

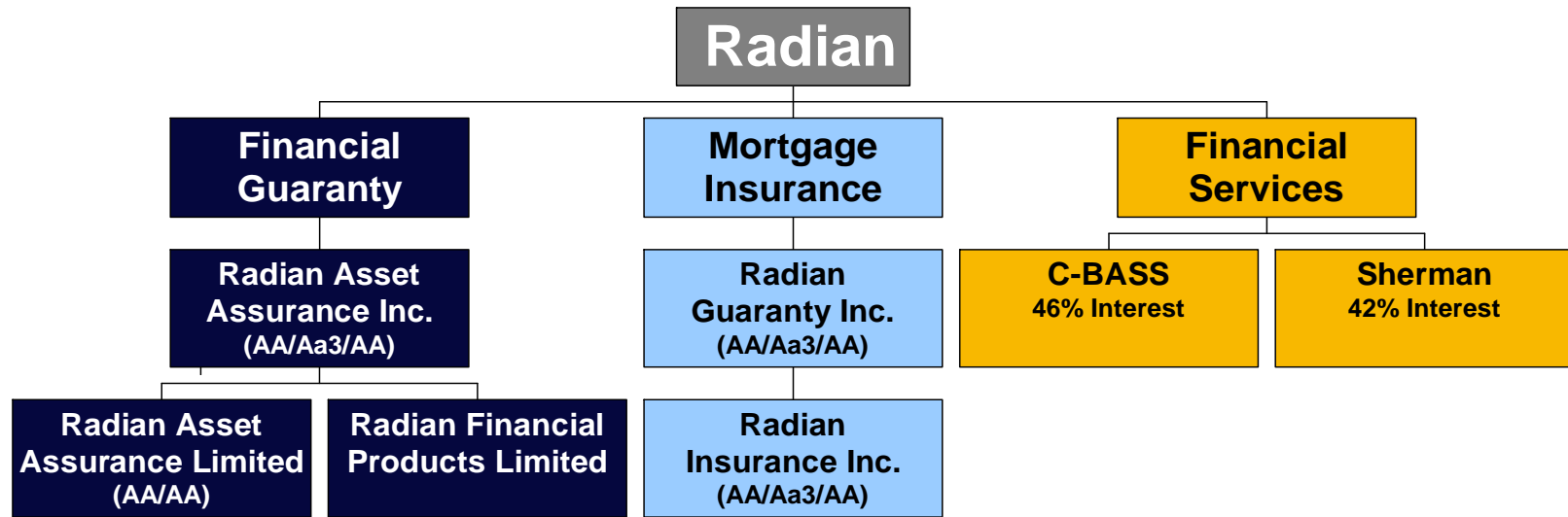
**RADIAN**

**Merrill Lynch Insurance  
Investors Conference  
February 14, 2005**

# Radian

- Global credit enhancement company providing products and financial services to financial institutions and global capital markets
- A company with diversified portfolios of risks and earnings sources
- \$3.7 billion in equity and market capitalization of \$4.9 billion at December 31, 2004
- Book value of \$39.98 and adjusted book value of \$54.70 at December 31, 2004

