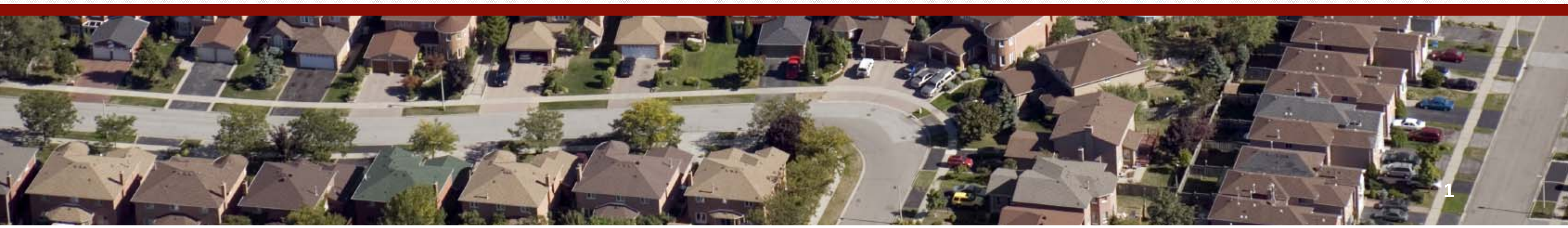
RADIAN

Financial Results Q3 2016

NYSE: RDN
www.radian.biz



SAFE HARBOR STATEMENTS

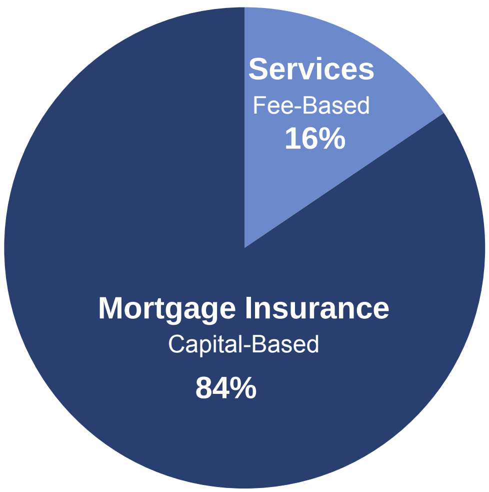
All statements in this report that address events, developments or results that we expect or anticipate may occur in the future are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the U.S. Private Securities Litigation 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 in particular but without limitation, unemployment rates, interest rates and changes in housing and mortgage credit markets, that impact the size of the insurable market and the credit performance of our insured portfolio;
- changes in the way customers, investors, regulators or legislators perceive the performance and financial strength of private mortgage insurers;
- Radian Guaranty's ability to remain eligible under the PMIERs and other applicable requirements imposed by the Federal Housing Finance Agency and by the GSEs to insure loans purchased by the GSEs;
- our ability to successfully execute and implement our capital plans and to maintain sufficient holding company liquidity to meet our short- and long-term liquidity needs;
- our ability to successfully execute and implement our business plans and strategies, including in particular but without limitation, plans and strategies that require GSE and/or regulatory approvals;
- our ability to maintain an adequate level of capital in our insurance subsidiaries to satisfy existing and future state regulatory requirements;
- changes in the charters or business practices of, or rules or regulations imposed by or applicable to, the GSEs, including the GSEs' interpretation and application of the PMIERs to Radian Guaranty;
- changes in the current housing finance system in the U.S., including in particular but without limitation, the role of the FHA, the GSEs and private mortgage insurers in this system;
- any disruption in the servicing of mortgages covered by our insurance policies, as well as poor servicer performance;
- a significant decrease in the Persistency Rates of our Monthly Premium Policies;
- competition in our mortgage insurance business, including in particular but without limitation, price competition (in particular from those mortgage insurers with advantageous tax positions) and competition from the FHA, VA and other forms of credit enhancement;
- the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the financial services industry in general, and on our businesses in particular;
- the adoption of new laws and regulations, or changes in existing laws and regulations, or the way they are interpreted;
- the outcome of legal and regulatory actions, reviews, audits, inquiries and investigations that could results in adverse judgments, settlements, fines, injunctions, restitutions or other relief that could require significant expenditures or have other effects on our business;
- the amount and timing of potential payments or adjustments associated with federal or other tax examinations, including deficiencies assessed by the IRS resulting from its examination of our 2000 through 2007 tax years, which we are currently contesting;
- the possibility that we may fail to estimate accurately the likelihood, magnitude and timing of losses in connection with establishing loss reserves for our mortgage insurance business;
- volatility in our results of operations caused by changes in the fair value of our assets and liabilities, including a significant portion of our investment portfolio;
- changes in GAAP or SAP rules and guidance, or their interpretation;
- legal and other limitations on dividends and other amounts we may receive from our subsidiaries; and
- the possibility that we may need to impair the carrying value of goodwill established in connection with our acquisition of Clayton.

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, 2015, 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 issued this presentation. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements to reflect new information or future events or for any other reason.

WHO IS RADIAN?

Q3 2016 REVENUE



Total Net Premiums Earned and Services Revenue: **$281 million**

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

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

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

Ensuring the American Dream®
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Q3 HIGHLIGHTS

$82.8 million
Net Income

$0.37 diluted net income per share

Includes $7.7 million of net gains on investments and other financial instruments

Includes loss on induced conversion and debt extinguishment of $17.4 million

Book value per share grew to $13.47

$139.9 million
Adjusted Pretax Operating Income (1)

$0.41 adjusted diluted net operating income per share

$15.7 billion
New Mortgage Insurance Business

$15.7 billion of new MI business in Q3 2016 compared to $11.2 billion in Q3 2015

Company record for highest quarterly volume of MI written on a flow basis in Q3 2016

100% Prime; 64% with FICO of 740 or above

$482.5 million
Available Holding Company Liquidity

Purchased $21 million face value of outstanding 2.25% Convertible Senior Notes due 2019

Redeemed remaining $196 million aggregate principal amount outstanding of its 9.000% Senior Notes due 2017

Debt to Capital ratio decreased to 27%

$43.8 million
Services Segment Total Revenue

Gross profit of $16.9 million

Services adjusted EBITDA of $5.0 million(1)

Services adjusted pretax operating loss of $2.5 million

1) Adjusted results, including Services adjusted EBITDA, as used in this presentation, are non-GAAP financial measures. For a reconciliation of the adjusted results to the comparable GAAP measures and the definition of adjusted pretax operating income (loss), see Appendix, Slides 24-28.

