

The logo for NMI Holdings, Inc. features the letters "NMI" in a large, bold, white sans-serif font. Below "NMI", the words "HOLDINGS, INC." are written in a smaller, white, all-caps sans-serif font. The entire logo is contained within a light gray rectangular box.

**NMI**  
HOLDINGS, INC.

A dark blue horizontal banner with a subtle, lighter blue mountain range silhouette in the background. The text "INVESTOR DAY 2017" is centered in a white, all-caps, sans-serif font.

**INVESTOR  
DAY 2017**



## Cautionary Note Regarding Forward-Looking Statements and the Use of Non-GAAP Financial Measures



- During the course of this 2017 Investor Day discussion, we may make comments about our expectations for the future. Actual results could differ materially from those contained in these forward-looking statements.
- Additional information about the factors that could cause actual results or trends to differ materially from those discussed today can be found on our website, or through our regulatory filings with the SEC.
- If, and to the extent, we make forward-looking statements, we do not undertake any obligation to update those statements in the future in light of subsequent developments. Further, no interested party should rely on the fact that the guidance of such statements is current at any time other than the time of this call.
- Also note that on our website we have provided a reconciliation of certain non-GAAP measures used in this presentation to the most comparable measures under GAAP.

# Agenda



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## Introduction

Brad Shuster

Chairman &  
Chief Executive Officer

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## Customer Development

Claudia Merkle

Chief Operating Officer

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## Government Relations

Bill Leatherberry

Executive VP &  
Chief Legal Officer

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## Risk Management

Patrick Mathis

Executive VP &  
Chief Risk Officer

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## Reinforcing Returns

Rob Smith

Senior VP, Pricing &  
Portfolio Analytics

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## Financial Overview

Adam Pollitzer

Executive VP &  
Chief Financial Officer

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## Questions & Answers



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# Introduction to National MI

Brad Shuster

*Chairman and CEO*

# Founding Principles

- Help qualified Americans achieve their **Dream of Home Ownership**
- Be a **Credible Counterparty** to our customers and policy holders
- Deliver a **Great Customer Experience** through people and technology
- **Manage Risk** by underwriting the vast majority of loans that we insure
- Create a **Winning Culture** that allows us to attract and retain the very best talent
- Generate sustainable **Mid-Teens Returns** for our shareholders



# Themes for Today

✓ Significant Success to Date

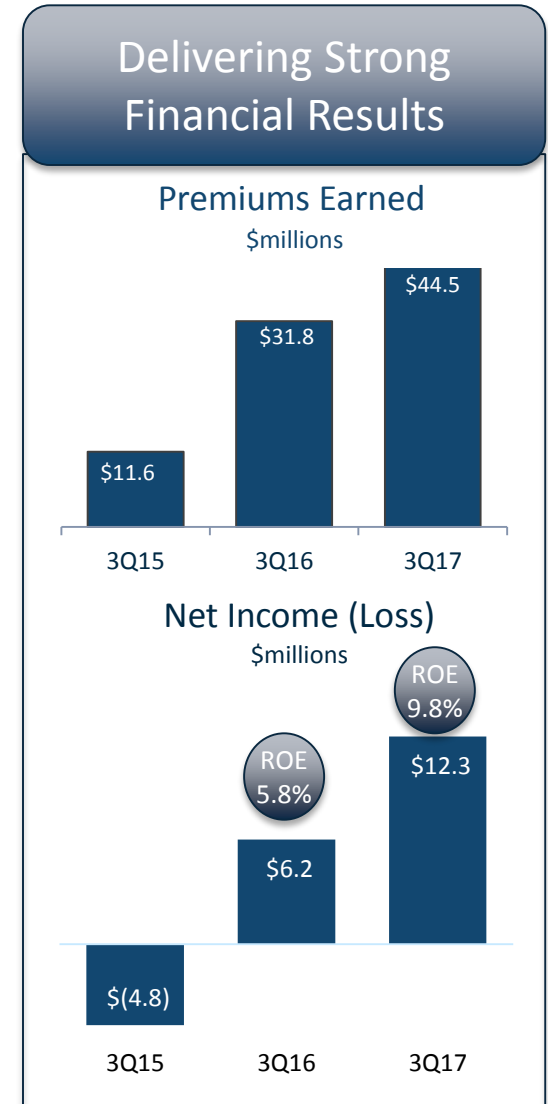
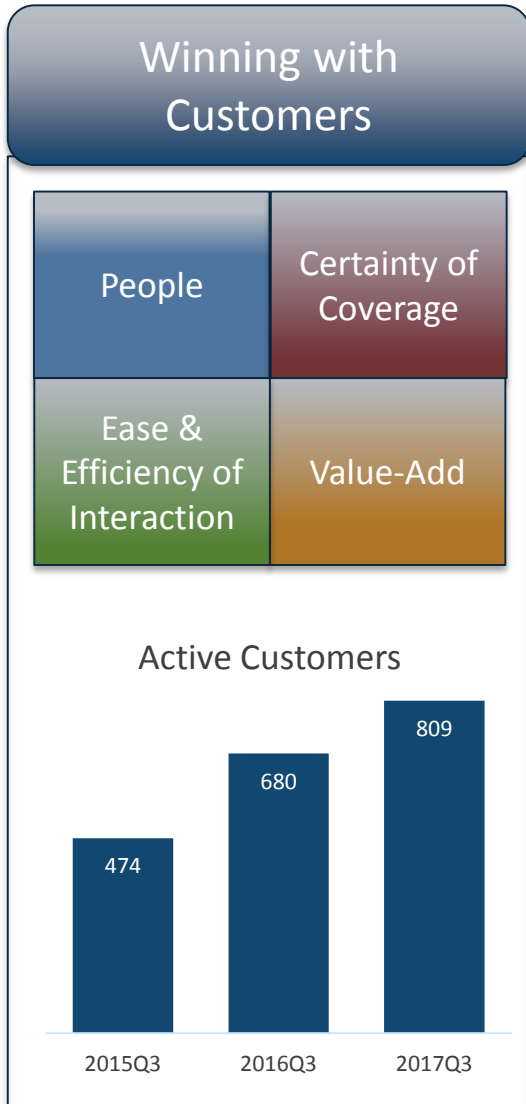
✓ Sizeable Opportunity Remains

✓ Goals Achievable in Near Term

✓ Well Positioned for Continued Success

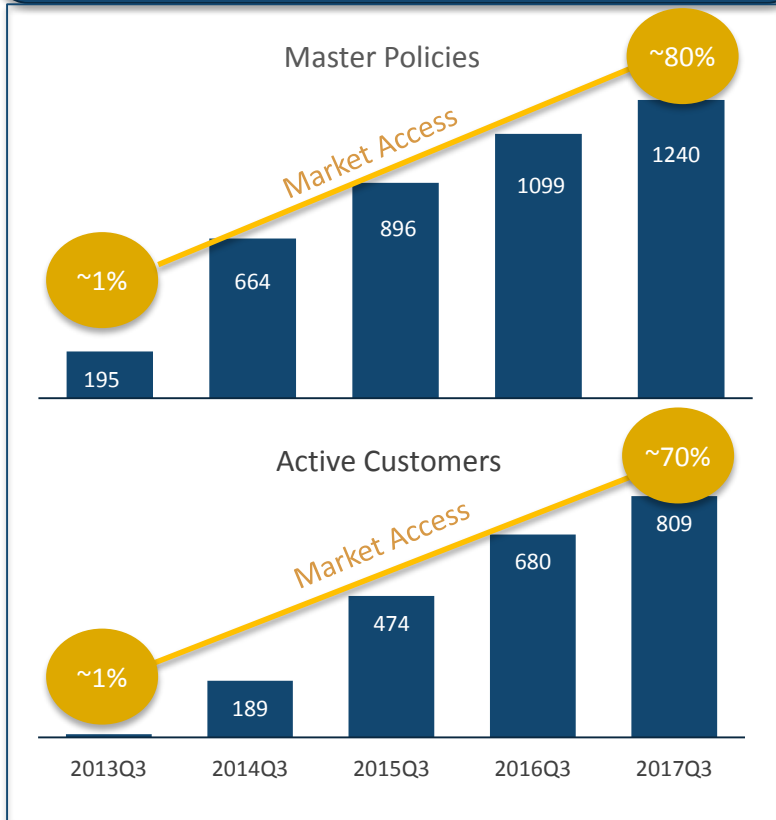
Executing on significant market opportunity and focused on delivering value to shareholders

# Significant Success to Date

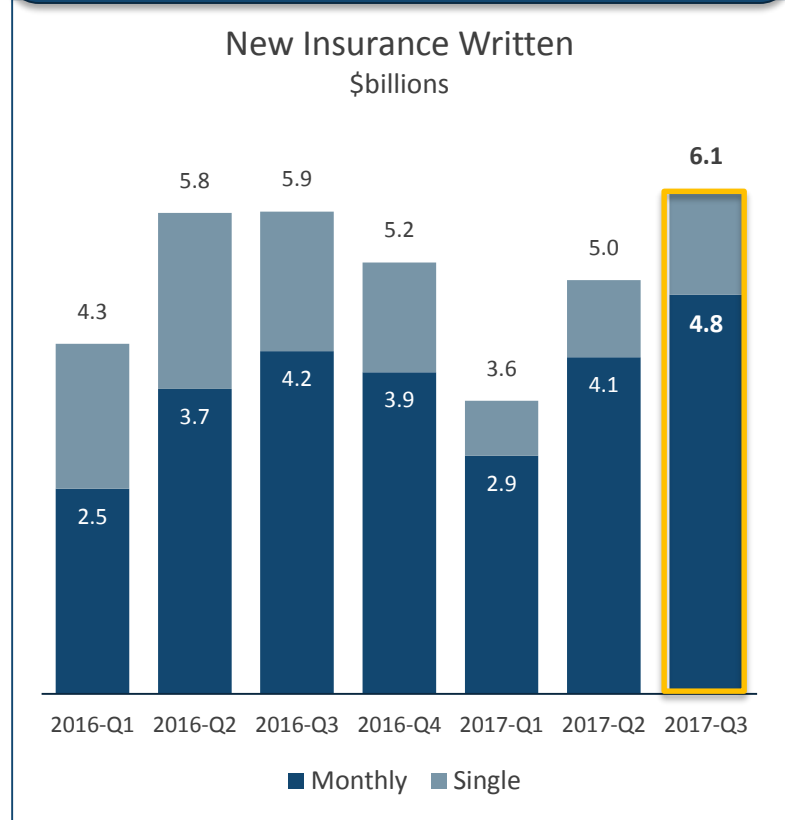


# Winning with Customers

## Growing and Broadening Our Customer Base



## Record Monthly & Total NIW in Third Quarter 2017



Market data from Morstat.

