



NMI Holdings, Inc. (NMIH)

Investor Presentation

August 2017

Cautionary Note Regarding Forward-Looking Statements

This presentation contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995 (PSLRA). The PSLRA provides a “safe harbor” for any forward-looking statements. 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 only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that may turn out to be inaccurate and could cause actual results to differ materially from those expressed in them. Many risks and uncertainties are inherent in our industry and markets. Others are more specific to our business and operations. You are, therefore, cautioned not to place undue reliance on such statements, which speaks only as of the date on which it is made, and we undertake no obligation to publicly 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 the GSEs that may impact the use of private mortgage insurance as credit enhancement; our ability to remain an eligible mortgage insurer under the PMIERS, including the financial requirements, and other requirements of 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 governmental agencies like the Federal Housing Administration (FHA) and the Veterans Administration (VA), and potential market entry by new competitors or consolidation of existing competitors; developments in the world's financial and capital markets and our access to such markets, including reinsurance; 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 or other changes that could affect the residential mortgage industry generally or mortgage insurance in particular; potential future lawsuits, investigations or inquiries or resolution of current lawsuits or inquiries; changes in general economic, market and political conditions and policies, interest rates, inflation and investment results 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 market 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 risk management or pricing or investment strategies; emergence of unexpected claims and coverage issues, including claims exceeding our reserves or amounts we expected to experience; the inability of our counter-parties, 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 technology providers to perform; ability to recruit, train and retain key personnel; and general economic downturns and volatility.

For additional discussion of those risks and uncertainties that have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner, you should review the Risk Factors in Part I, Item IA, of our Annual Report on 10-K for the year ended December 31, 2016, as subsequently updated on other reports we file from time to time with the U.S. Securities and Exchange Commission.

Presenters

Adam Pollitzer

Executive Vice President, Chief Financial Officer

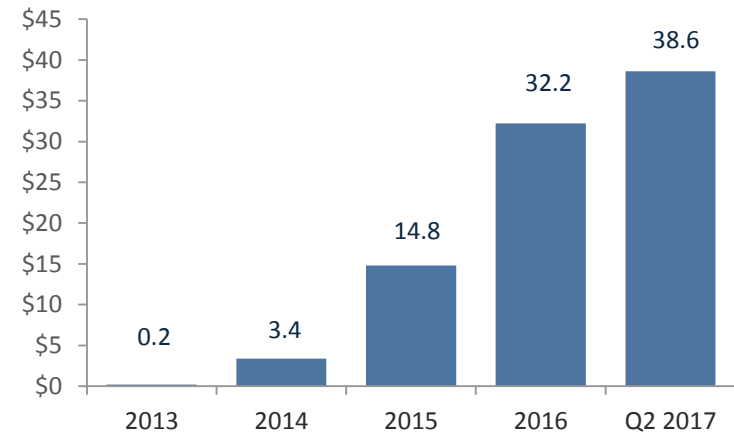
John Swenson

Vice President, Investor Relations and Treasury

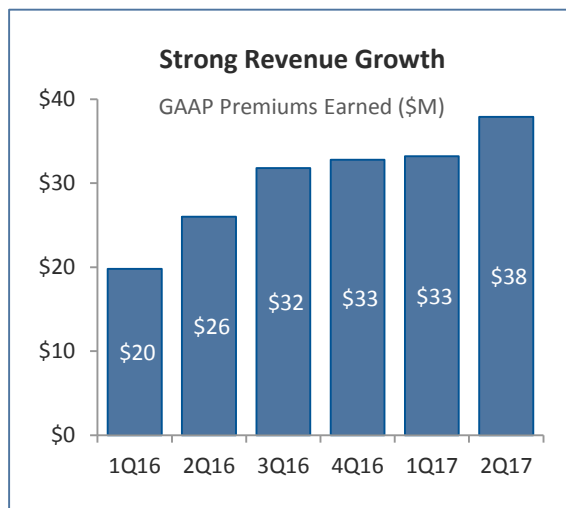
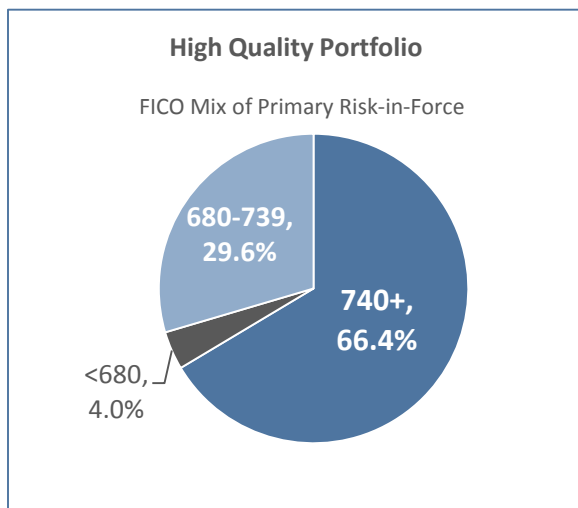
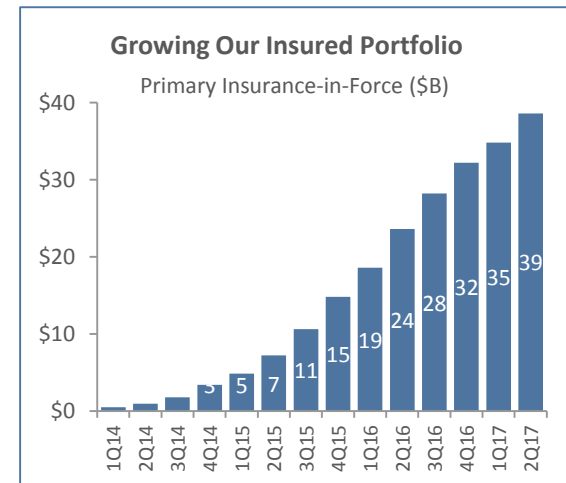
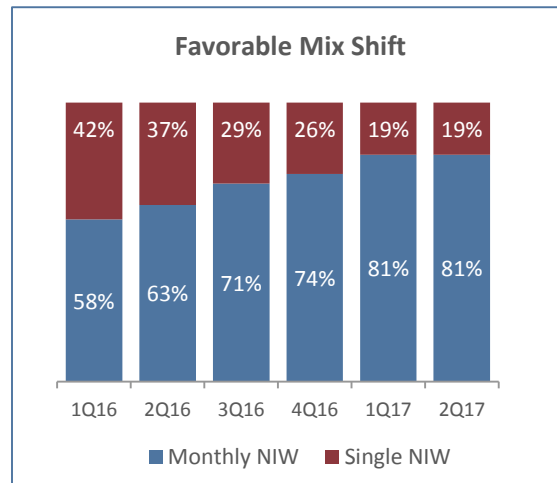
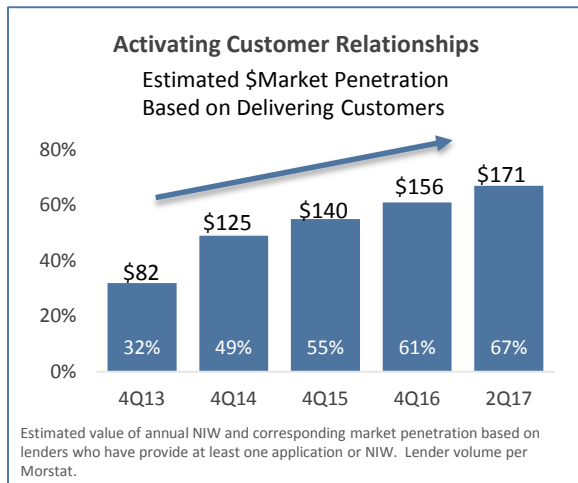
Company Overview

