

Fourth Quarter 2012

#### 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," "project," "project," "potential," "continue" 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 publicly 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 the following:

- changes in general economic and political conditions, including high unemployment rates and weakness in the U.S. housing and mortgage credit markets, a significant
  downturn in the U.S. or global economies, a lack of meaningful liquidity in the capital or credit markets, changes or volatility in interest rates or consumer confidence and
  changes in credit spreads, each of which may be accelerated or intensified by, among other things, legislative activity or inactivity or actual or threatened downgrades of U.S.
  credit ratings;
- 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
  developments in the private mortgage insurance and financial guaranty industries in which certain of our former competitors have ceased writing new insurance business and
  have been placed under supervision or receivership by insurance regulators;
- catastrophic events or economic changes in certain geographic regions, including those affecting governments and municipalities, 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, including in particular, the repayment of our long-term debt and additional capital contributions that may be required to support our mortgage insurance business;
- a reduction in, or prolonged period of depressed levels of, home mortgage originations due to reduced liquidity in the lending market, tighter underwriting standards, and 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 Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act");
- the potential adverse impact on the mortgage origination market and on private mortgage insurers due to increased capital requirements for mortgage loans under proposed interagency rules to implement the third Basel Capital Accord ("Basel III"), including in particular, the possibility that loans insured by the Federal Housing Administration ("FHA") will receive a more favorable regulatory capital treatment than loans with private mortgage insurance;
- our ability to maintain an adequate risk-to-capital position, minimum policyholder position and other surplus requirements for Radian Guaranty Inc. ("Radian Guaranty"), our
  principal mortgage insurance subsidiary, including if necessary, our ability to write new mortgage insurance while maintaining a capital position that is in excess of risk-based
  capital limitations imposed in certain states, either through waivers of these limitations or through use of another mortgage insurance subsidiary, and the possibility that state
  regulators could pursue regulatory actions or proceedings, including possible supervisory or receivership actions, against Radian Guaranty, in the event Radian Guaranty's
  capital position is not in compliance with levels that are acceptable to such regulators;
- · our ability to continue to effectively mitigate our mortgage insurance and financial guaranty losses;
- a more rapid than expected decrease in the current elevated 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 rescissions or denials resulting from an increase in the number of successful challenges to previously
  rescinded policies or claim denials, or caused by the government-sponsored entities ("GSEs") intervening in mortgage insurers' loss mitigation practices, including
  settlements of disputes regarding loss mitigation activities;
- the negative impact our mortgage insurance rescissions and claim denials or claim curtailments may have on our relationships with customers and potential customers, including the potential loss of business and the heightened risk of disputes and litigation;



### Safe Harbor Statements (Continued)

- the need, in the event that we are unsuccessful in defending our rescissions, denials or claim curtailments, to increase our loss reserves for, and reassume risk on, rescinded loans, 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 in our insured portfolio) that are riskier than traditional mortgage insurance or financial guaranty insurance policies;
- a decrease in the persistency rates of our mortgage insurance policies, which has the effect of reducing our premium income;
- heightened competition for our mortgage insurance business from others such as the FHA, the Department of Veterans Affairs ("VA") and other private mortgage insurers (in particular, the FHA and those private mortgage insurers that have been assigned higher ratings than we have, that may have access to greater amounts of capital than we do, or that are new entrants to the industry and are therefore not burdened by legacy obligations);
- changes in the charters or business practices of, or rules or regulations applicable to, Federal National Mortgage Association ("Fannie Mae") and Freddie Mac, the largest purchasers of mortgage loans that we insure, and our ability to remain an eligible provider to both Fannie Mae and Freddie Mac;
- 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 mortgage insurance and financial guaranty businesses in particular, including whether and to what extent loans with mortgage insurance may be considered "qualified residential mortgages" for purposes of the Dodd-Frank Act securitization provisions;
- the 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; and (ii) legislative and regulatory changes (a) impacting the demand for private mortgage insurance, (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;
- 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 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;
- our ability to realize some or all of the tax benefits associated with our gross deferred tax assets, which will depend on our ability to generate sufficient sustainable taxable income in future periods;
- changes in GAAP or statutory accounting principles, rules and guidance, or their interpretation; and
- 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.

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, 2011, Item 1A of Part II of our Quarterly Reports on Form 10-Q filed in 2012, and subsequent reports and registration statements filed from time to time with the U.S. Securities and Exchange Commission.



#### Who Is Radian?

#### Overview



For more than **30 years**, these 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-down payment mortgages in the secondary market.

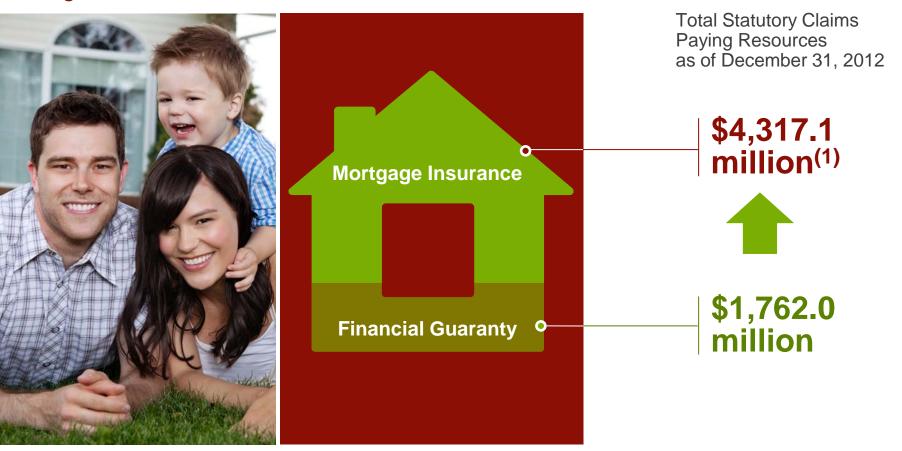
NYSE: RDN www.radian.biz

Ensuring the American Dream"



#### Who Is Radian?

#### **Segment Overview**



(1) Includes \$1.1 billion of Financial Guaranty statutory surplus.



