

RADIAN

Radian Asset Assurance Inc.

Financial Guaranty Update

September 27, 2007

Forward Looking Statements – Safe Harbor Provisions

All statements made during today's investor call or included in the accompanying presentation 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, which include projections regarding revenues and losses as well as other statements regarding our future financial condition, are made on the basis of management's current views and assumptions with respect to future events. These forward-looking statements, as well as our 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 our insurance; the loss of a customer with whom we have a concentration of our insurance in force or the influence of large customers; increased severity or frequency of losses associated with certain of our products that are riskier than traditional mortgage insurance and financial guaranty insurance policies; material changes in the persistency rates of our mortgage insurance policies; losses associated with the aging of our mortgage insurance portfolio; ratings actions with respect to our credit ratings or the insurance financial-strength ratings assigned by the major ratings agencies to our 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 changes in these laws and regulations or the way they are interpreted; 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; vulnerability to the performance of our strategic investments and the amount of the impairment charge related to our interest in Credit Based Asset Servicing and Securitization LLC ("C-BASS"), which has not yet been determined and may be influenced by: (i) changes in the market for subprime mortgages and the amount, timing and severity of market dislocations occurring in the subprime market; (ii) the amount, timing and severity of any future margin calls that C-BASS may receive; (iii) C-BASS's ability to obtain sufficient and timely financing to support its liquidity position; and (iv) our ability to sell part or all of our interest in C-BASS and the amount that may be received in connection with any such sale; legal and other limitations on the amount of dividends that 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 the termination of our merger with MGIC Investment Corporation, including, without limitation: possible customer attrition and disruption from the transaction making it more difficult to maintain relationships with customers, employees or other business relationships, which 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. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date of this presentation. We do not intend to, and disclaim any duty or obligation to, update or revise any forward-looking statements made during today's investor call or included in the accompanying presentation to reflect new information, future events or for any other reason.

Radian Asset Assurance Inc. – Introduction

A Strong Franchise Positioned for the Future

- **Stable ratings outlook**
- **Solid financial strength**
- **Strong liquidity**
- **Highly-rated, diversified insured portfolio**

Radian Asset Assurance Inc. – Overview

A Strong Franchise Positioned for the Future

- **Stable ratings outlook**
 - S&P and Moody's affirmed Radian Asset's AA and Aa3 ratings, respectively, with stable outlooks (9/5/07)
- **Solid financial strength**
 - \$1.4 billion in qualified statutory capital and \$2.8 billion in claims paying resources
 - \$844.6 million of statutory unearned premium reserves and \$364.5 million present value of future installments provide substantial earnings stream
- **Strong liquidity**
 - \$2.3 billion investment portfolio; 99.6% rated at least investment grade; 83% rated AA or better
 - Radian Asset does not enter into credit support annexes ("CSAs") in connection with the execution of its credit default swaps ("CDS") and does not post collateral for any of its transactions
- **Highly-rated, diversified insured portfolio**
 - Insured portfolio of \$110 billion, 44% of which is rated AAA

As of June 30, 2007

Radian Asset Assurance Inc. – Business Overview

Long-Term Commitment to Franchise

- Monoline reinsurer since 1986; direct insurer since 1990
- Operates three product lines—Global Structured Products, US Public Finance and Reinsurance
- Established track record serving distinct mix of clients
- Focus on insuring obligations that are investment grade

Global Structured Products

Provider of credit enhancement in CDS and financial guaranty policy form to leading financial institutions

- \$39 billion direct corporate CDO exposure, 100% of which attach at AAA or higher
- Minimal RMBS exposure

US Public Finance

Niche insurer of primarily investment grade credits in underserved sectors

- Over 2,000 deals insured since 1990
- Diversified insured portfolio with minimal credit losses
- Steady earnings stream from seasoned book

