

**NMI**  
HOLDINGS, INC.

**INVESTOR**  
**DAY 2015**

# 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 (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," "would," "should," "could," "may," "predict," "potential," "will," "estimate," "plan," "project," "continuing," "ongoing," "expect," "intend" or similar words or phrases, including, but not limited to, statements regarding the outlook for our future business and financial performance. These risks and uncertainties include, but are not limited to, those set forth in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2014, as updated in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 and as subsequently updated in other reports we file with the SEC. Any or all of our forward-looking statements in this presentation may turn out to be inaccurate. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. 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: (1) our limited operating history; (2) our future profitability, liquidity and capital resources; (3) developments in the world's financial and capital markets and our access to such markets; (4) 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.; (5) changes in the business practices of the GSEs, including implementation of the new Private Mortgage Insurer Eligibility Requirements ("PMIERS") or decisions that have the impact of decreasing or discontinuing the use of mortgage insurance as credit enhancement; (6) our ability to remain a qualified mortgage insurer under the PMIERS and other requirements imposed by the GSEs, which they may change at any time; (7) actions of existing competitors, including the FHA and VA, and potential market entry by new competitors; (8) adoption of new or changes to existing laws and regulations or their enforcement and implementation by regulators; (9) 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; (10) potential future lawsuits, investigations or inquiries or resolution of current inquiries, including a June 2015 letter from the Wisconsin Office of the Commissioner of Insurance (Wisconsin OCI) requesting that each MI company, including NMIC, respond to a number of inquiries related to whether the company has offered customized terms or rates; (11) 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; (12) 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; (13) our ability to attract and retain a diverse customer base, including the largest mortgage originators; (14) failure of risk management or investment strategies; (15) emergence of unexpected claim and coverage issues, including claims exceeding our reserves or amounts we had expected to experience; (16) failure to maintain, improve and continue to develop necessary information technology systems or the failure of technology providers to perform; and (17) ability to recruit, train and retain key personnel).

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.

# Agenda

8:30	Introduction	Brad Shuster	Chairman & Chief Executive Officer
9:00	Customer Development & Insurance Operations	Claudia Merkle	Executive VP, Sales & Insurance Operations
10:00	Break		
10:15	Risk Management	Patrick Mathis	Executive VP & Chief Risk Officer
10:45	Pricing & Returns	Rob Smith	Senior VP, Pricing & Portfolio Analytics
11:15	Financial Overview	Glenn Farrell	Executive VP & Chief Financial Officer
11:45	Questions & Answers		



# **Introduction to National MI**

Brad Shuster, Chairman & CEO

# Founding Principles/ Differentiated Vision



## “Built to Pay Claims”

- “Built to Pay Claims” means following-through on our obligations to policyholders
- In the aftermath of the financial crisis, the then-existing 7 private mortgage insurers rescinded or denied ~\$10 billion of claims
- National MI was first to offer 12-month rescission relief
  - Industry standard is 36 months
  - Vast majority of defaults due to underwriting defects or misrepresentation occur within 12 months or less from origination

- 12-month rescission relief has been a door-opener with many lenders and is favored by GSE’s
- We expect lenders will appreciate the benefit of early rescission relief as our book matures and they experience our approach to claims handling

# Customer-Centric Approach



## Innovative Coverage

- Founding vision: National MI built to pay its claims
- Offer rescission relief and certainty of coverage after 12 months of timely borrower payments
- 12-month rescission relief reduces repurchase risk

## Strong Capital Base

- Clean balance sheet with no legacy liabilities
- Low risk-to-capital ratio
- Ability to write ~\$20 billion of new insurance before reaching risk-to-capital ceiling

## Great Customer Service

- Underwriters deployed in the field close to customers
- Underwriting response times average 8 hours vs. 24-48 hours for competitors
- Modern, de novo IT, web and mobile platforms provide a streamlined customer experience



# Mortgage Insurance Premium Illustration

- Mortgage insurance is a highly “sticky” product with an average life of five years and a persistency rate of ~80%

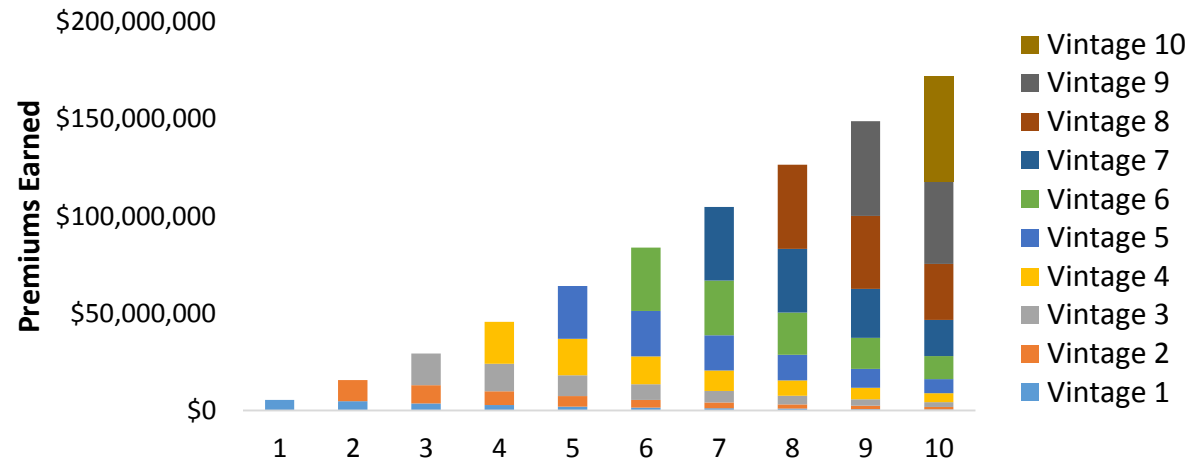
- As new insurance written layers onto prior vintages, it creates a positive “stacking” effect, whereby MI policies deliver predictable recurring revenue

Premiums Earned from \$1B of NIW (\$mm)



Not a forecast. Assumes 55 bps premium yield and 80% persistency

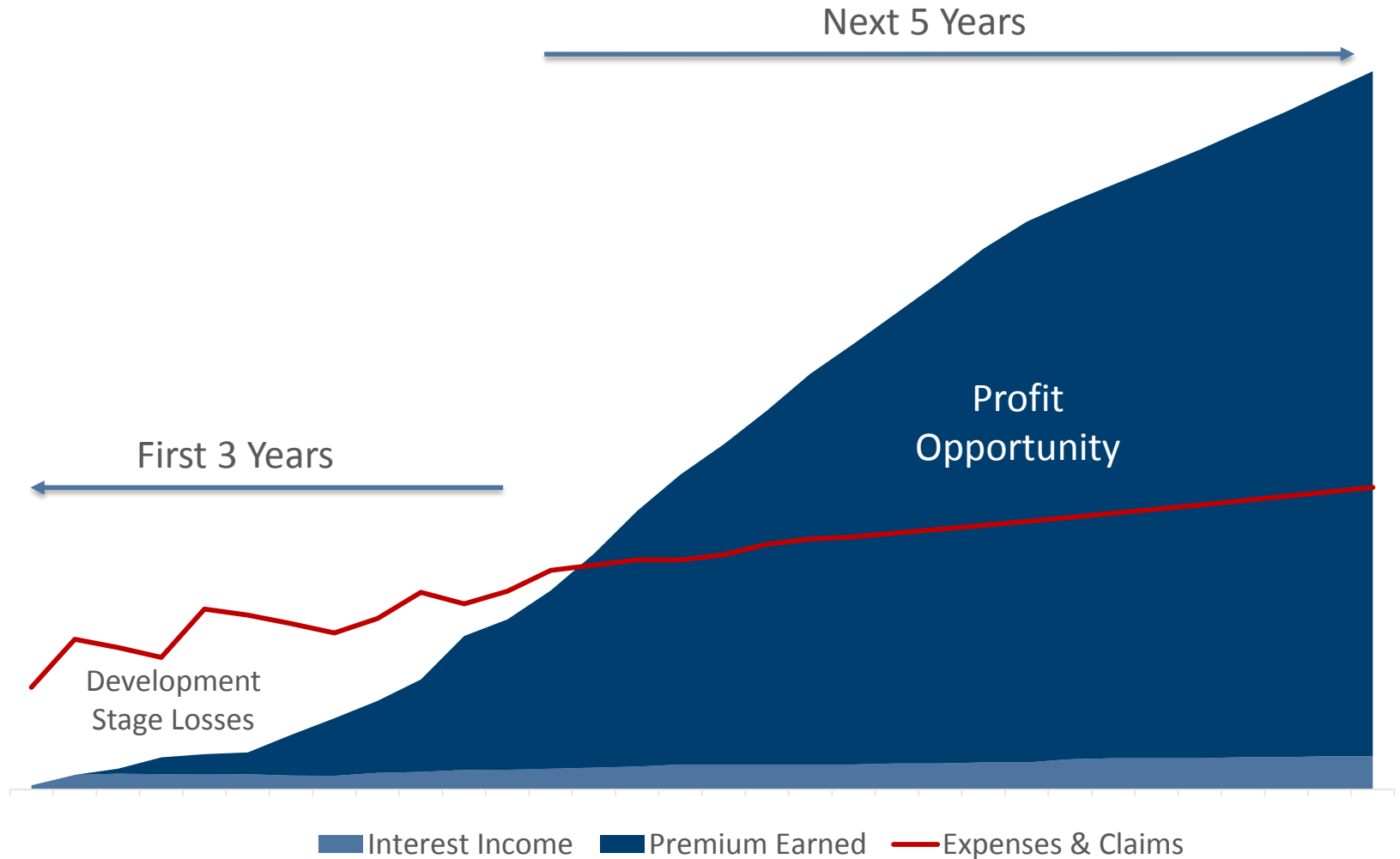
Cumulative Premiums Earned with \$1B/Year of NIW Growth



Not a forecast. Assumes 55 bps premium yield and 80% persistency

# Illustration:

## Earnings Power of Fast-Growing Mortgage Insurer



Not a forecast. For illustrative purposes only.