### Q4 Highlights

### Net loss of \$177 million, or \$1.34 net loss per diluted share

Book value per share of \$5.51

### Approximately \$336 million of currently available holding company liquidity

 Outstanding debt of \$79 million before pending February 2013 repayment

### Risk-to-capital ratio for Radian Guaranty of 20.8 to 1

- Radian Asset continues to provide capital support for MI
  - Expects to pay dividend of approximately \$35 million in 2013
- External quota share reinsurance agreements
  - Ceded a total of \$1.9 billion of risk in force to manage risk to capital as of December 31, 2012

### Strong share of high-quality new MI business

- NIW of \$11.7 billion in Q4 2012 compared to \$6.5 billion in Q4 2011
- 99.9% Prime; 75.8% with FICO of 740 or above

### Continued decline in number of mortgage insurance defaults

- Total number of primary delinquent loans decreased by 16% from Q4 2011
- Primary mortgage insurance delinquency rate decreased to 12.1%

### Mortgage insurance loss provision of \$307 million

- Loss reserves of approximately \$3.1 billion down from \$3.2 billion in Q4 2011
- First-lien reserves were \$29,510 per primary default vs. \$26,007 in Q4 2011 and \$23,374 in Q4 2010

### Total mortgage insurance net claims paid of \$263 million

 Expect net claims paid for full-year 2013 of \$900 million to \$1.0 billion



### Financial Highlights

#### Radian Group Inc. Consolidated

(\$ in millions except per share amounts)

	December 31, 2012	December 31, 2011	December 31, 2010
Assets	\$ 5,903.2	\$ 6,656.8	\$ 7,620.9
Loss reserves	\$ 3,149.9	\$ 3,310.9	\$ 3,596.7
Unearned premiums	\$ 648.7	\$ 637.4	\$ 686.4
Long term debt	\$ 663.6	\$ 818.6	\$ 964.8
Stockholders' equity	\$ 736.3	\$ 1,182.3	\$ 859.8
Book value per share	\$ 5.51	\$ 8.88	\$ 6.46
Risk-to-capital ratio (Radian Guaranty)	20.8:1*	21.5:1	16.8:1

<sup>\*</sup> Preliminary Risk-to-capital ratio as of September 30, 2012 was 20.1:1



### Radian Guaranty Statutory Capital Position



- Risk-to-capital (RTC) ratio of 20.8:1 as of December 31, 2012
  - The company expects to remain below a 25:1 risk-to-capital ratio through 2013 including, if necessary, by contributing from currently available holding company funds.
- Radian Asset provides capital support to Radian Guaranty therefore changes in the statutory capital position of both businesses impact Radian Guaranty's RTC ratio



- Objective is to preserve Holdco liquidity while continuing to write new MI business
  - Successfully extended nearly 80% of the company's 2015 debt obligation to 2017, leaving a total of \$55 million due in June 2015.
- Continue to explore alternatives to manage RTC
  - In the fourth quarter, a new intercompany reinsurance agreement reduced net risk in force by \$2.6 billion
  - Entered into two quota share reinsurance agreements in 2012 with the same third-party reinsurance provider -- a total of \$1.9 billion of risk ceded under those agreement as of 12/31/12
  - In February, Radian Asset received regulatory approval to release \$61 million of contingency reserves, which will benefit Radian Guaranty's statutory capital position



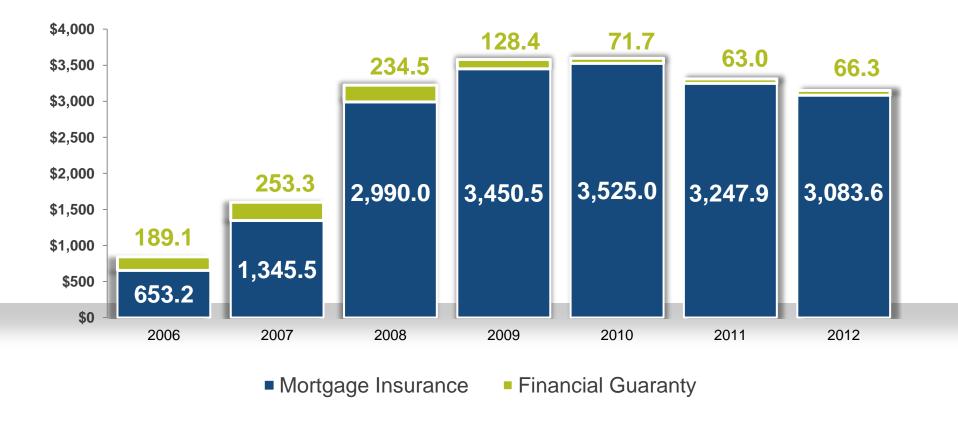
### Net Fair Value Liability of Derivatives and VIEs

