

**RADIAN**

**Wachovia Securities 16<sup>th</sup> Annual Nantucket  
Equity Conference  
Presentation by  
S.A. Ibrahim, CEO  
June 21, 2006**

# Radian History

**1977:** Private mortgage insurance company founded

**1992:** IPO: US \$221 million in equity

**1999:** Merger of CMAC and Amerin

**2001:** Acquired financial guaranty company Enhance  
(Including interests in C-BASS and Sherman)

**2002:** Founding partner of Primus; IPO in 2004; sold in 2006

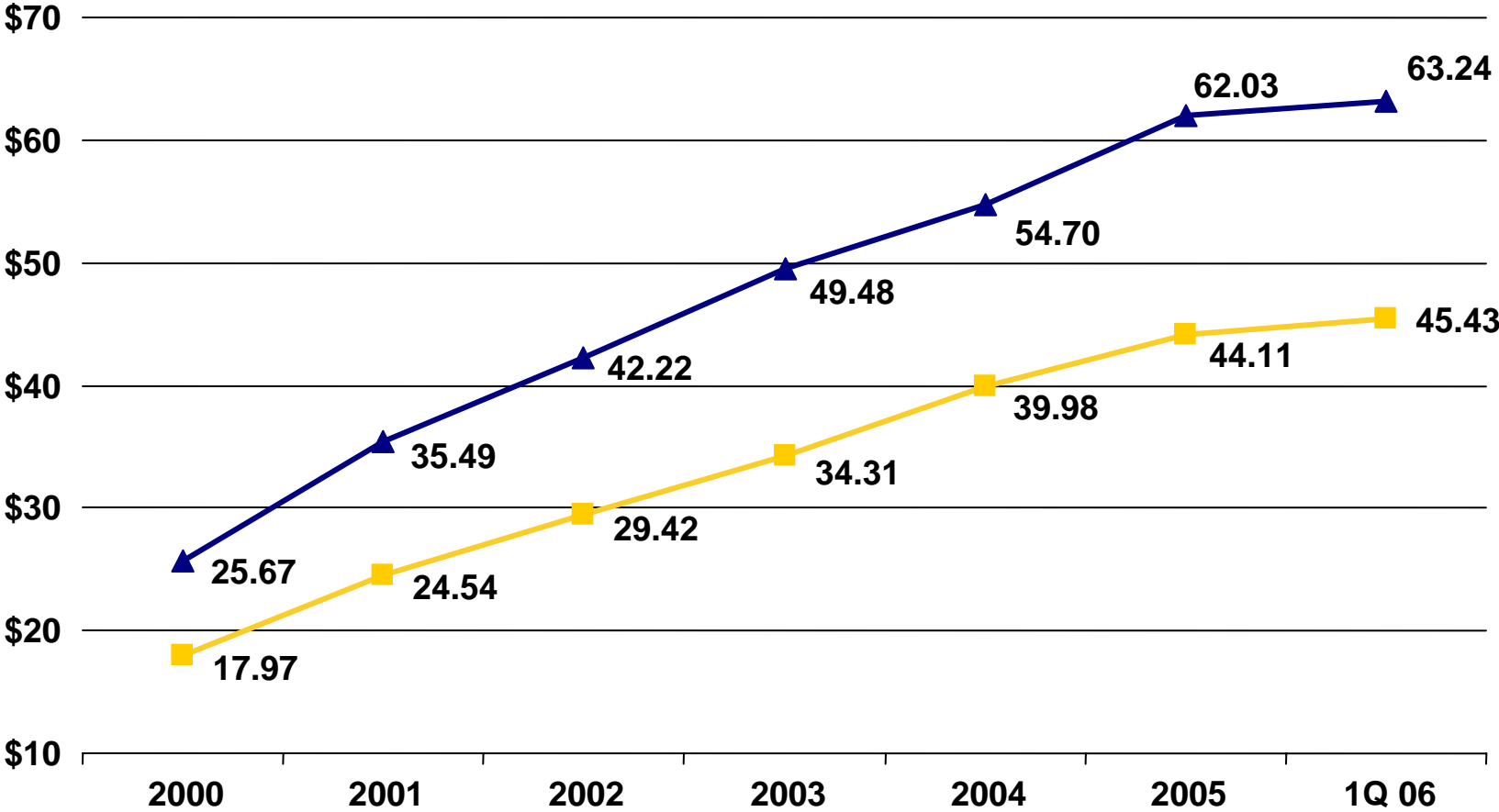
**2003:** Began international expansion with opening of London subsidiary

**2004:** Launched Smart Home (a structured solution for distributing credit risk)

**2005:** S.A. Ibrahim became CEO; opened a Hong Kong branch

**2006 and Ongoing:** Continue to leverage the combined expertise of Financial Guaranty and Mortgage Insurance as key competitive differentiator; \$3.7 billion in equity at March 31, 2006