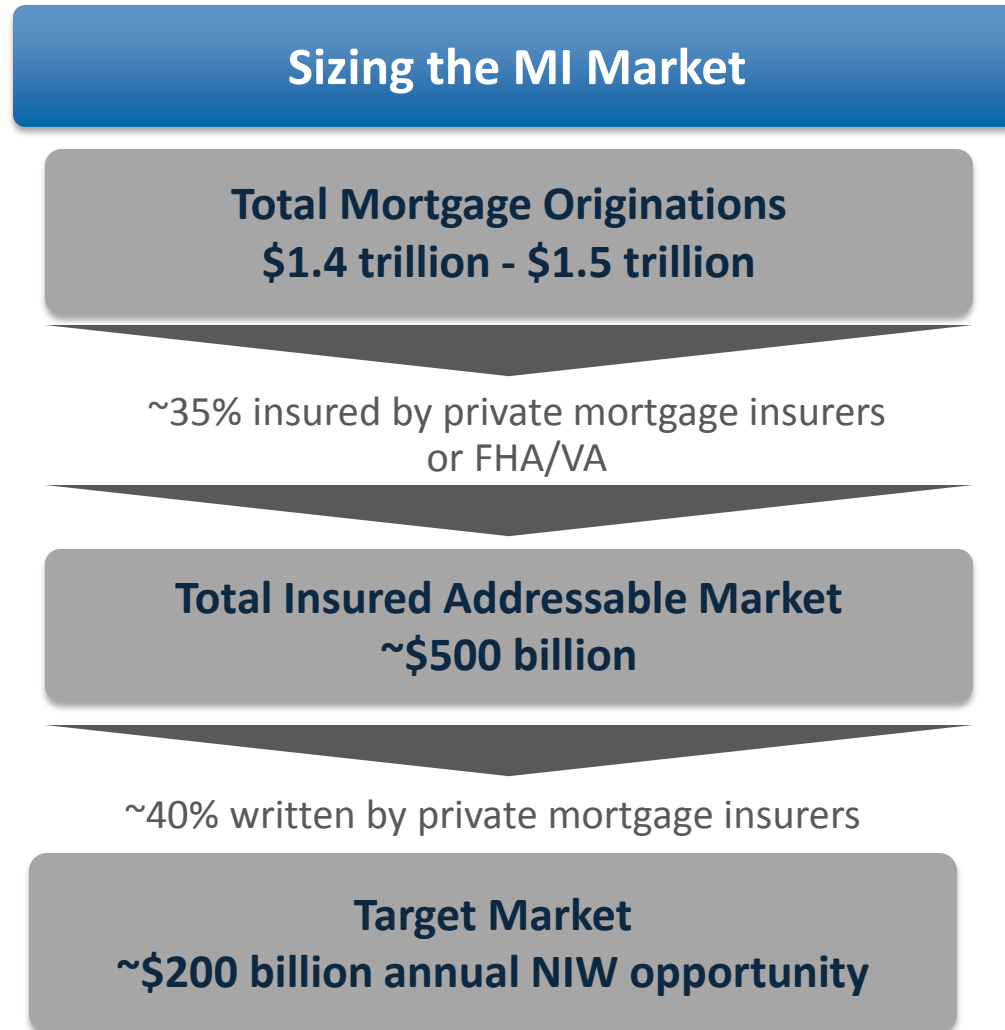


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# MARKET OVERVIEW



# Mortgage Insurance Market Overview



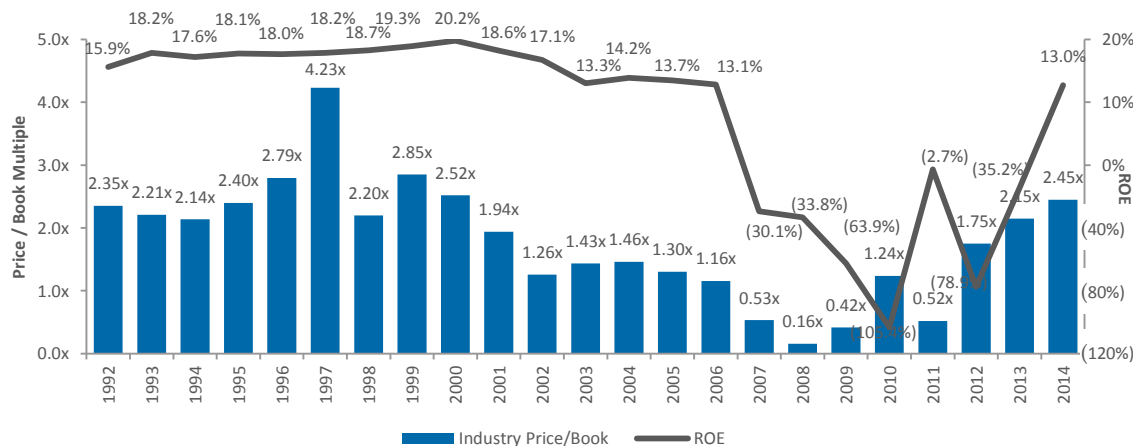
- Mortgage insurance protects lenders against losses that result from defaults on home mortgages
- Freddie Mac's and Fannie Mae's federal charters prohibit the GSEs from purchasing a low down payment loan, unless the loan is credit enhanced
- MI provides the credit enhancement needed for lower down payment borrowers

# Historically Profitable Industry

## Private MI Combined Ratio (1980-2014)



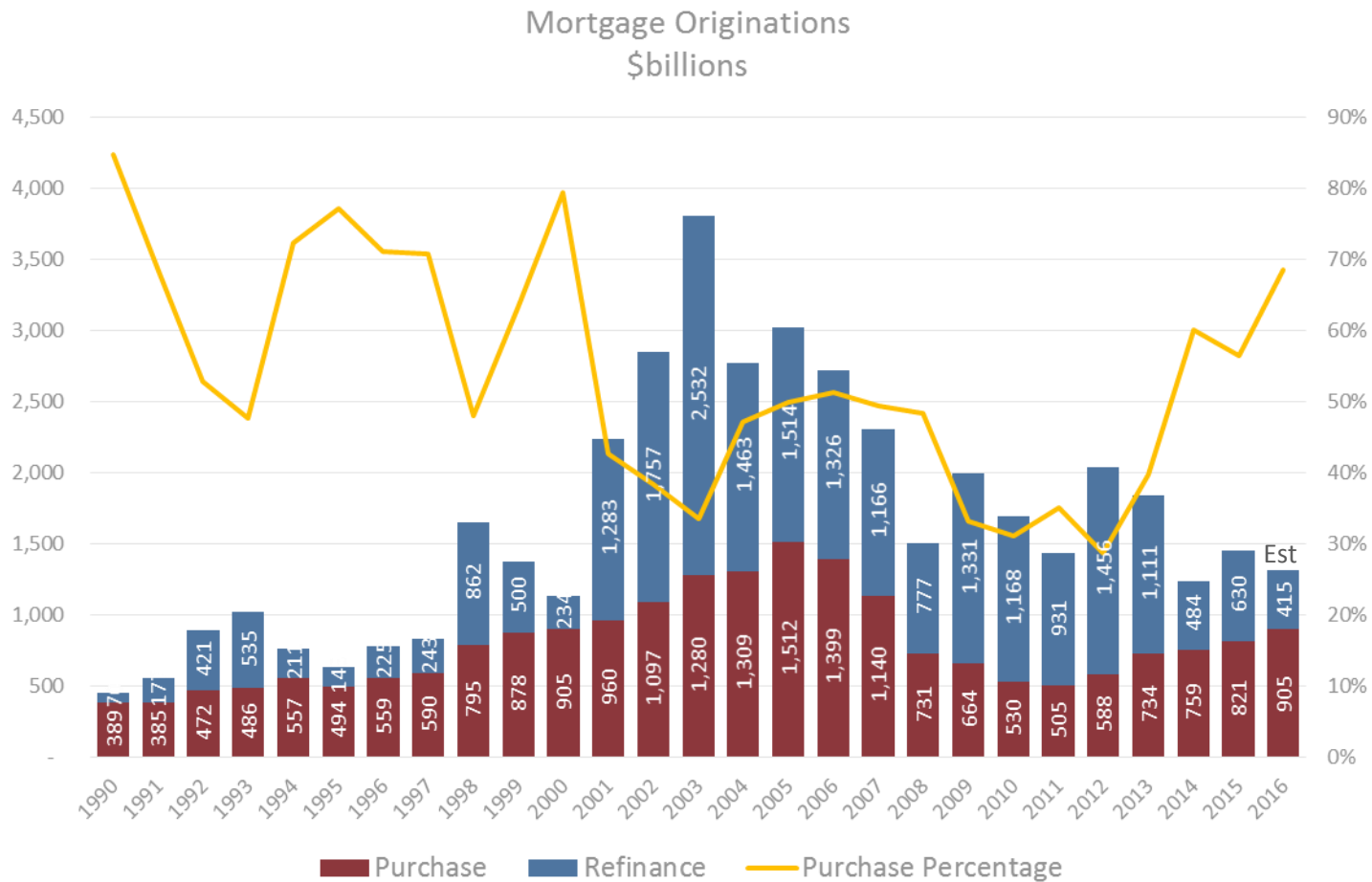
## Historical Private MI Price / Book Multiple and ROE (1992-2014)



