - |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

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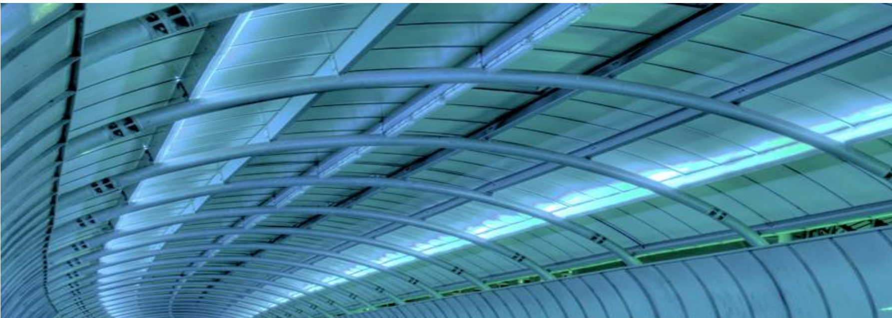
# Primary Insurance in Force: Default Rollforward



| | Q3 14 | Q2 14 | Q1 14 | Q4 13 | Q3 13 |
|---|---|---|---|---|---|
| **Beginning Default Inventory** | **48,904** | **53,119** | **60,909** | **65,239** | **78,257** |
| **New Defaults** (1) | 12,339 | 11,454 | 12,113 | 13,755 | 15,330 |
| **Cures** (1) | (10,777) | (10,930) | (13,645) | (12,440) | (13,706) |
