NMI Holdings, Inc.
Investor Presentation

September 2018
(Nasdaq: NMIH)

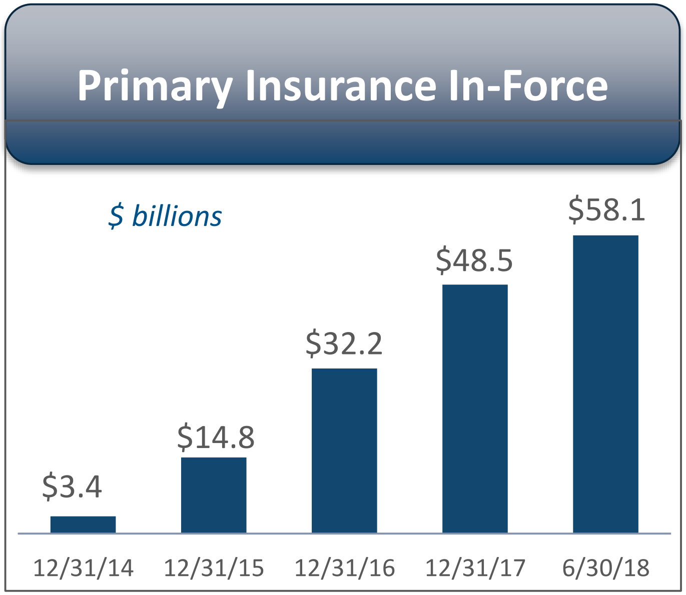
Cautionary Note Regarding Forward–Looking Statements

This presentation contains forward looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the U.S. Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believe," "can," "could," "may," "predict," "potential," "should," "will," "estimate," "plan," "project," "continuing," "ongoing," "expect," "intend" or words of similar meaning and include, but are not limited to, statements regarding the outlook for our future business and financial performance. All forward looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements which should be read in conjunction with our other cautionary statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017, and in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, as subsequently updated in other reports we file from time-to-time with the U.S. Securities and Exchange Commission. Further, any forward looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. We have based these forward looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy and financial needs. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward looking statements including, but not limited to:

- changes in the business practices of Fannie Mae and Freddie Mac (collectively, the GSEs), including decisions that have the impact of decreasing or discontinuing the use of mortgage insurance as credit enhancement;
- our ability to remain an eligible mortgage insurer under current or future versions of the private mortgage insurer eligibility requirements (PMIERs) and other requirements imposed by the GSEs, which they may change at any time;
- retention of our existing certificates of authority in each state and the District of Columbia (D.C.) and our ability to remain a mortgage insurer in good standing in each state and D.C.;
- our future profitability, liquidity and capital resources;
- actions of existing competitors, including other private mortgage insurers and governmental mortgage insurers like the Federal Housing Administration and the Veterans Administration, and potential market entry by new competitors or consolidation of existing competitors;
- developments in the world's financial, capital and reinsurance markets and our access to such markets;
- adoption of new or changes to existing laws and regulations that impact our business or financial condition directly or the mortgage insurance industry generally or their enforcement and implementation by regulators;
- changes to the GSEs' role in the secondary mortgage market driven by Congressional or regulatory action or other changes that could affect the residential mortgage industry generally or mortgage insurance industry in particular;
- any pending or future lawsuits, investigations or inquiries;
- changes in general economic, market and political conditions and policies, interest rates, inflation or other conditions that affect the housing market or the markets for home mortgages or mortgage insurance;
- our ability to successfully execute and implement our capital plans, including our ability to access the reinsurance markets and to enter into, and receive approval of, reinsurance arrangements on terms and conditions that are acceptable to us, the GSEs and our regulators;
- our ability to implement our business strategy, including our ability to write mortgage insurance on high quality low down payment residential mortgage loans, implement successfully and on a timely basis, complex infrastructure, systems, procedures, and internal controls to support our business and regulatory and reporting requirements of the insurance industry;
- our ability to attract and retain a diverse customer base, including the largest mortgage originators;
- failure of our pricing, risk management or investment strategies;
- emergence of unexpected claim and coverage issues, including claims exceeding our reserves or amounts we had expected to experience;
- potential adverse impacts arising from natural disasters, including, with respect to the affected areas, a decline in new business, adverse effects on home prices, and an increase in notices of default on insured mortgages;
- the inability of our counterparties, including third party reinsurers, to meet their obligations to us;
- our ability to utilize our net operating loss carryforwards, which could be limited or eliminated in various ways, including if we experience an ownership change as defined in Section 382 of the Internal Revenue Code;
- failure to maintain, improve and continue to develop necessary information technology systems or the failure of our technology providers to perform as expected; and
- our ability to recruit, train and retain key personnel.

Company Overview

- Solid foundation
  - Founded in 2012
  - ~300 employees, including a fully scaled national salesforce
  - Primary operating subsidiary, National Mortgage Insurance Corp., has a financial strength ratings of BBB- (Positive) by S&P, Baa3 (Positive) by Moody's
- Differentiated business model
  - Focus on customer service
  - Innovative terms of coverage
  - Broad based underwriting approach
  - No legacy risk
  - Modern IT platform
- Significant and growing market penetration
  - More than 900 active customers
- Growing portfolio of high-quality mortgage insurance
  - $58.1 billion primary IIF as of 6/30/18
  - Weighted average FICO of primary IIF at 6/30/18 was 749



Great Place To Work® — Best Workplaces™ in Financial Services & Insurance — USA 2018

Great Place To Work® — Best Workplaces™ in the Bay Area — USA 2018

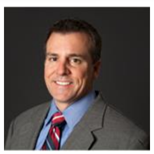
Highly Experienced Management Team

Bradley Shuster
Chairman of the Board and Chief Executive Officer

- Chairman and CEO since 2012
- Served as an executive of The PMI Group, Inc. (‘‘PMI’’) from 2003 to 2008, with roles as President of International and Strategic Investments, CEO of PMI Capital Corporation, Executive Vice President of Corporate Development, Senior Vice President, Treasurer and Chief Investment Officer

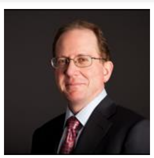
Claudia Merkle
President

- Joined in May 2012; leads sales and business development, marketing, underwriting fulfillment, risk operations and policy servicing
- 25 years’ experience in mortgage and MI sales and operations; previously served as Vice President, PMI Mortgage Insurance Co. and VP at Meridian Mortgage/Corestates



William Leatherberry
Executive VP and General Counsel

- Joined in 2014 as EVP and Chief Legal Officer; 20+ years of experience in corporate law, including mergers and acquisitions, securities law, corporate governance and compliance oversight
- Prior to joining National MI, Mr. Leatherberry served as Executive VP, General Counsel and Secretary for Century Aluminum, a publicly traded primary aluminum company



Patrick Mathis
Executive VP, Operations & IT

- More than 25 years of experience in the insurance, mortgage and financial industries, including executive level positions in the areas of risk and credit management
- Mr. Mathis previously served as Senior VP, Head of Credit Risk Management for PMI from January 2009 to May 2012

Adam Pollitzer
Executive VP and Chief Financial Officer

- Joined in 2017 as Executive Vice President and Chief Financial Officer
- Formerly a Managing Director in J.P. Morgan’s Corporate and Investment Banking division, where he led advisory and capital raising efforts on behalf of North American insurance companies, including mortgage insurers.