- Solid foundation
 - Founded in 2012
 - ~300 employees, including 58-person national salesforce across all 50 states
 - Primary operating subsidiary, National Mortgage Insurance Corp., has a financial strength rating of BBB- by S&P, Ba1 by Moody's
- Differentiated business model
 - Focus on customer service
 - Innovative terms of coverage
 - No legacy risk
- Significant and growing market penetration
 - Master policies with 1,203 lender customers – growing every week
- Growing portfolio of high-quality mortgage insurance
 - \$39 billion primary Insurance in Force (“IIF”) as of 6/30/17
 - Weighted average FICO of risk-in-force for the quarter ended 6/30/17 was 752

NMI Growth in Insurance In-Force (\$bn)



Significant Success to Date

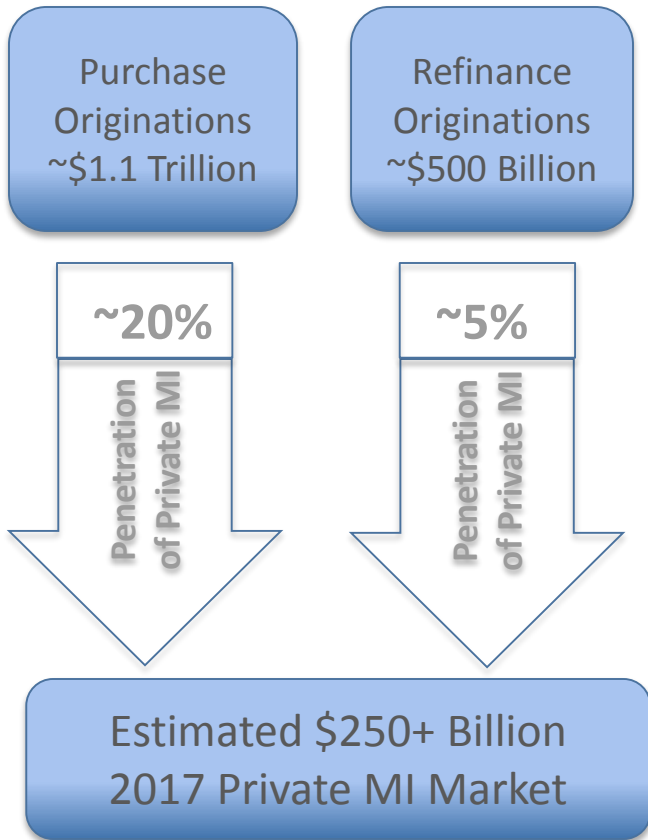


- ### Balance Sheet Strength
- Book value of \$495M, equal to \$8.27 per share as of 6/30/17
 - \$150M Term Loan maturing November 2019
 - 2016 Quota Share reinsurance through panel of 6 reinsurers
 - 2017 Insurance-Linked Notes issuance providing significant capital relief at estimated 3% cost of capital
 - \$187 million excess PMIERS assets after benefit of insurance-linked notes