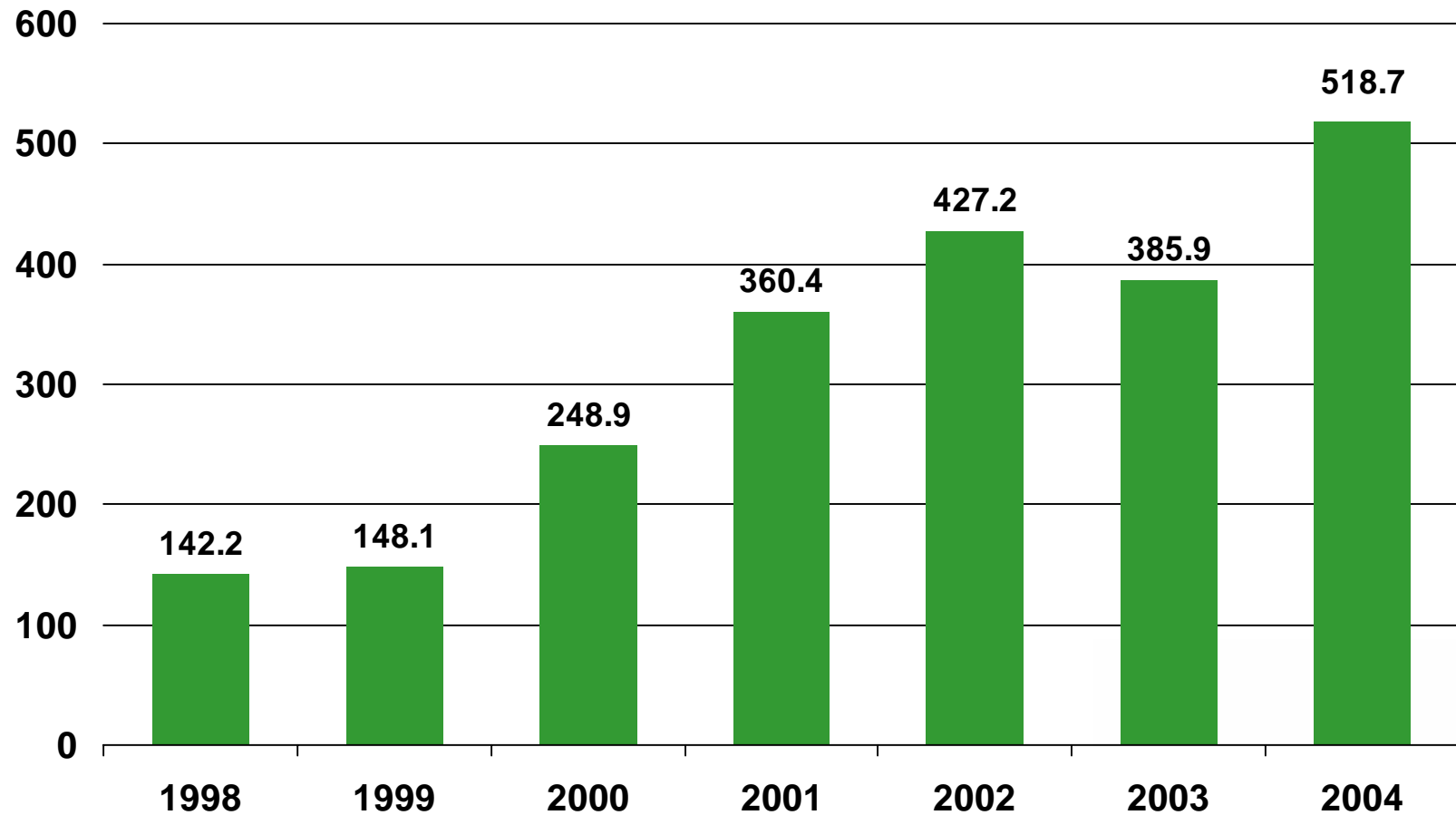
# Corporate Structure



- Diversified, flexible business platform; synergistic approach
- Core competencies (e.g. loan level analytics, structuring) leveraged by all entities
- Long term holder of credit risk
- Disciplined risk-management philosophy