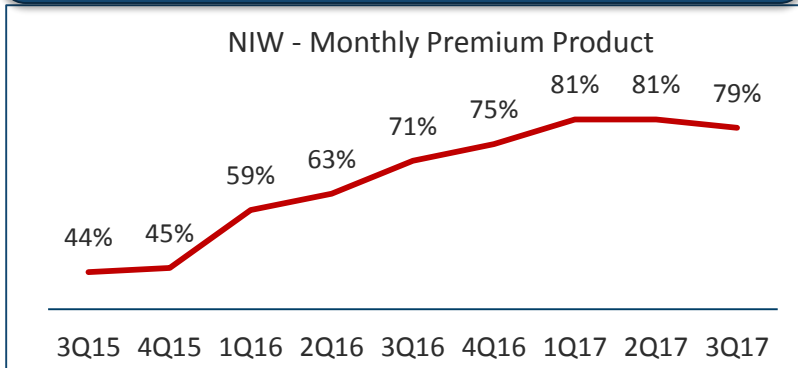


# Building a High-Quality Portfolio

## Maintained Rigorous Underwriting

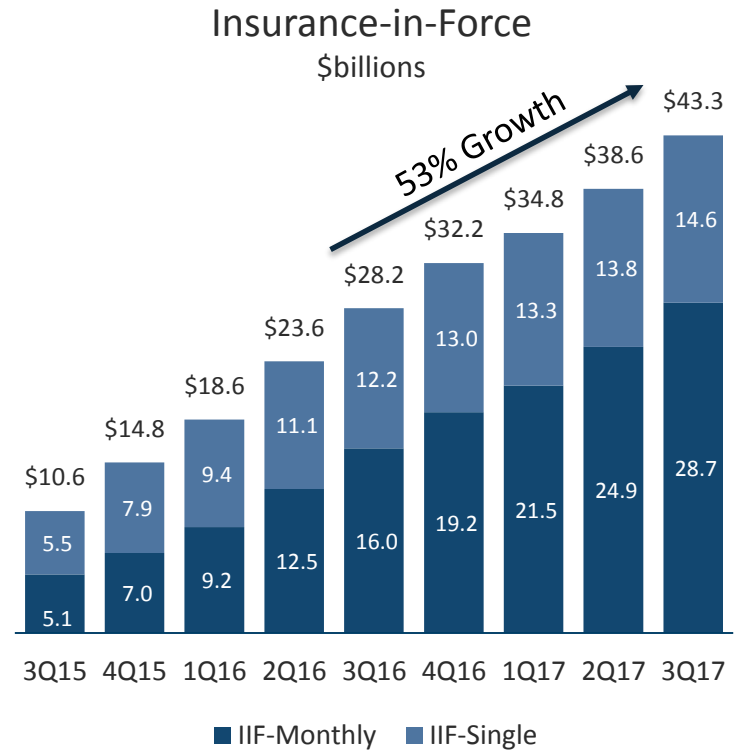
- ✓ High credit quality by FICO and LTV
- ✓ Risk-based pricing
- ✓ Lender diversification
- ✓ Geographic diversification
- ✓ ~85% underwritten by National MI
- ✓ No aggressive product types

## Transformed Product Mix

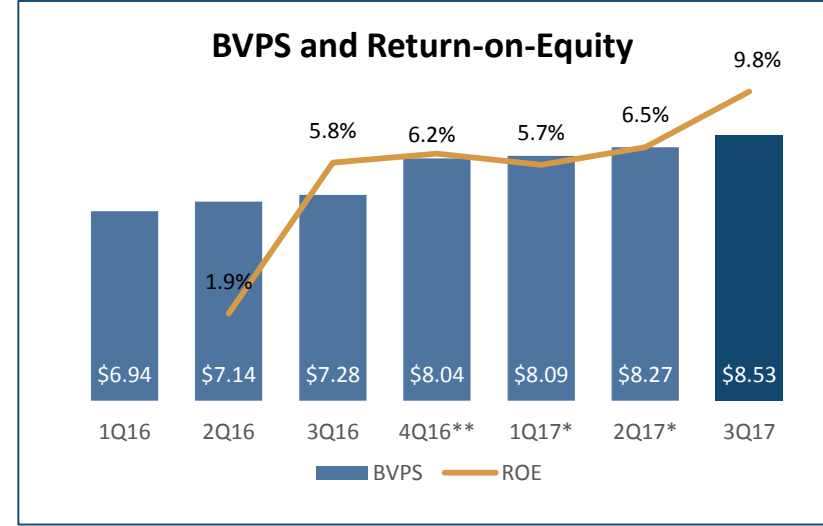
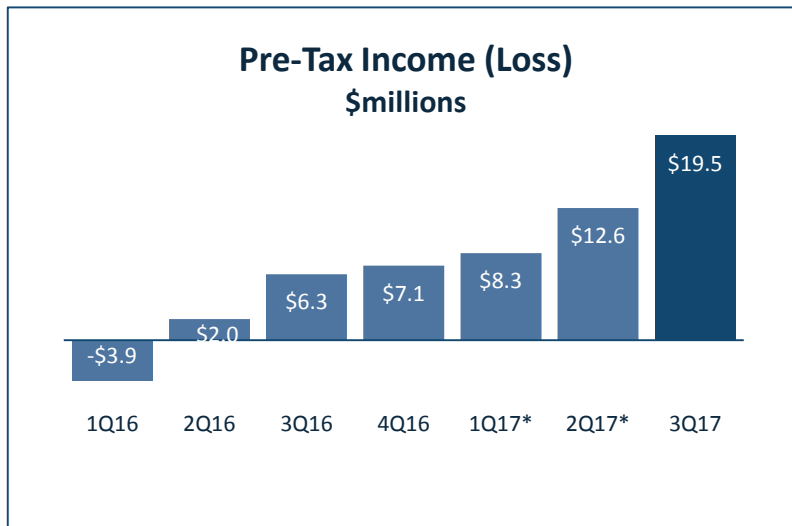
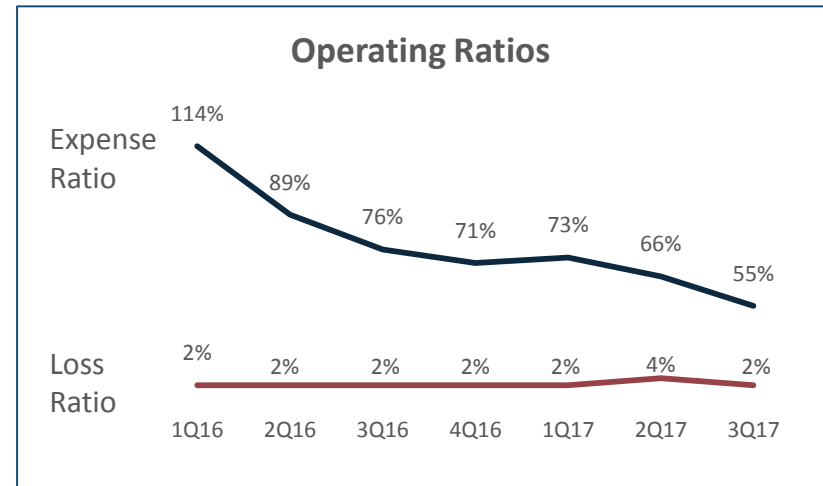
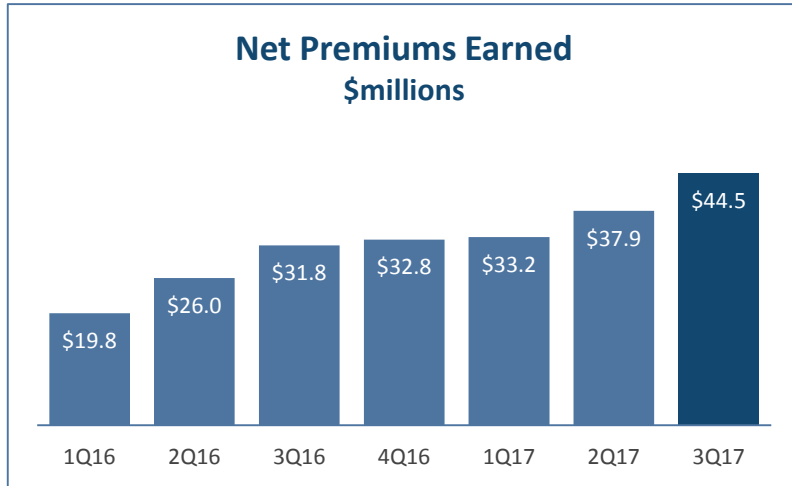