| **Claims Paid** (2) (3) | (3,067) | (4,698) | (6,049) | (5,407) | (4,994) |
| **Rescissions** (4) | (163) | (166) | (181) | (247) | (284) |
| **Denials** (5) | (393) | 125 | (28) | 9 | 392 |
| **Freddie Mac Agreement Loans** | - | - | - | - | (9,756) |
| **Ending Default Inventory** | **46,843** | **48,904** | **53,119** | **60,909** | **65,239** |

(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:

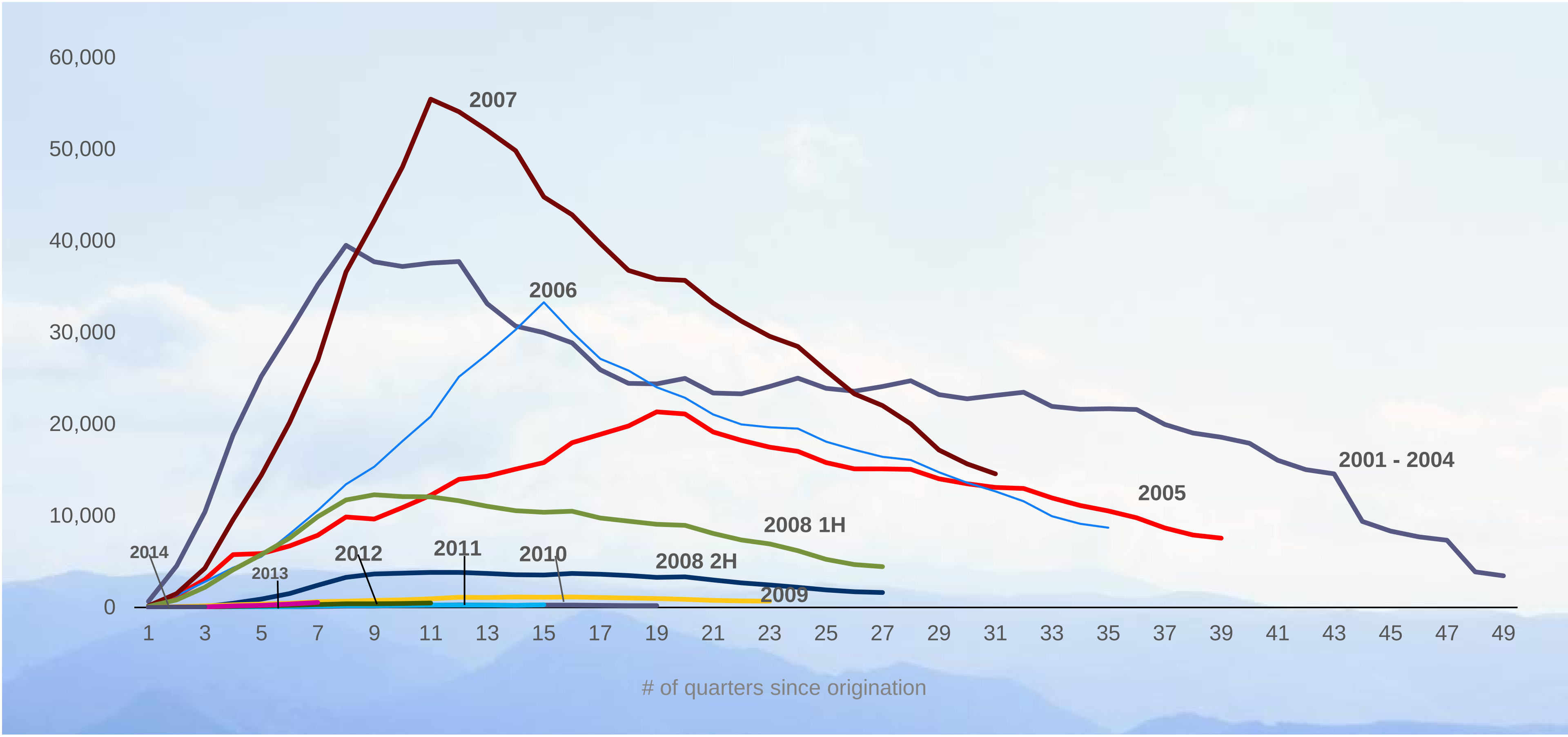
| | | | | |
|---|---|---|---|---|
| 4,663 | 4,271 | 5,332 | 4,799 | 5,973 |