# Book Value and Adjusted Book Value



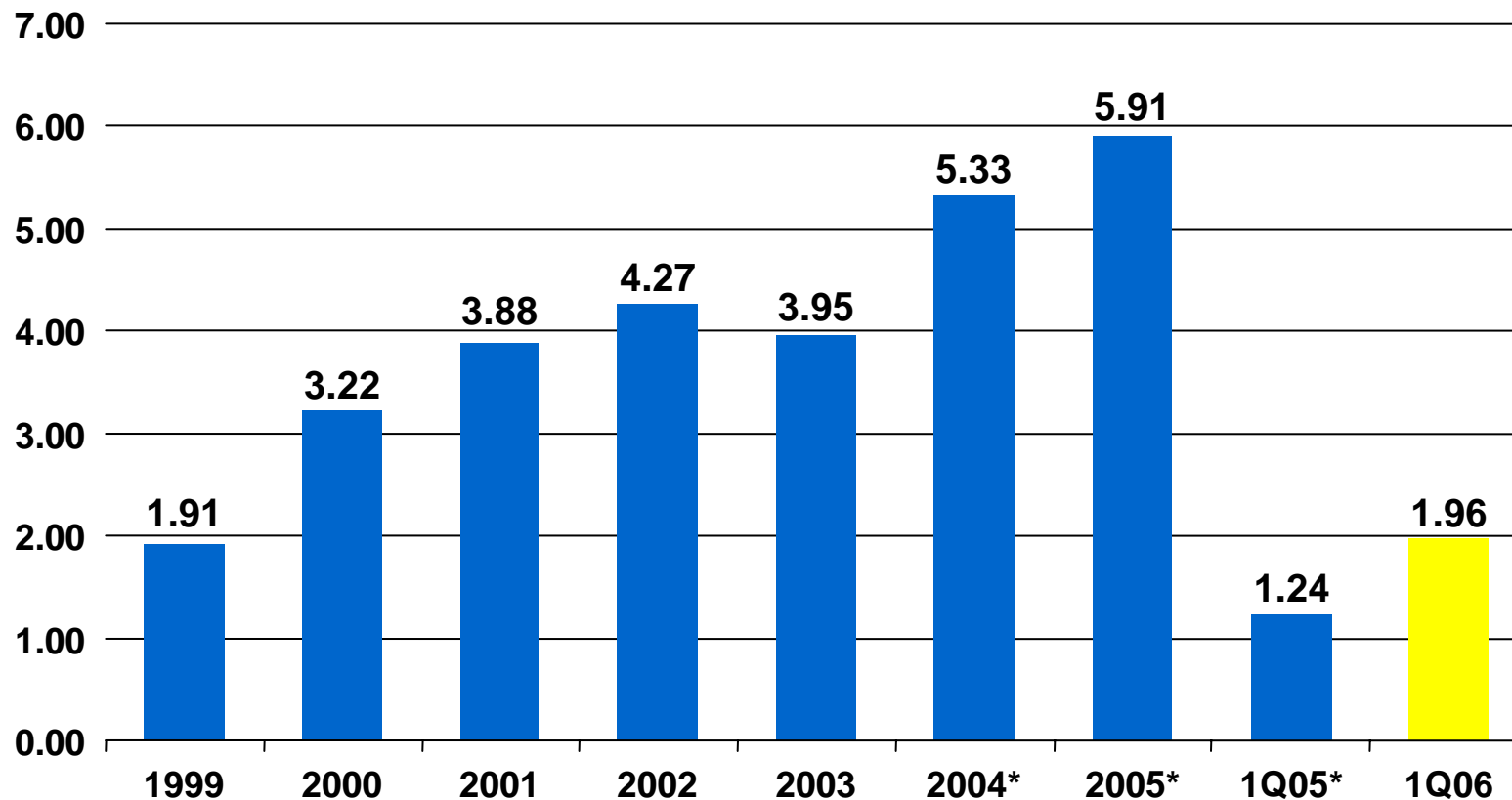
Per share amounts.

Note: See slide 23 for reconciliation of adjusted book value to book value.

—■— Book Value —▲— Adjusted Book Value

# Diluted Net Income Per Share

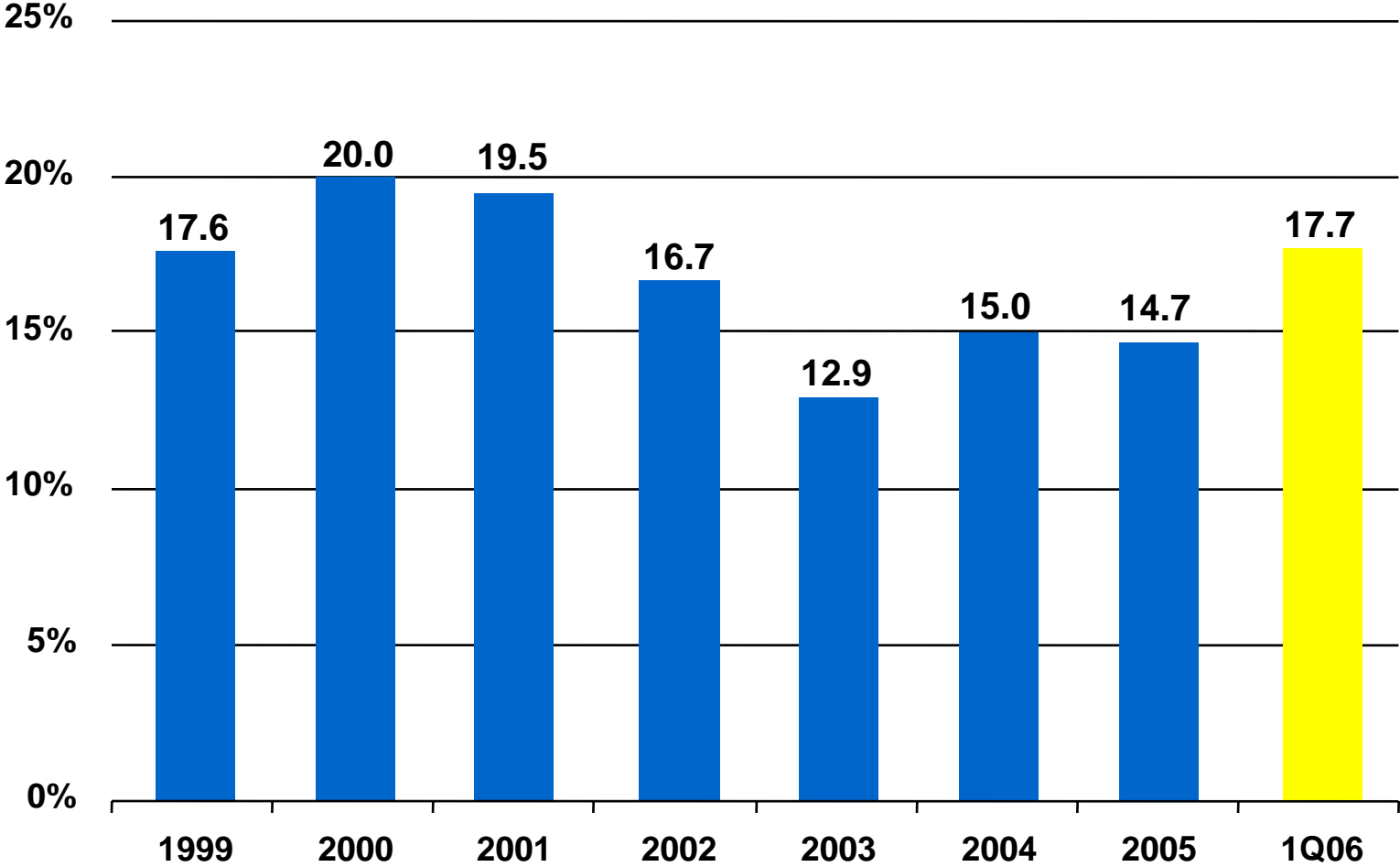
CAGR of 20.7% through 2005



\* Reflects the inclusion of shares underlying contingently convertible debt that was redeemed August 1, 2005. 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, 2005 and \$0.04 for the quarter ended March 31, 2005.