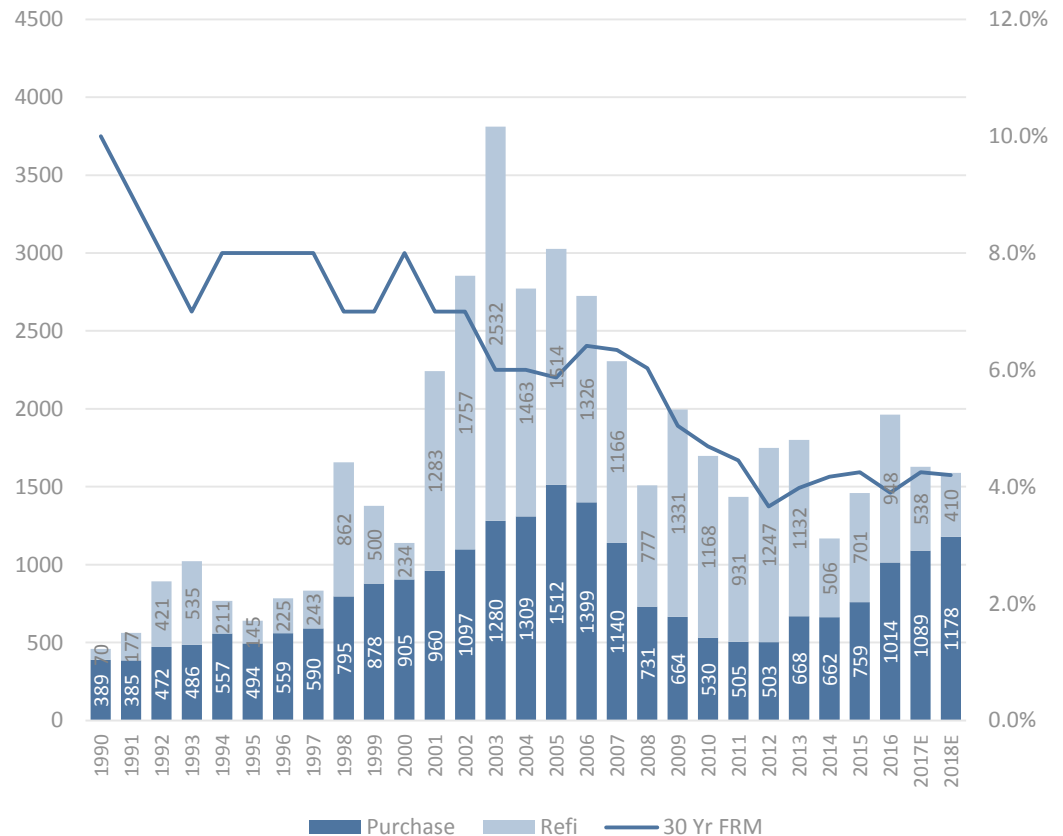
Current Market Drivers

- Interest Rates
 - Current ~4.00% 30-year mortgage supports a vibrant and growing purchase market; we have seen stronger purchase markets in higher rate environments
 - Run-up in rates post-election dampening refinance activity after robust 2016
- Demographics and Supply/Demand Imbalance
 - Millennials entering First-Time Home Buyer cohort in record numbers
 - Tight supply creating pent-up demand for entry-level housing stock
- Improving Government/Regulatory Backdrop
 - New administration is biased toward increasing opportunities for private capital to step in front of taxpayer risk
 - Reduced competitive threat from FHA
- Industry Consolidation
 - Pending acquisition of Genworth by China Oceanwide leading to counterparty concerns among lenders
 - Arch/United Guaranty merger expected to lead to redistribution of market share among other 5 market players

Mortgage Insurance Market Overview



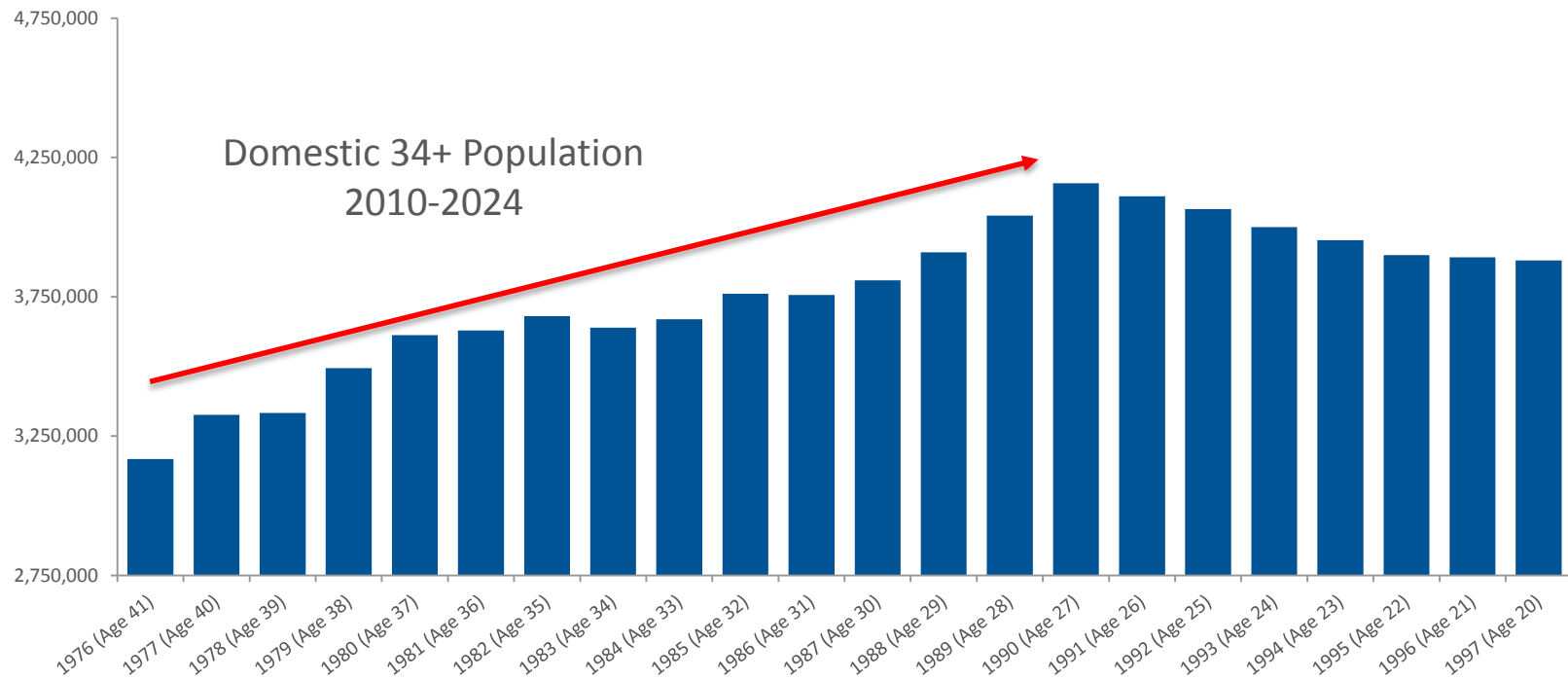
Total Mortgage Originations (1990-2017E, \$bn)



Source: Mortgage Bankers Association, Fannie Mae, Freddie Mac

Favorable Demographic Trend

- First-time homebuyers represent a significant future opportunity
- Average age of a first-time homebuyer is 34
 - Over the next 7 years, ~4 million Americans will enter the first-time homebuyer cohort each year



Source: Vital Statistics Bureau

Regulatory Environment

- **FHA Competition:** HUD suspended announced FHA rate cut of 25bps
 - The lender decision of FHA vs. Conventional is generally not based on price
 - Potential for private MI to take FHA share over time
- **Housing Finance Reform:** New administration has signaled serious intent to examine potential GSE reform, and National MI is well positioned to benefit from any housing finance reform that may occur
 - Every serious GSE reform proposal has emphasized putting private capital in front of taxpayer risk, and has included Private MI as a component of any new system
 - National MI's unique business model, which marries extensive underwriting with risk retention, aligns perfectly with post-Great Recession legislative objectives
- **Corporate Taxes:** Potential changes to corporate tax structure
 - Reduced corporate rates for domestically domiciled mortgage insurers would reduce the relative tax advantage of offshore-based insurers
 - Other tax reforms that curtail tax avoidance schemes between domestic operating companies and their offshore parents would also proffer a relative benefit to domestic-only companies
- **PMIERS:** PMIERS rules created strong risk-based framework for capital and a substantial layer of protection against default risk for the GSE's
 - Significant barrier to entry for any new MI entrant
 - PMIERS 2.0 not expected to be effective before fourth quarter 2018