(2) Includes those charged to a deductible or captive.
(3) Excludes 383 claims processed in accordance with the terms of the Freddie Mac Agreement in Q3 2014.
(4) Net of any previously rescinded policies that were reinstated during the period. Such reinstated rescissions may ultimately result in a paid claim. In Q3 2014, there were 183 rescissions and 20 reinstatements of previously rescinded policies.
(5) Net of any previously denied claims that were reinstated during the period. Such previously denied but reinstated claims are generally reviewed for possible rescission prior to any claim payment. In Q3 2014, there were 1,004 denials and 611 reinstatements of previously denied claims.

# Primary Mortgage Insurance Default Rates


(1) Insured loans subject to the Freddie Mac Agreement are included in the denominator (9,535 insured loans at September 30, 2014) and loans in default subject to the Freddie Mac Agreement are excluded from the numerator (4,824 loans in default at September 30, 2014).

# Primary Default Count by Vintages 2001 - 2014




- Second half of 2008 was a turning point in the company's book, with improved credit performance in that period and thereafter as a result of tightened credit guidelines.
- As of September 30, 2014, excludes 4,824 loans in default subject to the Freddie Mac Agreement.

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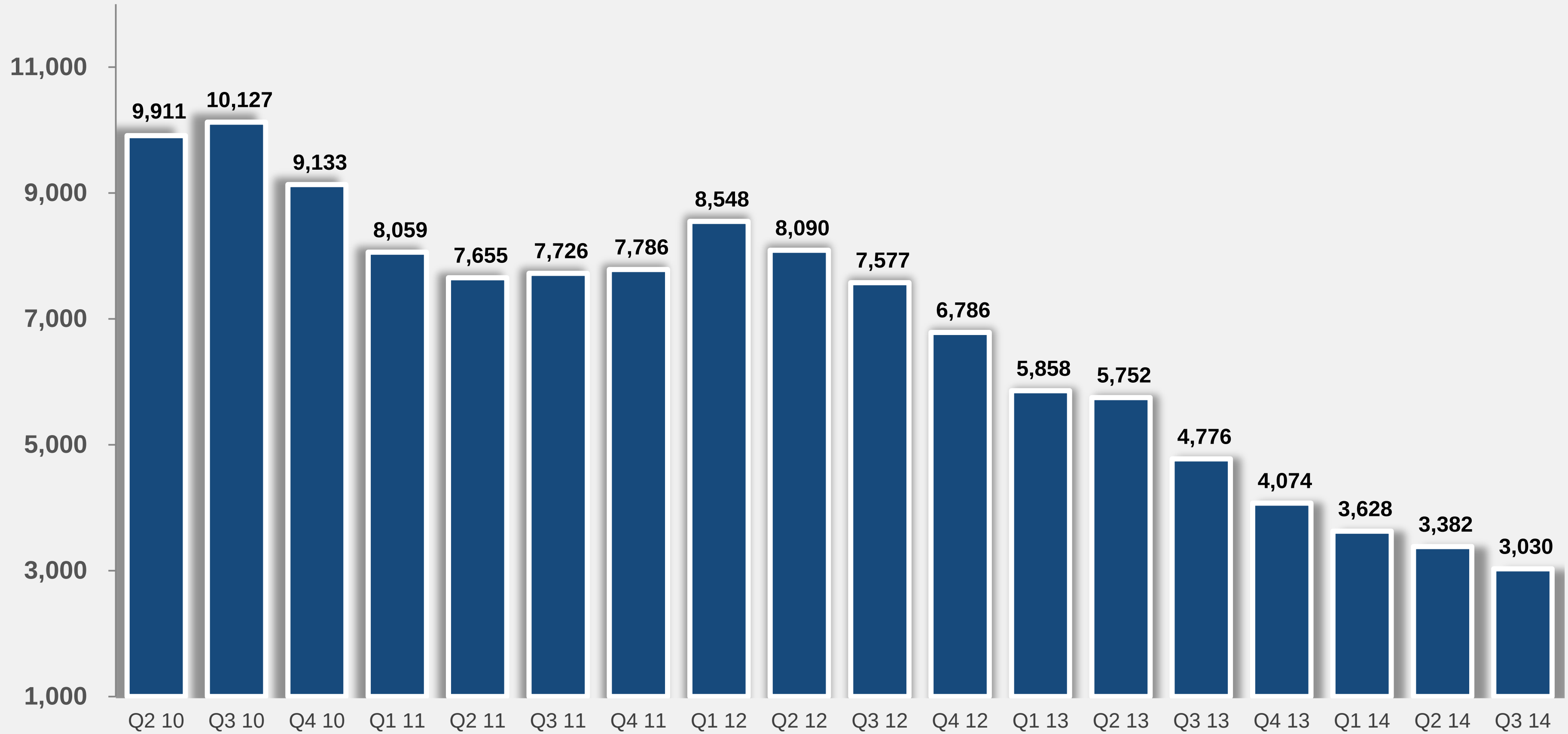
# Primary New Claims Submitted by Quarter

## Number of Claims Submitted by Quarter(1)




(1) Excludes claims submitted on Freddie Mac Agreement loans beginning August 2013.

