

Radian Group Inc. and Subsidiaries

Definition of Consolidated Non-GAAP Financial Measures

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Use of Non-GAAP Financial Measures

In addition to the traditional GAAP financial measures, we have presented “adjusted pretax operating income (loss),” “adjusted diluted net operating income (loss) per share” and “adjusted net operating return on equity,” which are non-GAAP financial measures for the consolidated company, among our key performance indicators to evaluate our fundamental financial performance. These non-GAAP financial measures align with the way our business performance is evaluated by both management and by our 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), adjusted diluted net operating income (loss) per share and adjusted net operating return on equity 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 (Radian’s chief operating decision maker), uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of our businesses and to allocate resources to them.

Adjusted pretax operating income (loss) is defined as GAAP consolidated pretax income (loss) excluding the effects of: (i) net gains (losses) on investments and other financial instruments, except for those investments and other financial instruments attributable to our Mortgage Conduit business; (ii) amortization and impairment of goodwill and other acquired intangible assets; and (iii) impairment of other long-lived assets and other non-operating items, if any, such as gains (losses) from the sale of lines of business, acquisition-related income (expenses) and gains (losses) on extinguishment of debt. Adjusted diluted net operating income (loss) per share is calculated by dividing adjusted pretax operating income (loss) attributable to common stockholders, net of taxes computed using the company’s statutory tax rate, by the sum of the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. Adjusted net operating return on equity is calculated by dividing annualized adjusted pretax operating income (loss), net of taxes computed using the company’s statutory tax rate, by average stockholders’ equity, based on the average of the beginning and ending balances for each period presented.

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: (i) not viewed as part of the operating performance of our primary activities or (ii) 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 gains and losses arise primarily from changes in the market value of our investments that are classified as trading or equity securities. These valuation adjustments may not necessarily result in realized 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 and changes in fair value of other financial instruments. Except for certain investments and other financial instruments attributable to specific operating segments, we do not view them to be indicative of our fundamental operating activities.

- (2) **Amortization and impairment of goodwill and other acquired intangible assets.** Amortization of acquired intangible assets represents the periodic expense required to amortize the cost of acquired intangible assets over their estimated useful lives. Acquired intangible assets are also periodically reviewed for potential impairment, and impairment adjustments are made whenever appropriate. We do not view these charges as part of the operating performance of our primary activities.
- (3) **Impairment of other long-lived assets and other non-operating items, if any.** Impairment of other long-lived assets and other non-operating items includes activities that we do not view to be indicative of our fundamental operating activities, such as: (i) impairment of internal-use software and other long-lived assets; (ii) gains (losses) from the sale of lines of business; (iii) acquisition-related income and expenses; and (iv) gains (losses) on extinguishment of debt.

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See Exhibit G for the reconciliations of the most comparable GAAP measures, consolidated pretax income (loss), diluted net income (loss) per share and return on equity to our non-GAAP financial measures for the consolidated company, adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share and adjusted net operating return on equity, respectively.

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

Radian Group Inc. and Subsidiaries
Consolidated Non-GAAP Financial Measure Reconciliations
Exhibit G (page 1 of 3)

Reconciliation of Consolidated Pretax Income to Adjusted Pretax Operating Income

(In thousands)	2024				2023
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Consolidated pretax income	\$ 189,126	\$ 195,392	\$ 188,123	\$ 198,649	\$ 179,817
Less reconciling income (expense) items					
Net gains (losses) on investments and other financial instruments ⁽¹⁾	(6,770)	6,785	(4,438)	107	13,091
Amortization and impairment of goodwill and other acquired intangible assets	—	—	—	—	(11,173)
Impairment of other long-lived assets and other non-operating items	(12,941) ⁽²⁾	(10,061) ⁽²⁾	(122)	(4,275) ⁽³⁾	(13,835) ⁽²⁾
Total adjusted pretax operating income ⁽⁴⁾	<u>\$ 208,837</u>	<u>\$ 198,668</u>	<u>\$ 192,683</u>	<u>\$ 202,817</u>	<u>\$ 191,734</u>

