



NMI Holdings, Inc. (NMIH)

Investor Presentation

August 2014

Cautionary Note Regarding Forward-Looking Statements

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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. Any forward-looking statement is qualified in its entirety by reference to the matters discussed in this presentation. 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 or circumstances, except as required by applicable law.

National MI (NMI Holdings, Inc.) Introduction

- **Private mortgage insurance company capitalized in 2012 with approximately \$510 million**
 - One of seven companies approved as an eligible mortgage insurer by Fannie Mae and Freddie Mac
 - Licensed in all 50 states and D.C.
- **Significant growth opportunities**
 - Long term growth prospects in first time homebuyer demographic and cyclical improvement in purchase origination market
 - FHA pullback creating market share opportunity for private MI
 - Highly favorable underwriting and credit quality environment
- **Differentiated business model**
 - Clean balance sheet with no legacy liabilities or rescission history and simple organizational structure
 - Industry leader in underwriting and coverage
 - First and currently the only MI to underwrite every policy
 - First MI to offer 12 month rescission relief (when industry standard was 36 months) and currently the only MI to guarantee 12 month rescission relief on **all** loans when policy conditions are met
- **Initial Public Offering**
 - Completed IPO in November 2013
 - Ticker symbol – NMIH
- **Mid teens targeted return on equity**

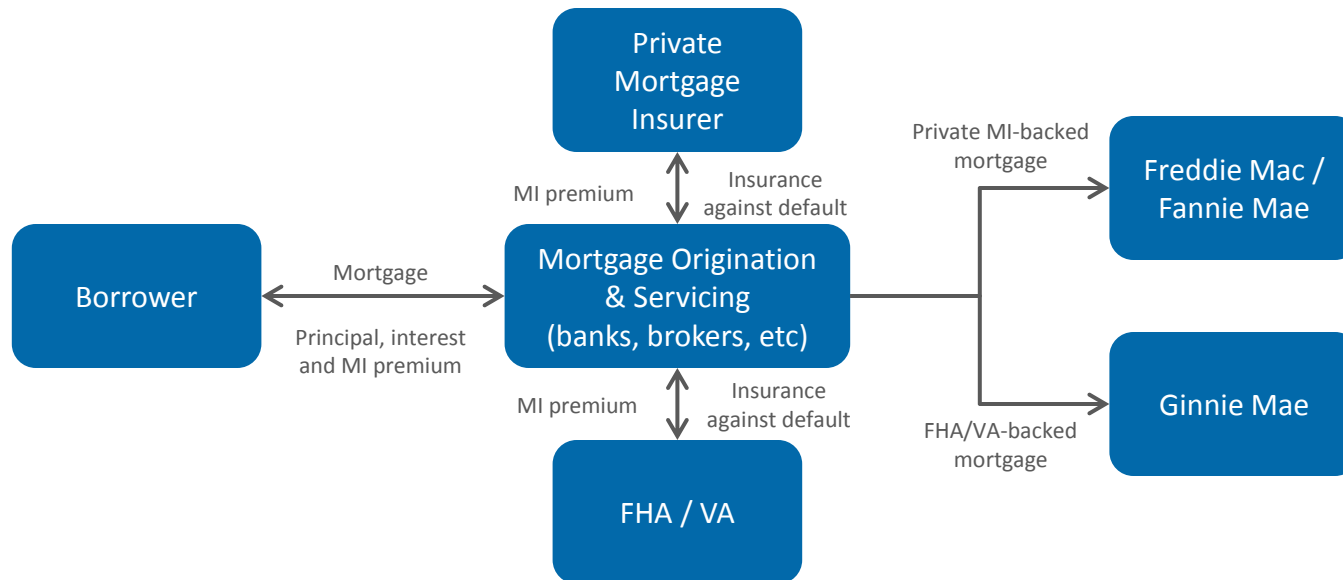
Key Accomplishments and Future Milestones

- We have made significant progress since forming the Company
- We are only the 2nd mortgage insurer to be GSE approved in the last 20 years
- We have several near term targets which will allow us to broadly address the MI market



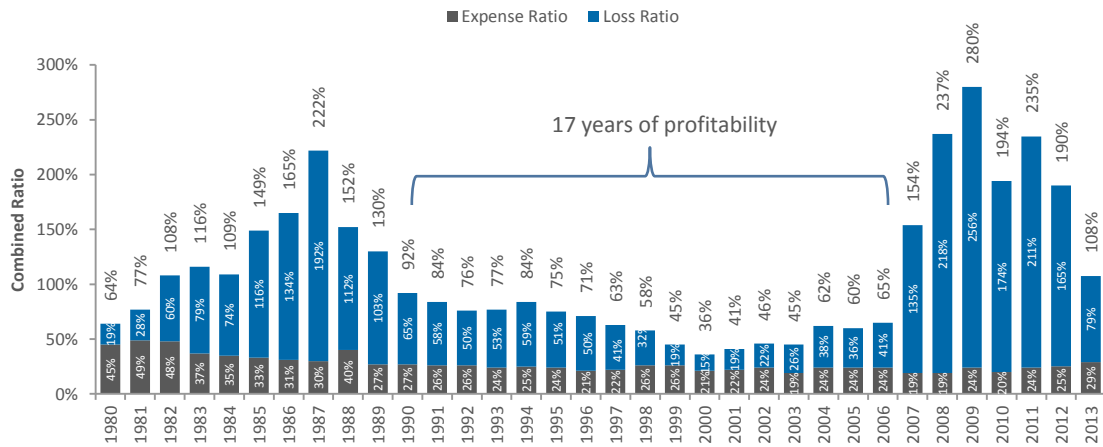
What is Private MI and Why is it Critical?