Q3 HIGHLIGHTS

87%
Primary Risk in Force Post 2008

New business written after 2008 represents 87% of primary risk in force

New business written after 2008, excluding HARP volume, represents 79% of primary risk in force

$181.2 billion
Mortgage Insurance in Force

Compared to $175.6 billion as of December 31, 2015, and $174.9 billion as of September 30, 2015

Persistency, the percentage of mortgage insurance in force that remains on books after a 12-month period, was 78.4%. Annualized persistency for Q3 2016 was 75.3%

3.3%
Default Rate

Total number of primary defaulted loans decreased by 18% from Q3 2015

Primary mortgage insurance default rate decreased to 3.3% from 4.1% in Q3 2015

$56.1 million
Mortgage Insurance Loss Provision

Loss reserves of approximately $821.9 million – down from $1.1 billion as of Q3 2015

Primary reserves (excluding IBNR and other reserves) were $24,049 per primary default vs. $26,237 as of Q3 2015

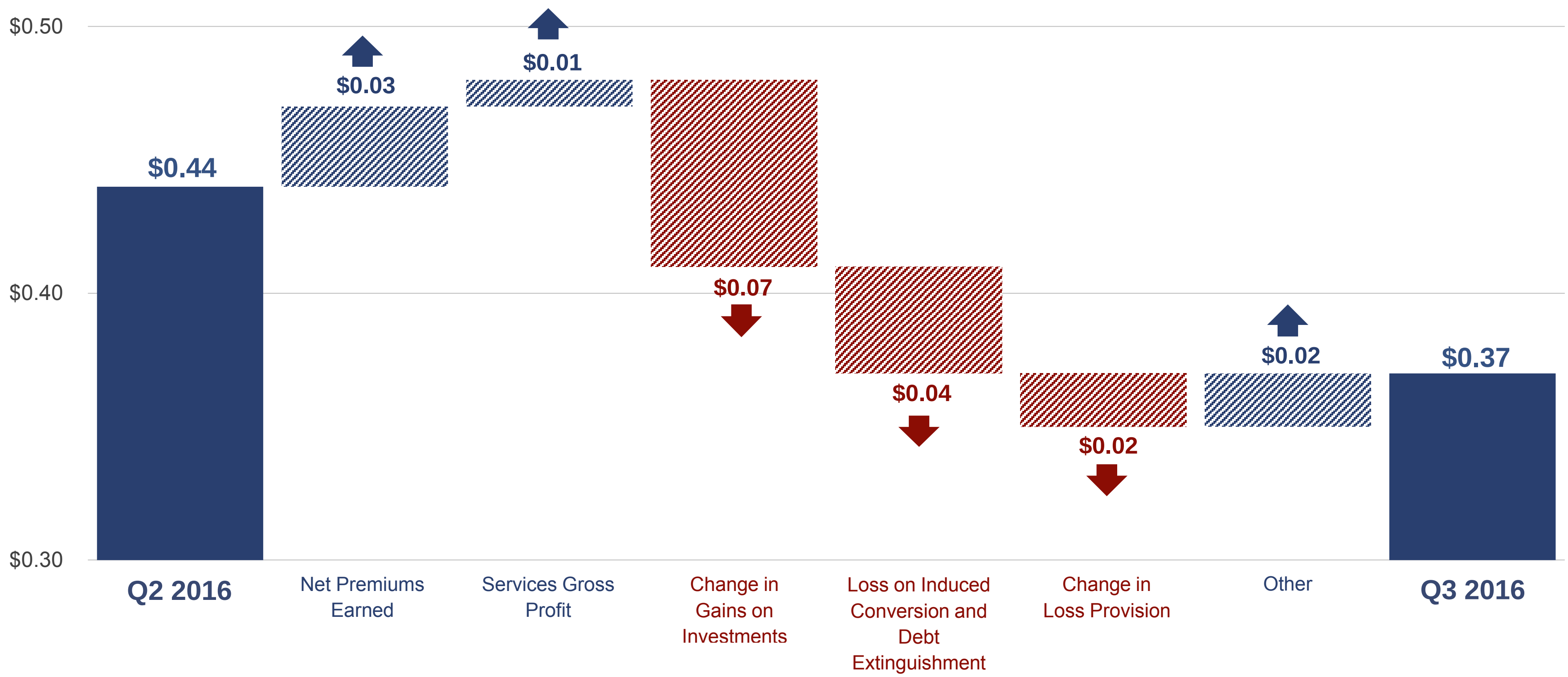
Loss ratio of 23.6% decreased compared to 28.2% in Q3 2015