Note: Totals may not foot due to rounding

## Achieved 53% Year/Year Increase in Insurance-in-Force



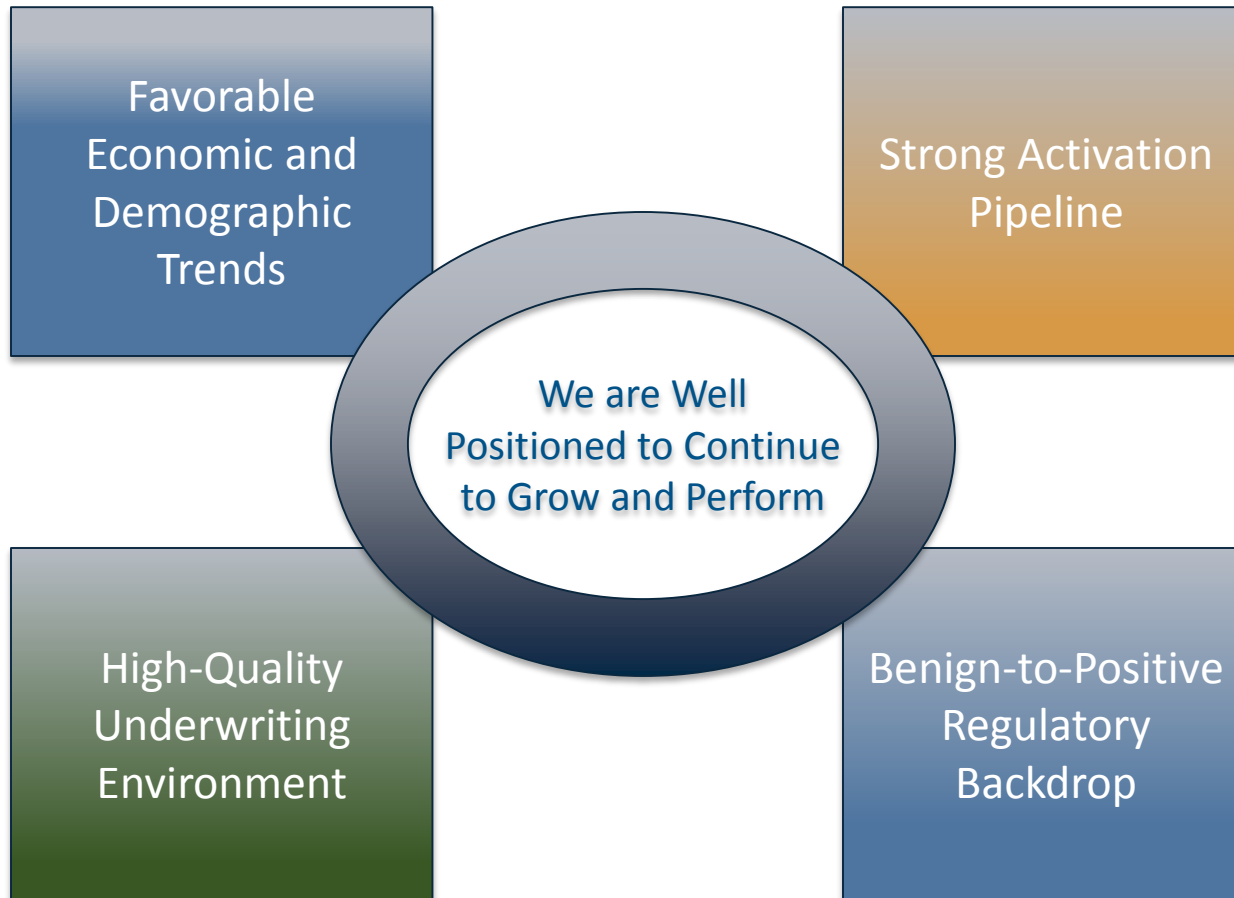
# Delivering Strong Financial Results



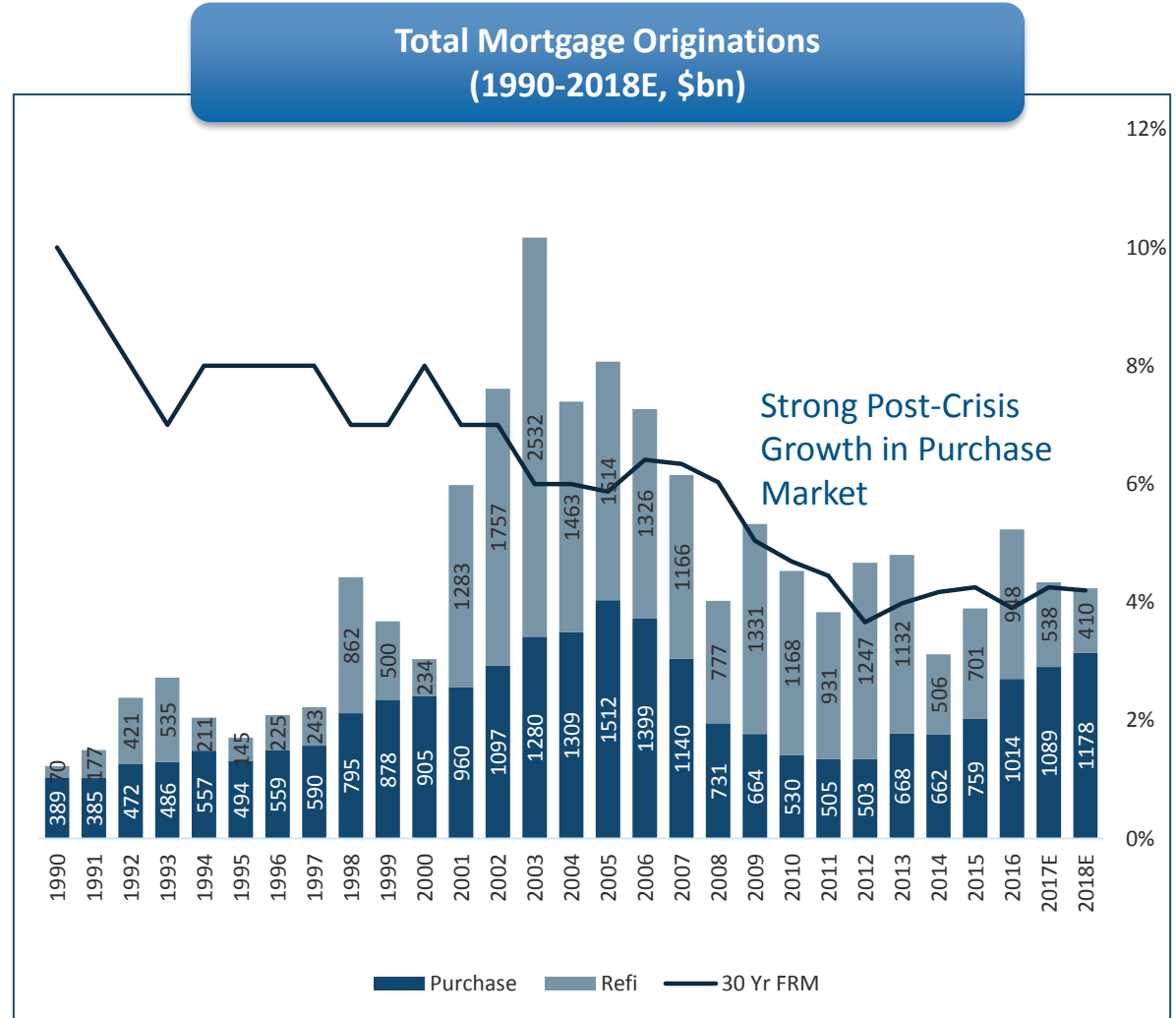
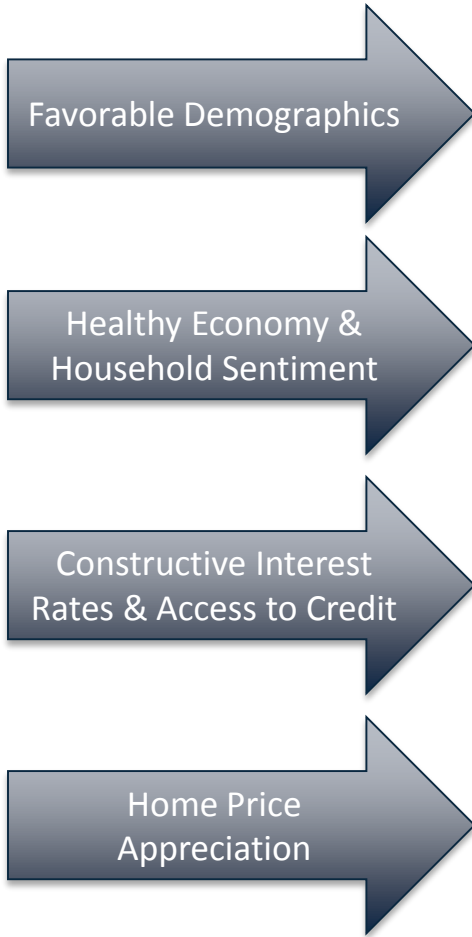
\*Excludes financing transaction costs. \*\* Excludes tax benefit from reversal of valuation allowance on the deferred tax asset. A reconciliation of non-GAAP measures to the most comparable GAAP measures is posted on the company's website at [www.nationlmi.com](http://www.nationlmi.com)

Notes: 4Q'16 annualized RoE adjusted to exclude \$52.6mm benefit from release of valuation allowance; 1Q'17 and 2Q'17 pre-tax income and annualized ROE adjusted to exclude previously disclosed pre-tax transaction costs of \$1.6mm and \$3.1mm, respectively.