- U.S government has been insuring “conventional” mortgages since 1934 through the FHA
- The Private MI industry was established in 1957 to provide a private market alternative
- Approximately 33% of all GSE-securitized purchase mortgages in the first half of 2013 were first time home buyers
 - MI provides the credit enhancement needed for lower down payment buyers
 - MI reduces the time it takes to save a down payment from approximately 14 years to under 6 years



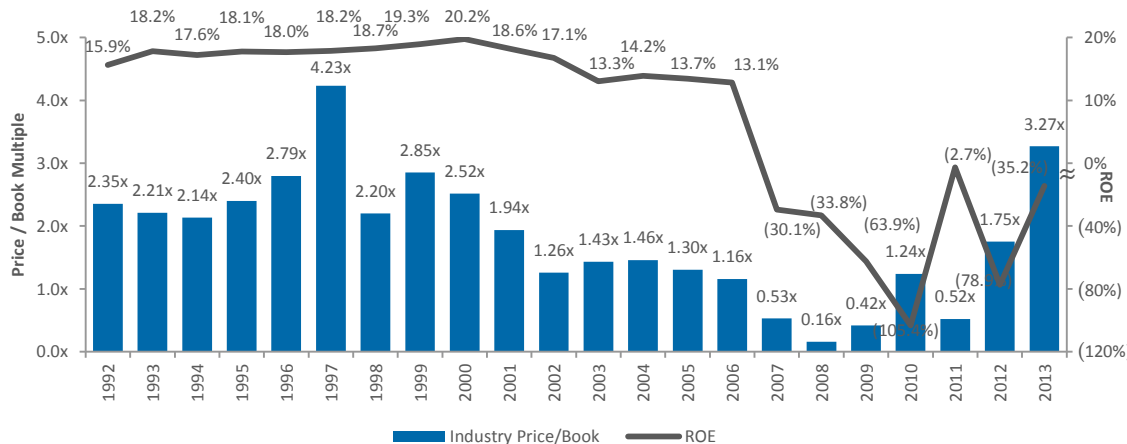
Historically Profitable Industry

Private MI Combined Ratio (1980-2013)



- The MI industry has been characterized by long periods of profitability
- The industry has demonstrated the ability to generate attractive ROEs
- Public markets often have rewarded these businesses with valuations at a premium to book value
- The financial crisis beginning in 2007 caused significant dislocation and capital destruction

Historical Private MI Price / Book Multiple and ROE (1992-2013)

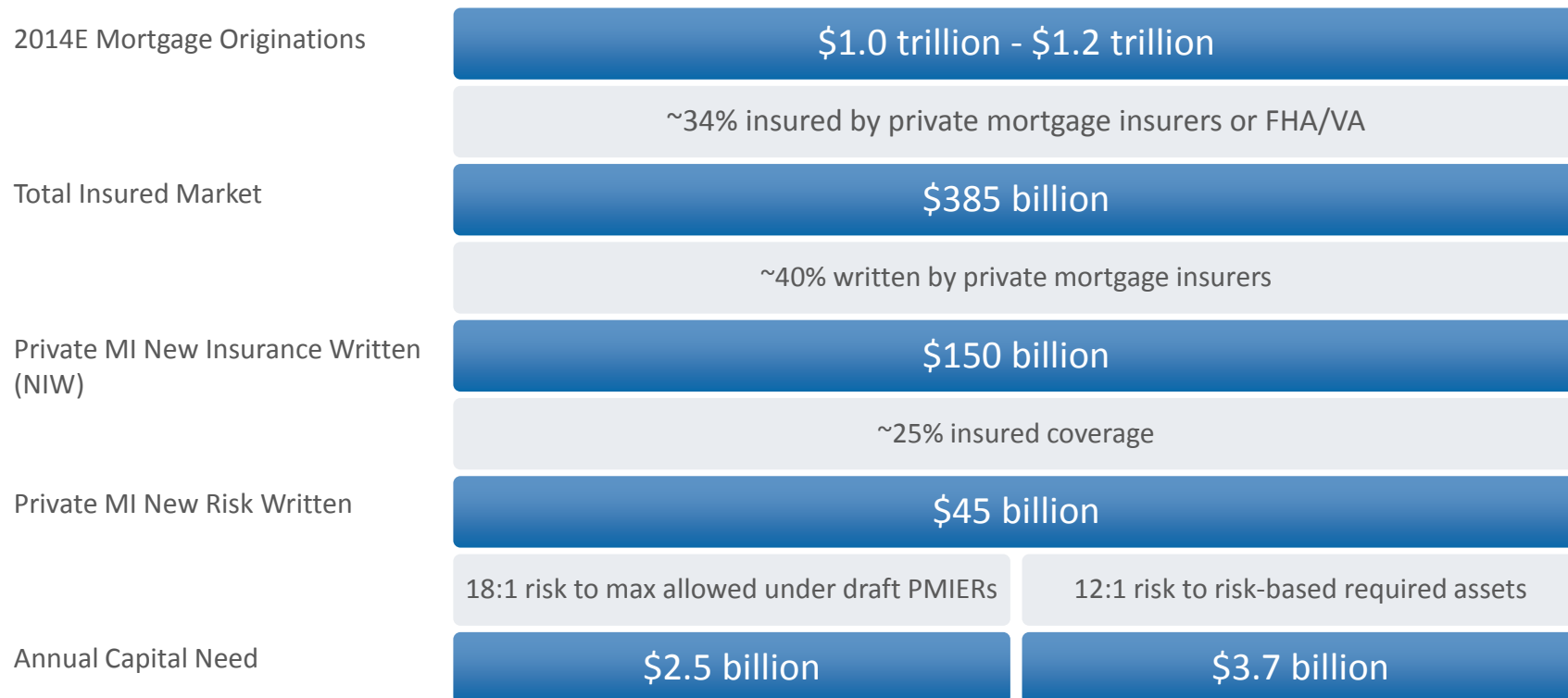


- The industry has paid over \$40 B in claims since the end of 2006
- 3 of the 8 legacy MI companies have ceased writing new business
- 2 new MI providers have been formed post-financial crisis