# FINANCIAL GUARANTY

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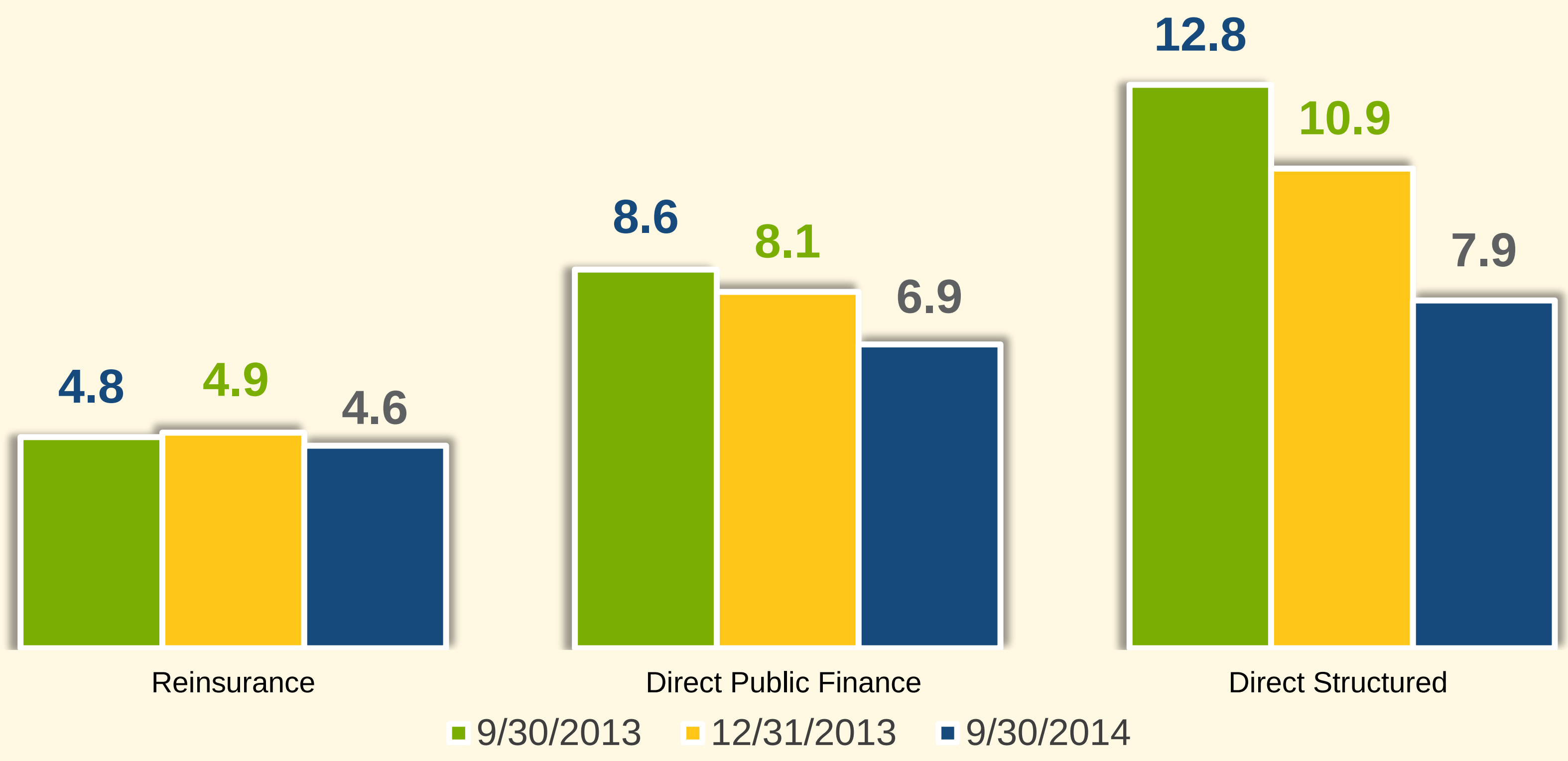
# Financial Guaranty Net Par Outstanding by Product

$19.4 billion as of September 30, 2014

($ in billions)



# Financial Guaranty Product Line and Sector Mix

$19.4 billion in Net Par Outstanding as of September 30, 2014

| Public Finance | | |
|---|---|---|
| Sector | Dollars *(in billions)* | Percentage |
| General and Tax-Supported Obligations | $4.8 | 24.7% |
| Healthcare & Long-Term Care | 2.2 | 11.3 |
| Utilities | 1.1 | 5.7 |
| Education | 1.0 | 5.2 |
| Transportation | 0.9 | 4.6 |
| Other Public Finance* | 1.0 | 5.2 |
| Subtotal | **$ 11.0** | **56.7%** |

| Structured Finance | | |
|---|---|---|
| Sector | Dollars *(in billions)* | Percentage |
| CDOs | $7.8 | 40.2% |
| Asset-Backed: Mortgage and MBS | 0.3 | 1.6 |
| Asset-Backed: Commercial and Other | 0.1 | 0.5 |
| Asset-Backed: Consumer | 0.1 | 0.5 |
| Other Structured Finance | 0.1 | 0.5 |
| Subtotal | **$8.4** | **43.3%** |

* Includes $0.5 billion of public finance net par outstanding for legally defeased bond issuances where our financial guaranty policy is not extinguished, but cash or securities in an amount sufficient to pay remaining obligations under such bonds have been deposited in an escrow account for the benefit of bond holders.