Source: SNL Financial, Regulatory filings for MI companies

- 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

# Improving Purchase Market

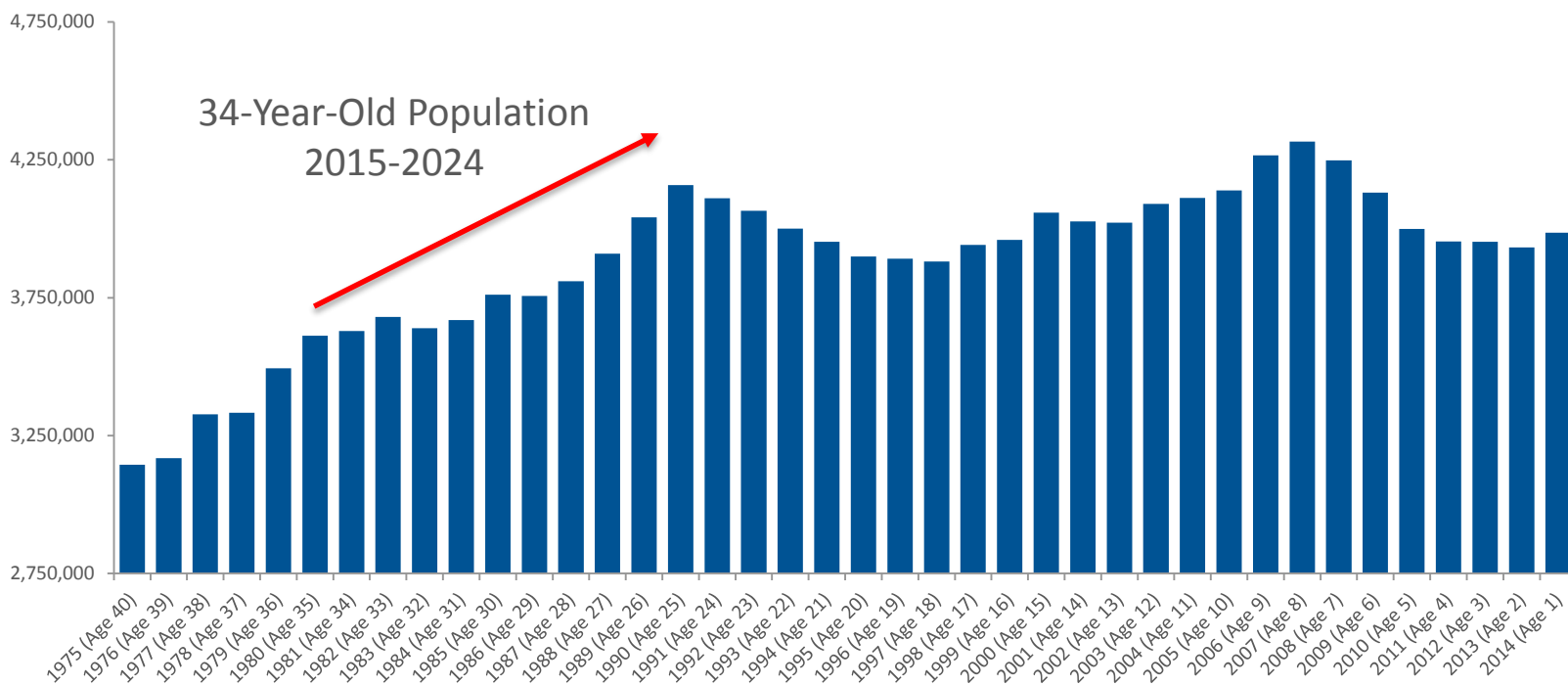


Mortgage insurance penetration of purchase is 4x that of refinancing

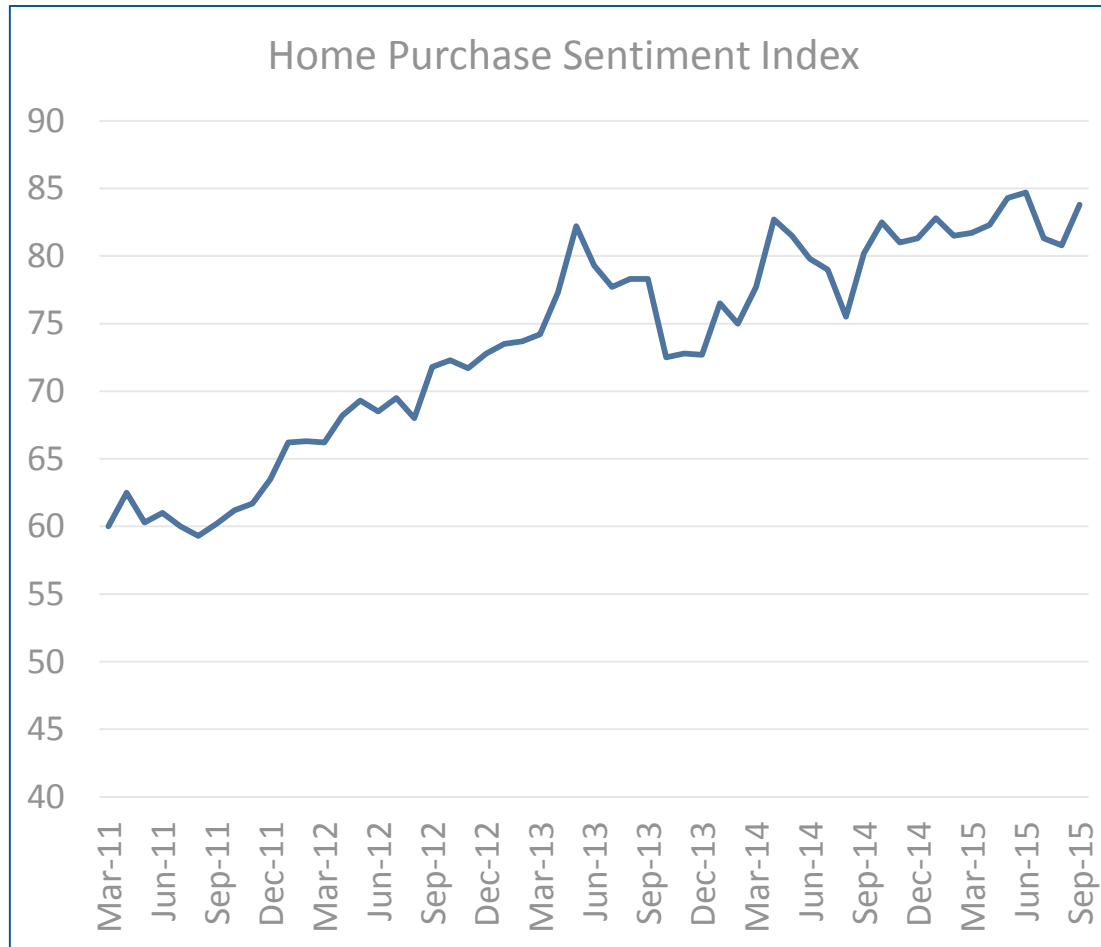
Source: Mortgage Bankers Association

# Favorable Demographic Trend

- First-time homebuyers represent a significant future opportunity
- Average age of a first-time homebuyer is 34
  - More Americans will enter the typical first-time homebuyer age nearly every year over the next decade
  - Approximately 38 million Americans will reach the age of an average first time homebuyer over the next decade



# Steady Improvement in Home Purchase Sentiment



- Home Purchase Sentiment Index based on six key National Housing Survey questions related to housing affordability and attractiveness

# Competitive/Regulatory Environment

- Strong public policy bias toward decreasing taxpayer exposure to mortgage market
  - Despite this bias, FHA/VA expected to continue to be attractive option for low down payment and higher risk borrowers
  - Public statements of many lenders indicate they are de-emphasizing government lending
- Unlikely that GSE charters requiring private mortgage insurance will change
- “Deep Cover” mortgage insurance could expand market
- Capital markets competition vs. private mortgage insurance has not materialized
- Capital requirements are barrier to new MI entrants

National MI is Highly Focused on Our Opportunity for Growth in the ~200B Market for Private Mortgage Insurance

# Themes for Today

- ***Differentiated value proposition*** is winning with customers
- ***Achieving rapid growth*** in a competitive industry
- ***Poised for profitability*** in 2016 and targeted mid-teens returns over time
- ***Led by a talented and deep management team***





## **Customer Development & Insurance Operations**

Claudia Merkle, Executive VP,  
Sales & Insurance Operations

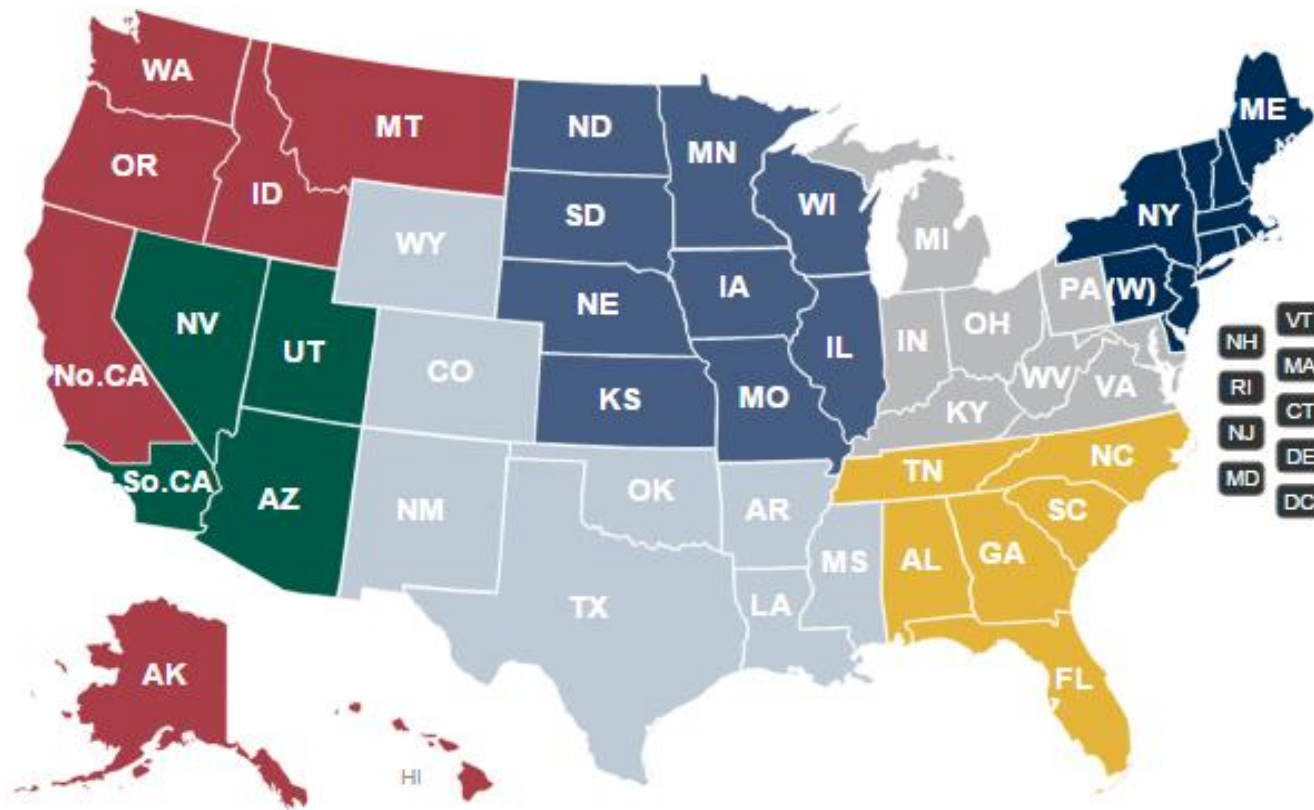
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# SALES STRUCTURE & CUSTOMER DEVELOPMENT



# Sales Structure

- Field Sales, Regional Accounts:
  - 7 Geographic Regions, managed by 7 Managing Directors, ~50 Sales Representatives
- National Accounts:
  - 5 Sales professionals, managing 40-50 lenders



# Customer Development Market Structure

National MI Penetrates New Account  
(Approved Master Policy)

Typically 3-4 Approved MI's in  
Any Given Account

Few instances  
where all 7 MI's are  
approved and  
allocated share

Lender Allocates MI Based on  
Two Primary Methodologies

Transactional

Central  
Allocation

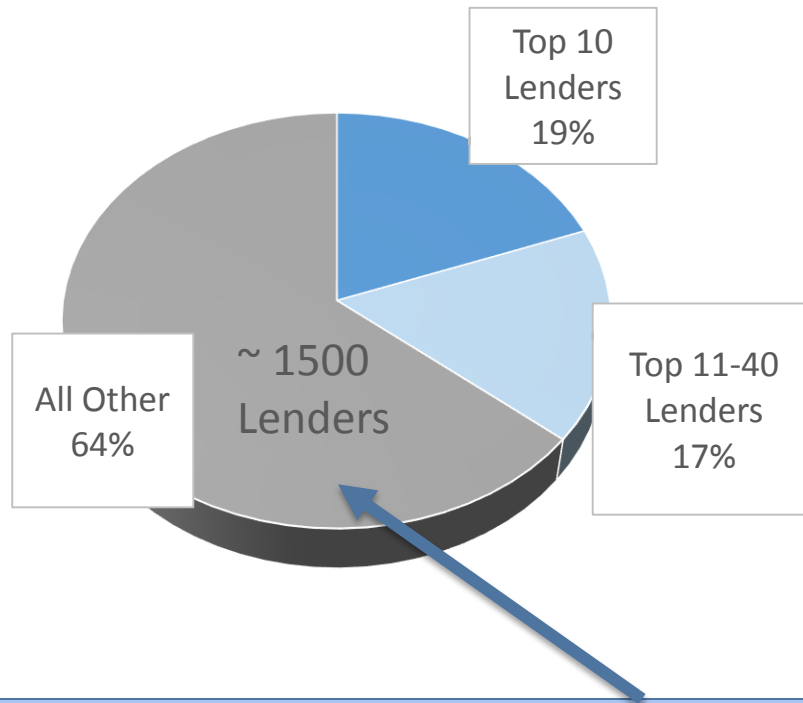
MI allocated at the loan level by loan officers, processors, and underwriters, based on a number of factors, including price, ease of use, and relationships

MI allocated centrally and share distribution is driven by customer management, usually based on relationship, value proposition and counter-party strength

National MI builds relationships with  
both lender management and  
individual decision-makers to gain  
share of accounts

# Mortgage Insurance Market Stratification

Total Controllable MI  
(Retail / Wholesale MI by Lender)