Source: SNL Financial, Regulatory filings for MI companies

The MI Industry's Capital Need Continues

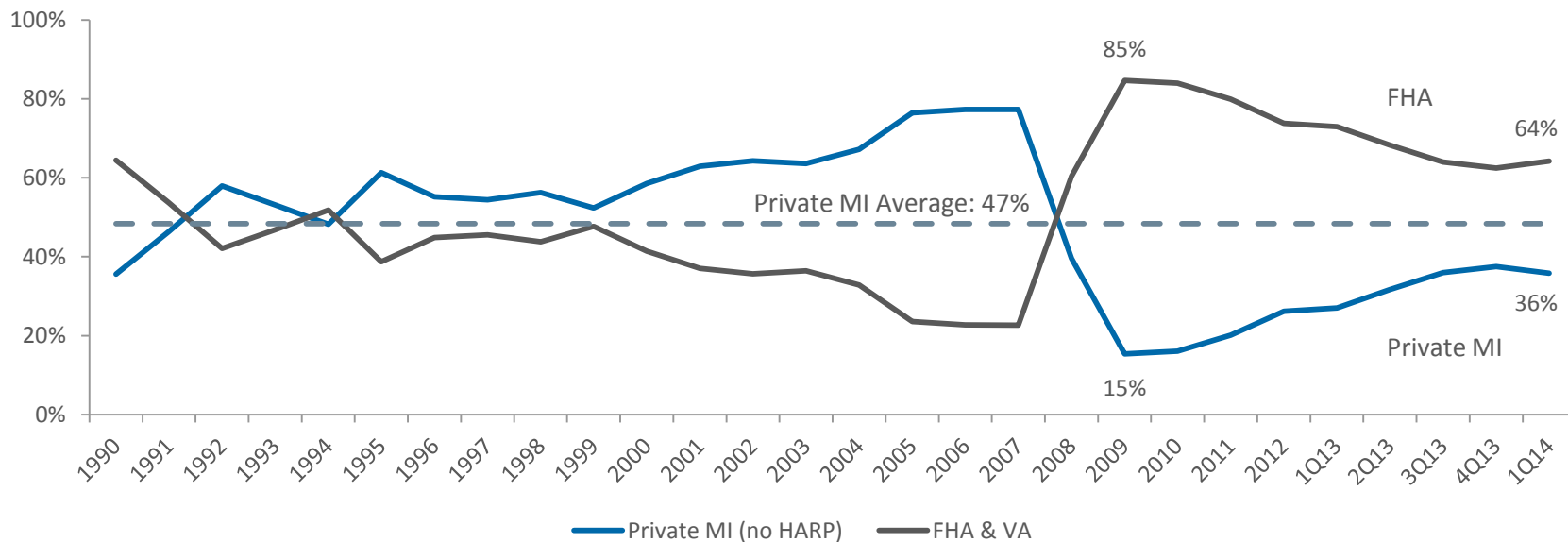
- We estimate, based on the assumptions below, that the private mortgage insurance industry requires between \$2.5 – \$3.7 billion of additional capital each year should the draft PMIERS be implemented without change



Private MI Share Growth vs. FHA / VA

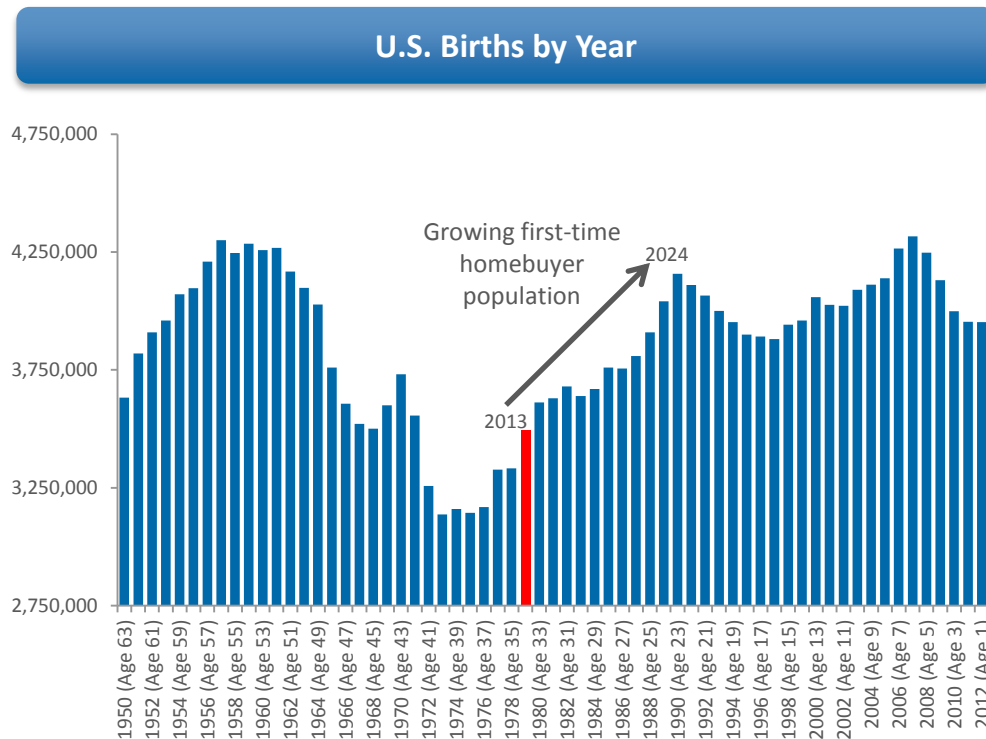
- FHA and VA have filled the gap left by the capital constraints facing the private MI industry during the economic downturn
- As of year end 2013, FHA had a capital ratio of (0.11%), despite its 2.0% statutory minimum
- Market share continues to shift back to private MI companies, primarily due to several FHA price increases