Robert Smith
Executive VP and Chief Risk Officer

- Joined National MI in 2012, and has more than 19 years’ experience in the mortgage and financial services industry, including previous roles at Washington Mutual and PMI Mortgage Insurance.
- He is a Chartered Financial Analyst and holds a master’s degree in Engineering from Stanford University and an MBA from Stanford’s Graduate School of Business.

Key Investment Highlights

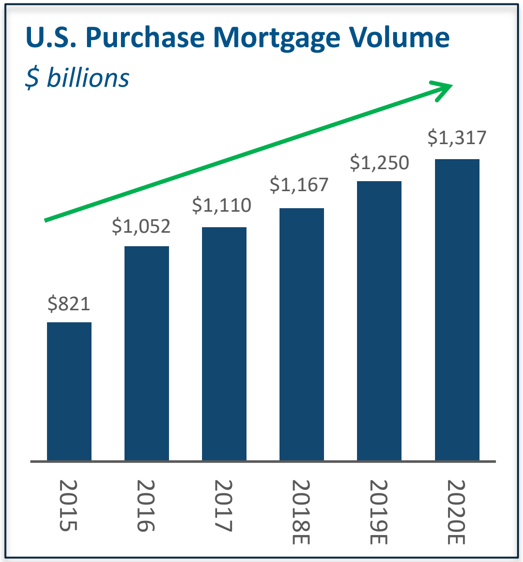
- ✓ Strong market backdrop – origination volume, credit quality, competitive landscape
- ✓ Significant success to date – people, customers, portfolio and financials
- ✓ Compelling customer value proposition and strong lender relationships
- ✓ High-quality and fast growing insured portfolio
- ✓ Unique underwriting approach and commitment to broad-based risk management
- ✓ Financial "sweet spot" – expect best-in-class growth, strong mid-teens RoE and low volatility

Building an enduring mortgage insurance franchise to deliver value for homeowners, customers and shareholders

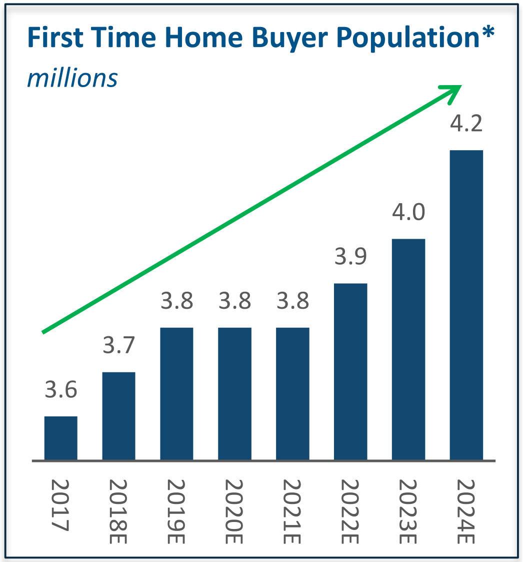
Strong Market Backdrop – Key Drivers

NMI HOLDINGS, INC.

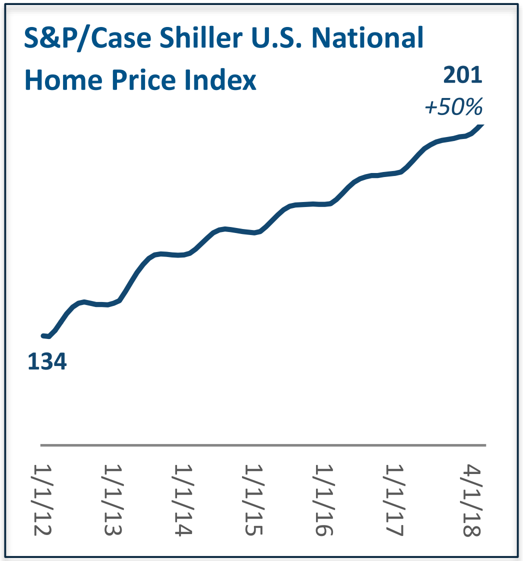
- Healthy economy & household sentiment
- Strong purchase origination & favorable demographics
- Constructive interest rates & access to credit
- Home price appreciation
- Supportive regulatory environment
- Barriers to entry



Source: Mortgage Bankers Association



Source: U.S. Census Bureau
* First time home buyers are represented as U.S. born citizens turning 34 in a given year



Source: Federal Reserve Bank of St. Louis – FRED Economic Data. April 2018 data reflects latest release as of 7/27/18

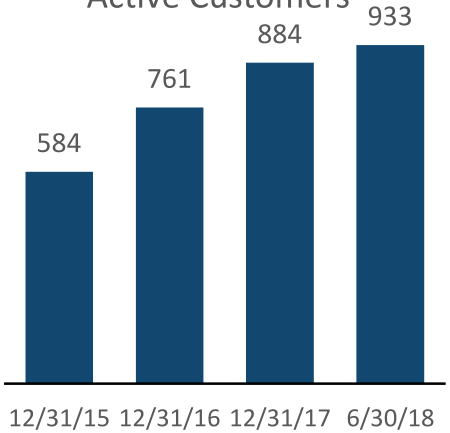
Significant Success to Date

NMI HOLDINGS, INC.