$82.7 million
Mortgage Insurance Net Claims Paid

Expect net claims paid for full-year 2016 of approximately $375 million

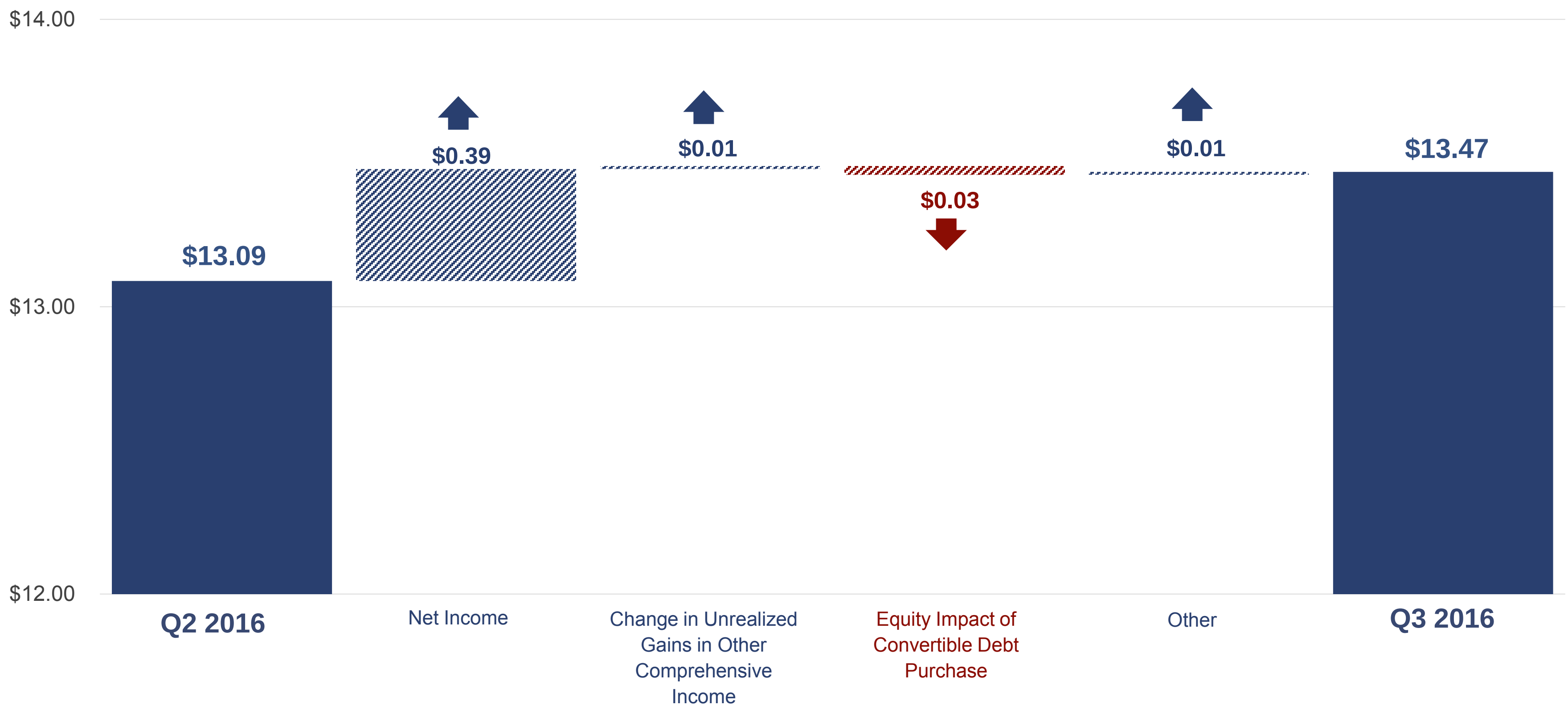
NET INCOME

Q2 2016 to Q3 2016 GAAP Diluted Net Income Per Share



BOOK VALUE

Q2 2016 to Q3 2016 GAAP Book Value Per Share (1)



1) Activity is based on beginning-of-period shares. Book value per share for Q2 2016 and Q3 2016 is calculated based on shares outstanding at June 30, 2016 and September 30, 2016, respectively.

FINANCIAL HIGHLIGHTS

Radian Group Inc. Consolidated

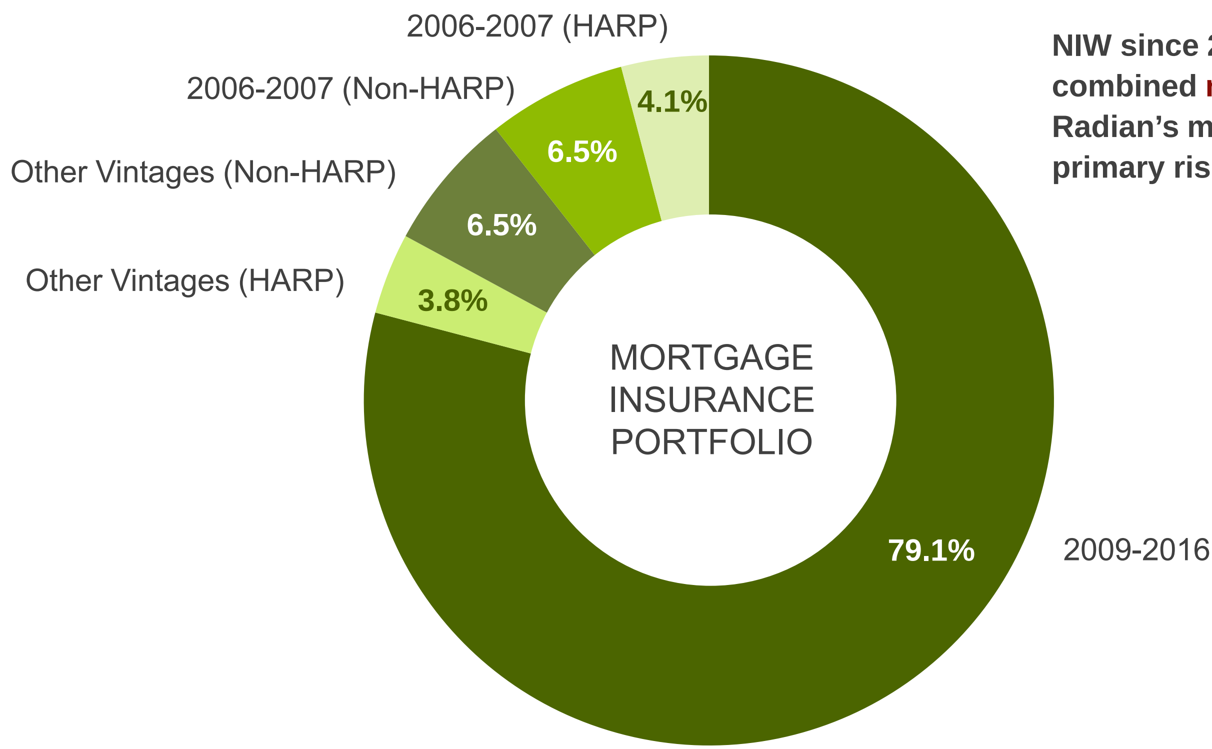
($ in millions, except per share amounts)

	September 30, 2016	December 31, 2015	September 30, 2015
Total Assets	$6,049.8[(1)]	$5,642.1	$5,760.9
Loss Reserves	$821.9	$976.4	$1,098.6
Unearned Premiums	$681.0	$680.3	$676.9
Long-Term Debt	$1,067.7	$1,219.5	$1,230.2
Stockholders' Equity	$2,888.7	$2,496.9	$2,435.6
Book Value Per Share	$13.47	$12.07	$11.77
Available Holding Company Liquidity	$482.5	$342.9	$744.7
Statutory Capital (Radian Guaranty)	$2,542.1	$2,547.4	$2,019.4

1) Prepaid ceded premiums relating to the Single Premium Quota Share Reinsurance transaction are included in Total Assets.