Building our Franchise

1. Winning new customers with a differentiated value proposition

2. Managing returns through disciplined product mix and pricing

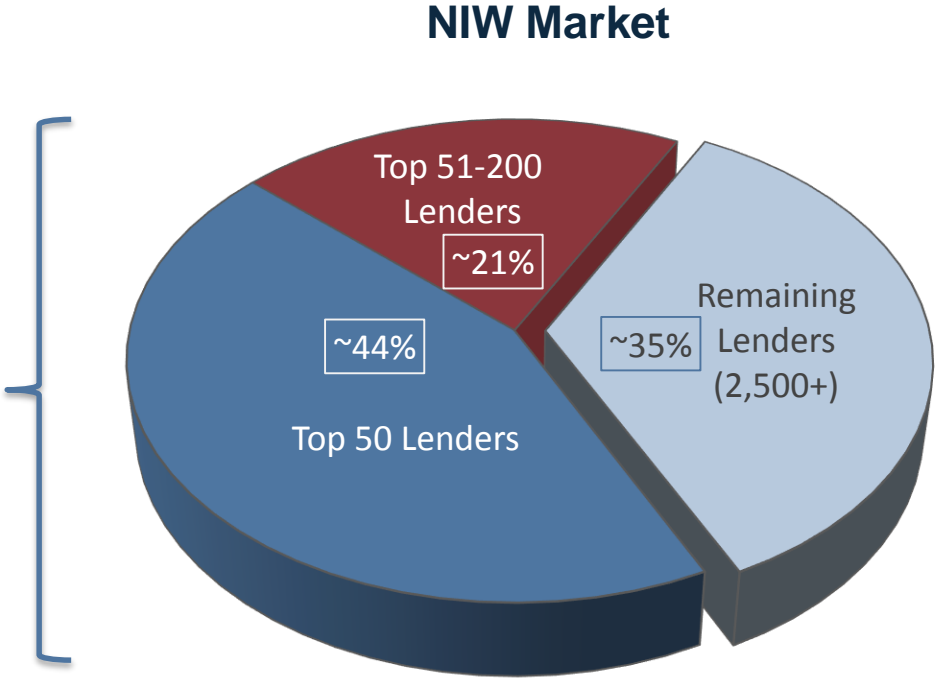
3. Protecting long-term shareholder value through diligent risk management

4. Leveraging low-cost reinsurance and reinsurance-like capital markets products to support growth

Executing on significant market opportunity and focused on delivering value to shareholders

Private MI Market: Two-thirds of Industry NIW Volume Among Top 200 Lenders ~ \$170 Billion

Sales Leverage:
Expanding our business with the Top 200 lenders

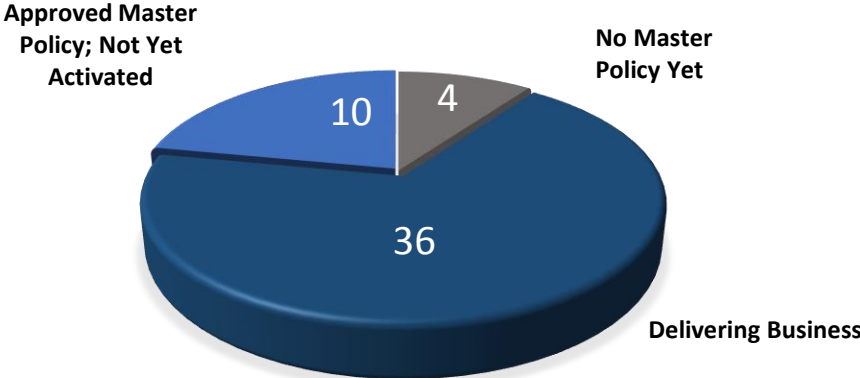


We are driving customer development across the landscape with a strong strategy and team addressing both large national accounts and smaller regional originators

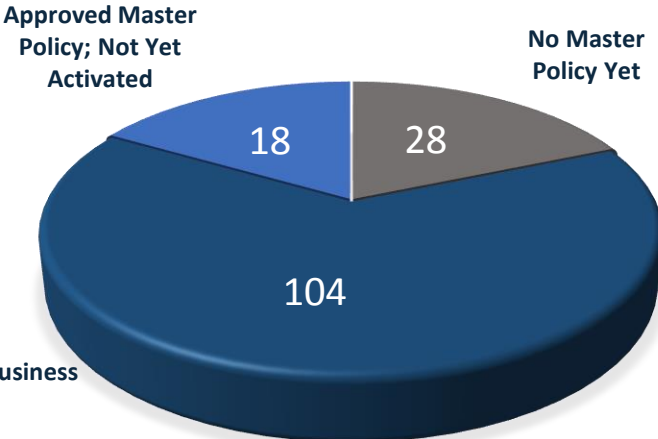
Lender data from Morstat.

Great Progress Coupled with Substantial Opportunity

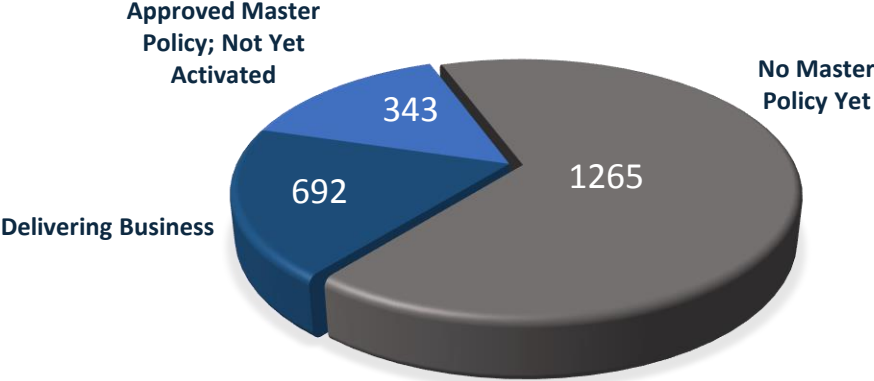
**#1-50 MORTGAGE LENDERS
(~44% OF ALL NIW)**



