



CUSTOMIZED SOLUTIONS. QUALITY SERVICE.

DATA SHEET 2017

May 2017

State National Companies, Inc. (NASDAQ: SNC) is a leading specialty provider of property and casualty insurance services operating in two niche markets across the United States. In its Lender Services segment, the Company specializes in providing Collateral Protection Insurance (CPI), which insures personal autos and other vehicles held as collateral for loans made by credit unions, banks and specialty finance companies. In its Program Services segment, the Company leverages its “A” (Excellent) A.M. Best rating, expansive licenses and reputation to provide access to the U.S. property and casualty insurance market in exchange for ceding fees.

INVESTMENT HIGHLIGHTS

- Unique business model with mid to high-teen ROE
- Favorable conditions for growth with excess capital in the property and casualty industry
- Significant barriers to entry with limited competition
- Strong capital base with limited underwriting exposure
- Experienced management team with significant ownership
- Collateral held averages 136% of secured reinsurance recoverables with a minimum of 100%
- No reinsurance recoverable losses in our history
- Low combined ratio and low volatility in Lender Services

BUSINESS OVERVIEW

We are a specialty insurance business that operates in two distinct segments:

- Lender Services provides solutions to lending institutions to insure collateral when borrowers fail to maintain adequate insurance coverage.
- Program Services provides fronting to general agents and insurance carriers that lack adequate ratings or licenses and, in turn, pay us ceding fees averaging over 5%.

We have produced a 28+ year track record of profitability and have held an “A” rating from A.M. Best since 1993. Since being founded in 1973 by the Ledbetter family, we have grown our business organically and through strategic relationships.

COMPETITIVE ADVANTAGE

- Operates a capital efficient business model: over 70% of our pre-tax income for 2016 is from our fee-based Program Services business
- Produced an attractive ROE of 17.5% for the year ended December 31, 2016
- Established strong market position over the last 40 years

SIGNIFICANT BARRIERS TO ENTRY

- **Significant Relationships** – Numerous producer and capacity provider relationships; Over 600 Lender Services’ clients; CUNA Mutual alliance
- **Extensive Credit and Underwriting Expertise** – Methodologies developed since 1970s; Historically profitable across market cycles
- **Strong Track Record** – Over \$13B of reinsured premium with no reinsurance recoverable losses; 28+ year track record of profitability; “A” rating from A.M. Best since 1993
- **Proprietary Lender Services Technology** – InsurTrak, an organically grown and proprietary insurance tracking system; Developed and maintained internally; Efficient and technologically advanced CPI platform

LENDER SERVICES SEGMENT

- Diversified customer relationships - Over 600 customers and tracking over 6 million loans
- Significant new account sales
- Organic growth at the individual account level with significant automobile sales and higher average loan balances

	NET WRITTEN PREMIUMS	NET EARNED PREMIUMS
2016	\$132.6 mm	\$129.7 mm
2015	\$120.5 mm	\$118.1 mm
Growth	10%	10%
Q1 2016	\$27.0 mm	\$31.7 mm
Q1 2017	\$33.8 mm	\$36.5 mm
Growth	25.2%	15.3%

PROGRAM SERVICES SEGMENT

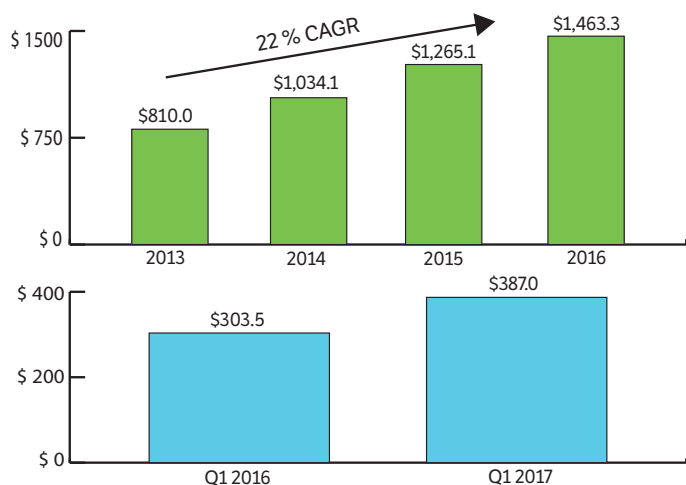
- Industry leader; The only fronting provider with decades of experience
- Preferred conduit between distribution and capital in the property and casualty market
- Virtually no underwriting risk retention
- Disciplined credit underwriting process, which has produced over \$13B in reinsured premium in the last 28 years with no reinsurance recoverable losses
- Expanding customer base that is diverse with regard to business type, size, and relationship tenure