Reinsurance

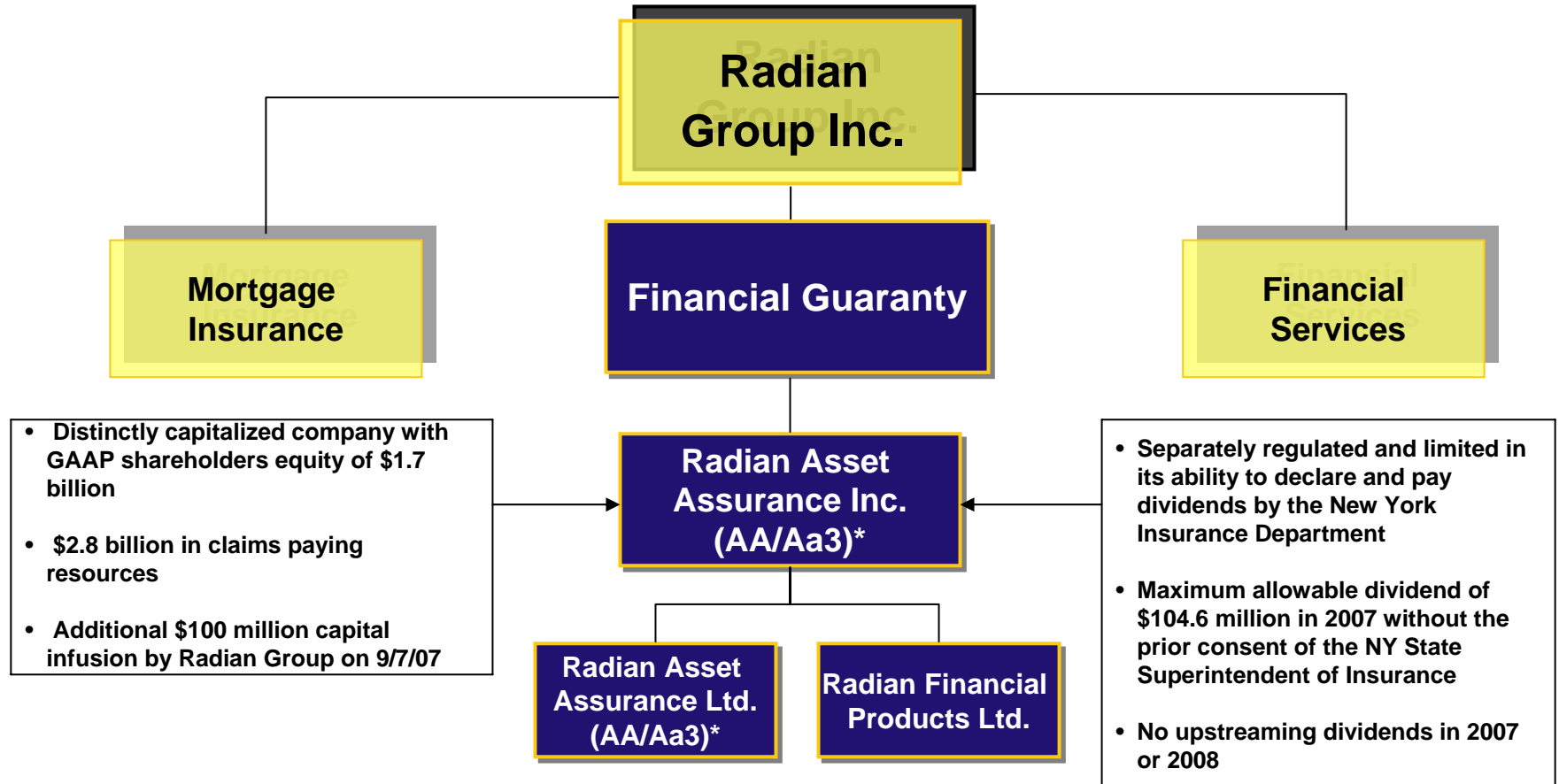
Leading provider of reinsurance capacity to AAA insurers

- Strong insured portfolio; 85% rated A or better
- Major provider of facultative capacity, leveraging significant underwriting and risk resources (approximately 40% of reinsurance book)
- Steady earnings stream and portfolio diversification

As of June 30, 2007

Radian Asset Assurance Inc. – Organizational Chart

Strong, Separately Capitalized and Regulated Subsidiary of Radian Group



* Radian formally requested that Fitch withdraw its ratings of all Radian entities on September 5, 2007. Fitch rates Radian Asset and Radian Asset Ltd. A+. Please refer to www.radian.biz for more information.