**#50-200 MORTGAGE LENDERS
(~21% OF ALL NIW)**



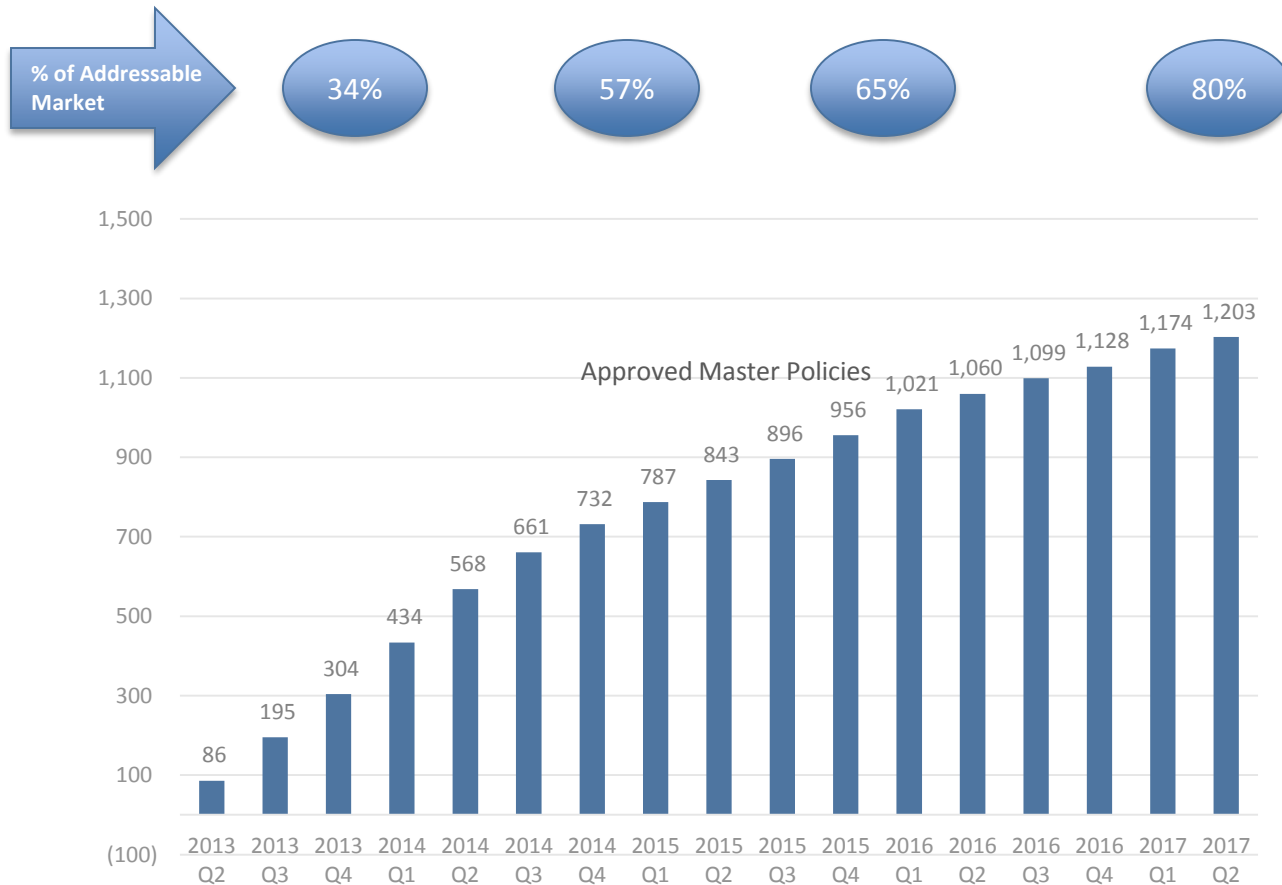
**REMAINING LENDERS
(~35% OF ALL NIW)**



Lender data from Morstat.

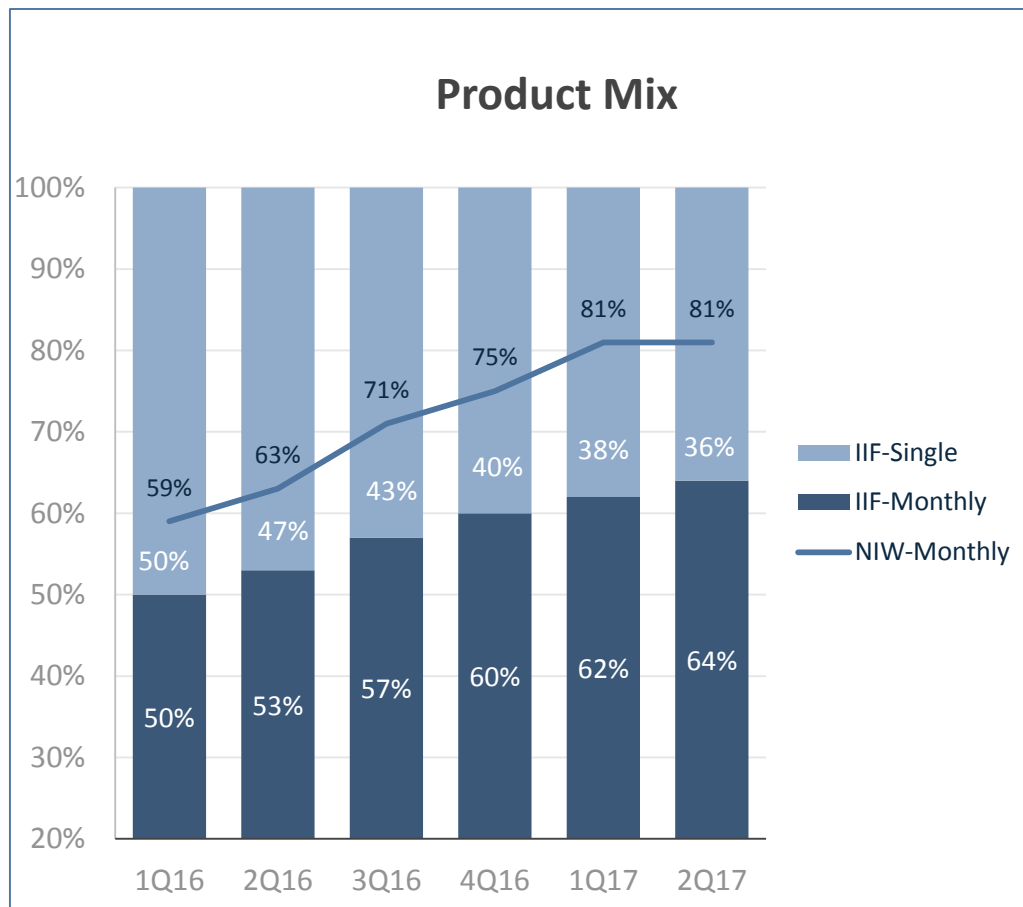
Customer Development

Continued growth in approved master policies drives increased market opportunity and growth for National MI



