

MORTGAGE INSURANCE-LINKED NOTE REINSURANCE TRANSACTION

*REINSURANCE PROVIDED BY:
RADNOR RE 2020-2 LTD.*

FRIDAY, OCTOBER 9, 2020

DISCLAIMER

This presentation may include “forward-looking statements” which are subject to known and unknown risks and uncertainties, many of which may be beyond our control. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” or “potential” or the negative thereof or variations thereon or similar terminology. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following: changes in or to Fannie Mae and Freddie Mac (the “GSEs”), whether through Federal legislation, restructurings or a shift in business practices; failure to continue to meet the mortgage insurer eligibility requirements of the GSEs; competition for customers; lenders or investors seeking alternatives to private mortgage insurance; an increase in the number of loans insured through Federal government mortgage insurance programs, including those offered by the Federal Housing Administration; decline in new insurance written and franchise value due to loss of a significant customer; decline in the volume of low down payment mortgage originations; the definition of “Qualified Mortgage” reducing the size of the mortgage origination market or creating incentives to use government mortgage insurance programs; the definition of “Qualified Residential Mortgage” reducing the number of low down payment loans or lenders and investors seeking alternatives to private mortgage insurance; the implementation of the Basel III Capital Accord discouraging the use of private mortgage insurance; a decrease in the length of time that insurance policies are in force; uncertainty of loss reserve estimates; deteriorating economic conditions; our non-U.S. operations becoming subject to U.S. Federal income taxation; becoming considered a passive foreign investment company for U.S. Federal income tax purposes; and other risks and factors described in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission on February 18, 2020. Any forward-looking information presented herein is made only as of the date of this presentation, and we do not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

TRANSACTION OVERVIEW

CEDING INSURER:	➤ On October 8, 2020, Essent Guaranty, Inc., a wholly owned subsidiary of Essent Group Ltd., obtained fully collateralized excess of loss reinsurance coverage on mortgage insurance policies written in September 2019 through July 2020. ➤ The total amount of reinsurance was \$399.2 million as of the closing date.
REINSURER:	➤ For this transaction, reinsurance is provided by Radnor Re 2020-2 Ltd. (“Radnor Re”), a newly formed Bermuda based special purpose insurer. Radnor Re is not a subsidiary or an affiliate of Essent Group Ltd. ➤ Radnor Re has funded its reinsurance obligations by issuing five classes of mortgage insurance-linked notes with 10-year legal maturities in an unregistered private offering. The notes are non-recourse to any assets of Essent Guaranty, Inc. or its affiliates. ➤ The proceeds of the notes offering were deposited into a reinsurance trust account for the benefit of Essent Guaranty, Inc. The noteholders have a subordinated interest in the reinsurance trust account, which is the sole source of funds for the repayment of the notes.
ESSENT BENEFITS:	➤ This transaction is expected to provide the following benefits to Essent: ➤ Diversified source of capital ➤ A layer of protection against adverse credit losses ➤ Enhanced counterparty strength ➤ PMIERS required asset credit

MORTGAGE INSURANCE-LINKED NOTES AT CLOSING

CLASS	BALANCE	% OF RISK IN FORCE	CREDIT ENHANCEMENT %	OFFERED NOTES (FUNDED)	FUNDED PERCENT	MOODY'S RATING	WEIGHTED AVERAGE LIFE*	INDEX	SPREAD
A-H	\$12,440,513,000	93.50%	6.50%	RETAINED BY ESSENT					
M-1A	\$79,832,000	0.60%	5.90%	\$79,832,000	100.0%	Ba1	1.5 yrs.	1 Mo. LIBOR	315bps
M-1B	\$93,137,000	0.70%	5.20%	\$93,137,000	100.0%	Ba2	2.3 yrs.	1 Mo. LIBOR	400bps
M-1C	\$93,137,000	0.70%	4.50%	\$93,137,000	100.0%	Ba3	3.1 yrs.	1 Mo. LIBOR	460bps
M-2	\$99,790,000	0.75%	3.75%	\$99,790,000	100.0%	B2	4.0 yrs.	1 Mo. LIBOR	560bps
B-1	\$33,263,000	0.25%	3.50%	\$33,263,000	100.0%	B3	4.5 yrs.	1 Mo. LIBOR	760bps
B-2H	\$199,580,000	1.50%	2.00%	RETAINED BY ESSENT					
B-3H	\$266,110,473	2.00%	0.00%	RETAINED BY ESSENT					
OFFERED NOTES				\$399,159,000					

TRANSACTION HIGHLIGHTS

- Radnor Re collateralized and funded the reinsurance coverage by issuing \$399.2 million of mortgage insurance-linked series 2020-2 notes to investors.
- The reference pool has an aggregate unpaid principal balance of \$68.4 billion and adjusted risk in force of \$13.3 billion as of the August 31, 2020 cut-off date. Adjusted risk in force accounts for existing quota share reinsurance from unaffiliated third parties on the reference pool.
- The notes provide excess of loss protection to Essent Guaranty for five coverage levels designated as M-1A, M-1B, M-1C, M-2, and B-1, with a funded percentage of 100% for all levels.
- The notes are 1-month LIBOR-based floating rate securities with a 10-year legal maturity.
- Radnor Re used the Series 2020-2 note proceeds to purchase investments to fully fund the reinsurance trust post closing on October 8, 2020.
- Essent Guaranty, Inc., is required to make premium payments to Radnor Re to cover interest payments on the Series 2020-2 notes less investment income from the assets in the reinsurance trust.
- Essent Guaranty, Inc. has an option to call the transaction on and after October 25, 2027.