# Net Income

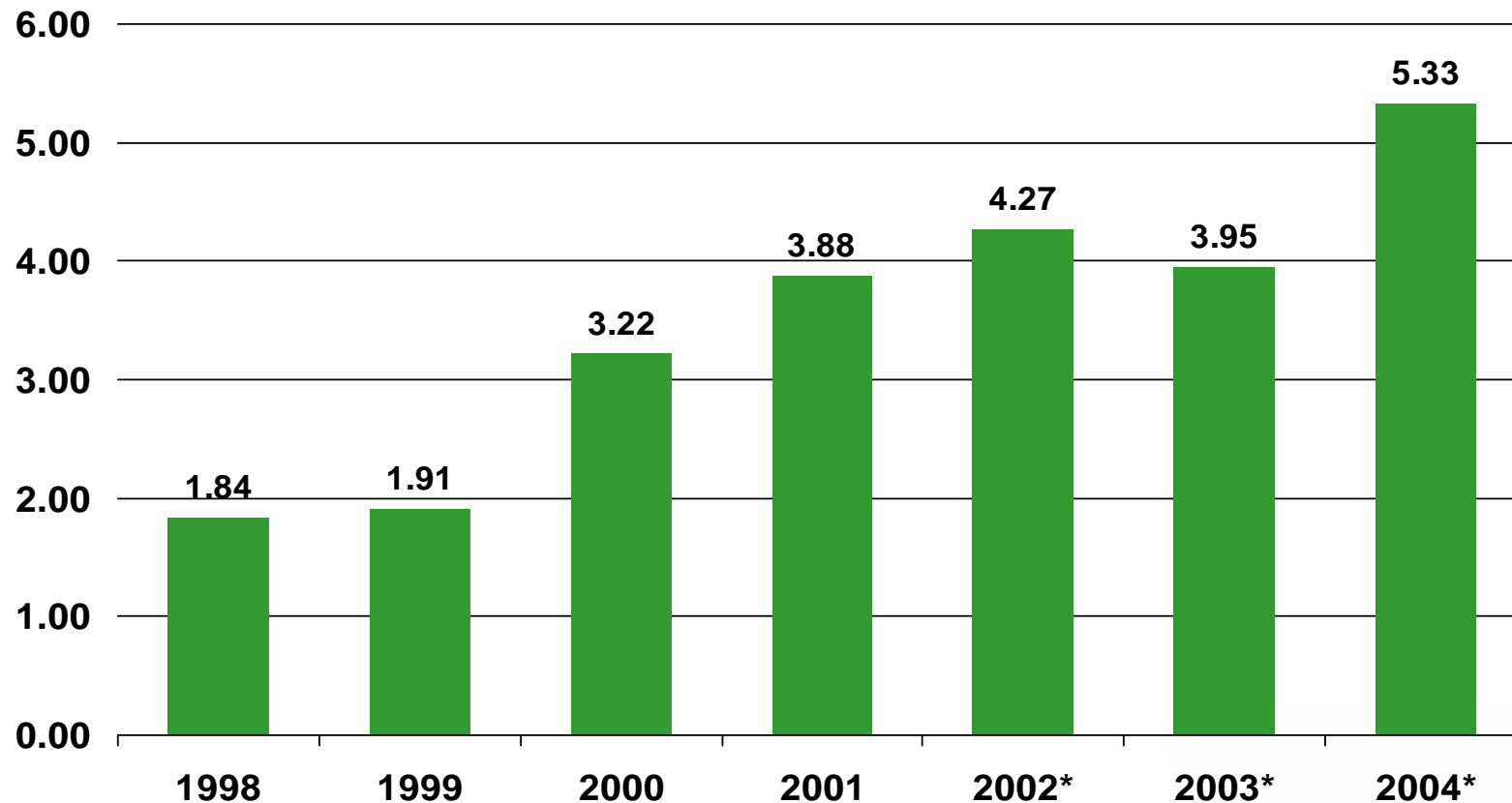
CAGR of 24.1% through 2004



In millions of dollars.

