

Essent Group Ltd. and Subsidiaries
Financial Results and Supplemental Information (Unaudited)
Quarter ended March 31, 2014

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Essent Group Ltd. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Quarter ended March 31,	
	2014	2013
<i>(In thousands, except per share amounts)</i>		
Revenues:		
Net premiums written	\$ 52,192	\$ 33,373
Increase in unearned premiums	(7,442)	(12,109)
Net premiums earned	44,750	21,264
Net investment income	1,898	730
Realized investment gains, net	400	10
Other income	773	1,027
Total revenues	<u>47,821</u>	<u>23,031</u>
Losses and expenses:		
Provision for losses and LAE	902	730
Other underwriting and operating expenses	23,459	14,962
Total losses and expenses	<u>24,361</u>	<u>15,692</u>
Income before income taxes	23,460	7,339
Income tax expense	8,454	139
Net income	<u>\$ 15,006</u>	<u>\$ 7,200</u>
Earnings per share		
Basic:		
Common Shares	\$ 0.18	N/A
Class A common shares	N/A	\$ 0.23
Class B-2 common shares	N/A	-
Diluted:		
Common Shares	\$ 0.18	N/A
Class A common shares	N/A	\$ 0.23
Class B-2 common shares	N/A	-
Weighted average common shares outstanding		
Basic:		
Common Shares	82,864	N/A
Class A common shares	N/A	31,805
Class B-2 common shares	N/A	853
Diluted:		
Common Shares	84,696	N/A
Class A common shares	N/A	31,864
Class B-2 common shares	N/A	6,009
Net income	\$ 15,006	\$ 7,200
Other comprehensive income (loss):		
Change in unrealized appreciation (depreciation) of investments, net of tax expense (benefit) of \$370 and \$(139) in 2014 and 2013	479	(258)
Total other comprehensive income (loss)	<u>479</u>	<u>(258)</u>
Comprehensive income	<u>\$ 15,485</u>	<u>\$ 6,942</u>
Loss ratio	2.0%	3.4%
Expense ratio	<u>52.4%</u>	<u>70.4%</u>
Combined ratio	<u>54.4%</u>	<u>73.8%</u>

Essent Group Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

<u>(In thousands, except per share amounts)</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Assets		
Investments available for sale, at fair value		
Fixed maturities	\$ 585,743	\$ 318,476
Short-term investments	261,525	14,079
Total investments	<u>847,268</u>	<u>332,555</u>
Cash	8,838	477,655
Accrued investment income	3,673	1,978
Accounts receivable	10,349	10,006
Deferred policy acquisition costs	6,628	6,173
Property and equipment (at cost, less accumulated depreciation of \$37,342 in 2014 and \$36,796 in 2013)	4,372	4,411
Prepaid federal income tax	18,000	8,000
Net deferred tax asset	2,869	10,346
Other assets	<u>3,049</u>	<u>2,846</u>
Total assets	<u>\$ 905,046</u>	<u>\$ 853,970</u>
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and LAE	\$ 3,804	\$ 3,070
Unearned premium reserve	110,841	103,399
Amounts due under Asset Purchase Agreement	4,967	4,949
Accrued payroll and bonuses	4,989	13,076
Payable for securities	35,192	-
Other accrued liabilities	5,124	7,335
Total liabilities	<u>164,917</u>	<u>131,829</u>
Commitments and contingencies		
Stockholders' Equity		
Common Shares, \$0.015 par value:		
Authorized - 233,333; issued - 86,494 shares in 2014 and 86,491 shares in 2013	1,297	1,297
Additional paid-in capital	756,893	754,390
Accumulated other comprehensive loss	(968)	(1,447)
Accumulated deficit	(17,093)	(32,099)
Treasury stock at cost	-	-
Total stockholders' equity	<u>740,129</u>	<u>722,141</u>
Total liabilities and stockholders' equity	<u>\$ 905,046</u>	<u>\$ 853,970</u>

Essent Group Ltd. and Subsidiaries
Supplemental Information
New Insurance Written

NIW by Credit Score

	Quarter ended								
	March 31, 2014		December 31, 2013		March 31, 2013				
(\$ in thousands)									
>=760	\$	1,614,436	44.5%	\$	2,135,772	47.2%	\$	2,437,590	56.4%
740-759		636,859	17.5		802,262	17.7		775,559	17.9
720-739		536,471	14.8		651,269	14.4		572,897	13.3
700-719		375,500	10.3		465,611	10.3		314,473	7.3
680-699		315,267	8.7		341,968	7.5		174,859	4.0
<=679		152,040	4.2		131,018	2.9		46,178	1.1
Total	\$	3,630,573	100.0%	\$	4,527,900	100.0%	\$	4,321,556	100.0%
Weighted-average Credit Score		749			752			761	