MI Market Share: Private MI vs. FHA / VA
(1990-4Q 2013)



Highly Favorable Demographic Trends

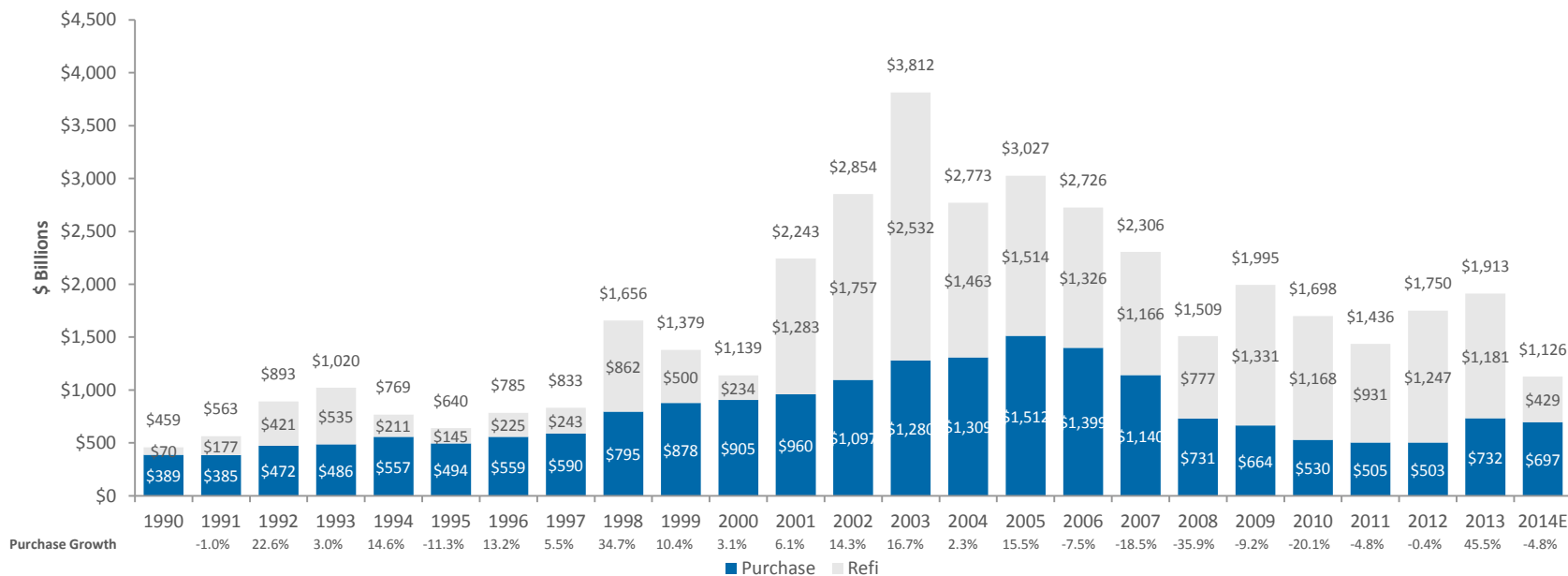
- First-time homebuyers represent a significant future opportunity
- Average age of a first-time homebuyer is 34 years old
 - More Americans will enter the typical first-time homebuyer age nearly every year over the next decade
 - Over 40 MM Americans will reach the age of an average first time homebuyer over the next decade



Growing Purchase Originations

- Increasing purchase vs. refinance mix is driving a relatively flat MI market, despite a decreasing overall origination market
- MI penetration is approximately 4x higher in purchase mortgages than refinancing
- Purchase originations have recovered since the financial crisis
- Total Originations projected to be between \$1.0 trillion and \$1.2 trillion in 2014

Total Mortgage Originations (1990-2014E)