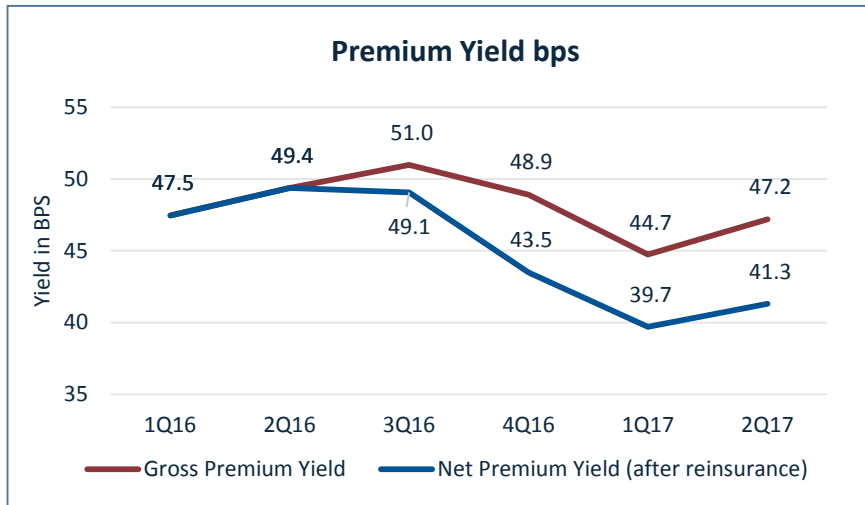
- Grew master policies 13% over past 12 months
- We currently have master policies in place with lenders representing approximately 80% of industry NIW volume
- Substantial opportunity to continue to grow share with existing customers and continue to add new customers

Product Mix Transformed



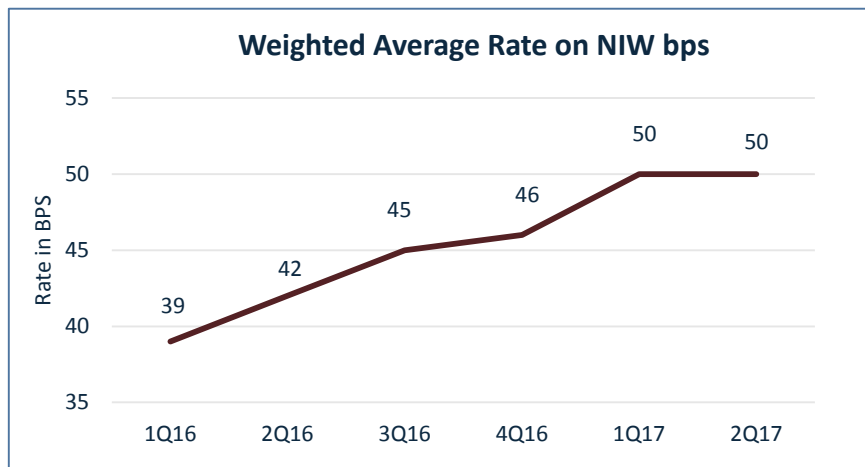
- Used single-premium lender-paid mortgage insurance (LPMI) programs to gain access to customers in 2015
- With new PMIERS surcharges due to take effect as of January 2016 on single-premium LPMI policies, we made strategic shift to align product mix with industry
- We believe approximately 80/20 mix of monthly vs. single premium product optimally hedges interest rate impact on prepayment speeds and extension risk

Premium Yield



Premium Yield:

- Rebound in second quarter of 2017 attributable primarily to higher average rate on monthly portfolio and higher mix of monthly product
- Cancellation of single premium policies = 4 bps in 2Q17
- Approximately 6 bps impact from quota share reinsurance and insurance-linked notes (ILN)



Rates (pricing):

- Our weighted average rates have generally trended up
 - Raised prices on single premium
 - Increased mix of monthly premium
 - Slightly broader credit quality

Risk Management

- Continued high credit quality – FICO 750+
- Rigorous underwriting standards
 - All loans are full documentation, no subprime
- We have underwritten or conducted post-close validation of 85% of the loans in our portfolio
 - This is far more than any other mortgage insurer
 - We expect better credit performance across a full credit cycle
 - Increases confidence in our loss assumptions and enables better customer relations over time

Insurance Portfolio Metrics

Vintage	Policies Ever in Force	Current Policies in Force	Wtd Avg Credit Score	Wtd Avg Orig LTV	Wtd Avg Curr LTV ¹	# of Loans in Default	# of Claims Paid	Incurred Loss Ratio to Date ²	Cum Default Rate ³
2013	655	212	754	89.9%	71.7%	1	1	0.2%	0.3%
2014	14,786	7,963	748	91.1%	76.4%	53	7	3.5%	0.4%
2015	52,548	41,747	752	91.1%	80.8%	128	13	2.7%	0.3%
2016	83,628	78,111	754	91.0%	85.8%	67	2	1.3%	0.1%
2017	33,593	33,162	748	91.7%	90.6%	--	--	--	--
Total	185,208	161,195	752	91.2%	85.0%	249	23		

Portfolio Performance:

- Better-than-expected claims experience to date
- Loss development has been modest as a result of solid job growth and healthy home price appreciation
- We price to a 2% cumulative default rate over a full economic cycle, expected to drive long-run 20% loss ratios (losses as % of earned premiums)
- We believe our current book will develop ultimate default rate of 0.90 – 1.30%