# Diluted Net Income Per Share

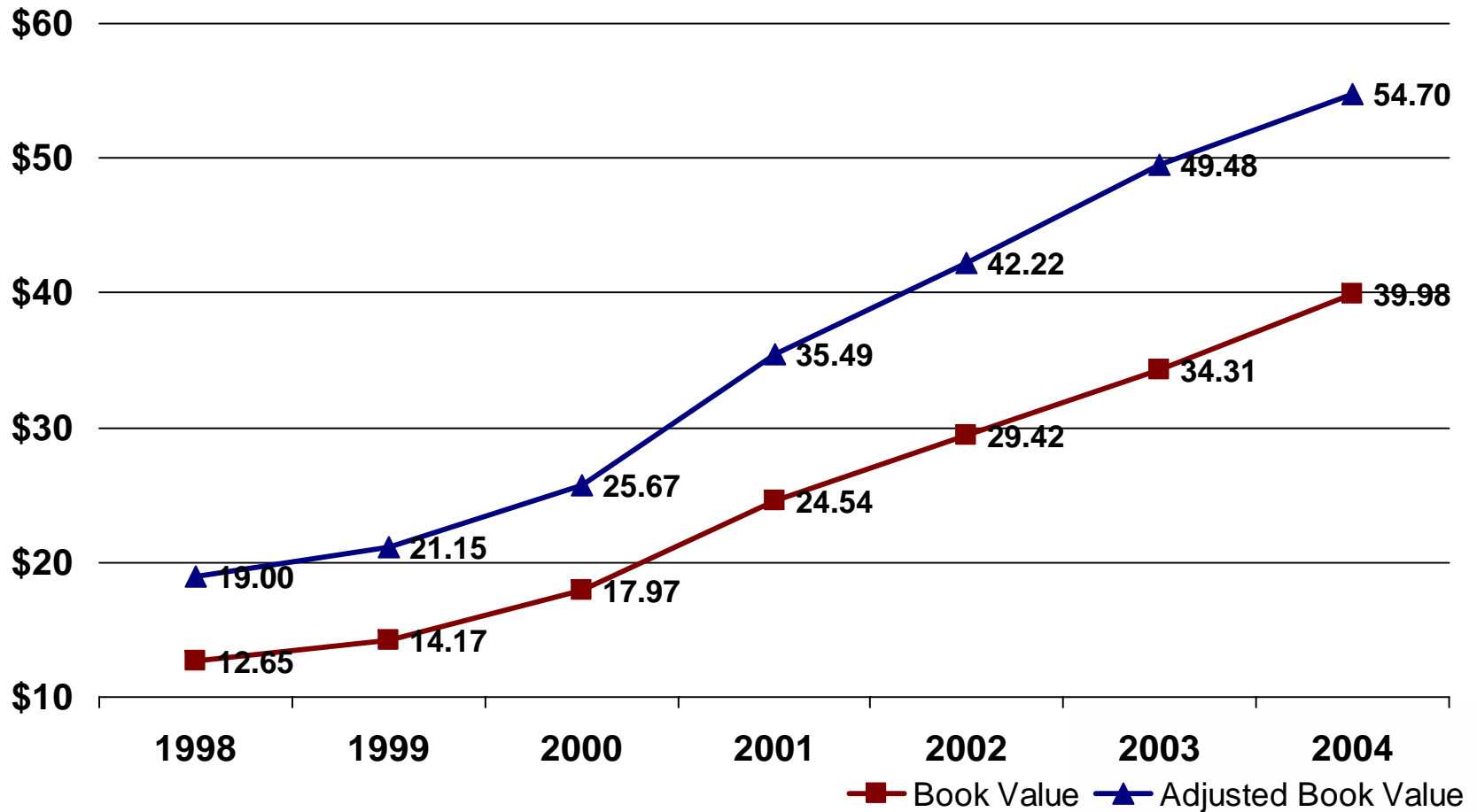
CAGR of 19.4% through 2004



*\*In conformity with the current period presentation and as required by newly issued accounting rules, the prior period presentation has been adjusted to reflect the inclusion of 3.8 million shares underlying contingently convertible debt. The impact of including these shares in the calculation was a reduction of \$0.18 for the twelve months ended December 31, 2004, \$0.13 for the twelve months ended December 31, 2003 and \$0.14 for the twelve months ended December 31, 2002.*