	Decem		
Balance Sheet	NIMs	FG Derivatives and VIEs	Total
Other invested assets	\$ -	\$ 78.0	\$ 78.0
Derivative assets	1.6	12.0	13.6
Other assets	-	99.3	99.3
Total assets	1.6	189.3	190.9
Derivative liabilities (including VIE derivatives)	-	266.9	266.9
VIE debt - at fair value	9.9	99.0	108.9
Accounts payable and accrued expenses	-	0.4	0.4
Total liabilities	9.9	366.3	376.2
Total fair value net liabilities	\$ 8.3	\$ 177.0	\$ 185.3
Present value of estimated credit loss payments (recoveries)*	\$ 15.0	\$ (73.8)	\$ (58.8)

<sup>\*</sup> 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. In April 2012, as part of the Commutation Transactions, we made a payment with respect to the Terminated TruPs CDOs for which we currently expect a significant recovery. There are no significant credit loss payments expected on the remaining fair value derivatives or VIEs, and when combined with the recovery expected on the Terminated TruPs CDOs, this results in an aggregate net recovery as of December 31, 2012. The present value is calculated using a discount rate of 1.6%, which represents our current investment yield.



#### **Total Loss Reserves**





### Components of Provision for Losses – Mortgage Insurance

	Three Months Ended		
	December 31, 2012 December 31, 2		
New defaults	\$ 155.3	\$ 233.6	
Existing defaults (1)	153.0	87.7	
Second-lien, LAE and Other	(1.4)	12.0	
Provision for Losses	\$ 306.9	\$ 333.3	

<sup>(1)</sup> 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 a cure, a prepayment, a paid claim or a rescission or denial during the period indicated; and (c) the impact to our IBNR reserve during the period related to changes in actual and estimated reinstatements of previous rescinded policies and denied claims.



### Primary Loans In Default

December 31, 2012

(\$ in thousands)

			Projected Default to Claim Rate				
			(1) <b>Gross</b>	(2) <b>Net</b>	Cure % During the Quarter	Reserve for Losses	% of Reserve
Missed payments	#	%	%	%	%	\$	%
3 payments or fewer	18,007	19.3%	25%	23%	25.1%	\$187,454	8%
4-11 payments	20,080	21.6	48	44	12.1	435,895	18
12 payments or more	37,457	40.2	57	47	4.6	991,159	41
Pending claims	17,625	18.9	100	86	0.5	781,666	33
	93,169(3)	100.0%	57%	49%		\$2,396,174	100%
IBNR						289,032	
LAE and other						64,252	
Total primary reserves						\$2,749,458	

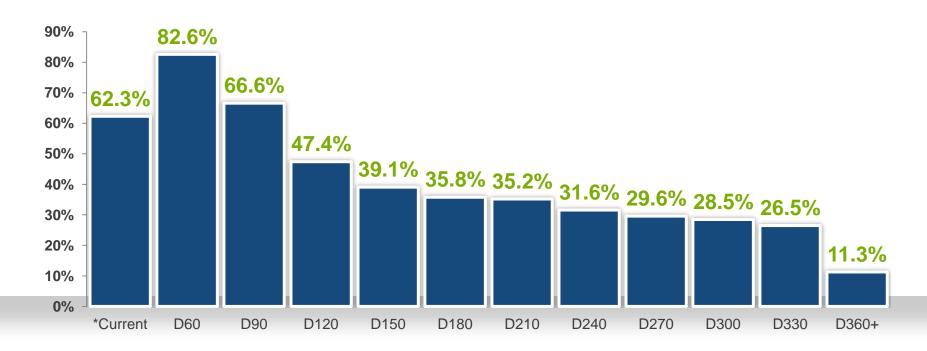
- (1) Represents the weighted average default to claim rate before consideration of estimated rescissions and denials for each category of defaulted loans.
- (2) Net of estimate of rescissions and denials.
- (3) Primary risk in force on defaulted loans at December 31, 2012 was \$4.3 billion.



### Primary Loans in Default – Payments Made in Quarter

31% Made at Least One Monthly Payment in Q4 2012 But Remained in Default

#### **Defaults that Made at Least 1 Payment in 4Q12**



Status at Start of Quarter

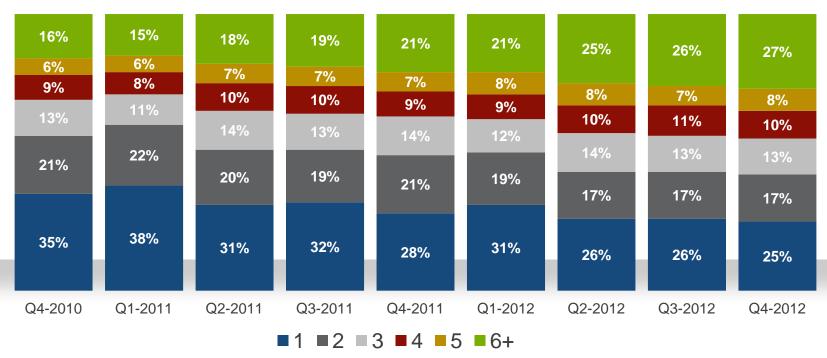
<sup>\*</sup> Represents loans that were current as of October 1, 2012