In dollars.

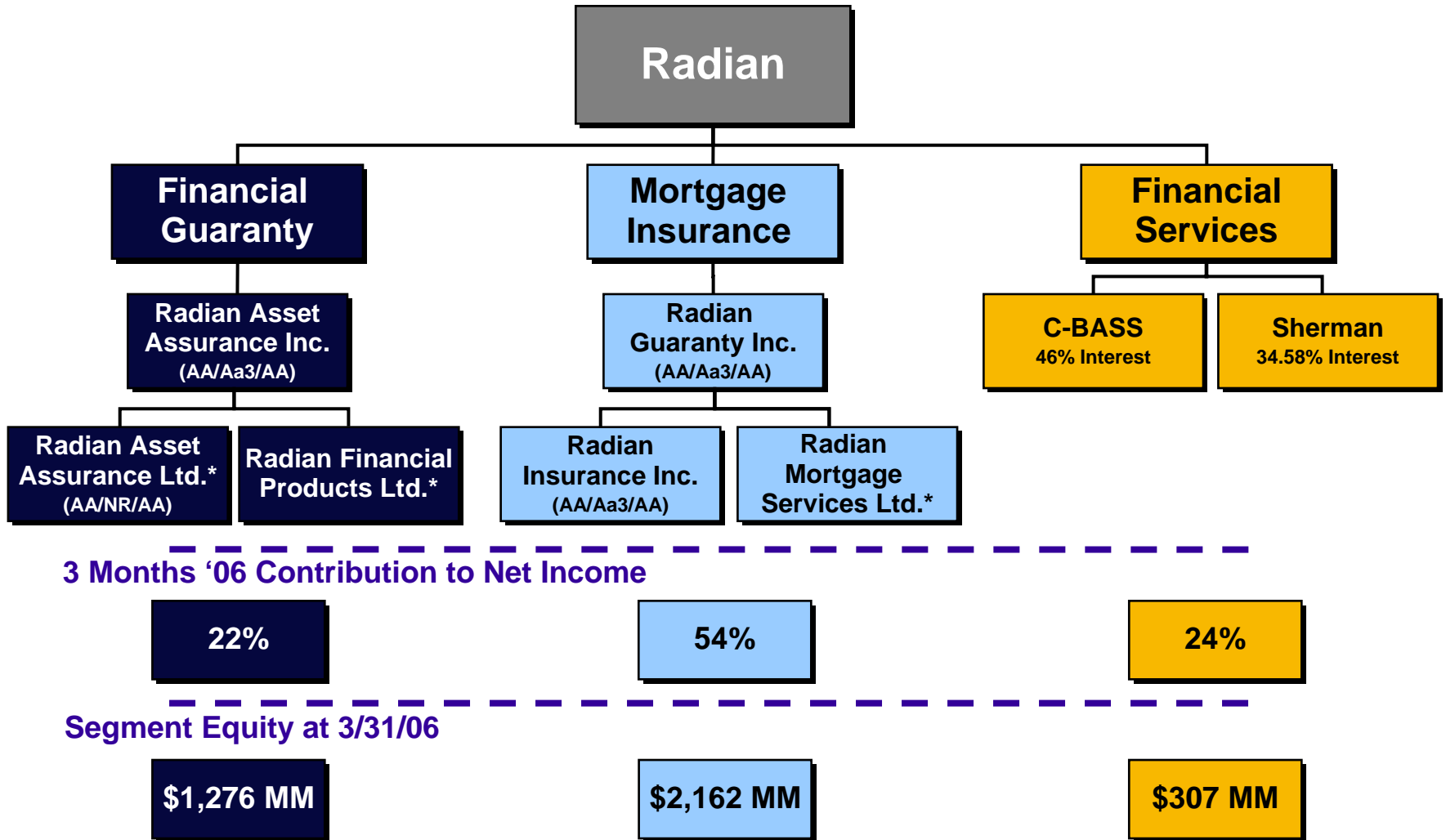
# Return on Equity



# Radian Today

- A global credit risk management company that delivers value to our customers in the acquisition, management and distribution of credit risk
  - Leverages unique expertise in understanding residential mortgage credit risk at the loan level
  - Delivers solutions to customers that can be drawn from both mortgage insurance and financial guaranty
  - Leverages financial guaranty expertise to manage and distribute our own mortgage risk
  - Manages capital efficiently to achieve target returns on equity
  - Achieves strong returns and grows shareholder value by building upon our existing portfolio of high performing core and complimentary businesses