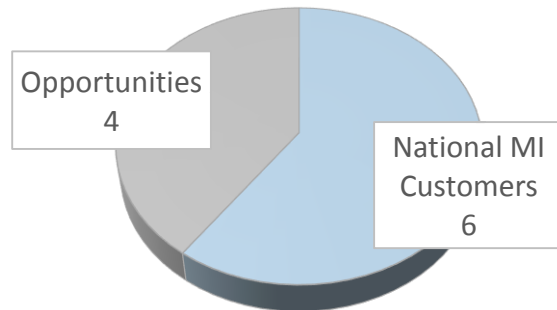


- Top 10 Lenders who control the MI decision represent 19% of the MI market
- The next 30 lenders represent 17% of the MI market
- **Remaining 64% of the market comprised of more than 1,000+ lenders**

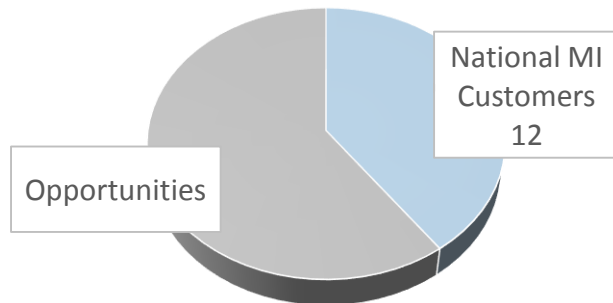
**We are Focused on Winning in All Accounts; Our Greatest Opportunity is Within the Large and Fragmented Market of Regional Lenders**

# Current Penetration Based on Active Customer Relationships

**Top 10 Mortgage Originators**  
Inside Mortgage Finance YTD2015



**Top 11-40 Mortgage Originators**  
Inside Mortgage Finance YTD2015

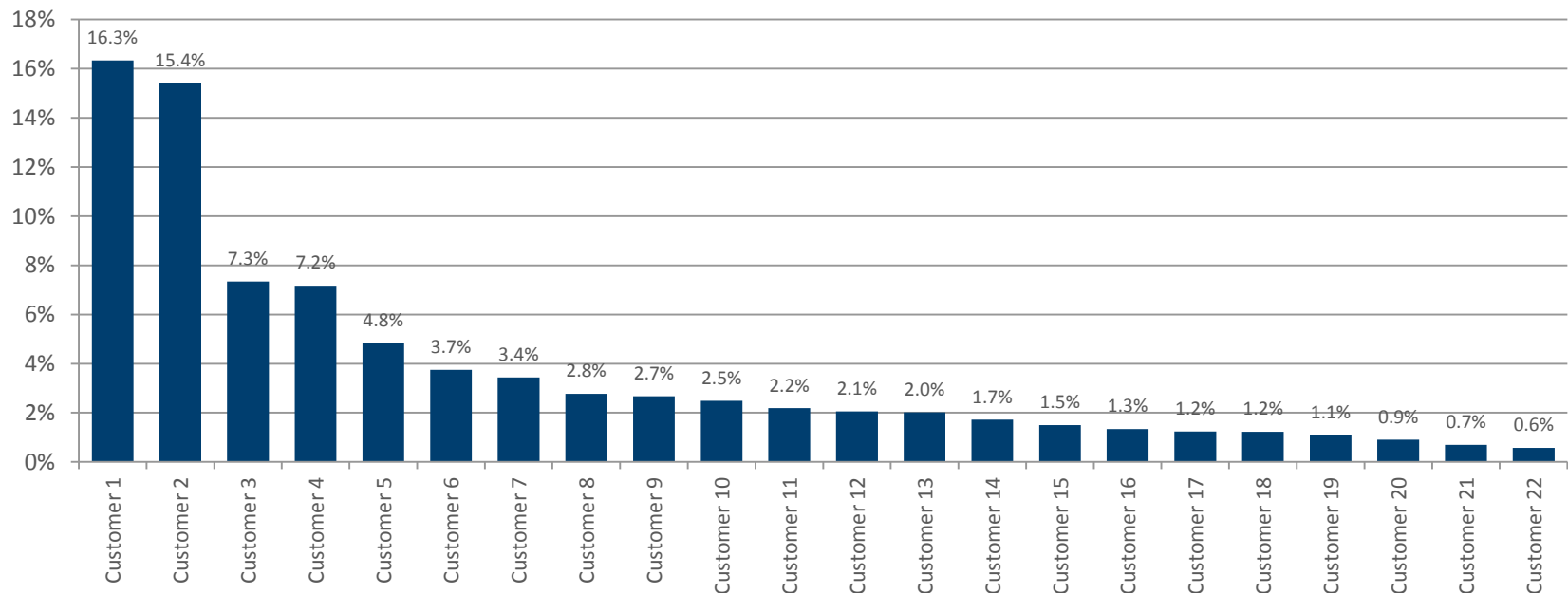


- National MI is active with 18 of the top 40 lenders that control the MI decision
  - Because few lenders use all 7 MI's, we do not expect to penetrate all of the top 40
  - Over time, our goal is to develop active customer relationships with 20-25 of the top 40 lenders
- In total, we have received applications from 524 lenders out of 906 approved Master Policies ever-to-date

# Achieved Critical Mass in the Correspondent Market

- As of September 30, 2015, we are approved with the Top 22 Residential Correspondent Lenders, representing 83% of the correspondent market

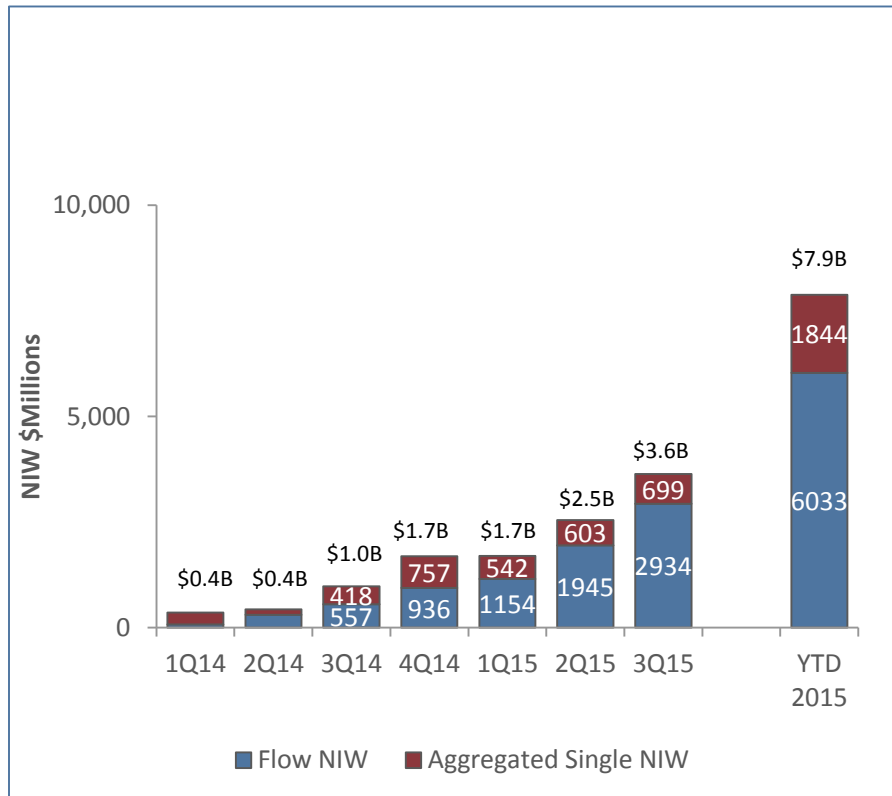
## Top Residential Correspondent Aggregators and Respective Share of Correspondent Market\*



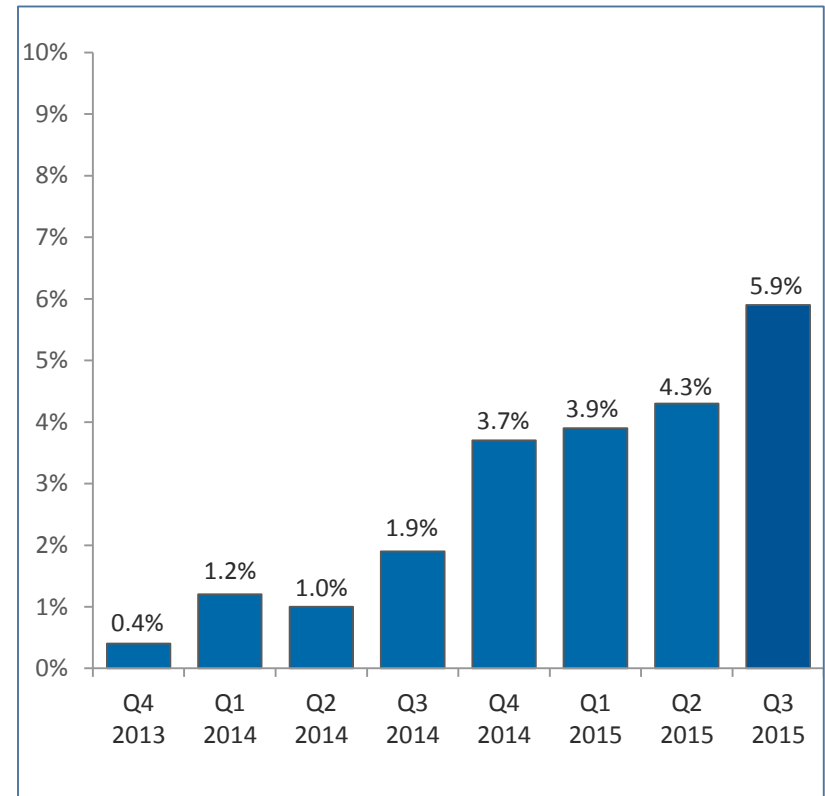
Represents Top Residential Correspondent Lenders in Q4 14 as defined by Inside Mortgage Finance.