Winning with Customers

People	Certainty of Coverage
Ease & Efficiency of Interaction	Value-Add

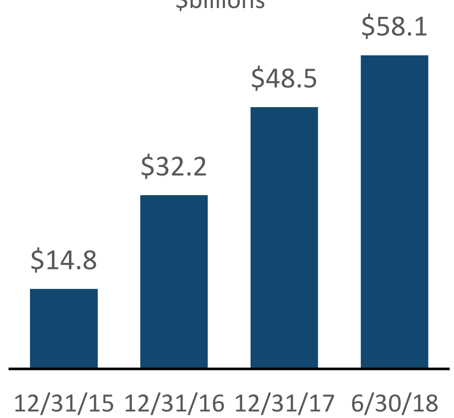
Active Customers



Building a High-Quality Portfolio

Primary Insurance-in-Force

$billions



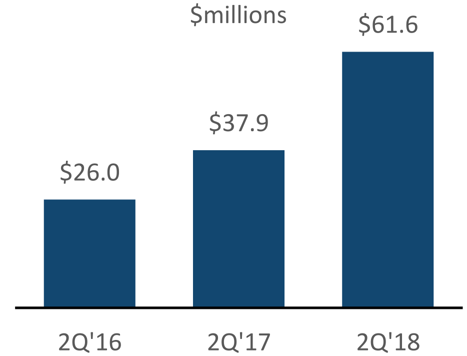
Portfolio characteristics*

- ✓ 749 WA FICO
- ✓ 91.6% WA origination LTV
- ✓ 83.3% WA current LTV
- ✓ Underwrite / validate more than our competitors

Delivering Strong Financial Results

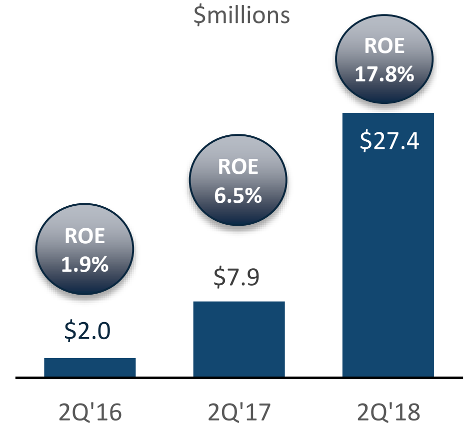
Premiums Earned

$millions



Adjusted Net Income (Loss)

$millions



Note: Adjusted net income and RoE are presented on a non-GAAP basis. Adjusted net income is adjusted for periodic costs incurred in connection with capital market transactions, impact of our Warrant Liability and investment gains and losses; Please refer to p.20 for reconciliation to our GAAP measures. * As of 6/30/18

Commitment to Risk Management

Comprehensive Risk Framework

- Board and management Risk Committees dictate policies
- Formal underwriting guidelines and portfolio concentration limits
- Rate GPS risk-based pricing framework
- Real time portfolio monitoring and stress testing
- Lender approval and monitoring
- Regulatory and rating agency oversight
- Comprehensive privacy protection and data security program

Portfolio Risk Management

Strong borrower credit profile

Strict underwriting standards, portfolio risk limits, and Rate GPS risk-based pricing

Individual loan level underwriting/validation

Risk transfer through quota share and ILN reinsurance

Regulatory guardrails on origination quality

Delivering Financial Success

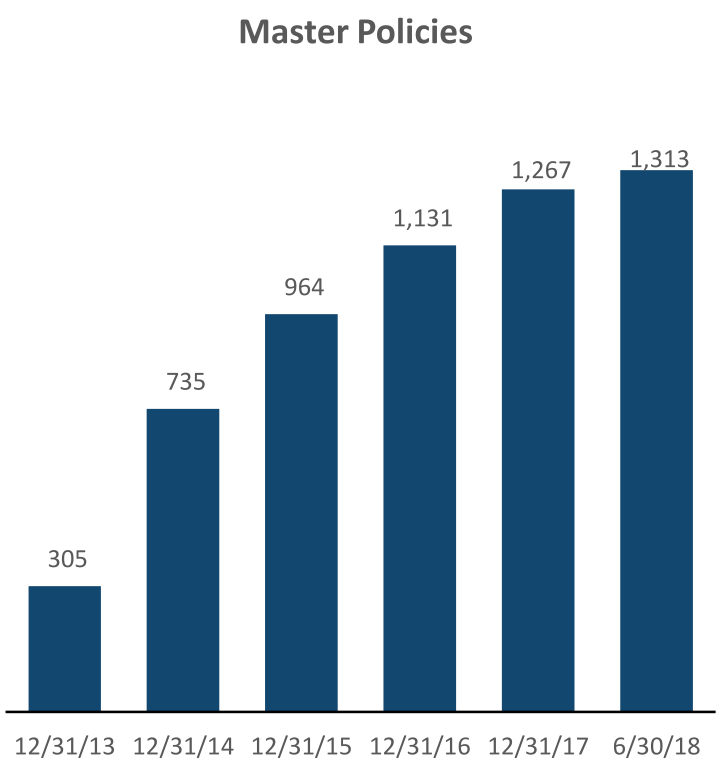
NMI HOLDINGS, INC.

✓ **Revenue**	$230million / 52% Y-o-Y growth
✓ **Adjusted net income***	$76 million vs. $24 million one-year ago
✓ **Adjusted return on equity***	18% Q2'18 annualized
✓ **Book value**	$630 million
✓ **Book value per share**	$9.58/share vs. $8.27/share one-year ago
✓ **Combined ratio**	48% / 30 point one-year improvement
✓ **Ratings (FSR)**	S&P: BBB- (OP), Moody's: Baa3 (OP)

Note: Data presented for the twelve months ended 6/30/18 unless otherwise noted; "one year ago" represents data as of or for the twelve month period ended 6/30/18; * Adjusted net income and adjusted return on equity are Non-GAAP measures. See non-GAAP reconciliation on p. 20.