	GROSS WRITTEN PREMIUMS	NET EARNED PREMIUMS	CEDING FEES
2016	\$1,301.8 mm	No retention of underwriting risk	\$73.3 mm
2015	\$1,119.1 mm		\$68.0 mm
Growth	16%		8%
Q1 2016	\$271.0 mm		\$16.2 mm
Q1 2017	\$345.0 mm		\$17.6 mm
Growth	27.3%		8.6%

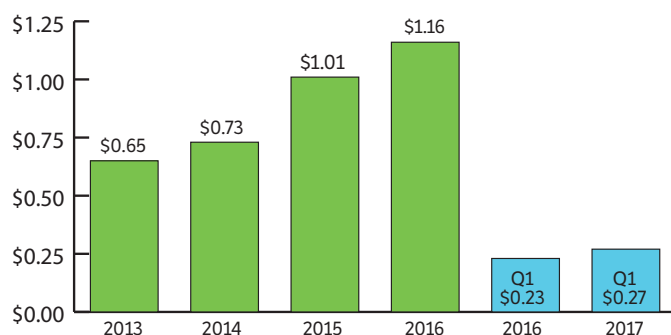
2017 OUTLOOK

Diluted Earnings Per Share: \$1.18 - \$1.26

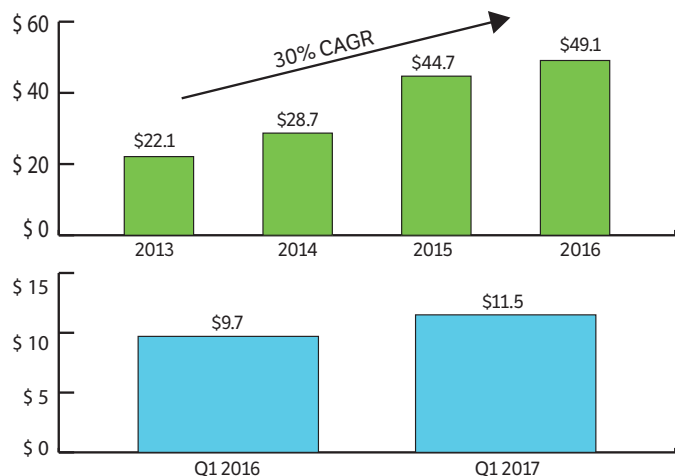
GROSS WRITTEN PREMIUM (\$ IN MM)



ADJUSTED EARNINGS PER SHARE (DILUTED)



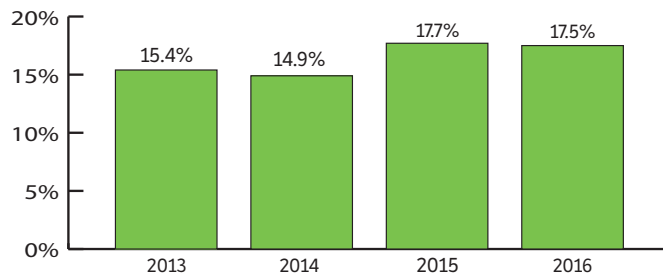
ADJUSTED NET INCOME (\$ IN MM)



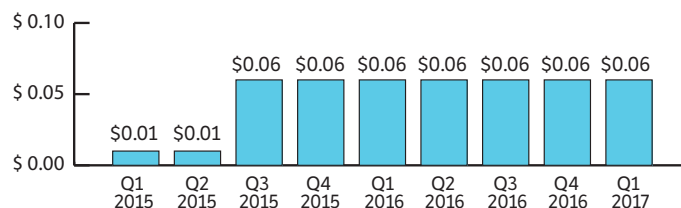
STOCK DATA – NASDAQ: SNC (AS OF MAY 8, 2017) *

Fiscal Year-End:	31-Dec
52-Week Range:	\$9.90 - \$15.29
Market Capitalization:	\$630.1
Average Daily Volume (L3M)	127,252

ADJUSTED AFTER-TAX RETURN ON EQUITY



QUARTERLY DIVIDENDS



SHARE REPURCHASES (IN THOUSANDS)	NUMBER OF SHARES	TOTAL PURCHASES (\$)**	AVERAGE PRICE/SHARE (\$)**
Shares purchased in 2015	1,789	17,257	9.65
Shares purchased in 2016	969	10,031	10.35
Shares purchased in 2017 as of March 31, 2017	0	0	0
Total	2,758	27,288	9.89

Reconciliations to 2013 and 2014 adjusted numbers can be found on the back page of this document. There were no adjustments requiring reconciliation for 2015 or 2016.