MORTGAGE INSURANCE

IMPROVED COMPOSITION OF MI PORTFOLIO [1]



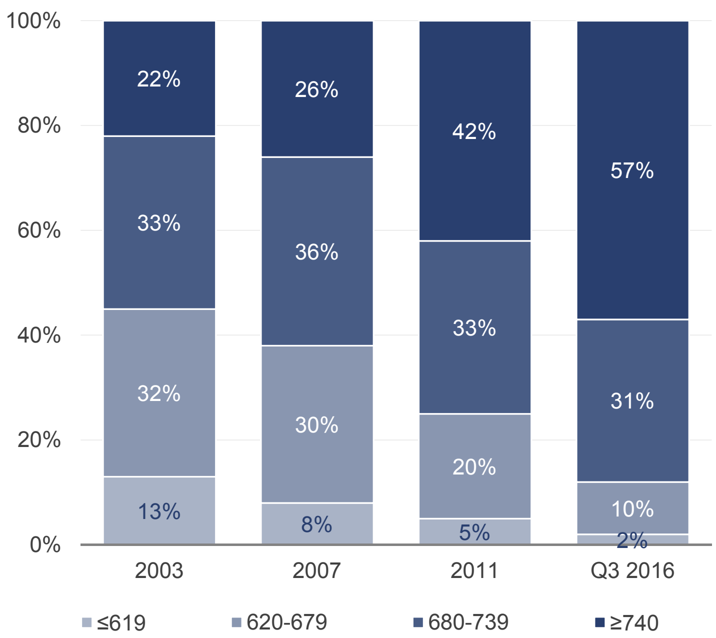
NIW since 2009 and HARP volume combined now represents 87% of Radian's mortgage insurance primary risk in force as of Q3 2016

1) Includes amounts subject to the Freddie Mac Agreement.

