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this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)  
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of the registrant's common shares outstanding as of August 1, 2018 was 98,127,712.

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Essent Group Ltd. and Subsidiaries

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Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” “Essent,” and the “Company,” as used in this Quarterly Report on Form 10-Q, refer to Essent Group Ltd. and its directly and indirectly owned subsidiaries, including our primary operating subsidiaries, Essent Guaranty, Inc. and Essent Reinsurance Ltd., as a combined entity, except where otherwise stated or where it is clear that the terms mean only Essent Group Ltd. exclusive of its subsidiaries.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, or Quarterly Report, includes forward-looking statements pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or present facts or conditions, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the introduction of new products and services, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report reflect our views as of the date of this Quarterly Report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described below, in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report, and in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission. These factors include, without limitation, the following:

- changes in or to Fannie Mae and Freddie Mac, which we refer to collectively as 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 our customers on the basis of price, terms and conditions or otherwise, or the loss of a significant customer;
- lenders or investors seeking alternatives to private mortgage insurance;
- increase in the number of loans insured through Federal government mortgage insurance programs, including those offered by the Federal Housing Administration;
- decline in the volume of low down payment mortgage originations;
- uncertainty of loss reserve estimates;
- decrease in the length of time our insurance policies are in force;
- deteriorating economic conditions;

the impact of recently enacted U.S. Federal tax reform on us, our shareholders and our operations;

- 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, which may discourage the use of private mortgage insurance;

management of risk in our investment portfolio;

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- fluctuations in interest rates;
- inadequacy of the premiums we charge to compensate for our losses incurred;
- dependence on management team and qualified personnel;
- disturbance to our information technology systems;
- change in our customers' capital requirements discouraging the use of mortgage insurance;
- declines in the value of borrowers' homes;
- limited availability of capital;
- unanticipated claims arise under and risks associated with our contract underwriting program;
- industry practice that loss reserves are established only upon a loan default;
- disruption in mortgage loan servicing;
- risk of future legal proceedings;
- customers' technological demands;
- 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
- potential inability of our insurance subsidiaries to pay dividends.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. All of the forward-looking statements we have included in this Quarterly Report are based on information available to us on the date of this Quarterly Report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

## Essent Group Ltd. and Subsidiaries

## Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2018	December 31, 2017
(In thousands, except per share amounts)		
<b>Assets</b>		
Investments available for sale, at fair value		
Fixed maturities (amortized cost: 2018 — \$2,273,485; 2017 — \$1,994,200)	\$2,229,002	\$1,992,371
Short-term investments (amortized cost: 2018 — \$326,984; 2017 — \$312,714)	327,011	312,694
Total investments	2,556,013	2,305,065
Cash	24,664	43,524
Accrued investment income	15,655	12,807
Accounts receivable	35,276	29,752
Deferred policy acquisition costs	15,947	15,354
Property and equipment (at cost, less accumulated depreciation of \$52,200 in 2018 and \$50,466 in 2017)	7,295	6,979
Prepaid federal income tax	174,335	252,157
Other assets	20,246	8,730
Total assets	\$2,849,431	\$2,674,368
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Reserve for losses and LAE	\$50,016	\$46,850
Unearned premium reserve	283,785	259,672
Net deferred tax liability	147,808	127,636
Credit facility borrowings (at carrying value, less unamortized deferred costs of \$1,659 in 2018 and \$1,409 in 2017)	223,341	248,591
Securities purchases payable	14,464	14,999
Other accrued liabilities	26,446	36,184
Total liabilities	745,860	733,932
Commitments and contingencies (see Note 7)		
<b>Stockholders' Equity</b>		
Common shares, \$0.015 par value:		
Authorized - 233,333; issued and outstanding - 98,128 shares in 2018 and 98,434 shares in 2017	1,472	1,476
Additional paid-in capital	1,103,448	1,127,137
Accumulated other comprehensive loss	(39,248 )	(3,252 )
Retained earnings	1,037,899	815,075
Total stockholders' equity	2,103,571	1,940,436
Total liabilities and stockholders' equity	\$2,849,431	\$2,674,368

See accompanying notes to condensed consolidated financial statements.