* Source: Yahoo Finance, May 8, 2017

** Includes broker commissions

READER ADVISORY AND FORWARD LOOKING STATEMENTS

This Data Sheet is presented as a brief company overview for the information of investors, analysts and other parties with an interest in the Company. State National Companies' management hopes that this Data Sheet will encourage analysts and investors to investigate more about the Company through its Securities and Exchange Commission filings, press releases and other public materials. This Data Sheet does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company. This Data Sheet contains certain forward-looking statements regarding the Company's strategy, initiatives and expected performance. These statements are based on the Company's current expectations as to the outcome and timing of future events. All statements, other than statements of historical facts, including all statements regarding the Company's strategy, initiatives and future performance, that address activities or results that the Company plans, expects, believes, projects, estimates or anticipates will, should or may occur in the future, including future financial or operating results, are forward-looking statements. Actual results for future periods may differ materially from those expressed or implied by these forward-looking statements due to a number of uncertainties and other factors, including operating risks, liquidity risks, legislative or regulatory developments, market factors or current or future litigation. State National Companies' Annual Report on Form 10-K for the year ended December 31, 2016 and our other filings with the Securities and Exchange Commission can be obtained at no charge at www.sec.gov, as well as through our website at www.statenational.com. This Data Sheet does not purport to be all-inclusive or to contain all of the information that a reader may desire regarding the structure or the affairs of the Company. The information contained in this Data Sheet is only current as of May 8, 2017 and the Company undertakes no obligation to update this Data Sheet.

There were no adjustments requiring reconciliation for 2015 or 2016.

ADJUSTED NET INCOME (\$ IN THOUSANDS)	YEAR ENDED DECEMBER 31,	
	2014	2013
Adjusted net income	\$ 28,683	\$ 22,084
RECONCILIATION OF ADJUSTED NET INCOME:		
Net income	\$ 11,013	\$ 22,711
Plus (less): Provision for income taxes to reflect change to C corporation status (4)	4,090	(6,938)
Less: Recognition of deferred tax asset upon conversion to C corporation (5)	14,279	--
Plus: Founder special compensation (1)	17,914	10,202
Plus: Offering-related expenses (2)	8,833	--
Plus: Contract modification expense (3)	17,800	--
Plus: Tax effect of non-GAAP expense adjustments (6)	(16,688)	(3,891)
Adjusted net income	\$ 28,683	\$ 22,084

ADJUSTED DILUTED EARNINGS PER SHARE	YEAR ENDED DECEMBER 31,	
	2014	2013
Adjusted diluted earnings per share	\$ 0.73	\$ 0.65
RECONCILIATION OF ADJUSTED DILUTED EARNINGS PER SHARE:		
Net income	\$ 0.28	\$ 0.66
Plus (less): Provision for income taxes to reflect change to C corporation status (4)	0.11	(0.19)
Less: Recognition of deferred tax asset upon conversion to C corporation (5)	0.36	--
Plus: Founder special compensation (1)	0.45	0.29
Plus: Offering-related expenses (2)	0.23	--
Plus: Contract modification expense (3)	0.45	--
Plus: Tax effect of non-GAAP expense adjustments (6)	(0.43)	(0.11)
Adjusted diluted earnings per share	\$ 0.73	\$ 0.65

ADJUSTED RETURN ON EQUITY	YEAR ENDED DECEMBER 31,	
	2014	2013
Adjusted return on equity	14.9%	15.4%
RECONCILIATION OF ADJUSTED RETURN ON EQUITY:		
Net income	5.7%	15.8%
Plus (less): Provision for income taxes to reflect change to C corporation status (4)	2.1%	(4.8%)
Less: Recognition of deferred tax asset upon conversion to C corporation (5)	7.4%	--
Plus: Founder special compensation (1)	9.3%	71%
Plus: Offering-related expenses (2)	4.6%	--
Plus: Contract modification expense (3)	9.3%	--
Plus: Tax effect of non-GAAP expense adjustments (6)	(8.7%)	(2.7%)
Adjusted return on equity	14.9%	15.4%

- (1) Prior to the completion of the private placement in June 2014, we made special compensation payments to our co-founders in recognition of their service to our Company. We refer to these payments as "founder special compensation." Following the completion of the private placement, we ceased paying founder special compensation.
- (2) Offering-related expenses are non-recurring expenses related to the Company's private placement of common stock.
- (3) In connection with the 2014 amendment to the alliance agreement with CUNA Mutual, we paid CUNA Mutual \$17.8 million. As a result, we recorded non-recurring contract modification expense of \$17.8 million.
- (4) Upon the completion of the private placement, our parent company's status as a Subchapter S corporation terminated and our consolidated income became fully subject to U.S. federal income taxes. This adjustment represents estimated income taxes as if the Company had been treated as a C Corporation for each period presented.
- (5) As a result of the Company's conversion to a C Corporation, the deferred tax asset increased by approximately \$14.3 million primarily due to the effects of eliminating deferred tax balances on the insurance subsidiaries related to intercompany transactions. This excludes the tax effect related to contract modification expense of \$6.7 million.
- (6) Tax effect of founder special compensation, offering-related expenses, and contract modification expense adjustments using the effective tax rate for each period presented.