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

Nearly 73% of New Defaults in Q4 2012 Were Previously Delinquent

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

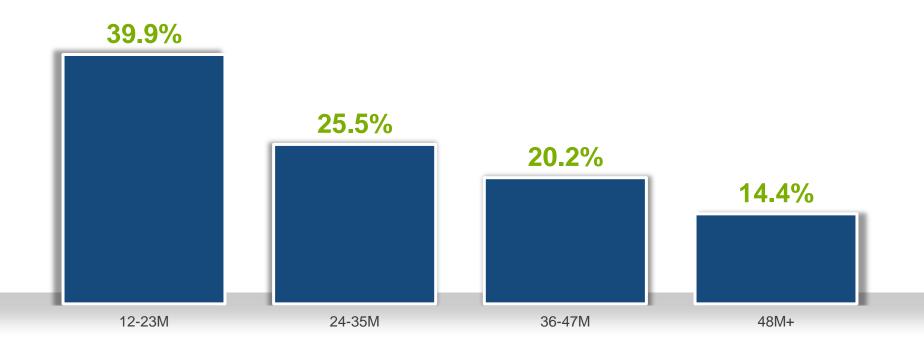


• Repeat defaults have previously demonstrated an ability to cure and therefore have observed a lower propensity to result in a future claim



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

35% of 12M+ Defaults Are Greater Than Three Years Old



- Radian is reviewing the servicing of the oldest delinquent loans to determine whether foreclosure timelines dictated by its Master Policy were violated
- (1) Includes pending claims



### Reserve per Default Trend (1)

First-lien reserve per default	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Primary reserve per default	\$ 26,007	\$ 27,833	\$ 28,410	\$ 28,561	\$ 29,510
Primary reserve per default excluding IBNR	24,637	26,038	26,157	26,100	26,408
Pool reserve per default	16,305	17,580	18,012	17,538	17,821
Total first-lien reserve per default	24,420	26,156	26,704	26,750	27,605

<sup>(1)</sup> Calculated as total reserves divided by total defaults.



### Direct Primary Risk in Force and Reserves by Vintage

2005 and prior
2006
2007
2008
2009
2010
2011
2012
Total

December 31, 2012			
Risk in Force	Reserve for Losses		
16.5%	31.9%		
8.0	17.9		
17.6	35.8		
13.3	12.9		
5.9	1.1		
5.0	0.3		
8.6	0.1		
25.1	-		
100.0%	100.0%		

December 31, 2011			
Risk in Force	Reserve for Losses		
22.4%	32.1%		
10.3	18.6		
22.7	36.8		
17.0	11.6		
8.7	0.8		
7.3	0.1		
11.6	-		
-	-		
100.0%	100.0%		

December 31, 2010			
Risk in Force	Reserve for Losses		
25.9%	32.7%		
11.7	20.4		
25.7	36.5		
18.9	10.1		
9.8	0.3		
8.0	-		
-	-		
-	-		
100.0%	100.0%		



### Primary Mortgage Insurance – 2012 Performance by Vintage

	Year Ended December 31, 2012			
Vintage	Premiums Earned <sup>(1)</sup>	Incurred Losses <sup>(1)</sup>	Net YTD	
2005 and Prior	\$ 169.2	\$ 221.6	\$ (52.4)	
2006	76.9	160.7	(83.8)	
2007	142.5	323.3	(180.8)	
2008	94.6	158.2	(63.6)	
2009	66.1	19.3	46.8	
2010	53.6	6.1	47.5	
2011	73.7	3.7	70.0	
2012	62.7	1.0	61.7	

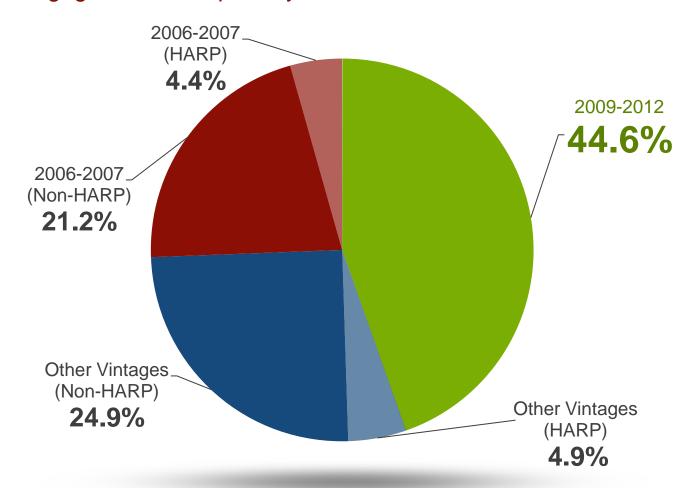
Three Months Ended December 31, 2012
Net QTD
\$ (45.8)
(36.6)
(76.5)
(31.7)
9.5
11.2
17.4
31.0

- Refer to Slide 24 for a presentation of default counts for various vintages from origination.
- (1) Represents premiums earned and incurred losses on first-lien only including the impact of ceded premiums and losses related to the 2012 Quota Share Reinsurance transactions, before giving effect to any reduction for ceded premiums and losses recoverable through our other reinsurance transactions.