# Summary of Corporate Structure



\* International Entities

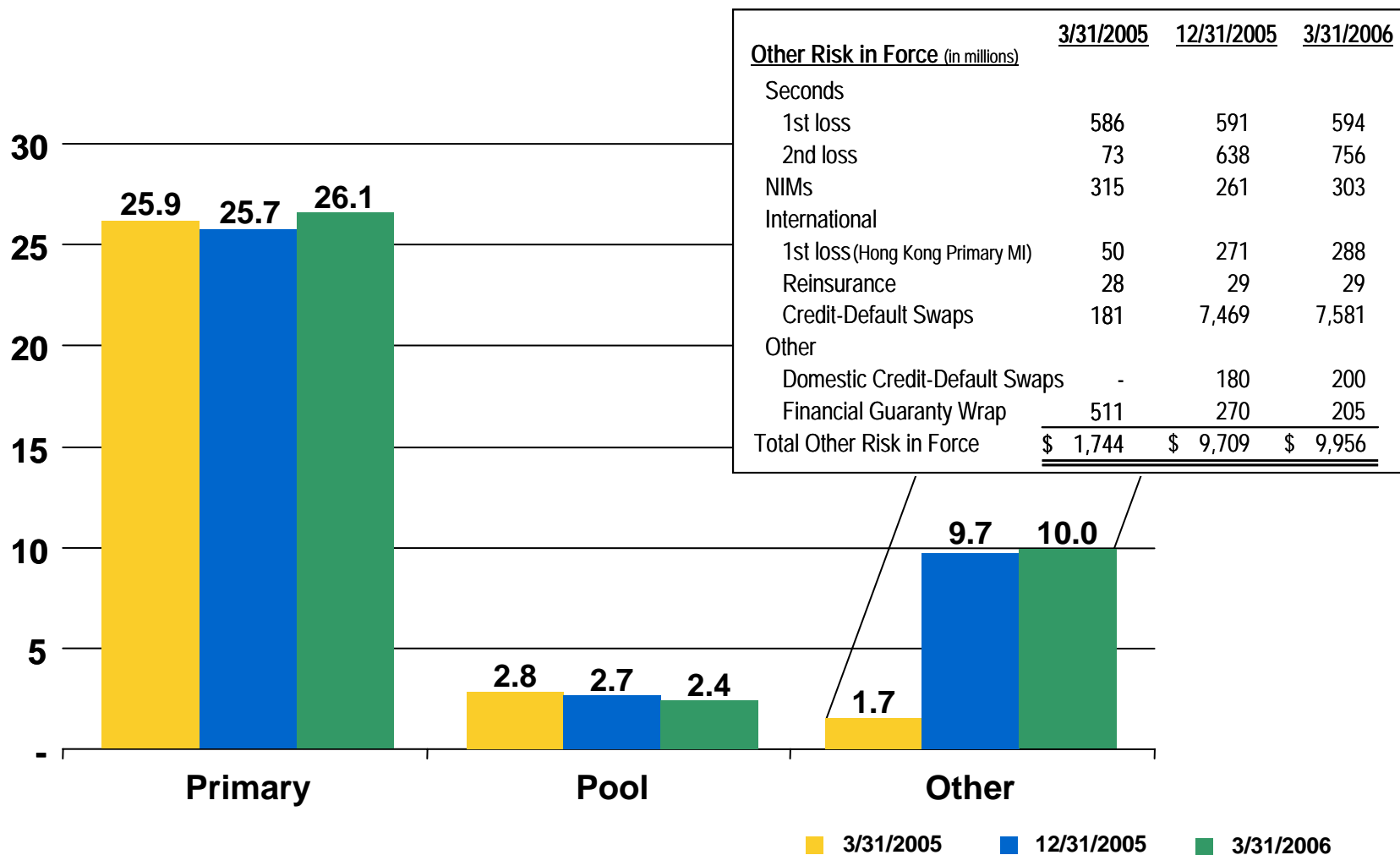
# Mortgage Business Model Strategy

- Mortgage market is not monolithic
- Customer needs vary:
  - Transferring credit risk
  - Liquidity
  - Capital relief
- Tailored solutions provided through four customer channels
  - Business Direct: regional lenders
  - Strategic Accounts: national lenders
  - Capital Markets: non-prime lenders and non traditional products
  - International: structured and flow MI outside the US
- Favorable cyclical opportunities

# Mortgage Business Model Strategy

- Taking risk on the same underlying mortgage collateral
- Form of transaction is changing
  - Traditional mortgage insurance
  - Pool insurance
  - Credit default swap
  - Second to pay
- Increasing use of financial guaranty structuring capabilities
- Participate along the credit spectrum from first loss to remote loss