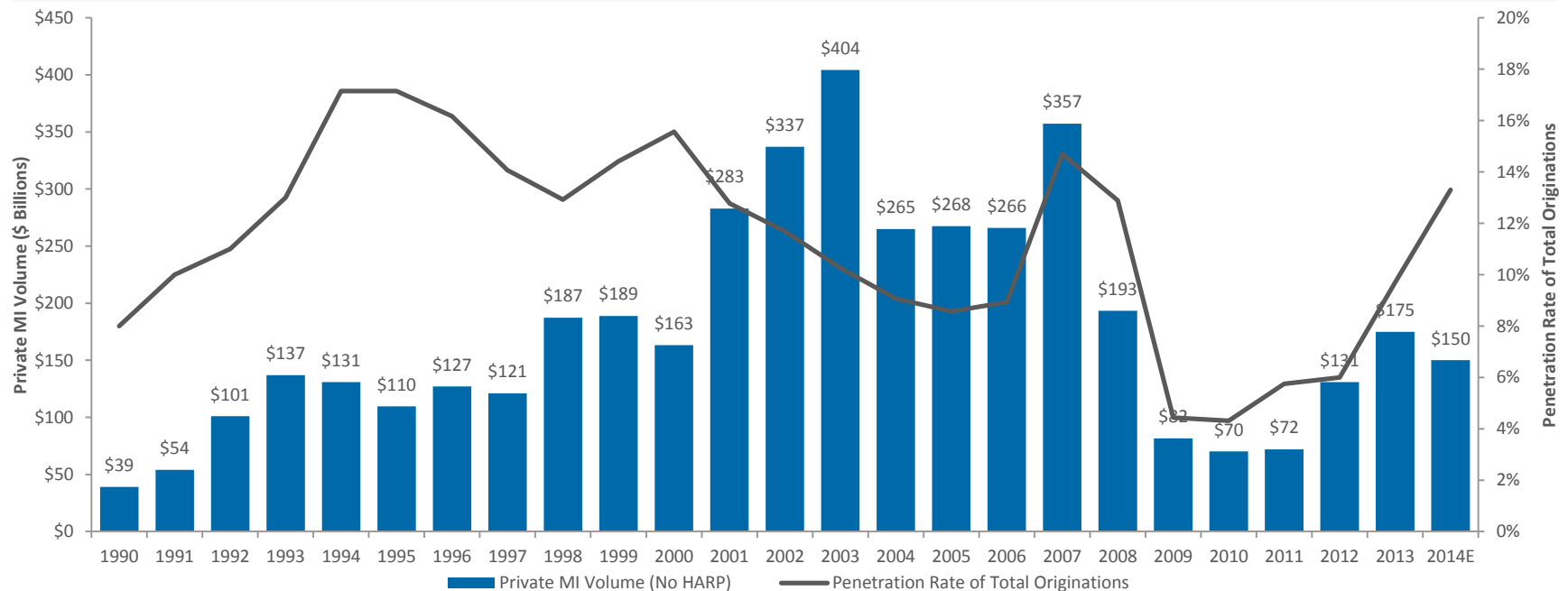


Source: Mortgage Bankers Association, Fannie Mae, Freddie Mac

Strong Outlook For Private MI Volume

- Private MI volume and penetration is rebounding from historical lows due to
 - Recovery in housing market
 - Increased purchase mortgage volume
 - Market share shift towards private MI as the FHA pulls back by raising prices

Private MI Volume and Penetration



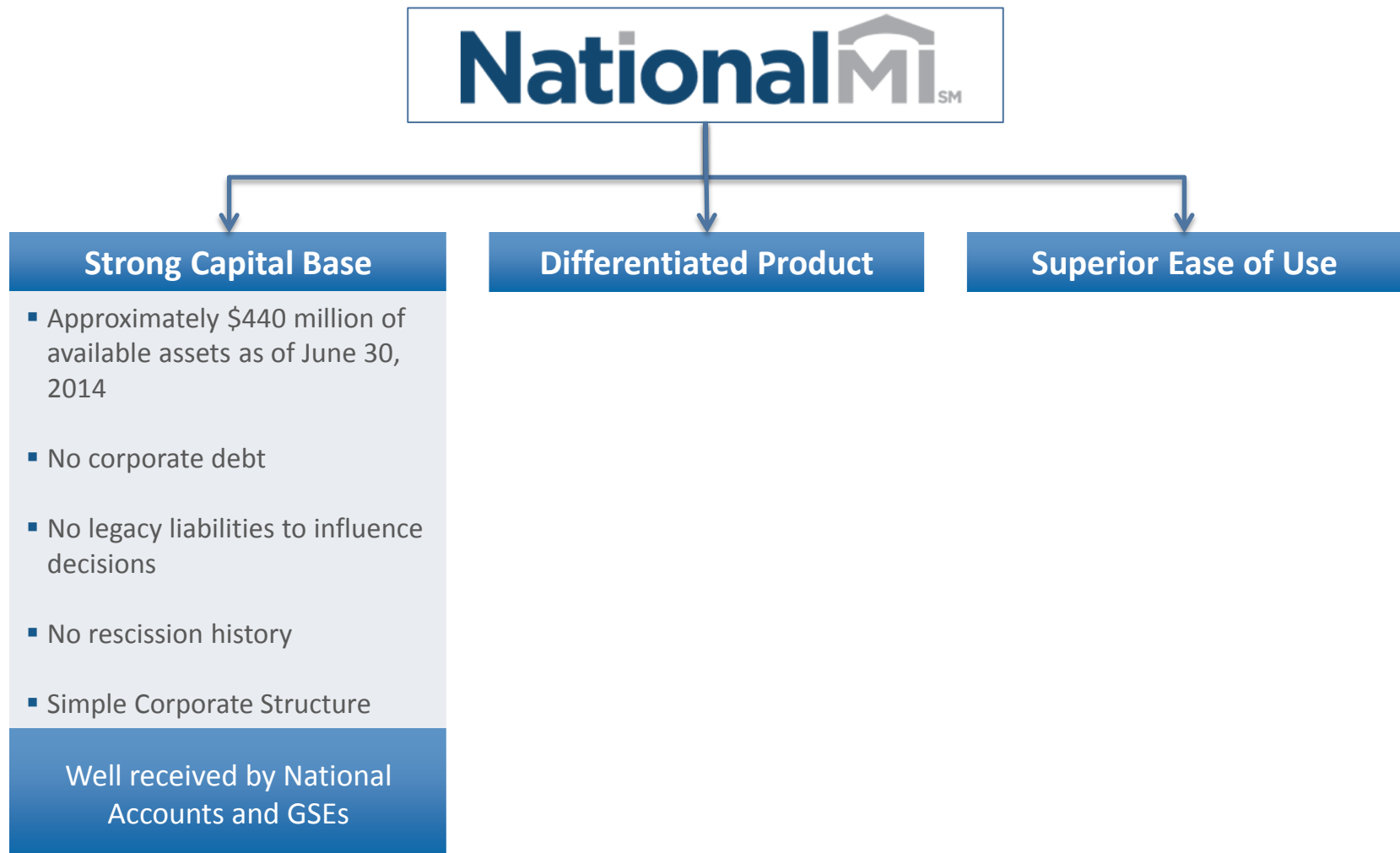
Significant Value Proposition

- We believe our approach represents a differentiated and better way to insure mortgages



Significant Value Proposition – Capitalization

- Our balance sheet is among the strongest in the industry



Significant Value Proposition – Differentiation

- Based on our feedback to date, National MI's product offering is being received favorably by our customers