### Improved Composition of MI Portfolio

NIW since 2009 and HARP volume combined now represent nearly 54% of Radian's mortgage insurance primary risk in force as of Q4 2012





### Projected Net Cumulative Rescission and Denial Rates

#### By Quarter Claim Received

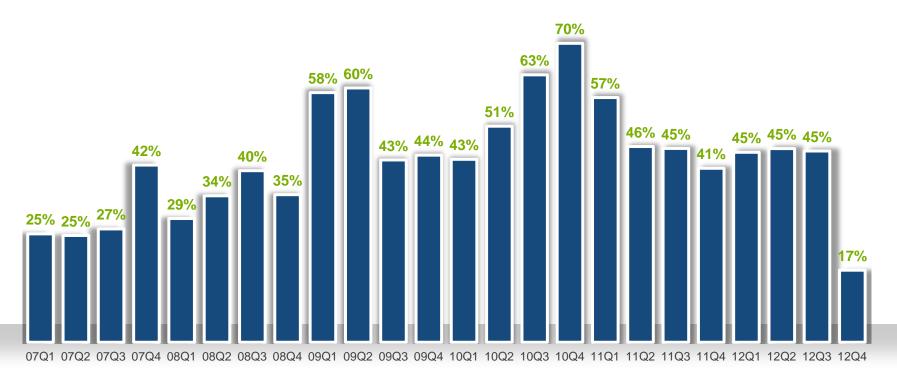
Claim Received Quarter	Projected Net Cumulative Rescission and Denial Rates <sup>(1)</sup>	Percentage of Claims Resolved <sup>(2)</sup>
Q1 2010	18.5%	100%
Q2 2010	17.6%	100%
Q3 2010	16.0%	100%
Q4 2010	17.4%	100%
Q1 2011	20.8%	99%
Q2 2011	24.6%	99%
Q3 2011	28.1%	97%
Q4 2011	23.2%	94%
Q1 2012	21.3%	84%
Q2 2012	19.4%	59%

- (1) Projected net cumulative rescission/denial rates represent the ratio of claims rescinded or denied to claims received (by claim count). Rescissions and denials are net of actual reinstatements, plus our current estimate for expected reinstatements of previously rescinded policies or denied claims. These amounts represent the cumulative rates for each quarter as of December 31, 2012. Until all of the claims received during the periods shown have been internally resolved, the rescission/denial rates for each quarter will be subject to change. These rates also will remain subject to change based on differences between estimated and actual reinstatements of previously rescinded policies or denied claims.
- (2) The percentage of claims resolved for each quarter presented in the table above, represents the number of claims that have been internally resolved as a percentage of the total number of claims received for that specific quarter. A claim is considered internally resolved when it is either paid or it is concluded that the claim should be denied or rescinded, though such denials and rescissions could be challenged and potentially reinstated. For the third and fourth quarters of 2012, a significant portion of claims received for those quarters have not been internally resolved; therefore, we do not believe the cumulative rescission rates for those periods are presently meaningful and therefore not presented.



### **Quarterly Denial Reinstatement Rates**

as of December 31, 2012



#### **Denial Quarter**

- The company expects an initial denial reinstatement rate of approximately 60% on newly denied claims, which is reflected in the company's IBNR reserve of \$323.0 million. This initial rate declines over a 12-month period as the denials age.
- The majority of reinstatements take place within the first six months and substantially all within 12 months.



### Primary Insurance In Force – Default Rollforward

	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Jan 13
Beginning Default Inventory	110,740	110,861	103,027	98,450	94,831	93,169
New Defaults (1)	24,677	18,659	17,945	18,709	18,204	5,200
Cures (1)	(18,550)	(19,397)	(13,486)	(14,493)	(14,530)	(5,674)
Claims Paid (2)	(4,352)	(3,822)	(5,190)	(4,940)	(4,981)	(1,588)
Rescissions (3)	(687)	(676)	(785)	(1,082)	(890)	(99)
Denials related to one servicer (4)	(464)	(1,874)	(2,193)	(1,262)	595	260
All other denials (4)	(503)	(724)	(868)	(551)	(60)	(179)
Ending Default Inventory	110,861	103,027	98,450	94,831	93,169	91,089

<sup>(1)</sup> 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:

7,875 7,285 5,379 5,923 5,677

<sup>(4)</sup> 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 Q4 2012, there were 2,382 denials and 2,917 reinstatements of previously denied claims.

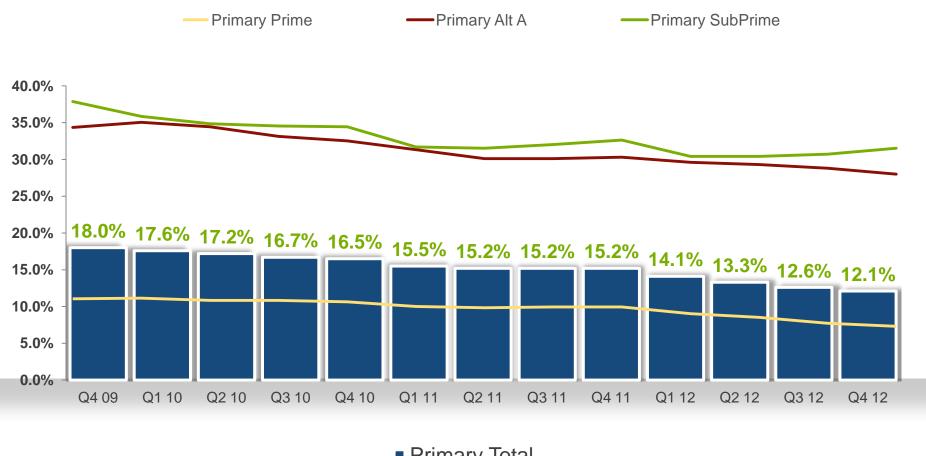


<sup>(2)</sup> Includes those charged to a deductible or captive.