NIW by LTV

	Quarter ended								
	March 31, 2014		December 31, 2013		March 31, 2013				
(\$ in thousands)									
85.00% and below	\$	435,733	12.0%	\$	488,218	10.8%	\$	819,486	19.0%
85.01% to 90.00%		1,240,528	34.2		1,528,857	33.8		1,634,282	37.8
90.01% to 95.00%		1,925,763	53.0		2,372,909	52.4		1,838,422	42.5
95.01% and above		28,549	0.8		137,916	3.0		29,366	0.7
	\$	3,630,573	100.0%	\$	4,527,900	100.0%	\$	4,321,556	100.0%
Weighted-average LTV		92%			92%			91%	

NIW by Product

	Quarter ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Single Premium policies	18.2%	19.2%	18.9%
Monthly Premium policies	81.8	80.8	81.1
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

NIW by Purchase vs. Refinance

	Quarter ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Purchase	84.9%	86.9%	53.2%
Refinance	15.1	13.1	46.8
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Essent Group Ltd. and Subsidiaries
Supplemental Information
Insurance in Force and Risk in Force

Portfolio by Credit Score

Total IIF by FICO score (\$ in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
>=760	\$ 18,212,476 52.3%	\$ 17,102,961 53.3%	\$ 9,890,172 56.8%
740-759	6,218,225 17.9	5,724,933 17.9	3,092,355 17.7
720-739	4,804,322 13.8	4,380,452 13.7	2,316,338 13.3
700-719	2,955,696 8.5	2,646,717 8.3	1,268,937 7.3
680-699	1,940,162 5.6	1,665,196 5.2	683,646 3.9
<=679	647,176 1.9	507,937 1.6	179,362 1.0
Total	\$ 34,778,057 100.0%	\$ 32,028,196 100.0%	\$ 17,430,810 100.0%
 Weighted-average Credit Score	 757	 758	 761

Total RIF by FICO score (\$ in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
>=760	\$ 4,403,362 51.9%	\$ 4,106,913 52.9%	\$ 2,306,076 56.2%
740-759	1,527,784 18.0	1,399,308 18.0	733,994 17.9
720-739	1,192,630 14.0	1,081,286 13.9	556,051 13.6
700-719	717,501 8.4	637,086 8.2	295,411 7.2
680-699	488,405 5.8	415,414 5.3	164,618 4.0
<=679	164,180 1.9	128,598 1.7	44,685 1.1
Total	\$ 8,493,862 100.0%	\$ 7,768,605 100.0%	\$ 4,100,835 100.0%

Portfolio by LTV

Total IIF by LTV (\$ in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
85.00% and below	\$ 4,540,795 13.1%	\$ 4,322,612 13.5%	\$ 2,716,156 15.6%
85.01% to 90.00%	13,054,922 37.5	12,171,460 38.0	7,133,052 40.9
90.01% to 95.00%	16,748,932 48.2	15,121,279 47.2	7,501,474 43.0
95.01% and above	433,408 1.2	412,845 1.3	80,128 0.5
Total	\$ 34,778,057 100.0%	\$ 32,028,196 100.0%	\$ 17,430,810 100.0%
 Weighted-average LTV	 91%	 91%	 91%

Total RIF by LTV (\$ in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
85.00% and below	\$ 503,315 5.9%	\$ 474,763 6.1%	\$ 293,690 7.2%
85.01% to 90.00%	3,074,541 36.2	2,858,683 36.8	1,656,244 40.4
90.01% to 95.00%	4,770,413 56.2	4,296,135 55.3	2,124,150 51.7
95.01% and above	145,593 1.7	139,024 1.8	26,751 0.7
Total	\$ 8,493,862 100.0%	\$ 7,768,605 100.0%	\$ 4,100,835 100.0%

Portfolio by Loan Amortization Period

Total IIF by Loan Amortization Period (\$ in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
FRM 30 years and higher	\$ 29,906,738 85.9%	\$ 27,364,633 85.4%	\$ 14,415,309 82.7%
FRM 20-25 years	1,105,372 3.2	1,086,120 3.4	751,627 4.3
FRM 15 years	2,383,315 6.9	2,354,656 7.4	1,586,031 9.1
ARM 5 years and higher	1,382,632 4.0	1,222,787 3.8	677,843 3.9
Total	\$ 34,778,057 100.0%	\$ 32,028,196 100.0%	\$ 17,430,810 100.0%