# Financial Guaranty Risk Reduction Since June 2008

Net Par Outstanding of $19.4 billion as of September 30, 2014 compared to $115.2 billion as of June 30, 2008

**Public Finance**

| Sector | Change in Net Par O/S (in billions) | Percentage |
|---|---|---|
| General and Tax-Supported Obligations | $(20.6) | -80% |
| Healthcare & Long-Term Care | (9.4) | -80 |
| Utilities | (9.6) | -89 |
| Education | (2.9) | -74 |
| Transportation | (6.5) | -87 |
| Housing | (0.5) | -95 |
| Other Public Finance | (1.4) | -74 |
| Subtotal | **$(50.9)** | **-82%** |

**Structured Finance**

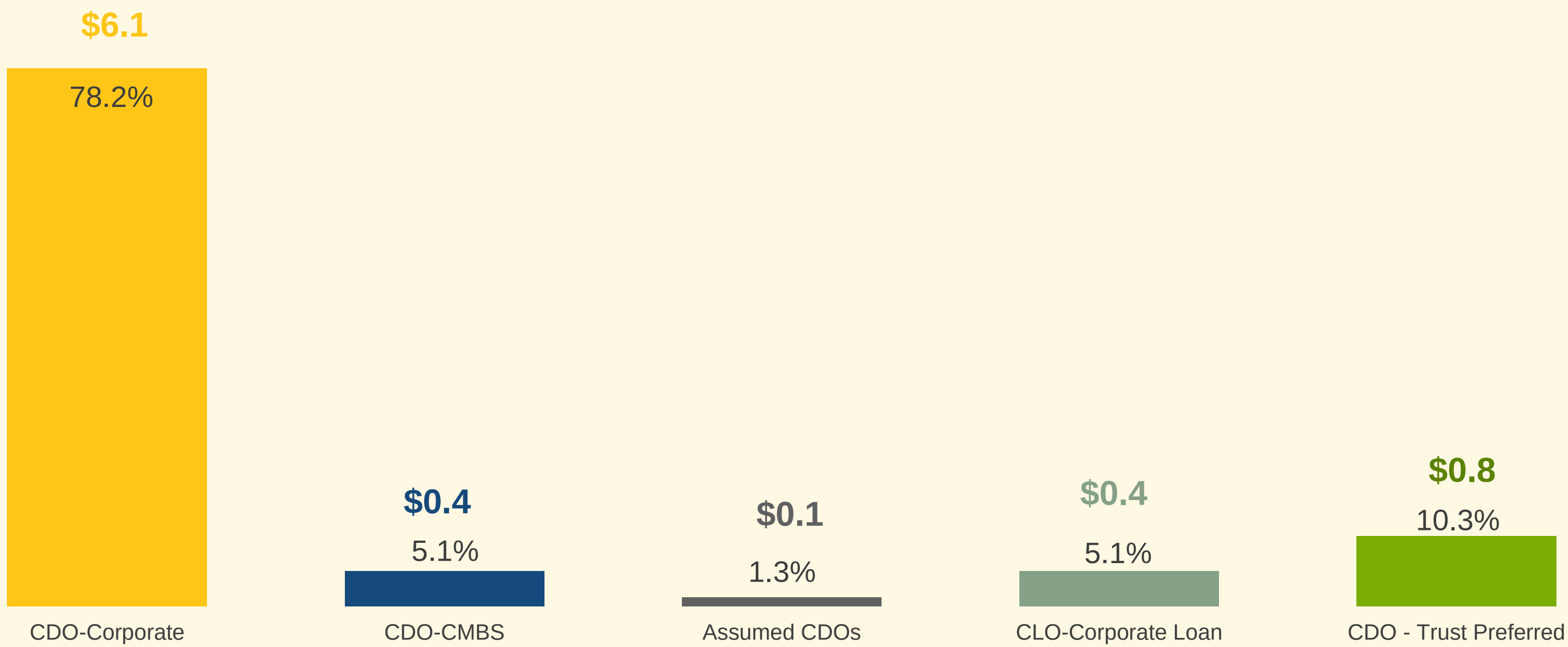
| Sector | Change in Net Par O/S (in billions) | Percentage |
|---|---|---|
| CDOs | $(38.6) | -83% |
| Asset-Backed: Consumer | (1.3) | -92 |
| Asset-Backed: Commercial and Other | (1.2) | -88 |
| Asset-Backed: Mortgage and MBS | (1.3) | -80 |
| Other Structured Finance | (2.5) | -97 |
| Subtotal | **$(44.9)** | **-84%** |

# Financial Guaranty CDO Portfolio

$7.8 billion Net Par Outstanding as of September 30, 2014

($ in billions)

## Asset Type Distribution*




* Total CDO Exposure written on a direct basis is $7.7 billion (98.7% of CDO exposure).