1. Current LTV includes amortization and assumed Home Price Appreciation per Corelogic

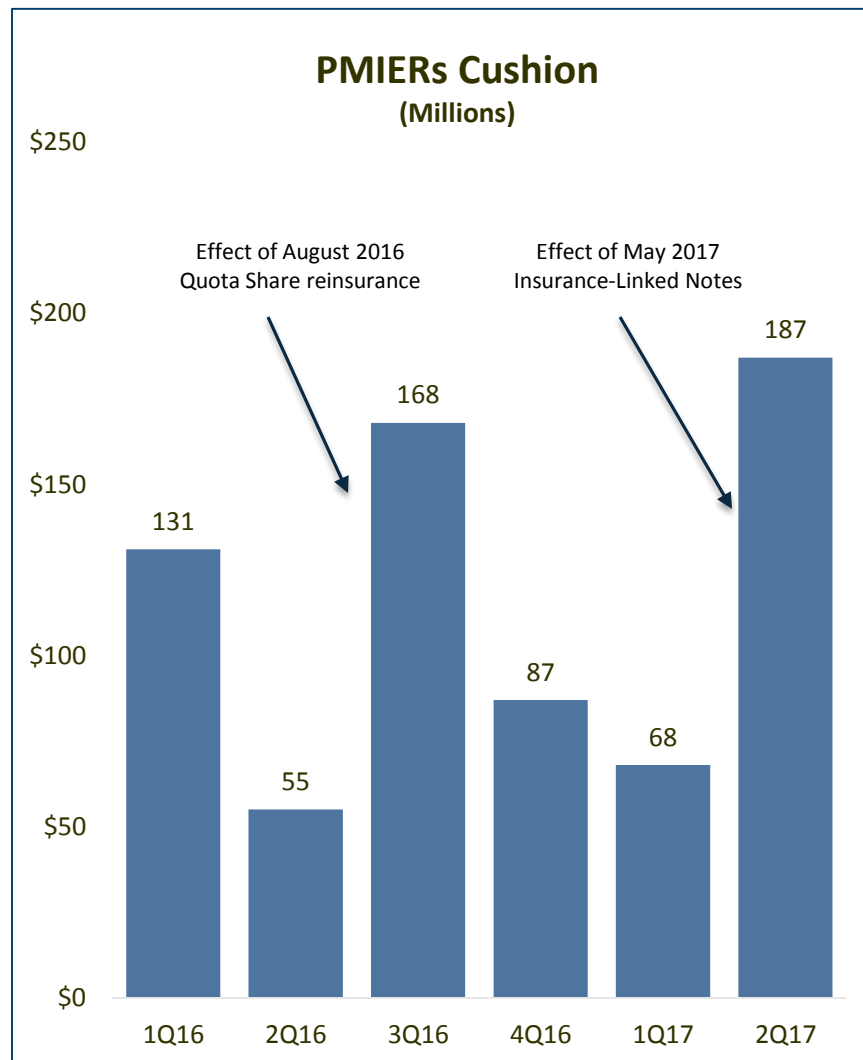
2. Cumulative Loss Ratio = [cumulative losses ÷ cumulative premiums earned]

3. Cumulative Default Rate = [(# loans in default + # claims paid) ÷ policies ever in force]

Balance Sheet & Capital Position

Balance Sheet Strength

- Book value of \$495M, equal to \$8.27 per share as of 6/30/17
- \$150M Term Loan maturing November 2019
 - GAAP debt/capital ratio of 22% at 6/30/2017
- 2016 Quota Share reinsurance through panel of 6 reinsurers
- \$187 million excess PMIERS capital after benefit of insurance-linked notes

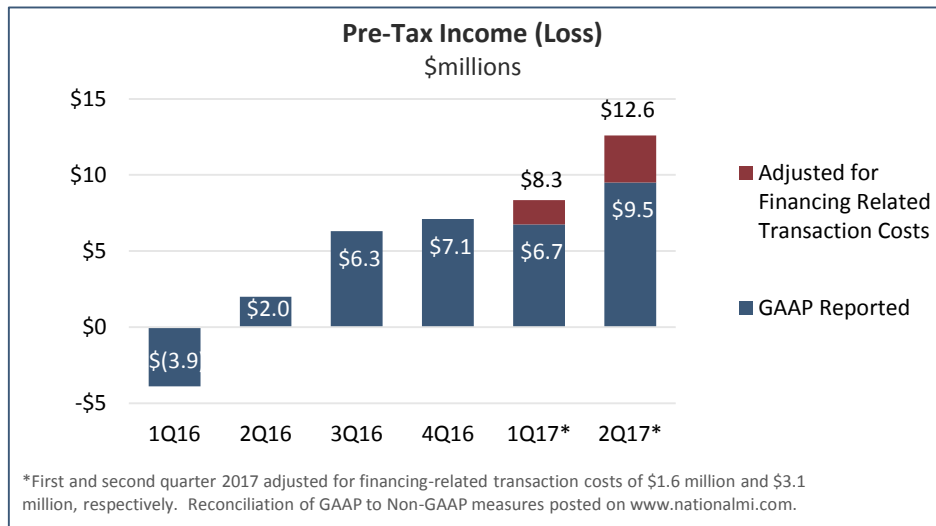


Reinsurance & Capital Markets

Supporting Growth

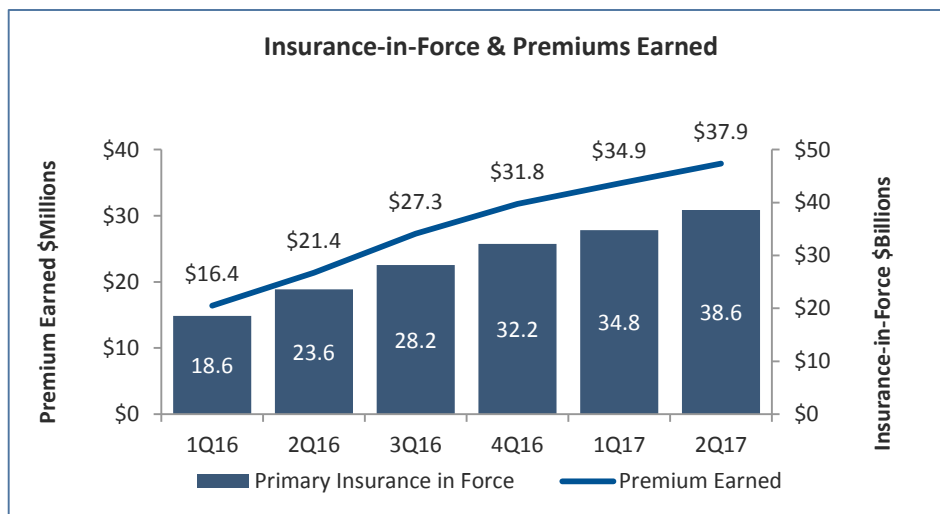
- Quota share reinsurance and Insurance-Linked Notes
 - \$187 million of current PMIERS cushion
 - Cost of capital 3-4%
 - Adverse loss development on pre-2017 book now fully reinsured, protecting policy holders and shareholders from effects of catastrophic downturn
- Stable capital structure with enhanced flexibility
 - Term loan extended to 2019
 - Ability to service debt from operating company
 - Broad access to capital markets

Second Quarter 2017 Financial Highlights



Second Quarter 2017:

- Insurance-in-force up 11% sequentially and 64% vs. prior year
- Premiums earned up 14% sequentially and 46% over prior year
- Significant operating leverage as 14% increase in premium drove 41% increase in pre-tax income
- Delivered GAAP combined ratio of 78%; 69% adjusted for \$3.1 million of financing related transaction cost
- GAAP net income of \$6 million or \$0.10 per share and ROE of 5%; adjusted net income of \$8 million or \$0.13 per share, ROE of 6.5%