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## Essent Group Ltd. and Subsidiaries

## Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
<b>Revenues:</b>				
Net premiums written	\$168,404	\$134,063	\$333,629	\$253,360
Increase in unearned premiums	(11,446 )	(7,500 )	(24,113 )	(9,146 )
Net premiums earned	156,958	126,563	309,516	244,214
Net investment income	15,134	9,400	28,848	17,835
Realized investment gains, net	439	544	636	1,199
Other income	1,237	1,099	2,231	1,950
Total revenues	173,768	137,606	341,231	265,198
<b>Losses and expenses:</b>				
Provision for losses and LAE	1,813	1,770	7,122	5,463
Other underwriting and operating expenses	36,428	35,686	74,552	72,018
Interest expense	2,618	1,189	5,068	1,905
Total losses and expenses	40,859	38,645	86,742	79,386
Income before income taxes	132,909	98,961	254,489	185,812
Income tax expense	21,154	26,843	31,665	47,096
Net income	\$111,755	\$72,118	\$222,824	\$138,716
<b>Earnings per share:</b>				
Basic	\$1.15	\$0.79	\$2.29	\$1.52
Diluted	1.14	0.77	2.28	1.49
<b>Weighted average shares outstanding:</b>				
Basic	97,426	91,381	97,362	91,320
Diluted	97,866	93,162	97,908	93,093
Net income	\$111,755	\$72,118	\$222,824	\$138,716
<b>Other comprehensive income (loss):</b>				
Change in unrealized (depreciation) appreciation of investments, net of tax (benefit) expense of (\$1,418) and \$3,649 in the three months ended June 30, 2018 and 2017 and (\$6,611) and \$5,710 in the six months ended June 30, 2018 and 2017	(7,246 )	8,470	(35,996 )	13,320
Total other comprehensive (loss) income	(7,246 )	8,470	(35,996 )	13,320
Comprehensive income	\$104,509	\$80,588	\$186,828	\$152,036

See accompanying notes to condensed consolidated financial statements.

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## Essent Group Ltd. and Subsidiaries

## Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(In thousands)	Common Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2017	\$ 1,397	\$ 918,296	\$ (12,255 )	\$ 436,335	\$ —	\$ 1,343,773
Net income				379,747		379,747
Other comprehensive income			8,068			8,068
Issuance of common shares, net of issuance cost of \$1,802	75	197,623				197,698
Issuance of management incentive shares	8	(8 )				—
Stock-based compensation expense		18,688				18,688
Cumulative effect of ASU 2016-09 adoption		111		(72 )		39
Treasury stock acquired					(7,577)	(7,577 )
Cancellation of treasury stock	(4 )	(7,573 )			7,577	—
Reclassification of certain income tax effects resulting from tax reform			935	(935 )		—
Balance at December 31, 2017	\$ 1,476	\$ 1,127,137	\$ (3,252 )	\$ 815,075	\$ —	\$ 1,940,436
Net income				222,824		222,824
Other comprehensive loss			(35,996 )			(35,996 )
Issuance of management incentive shares	6	(6 )				—
Stock-based compensation expense		7,432				7,432
Treasury stock acquired					(31,125)	(31,125 )
Cancellation of treasury stock	(10 )	(31,115 )			31,125	—
Balance at June 30, 2018	\$ 1,472	\$ 1,103,448	\$ (39,248 )	\$ 1,037,899	\$ —	\$ 2,103,571

See accompanying notes to condensed consolidated financial statements.

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## Essent Group Ltd. and Subsidiaries

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Six Months Ended June 30, 2018	2017
<b>Operating Activities</b>		
Net income	\$ 222,824	\$ 138,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on the sale of investments, net	(636 )	(1,199 )
Depreciation and amortization	1,734	1,970
Stock-based compensation expense	7,432	9,288
Amortization of premium on investment securities	7,013	5,833
Deferred income tax provision	26,783	32,948
Change in:		
Accrued investment income	(2,848 )	(1,288 )
Accounts receivable	(3,174 )	(4,134 )
Deferred policy acquisition costs	(593 )	(637 )
Prepaid federal income tax	77,822	(34,085 )
Other assets	(11,379 )	(1,877 )
Reserve for losses and LAE	3,166	1,656
Unearned premium reserve	24,113	9,146
Other accrued liabilities	(9,601 )	(11,934 )
Net cash provided by operating activities	342,656	144,403
<b>Investing Activities</b>		
Net change in short-term investments	(14,317 )	1,364
Purchase of investments available	(505,400 )	(396,919 )

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for sale			
Proceeds from maturity of investments available for sale	52,545		36,318
Proceeds from sales of investments available for sale	164,355		151,583
Purchase of property and equipment	(2,050	)	(1,806
Net cash used in investing activities	(304,867	)	(209,460
Financing Activities			
Credit facility borrowings	15,000		75,000
Credit facility repayments	(40,000	)	—
Treasury stock acquired	(31,125	)	(7,239
Payment of issuance costs for credit facility	(524	)	(2,565
Net cash (used in) provided by financing activities	(56,649	)	65,196
Net (decrease) increase in cash	(18,860	)	139
Cash at beginning of year	43,524		27,531
Cash at end of period	\$ 24,664		\$ 27,670

Supplemental Disclosure of Cash Flow Information