As of June 30, 2007

Radian Asset Assurance Inc. – Stable Ratings Outlook

Highly-Rated Entity with Long-Term Commitment
to Maintaining Financial Strength

- Rated AA/Aa3 by S&P and Moody's, respectively*
- Recent Rating Agency affirmations (September 5, 2007):
 - S&P affirmed Radian Asset's AA rating while maintaining a **stable outlook**
 - Moody's affirmed Radian Asset's Aa3 rating while maintaining a **stable outlook**

* Radian formally requested that Fitch withdraw its ratings of all Radian entities on September 5, 2007. Fitch rates Radian Asset and Radian Asset Ltd. A+. Please refer to www.radian.biz for more information.

Radian Asset Assurance Inc. – Ratings

Radian Group Formally Requested Withdrawal of Fitch Ratings For Radian Group and its Subsidiaries

- Fitch downgraded Radian Asset's rating to A+ from AA on September 5, 2007 while revising the Rating Outlook to Evolving from Negative
- Radian Asset had been in discussions with Fitch since January 2007 regarding its Matrix financial guaranty capital model results, specifically the treatment of high attachment point AAA corporate CDO risk
- Fitch does not differentiate default or recovery rate assumptions based on credit enhancement levels within the AAA category, the result of which is to impose a disproportionate capital penalty
- Fitch acknowledged that "...market participants have suggested that Matrix may be overly punitive in its treatment of CDOs at levels materially above minimum AAA thresholds"

Radian Asset Assurance Inc. – Solid Financial Strength

Strong Financial Position

- Qualified statutory capital of \$1.4 billion and claims paying resources of \$2.8 billion
- Margin of safety as defined by S&P is 1.2 – 1.3x as of 12/31/2006
 - Above S&P's 1.0x required for AA and in range for 1.25x required for AAA financial strength rating
- \$844.6 million of statutory unearned premium reserves and \$364.5 million present value of future installments provide substantial earnings stream

As of June 30, 2007

Radian Asset Assurance Inc. – Strong Liquidity

Highly-Rated, Liquid Investment Portfolio
Very Limited Exposure to Liquidity Calls

- Investment portfolio
 - \$2.3 billion investment portfolio; 99.6% rated at least investment grade; 83% rated AA or better
 - \$88 million in GAAP cash and short-term investments
 - 75% invested in municipal bonds
 - No non-agency RMBS and only \$5.5 million of ABS securities, all rated AAA
- Liquidity
 - Radian Asset does not enter into CSAs in connection with the execution of its credit default swaps and does not post collateral for any of its transactions
 - Our obligation is generally to make timely payments of scheduled principal and interest in the event of a claim

As of June 30, 2007

Radian Asset Assurance Inc. – Insured Portfolio

Highly-Rated, Diversified Insured Portfolio

- \$110.5 billion net par outstanding
 - Diversified book of over 7,000 credits
 - More than 40% derived from reinsurance with the AAA insurers
- Public finance exposure accounts for over 50% of the portfolio
 - General obligation, utility and tax-backed obligations account for over 52% of public finance exposure and 27% of the total portfolio
- CDOs comprise 43% of the total portfolio
 - 97% of total CDO exposure is rated AAA
 - Synthetic corporate CDOs comprise 83% of the direct CDO portfolio
- 1% of insured portfolio is on Radian Asset's Watch & Reserve List as of 3rd quarter 2007

As of June 30, 2007

Radian Asset Assurance Inc. – Insured Portfolio

Highly-Rated Insured Portfolio with 80% Rated A or Better

Rating*	Public Finance	Structured Finance	Total	Industry Average**
AAA	2.9%	88.2%	44.1%	25.2%
AA	30.0%	3.1%	17.0%	23.7%
A	34.6%	2.8%	19.3%	33.4%
BBB	29.8%	4.4%	17.5%	16.9%
BIG	2.6%	0.2%	1.5%	0.7%
NR	0.1%	1.3%	0.6%	0.1%
Total	100.0%	100.0%	100.0%	
Net Par Outstanding	\$57,195	\$53,342	\$110,537	