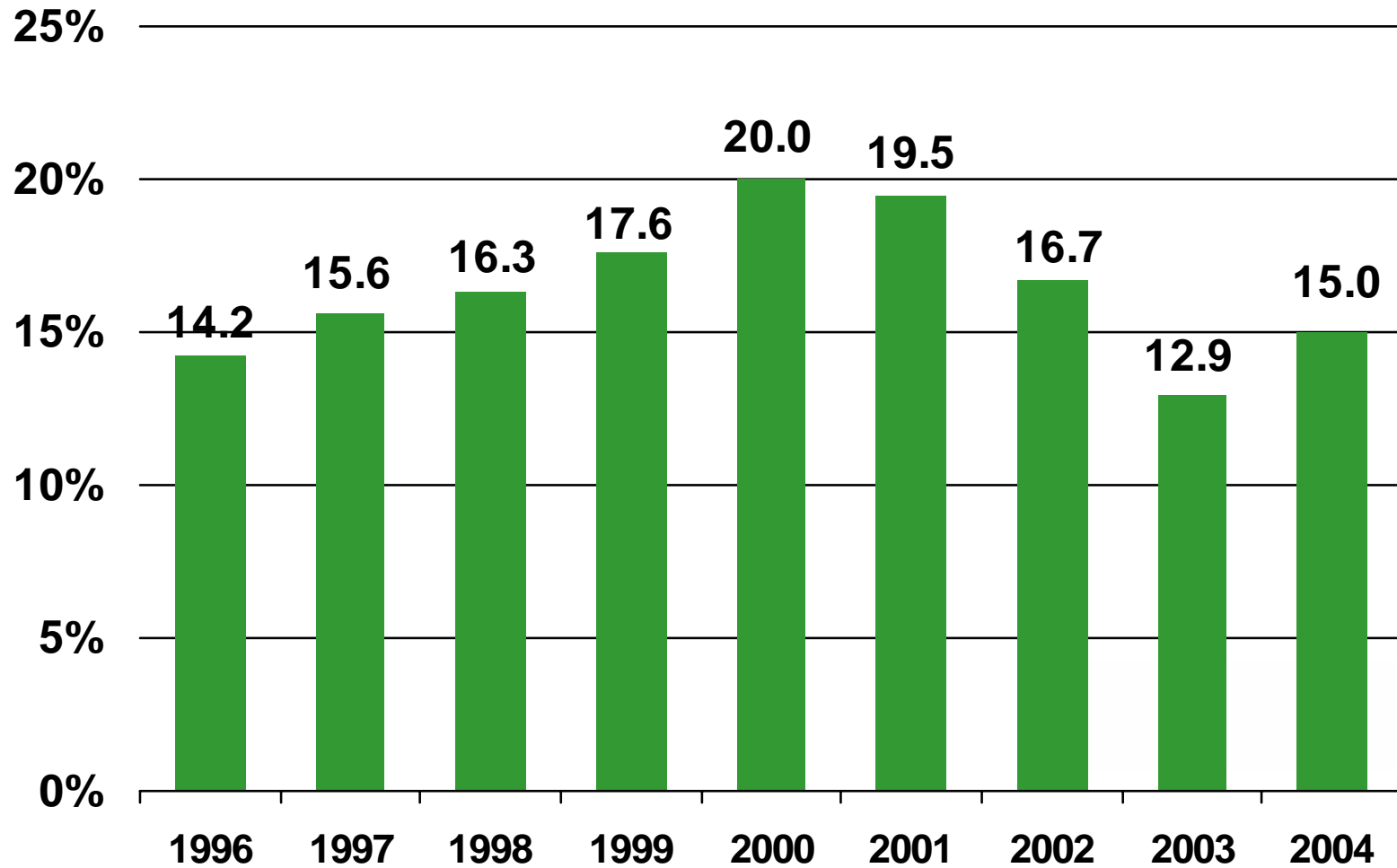
In dollars.