Essent Group Ltd. and Subsidiaries
Supplemental Information
Portfolio Vintage Data

Origination year	Original Insurance Written (\$ in thousands)	Remaining Insurance in Force (\$ in thousands)	% Remaining of Original Insurance	Insurance in Force as of March 31, 2014					
				% Purchase	>90% LTV	>95% LTV	FICO < 700	FICO >= 760	% FRM
2010	\$ 245,898	\$ 101,057	41.1%	71.7%	36.7%	0.0%	3.1%	60.1%	97.0%
2011	3,229,720	1,656,252	51.3	70.2	39.5	0.3	4.2	57.6	92.3
2012	11,241,161	9,286,188	82.6	67.3	47.1	0.4	5.2	56.1	96.6
2013	21,152,638	20,140,578	95.2	72.8	50.6	1.8	7.8	51.6	96.4
2014 (through March 31)	3,630,573	3,593,982	99.0	84.9	53.6	0.8	12.9	44.4	94.4
Total	\$ 39,499,990	\$ 34,778,057	88.0	72.4	49.4	1.2	7.4	52.4	96.0

Essent Group Ltd. and Subsidiaries
Supplemental Information
Portfolio Geographic Data

IIF by State

	As of March 31, 2014	As of December 31, 2013	As of March 31, 2013
CA	11.2%	11.1%	11.1%
TX	8.3	8.2	7.8
FL	4.9	4.6	4.0
NC	4.3	4.3	4.3
IL	3.9	4.0	4.2
WA	3.7	3.6	3.3
NJ	3.7	3.8	4.0
GA	3.5	3.5	3.4
AZ	3.5	3.5	3.4
PA	3.5	3.6	4.0
All Others	49.5	49.8	50.5
TOTAL	100.0%	100.0%	100.0%

RIF by State

	As of March 31, 2014	As of December 31, 2013	As of March 31, 2013
CA	10.6%	10.5%	10.7%
TX	8.1	8.0	7.6
FL	5.0	4.8	4.1
NC	4.4	4.4	4.5
IL	3.9	4.0	4.3
WA	3.8	3.6	3.4
GA	3.7	3.6	3.5
NJ	3.6	3.7	3.9
PA	3.5	3.6	4.0
AZ	3.3	3.3	3.3
All Others	50.1	50.5	50.7
TOTAL	100.0%	100.0%	100.0%

Essent Group Ltd. and Subsidiaries
Supplemental Information
Defaults, Reserve for Losses and LAE, and Claims

Rollforward of Insured Loans in Default

	Quarter ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Beginning default inventory	159	116	56
Plus: new defaults	167	108	70
Less: cures	(128)	(57)	(49)
Less: claims paid	(6)	(8)	(2)
Ending default inventory	192	159	75

Rollforward of Reserve for Losses and LAE

	Quarter ended		
	March 31, 2014	December 31, 2013	March 31, 2013
<u>(\$ in thousands)</u>			
Reserve for losses and LAE at beginning of period	\$ 3,070	\$ 2,727	\$ 1,499
Add provision for losses and LAE occurring in:			
Current year	1,286	903	924
Prior years	(384)	(211)	(194)
Incurred losses during the period	902	692	730
Deduct payments for losses and LAE occurring in:			
Current year	-	144	1
Prior years	168	205	64
Loss and LAE payments during the period	168	349	65
Reserve for losses and LAE at end of period	\$ 3,804	\$ 3,070	\$ 2,164

Claims

	Quarter ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Number of claims paid	6	8	2
Total amount paid for claims (in thousands)	\$ 159	\$ 343	\$ 57
Average amount paid per claim (in thousands)	\$ 27	\$ 43	\$ 29
Severity	84%	87%	106%

Essent Group Ltd. and Subsidiaries
Supplemental Information
Defaults, Reserve for Losses and LAE, and Claims

As of March 31, 2014

<u>(\$ in thousands)</u>	Number of Policies in Default	Percentage of Policies in Default	Amount of Reserves	Percentage of Reserves	Defaulted RIF	Reserves as a Percentage of RIF
Missed Payments:						
Three payments or less	95	49%	\$ 936	27%	\$ 4,309	22%
Four to eleven payments	76	40%	1,636	47%	3,406	48%
Twelve or more payments	15	8%	561	16%	867	65%
Pending claims	6	3%	348	10%	360	97%
TOTAL	192	100%	3,481	100%	\$ 8,942	39%
IBNR			261			
LAE			62			
TOTAL			\$ 3,804			
Average reserve per default:						
Case			\$ 18.1			
Total			\$ 19.8			
Default Rate	0.12%					