- 44% of Radian Asset's insured portfolio is rated AAA, placing it among the highest AAA percentages in the industry, and well above the industry average of 25%
- Radian Asset's level of AAA percentage has increased from 15% since 12/31/2003
- 80% of insured portfolio is rated A or better vs. 72% as of 12/31/2003 (industry average is 82%)

* Indicated ratings category reflects the highest rating assigned to the underlying obligation from the three rating agencies (S&P, Moody's and Fitch), or, if no such rating has been assigned, Radian Asset's rating estimate of the obligation utilizing rating agency models and methodologies to the extent available. Radian Asset's rating estimates are subject to revision at any time and may differ from the credit ratings ultimately assigned by the three rating agencies.

** Source: Operating Supplements and Fixed Income Presentations from AMBAC, AGC, CIFG, FGIC, FSA, MBIA and SCA

BIG – Below Investment Grade

As of June 30, 2007

Radian Asset Assurance Inc. – Insured Portfolio

CDO Exposure:

Focus on Super-Senior Exposure to High Grade Corporate Portfolios

- \$47 billion of CDO exposure (43% of total insured portfolio)

Direct exposure (\$45.2 billion; 96% of CDO exposure):

- \$39 billion (83%) – synthetic corporate CDOs
 - 100% attach at the AAA level or higher, with an average of 2.6x the AAA level and a weighted average tenor of 6 years
 - More than 83% have attachments of at least 2x the AAA level as determined by S&P CDO Evaluator
 - On an outstanding notional basis, at least 90% of the transactions we have insured (with a typical portfolio of 100-150 referenced corporate entities) can sustain at least 15 defaults (30% recovery assumption) without Radian Asset incurring a loss
- \$2.5 billion (5%) – TRUPs CDOs (Trust Preferreds)
 - AAA or multiple of AAA level
- \$0.9 billion (2%) – CLOs
 - 2nd-to-pay transactions with AAA monolines wrapping underlying
- \$2.8 billion (6%) – CDOs of ABS, CMBS or Multi-sector
 - 3 CDOs of ABS totaling \$0.8 billion (1.6%); 87% of net par outstanding is rated AAA
 - 4 CDOs of CMBS totaling \$1.8 billion (4%); each rated AAA
 - 1 Multi-sector CDO totaling \$0.2 billion (0.4%); rated AAA

Assumed exposure (\$1.8 billion; 4% of CDO exposure):

- Over 370 deals through reinsurance
- 2 deals on Intensified Surveillance List totaling \$15.3 million

As of June 30, 2007

Radian Asset Assurance Inc. – Insured Portfolio

CDO of ABS Exposure: CDOs of ABS - 0.7% of Net Par Outstanding

- Radian Asset has three CDOs of ABS with net par outstanding of \$764.8 million, of which 2 are rated AAA (\$664.8 million) and 1 is rated BBB (\$100 million)
- The total collateral pool of these three deals is \$2.1 billion, of which \$1.4 billion is RMBS collateral and \$624 million is subprime RMBS collateral. 98% of the RMBS collateral is rated A or better and 100% of the subprime collateral is rated A or better
- The BBB rated transaction is a CDO supported by high investment grade assets, of which 65% are rated AAA with the remaining 35% rated AA
- Three RMBS credits and one CDO of ABS in the collateral pool underlying one of the AAA CDOs of ABS in Radian Asset's portfolio have been downgraded as a result of Moody's and S&P's rating actions between July and August 2007. These four credits represent \$22.3 million in a collateral pool of \$633.6 million

As of June 30, 2007

Radian Asset Assurance Inc. – Insured Portfolio

US RMBS Exposure:

- RMBS - 0.9% of Net Par Outstanding
- Subprime RMBS - 0.5% of Net Par Outstanding