# Book Value Per Share (BV) and Adjusted Book Value Per Share (ABV)



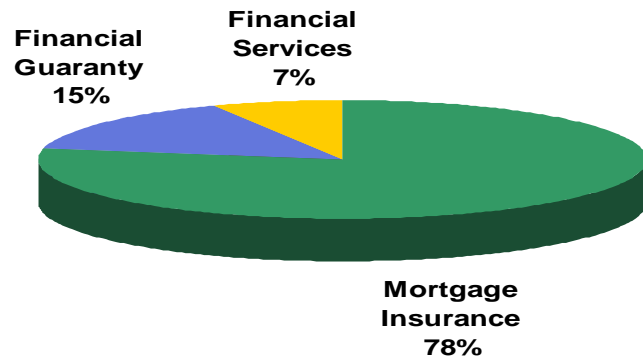
Since Adjusted Book Value is not a GAAP measure, see reconciliation of ABV to BV at [www.radian.biz](http://www.radian.biz)

# Return on Equity

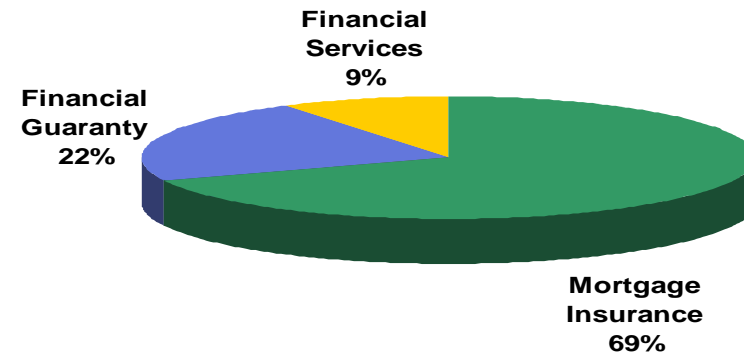


# Net Income Mix

## 2001



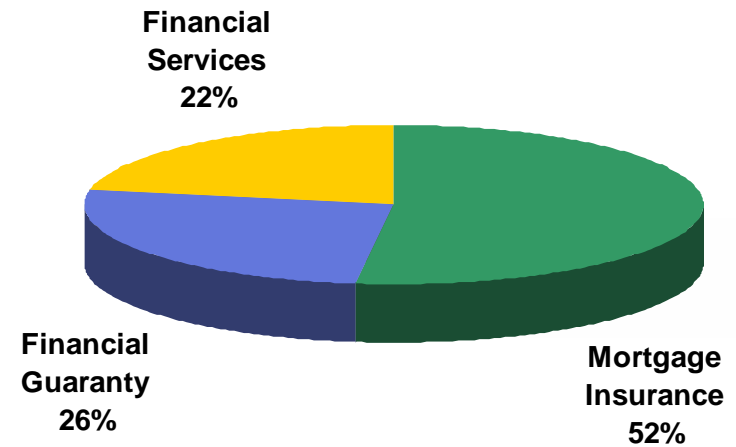
## 2002



## 2003



## 2004



# Risk In Force by Product

Business Line	Product	RIF/Par as of 12/31/04	Percent of Portfolio
Financial Guaranty	Direct Public Finance	\$12,250.4	13%
	Public Finance Reinsurance	\$34,121.4	35%
	Direct Structured Finance	\$14,241.3	15%
	Structured Finance Reinsurance	\$6,107.0	6%
<b>Total FG RIF</b>		<b>\$66,720.1</b>	<b>69%</b>
Mortgage Insurance	Primary Prime MI	\$18,422.0	19%
	Primary Non-Prime MI	\$8,590.0	9%
	Pool MI	\$2,384.0	3%
	NIMs and Other	\$531.7	--%
	Second Liens	\$672.9	--%
<b>Total MI RIF</b>		<b>\$30,600.6</b>	<b>31%</b>
<b>Total Radian RIF</b>		<b>\$97,320.7</b>	<b>100%</b>

Dollars in millions.