# Radian Mortgage Insurance Risk in Force



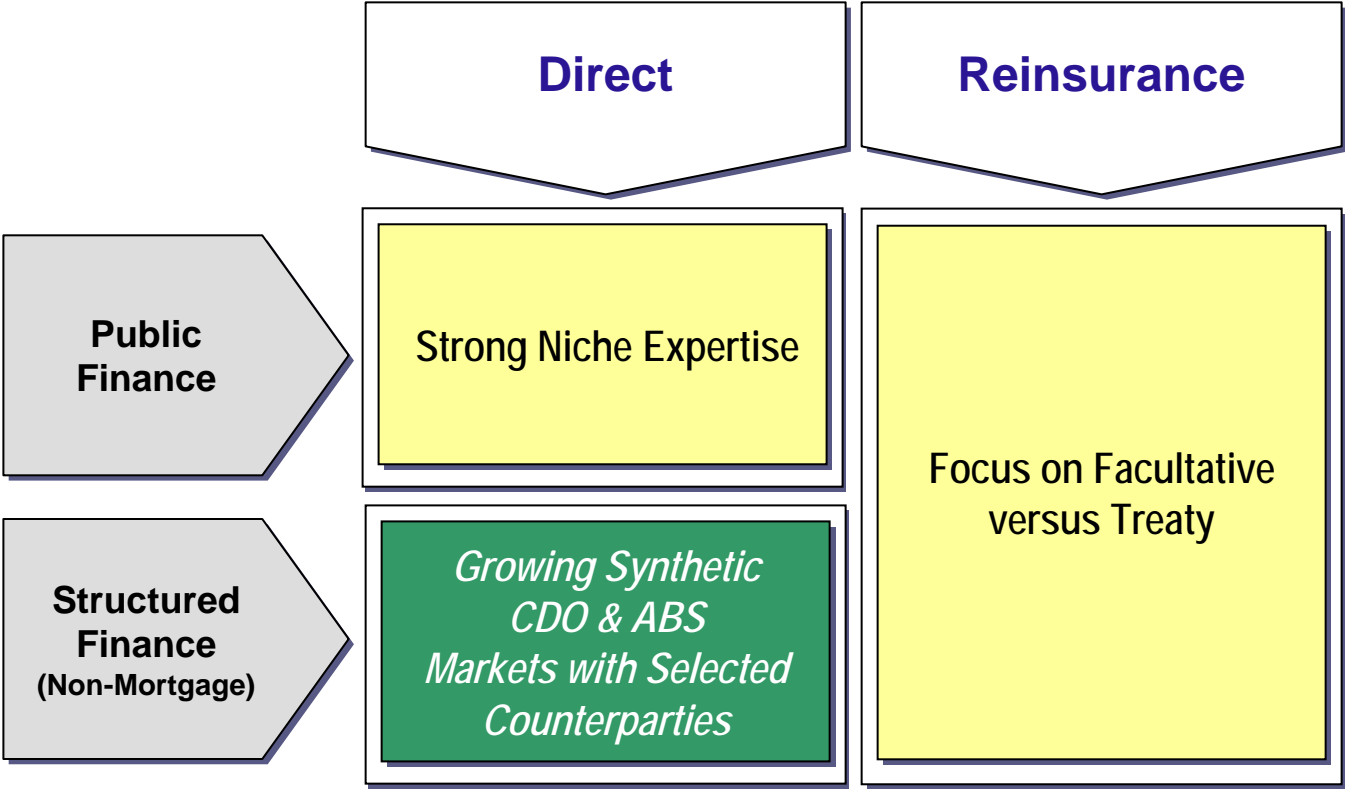
In billion of dollars

# Managing and Distributing Our Own Mortgage Risk

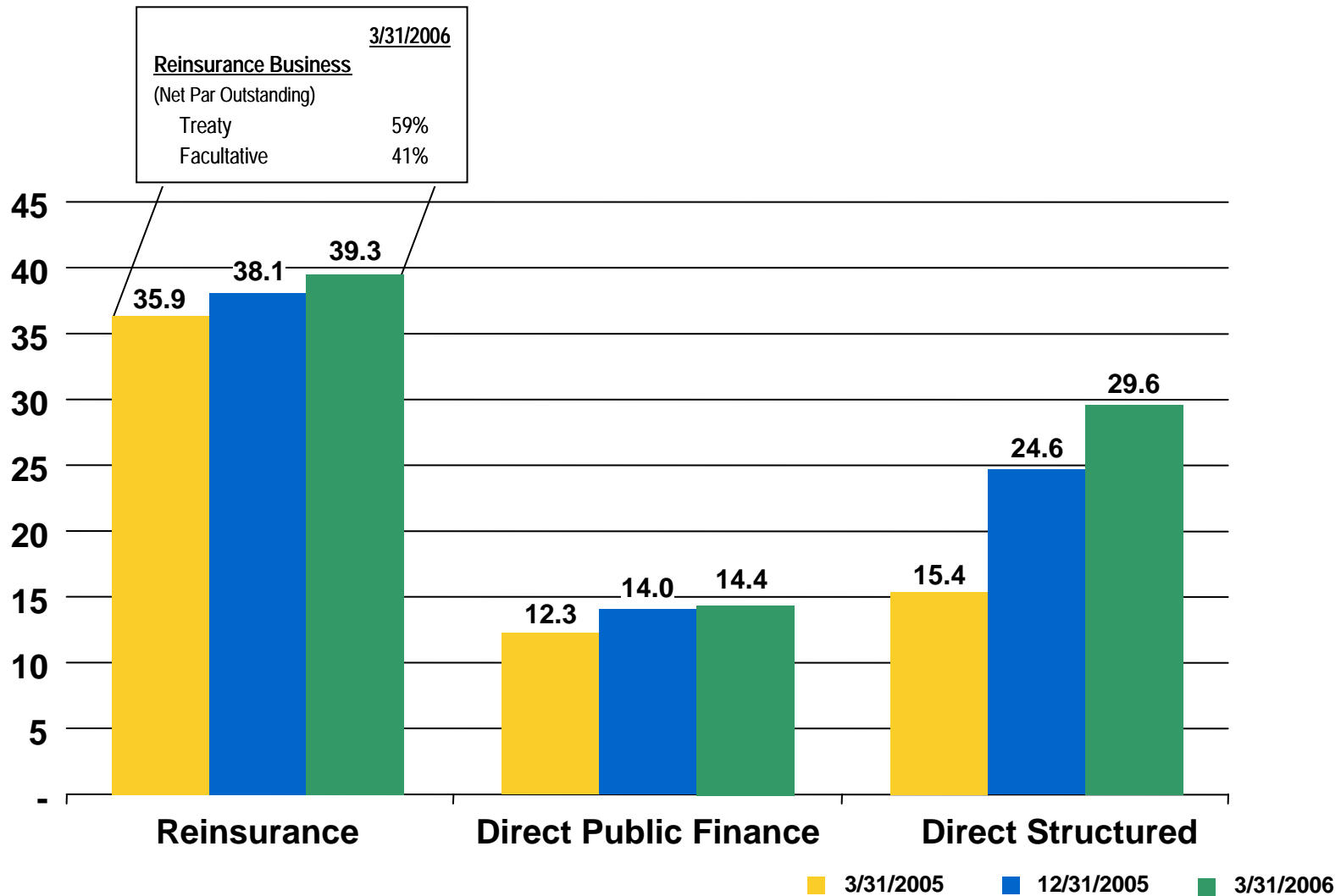
## Smart Home

- Solution used by Radian to help manage its exposure to non-prime mortgage risk
- Protects against catastrophic loss while protecting the company's book value
- A Smart Home company is established by a third party financial institution, and that company enters into an agreement with Radian to reinsure a pool of non-prime loans
- Credit-linked notes are then issued by the Smart Home company and sold to investors in the capital markets
- Once the credit-linked notes are sold and the Smart Home company is fully capitalized, a portion of risk from Radian's non-prime mortgage pool is effectively transferred through Smart Home to the note holders in the capital markets