# Financial Guaranty CDO Portfolio

($ in billions)

| Ratings[1] | Number of CDO Contracts/Policies | Net Par Outstanding | Percentage of CDO Net Par Outstanding |
|---|---|---|---|
| **AAA** | 22 | $5.6 | 71.8% |
| **AA** | 2 | 0.2 | 2.6 |
| **A** | 7 | 0.8 | 10.2 |
| **BBB** | 4 | 0.7 | 9.0 |
| **BIG** [2] | 3 | 0.5 | 6.4 |
| **Total** | **38** | $7.8 | **100.0%** |

(1) Ratings are based on Radian Asset's internal ratings.
(2) BIG – Below Investment Grade.

# Financial Guaranty Corporate CDO Portfolio

Credit Exposure to Direct Corporate CDOs as of September 30, 2014

($ in billions)

| Year of Scheduled Maturity[1] | Number of CDO Contracts / Policies | Aggregate Net Par Exposure | Initial Average # of Sustainable Credit Events[2] [3] | Current Average # of Sustainable Credit Events[3] [4] | Minimum # of Sustainable Credit Events[3] [5] | Average # of Current Remaining Names in Transaction [6] |
|---|---|---|---|---|---|---|
| **2014** | 1 | $0.3 | 12.9 | 6.1 | 6.1 | 90 |
| **2017** | 13 | 5.8 | 27.4 | 25.9 | 10.3 | 99 |
| **Total** | **14** | $6.1 | | | | |

(1) No directly insured corporate CDO transactions are scheduled to mature in 2015 or 2016. All of our directly insured corporate CDO transactions are scheduled to mature in or before December 2017.
(2) The average number of sustainable credit events at the inception of each transaction. Average amounts presented are simple averages.
(3) The number of sustainable credit events represents the number of credit events on different corporate entities that can occur within a single transaction before we would be obligated to pay a claim. It is calculated using the weighted average exposure per corporate entity and assumes a recovery value of 30% to determine future losses (unless the parties have agreed upon a fixed recovery, then such recovery is used to determine future loss) or in the case of a defaulted reference entity pending settlement, we use market indicated recovery levels.
(4) The average number of sustainable credit events determined as of September 30, 2014. Average amounts presented are simple averages.
(5) The number of sustainable credit events for the one transaction with the fewest remaining sustainable credit events scheduled to mature in the year of scheduled maturity indicated.
(6) The current average number of different corporate entities in each of the transactions.

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# MORTGAGE AND REAL ESTATE SERVICES

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# Revenues by Line of Business

($ in thousands)

| | Three Months Ended September 30, 2014 |
|---|---|
| **Services revenue:** | |
| Loan review and due diligence | $16,671 |
| Component services | 9,790 |
| REO management | 6,614 |
| Surveillance | 6,400 |
| EuroRisk | 2,768 |
| **Total** | **42,243** |
| Direct cost of services | 23,896 |
| **Gross profit on services** | **$18,347** |

# Clayton Expands Radian's Participation in Mortgage Value Chain

| | Origination | Securitization | Surveillance/ Monitoring | Asset Monetization/ Valuation |
|---|---|---|---|---|
| **Radian Solutions** | ▪ Mortgage insurance credit<br>▪ Contract underwriting | | ▪ Servicer surveillance products<br>▪ Internal surveillance function | |
| **Clayton Solutions** | ▪ Quality control<br>▪ Outsourced underwriting, closing and processing support<br>▪ Originator reviews | ▪ RMBS securitization due diligence<br>▪ Credit and compliance review<br>▪ Independent collateral review<br>▪ Single family rental securitization review<br>▪ Property valuation review | ▪ Servicer and sub-servicer oversight<br>▪ RMBS servicer surveillance<br>▪ Default/foreclosure loan file review | ▪ Residential and commercial REO asset management<br>▪ Single family rental management<br>▪ Asset valuation |

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Ensuring the American Dream®