# NIW Growth and Market Share Gains

## NIW Growth



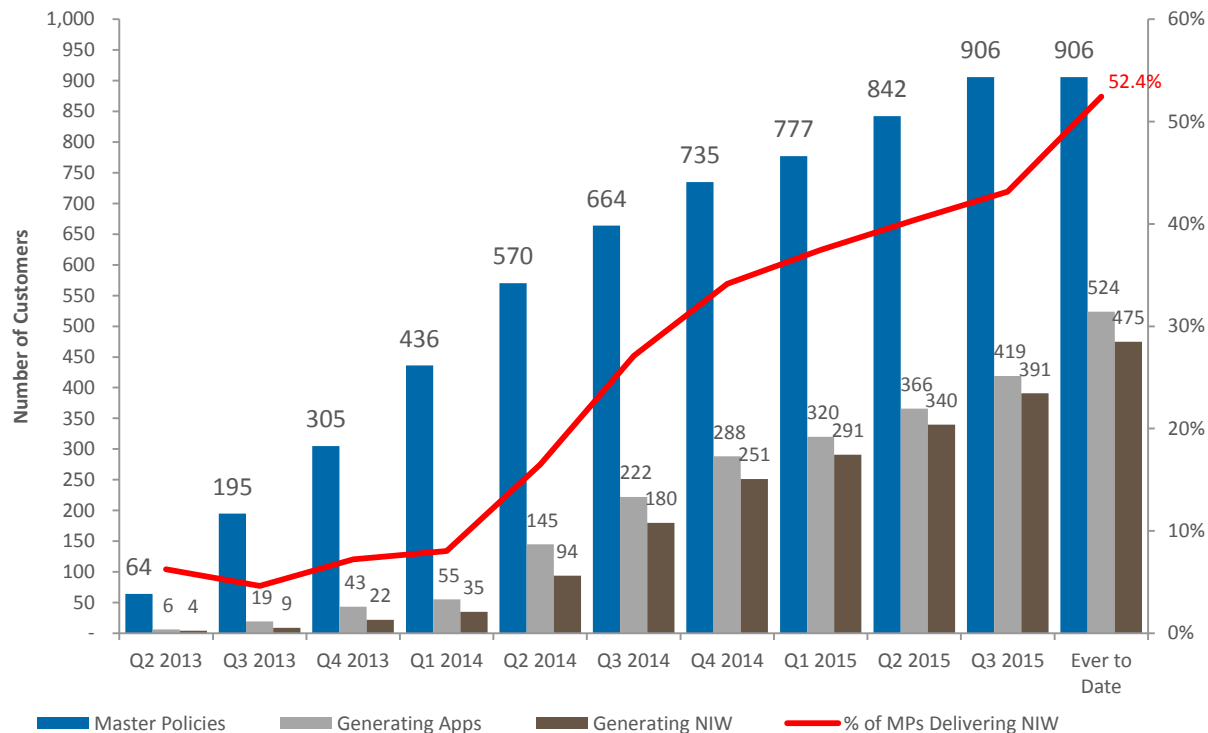
## National MI Market Share





# Customer Base

## Customers with Approved Master Policies and Those Generating Applications/NIW During the Period



- Approved master policies with 906 lenders as of September 30, 2015
- Master policies growing by approximately 15-20 per month YTD
- Recently approved master policies now converting quickly to generating NIW
- We expect to have approved master policies with approximately 975 customers by year-end 2015

# Customer Development - Differentiation



- National MI has designed its value proposition to appeal to both MI decision models by providing “best in class” offerings across all facets of private mortgage insurance
  - **Terms of Coverage / Financial Strength (Counter-Party Risk)**: With an innovative Master Policy, National MI provides an industry best assurance that claims will be paid
    - Pioneered 12 month rescission relief
    - Sensible Servicing – a commitment to consider life events
    - All independently validated loans checked for ATR
  - **Guidelines / Ease of Use**: National MI’s guidelines align with GSE guidelines with very few overlays, eliminating the concern that MI will be a hurdle to closing a loan
    - National MI’s guidelines offer a wide spectrum of insurability for portfolio loans and private securitizations
  - **Service**: National MI’s non-delegated underwriting team offers industry-leading service levels and expedited processing when needed

# What We Are Hearing from Customers



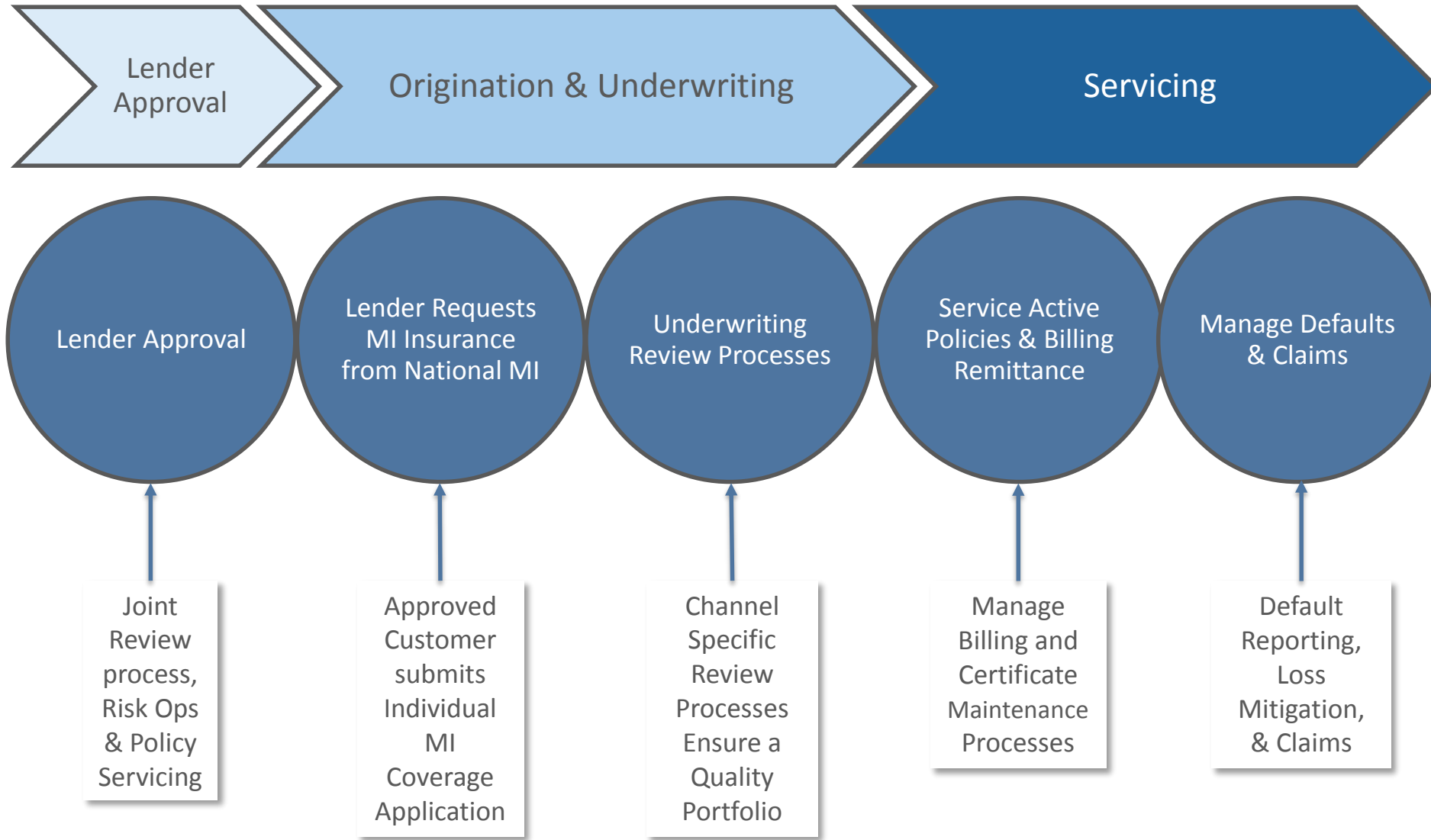
- ***Great momentum*** for continued success
- ***Proven track record*** to continue to win
- ***Large market opportunity***
- ***Financial capacity*** for counter party strength
- ***Unique differentiators*** in our coverage terms and how we approach the business
- ***Ease of use***
- ***Seasoned sales team*** that's built to succeed

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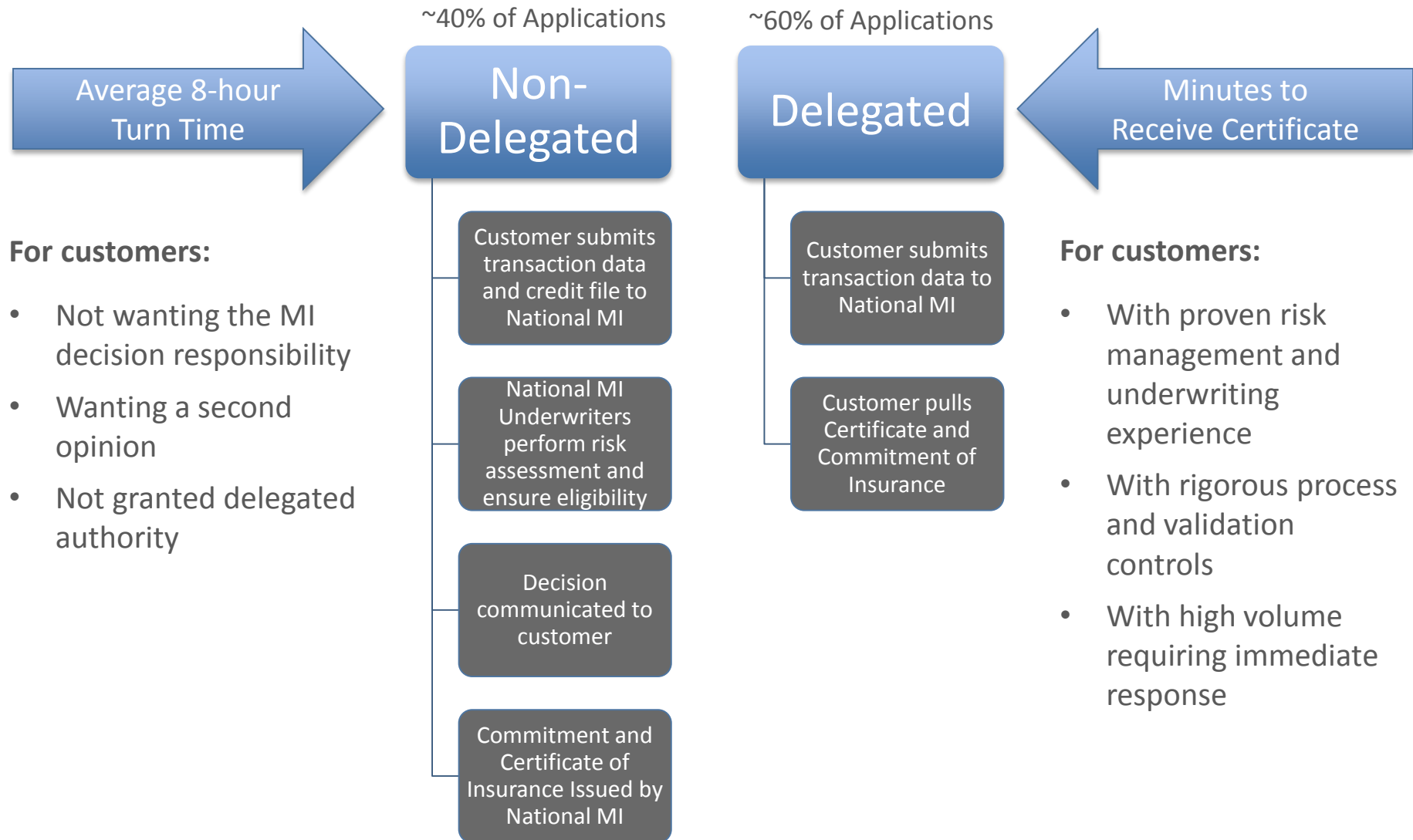
# OPERATIONS & UNDERWRITING

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# Operations & Underwriting Fulfillment Process



# Underwriting Channel Options



# Customer Support – Team Approach

**National MI's Sales Support team provides internal support to Sales in order for sales to concentrate solely on our customers**

**National MI's Risk Operations group (DROs) provides timely responses on a variety of customer and program requests**



**National MI's Solution Center is staffed to help our customers and provide technical underwriting assistance with Lender loan submissions, with a focus on efficient resolution of customer related issues**

**Available 8 am – 8 pm Eastern**

**Phone: 855.317.4664**

**Email: [solutioncenter@nationalmi.com](mailto:solutioncenter@nationalmi.com)**



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INTERMISSION

A decorative graphic at the bottom of the slide, consisting of a light gray, stylized mountain range or architectural structure. It features a central peak and two smaller peaks on either side, all rendered in a simple, geometric style. The bottom of the graphic is a smooth, white, semi-circular arc.