- US RMBS exposure in non-CDO transactions totals \$960.4 million (0.9% of par)
 - Lowest par amount in industry and well below industry average of \$18.8 billion*
 - Lowest percent of net par in industry and well below industry average of 6.7%*
- Subprime exposure in non-CDO transactions totals \$560.7 million (0.5% of par)
 - 2nd lowest par amount in industry and well below industry average of \$4.1 billion**
 - 2nd lowest percent of net par in industry and well below industry average of 1.7%**
- 2006 and 2007 vintages represent 20% and 13%, respectively, of total subprime exposure. All of these deals maintain investment-grade ratings, 63% of which are rated between A and AAA
- More information on our subprime exposure can be found at <http://www.radian.biz/structured/index.aspx>

* Source: Operating Supplements from Ambac, AGC, CIFG, FGIC, FSA, MBIA

** Source: S&P: *Subprime Exposure Unlikely to Cause Bond Insurers Major Difficulties* (June 26, 2007)

As of June 30, 2007

Radian Asset Assurance Inc. – Overview

A Strong Franchise Positioned for the Future

- **Stable rating outlook**
- **Solid financial strength**
- **Strong liquidity**
- **Highly-rated, diversified insured portfolio**

As of June 30, 2007

Appendix

CDO of ABS, CMBS or Multi-Sector Exposure

Type of Collateral as a Percentage of Total Pool as of June 30th 2007													Ratings as of June 30, 2007					
Year Insured	Legal Final Maturity	Net Par Outstanding	ABS	RMBS	Subprime RMBS	CMBS	Investment Grade Corporate	High Yield Corporate	CDO of ABS	CDO of CDO	Other	Total Collateral Pool	S&P Rating	Moody's Rating	Original AAA Subordination	Radian Asset Attachment Point	% RMBS A or Better	% Sub Prime A or Better
CDO of ABS																		
2003	2010	\$100,000,000.00	6.72%	31.54%	26.71%	17.24%	0%	0%	13.22%	0.84%	3.74%	100%	BBB	N/R	7.75%	2.02%	100%	100%
2004	2009	\$243,657,000.00	31.50%	38.94%	0%	1.28%	26.06%	2.22%	0%	0%	0%	100%	AAA	Aaa	2.20%	18.85%	100%	0%
2005	2010	\$150,000,000.00	25.17%	49.05%	15.78%	0%	8.34%	1.66%	0%	0%	0%	100%	AAA	N/R	4.52%	13.00%	100%	100%
2006	2046	\$514,782,259.36	0%	23.41%	42.66%	13.19%	0%	0%	12.50%	3.56%	4.68%	100%	AAA	Aaa	4.85%	19.60%	93.93%	100%
2006	2047	\$450,000,000.00	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%	AAA	N/R	2.40%	6.75%	0%	0%
2006	2049	\$598,500,000.00	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%	AAA	N/R	0.63%	5.06%	0%	0%
2006	2056	\$352,500,000.00	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%	AAA	Aaa	5.52%	6.50%	0%	0%
2007	2047	\$430,000,000.00	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%	AAA	N/R	2.40%	7.00%	0%	0%
Total CDO of ABS		\$2,839,439,259.36																

Reconciliation of Adjusted Gross Written Premium Direct Only to Net Premiums Written (Insurance and Derivatives)

<u>(\$ in thousands)</u>	<u>Adjusted Gross Written Premium</u>	<u>Deduction</u>	<u>Addition</u>	<u>Deduction</u>	<u>Total Additions and Deductions</u>	<u>Net Premiums Written</u>
		<u>Present Value of Estimated Future Installment Premiums</u>	<u>Installment Premiums On Policies Written In Previous Years</u>	<u>Ceded Premiums on Direct Business</u>		
2004						
Public Finance Direct	\$50,779	\$156	\$1,656	\$0	\$1,500	\$52,279
Structured Finance Direct	\$65,505	\$25,621	\$57,293	\$2,754	\$28,918	\$94,423
2005						
Public Finance Direct	\$78,945	\$6,857	\$1,057	\$28	-\$5,828	\$73,117
Structured Finance Direct	\$97,207	\$80,582	\$55,901	\$1,315	-\$25,996	\$71,211
2006						
Public Finance Direct	\$78,888	\$0	\$1,355	\$9	\$1,346	\$80,234
Structured Finance Direct	\$114,402	\$94,885	\$59,052	\$462	-\$36,295	\$78,107

RADIAN

Changing the nature of risk.®