<sup>(3)</sup> Net of any previously rescinded policies that were reinstated during the period. Such reinstated rescissions may ultimately result in a paid claim. In Q4 2012, there were 1,131 rescissions and 241 reinstatements of previously rescinded policies.

### Managing the Legacy Portfolio

#### Primary Mortgage Insurance Default Rates by Quarter

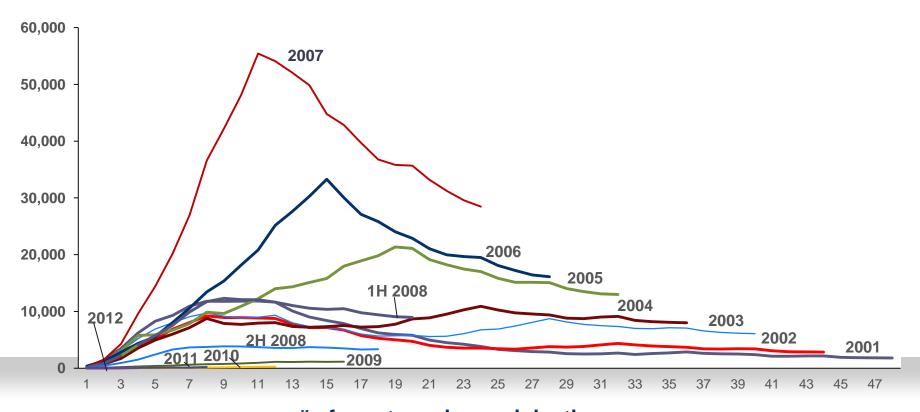






### Managing the Legacy Portfolio

#### Primary Default Count by Vintage



#### # of quarters since origination

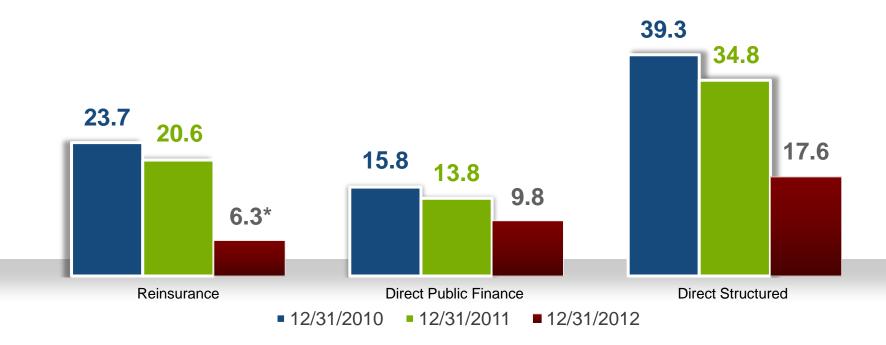
- Second half of 2008 was a turning point in Radian's book, with improved credit performance in that period and thereafter as a result of tightened credit guidelines.
- 2009 2011 books have significantly lower early default activity than previous vintages.



### Financial Guaranty Net Par Outstanding by Product

\$33.7 billion as of December 31, 2012

(\$ in billions)



• Reinsurance net par outstanding is \$5.5 billion, after factoring in the FGIC commutation, which occurred in January 2013.



### Financial Guaranty Product Line and Sector Mix

#### \$33.7 billion in Net Par Outstanding as of December 31, 2012

Public Finance							
Sector	Dollars (in billions)	Percentage					
General and Tax- Supported Obligations	\$ 6.3	18.7%					
Healthcare & Long Term Care	3.2	9.5					
Utilities	1.8	5.3					
Education	1.2	3.6					
Transportation	1.1	3.2					
Escrowed Par *	1.0	3.0					
Housing	0.1	0.3					
Other Public Finance	0.6	1.8					
Subtotal	\$ 15.3	45.4%					

Structured Finance							
Sector	Dollars (in billions)	Percentage					
CDOs	\$ 17.5	51.9%					
Asset-Backed: Mortgage and MBS	0.5	1.5					
Asset-Backed: Commercial and Other	0.2	0.6					
Asset-Backed: Consumer	0.1	0.3					
Other Structured Finance	0.1	0.3					
Subtotal	\$ 18.4	54.6%					

<sup>\*</sup> Represents 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 \$33.7 billion as of December 2012 compared to \$115.2 billion as of June 2008

Public Finance							
Sector	Change in Net Par O/S (in billions)	% Change					
General and Tax- Supported Obligations	\$ (18.9)	-74%					
Utilities	(8.9)	-83					
Healthcare & Long Term Care	(8.2)	-70					
Transportation	(6.3)	-85					
Education	(2.5)	-64					
Housing	(0.5)	-88					
Other Public Finance	(1.3)	-67					
Subtotal	\$ (46.6)	-75%					