**INVESTOR**  
**DAY 2015**

## **Risk Management**

Patrick Mathis, Executive VP  
& Chief Risk Officer

# Risk Management Framework

- Board and senior management oversight
  - Board Risk Committee
  - Management Risk Committee
- Policies governing critical risk activities including:
  - Insurance underwriting: Underwriting Guidelines Manual
  - Other risk management activities: Risk Policy Manual
  - Lender approval and monitoring
  - Underwriting and exception authority delegation
  - Independent validation and QC requirements and tolerances
  - Portfolio concentration guidelines and monitoring
  - Underwriting guideline, risk policy and pricing changes
  - Other (loss mitigation, pool insurance, risk sharing, etc.)
- Independent internal audit

# Management Risk Committee Responsibilities

- Management Risk Committee approves:
  - Pricing changes
  - Bids on aggregated flow transactions or pool transactions, such as the 2013 Fannie Mae pool
  - Material Credit Policy changes
  - New products
- Management Risk Committee reviews:
  - Portfolio concentrations
  - Underwriting quality control results

# Concentration Limits and Monitoring

Category	Total RIF
95.01 - 97.0% LTV	3.4%
620-659 FICO	0.6%
ARMS with Reset < 5 yrs.	0.1%
Cash-Out Refinance	0.5%
Second Home	2.0%
Investor	0.1%
Condo/Co-op	7.6%
California	13.1%
Self Employed	7.6%

Data as of 10/31/15

- Risk limits tracked via established reports and monitored by Risk Management and Risk Committee in regularly scheduled monthly and quarterly meetings
- Portfolio concentrations are reported to Management Risk Committee monthly and Board Risk Committee quarterly
- We underwrite or independently validate the vast majority of loans we insure; therefore, we have very good insight into the credit quality of our portfolio

# Underwriting Today Versus Before the Crisis

- Qualified Mortgage requirements and prevailing winds of sanity among key investors have led to near extinction of the riskier categories of >80 LTV loans:
  - Stated income
  - No/alternative documentation
  - Negative amortization
  - Interest only
  - Cash-out refi
  - 100% LTV
- The remaining types of layered risk loans consist of:
  - Loans for investment properties
  - Loans for second/vacation homes
- MI and GSE FICO requirements are higher for these types of loans and/or LTV maximums are lower today than they were in the 2005-2008 timeframe
- MI premium adjusters are added for these types of loans as well
- We at National MI have underwritten or fully reviewed over 90% of the loans in our portfolio, significantly more than the industry average

# National MI Book Now Versus Legacy Book 2009

Attribute	Legacy MI 12/31/2009	National MI 10/31/2015
Stated + No Doc	12.4%	0.0%
<620 FICO	10.0%	0.0%
Interest Only	7.3%	0.0%
97%-100% LTV	28.2%	3.4%*
>=720	42.0%	77.8%**
Fixed Rate	84.5%	97.5%

\*97% Only



\*\*46% of NMI portfolio is >= 760 FICO

- We have **none** of the most volatile layered risk loans in our portfolio:
  - Stated Income and No doc
  - Subprime (< 620 FICO)
  - Interest only
  - 100% LTV
- The FICO distribution is significantly better today than it was during the 2004-2008 timeframe

# Estimated Stress Losses – Portfolio Today Versus 2007

## B. Stress Standard Coverage Mortgage Insurance Loss Rate

LTV	CREDIT SCORE						
	[620-639]	[640-659]	[660-679]	[680-699]	[700-719]	[720-739]	[740-850]
80-85	20.4%	17.7%	14.3%	11.9%	9.4%	7.7%	4.2%
85-90	26.5%	22.4%	20.6%	16.1%	12.5%	10.0%	5.9%
90-95	30.8%	27.2%	23.1%	18.5%	15.6%	12.2%	7.3%
95+	38.0%	34.1%	29.1%	24.3%	20.3%	16.4%	9.8%

 Modeled stress loss rate 2007 quality book  
 Modeled stress loss rate 2015 quality book

	Actual Reported Paid Loss Rate to Date	Estimated Development	Projected Final Loss Rate
2006 Book Year	19.5%	90.0%	21.6%
2007 Book Year	22.7%	80.0%	28.4%

Source: Milliman, Inc – Analysis Of Deep Coverage Mortgage Insurance, October 15, 2015.  
<http://www.usmi.org/wp-content/uploads/2015/10/Milliman-Report-Analysis-of-Deep-Coverage-MI-FINAL.pdf>  
 Industry-reported loss rates



# Key Risk Management Themes

- Regulatory changes and “industry PTSD” have led to:
  - ***Benign underwriting environment*** that will likely last for many years
  - ***Higher average FICO score in the over 80 LTV conventional market that will drive lower expected and stress losses***
- ***National MI has an additional layer of risk mitigation*** by underwriting pre-close or fully reviewing post-close more than 90% of the loans in our portfolio
- GSE eligibility requirements (PMIERs) effective 1/1/16 provide a ***new and comprehensive financial safety and soundness framework for the MI industry***



**Deep Dive on MI Pricing**  
Robert Smith, Senior VP,  
Pricing & Portfolio Analytics

# Pricing Model Overview

- Three main components of MI pricing:
  1. **Expected losses**
    - Estimated by historical performance of similar insured loans
    - High quality of today's originations lead to low expected loss
  2. **Expenses**
    - MI expenses are largely fixed; acquisition costs are 10-20% of total expenses
  3. **Capital**
    - GSE PMIERS are likely to be binding constraint in managing capital going forward
- Other components include investment income, taxes, and expected duration

# 1. Expected Losses

- Expected (non-stress) losses are lower than historical norms due to differences in loan quality

## A. Expected Standard Coverage Mortgage Insurance Loss Rate

LTV	Credit Score						
	[620-639]	[640-659]	[660-679]	[680-699]	[700-719]	[720-739]	[740-850]
80-85	6.2%	5.3%	4.2%	3.5%	2.8%	2.3%	1.2%
85-90	8.2%	6.6%	6.0%	4.5%	3.3%	2.7%	1.6%
90-95	9.2%	7.8%	6.3%	4.9%	4.0%	3.0%	1.8%
95+	10.9%	9.4%	7.6%	6.2%	5.0%	4.0%	2.3%

 Modeled loss rate 2007 quality book

 Modeled loss rate 2015 quality book

## 2. Expenses - Example

a	Loan Size	\$ 220,000
b	LTV	95%
c	FICO	710
d	Coverage	30%
e	Loss Rate	4.00%
f	Average Life Yrs	4.50
<b>Expenses</b>		
g	Acquisition	\$ 100
h	Overhead Allocation	\$ 900
<b>Capital</b>		
i	Asset Charge (PMIERs)	10.50%
j	Required Assets bps ( $d \times i \times f \times 10,000$ )	1,418
k	Target ROA	15%
l	After Tax Profit Required bps ( $j \times k$ )	213
m	Loss bps ( $d \times e \times 10,000$ )	120
n	Expense bps ( $(g + h) / a \times 10,000$ )	45
o	Pretax Profit Required bps ( $l / 0.65$ )	327
p	Premium bps ( $m + n + o$ )	493
q	Expense Proportion ( $n / p$ )	9%

- With a 710 FICO/95% LTV loan, and 30% coverage, the premium was built primarily on expected losses, with expense representing only 9% of the premium

## 2. Expenses - Example

a	Loan Size	\$ 220,000	\$ 220,000
b	LTV	95%	85%
c	FICO	710	790
d	Coverage	30%	12%
e	Loss Rate	4.00%	1.20%
f	Average Life Yrs	4.50	4.50
<b>Expenses</b>			
g	Acquisition	\$ 100	\$ 100
h	Overhead Allocation	\$ 900	\$ 900
<b>Capital</b>			
i	Asset Charge (PMIERS)	10.50%	1.58%
j	Required Assets bps (d x i x f x 10,000)	1,418	85
k	Target ROA	15%	15%
l	After Tax Profit Required bps (j x k)	213	13
m	Loss bps (d x e x 10,000)	120	14
n	Expense bps (g + h )/a x 10,000	45	45
o	Pretax Profit Required bps (l / 0.65)	327	20
p	Premium bps (m + n + o)	493	80
q	Expense Proportion (n / p)	9%	57%

- As mid-teens expected returns are held constant, but expected loss rates come down, acquisition and allocated expenses can be more than 50% of the premium rate

# 3. Capital

- PMIERS required asset charges are likely to be the binding constraint in managing capital
  - The first PMIER grid below is the required asset charge expressed as a percentage of risk in force
  - The second grid is the inverse, a maximum risk to assets multiple
- State regulators, when they act, are unlikely to impose more stringent requirements

LTV	>760	740-759	720-739	700-719	680-699	620-679
97%	4.83%	7.60%	9.84%	11.55%	14.25%	19.20%
95%	4.39%	6.91%	8.95%	10.50%	12.96%	17.45%
90%	3.07%	5.07%	6.63%	8.14%	10.04%	14.34%
85%	1.58%	2.73%	3.61%	4.66%	5.85%	9.17%

LTV	>760	740-759	720-739	700-719	680-699	620-679
97%	20.7	13.2	10.2	8.7	7.0	5.2
95%	22.8	14.5	11.2	9.5	7.7	5.7
90%	32.6	19.7	15.1	12.3	9.6	7.0
85%	63.2	36.6	27.7	21.5	17.1	10.9

A minimum asset charge of 5.6% will be applied regardless of the portfolio weighted average (17.9 x Risk to Assets)

# Capital

- Multipliers further impact pricing, especially in regards to LPMI

Risk Feature	Multiplier
Not underwritten with full documentation	3.00
Investment property at origination	1.75
DTI ratio greater than 50%	1.75
Mortgage payment is not fully amortizing	2.00
Cash out refinance	1.50
Original maturity term 20 years or less	0.50
LPMI with original LTV greater than 90%*	1.10
LPMI with original LTV less than or equal to 90%*	1.35

\*The multipliers for LPMI apply to insured loans with note dates on or after January 1, 2016



# Pricing Changes

- Current industry rate cards, created pre-PMIERS, do not produce consistent returns post-PMIERS
- LPMI Price Increase Effective 1/1/2016:
  - To generate mid-teens returns, we are increasing our LPMI Single Premium national rates by approximately 16% on average, effective January 1, 2016
- On average, current BPMI Monthly premiums generate an acceptable return
- However, returns are inconsistent across FICO/LTV/Coverage options
- We have been piloting a BPMI Monthly rate card that targets a consistent mid-teens return across all FICO/LTV/Coverage combinations

- *National MI's risk-based pricing model is designed to deliver mid-teens returns* across the FICO/LTV/Coverage spectrum and eliminate the cross-subsidies across the BPMI rate card
- *National MI is offering a rational response to PMIERS capital requirements*