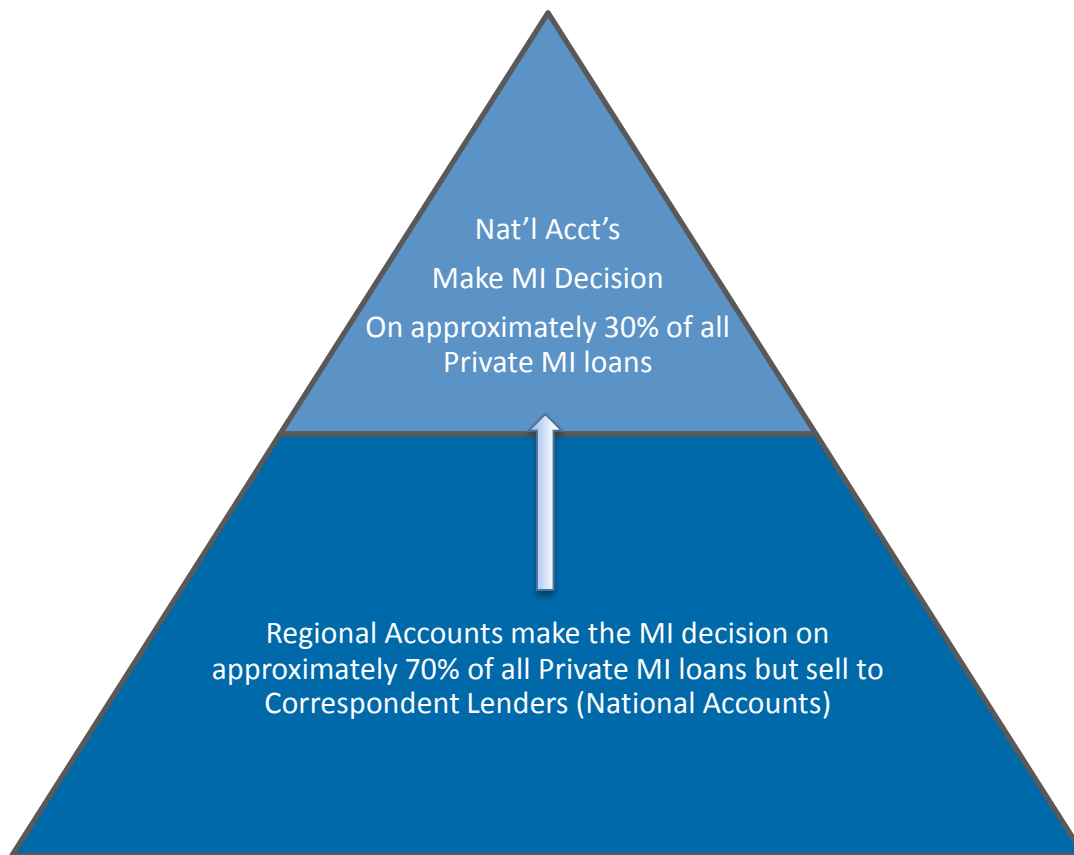


Significant Value Proposition – Ease of Use

- Our technology and focus on customer service will be key to our growth and profitability



National Accounts Provide Access to the Market



National Accounts

5 person sales team

Approx. 40 of the largest lenders

Do Not make MI decision on loans
but purchase correspondent volume
and must approve MI companies
utilized by correspondent lenders

Regional Accounts

47 person sales team

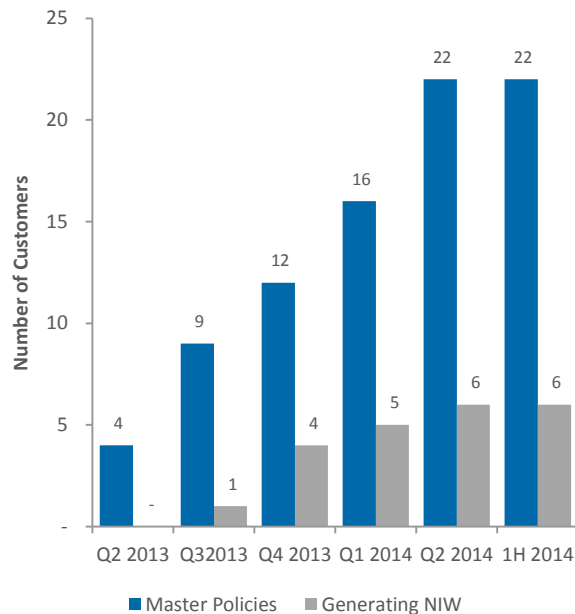
2,000+ lenders

Make MI decision on loans they
originate prior to selling to National
Accounts

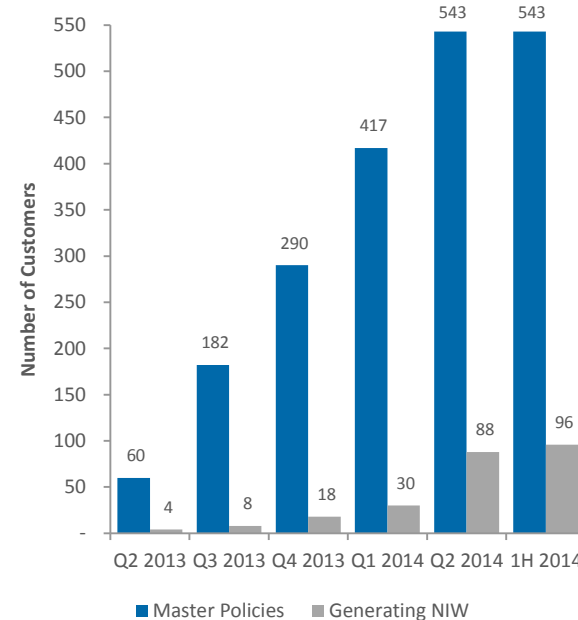
Growing Customer Base

- We have made tremendous progress in our efforts to establish relationships with both regional and national accounts
 - We have approved master policies with 565 lenders as of June 30, 2014, including 22 of our 40 National Accounts
 - 102 customers generated NIW for us in the 1H of 2014