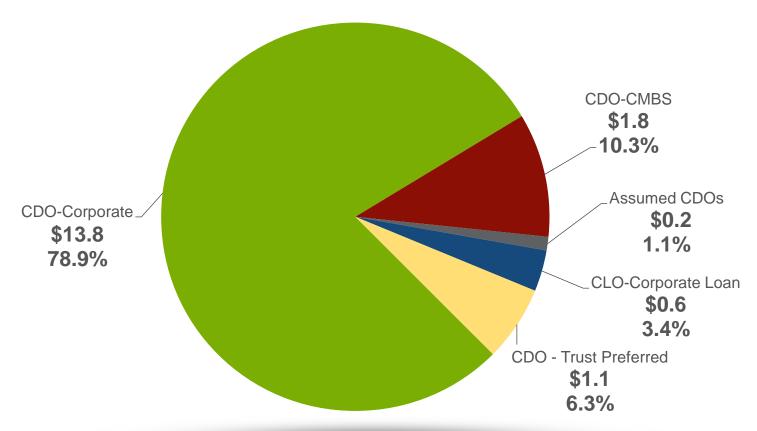
Structured Finance								
Sector	Change in Net Par O/S (in billions)	% Change						
CDOs	\$ (28.9)	-62%						
Asset-Backed: Consumer	(1.3)	-91						
Asset-Backed: Commercial and Other	(1.1)	-84						
Asset-Backed: Mortgage and MBS	(1.1)	-70						
Other Structured Finance	(2.5)	-95						
Subtotal	\$ (34.9)	-65%						



### Financial Guaranty CDO Portfolio

\$17.5 billion Net Par Outstanding as of December 31, 2012

#### Asset Type Distribution\* (\$ in billions)



\*Total CDO Exposure written on a direct basis is \$17.3 billion (98.9% of CDO exposure)



### Financial Guaranty CDO Portfolio

Ratings Distribution for CDOs: \$17.5 billion Net Par Outstanding as of December 31, 2012 (\$ in billions)

Ratings <sup>(1)</sup>	Number of CDO Contracts/Policies	Net Par Outstanding	Percentage of CDO Net Par Outstanding
AAA	51	\$ 13.5	77.1%
AA	5	0.9	5.1
А	9	0.8	4.6
BBB	10	1.5	8.6
BIG <sup>(2)</sup>	8	0.8	4.6
Total	83	<b>\$ 17.5</b>	100.0%

<sup>(2)</sup> BIG - Below Investment Grade.



<sup>(1)</sup> Ratings are based on Radian Asset's internal ratings.

### Financial Guaranty Corporate CDO Portfolio

#### Credit Exposure to Direct Corporate CDOs as of December 31, 2012

Year of Scheduled Maturity <sup>(1)</sup>	Number of CDO Contracts / Policies	Aggregate Net Par Exposure	Initial Average # of Sustainable Credit Events <sup>(2) (6)</sup>		Minimum # of Sustainable Credit Events <sup>(4) (6)</sup>	Average # of Current Remaining Names in Transaction <sup>(5)</sup>
2013	11	\$4.8	25.5	20.9	13.4	93
2014	8	3.0	25.4	19.1	6.1	93
2017	15	6.0	26.7	25.6	10.3	99
Total	34	\$13.8				

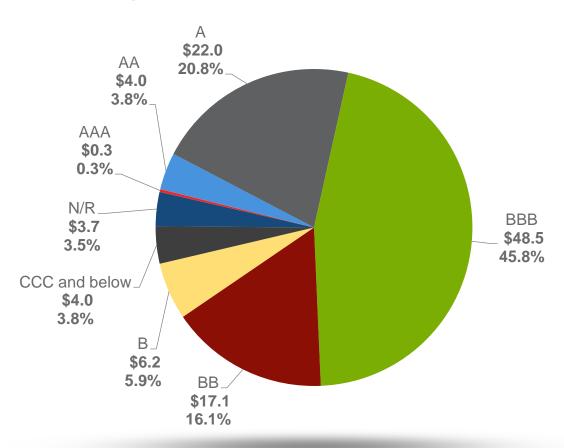
- (1) No directly insured corporate CDO transactions are scheduled to mature in 2015 or 2016. All of our directly insured corporate CDO transactions are scheduled to mature on or before December 2017.
- (2) The average number of sustainable credit events at the inception of each transaction. Average amounts presented are simple averages.
- (3) The average number of sustainable credit events determined as of December 31, 2012. Average amounts presented are simple averages.
- (4) 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.
- (5) The current average number of different corporate entities in each of the transactions.
- (6) 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.



### Financial Guaranty Direct Corporate CDO Portfolio

Underlying Collateral Ratings as of December 31, 2012

#### Ratings Distribution by Notional\* (\$ in billions)



<sup>\*</sup> Indicated ratings category reflects the lower of the ratings assigned to the underlying corporate entities by Moody's or S&P.



### Financial Guaranty CDO Portfolio

#### CMBS Exposure as of December 31, 2012

	CMBS 1	CMBS 2	CMBS 3	CMBS 4	Total
Total Size of CDO Collateral Pool (in billions)	\$ 2.4	\$ 1.9	\$ 1.5	\$ 1.0	\$ 6.8
Net Par Outstanding (in millions)	598.5	450.0	352.5	430.0	1,831.0
Radian Attachment/Detachment Points (1)	5.1%-30%	6.8%-30%	6.5%-30%	7.0%-50%	
Internal Credit Rating	AAA	AAA	AA	BBB-	
Number of CMBS Tranches in CDO (2)	30	27	30	40	127
Size of CMBS Tranches in CDO (in millions)	80.0	71.3	49.9	25.0	
Original Subordination (3)	20%	30%	13%	13%	
Average Remaining Subordination of CMBS Tranches (4)					
December 31, 2012	23%	36%	17%	12%	
December 31, 2011	22%	36%	16%	13%	
Total Delinquencies (Average of Securitizations) (5)					
December 31, 2012	8.7%	10.2%	6.2%	10.1%	
December 31, 2011	8.7%	9.3%	7.3%	10.0%	

<sup>(1)</sup> The "Attachment Point" is the percentage of losses in the collateral pool that must occur before we are obligated to pay claims. The "Detachment Point" is the point where the percentage of losses reaches a level where we cease to have an obligation to pay claims on additional losses. For example, a 7.0% attachment point on a \$1 billion collateral pool means that we are not obligated to pay claims until there are \$70 million of losses, and a 50% detachment point means that our obligation to pay claims for losses ceases when the transaction reaches an aggregate of \$500 million of losses.