# Financial Guaranty Business Model Strategy



# Financial Guaranty in Risk in Force/Par by Product



In billion of dollars

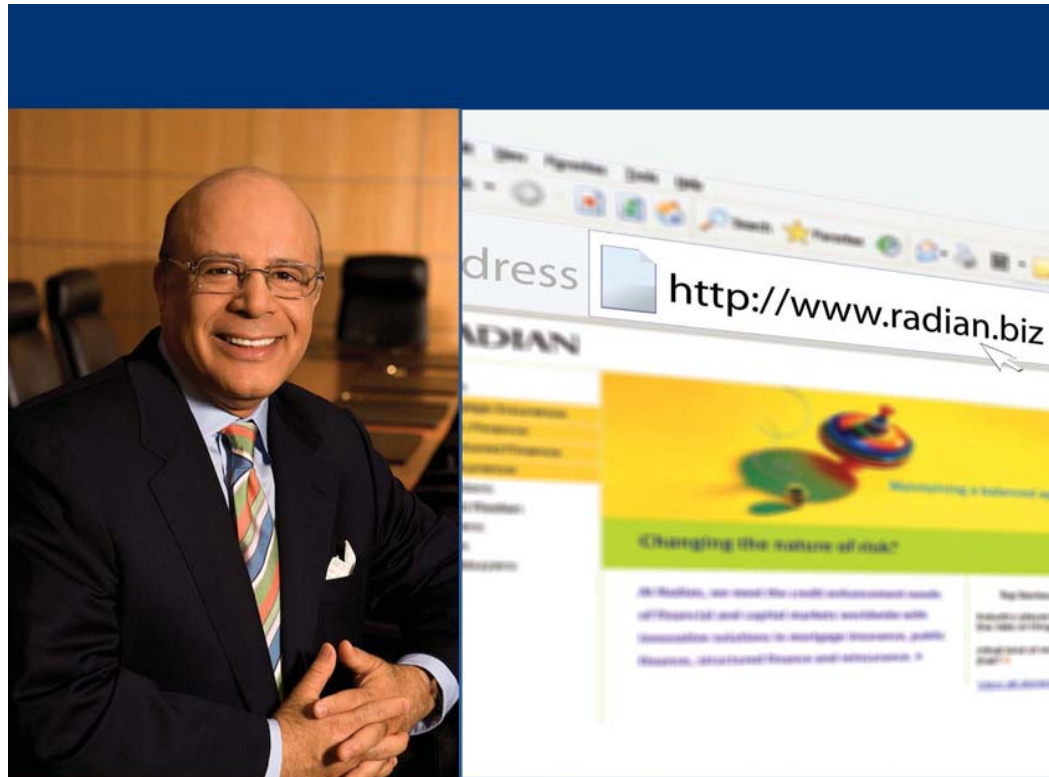
# C-BASS and Sherman Financial

- Both have positive earnings track records
- Strong franchise value
  - Continuing to build value
- Diversifying revenue sources
  - Creating recurring annuity streams
    - Less impacted by cycles
- Exploring opportunities to leverage partnerships

# Radian's Strategies for Success

- Leveraging the combined expertise of mortgage insurance and financial guaranty to benefit customers who are looking for MI as well as alternative credit risk solutions
- Leveraging financial guaranty expertise to manage and distribute our own mortgage risk
- Managing capital efficiently to achieve target returns on equity
- Achieving strong returns and growing shareholder value by building upon our existing portfolio of high performing core and complimentary businesses

# Visit [www.radian.biz](http://www.radian.biz) to Watch S.A. Ibrahim Discuss Radian's Strategies for Success



## Topics Include:

- Company vision
- Managing credit risk
- Intersection of MI/FG
- Sherman & C-BASS
- Growth in 2006
- International strategy
- And much more . . .

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

NYSE: RDN

# Appendix

# Financial Highlights

	1Q 06	1Q 05	Percent Change
Net income	\$163.7	\$115.6	41.6%
Diluted net income per share	\$1.96	\$1.24	58.1%
Net premiums earned	\$253.7	\$247.0	2.7%
Net paid losses	\$88.0	\$111.1	(20.8)%
Provision for losses	\$78.6	\$109.5	(28.2)%
Net investment income	\$54.3	\$50.9	6.7%
Equity in net income of affiliate	\$58.3	\$51.3	13.6%

# Net Income Per Share Reconciliation

Quarter Ended  
March 31

2006	2005
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(In thousands, except per-share data)

**(1) Net income per share reconciliation**

Net income	\$ 163,698	\$ 115,612
Interest expense on convertible senior debentures (net of tax)	-	802
Net income available to common stockholders	<u>\$ 163,698</u>	<u>\$ 116,414</u>

**Weighted average shares outstanding (in thousands)**

Average common shares outstanding	82,937	89,488
Increase in shares-potential exercise of options-diluted basis	770	972
debt (2)	-	3,798
thousands)	<u>83,707</u>	<u>94,258</u>

*(2) The 2005 period includes the impact of shares underlying convertible debt that was redeemed on August 1, 2005. The impact on diluted net income per share of including these shares in the calculation was a reduction of \$0.04 per share for the quarter ended March 31, 2005.*

# Financial Highlights

	<u>As of 3/31/06</u>
<b>Assets</b>	<b>\$7,370.9</b>
<b>Loss reserves</b>	<b>\$791.7</b>
<b>Unearned premiums</b>	<b>\$874.7</b>
<b>Stockholders' equity</b>	<b>\$3,745.4</b>
<b>Market capitalization</b>	<b>\$4,967.0</b>
<b>Debt to capital ratio</b>	<b>16.6%</b>

Dollars in millions.