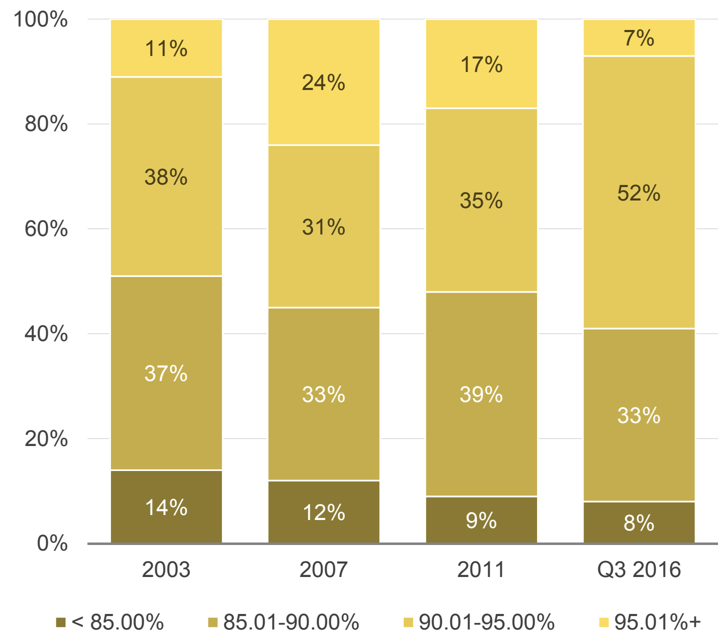
IMPROVED COMPOSITION OF MI PORTFOLIO

Risk in Force by FICO and LTV

Primary RIF Distribution by FICO Score



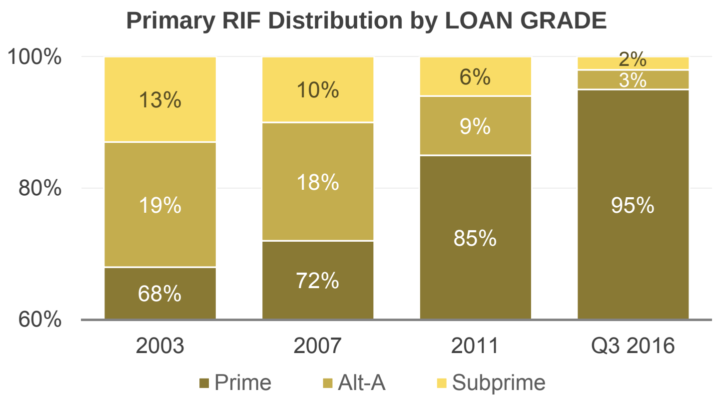
Primary RIF Distribution by LTV

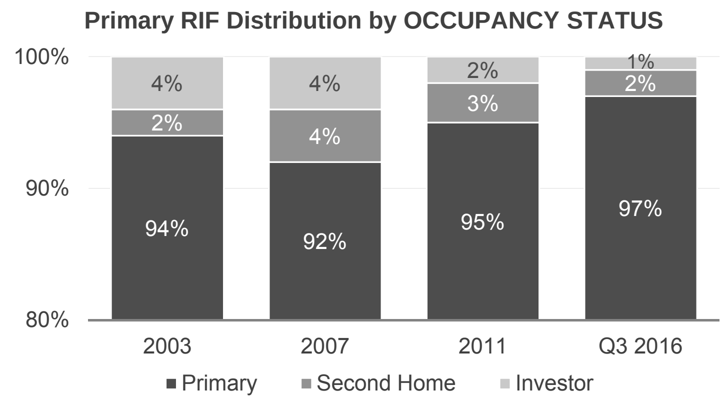


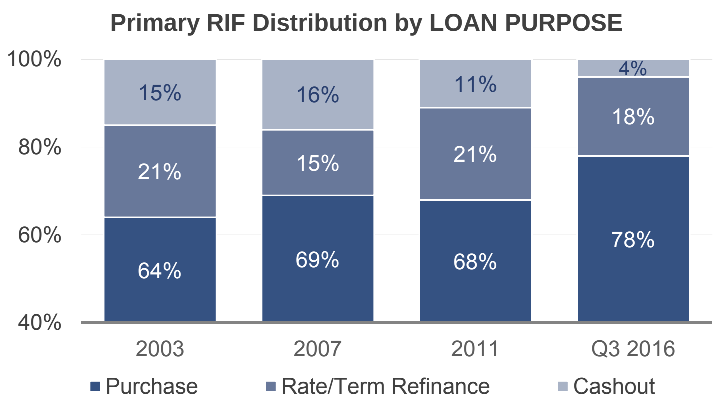
2003-2011 are year end

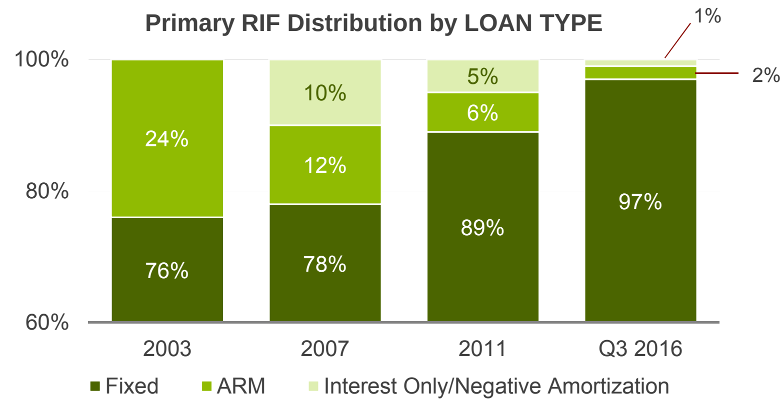
IMPROVED COMPOSITION OF MI PORTFOLIO

Other Risk in Force Characteristics









2003-2011 are year end

FIRST-LIEN MORTGAGE INSURANCE

2016 Performance by Vintage

(in millions)	9 MONTHS ENDED 9/30/2016			3 MONTHS ENDED 9/30/2016
Vintage	**Premiums Earned [1]**	**Incurred Losses[1]**	**Net**	**Net**
2005 & Prior	$41.4	$30.8	$10.6	($0.1)
2006	$31.3	$25.5	$5.8	$1.7
2007	$60.6	$51.2	$9.4	$2.0
2008	$33.4	$15.5	$17.9	$5.1
2009	$11.7	$2.1	$9.6	$2.6
2010	$9.2	$0.7	$8.5	$2.2
2011	$18.2	$0.5	$17.7	$5.4
2012	$61.8	$2.1	$59.7	$19.1
2013	$113.8	$5.0	$108.8	$34.0
2014	$119.6	$6.8	$112.8	$35.9
2015	$149.2	$8.1	$141.1	$47.8
2016	$41.2	$0.9	$40.3	$27.0

Today, even legacy vintages are contributing to earnings.

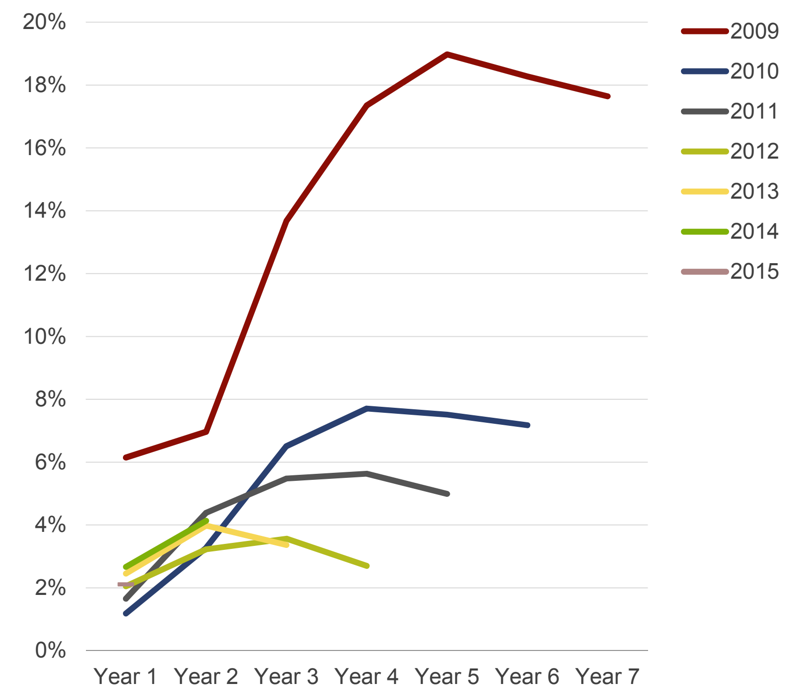
1) Represents premiums earned and incurred losses on first-lien portfolio including the impact of ceded premiums and losses related to the 2012 Quota Share Reinsurance transactions and the Single Premium Quota Share Reinsurance transaction, but excluding any reduction for ceded premiums and losses recoverable through our other reinsurance transactions, as these impacts are not material.

PRIMARY MORTGAGE INSURANCE

Cumulative Incurred Loss Ratio by Development Year

CUMULATIVE INCURRED LOSS RATIO								
Vintage	**Dec-09**	**Dec-10**	**Dec-11**	**Dec-12**	**Dec-13**	**Dec-14**	**Dec-15**	**Sep-16**
2009	6.1%	7.0%	13.7%	17.4%	19.0%	18.3%	17.6%	17.7%
2010		1.2%	3.3%	6.5%	7.7%	7.5%	7.2%	7.2%
2011			1.7%	4.4%	5.5%	5.6%	5.0%	4.8%
2012				2.0%	3.2%	3.6%	2.7%	2.8%
2013					2.5%	4.0%	3.4%	3.6%
2014						2.7%	4.1%	4.6%
2015							2.1%	4.3%

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



COMPONENTS OF PROVISIONS FOR LOSSES

($ in millions)	3 MONTHS ENDED				
	Sept 30, 2016	**June 30, 2016**	**Mar 31, 2016**	**Dec 31, 2015**	**Sept 30, 2015**
Current period defaults (1)	$57.6	$50.9	$56.2	$62.3	$66.6
Prior period defaults (2)	(1.8)	(1.0)	(13.5)	(5.2)	(3.2)
Second-lien premium deficiency reserve & other	0.3	0.2	0.6	(0.3)	0.7
Provision for Losses	**$56.1**	**$50.1**	**$43.3**	**$56.8**	**$64.1**

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

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

PRIMARY LOANS IN DEFAULT

September 30, 2016 *($ in thousands)*	TOTAL		FORECLOSURE STAGE DEFAULTED LOANS	CURE % DURING Q3	RESERVE FOR LOSSES	% OF RESERVE
MISSED PAYMENTS	#	%	#	%	$	%
3 Payments or Fewer	9,565	32.4%	167	30.5%	$97,303	14.1%
4 to 11 Payments	7,217	24.4	494	20.4	119,392	17.3
12 Payments or More (1)	10,828	36.7	2,814	6.1	377,215	54.8
Pending Claims (1)	1,920	6.5	N/A	2.3	95,003	13.8
	29,530 (2)	**100.0%**	**3,475**	**16.7%**	**688,913**	**100.0%**
IBNR and Other					73,057	
LAE					21,255	
Total Primary Reserves					**$783,225**	

KEY RESERVE ASSUMPTIONS

Gross Default to Claim Rate %	Net Default to Claim Rate % (3)	Severity % (4)
48%	**45%**	**102%**

1) 14% of defaults that have missed twelve payments or more (including the portion in pending claims) made a payment during Q3 2016.
2) Primary risk in force on defaulted loans at September 30, 2016 was $1.5 billion, which excludes risk related to loans subject to the Freddie Mac Agreement. Excludes 1,888 loans subject to the Freddie Mac Agreement that are in default at September 30, 2016, as we no longer have claims exposure on these loans.
3) For every one percentage point change in our primary net Default to Claim Rate, we estimated a change of approximately $15 million in our primary loss reserve at September 30, 2016.
4) For every one percentage point change in primary Claim Severity, we estimated that our total loss reserve would change by approximately $7 million at September 30, 2016.