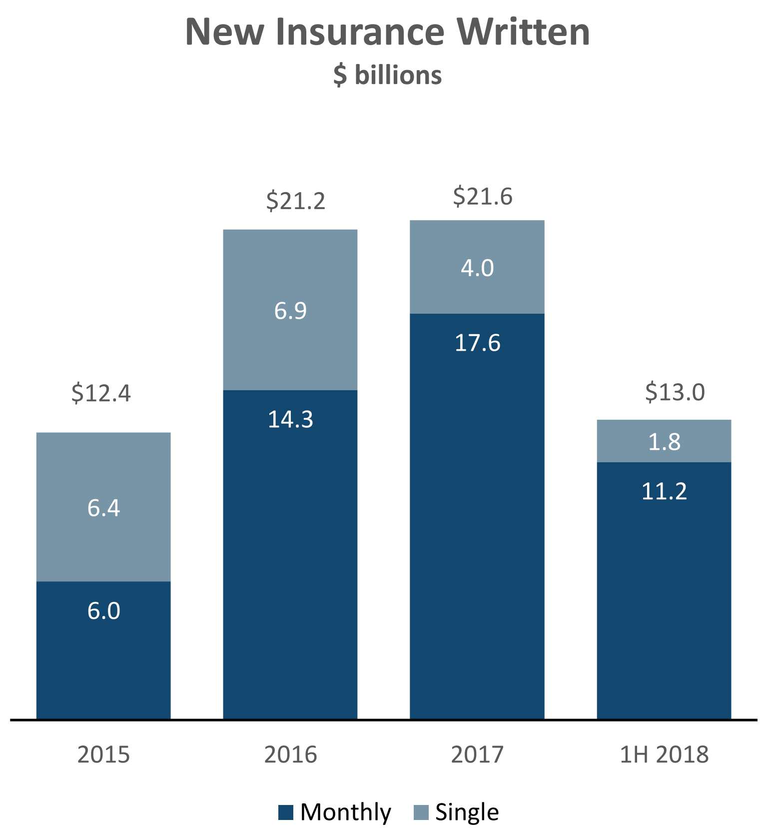
Winning with Customers

Growing and Broadening Our Customer Base



Note: Market data derived from Morstat and company estimates. Market access represents company estimate of annual NIW opportunity based on customers with an approved master policy.

Strong NIW Trajectory

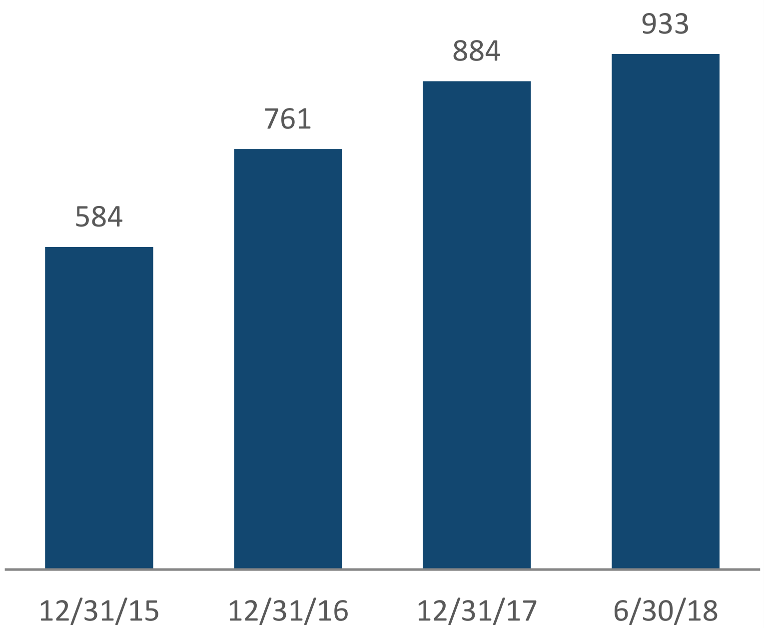


May not foot due to rounding

Sizeable Opportunity Ahead

Deepen Engagement with Existing Customers

~350 new lenders activated in last 2.5 years



Active Customer Relationships*

Activate New Customers

* Customers delivering an application on an ever-to-date basis

Notes: Lender data based on estimated MI opportunity using Geosegment System's MorstatMI data and company estimates.

- National MI's Rate GPS (Granular Pricing System) represents an evolution in MI industry pricing and risk selection
  - Aligns National MI's pricing strategy with its unique and industry-leading individual risk underwriting approach
  - Dynamically considers broad range of risk attributes including more granular 10-point credit score bands, debt-to-income (DTI) ratios, and other borrower, loan, and lender characteristics
  - ***Strong lender engagement -- to date, adopted by +95% of our lenders representing +80% of our volume***

For Borrowers

- ✓ Increased opportunity and support for qualified borrowers
- ✓ Rewards borrowers for managing their credit
- ✓ Tailored MI pricing based on unique profile

For Lenders

- ✓ Rewards the origination of high quality loans
- ✓ Provides same opportunity to all lenders regardless of size or profile
- ✓ Seamless transition with lenders' loan origination systems and current loan manufacturing practices

For National MI

- ✓ Risk-adjusted pricing granularity further supports mid-teens return objective
- ✓ Enhanced ability to tactically shape insured portfolio and manage risk profile
- ✓ Pricing framework that can quickly adapt to emerging risks across market cycles

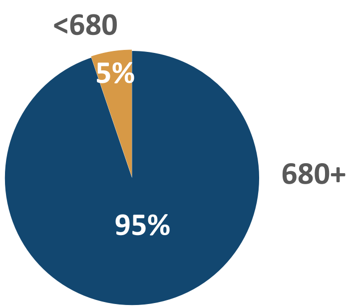
High-Quality and Fastest Growing Insured Portfolio

NMI HOLDINGS, INC.

Rigorous Underwriting Approach

- ✓ High credit quality by FICO and LTV
- ✓ Risk-based pricing
- ✓ Lender diversification
- ✓ Geographic diversification
- ✓ No aggressive product types
- ✓ Underwritten / validated ~75% of all policies

High Quality Insured Portfolio*

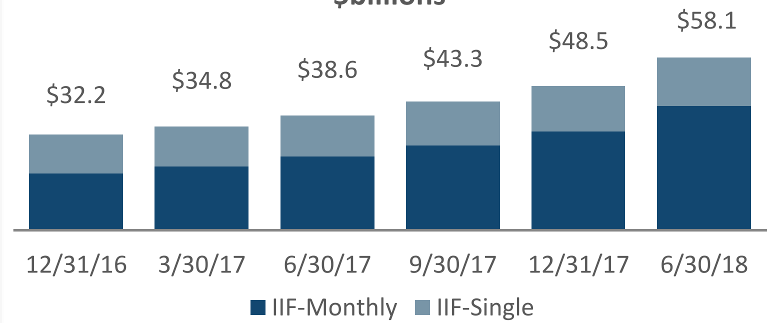


IIF By FICO score

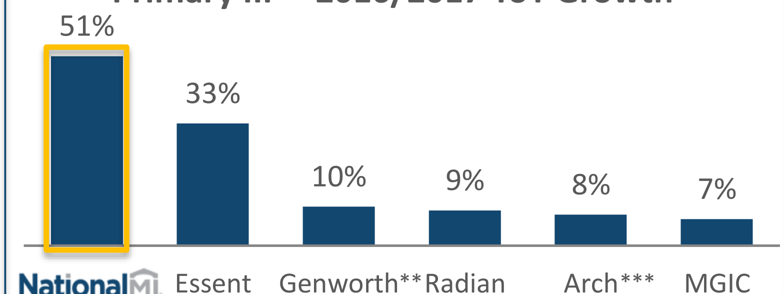
760+	47%
740-759	16%
720-739	14%
700-719	11%
680-699	7%
<679	5%