- (1) Excludes net gains (losses) on investments and other financial instruments that are attributable to our Mortgage Conduit business, which are included in adjusted pretax operating income (loss).
- (2) This amount is included in other operating expenses on the Condensed Consolidated Statement of Operations in Exhibit A and primarily relates to impairment of other long-lived assets.
- (3) This amount is included in interest expense on the Condensed Consolidated Statement of Operations in Exhibit A and relates to the loss on extinguishment of debt.
- (4) Total adjusted pretax operating income consists of adjusted pretax operating income (loss) for our reportable segment and All Other activities as follows.

(In thousands)	2024				2023
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Adjusted pretax operating income (loss)					
Mortgage Insurance segment	\$ 215,207	\$ 203,543	\$ 198,763	\$ 209,850	\$ 197,797
All Other activities	(6,370)	(4,875)	(6,080)	(7,033)	(6,063)
Total adjusted pretax operating income	<u>\$ 208,837</u>	<u>\$ 198,668</u>	<u>\$ 192,683</u>	<u>\$ 202,817</u>	<u>\$ 191,734</u>

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

	2024				2023
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Diluted net income per share	\$ 0.98	\$ 0.99	\$ 0.98	\$ 0.98	\$ 0.91
Less per-share impact of reconciling income (expense) items					
Net gains (losses) on investments and other financial instruments	(0.04)	0.04	(0.03)	—	0.08
Amortization and impairment of goodwill and other acquired intangible assets	—	—	—	—	(0.07)
Impairment of other long-lived assets and other non-operating items	(0.09)	(0.06)	—	(0.03)	(0.09)
Income tax (provision) benefit on reconciling income (expense) items ⁽¹⁾	0.03	—	—	0.01	0.02
Difference between statutory and effective tax rates	(0.01)	(0.02)	0.02	(0.03)	0.01
Per-share impact of reconciling income (expense) items	(0.11)	(0.04)	(0.01)	(0.05)	(0.05)
Adjusted diluted net operating income per share ⁽¹⁾	<u>\$ 1.09</u>	<u>\$ 1.03</u>	<u>\$ 0.99</u>	<u>\$ 1.03</u>	<u>\$ 0.96</u>

- (1) Calculated using the company's federal statutory tax rate of 21%.

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Reconciliation of Return on Equity to Adjusted Net Operating Return on Equity ⁽¹⁾

	2024				2023
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Return on equity ⁽¹⁾	12.7 %	13.2 %	13.6 %	13.8 %	13.4 %
Less impact of reconciling income (expense) items ⁽²⁾					
Net gains (losses) on investments and other financial instruments	(0.6) %	0.6 %	(0.4) %	— %	1.2 %
Amortization and impairment of goodwill and other acquired intangible assets	— %	— %	— %	— %	(1.0) %
Impairment of other long-lived assets and other non-operating items	(1.1) %	(0.9) %	— %	(0.4) %	(1.3) %
Income tax (provision) benefit on reconciling income (expense) items ⁽³⁾	0.3 %	— %	0.1 %	0.1 %	0.2 %
Difference between statutory and effective tax rates	(0.1) %	(0.2) %	0.3 %	(0.4) %	0.1 %
Impact of reconciling income (expense) items	(1.5) %	(0.5) %	— %	(0.7) %	(0.8) %
Adjusted net operating return on equity ⁽³⁾	14.2 %	13.7 %	13.6 %	14.5 %	14.2 %

- (1) Calculated by dividing annualized net income by average stockholders' equity, based on the average of the beginning and ending balances for each period presented.
- (2) Annualized, as a percentage of average stockholders' equity.
- (3) Calculated using the company's federal statutory tax rate of 21%.