National Accounts with Approved Master Policies and those Generating NIW during the Period



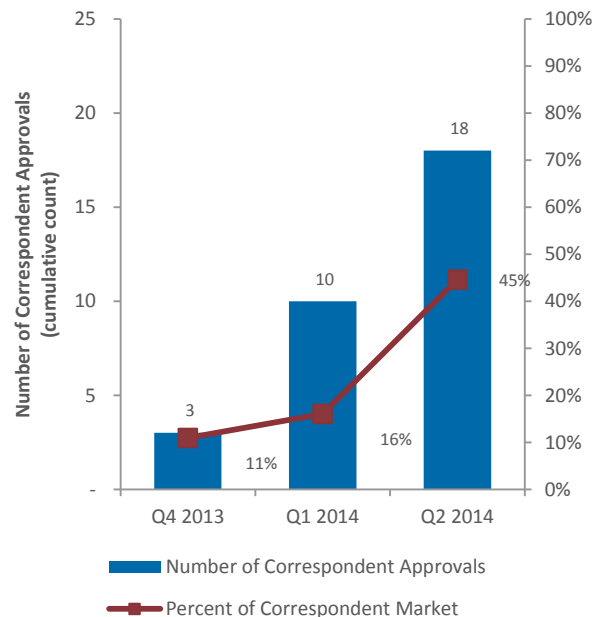
Regional Accounts with Approved Master Policies and those Generating NIW during the Period



Growing Correspondent Approvals

- We have made tremendous progress in our efforts to increase our correspondent approvals to increase our access to regional accounts.
 - As of June 30, 2014, we are approved with 18 of the Top Residential Correspondent Lenders, according to National Mortgage News
 - These 18 correspondent approvals cover 45% of the market

Top Residential Correspondent Approvals and the Percent of Correspondent Market Accessible*

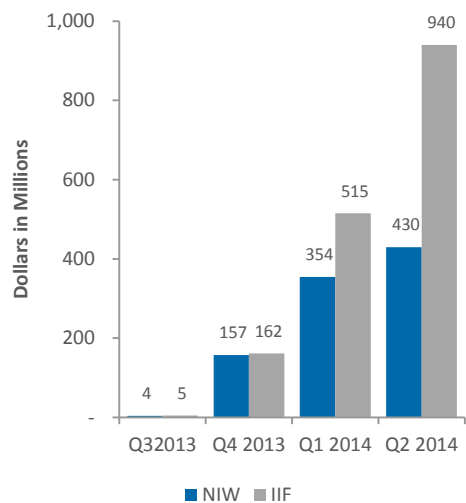


*Top Residential Correspondent Lenders in Q1 14 as defined by National Mortgage News. As of Q1 14, there were 39 lenders on the list.

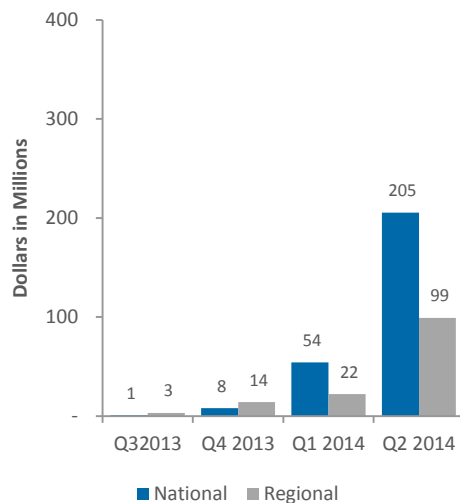
NIW and IIF Growth as of June 30, 2014

- Increased access to the market and a growing customer base can be seen in the NIW and IIF growth over the last 4 quarters

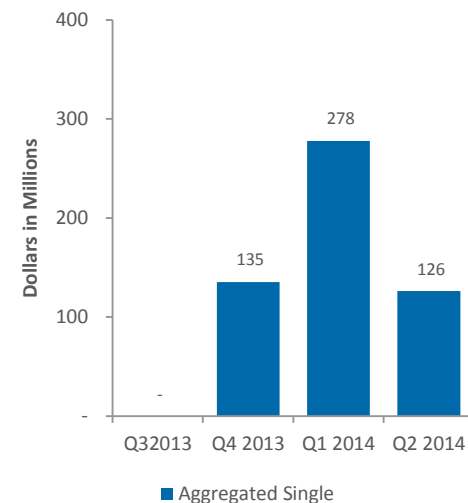
New Insurance Written and Insurance in Force Trends



New Insurance Written - National and Regional Accounts



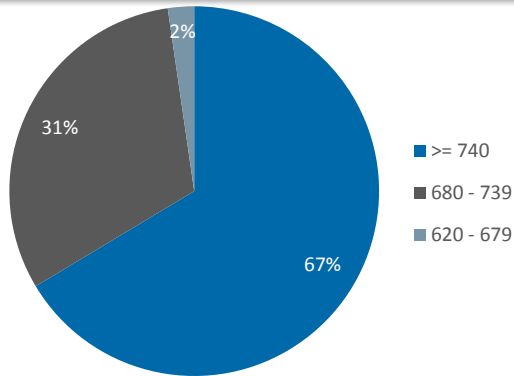
New Insurance Written - Aggregated Single