DEFAULT ROLLFORWARD

Primary Insurance in Force

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Beginning Default Inventory	29,827	30,869	35,303	35,875	37,676
New Defaults (1) (2)	10,459	9,544	9,571	11,650	10,698
Cures (1)	(9,127)	(8,750)	(11,577)	(9,751)	(9,676)
Claims Paid (3) (4)	(1,615)	(1,797)	(2,488)	(2,686) (5)	(2.983) (5)
Recessions and Denials, net (6)	(14)	(39)	60	34	(73)
Net Reinstatements (Recessions/Denials) relating to BofA Settlement Agreement (7)	–	–	–	181	233
Ending Default Inventory	**29,530**	**29,827**	**30,869**	**35,303**	**35,875**

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:

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
	4,160	3,653	4,869	4,592	4,181

2) 73% of new notices of defaults are from our pre-2009 portfolio.
3) Includes those charged to a deductible or captive.
4) Excludes 182 claims processed in accordance with the terms of the Freddie Mac Agreement in Q3 2016.
5) Includes claims payments associated with the implementation of the BofA Settlement Agreement.
6) Net of any previously rescinded and denied policies and/or claims that were reinstated during the period. Reinstated rescissions may ultimately result in a paid claim. Previously denied but reinstated claims are generally reviewed for possible rescission prior to any claim payment. In Q3 2016, there were 182 reinstatements of previously rescinded policies and denied claims.
7) Includes rescissions, denials and reinstatements on the population of loans subject to the BofA Settlement Agreement.

MORTGAGE AND REAL ESTATE SERVICES

WHAT ARE MORTGAGE & REAL ESTATE SERVICES?

GREEN RIVER CAPITAL

Customized Real Estate Owned asset management and single-family rental component services

RedBell Real Estate

Advanced Automated Valuation Models, Broker Price Opinions and technology solutions to monitor loan portfolio performance, acquire and track Non-Performing Loans, and value and sell residential real estate

CLAYTON

Clayton provides risk-based analytics, residential loan due diligence, consulting, surveillance and staffing solutions as well as additional services through its subsidiaries

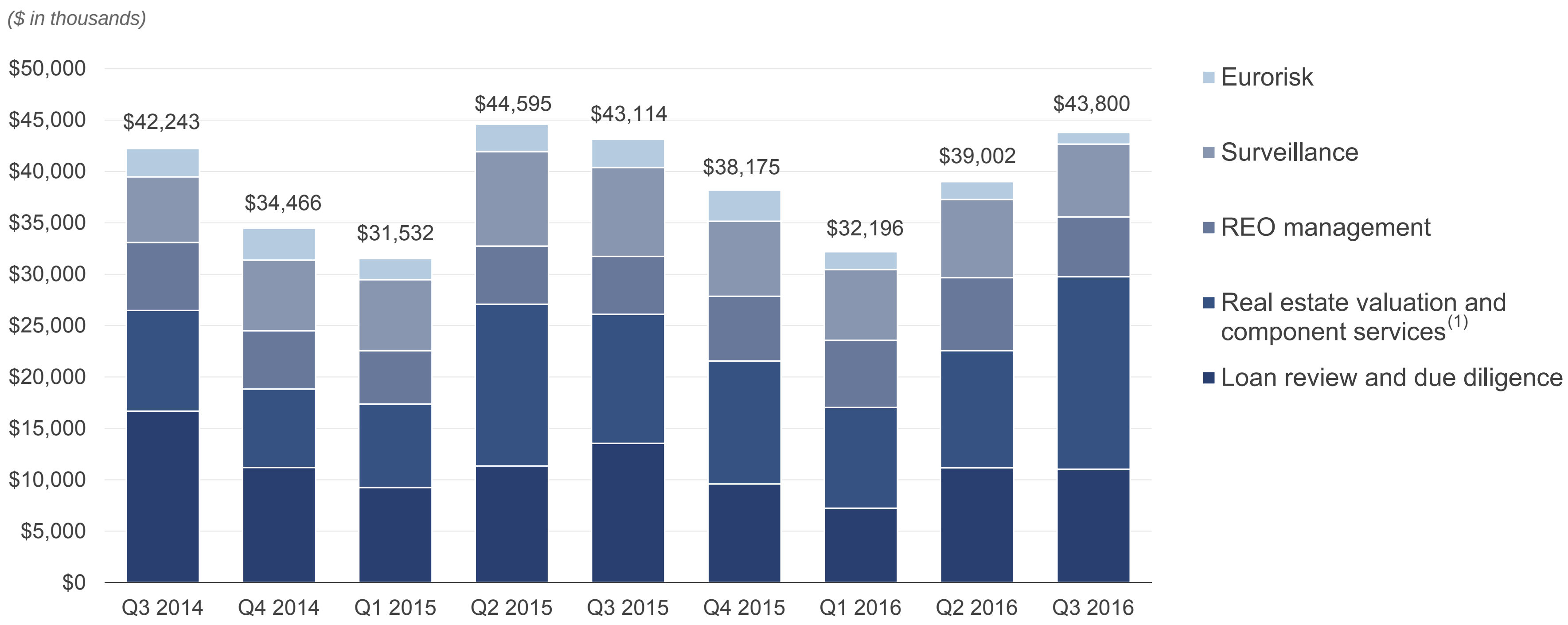
ValuAmerica

Appraisal, Title, Closing and Settlement services as well as technology solutions for vendor management

CLAYTON EURO RISK

Third party mortgage credit analytics, due diligence and consulting services throughout Europe