Fastest Growing Insured Portfolio in Private MI Industry

Primary Insurance-in-Force
$billions



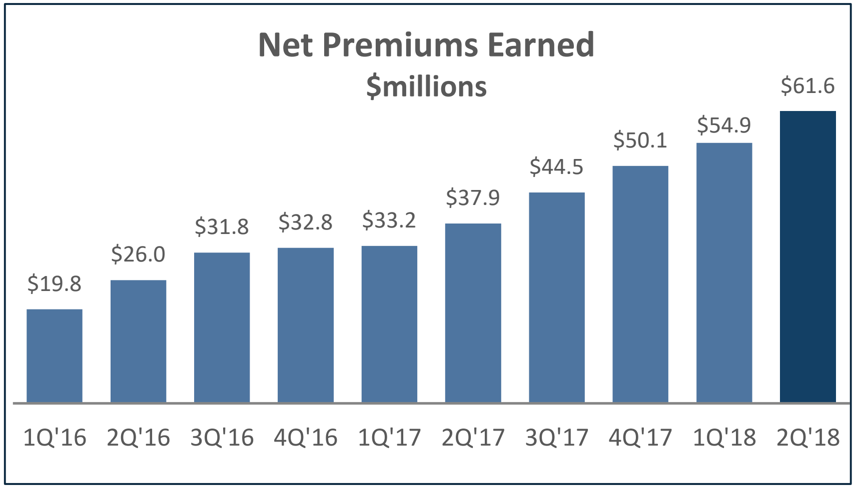
Primary IIF – 2016/2017 YoY Growth

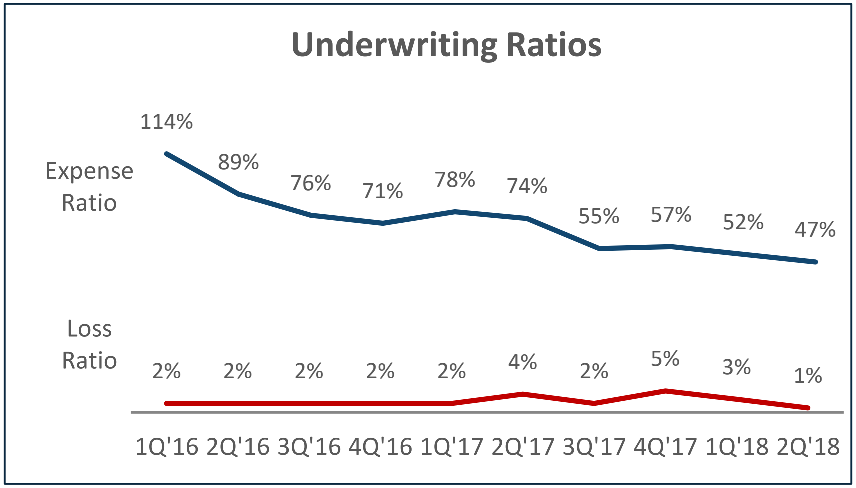


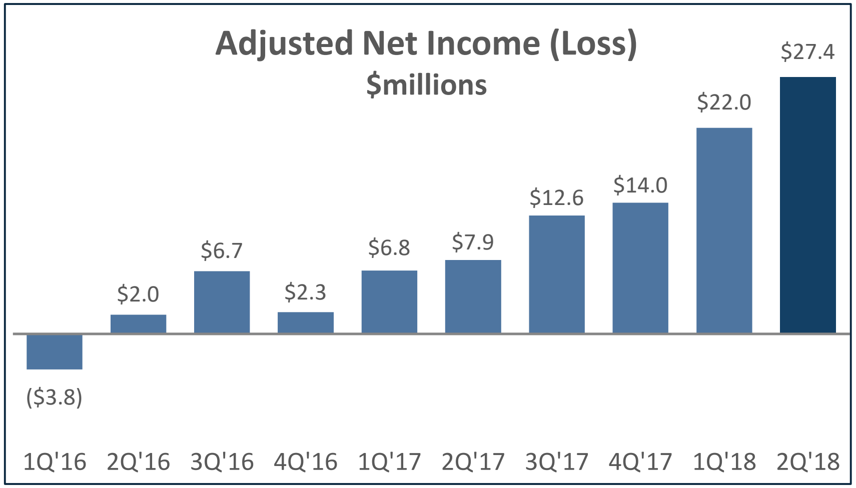
Note: Totals may not foot due to rounding; * Portfolio metrics as of 6/30/2018; ** Includes only U.S. Mortgage Insurance segment; *** Includes only Primary Mortgage Insurance

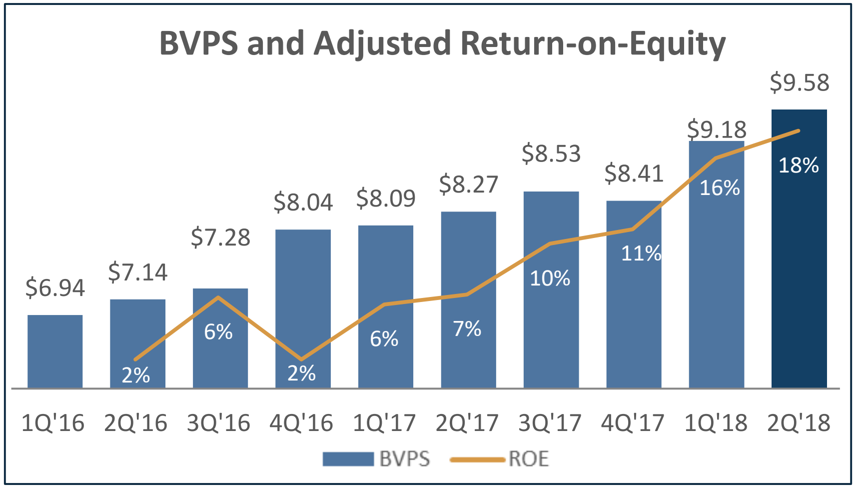
Delivering Results – Quarter-by-Quarter

NMI HOLDINGS, INC.