Financial Highlights

	Second Quarter 6/30/2017	First Quarter 3/31/2017	Fourth Quarter 12/31/2016	Second Quarter 6/30/2016	Change Qtr/Qtr	Change Yr/Yr
Net Premiums Earned	\$ 37,917	\$ 33,225	\$ 32,825	\$ 26,041	14%	46%
Investment Income	3,908	3,807	3,634	3,342	3%	17%
Net realized investment gains (losses) and other revenue	373	22	170	98		
Revenue	42,198	37,054	36,629	29,481	14%	43%
Underwriting and operating expenses	28,048	25,989	23,281	23,234	8%	21%
Insurance claims and claims expenses	1,373	635	800	470		
Underwriting Income (Loss)	12,777	10,430	12,548	5,777	23%	121%
Interest expense	(3,300)	(3,494)	(3,777)	(3,707)	-6%	-11%
Gain (Loss) from change in fair value of warrants	19	(196)	(1,713)	(59)		
Pretax Income (Loss)	9,496	6,740	7,058	2,011	41%	372%
Income tax expense (benefit) ¹	3,484	1,248	(52,664)	-		
Net income (loss)	6,012	5,492	59,722	2,011	9%	199%
Net income (loss) per diluted share	\$ 0.10	\$ 0.09	\$ 0.98	\$ 0.03		
<i>Expense Ratio</i>	74%	78%	71%	89%		
<i>Loss Ratio</i>	3.6%	1.9%	2.4%	1.8%		
<i>Combined Ratio</i>	78%	80%	73%	91%		
Total Cash & Investments	693,730	671,183	676,715	654,145	3%	6%
Shareholders' Equity	495,040	483,909	475,509	422,435	2%	17%
Book Value Per Share	\$ 8.27	\$ 8.09	\$ 8.04	\$ 7.14	\$ 0.02	\$ 0.16
<i>Annualized Return-on-Equity</i>	4.9%	4.6%				

1) Reflects reversal of valuation allowance on the company's deferred tax asset

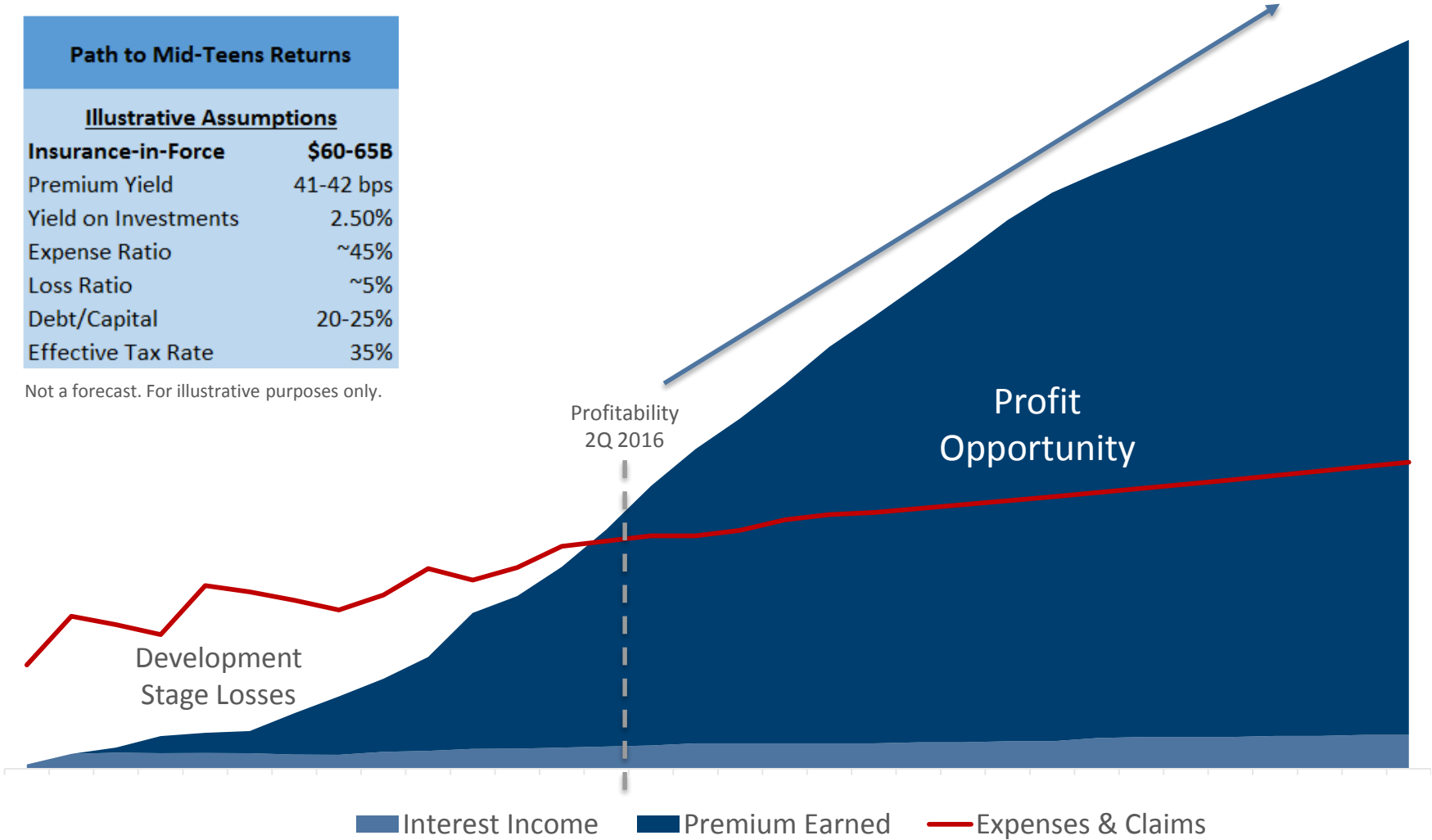
National MI Profit Trajectory

Path to Mid-Teens Returns

Illustrative Assumptions

Insurance-in-Force	\$60-65B
Premium Yield	41-42 bps
Yield on Investments	2.50%
Expense Ratio	~45%
Loss Ratio	~5%
Debt/Capital	20-25%
Effective Tax Rate	35%

Not a forecast. For illustrative purposes only.



Interest Income Premium Earned Expenses & Claims

Not a forecast. For illustrative purposes only.

Financial Take-Aways

✓ Returns above all else

✓ Compelling earnings leverage

✓ Low-cost capital to support profitable growth