As of December 31, 2013

<u>(\$ in thousands)</u>	Number of Policies in Default	Percentage of Policies in Default	Amount of Reserves	Percentage of Reserves	Defaulted RIF	Reserves as a Percentage of RIF
Missed Payments:						
Three payments or less	88	56%	\$ 841	30%	\$ 3,972	21%
Four to eleven payments	56	35%	1,497	53%	2,672	56%
Twelve or more payments	10	6%	300	11%	447	67%
Pending claims	5	3%	169	6%	166	102%
TOTAL	159	100%	2,807	100%	\$ 7,257	39%
IBNR			211			
LAE			52			
TOTAL			\$ 3,070			
Average reserve per default:						
Case			\$ 17.7			
Total			\$ 19.3			
Default Rate	0.11%					

As of March 31, 2013

<u>(\$ in thousands)</u>	Number of Policies in Default	Percentage of Policies in Default	Amount of Reserves	Percentage of Reserves	Defaulted RIF	Reserves as a Percentage of RIF
Missed Payments:						
Three payments or less	45	61%	\$ 862	43%	\$ 2,659	32%
Four to eleven payments	22	29%	711	35%	996	71%
Twelve or more payments	4	5%	183	9%	246	74%
Pending claims	4	5%	258	13%	256	101%
TOTAL	75	100%	2,014	100%	\$ 4,157	48%
IBNR			101			
LAE			49			
TOTAL			\$ 2,164			
Average reserve per default:						
Case			\$ 26.9			
Total			\$ 28.9			
Default Rate	0.10%					

Essent Group Ltd. and Subsidiaries
Supplemental Information
Investment Portfolio

Investment Portfolio by Asset Class

Asset Class (\$ in thousands)	March 31, 2014		December 31, 2013	
	Fair Value	Percent	Fair Value	Percent
US Treasury securities	\$ 71,584	8.4%	\$ 59,187	17.8%
US Agency securities	11,193	1.3	14,839	4.5
US Agency Mortgage-backed securities	47,468	5.6	22,241	6.7
Municipal debt securities	146,154	17.3	57,650	17.3
Corporate debt securities	230,823	27.2	125,593	37.8
Mortgage-backed securities	39,688	4.7	18,581	5.6
Asset-backed securities	61,626	7.3	20,385	6.1
Money market investments	238,732	28.2	14,079	4.2
Total Investments	\$ 847,268	100.0%	\$ 332,555	100.0%

Investment Portfolio by Credit Rating

Rating (1) (\$ in thousands)	March 31, 2014		December 31, 2013	
	Fair Value	Percent	Fair Value	Percent
Aaa	\$ 471,707	55.6%	\$ 147,862	44.5%
Aa1	32,267	3.8	21,570	6.5
Aa2	35,474	4.2	15,464	4.6
Aa3	26,106	3.1	11,902	3.6
A1	62,950	7.4	26,541	8.0
A2	42,179	5.0	17,045	5.1
A3	49,607	5.9	29,886	9.0
Baa1	52,395	6.2	24,441	7.3
Baa2	64,753	7.6	30,782	9.3
Baa3	9,830	1.2	7,062	2.1
Below Baa3	-	-	-	-
Total Investments	\$ 847,268	100.0%	\$ 332,555	100.0%

(1) Based on ratings issued by Moody's, if available. S&P rating utilized if Moody's not available.

Portfolio by Duration and Book Yield

Effective Duration (\$ in thousands)	March 31, 2014		December 31, 2013	
	Fair Value	Percent	Fair Value	Percent
< 1 Year	\$ 322,695	38.0%	\$ 65,092	19.6%
1 to < 2 Years	48,987	5.8	19,093	5.7
2 to < 3 Years	76,868	9.1	74,335	22.4
3 to < 4 Years	99,948	11.8	63,214	19.0
4 to < 5 Years	81,779	9.7	66,230	19.9
5 or more Years	216,991	25.6	44,591	13.4
Total Investments	\$ 847,268	100.0%	\$ 332,555	100.0%

Pre-tax investment income yield:

Three months ended March 31, 2014 1.01%

Net cash and Investments at holding company Essent Group Ltd. (\$ in thousands):