# Sizeable Near-Term Opportunity

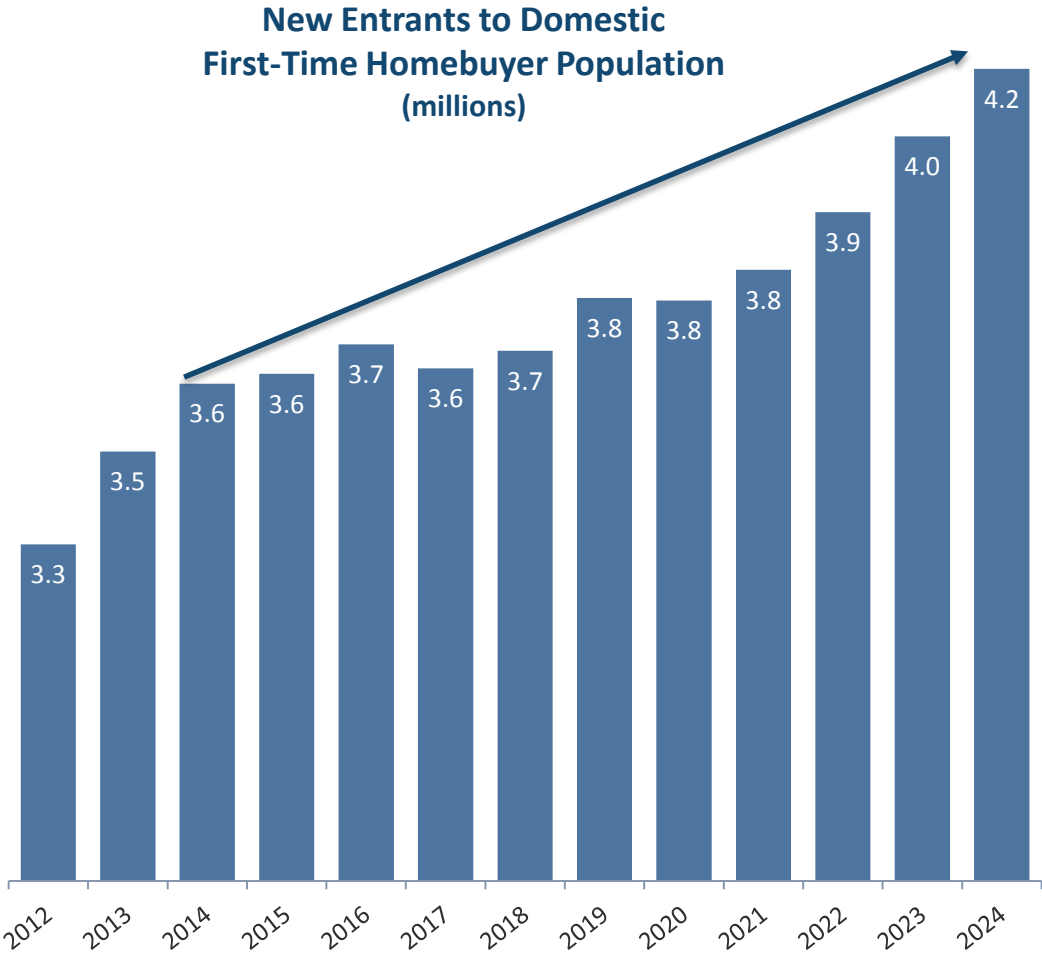


# Market Drivers



Source: Fannie Mae, Freddie Mac, Mortgage Bankers Assn.

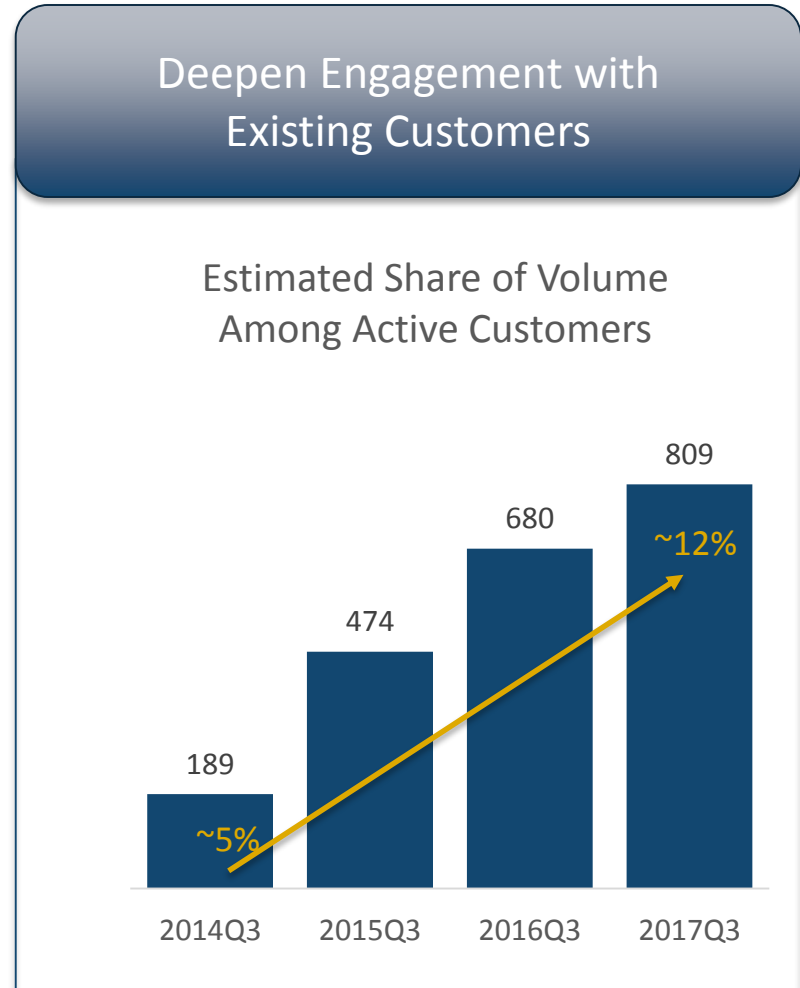
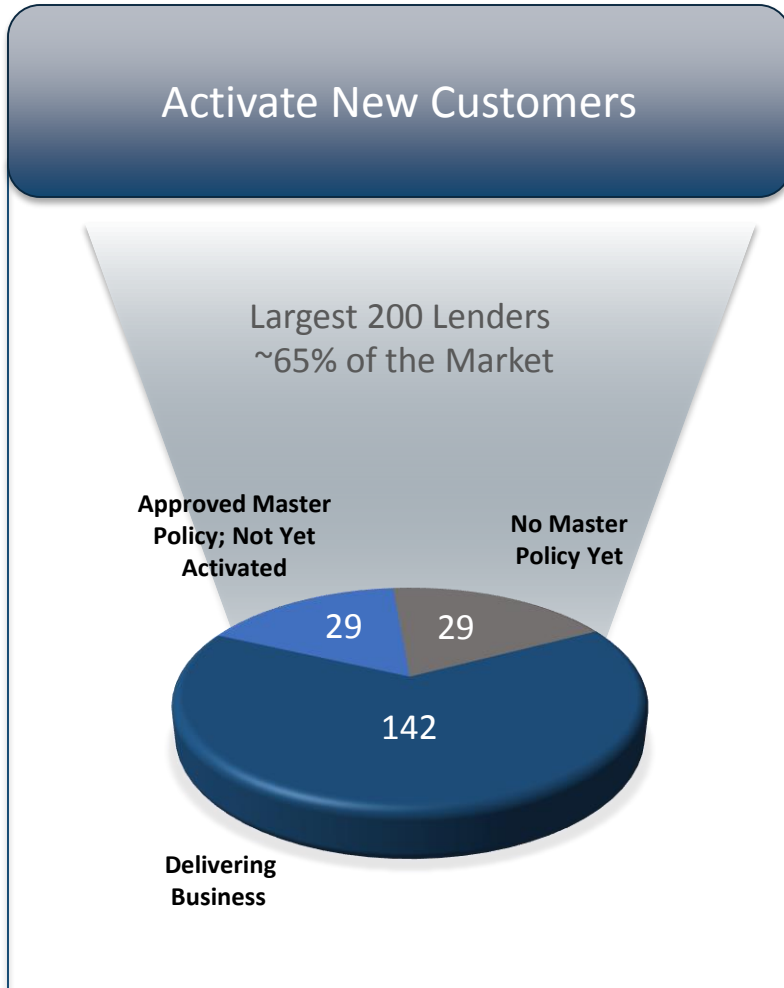
# Powerful Demographic Trend



- Increasing numbers of Millennials reaching typical age of First-Time Homebuyer over the next 7 years
- We believe strongly that the American Dream of home ownership is still alive among the Millennial Generation