# Radian is Capitalizing on Market Trends

- Convergence of mortgage insurance and financial guaranty and increasing structured product alternatives across all business units domestically and globally
- Growth in non prime mortgage sector
- GSE's increased affordable housing goals
- Expanding global markets
- Growth in non-traditional consumer credit markets
- Growth in synthetic financial products

# Radian Focuses on Capital Management and Benefits from Diversification

- Optimize portfolio of credit risk by allocating capital to the business lines that offer the highest risk adjusted return on capital (RAROC)
  - Hurdle returns are 13-15%
  - Enables management to maintain the risk discipline to “stay on the sidelines” if the risk does not meet return hurdles
- Diversification reduces business cycle risks as the business lines are not driven by the same economic factors
- Has enabled excess capital to be returned to shareholders

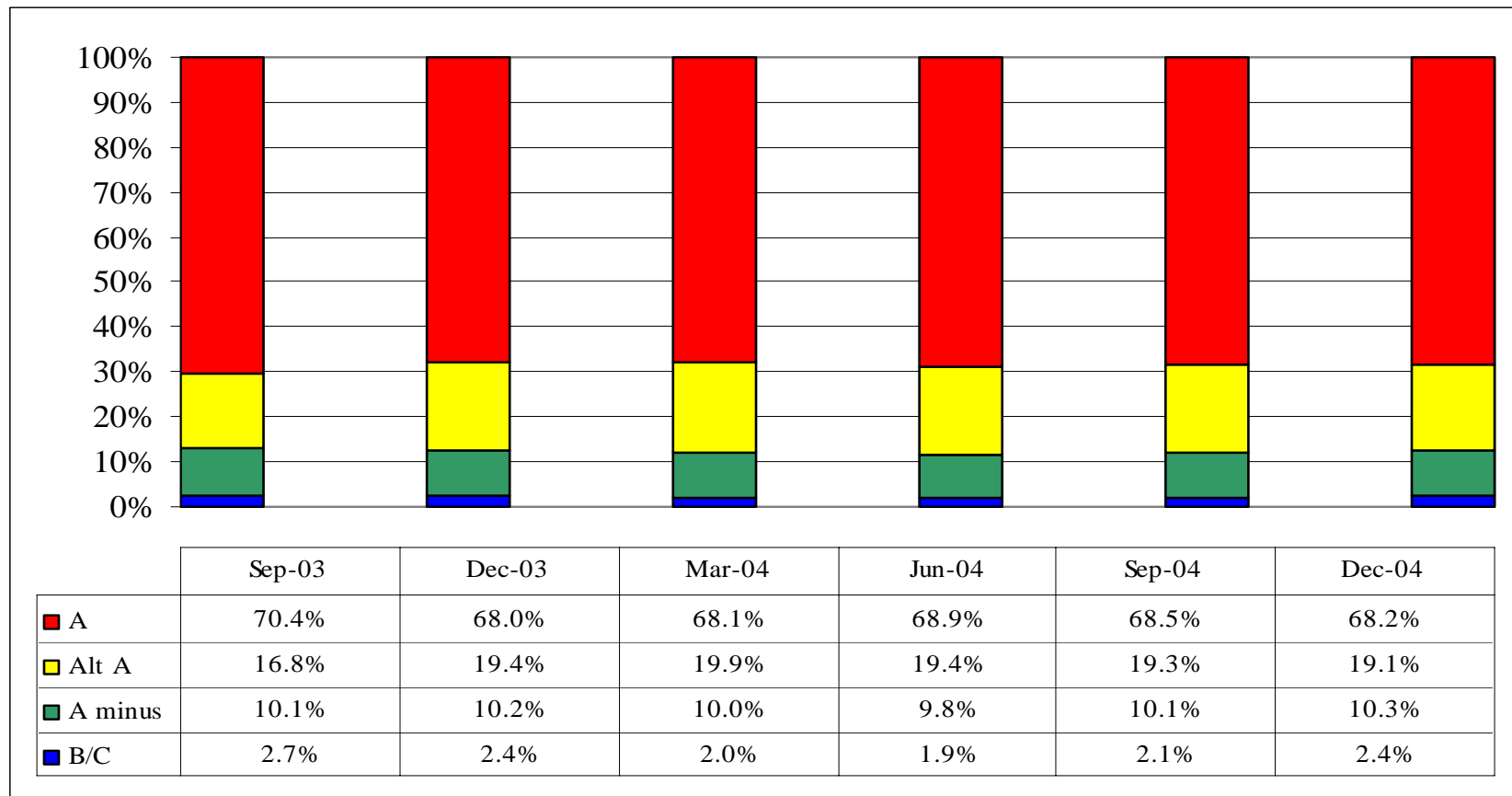
# Mortgage Insurance

## Opportunities

- Traditional MI “flow” - still represents majority of primary business; market share is up due to customizing solutions for MI partners
- Products that compete against 80-10-10s - LPMI
- Managing growth in non-prime market utilizing risk management structures like Smart home
- Improving credit environment
- Increasing persistency
- International expansion

# Mortgage Insurance

## Primary MI Risk In Force by Product



Percentage of dollars.