Note: Adjusted net income income (loss) and adjusted RoE are presented on a non-GAAP basis. Please refer to p.20 for reconciliation to our GAAP measure

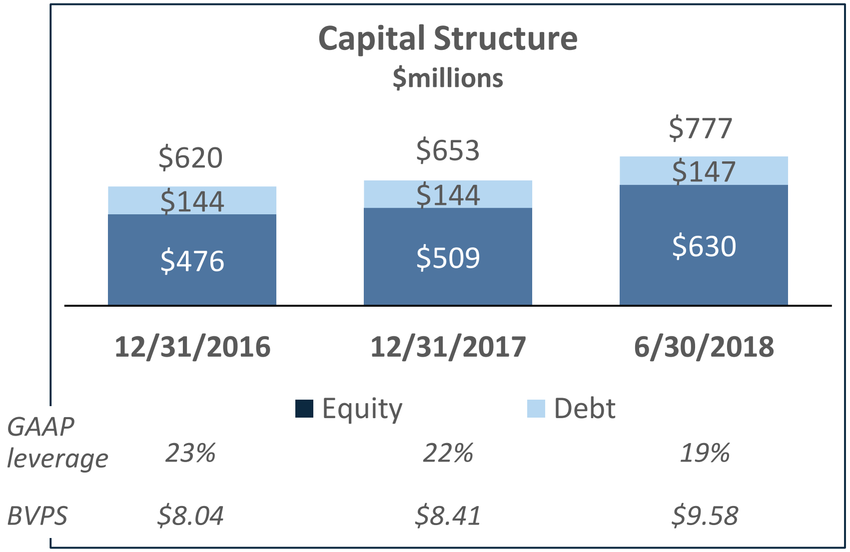
Financial “Sweet Spot”

National MI is at a “Sweet Spot” in its Financial Lifecycle

- High growth
  - Insurance-in-force and premiums
  - Net income and book value
- Operating leverage drives accelerating profitability
  - Premiums growing much faster than operating expenses
  - Low-to-mid single-digit loss ratios
- High returns
  - Delivering on potential of platform
  - Expecting to achieve strong mid-teens ROE for full year 2018
- High visibility
  - Existing book expected to drive majority of near-term financial performance

Solid, Conservative Balance Sheet

- ✓ **Strong liquidity profile and capital position**
  - $58mm holding company cash and investments as of 6/30/18
  - $630mm GAAP equity as of 6/30/18
- ✓ **Access to broad spectrum of capital alternatives**
  - Common equity raise, Insurance Linked Notes, Term Loan, Revolving Credit Facility
  - Reinsurance with highly rated panel to support growth and limit losses
- ✓ **High quality insured portfolio**
  - 749 WA FICO, 83.3% WA LTV as of 6/30/18
- ✓ **Conservative investment portfolio**
  - Average rating of A
  - Duration of 3.63 as of 6/30/18



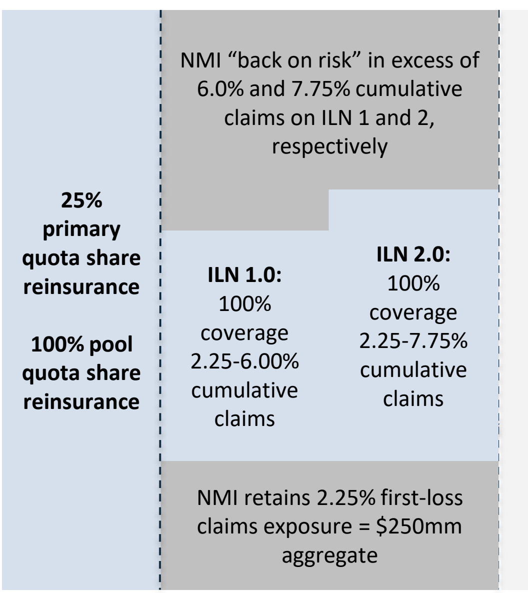
$millions	12/31/16	12/31/17	Adj* 6/30/18
Available assets	$454	$528	$653
Required assets	367	446	322
PMIERs excess	*$87*	*$82*	*$331*
PMIERs cushion	*23.7%*	*18.4%*	*102.8%*

* Pro Forma to reflect $265 million benefit of Insurance Linked Note transaction executed in July 2018.

Reinsurance provides significant loss mitigation benefits

- NMI's comprehensive reinsurance program provides significant loss mitigation benefits in a downside stress scenario → "ring fences" our aggregate exposure under most realistic stress events and dramatically limits tail risk
- Following completion of ILN 2.0, we have reinsured nearly 100% of our in-force portfolio
  - 2016 QSR and 2018 QSR provide "first dollar" loss protection on approximately 25% of our primary portfolio and 100% of our pool portfolio
  - 2018 and 2018 ILN transactions provide excess-of-loss protection on approximately 75% of our primary portfolio

Reinsurance "tower"