Source: U.S. Census Bureau

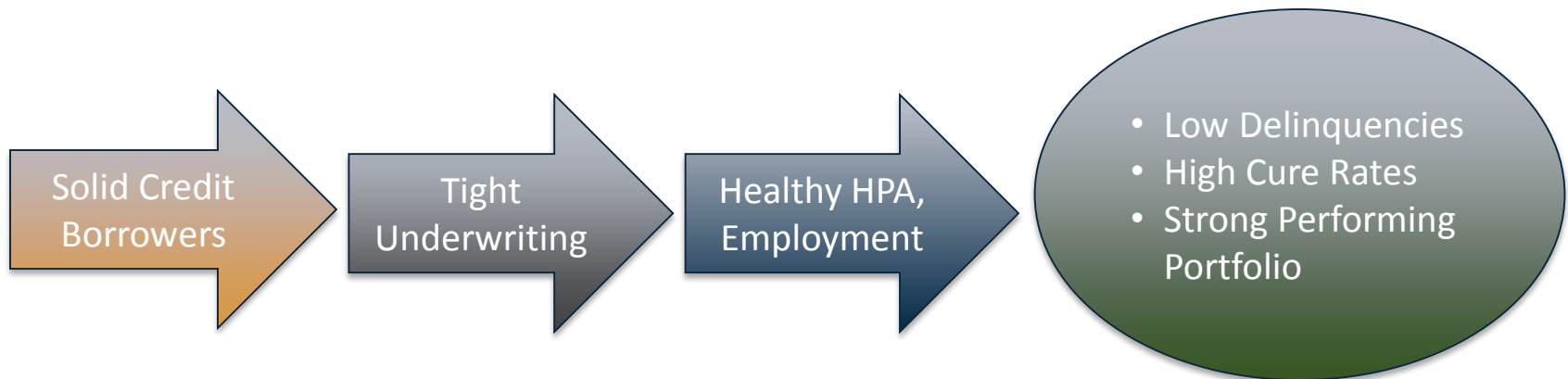
# Sizeable Opportunity Ahead



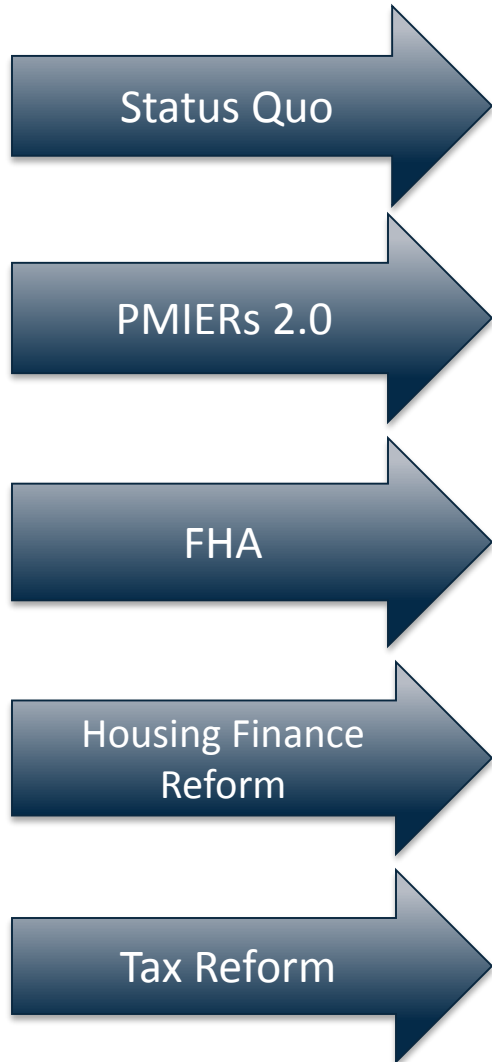
Notes: Lender data based on estimated MI opportunity, based on Geosegment System's MorstatMI data and company estimates.

# Strong Credit Cycle

- Industry's QM guidelines have created a clean and rigorous underwriting environment
- Our portfolio:
  - Full documentation of income
  - No subprime, interest only or cash-out refi
  - ~50% of our volume has credit scores >760; ~90% of our volume has credit scores >700
- We underwrite/validate ~85% of the loans we insure
  - This is approximately 2x the rest of the industry
- Healthy home price appreciation
  - Median home price 1997-2017 CAGR = ~3.0%



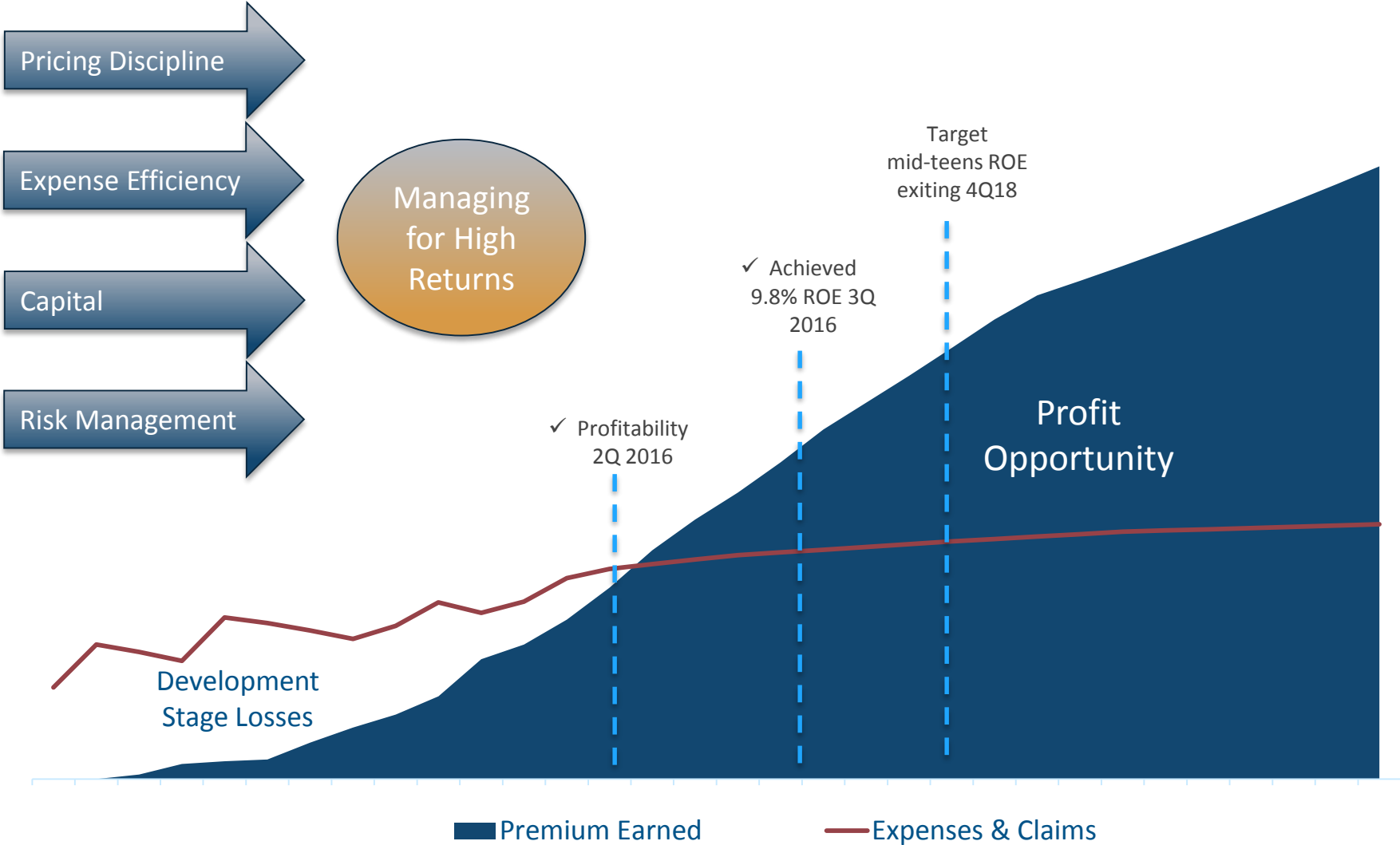
# Regulatory Environment



- Current backdrop is constructive for National MI's growth and returns objectives
- No information yet
- Current administration may limit FHA footprint
- Unlikely in near term
- Generally positive for housing demand and affordability; potential corporate tax enhancements in 2019



# Commitment to Mid-Teens Returns



Not a forecast. For illustrative purposes only.