# Financial Guaranty

- Opportunities
  - AA Financial Guarantor by design
  - Continue to grow in current financial guaranty asset classes and expand into new ones selectively
  - Increasing demand for synthetic executions
  - International expansion
  - Financial guaranty reinsurance, including facultative reinsurance
- Business is cyclical – underscores importance of the annuity characteristics of FG business model
  - Permits discipline in pricing and risk underwriting
  - Requires patience

# Strategic Partnerships



- C-BASS
  - Purchases, services and invests in credit sensitive residential mortgage assets and securities
  - Strong management; stable since inception
  - Superior liquidity and cash flow
  - Strong earnings growth and ROEs
  - Built servicing portfolio to over \$30 billion and is a top rated special servicer
  - Greater than 80% revenues are recurring from servicing, money management and portfolio management

# Strategic Partnerships



- Sherman Financial
  - Full service provider of recovery services, including purchasing and servicing all types of distressed and bankrupt consumer debt.
  - The assets are purchased at deep discounts to their original face value from national financial institutions and major retail corporations
  - Strong, stable management team
  - Significant financial resources
  - Flexible operating platform which allows for opportunistic portfolio purchases of varying sizes and scale.

# Radian

- The results investors can expect:
  - Consistent, predictable growth in earnings per share and book value for Radian Group
  - 13-15% returns on equity
  - Radian to continue to capitalize on new product and business opportunities that fit within our core competencies

# Contact Information

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See Radian's website [www.radian.biz](http://www.radian.biz) for additional information

# Safe Harbor Statement

All statements in this presentation that address operating performance, events or developments 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. These statements are made on the basis of management’s current views and assumptions with respect to future events. The forward-looking statements are subject to risks and uncertainties including the following: changes in general financial and political conditions, such as extended national or regional economic recessions (or expansions), changes in housing values, changes or volatility in interest rates, or other political instability; changes in investor perception of the strength of private mortgage insurers or financial guaranty providers, and risks faced by the businesses, municipalities or pools of assets covered by Radian’s insurance; the loss of significant customers with whom Radian has a concentration of its insurance in force; rising delinquencies in mortgage loans insured by Radian resulting from increased consolidation of mortgage lenders and servicers; increased severity or frequency of losses associated with certain Radian products that are riskier than traditional mortgage insurance and municipal guaranty insurance policies; material changes in persistency rates of Radian’s mortgage insurance policies; downgrades of the insurance financial-strength ratings assigned by the major ratings agencies to Radian’s operating subsidiaries; intense competition from others and from alternative products to private mortgage insurance and financial guaranty insurance; changes in the business practices of Fannie Mae and Freddie Mac; legislative and regulatory changes affecting demand for private mortgage insurance and financial guaranty insurance; changes in claims against mortgage insurance products resulting from the aging of Radian’s mortgage insurance policies; changes in Radian’s ability to maintain sufficient reinsurance capacity in an increasingly concentrated reinsurance market; vulnerability to the performance of Radian’s strategic investments; and the loss of executive officers or other key personnel. Investors are also directed to other risks discussed in documents filed by Radian with the SEC, including the factors detailed in our annual report on Form 10-K for the year ended December 31, 2003 in the section immediately preceding Part I of the report. Radian does not intend to and disclaims any duty or obligation to update or revise any forward-looking statements made in this presentation to reflect new information, future events or for any other reason.

RADIAN

Changing the nature of risk.<sup>sm</sup>