- (3) The average subordination at the inception of our participation in the transaction.
- (4) The average remaining subordination after giving effect to both amortization of principal and realized losses.
- (5) Delinquencies reflect the average percentage (of total notional) of the CMBS collateral that is delinquent.



<sup>(2)</sup> Represents the number of CMBS tranches that comprise the collateral pool for the applicable CDOs of CMBS transaction.

### Financial Guaranty CDO Portfolio

#### Trust Preferred (TruPs) CDO Exposure as of December 31, 2012

TruPs CDO	CDS Scheduled Termination Date	heduled CDO	Net Par Outstanding	Subordination after defaults		ation after nd deferrals	Interest Coverage Ratio		
000		Date		arter deradits	Dec 31, 2012	Sep 30, 2012	Dec 31, 2012	Sep 30, 2012	
1	11/2016	09/2037	\$ 103.5	48.4%	45.3%	41.8%	374.2%	594.3%	
	11/2017 (1)	09/2037	71.2	48.4%	45.3%	41.8%	374.2%	594.3%	
2	12/2016	03/2037	115.4	41.8%	31.6%	30.6%	300.3%	240.2%	
3	03/2017 (1)	09/2036	96.1	54.3%	49.0%	48.6%	312.6%	320.8%	
	09/2036	09/2036	153.8	54.3%	49.0%	48.6%	312.6%	320.8%	
4	09/2017 (1)	12/2036	67.8	46.4%	30.1%	32.2%	295.5%	272.4%	
5	10/2017 (1)	07/2037	127.7	40.4%	32.5%	28.4%	219.4%	208.3%	
6	01/2033	01/2033	19.1	80.7%	76.4%	54.6%	831.5%	223.2%	
7	09/2033	09/2033	69.4	53.1%	42.9%	42.9%	356.2%	362.9%	
8	12/2033	12/2033	20.9	65.4%	58.1%	55.6%	365.2%	347.9%	
9	10/2034	10/2034	39.7	51.7%	38.4%	31.2%	568.4%	317.7%	
10	06/2036	06/2036	83.8	42.6%	30.0%	29.5%	324.8%	435.5%	
11	12/2036	12/2036	118.2	50.8%	47.6%	47.1%	682.1%	795.4%	
			\$ 1,086.6						

<sup>(1)</sup> Pursuant to the terms of our CDS contracts covering these TruPs bonds, if there is an outstanding event of default on the scheduled termination date of our CDS contract, we could then be required to pay our counterparties the outstanding par thereon.



### Financial Guaranty Domestic RMBS Portfolio

Breakdown by Asset Type: \$442.9 million Domestic RMBS as of December 31, 2012 (\$ in millions)

	Net Par	% of	Direct	Assumed	Assumed	Assumed	% 2006/2007			Ratings	Ratings	
	Outstanding	RMBS Portfolio	Total*	Non- HELOCs	HELOCs	Total	Vintage	AAA	AA	A	ввв	BIG**
SubPrime	\$184.5 103 Policies	41.7%	\$95.4 7 Policies 51.7%	\$81.7 95 Policies 44.3%	\$7.4 1 Policy 4.0%	\$89.1 96 Policies 48.3%	2.6% / 10.1%	21.8%	1.1%	0.0%	0.0%	77.1%
Prime	\$118.8 41 Policies	26.8%	\$91.3 7 Policies 76.9%	\$0.6 23 Policies 0.5%	\$26.9 11 Policies 22.6%	\$27.5 34 Policies 23.1%	2.4% / 15.7%	32.2%	0.8%	28.6%	13.7%	24.7%
Alt A	\$127.5 34 Policies	28.8%	\$54.0 3 Policies 42.3%	\$47.6 29 Policies 37.4%	\$25.9 2 Policies 20.3%	\$73.5 31 Policies 57.7%	24.7% / 10.0%	0.8%	0.0%	0.0%	0.0%	99.2%
Second to Pay	\$12.1 8 Policies	2.7%	\$0 0 Policies 0.0%	\$12.1 8 Policies 100.0%	\$0 0 Policies 0.0%	\$12.1 8 Policies 100.0%	0.0% / 100.0%	0.0%	15.9%	0.0%	0.0%	84.1%
Total RMBS	\$442.9 186 Policies	100.0%	\$240.7 17 Policies 54.3%	\$142.0 155 Policies 32.1%	\$60.2 14 Policies 13.6%	\$202.2 169 Policies 45.7%	8.8% / 14.0%	17.9%	1.1%	7.7%	3.7%	69.6%

<sup>\*\*</sup> All of the BIG exposure is on Radian Asset's Watch List and loss reserves have been established for this exposure as needed. Note: Ratings are based on Radian Asset's internal ratings.



<sup>\*</sup> Radian Asset has no direct HELOC exposure. No Direct RMBS has been written since 2005, and no direct SubPrime RMBS has been written since 2004.

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