

## Radian Asset Assurance Inc. Exposure to Subprime Mortgages

### Updated to reflect C-BASS and NIMs exposure; minor corrections made to exposure data

August 14, 2007

Radian Asset Assurance Inc.'s portfolio includes \$960.4 million of US RMBS. This exposure is spread among 291 policies and represents 0.9% of Radian Asset's total net par outstanding of \$110.5 billion as of 6/30/07. Of this amount, subprime RMBS transactions account for \$560.7 million of net par outstanding. This figure represents 0.5% of Radian Asset's total net par outstanding as of 6/30/07. This exposure is spread among 186 deals with the largest totaling \$48.9 million.

69% of the subprime exposure has been assumed from the AAA-rated financial guarantors, while the remaining 31% has been insured directly by Radian Asset. No direct-insured subprime RMBS has been written by Radian Asset since 2004. Radian Asset has no RMBS exposure to the specific tranches of credits that were downgraded or put on negative watch by Moody's or S&P during their recent actions. Included in our subprime exposure is \$2.5 million of NIMs, spread across 14 policies assumed from a AAA-rated financial guarantor, and a \$0.1 million RMBS securitization serviced by Litton Loan Servicing, a wholly-owned subsidiary of C-BASS.

20% of Radian Asset's subprime exposure is from the 2006 vintage and 13% is from the 2007 vintage. All of these credits were assumed from the AAA-rated financial guarantors. Deals from these vintages still maintain investment-grade ratings and 63% are rated between A and AAA.

The current ratings of Radian Asset's \$560.7 million of subprime RMBS exposure are:

| <u>Current Rating*</u> | <u>Outstanding Par (millions)</u> |
|------------------------|-----------------------------------|
| AAA                    | \$157.7                           |
| AA                     | \$ 0.8                            |
| A                      | \$ 67.9                           |
| BBB                    | \$217.2                           |
| BIG                    | \$ 117.1                          |
| <b>TOTAL</b>           | <b>\$560.7</b>                    |

*\*Ratings are based on Radian's internal surveillance ratings*

Radian Asset's top 5 subprime RMBS servicers are:

| <u>Top 5 Servicers</u> | <u>Servicer Ratings (Fitch/Moody's/S&amp;P)</u>    |
|------------------------|--|
| Option One             | RPS1 (Negative Watch)/SQ2+/Strong (Negative Watch) |
| Countrywide            | RPS1/SQ1/Strong                                    |
| EMC                    | RPS1/SQ1/Above Average                             |
| GMAC Mortgage          | RPS1/NA/Above Average                              |
| Wells Fargo            | RPS1/SQ1/Strong                                    |

These 5 companies combine to represent 73% of Radian Asset's subprime exposure.

Radian Asset has subprime RMBS exposure referenced in three direct-insured CDOs of asset-backed securities and no reinsurance exposure to such CDOs. The combined notional amount of Radian Asset's three direct-insured CDOs of asset-backed securities totals \$764.8 million, 0.7% of net par outstanding. The overall rating distribution of these CDOs is AAA (87%) and BBB (13%). Two of the RMBS credits which were recently put on negative watch for potential downgrade by S&P are represented in one of Radian Asset's CDOs of ABS. These two credits represent only \$10.5 million in a collateral pool of \$640.3 million. The current rating on this CDO transaction is AAA. No direct CDOs of ABS have been underwritten by Radian Asset since August 2006.

Radian Asset has minimal exposure to C-BASS and Litton Loan Servicing in its CDO portfolio.

Radian Asset expects that the levels of subordination in these transactions will be sufficient to avoid losses on our insured exposure under all reasonable scenarios.

#### **About Radian Asset Assurance Inc.**

Radian Asset Assurance Inc., founded in 1985 and rated AA by Standard & Poor's and Fitch Ratings and Aa3 by Moody's Investor Services, provides credit enhancement to the holders of debt obligations and asset-backed securities. As a direct writer of financial guaranty insurance for municipal bonds, asset-backed securities and structured transactions, Radian plays an important role in extending the benefits of insurance to a broad range of institutions and securities issuers. Radian is also a leading provider of reinsurance to the major monoline financial guarantors. Radian is a subsidiary of Radian Group Inc. (NYSE: RDN), a global credit enhancement provider headquartered in Philadelphia, with significant operations in New York and London.

All statements made in this document 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 demand or mortgage originations, changes in housing values, population trends and changes in household formation patterns, changes in unemployment rates, changes or volatility in interest rates, consumer confidence, or changes in credit spreads; changes in investor perception of the strength of private mortgage insurers or financial guaranty providers; 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 or the influence of large customers; 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; changes in 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 inquiries that we and other mortgage insurers have received from the New York Insurance Department and public reports that other state insurance departments are investigating or planning to investigate 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; legal and other limitations on the amount of dividends we may receive from our insurance subsidiaries; international expansion of our mortgage insurance and financial guaranty businesses into new markets and risks associated with our international business activities; and risks and uncertainties associated with our proposed merger with MGIC Investment Corporation, including, without limitation: the ability to complete the transaction on the proposed terms and schedule; the risk that the two companies and their businesses will not be integrated successfully; customer attrition and disruption from the transaction making it more difficult to maintain relationships with customers, employees or other business relationships; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; the risk that potential sales of assets in connection with the merger may negatively impact the financial performance of the combined company; and the possibility that the merger may not be completed, whether due to the failure to receive the requisite regulatory approvals or otherwise, which may have an adverse effect on our customers, employees and other business relationships, and may have a materially adverse impact on our financial results and prospects. 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, 2006 and in the joint proxy statement/prospectus for our 2007 annual meeting. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date of this document. Radian does not intend to, and disclaims any duty or obligation to, update or revise any forward-looking statements made in this document to reflect new information, future events or for any other reason.