# Well Positioned for Continued Success

✓ Solid foundation

- ✓ Experienced, deep management team
- ✓ Loyal customer base
- ✓ Modern IT platform

✓ Rigorous risk management

- ✓ We underwrite far more of our portfolio than any other provider
- ✓ Highly credible counter-party

✓ Stable capital structure

- ✓ Low cost of capital
- ✓ Multiple sources of growth funding

✓ High visibility

- ✓ Each successive vintage more influential to future performance
- ✓ High quality portfolio, priced for risk
- ✓ Largely fixed expense base



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# Sales and Customer Development

Claudia Merkle

*Chief Operating Officer*

# Sales and Customer Development

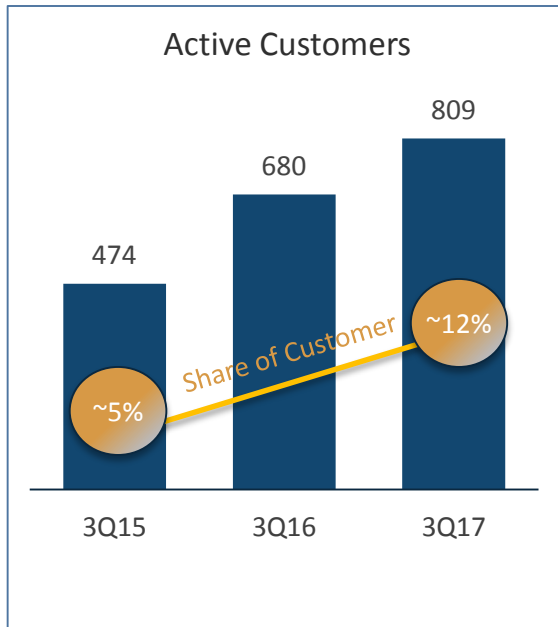
✓ **Significant success to date**

✓ **Strong team driving our value proposition**

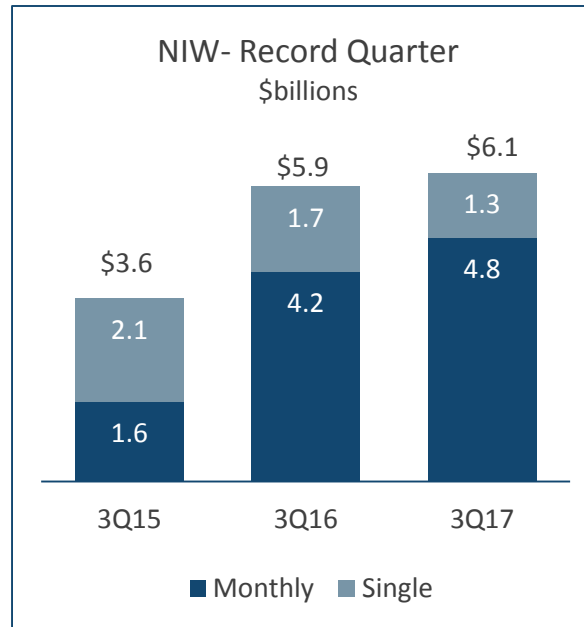
✓ **Strategy and tactics focused on a large opportunity**

# Significant Success to Date

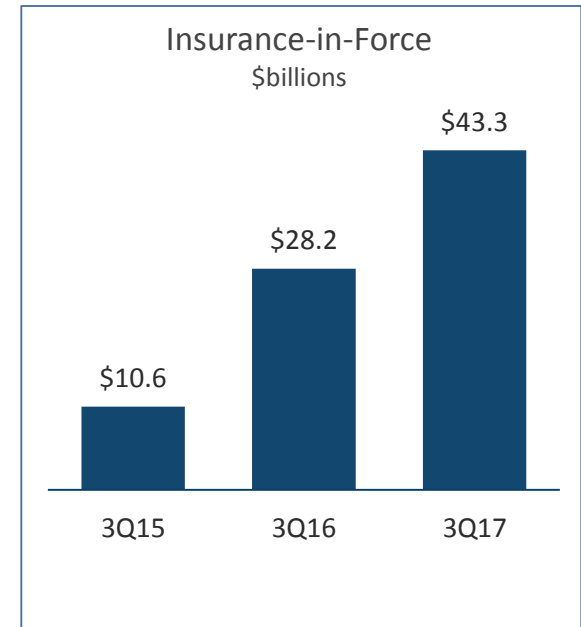
- ✓ Growing customer base and wallet share of existing customers



- ✓ Driving significant growth in monthly NIW and transforming mix



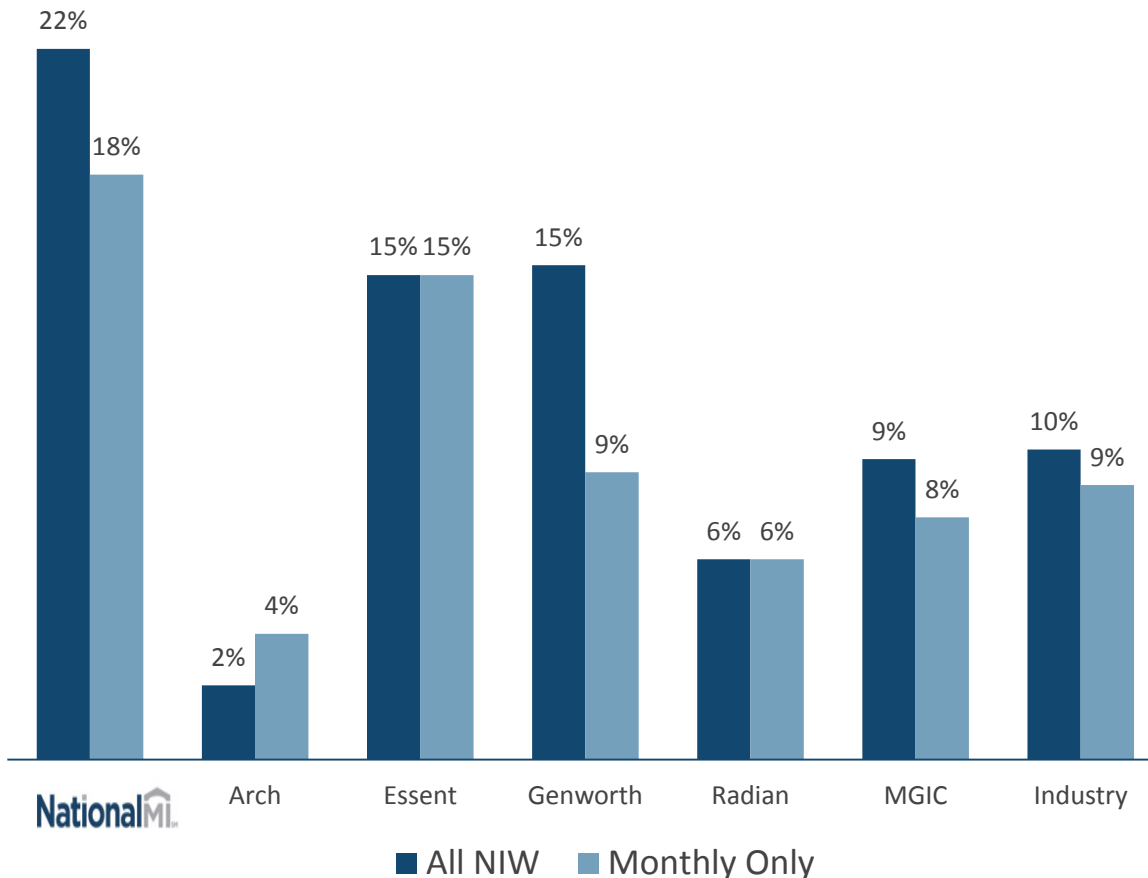
- ✓ Achieving industry-leading growth in high-quality insurance-in-force



Note: Totals may not foot due to rounding

# Continued Strong Growth

### Third Quarter 2017 NIW Q/Q Growth



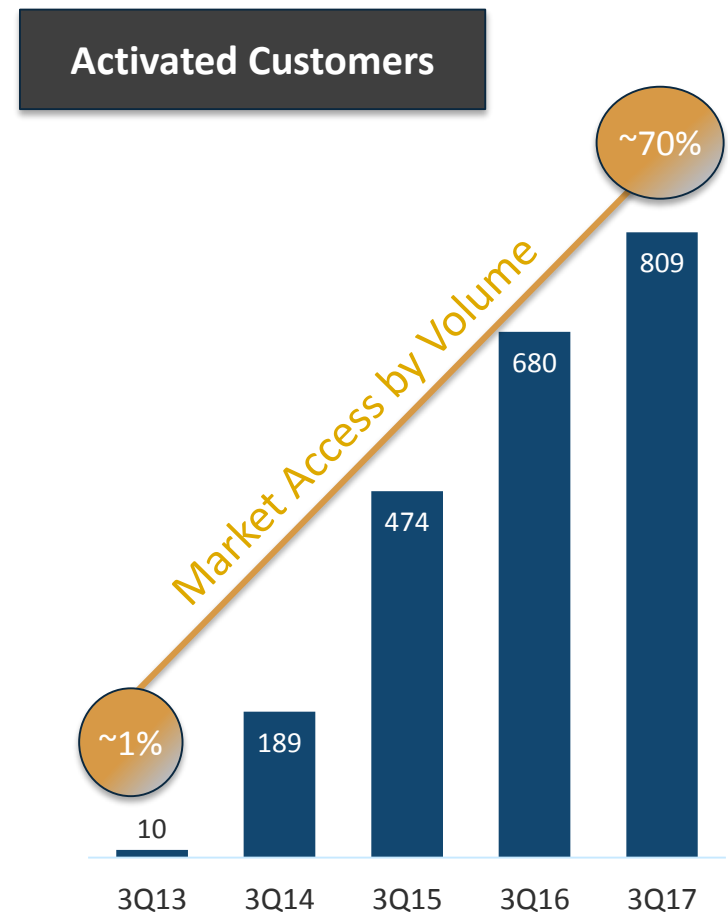
- ✓ National MI's growth outpaced the industry in 3Q17
- ✓ Continued strong growth in monthly product while maintaining target product mix

Note: Based on Q3 2017 company reports.