# Adjusted Book Value Reconciliation

(\$ in millions except book value per share)	Book Value As Reported	Additions				Deductions			Total Additions and Deductions Net of Tax	Book Value As Adjusted
		Unearned Premiums	Present Value of Installment Premiums		Deferred Policy Acquisition Costs	Loss Factor for Future Premiums		Expense Factor for Future Premiums 5%		
			Financial Guaranty	Mortgage Insurance		Financial Guaranty 25%	Mortgage Insurance 35%			
<i>December 31, 2000</i>										
Total Common Equity	\$1,362.2	\$77.2		\$1,484.5	\$70.0		\$519.6	\$74.2	\$583.6	\$1,945.8
Number of Shares (in millions)	75.8									75.8
Book Value per Share	\$17.97									\$25.67
<i>December 31, 2001</i>										
Total Common Equity	\$2,306.3	\$513.9	\$254.0	\$1,736.9	\$151.0	\$63.5	\$607.9	\$99.5	\$1,028.8	\$3,335.1
Number of Shares (in millions)	94.0									94.0
Book Value per Share	\$24.54									\$35.49
<i>December 31, 2002</i>										
Total Common Equity	\$2,753.4	\$618.1	\$400.1	\$1,881.0	\$183.6	\$100.0	\$658.4	\$114.1	\$1,198.1	\$3,951.5
Number of Shares (in millions)	93.6									93.6
Book Value per Share	\$29.42									\$42.22
<i>December 31, 2003</i>										
Total Common Equity	\$3,225.8	\$718.6	\$444.4	\$2,303.7	\$218.8	\$111.1	\$806.3	\$137.4	\$1,425.6	\$4,651.4
Number of Shares (in millions)	94.0									94.0
Book Value per Share	\$34.31									\$49.48
<i>December 31, 2004</i>										
Total Common Equity	\$3,689.1	\$723.5 (1)	\$252.0 (1)	\$2,310.1	\$195.2 (1)	\$63.0	\$808.5	\$128.1	\$1,359.0	\$5,048.0
Number of Shares (in millions)	92.3									92.3
Book Value per Share	\$39.98									\$54.70
(1) Adjusted for expected First Quarter 2005 Recapture										
<i>December 31, 2005</i>										
Total Common Equity	\$3,662.9	\$849.4	\$303.0	\$2,392.5	\$208.3	\$75.7	\$837.4	\$134.8	\$1,487.6	\$5,150.5
Number of Shares (in millions)	83.0									83.0
Book Value per Share	\$44.11									\$62.03
<i>March 31, 2005</i>										
Total Common Equity	\$3,446.6	\$735.8	\$239.2	\$2,194.1	\$199.9	\$59.8	\$767.9	\$121.7	\$1,312.8	\$4,759.4
Number of Shares (in millions)	86.4									86.4
Book Value per Share	\$39.89									\$55.08
<i>March 31, 2006</i>										
Total Common Equity	\$3,745.4	\$874.7	\$294.9	\$2,310.8	\$209.5	\$73.7	\$808.8	\$130.3	\$1,467.8	\$5,213.2
Number of Shares (in millions)	82.4									82.4
Book Value per Share	\$45.43									\$63.24

# Mortgage Credit Risk Strategies for Success

	Clients	Needs	Strategies	Successes
<b>Business Direct</b> <i>(Regional Lenders)</i>	Regional lenders, builders, credit unions, state housing authorities (e.g. regional banks)	Prime MI, sales and underwriting support, training	Expand sales and support coverage and offer appropriate new products	Tailored LPMI, bulk deals
	<b>Strategic Accounts</b> <i>(National Accounts)</i>	National lenders, GSEs (e.g. top national lenders)	Customization, innovative risk-sharing structures	Provide tailored solutions, fast response, and offer proactive ideas (MI and FG) to improve execution
<b>Capital Markets</b> <i>(Non-traditional products: bulk, pool, flow, seconds, NIMs, other Financial Guaranty)</i>	Non-prime originators, aggregators, Wall St (e.g. sub-prime lenders)	Best execution, innovative structures	Offer unique FG solutions; be highly selective and share risks/rewards	Smart Home, NIMS, Credit Default Swaps
<b>International</b> <i>(Structured and flow MI outside the U.S.)</i>	Non-US domiciled lenders, off-shore subs (e.g. major Asian bank)	Capital relief, innovative products	Offer broad mortgage and FG capabilities (not limited to MI)	Hong Kong partnership, Credit Default Swaps



Growing



Stable

# Financial Guaranty Strategies for Success

	Products	Clients/ Counterparties	Needs	Strategies	Successes
<b>Direct</b>	Domestic Public Finance	Municipal Bond Issuers and Obligors	Provide access to capital markets cost effectively	Strong underlying credits in niche sectors	Sole community provider health care center
	CDOs	Financial Institutions	Provide synthetic capital markets solution for credit risk portfolio relief	Synthetic portfolios of senior corporate and/or asset-backed obligations	Radian-designed portfolios of senior corporate debt with triple-A attachment point
<b>Reinsurance</b>	Reinsurance	Triple-A Monoline Financial Guaranty Insurers	Triple-A Monoline Financial Guaranty Insurers with traditional reinsurance products	Increased focus on Facultative Reinsurance	Increased the percentage of facultative reinsurance and increased new business profitability