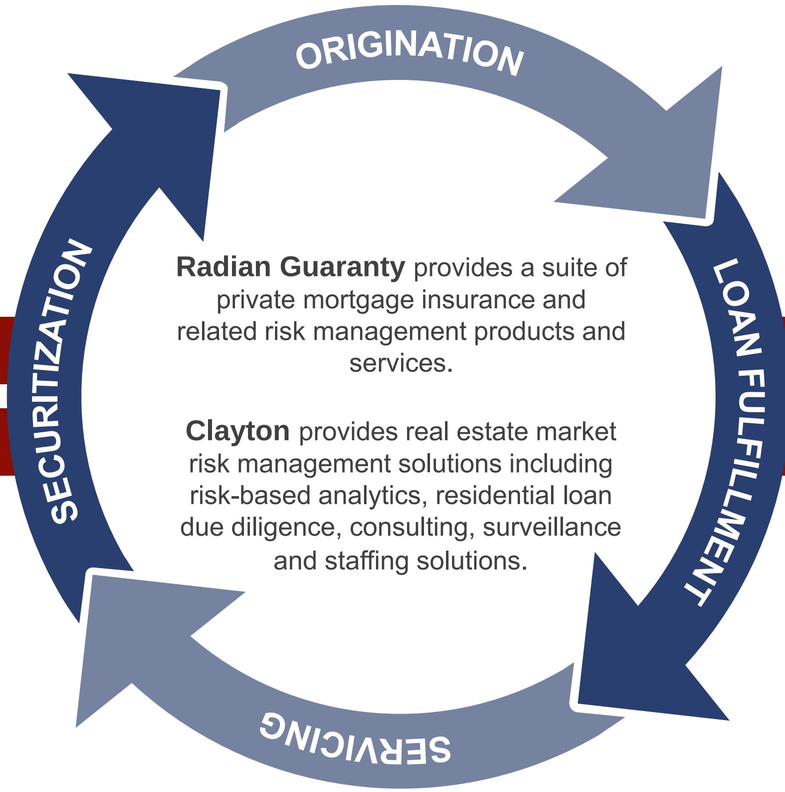
MORTAGE AND REAL ESTATE SERVICES REVENUE



1) Includes revenue from acquisition of Red Bell Real Estate, beginning March 20, 2015, and ValuAmerica, beginning October 8, 2015.

GROWTH OPPORTUNITIES

Our Product and Service Offerings Span the Mortgage Value Chain



Radian Guaranty provides a suite of private mortgage insurance and related risk management products and services.

Clayton provides real estate market risk management solutions including risk-based analytics, residential loan due diligence, consulting, surveillance and staffing solutions.

CAPITAL AND DEBT STRUCTURE

CAPITAL STRUCTURE

Total Capitalization as of September 30, 2016

Coupon	Description	Carrying Value ($'000)	Principal ($'000)	% of Total Capitalization[1]
5.50%	Senior Notes due 2019	$296,611	$300,000	7.5%
5.25%	Senior Notes due 2020	345,003	350,000	8.7
7.00%	Senior Notes due 2021	344,078	350,000	8.7
	Total Senior Notes:	**985,692**	**1,000,000**	**24.9**
3.00%	Convertible Senior Notes due 2017	20,600	22,233	0.5
2.25%	Convertible Senior Notes due 2019	61,374	68,024	1.6
	Total Convertible Senior Notes	**81,974**	**90,257**	**2.1**
	Total Debt	**1,067,666**	**$1,090,257**	**27.0**
	Stockholders Equity	2,888,706		73.0
	Total Capitalization	**$3,956,372**		**100.0%**

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

The company has no material debt maturities prior to June 2019.

Radian Group is committed to returning to investment grade.

Current Radian Group Ratings:

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

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

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

Consolidated Non-GAAP Financial Measures Reconciliations

Use of Non-GAAP Financial Measures

In addition to the traditional GAAP financial measures, we have presented non-GAAP financial measures for the consolidated company, “adjusted pretax operating income (loss)” and “adjusted diluted net operating income (loss) per share,” among our key performance indicators to evaluate our fundamental financial performance. These non-GAAP financial measures align with the way the Company’s business performance is evaluated by both management and the board of directors. These measures have been established in order to increase transparency for the purposes of evaluating our operating trends and enabling more meaningful comparisons with our peers. Although on a consolidated basis “adjusted pretax operating income (loss)” and “adjusted diluted net operating income (loss) per share” are non-GAAP financial measures, we believe these measures aid in understanding the underlying performance of our operations. Our senior management, including our Chief Executive Officer (the Company’s chief operating decision maker), uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of the Company’s business segments and to allocate resources to the segments.

Adjusted pretax operating income (loss) is defined as GAAP pretax income (loss) excluding the effects of net gains (losses) on investments and other financial instruments, loss on induced conversion and debt extinguishment, acquisition-related expenses, amortization and impairment of intangible assets and net impairment losses recognized in earnings. Adjusted diluted net operating income (loss) per share is calculated by dividing (i) adjusted pretax operating income (loss) attributable to common shareholders, net of taxes computed using the company’s statutory tax rate, by (ii) the sum of the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. Interest expense on convertible debt, share dilution from convertible debt and the impact of stock-based compensation arrangements have been reflected in the per share calculations consistent with the accounting standard regarding earnings per share, whenever the impact is dilutive.

Although adjusted pretax operating income (loss) excludes certain items that have occurred in the past and are expected to occur in the future, the excluded items represent those that are: (1) not viewed as part of the operating performance of our primary activities; or (2) not expected to result in an economic impact equal to the amount reflected in pretax income (loss). These adjustments, along with the reasons for their treatment, are described below.

1. *Net gains (losses) on investments and other financial instruments.* The recognition of realized investment gains or losses can vary significantly across periods as the activity is highly discretionary based on the timing of individual securities sales due to such factors as market opportunities, our tax and capital profile and overall market cycles. Unrealized investment gains and losses arise primarily from changes in the market value of our investments that are classified as trading. These valuation adjustments may not necessarily result in economic gains or losses.

   Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these realized and unrealized gains or losses. We do not view them to be indicative of our fundamental operating activities. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss). However, we include the change in expected economic loss or recovery associated with our consolidated VIEs, if any, in the calculation of adjusted pretax operating income (loss).

2. *Loss on induced conversion and debt extinguishment.* Gains or losses on early extinguishment of debt and losses incurred to purchase our convertible debt prior to maturity are discretionary activities that are undertaken in order to take advantage of market opportunities to strengthen our financial and capital positions; therefore, we do not view these activities as part of our operating performance. Such transactions do not reflect expected future operations and do not provide meaningful insight regarding our current or past operating trends. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss).