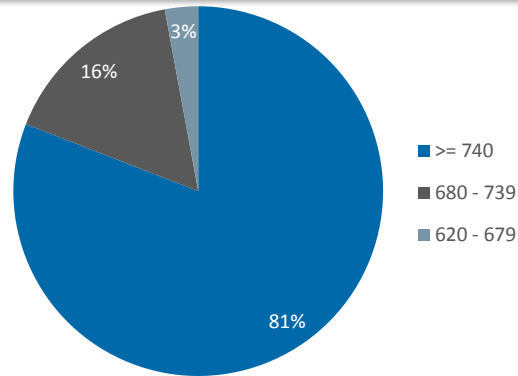
Portfolio Review as of June 30, 2014

Risk-In-Force by FICO Score

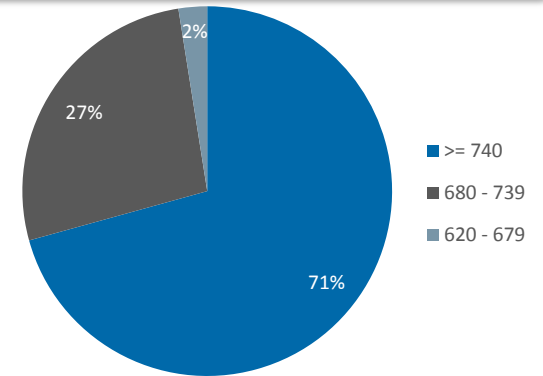
Primary



Pool

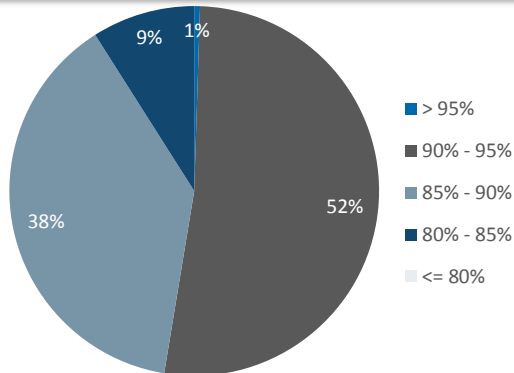


Total

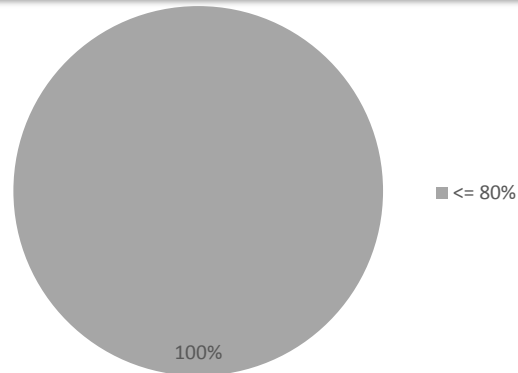


Risk-In-Force by LTV

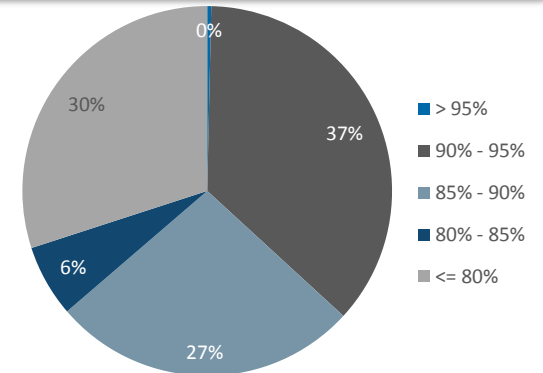
Primary



Pool



Total



Draft Private Mortgage Insurer Eligibility Requirements (PMIERS)

- We are supportive of consistent capital standards for all Private MI companies
 - Ensures the industry is well capitalized to take on an increasing role in the housing finance industry as the government seeks to reduce its footprint
 - Currently, capital standards depend on a Company's state of domicile which varies across the industry and is applied inconsistently
 - We believe this has the potential to lead to poor pricing discipline when Companies are allowed to operate for a significant period of time under regulatory forbearance
 - Consistent capital standards will create a level playing field among competitors
- We will provide comments on the draft guidelines including:
 - The inclusion of future premiums in the available asset calculation
 - Draft guidelines require risk-based required assets equivalent to a stress loss. Therefore, not including some portion of future premiums, which will be a substantial asset to pay claims, does not make economic sense.
 - Adjusting the risk-based required assets as loans age
 - Statistics show that as loans move through the claims curve, losses decline and therefore the amount of risk-based required assets should decline over time
 - Greater granularity in FICO buckets
 - Draft guidelines have large FICO buckets which leads to the same amount of risk-based required assets for loans with significantly different stress loss expectations

Draft PMIERS – Still Allow for Mid-Teen Returns

- As drafted, we expect a modest impact to allowable Risk to Assets/Capital and Returns
 - Industry 1H 2014 NIW could be leveraged 14:1 based on the current risk-based required assets and would produce a Return on Assets of 16.0%
 - A 2001 FICO mix could be leveraged 12:1 based on the current risk-based required assets and would produce a Return on Assets of 14.5%
 - We believe National MI charges higher premiums than all other MI companies in FICO buckets below 660

Draft PMIERS – Continued shift from FHA to Private MI

- Competitors may have to raise premiums in low FICO buckets to earn an acceptable return on assets
 - Draft PMIERS risk-based required assets required the greatest increase in assets in FICO buckets below 680
 - In 2014, only 5% of all Private MI NIW is in product with FICO scores below 680 as FHA offers a better payment to those borrowers
 - Should competitors raise premiums to earn an acceptable rate of return, there is very little if any NIW to be lost to the FHA.
- We estimate 30-35% of the FHA's NIW in the 1H of 2014 would receive a better execution with Private MI
 - This should lead to a continued migration of NIW from the FHA to Private MI.

Draft PMIERS impact on Fannie Mae Pool Capital

- Under the Fannie Mae Pool agreement NMI executed in 9/13, capital would be assessed for counterparty strength purposes as the lesser of the pool risk layer or 5.6% of the underlying loan level risk
- As of 6/30, the pool risk layer was \$93.1 million and 5.6% of the loan level risk was \$94.7 million
- Under the proposed PMIERS, required assets for pool deals would be the lesser of the pool risk layer, or the required assets of the underlying loan level risk, as calculated using the rules for primary risk
- Using this calculation, under the proposed PMIERS, the loan level required assets as of 6/30 would have been \$44.1 million

Conclusion

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