As of March 31, 2014 \$ 206,514
As of December 31, 2013 \$ 246,220

**Essent Group Ltd. and Subsidiaries
Supplemental Information
Insurance Company Capital**

	As of	
	March 31, 2014	December 31, 2013
Combined statutory capital (A)	\$ 528,234	\$ 469,424
Risk to capital ratios: (B)		
Essent Guaranty, Inc.	16.1:1	16.6:1
Essent Guaranty of PA, Inc.	16.0:1	17.1:1
Combined (C)	16.1:1	16.5:1

(A) Combined statutory capital equals the sum of statutory capital of Essent Guaranty, Inc. plus Essent Guaranty of PA, Inc., after eliminating the impact of intercompany transactions. Statutory capital is computed based on accounting practices prescribed or permitted by the Pennsylvania Insurance Department.

(B) The risk to capital ratio is calculated as the ratio of net risk in force to statutory capital. Net risk in force represents total risk in force, net of reinsurance ceded and net of exposures on policies for which loss reserves have been established.

(C) The combined risk to capital ratio equals the sum of the net risk in force of Essent Guaranty, Inc. and Essent Guaranty of PA, Inc. divided by the combined statutory capital.

Essent Group Ltd. and Subsidiaries
Supplemental Information
Historical Quarterly Data

Selected Income Statement Data <small>(in thousands, except per share amounts)</small>	2014		2013		
	March 31	December 31	September 30	June 30	March 31
Revenues:					
Net premiums written	\$ 52,192	\$ 52,878	\$ 55,026	\$ 44,923	\$ 33,373
Net premiums earned	44,750	40,344	34,282	27,481	21,264
Other revenues	3,071	2,009	2,173	2,083	1,767
Total revenues	47,821	42,353	36,455	29,564	23,031
Losses and expenses:					
Provision for losses and LAE	902	692	319	580	730
Other underwriting and operating expenses	23,459	22,299	18,237	15,557	14,962
Total losses and expenses	24,361	22,991	18,556	16,137	15,692
Income before income taxes	23,460	19,362	17,899	13,427	7,339
Income tax expense (benefit)	8,454	345	2,280	(10,150)	139
Net income	\$ 15,006	\$ 19,017	\$ 15,619	\$ 23,577	\$ 7,200
Earnings per share:					
Basic:					
Common Shares	\$ 0.18	\$ 0.23	N/A	N/A	N/A
Class A common shares	N/A	N/A	\$ 0.36	\$ 0.63	\$ 0.23
Class B-2 common shares	N/A	N/A	0.07	0.40	-
Diluted:					
Common Shares	\$ 0.18	\$ 0.22	N/A	N/A	N/A
Class A common shares	N/A	N/A	\$ 0.35	\$ 0.62	\$ 0.23
Class B-2 common shares	N/A	N/A	0.02	0.09	-
Weighted average common shares outstanding					
Basic:					
Common Shares	82,864	51,741	N/A	N/A	N/A
Class A common shares	N/A	N/A	43,616	36,793	31,805
Class B-2 common shares	N/A	N/A	1,822	1,334	853
Diluted:					
Common Shares	84,696	55,130	N/A	N/A	N/A
Class A common shares	N/A	N/A	43,788	36,901	31,864
Class B-2 common shares	N/A	N/A	6,054	5,994	6,009
Other Data:					
<small>(\$ in thousands)</small>					
Loss ratio (1)	2.0%	1.7%	0.9%	2.1%	3.4%
Expense ratio (2)	52.4%	55.3%	53.2%	56.6%	70.4%
Combined ratio	54.4%	57.0%	54.1%	58.7%	73.8%
New insurance written	\$ 3,630,573	\$ 4,527,900	\$ 6,408,055	\$ 5,895,127	\$ 4,321,556
Average premium rate (3)	0.54%	0.54%	0.54%	0.55%	0.55%
Insurance in force (end of period)	\$ 34,778,057	\$ 32,028,196	\$ 28,198,722	\$ 22,576,300	\$ 17,430,810
Policies in force	154,451	141,417	123,737	98,818	76,455
Weighted-average coverage (4)	24.4%	24.3%	24.0%	23.7%	23.5%
Annual persistency	87.9%	86.1%	83.1%	80.1%	80.9%
Loans in default (count)	192	159	116	90	75
Percentage of loans in default	0.12%	0.11%	0.09%	0.09%	0.10%

(1) Loss ratio is calculated by dividing the provision for loss and loss adjustment expenses by net premiums earned.