Reconciliation of Consolidated Pretax Income to Adjusted Pretax Operating Income

(In thousands)	Years Ended December 31,	
	2024	2023
Consolidated pretax income	\$ 771,290	\$ 767,487
Less reconciling income (expense) items		
Net gains (losses) on investments and other financial instruments ⁽¹⁾	(4,316)	9,427
Amortization and impairment of goodwill and other acquired intangible assets	—	(15,285)
Impairment of other long-lived assets and other non-operating items ⁽²⁾	(27,399)	(13,082)
Total adjusted pretax operating income ⁽³⁾	\$ 803,005	\$ 786,427

- (1) Excludes net gains (losses) on investments and other financial instruments that are attributable to our Mortgage Conduit business, which are included in adjusted pretax operating income (loss).
- (2) Related primarily to impairments of internal-use software and lease-related assets, which are included in other operating expenses on the Condensed Consolidated Statement of Operations in Exhibit A.
- (3) Total adjusted pretax operating income consists of adjusted pretax operating income (loss) for our reportable segment and All Other activities as follows.

(In thousands)	Years Ended December 31,	
	2024	2023
Adjusted pretax operating income (loss)		
Mortgage Insurance segment	\$ 827,363	\$ 829,824
All Other activities	(24,358)	(43,397)
Total adjusted pretax operating income	\$ 803,005	\$ 786,427

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	Years Ended December 31,	
	2024	2023
Reconciliation of Diluted Net Income Per Share to Adjusted Diluted Net Operating Income Per Share		
Diluted net income per share	\$ 3.92	\$ 3.77
Less per-share impact of reconciling income (expense) items		
Net gains (losses) on investments and other financial instruments	(0.03)	0.06
Amortization and impairment of goodwill and other acquired intangible assets	—	(0.09)
Impairment of other long-lived assets and other non-operating items	(0.17)	(0.08)
Income tax (provision) benefit on reconciling income (expense) items ⁽¹⁾	0.04	0.02
Difference between statutory and effective tax rates	(0.03)	(0.02)
Per-share impact of reconciling income (expense) items	(0.19)	(0.11)
Adjusted diluted net operating income per share ⁽¹⁾	<u>\$ 4.11</u>	<u>\$ 3.88</u>

(1) Calculated using the company's federal statutory tax rate of 21%.

	Years Ended December 31,	
	2024	2023
Reconciliation of Return on Equity to Adjusted Net Operating Return on Equity ⁽¹⁾		
Return on equity ⁽¹⁾	13.4 %	14.5 %
Less impact of reconciling income (expense) items ⁽²⁾		
Net gains (losses) on investments and other financial instruments	(0.1) %	0.2 %
Amortization and impairment of goodwill and other acquired intangible assets	— %	(0.3) %
Impairment of other long-lived assets and other non-operating items	(0.6) %	(0.3) %
Income tax (provision) benefit on reconciling income (expense) items ⁽³⁾	0.1 %	0.1 %
Difference between statutory and effective tax rates	(0.1) %	(0.1) %
Impact of reconciling income (expense) items	(0.7) %	(0.4) %
Adjusted net operating return on equity ⁽³⁾	<u>14.1 %</u>	<u>14.9 %</u>

(1) Calculated by dividing net income by average stockholders' equity.

(2) As a percentage of average stockholders' equity.

(3) Calculated using the company's federal statutory tax rate of 21%.

On a consolidated basis, "adjusted pretax operating income (loss)," "adjusted diluted net operating income (loss) per share" and "adjusted net operating return on equity" are measures not determined in accordance with GAAP. These measures should not be considered in isolation or viewed as substitutes for GAAP pretax income (loss), diluted net income (loss) per share, return on equity or net income (loss).

Our definitions of adjusted pretax operating income (loss), adjusted diluted net operating income (loss) per share and adjusted net operating return on equity may not be comparable to similarly-named measures reported by other companies. See Exhibit F for additional information on our consolidated non-GAAP financial measures.