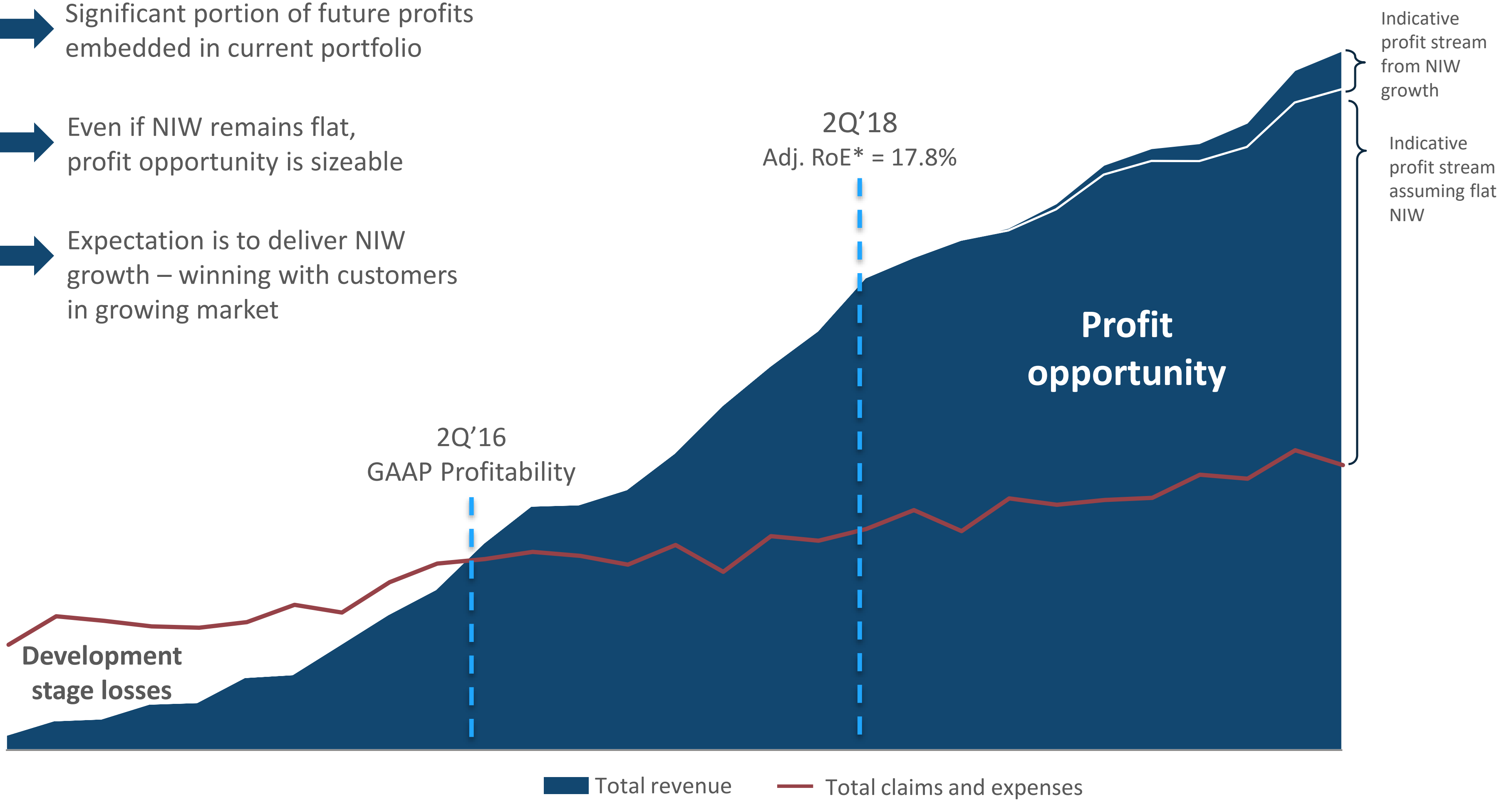


Illustrative "lifetime" losses

A	Insurance in-force	$58.1 bn	@ June 30th
B	Net yield	44.2 bps	
C	Remaining weighted average life	4.0 years	
D	Remaining "lifetime" premiums	$1,027 mm	A x B x C
E	Cumulative claims rate in stress scenario	6.0%	
F	Performing portfolio in stress scenario	94.0%	1 – E
G	"Remaining" lifetime premiums in stress scenario	$966 mm	D x G
H	Insurance in-force	$58.1 bn	
I	Coverage %	25.0%	
J	Gross RIF	$14.5 bn	H x I
K	QS cession	25.0%	
L	Net RIF	$10.9 bn	J x K
M	ILN first loss retention	2.25%	
N	Expected losses in stress scenario	$245 mm	L x M
O	Implied "lifetime loss ratio"	25.4%	N ÷ G

Profit Potential is Significant and Highly Visible

- Significant portion of future profits embedded in current portfolio
- Even if NIW remains flat, profit opportunity is sizeable
- Expectation is to deliver NIW growth – winning with customers in growing market



Not a forecast. For illustrative purposes only. Actual results may differ. *Adjusted RoE is a non-GAAP measure; refer to non-GAAP reconciliation on page 20.

Well Positioned for Continued Success

Solid foundation

- ✓ Experienced, deep management team
- ✓ Innovative terms of coverage
- ✓ Modern IT platform

Customer penetration

- ✓ Strong and growing lender relationships
- ✓ Sizeable remaining opportunity - increasing wallet share from existing customers and activate new accounts

Rigorous risk management

- ✓ High-quality insured portfolio
- ✓ Broadest-based underwriting approach of any MI

Conservative balance sheet and strong liquidity position

- ✓ $322mm PMIERs excess at 6/30/18 (102.8% "cushion")*
- ✓ 19% GAAP financial leverage at 6/30/18
- ✓ Proven access to multiple sources of growth capital
- ✓ $58mm HoldCo cash and investments as of 6/30/18

Attractive risk-adjusted returns

- ✓ 18% 2Q'18 adjusted ROE**
- ✓ Expect to deliver strong mid-teens ROE for 2018
- ✓ Embedded operating leverage drives accelerating results
- ✓ Significant and visible profit potential

* Pro Forma to reflect $265 million benefit of Insurance Linked Note transaction executed in July 2018. **Adjusted RoE is a non-GAAP measure; refer to page 20 for non-GAAP reconciliation.

Appendix

Financial Highlights and Non-GAAP Reconciliation

NMI HOLDINGS, INC.