(2) Expense ratio is calculated by dividing other underwriting and operating expenses by net premiums earned.

(3) Net premium earned as a percentage of average insurance in force for the period.

(4) End of period risk in force divided by insurance in force.

Essent Group Ltd. and Subsidiaries
Supplemental Information
Earnings per Share

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
<u>(In thousands, except per share amounts)</u>		
Net income	\$ 15,006	\$ 7,200
Less: Class A dividends declared	N/A	-
Less: Class B-2 dividends declared	N/A	-
Undistributed net income	<u>\$ 15,006</u>	<u>\$ 7,200</u>
Net income allocable to Common Shares	\$ 15,006	N/A
Net income allocable to Class A common shares	N/A	\$ 7,200
Net income allocable to Class B-2 common shares	N/A	-
Basic earnings per common share:		
Common Shares	\$ 0.18	N/A
Class A common shares	N/A	\$ 0.23
Class B-2 common shares	N/A	-
Diluted earnings per common share:		
Common Shares	\$ 0.18	N/A
Class A common shares	N/A	\$ 0.23
Class B-2 common shares	N/A	-
Basic weighted average common shares outstanding:		
Common Shares	82,864	N/A
Class A common shares	N/A	31,805
Class B-2 common shares	N/A	853
Diluted weighted average common shares outstanding:		
Common Shares	84,696	N/A
Class A common shares	N/A	31,864
Class B-2 common shares	N/A	6,009

Note: Prior to the Company's initial public offering on November 5, 2013 ("IPO"), the Company had two classes of common shares outstanding: Class A common shares and Class B-2 common shares. Upon the completion of the IPO, all of the Class A common shares and the Class B-2 common shares converted into a single class of common shares of the Company (the "Common Shares"), as more fully described in the Company's prospectus dated October 30, 2013. Earnings Per Share ("EPS") was calculated and presented prior to the IPO using the "two-class" method which provides that earnings and losses are allocated to each class of common shares according to the dividends declared or unpaid cumulative dividends earned, with the remaining undistributed earnings allocated according to each share's respective participation rights.

Essent Group Ltd. and Subsidiaries
Supplemental Information
Reconciliation of Non-GAAP Financial Measure - Adjusted Book Value per Share

We believe that long-term growth in Adjusted Book Value per Share is an important measure of our financial performance and is a measure used to determine vesting on certain restricted stock granted to senior management under the Company's long-term incentive plan. Adjusted Book Value per Share is a financial measure that is not calculated under standards or rules that comprise accounting principles generally accepted in the United States (GAAP) and is referred to as a non-GAAP measure. Adjusted Book Value per Share may be defined or calculated differently by other companies. Adjusted Book Value per Share is one measure used to monitor our results and should not be viewed as a substitute for those measures determined in accordance with GAAP.

Adjusted Book Value per Share is calculated by dividing Adjusted Book Value by Common Shares and Share Units Outstanding. Adjusted Book Value is defined as consolidated stockholders' equity of the Company, excluding accumulated other comprehensive income (loss) plus the proceeds, if any, from the assumed exercise of all in the money options, warrants and similar instruments. Common Shares and Outstanding Restricted Share Units is defined as total common shares outstanding plus all equity instruments (including Restricted Stock Units) issued to management and the Board of Directors and any in the money options, warrants and similar instruments. Accumulated other comprehensive income (loss) includes unrealized gains and losses that arise from changes in the market value of the Company's investments that are classified as available for sale. The Company does not view these unrealized gains and losses to be indicative of our fundamental operating performance. As of March 31, 2014 and December 31, 2013, the Company does not have any options, warrants and similar instruments outstanding.

The following table sets forth the reconciliation of adjusted book value to the most comparable GAAP amount as of March 31, 2014 and December 31, 2013 in accordance with Regulation G:

(in thousands, except per share amounts)	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Numerator:		
Total Stockholders' Equity (Book Value)	\$ 740,129	\$ 722,141
Add Back: Accumulated Other Comprehensive Loss	<u>968</u>	<u>1,447</u>
Adjusted Book Value	<u>\$ 741,097</u>	<u>\$ 723,588</u>
Denominator:		
Total Outstanding Common Shares	86,494	86,491
Add: Outstanding Restricted Share Units	<u>596</u>	<u>528</u>
Total Outstanding Common Shares and Restricted Share Units	<u>87,090</u>	<u>87,019</u>
Adjusted Book Value per Share	<u>\$ 8.51</u>	<u>\$ 8.32</u>