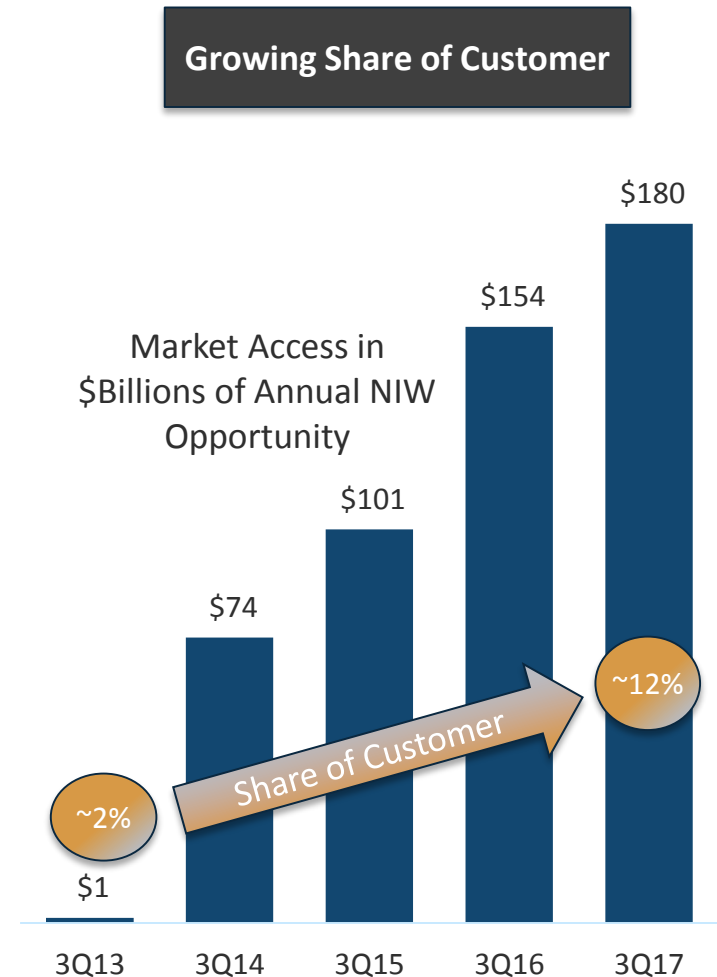
# Customer Development

## Winning New Customers

- We estimate that our current active customers represent ~70% of MI industry volume – lots of upside opportunity
- Activated 98 new customers YTD 2017
  - These new lenders collectively represent ~\$18B of MI industry volume



- Estimate we currently have ~12% weighted average share of our active customers' volume
- Once we are in an account, we have a strong track record of growing our volume/share in that account over 12-24 month timeframe
  - Service
  - Relationships
  - Score card performance





# Why We Win

## People and Value Proposition

Building Partnerships with Customers  
Helping Them Grow Their Businesses

People/ Relationship Selling	Certainty of Coverage
Service	Value-Add

- We get in the door with the lender based on our unique value proposition
  - 12-month rescission relief
  - Sensible Servicing
- The NMI effect: Provide a positive customer service experience through responsiveness, problem-solving
- Value-added tools that help the lender grow:
  - Training
  - Affordable lending
  - Delegated Assurance Review – providing feedback on loan production
  - Credit and underwriting expertise

Building Volume and Creating Strong Relationships

# Market Structure

## MI Allocation Dynamic

~60% of industry volume



MI allocated at the loan level by loan officers, processors, and underwriters

### Field Sales

- “Feet on the Street”
- Relationships
- Underwriting Service
- Training
- Efficiency and ease of doing business

~40% of industry volume



MI allocated centrally and distributed systematically

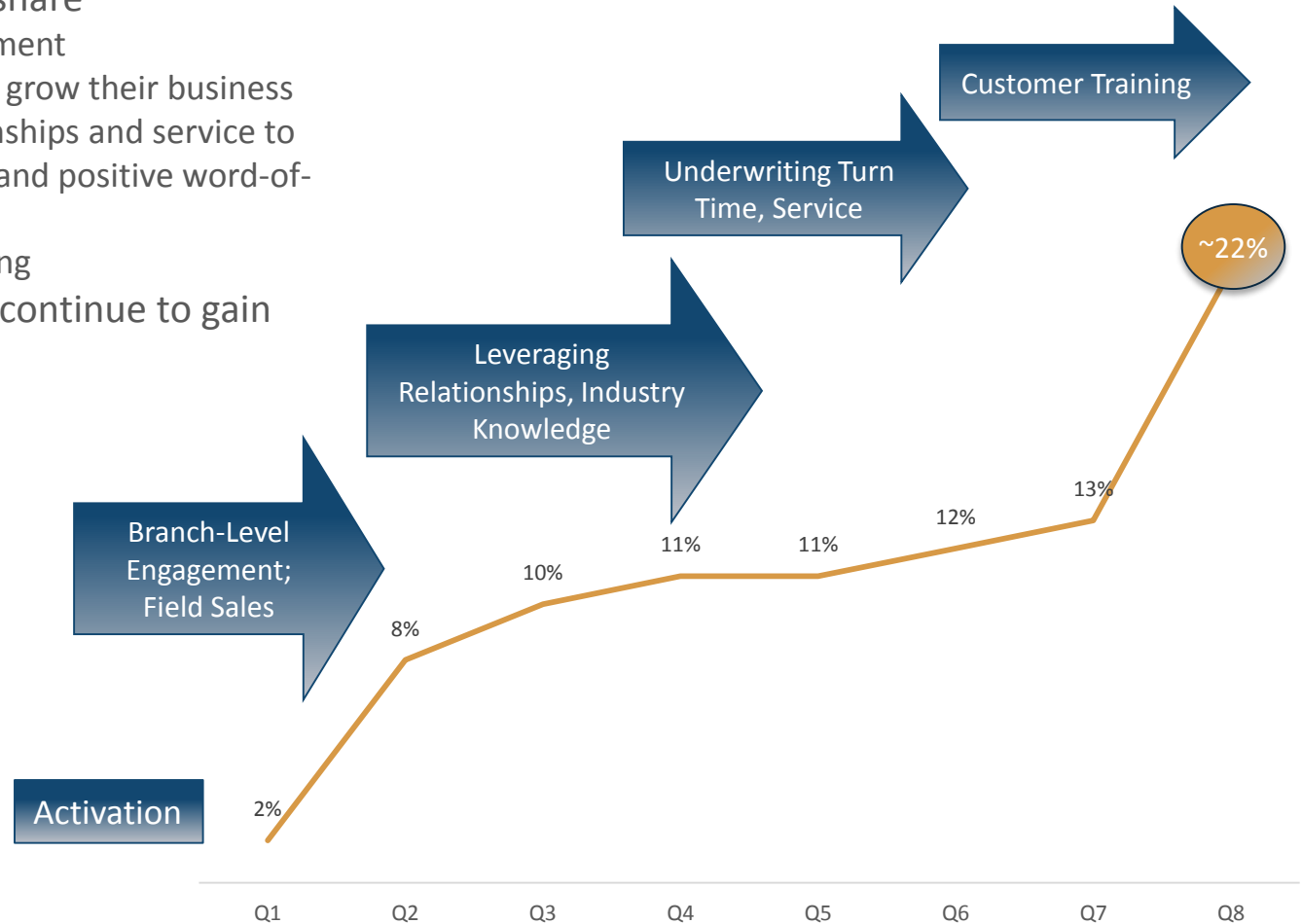
### National Accounts

- Senior decision makers
- Scorecards
- Value proposition
- Sensible Servicing

# Customer Success Story

## Decentralized Lender

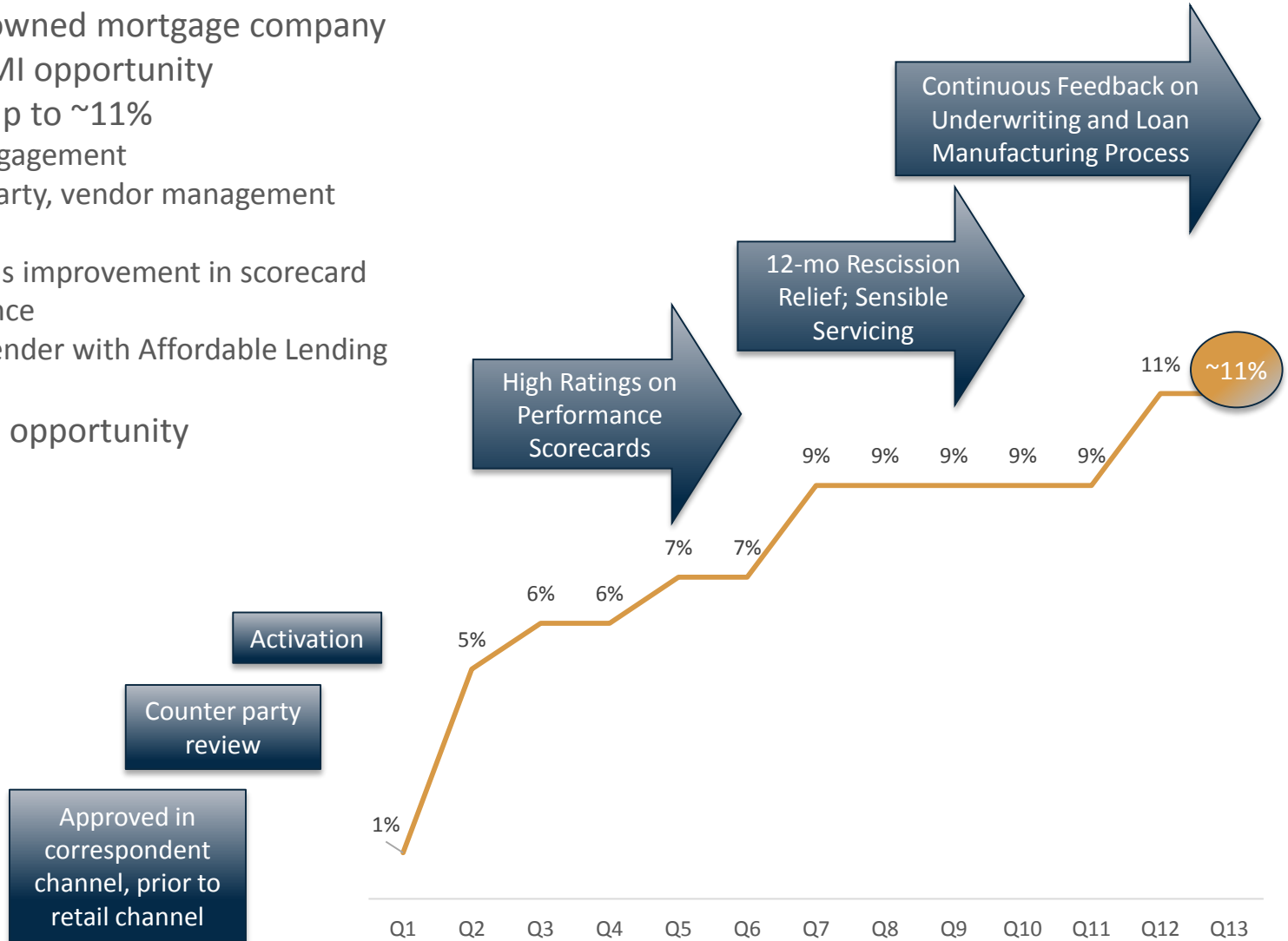
- Just one of many success stories
- Top 15 decentralized non-bank lender
- Quick ramp to ~22% share
  - Field-level engagement
  - Helping the lender grow their business
  - Leveraging relationships and service to generate referrals and positive word-of-mouth
  - Value-added training
- Great momentum to continue to gain share of customer