($ in thousands, except per share values)	First Quarter 3/31/2016	Second Quarter 6/30/2016	Third Quarter 9/30/2016	Fourth Quarter 12/31/2016	First Quarter 3/31/2017	Second Quarter 6/30/2017	Third Quarter 9/30/2017	Fourth Quarter 12/31/2017	First Quarter 3/31/2018	Second Quarter 6/30/2018
As Reported:										
Revenues										
Net premiums earned	$ 19,807	$ 26,041	$ 31,808	$ 32,825	$ 33,225	$ 37,917	$ 44,519	$ 50,079	$ 54,914	$ 61,615
Net investment Income	3,231	3,342	3,544	3,634	3,807	3,908	4,170	4,388	4,574	5,735
Net realized investment gains (losses)	(885)	61	66	65	(58)	188	69	9	-	59
Other revenues	32	37	102	105	80	185	195	62	64	44
Total revenues	**$ 22,185**	**$ 29,481**	**$ 35,520**	**$ 36,629**	**$ 37,054**	**$ 42,198**	**$ 48,953**	**$ 54,538**	**$ 59,552**	**$ 67,453**
Insurance claims and claims expenses	$ 458	$ 470	$ 664	$ 800	$ 635	$ 1,373	$ 957	$ 2,374	$ 1,569	$ 643
Underwriting and operating expenses	22,671	23,234	24,037	23,281	25,989	28,048	24,645	28,297	28,453	29,020
Gain (loss) from change in fair value of warrant liability	669	(59)	(797)	(1,713)	(196)	19	(502)	(3,426)	420	109
Interest expense	(3,632)	(3,707)	(3,733)	(3,777)	(3,494)	(3,300)	(3,352)	(3,382)	(3,419)	(5,560)
Income before income taxes	**$ (3,907)**	**$ 2,011**	**$ 6,289**	**$ 7,059**	**$ 6,740**	**$ 9,496**	**$ 19,497**	**$ 17,059**	**$ 26,531**	**$ 32,339**
Income tax expense (benefit)	-	-	114	(52,663)	1,248	3,484	7,185	18,825	4,176	7,098
Net income	**$ (3,907)**	**$ 2,011**	**$ 6,175**	**$ 59,722**	**$ 5,492**	**$ 6,012**	**$ 12,312**	**$ (1,766)**	**$ 22,355**	**$ 25,241**
Adjustments:										
(Gain) loss from change in fair value of warrant liability	$ (669)	$ 59	$ 797	$ 1,713	$ 196	$ (19)	$ 502	$ 3,426	$ (420)	$ (109)
Capital markets transaction costs	-	-	-	-	1,711	3,105	-	-	-	2,921
Net realized investment (gains) losses	885	(61)	(66)	(65)	58	(188)	(69)	(9)	-	(59)
Adjusted Income before income taxes	**$ (3,691)**	**$ 2,009**	**$ 7,020**	**$ 8,707**	**$ 8,705**	**$ 12,394**	**$ 19,930**	**$ 20,476**	**$ 26,111**	**$ 35,092**
Income tax expense (benefit) on adjustments	$ 76	$ (1)	$ 256	$ 577	$ 688	$ 1,014	$ 152	$ 1,196	$ (88)	$ 578
Deferred tax (expense) benefit adjustments	-	-	-	58,535	-	-	-	(13,554)	-	-
Adjusted Net income	**$ (3,767)**	**$ 2,010**	**$ 6,650**	**$ 2,258**	**$ 6,769**	**$ 7,896**	**$ 12,593**	**$ 14,009**	**$ 22,023**	**$ 27,416**
Weighted average diluted shares outstanding – Reported	58,937	59,831	60,285	61,229	62,339	63,010	63,089	60,219	65,697	68,616
Dilutive effect of non-vested shares and warrants	-	-	-	-	-	-	-	3,449	-	-
Weighted average diluted shares outstanding – Adjusted	**58,937**	**59,831**	**60,285**	**61,229**	**62,339**	**63,010**	**63,089**	**63,668**	**65,697**	**68,616**
Diluted EPS – Reported	$ (0.07)	$ 0.03	$ 0.10	$ 0.98	$ 0.09	$ 0.10	$ 0.20	$ (0.03)	$ 0.34	$ 0.37
Diluted EPS – Adjusted	$ (0.06)	$ 0.03	$ 0.11	$ 0.04	$ 0.11	$ 0.13	$ 0.20	$ 0.22	$ 0.34	$ 0.40
Shareholders' equity	$ 410,058	$ 422,435	$ 430,269	$ 475,509	$ 483,909	$ 495,040	$ 511,025	$ 509,077	$ 601,944	$ 629,642
Return on equity – Reported	(3.8%)	1.9%	5.8%	52.7%	4.6%	4.9%	9.8%	(1.4%)	16.1%	16.4%
Return on equity – Adjusted	(3.7%)	1.9%	6.2%	2.0%	5.6%	6.5%	10.0%	11.0%	15.9%	17.8%
Expense ratio - Reported	114%	89%	76%	71%	78%	74%	55%	57%	52%	47%
Expense ratio - Adjusted	114%	89%	76%	71%	73%	66%	55%	57%	52%	42%
Loss ratio - Reported and Adjusted	2%	2%	2%	2%	2%	4%	2%	5%	3%	1%

Use of Non-GAAP Financial Measures

NMI HOLDINGS, INC.

We believe that use of the non-GAAP measures of adjusted pre-tax income, adjusted net income, adjusted net income per share and adjusted return-on-equity facilitate the evaluation of our fundamental financial performance, thereby providing relevant information to investors. These non-GAAP financial measures align with the way the company's business performance is evaluated by management. These measures are not recognized in accordance with GAAP and should not be viewed as alternatives to GAAP measures of performance. These measures have been established in order to increase transparency for the purposes of evaluating our fundamental operating trends and enabling more meaningful comparisons with our peers.

Adjusted pre-tax income is defined as GAAP income before tax, excluding the effects of the gain or loss related to the change in fair value of our warrant liability, periodic costs incurred in connection with capital markets transactions and net realized gains or losses from our investment portfolio.

Adjusted net income is defined as GAAP net income excluding the after-tax effects of the gain or loss related to the change in fair value of our warrant liability, periodic costs incurred in connection with capital markets transactions, net realized gains or losses from our investment portfolio, and discrete, non-recurring and non-operating costs in the periods in which such costs are incurred. Adjustments to components of pre-tax income are tax effected using the applicable federal statutory tax rate for the respective periods.

Adjusted net income per diluted share is calculated in a manner consistent with the accounting standard regarding earnings per share by dividing (i) adjusted net income by (ii) diluted weighted average common shares outstanding, which includes shares of common stock that would be issuable upon the vesting of service based RSUs, exercise of vested and unvested stock options, and outstanding warrants.

Adjusted return-on-equity is calculated by dividing the adjusted income on an annualized basis by the average shareholders’ equity for the period.

Although adjusted pre-tax income and adjusted net income exclude certain items that have occurred in the past and are expected to occur in the future, the excluded items are: (1) not viewed as part of the operating performance of our primary activities; or (2) impacted by market, economic or regulatory factors and are not necessarily indicative of operating trends, or both. These adjustments, along with the reasons for their treatment, are described below. Trends in the profitability of our fundamental operating activities can be more clearly identified by adjusting for fluctuations in these items. Other companies may calculate these measures differently. Therefore, their measures may not be comparable to those used by us.

(1) Change in fair value of warrant liability. Outstanding warrants at the end of each reporting period are revalued, and any change in fair value is reported in the statements of operations in the period in which the change occurred. The change in the fair value of our warrant liability can vary significantly across periods and is influenced principally by equity market and general economic factors which may not impact or reflect our current period operating results. Trends in our operating performance can be more clearly identified without the fluctuations of the change in fair value of our warrant liability.

(2) Capital markets transaction costs. Capital markets transaction costs result from discretionary activities that are undertaken to improve our debt profile or enhance our capital position through activities such as debt refinancing and capital markets reinsurance transactions.

(3) Net realized investment gains and losses. The recognition of net realized investment gains or losses can vary significantly across periods as the timing of specific securities sold is highly discretionary and is influenced by factors such as market opportunities, tax and capital profile, and overall market cycles.

(4) Infrequent or unusual non-operating items. Income Statement items occurring separately from operating earnings that are not expected to recur in the future. They are the result of unforeseen or uncommon events. Exclusion of these items provides clarity about the impact of special or rare circumstances on current financial performance. An example is income tax expense adjustments due to a re-measurement of the net deferred tax assets in connection with tax reform, which are non-recurring in nature and are not part of our primary operating activities.