

Change in Fair Value of Derivative Instruments. The components of the gains (losses) included in change in fair value of derivative instruments for our financial guaranty segment for the periods indicated are as follows:

<u>(In millions)</u>	Year Ended December 31,		
	2012	2011	2010
Net premiums earned—derivatives	\$ 28.7	\$ 41.7	\$ 46.4
Financial Guaranty credit derivatives	(173.6)	598.0	(583.2)
Financial Guaranty VIE derivative	1.2	(10.7)	(14.5)
Put options on CPS	—	—	(39.8)
Change in fair value of derivative instruments	<u>\$ (143.7)</u>	<u>\$ 629.0</u>	<u>\$ (591.1)</u>

The results for 2012, 2011 and 2010 were impacted by the change in Radian Group's five-year CDS spread. Radian Group's five-year spread tightened by 1,819 basis points in 2012 and by 1,065 basis points in 2010, resulting in unrealized losses, compared to the spread widening by 2,267 basis points during 2011, which resulted in unrealized gains. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional information about the impact of changes in Radian Group's five-year CDS spread on the fair value of certain of our financial instruments. In addition, the losses experienced during 2012 included the impact of the CDO Commutation Transactions for which we paid an amount in excess of the fair value liability we had recorded as of December 31, 2011.

The large unrealized fair value loss for 2010 also reflects multi-notch downgrades from the rating agencies in one project finance transaction and one CDO of middle market CLO transaction, which resulted in significant widening of the underlying credit risk spread and increased our unrealized losses for these transactions. Slightly offsetting these losses in 2010 were improvements in the underlying credit spreads of our insured Corporate CDOs, CMBS, residential mortgage-backed securities ("RMBS") and TruPs.

Net (Losses) Gains on Other Financial Instruments. The components of the (losses) gains on other financial instruments for the periods indicated are as follows:

<u>(In millions)</u>	Year Ended December 31,		
	2012	2011	2010
(Losses) gains related to change in fair value of Financial Guaranty VIE debt	\$ (110.4)	\$ 134.0	\$ (161.8)
Gains related to other Financial Guaranty VIE assets	20.3	21.4	18.3
Gain on the repurchase of long-term debt	14.2	—	2.0
Losses related to CPS VIE	—	—	(22.1)
Foreign currency gain related to the liquidation of a foreign subsidiary	—	39.6	—
Other	(2.9)	(5.6)	—
Net (losses) gains on other financial instruments	<u>\$ (78.8)</u>	<u>\$ 189.4</u>	<u>\$ (163.6)</u>

The losses experienced during 2012 were mainly impacted by the loss on the commutation of our CDO of ABS, for which we paid an amount in excess of the fair value liability that we had recorded previously. The results for 2012 and 2011 were also impacted by gains and losses on financial guaranty VIE debt that resulted from the movement of Radian Group's five-year CDS spread (discussed above) and include an allocation to the financial guaranty segment of the gain on the repurchase of our 2013 Notes. Also impacting the results for 2011 were foreign currency translation gains resulting from our liquidation of a foreign subsidiary. During 2010, our CDS spread tightened and credit spreads on our insured corporate CDOs widened, which resulted in unrealized losses.

Gain on Sale of Affiliate. The results for 2012 reflect the gain on the sale of the FG Insurance Shell, which was completed in the second quarter of 2012 as part of the Assured Transaction.