3. *Acquisition-related expenses.* Acquisition-related expenses represent the costs incurred to effect an acquisition of a business (i.e., a business combination). Because we pursue acquisitions on a strategic and selective basis and not in the ordinary course of our business, we do not view acquisition-related expenses as a consequence of a primary business activity. Therefore, we do not consider these expenses to be part of our operating performance and they are excluded from our calculation of adjusted pretax operating income (loss).

4. *Amortization and impairment of intangible assets.* Amortization of intangible assets represents the periodic expense required to amortize the cost of intangible assets over their estimated useful lives. Intangible assets with an indefinite useful life are also periodically reviewed for potential impairment, and impairment adjustments are made whenever appropriate. These charges are not viewed as part of the operating performance of our primary activities and therefore are excluded from our calculation of adjusted pretax operating income (loss).

5. *Net impairment losses recognized in earnings.* The recognition of net impairment losses on investments can vary significantly in both size and timing, depending on market credit cycles. We do not view these impairment losses to be indicative of our fundamental operating activities. Therefore, whenever these losses occur, we exclude them from our calculation of adjusted pretax operating income (loss).

In addition to the above non-GAAP measures for the consolidated company, we also have presented as supplemental information a non-GAAP measure for our Services segment, representing a measure of earnings before interest, income taxes, depreciation and amortization (“EBITDA”). We calculate Services adjusted EBITDA by using adjusted pretax operating income as described above, further adjusted to remove the impact of depreciation and corporate allocations for interest and operating expenses. We have presented Services adjusted EBITDA to facilitate comparisons with other services companies, since it is a widely accepted measure of performance in the services industry.

See Slides 26 through 28 for the reconciliation of our non-GAAP financial measures for the consolidated company, adjusted pretax operating income and adjusted diluted net operating income per share, to the most comparable GAAP measures, pretax income and diluted net income per share, respectively. Slides 26 through 28 also contain the reconciliation of Services adjusted EBITDA to the most comparable GAAP measure, net income.

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

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

(in thousands)	2016			2015	
	Q3	Q2	Q1	Q4	Q3
Adjusted pretax operating income (loss):					
Mortgage Insurance	**$142,468**	$137,345	$140,132	$125,904	$115,905
Services	**(2,539)**	(5,960)	(9,913)	(1,797)	(279)
Total adjusted pretax operating income	**139,929**	131,385	130,219	124,107	115,626
Net gains (losses) on investments and other financial instruments	**7,711**	30,527	31,286	(13,402)	3,868
Loss on induced conversion and debt extinguishment	**(17,397)**	(2,108)	(55,570)	(2,320)	(11)
Acquisition-related expenses [1]	**(10)**	54	(205)	(266)	(525)
Amortization and impairment of intangible assets [1]	**(3,292)**	(3,311)	(3,328)	(3,409)	(3,273)
Consolidated pretax income	**$126,941**	$156,547	$102,402	$104,710	$115,685

1) Please see Slide 25 for the definition of this line item.

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

	2016			2015	
	Q3	Q2	Q1	Q4	Q3
Adjusted diluted net operating income per share [(1)]	**$0.41**	$0.38	$0.37	$0.34	$0.31
Per Share Impact of Debt Items:					
Loss on induced conversion and debt extinguishment	**(0.08)**	(0.01)	(0.23)	(0.01)	–
Income tax provision (benefit) [(2)]	**(0.03)**	–	(0.03)	(0.04)	–
Per share impact of debt items	**(0.05)**	(0.01)	(0.20)	(0.03)	–
Per share impact of other reconciling items:					
Net gains (losses) on investments and other financial instruments	**0.03**	0.13	0.13	(0.05)	0.01
Acquisition-related expenses	**–**	–	–	–	–
Amortization and impairment of intangible assets	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Income tax provision (benefit) on other reconciling items [(1)]	**0.01**	0.04	0.04	(0.02)	–
Difference between statutory and effective tax rate	**–**	(0.01)	0.04	(0.01)	(0.02)
Per share impact of other reconciling items	**0.01**	0.07	0.12	(0.05)	(0.02)
Diluted net income per share	**$0.37**	$0.44	$0.29	$0.32	$0.29

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

2) A portion of the loss on induced conversion and debt extinguishment is non-deductible for tax purposes. The income tax benefit is based on the tax deductible loss using the company's federal statutory tax rate.

Reconciliation of Services Adjusted EBITDA to Net Income

	2016			2015	
(in thousands)	Q3	Q2	Q1	Q4	Q3
Services adjusted EBITDA	**$5,031**	$1,988	$(3,079)	$4,197	$6,266
Allocation of corporate operating expenses to Services	**(2,265)**	(2,779)	(1,751)	(968)	(1,567)
Allocation of corporate interest expenses to Services	**(4,423)**	(4,422)	(4,422)	(4,414)	(4,423)
Services depreciation and amortization	**(882)**	(747)	(661)	(612)	(555)
Services adjusted pretax operating income (loss)	**(2,539)**	(5,960)	(9,913)	(1,797)	(279)
Mortgage Insurance adjusted pretax operating income	**142,468**	137,345	140,132	125,904	115,905
Total adjusted pretax operating income	**139,929**	131,385	130,219	124,107	115,626
Net gains (losses) on investments and other financial instruments	**7,711**	30,527	31,286	(13,402)	3,868
Loss on induced conversion and debt extinguishment	**(17,397)**	(2,108)	(55,570)	(2,320)	(11)
Acquisition-related expenses	**(10)**	54	(205)	(266)	(525)
Amortization and impairment of intangible assets	**(3,292)**	(3,311)	(3,328)	(3,409)	(3,273)
Consolidated pretax income	**126,941**	156,547	102,402	104,710	115,685
Income tax provision	**44,138**	58,435	36,153	30,182	45,594
Net income	**$82,803**	$92,112	$66,249	$74,528	$70,091

On a consolidated basis, “adjusted pretax operating income” and “adjusted diluted net operating income per share” are measures not determined in accordance with GAAP. "Services adjusted EBITDA" is also a non-GAAP measure. These measures are not representative of total profitability, and therefore should not be viewed as substitutes for GAAP pretax income or diluted net income per share. Our definitions of adjusted pretax operating income, adjusted diluted net operating income per share or Services adjusted EBITDA may not be comparable to similarly-named measures reported by other companies. See Slide 25 for additional information on our consolidated non-GAAP financial measures.

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