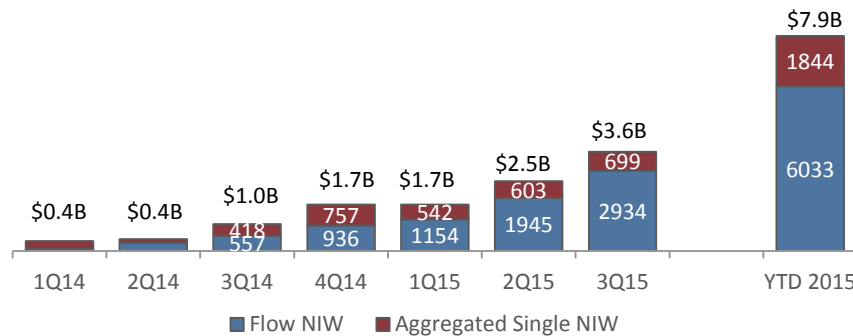


## **Driving Financial Performance**

Glenn Farrell, Chief Financial Officer

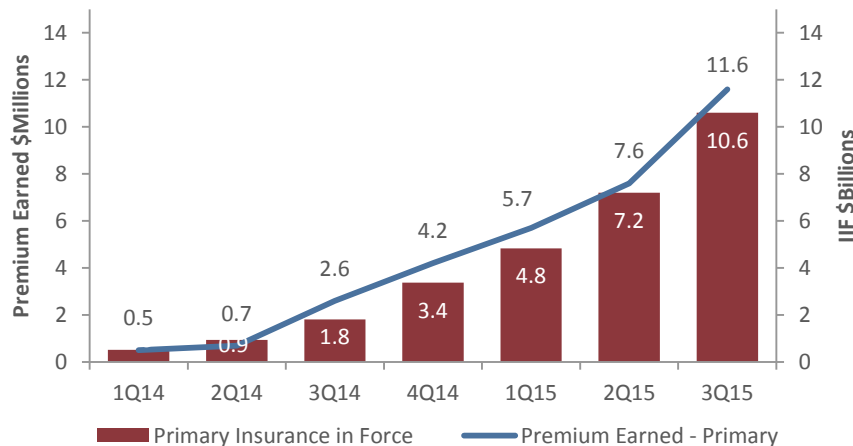
# 2015 YTD Financial Highlights

## New Insurance Written



- New Insurance Written YTD 2015 more than double full year 2014

## Insurance-in-Force & Premiums Earned

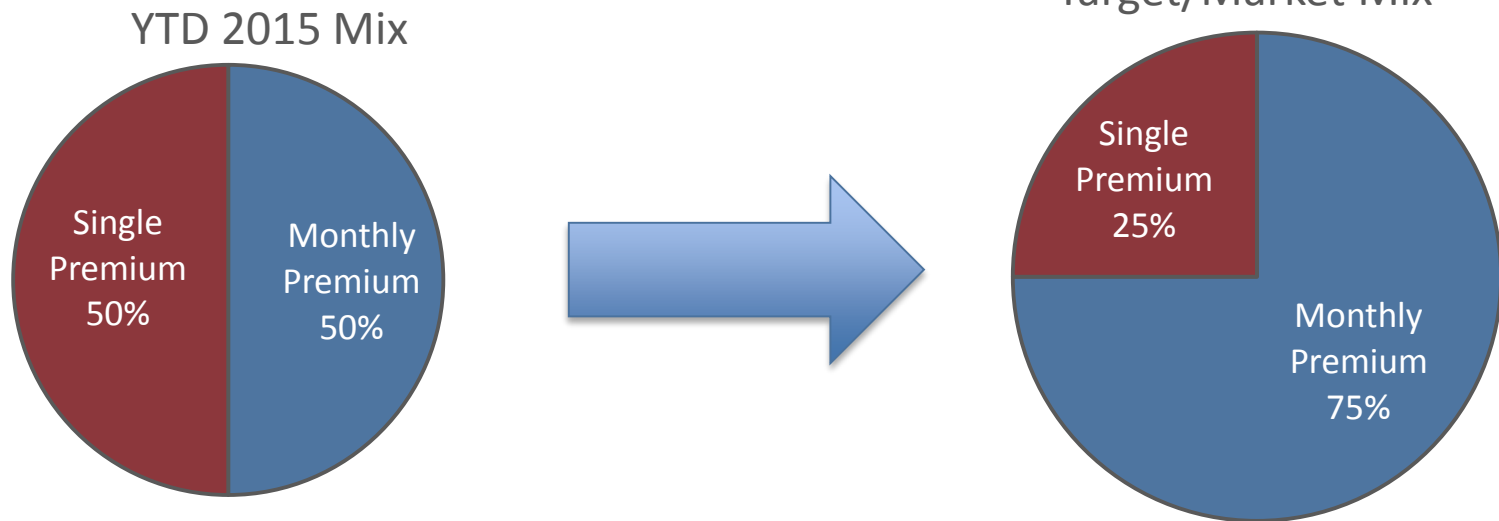


- Primary insurance-in-force tripled YTD to \$10.6B as of 9/30/15

# Product Mix

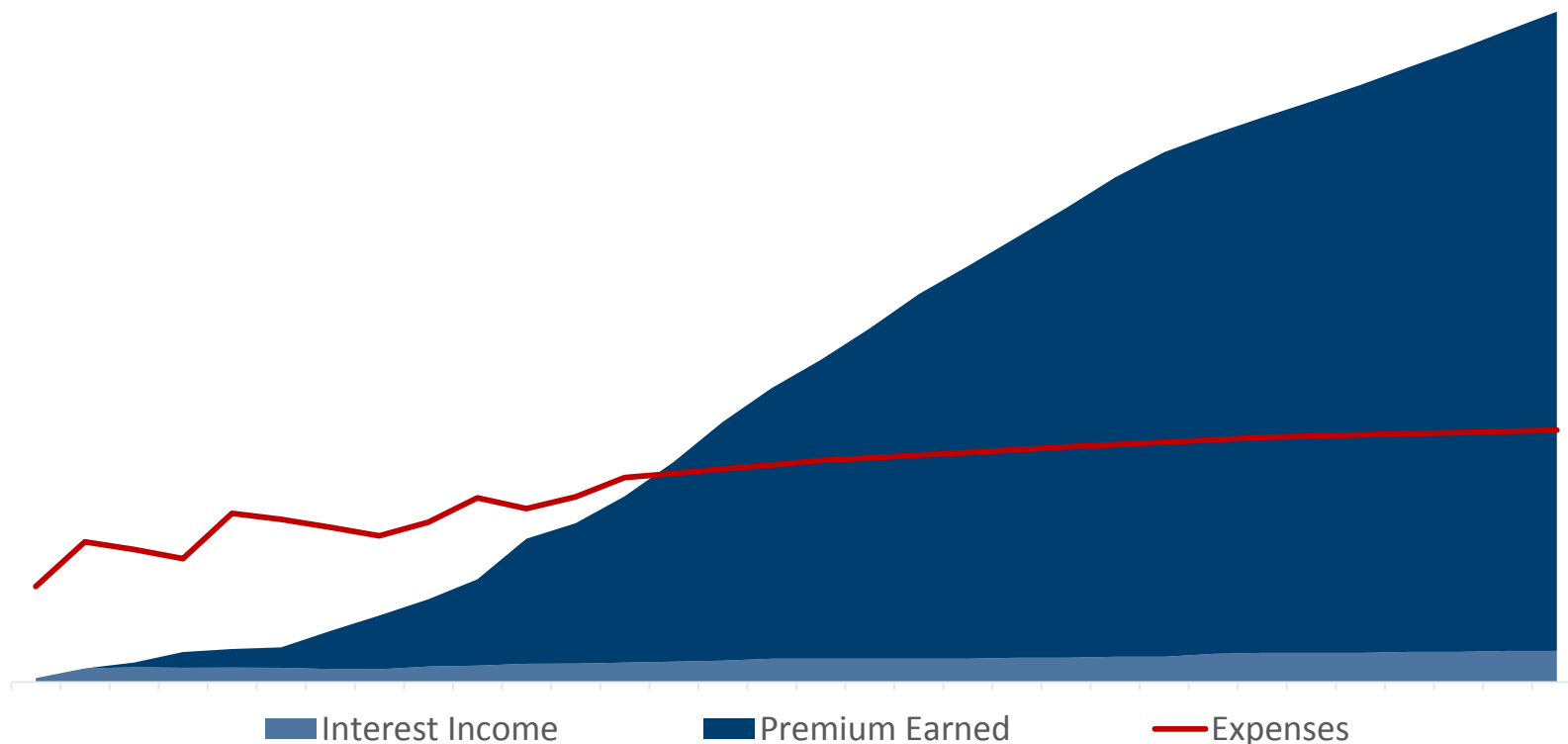
- We have opportunistically penetrated new accounts and grown scale with a higher mix of LPMI singles
- Going forward, we expect our LPMI single premium price increases and balanced BPMI monthly rates will drive change in product mix

## New Insurance Written



# Expense History and Outlook

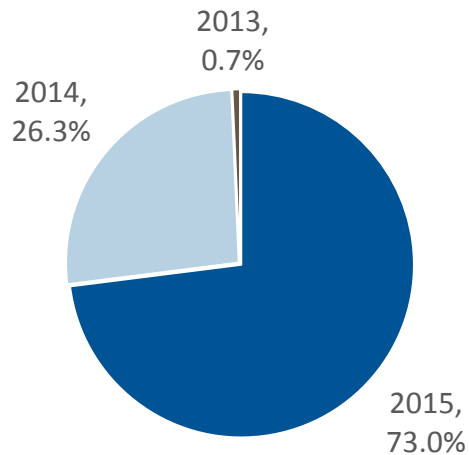
- Establishing requisite infrastructure – principally insurance operations, IT, and sales – drove expense level through 2015
- Going forward, we expect the majority of expense growth will be volume-related



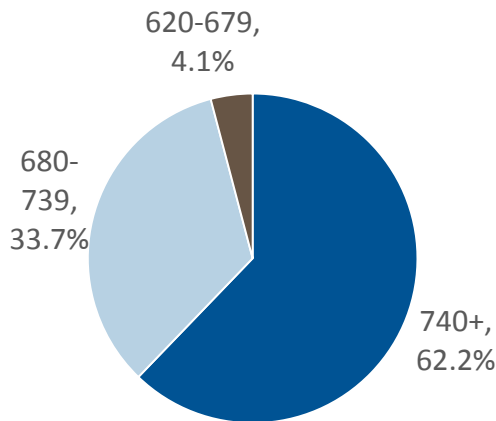
# Clean Post Crisis Insurance Book

- Unencumbered by legacy book of business
- Weighted Average FICO of 750 and Weighted Average LTV of 92% as of Sept. 30, 2015<sup>1</sup>