Growing



Stable

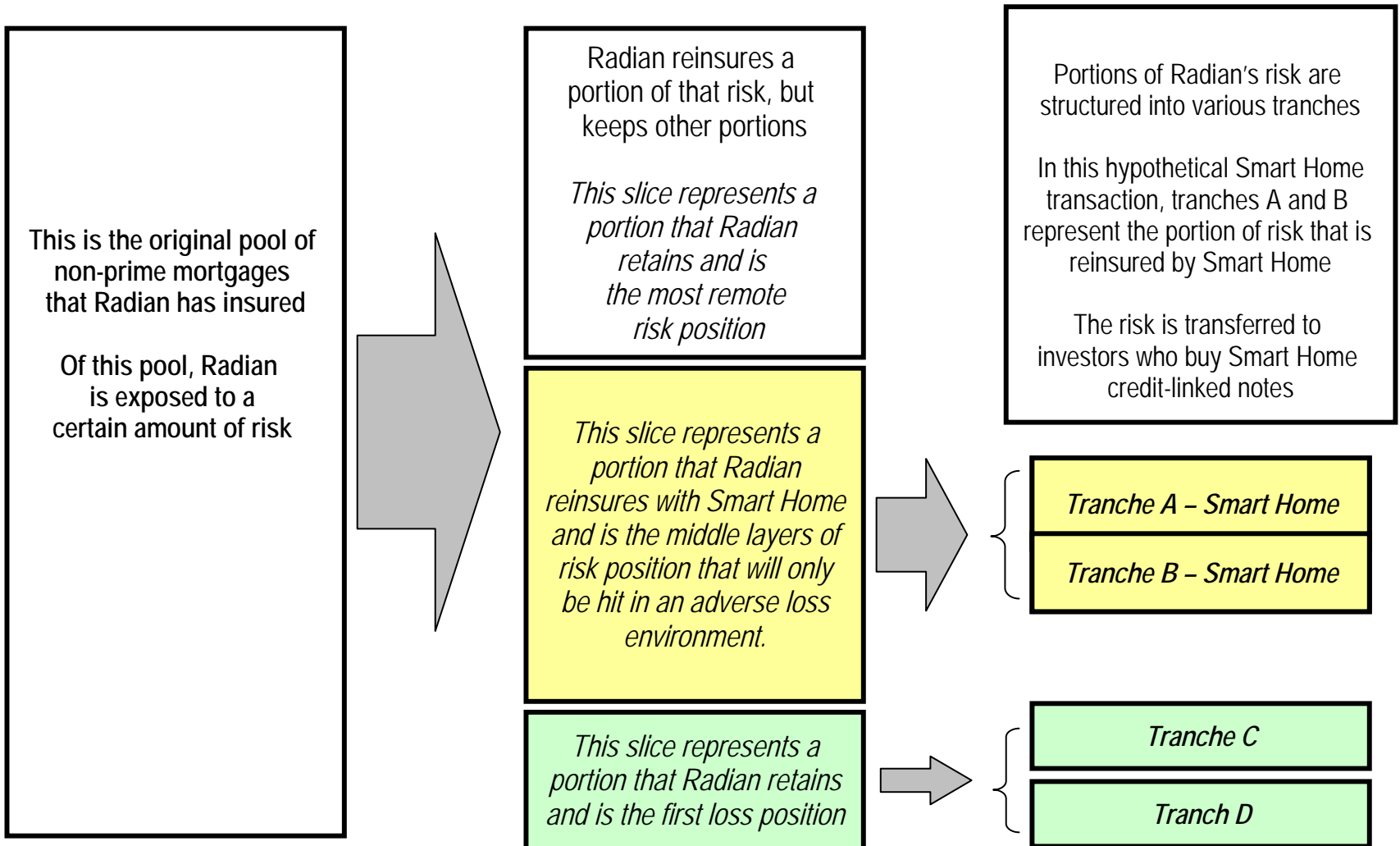
# C-BASS

- Purchases, services and securitizes credit sensitive residential mortgage assets
- Capitalized on ownership of top rated special servicer, which enhances the value of its assets
- Strong earnings growth, ROEs and cash flow
- Built servicing portfolio to more than \$53 billion
- Greater than 80% revenues are recurring from servicing, money management and portfolio management
- Pre-tax net income for 2005 of \$241 million and \$66 million in 1Q 2006
- Compliments Radian's capital markets channel in accessing the subprime markets
- Well positioned to perform strongly through diverse economic scenarios

# Sherman Financial

- Purchases and services distressed consumer debt
  - Purchases made at deep discounts to their original face value from national financial institutions and major retail corporations
- Originator of subprime credit cards through the acquisition of Bank of Marin in 2005
  - Diversified their revenue stream
- Strong earnings growth, ROEs and cash flow
  - 2005 net revenues of \$799 million and \$237 million in 1Q 2006
  - 2005 pre-tax net income of \$289 million and \$82 million in 1Q 2006
- Assets of \$1.0 billion at 3/31/06 versus \$740 million at 3/31/05

# An Overview of a Typical Smart Home Transaction



# Radian's Smart Home Transactions

- **Smart Home Reinsurance 2005-2 (December 2005/February 2006)**
  - \$6.27 billion pool of non-prime mortgages with Radian MI
  - Risk Ceded to Reinsurer (Par Value): \$1.69 billion
  - \$304.5 million\* of credit-linked notes sold to investors in the capital markets
- **Smart Home Reinsurance 2005-1 (February 2005)**
  - \$1.68 billion pool of non-prime mortgages
  - Risk Ceded to Reinsurer (Par Value): \$495.6 million
  - \$98.5 million of credit-linked notes sold to investors in the capital markets
- **Smart Home Reinsurance 2004-1 (August 2004)**
  - \$882 million pool of non-prime mortgages
  - Risk Ceded to Reinsurer (Par Value): \$332.1 million
  - \$86.1 million of credit-linked notes sold to investors in the capital markets

\* \$172.9 million in principal amount of credit-linked notes was issued in December 2005. An additional \$131.6 million in principal amount was issued in February 2006.

# Safe Harbor Statement

All statements made during this presentation and in the accompanying slides that address 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, as well as Radian’s prospects as a whole, 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, population trends and changes in household formation patterns, changes in unemployment rates, or changes or volatility in interest rates; 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 a customer with whom Radian has a concentration of its insurance in force; increased severity or frequency of losses associated with certain Radian products that are riskier than traditional mortgage insurance and financial guaranty insurance policies; material changes in persistency rates of Radian’s mortgage insurance policies; downgrades of Radian’s credit ratings or the insurance financial-strength ratings assigned by the major ratings agencies to Radian’s operating subsidiaries; heightened competition from other insurance providers and from alternative products to private mortgage insurance and financial guaranty insurance; changes in the charters or business practices of Fannie Mae and Freddie Mac; the application of federal or state consumer, lending, insurance and other applicable laws and regulations, or unfavorable changes in these laws and regulations or the way they are interpreted, including: (i) the possibility of private lawsuits or investigations by state insurance departments and state attorneys general alleging that services offered by the mortgage insurance industry, such as captive reinsurance, pool insurance and contract underwriting, are violative of the Real Estate Settlement Procedures Act and/or similar state regulations (particularly in light of public reports that some state insurance departments are investigating captive reinsurance arrangements used in the mortgage insurance industry) or (ii) legislative and regulatory changes affecting demand for private mortgage insurance or financial guaranty insurance; 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 financial guaranty contracts in determining gains and losses on these contracts; changes in accounting guidance from the SEC or the Financial Accounting Standards Board regarding income recognition and the treatment of loss reserves in the mortgage insurance or financial guaranty industries; changes in claims against mortgage insurance products resulting from the aging of Radian’s mortgage insurance policies; vulnerability to the performance of Radian’s strategic investments; changes in the availability of affordable or adequate reinsurance for our non-prime risk; and international expansion of our mortgage insurance and financial guaranty businesses into new markets and risks associated with our international business activities. For more information regarding these risks and uncertainties, as well as certain additional risks that we face, investors should refer to the risk factors detailed in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2005. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date of this presentation. Radian does not intend to, and disclaims any duty or obligation to, update or revise any forward-looking statements made during this presentation and in the accompanying slides to reflect new information, future events or for any other reason.

# RADIAN

Changing the nature of risk.®