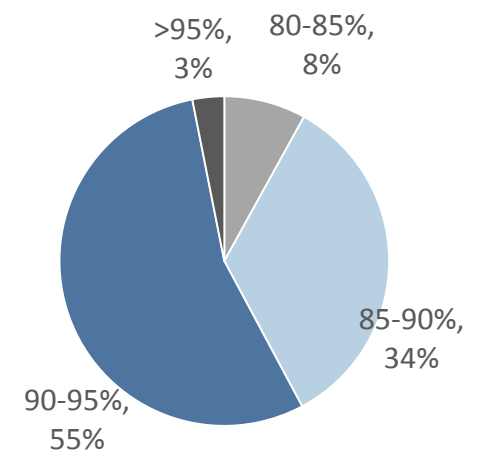
RIF by Vintage



RIF by FICO Score

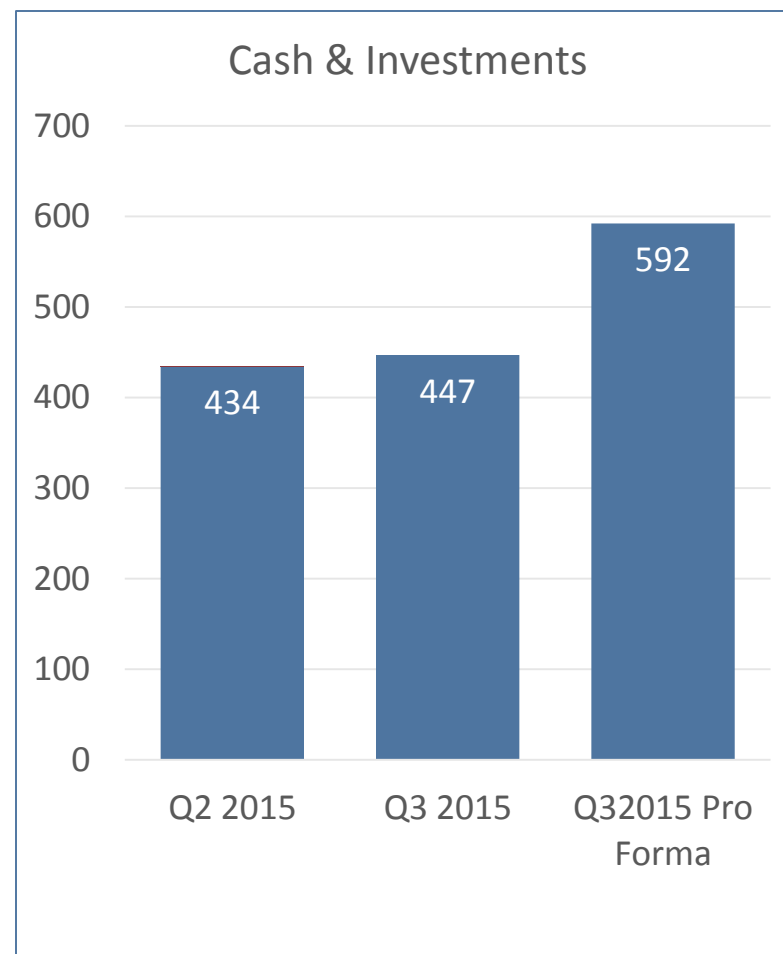
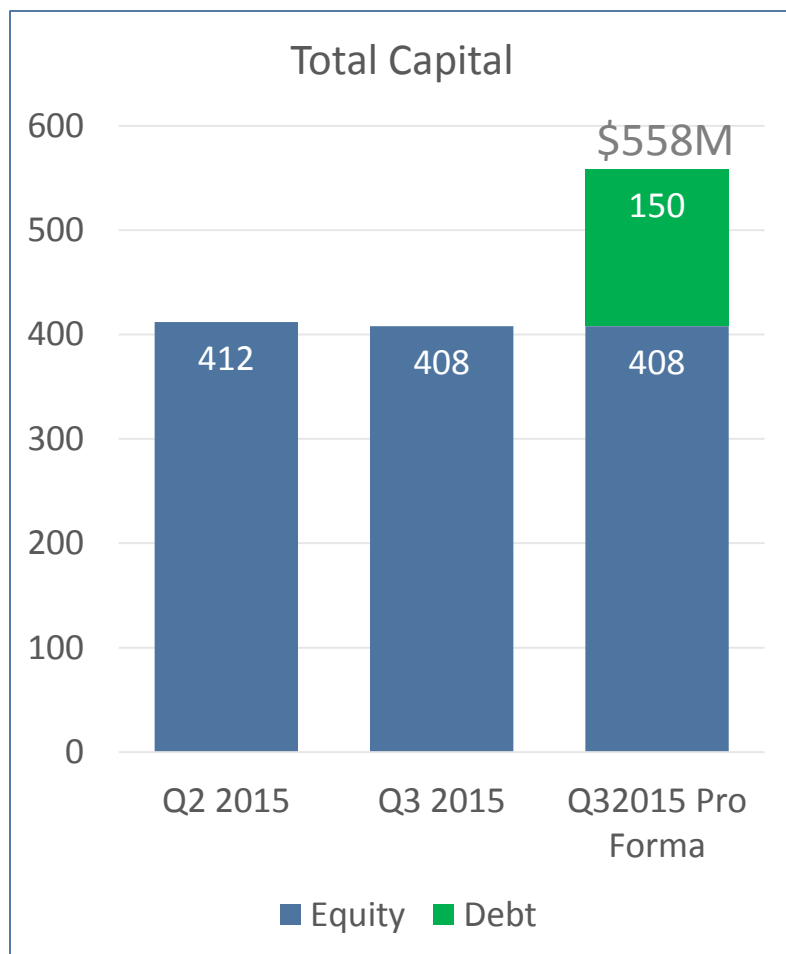


RIF by LTV



***Existing business written at attractive mid-teen returns***

# Balance Sheet & Capital Position



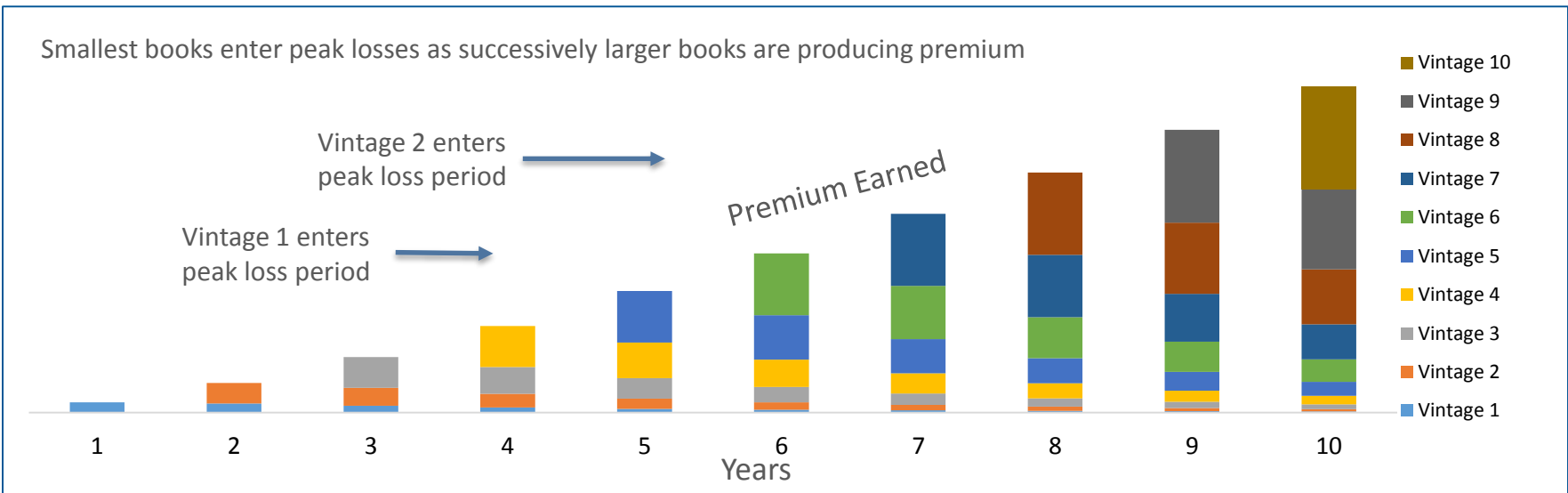
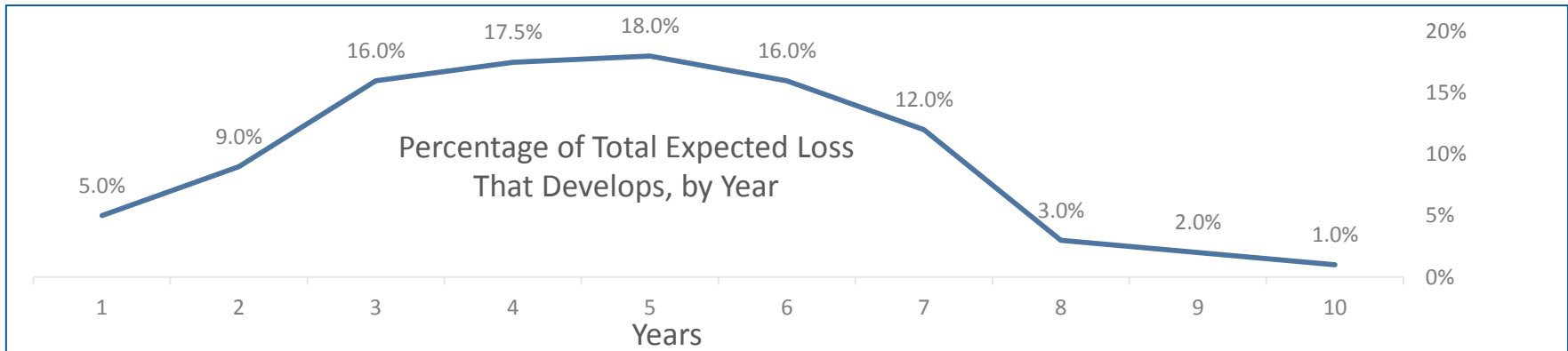


# Recent Capital Raise

- On November 10, 2015, we raised \$150 million senior secured Term Loan B
  - Provides capital for growth – now have capacity to write ~\$20 billion of new insurance
  - Enables PMIERS compliance as of 12/31/2015
  - Lower cost capital relative to equity
  - JP Morgan was sole arranger
  - Small group of institutional lenders
- Terms
  - 3-year tenor
  - LIBOR + 7.50% with 1.00% LIBOR floor
  - Opportunity to refinance without penalty after one year

# Loss Development

- Loss Development: Peak losses occur in years 3-6 of loan
- With growing NIW, high credit quality and default rate of 2.5%, loss ratios for a new entrant can stay well below 15% for a decade



# Summary

- *We are driving strong growth in NIW, insurance-in-force, and revenue*
- *Expense growth is moderating with build-out of infrastructure*
- *Expect profitability in 2016*
- *Financial model drives significant operating leverage going forward*
- *Well capitalized*

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# QUESTIONS & ANSWERS



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# APPENDIX

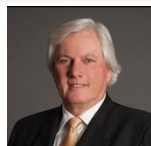


# Highly Experienced Management Team



**Bradley Shuster**  
Chairman of the  
Board and Chief  
Executive Officer

- Chairman and CEO of NMI 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



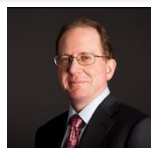
**Glenn Farrell**  
Executive VP and  
Chief Financial  
Officer

- Joined NMI in 2015 as Executive Vice President and Chief Financial Officer
- Formerly an audit partner with KPMG LLP, serving in several leadership positions over 35 years, including audit practice leader and partner-in-charge of the firm's Northern California business



**William  
Leatherberry**  
Executive VP and  
General Counsel

- Nearly 20 years of experience in corporate law, including mergers and acquisitions, securities law, corporate governance and compliance oversight
- Prior to National MI, Mr. Leatherberry served as Executive VP, General Counsel and Secretary for Century Aluminum, a publicly traded primary aluminum company with over \$1.5 billion in revenues



**Patrick Mathis**  
Executive VP,  
Chief Risk Officer

- 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



**Claudia Merkle**  
Executive VP,  
Chief of Sales &  
Insurance Operations

- Joined NMI in May 2012; leads Sales, Underwriting Fulfillment, and Risk Operations
- 15 years' experience in mortgage and MI sales
- Prior to NMI she served as Vice President, Regional Manager at Meridian Mortgage



**Robert Smith**  
Senior VP,  
Pricing Strategy &  
Portfolio Analytics

- Joined National MI in 2012, and has more than 17 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.