# Customer Success Story

## Centralized Lender

- Top 15 bank-owned mortgage company
- >\$2.5 billion MI opportunity
- Stair-step ramp to ~11%
  - C-suite engagement
  - Counter party, vendor management reviews
  - Continuous improvement in scorecard performance
  - Assisted lender with Affordable Lending strategy
- Lots of upside opportunity



# Sales and Customer Development

✓ Significant success to date

✓ **Strong team driving our value proposition**

✓ Strategy and tactics focused on a large opportunity

# Experienced Talent and Competitive Sales Structure

Seasoned sales team with 24 years of average experience

Sales Force

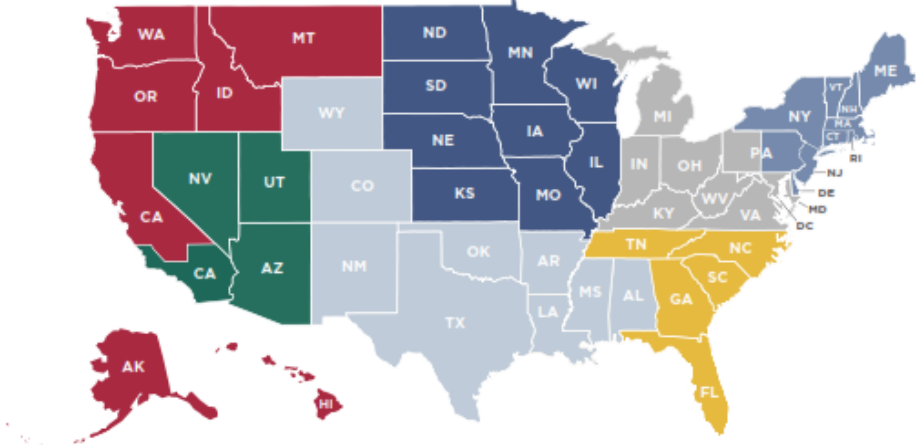
Field Sales, Regional Accounts

National Accounts

**Mike Dirrane**  
Chief Sales Officer  
33 years of industry experience

**Norm Fitzgerald**  
SVP, Fields Sales  
28 years of experience

**Mark Daly**  
SVP, National Accounts  
32 years of experience



7 geographic regions  
7 Managing Directors  
54 sales reps  
Covering ~2000 Lenders

6 professionals  
Covering top 60 lenders

Solution Center, cross trained to provide one-stop solution

7 Credit Professionals dedicated to each region and each national account

Underwriters embedded across the country

# Sales and Customer Development

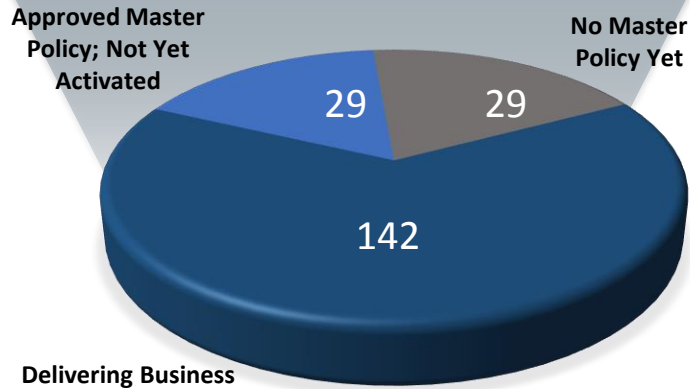
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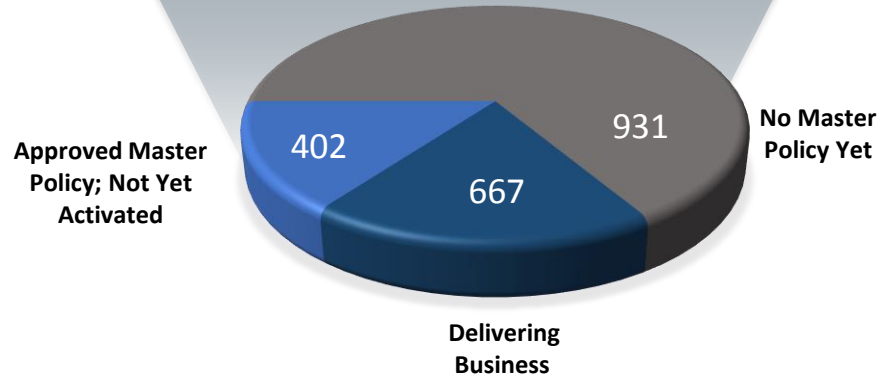
# Solid Market Presence and Substantial Opportunity for Growth

## Largest 200 Lenders ~65% of the Market



- ~\$30 Billion Incremental Opportunity in the 58 lenders that are not active

## Remaining Lenders ~35% of the Market



- ~\$60 Billion Incremental Opportunity in the lenders that are not active

Currently active with lenders representing ~70% of the mortgage insurance market

Notes: Lender data based on Geosegment System's MorstatMI data and company estimates.



# Sustaining Our Positive Momentum

- Sticking with what works
  - Recruiting, training, and retaining the very best talent in the industry
  - Compelling value proposition
  - Relationship selling
  - Differentiated customer service
  
- Being efficient and focused in how we approach the market
  - Adding new, high-value lenders
  - Leveraging our proven model to grow share with existing customers



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## Government Relations

Bill Leatherberry

*Executive Vice President & Chief Legal Officer*

# Constructive Environment

Current state of government and regulatory affairs

✓ Benign to positive

Potential material housing finance reform

✓ Low probability

Tax reform

✓ Net positive

PMIERS 2.0

? Potential implications beyond 2018

# Government Relations Engagement

- Directly and through the USMI and HPEC trade groups, we have active relationships and dialogue with policy makers and other critical opinion leaders in the housing ecosystem
  - HUD/FHA
  - Congress
  - FHFA
  - Freddie Mac and Fannie Mae
  - Trade Groups
    - Mortgage Bankers Association
    - National Association of Realtors
    - Housing Policy Council of Financial Services Roundtable (HPC)

# DC Update - Current Environment

- Status Quo supports robust opportunity for private mortgage insurance
- HUD
  - Secretary Carson is supportive of limiting taxpayer support for housing finance
  - Deputy secretary appointee Pamela Patenaude and senior advisor Adolfo Marzol have backgrounds in mortgage and private mortgage insurance industries; Ms. Patenaude has prior HUD experience
- FHA
  - Director appointee Montgomery comes with prior private mortgage insurance and FHA experience
  - Expect new leadership will be thoughtful about defining FHA's role in affordable housing and drawing limits on taxpayer exposure to high-LTV market
  - Recent CBO report proposes a number of ways to reduce the FHA risk to the government, including cutting the FHA loan limits or reducing the size of the guarantee relative to the loan size
  - FHA mortgage insurance premium (MIP) cut proposed by outgoing administration was suspended in January; no indications that will be implemented by current administration
- GSEs
  - Reform vs. Status Quo?

# Housing Finance Reform

- Who will take up the mantle?
  - Senate: Banking Committee
  - House: Financial Services Committee
  - Private Sector: Multiple proposals but no consensus
- Consistent themes:
  - Clear role for private mortgage insurance in supporting affordability while shifting risk from taxpayers to private capital
  - Enabling access to homeownership and affordable mortgage credit
  - Protecting taxpayers by increasing private capital in the housing finance system

Given hierarchy of priorities in Washington and competing constituencies in the housing finance debate, we do not expect to see material GSE reform

# Specific MI Initiatives

- Deeper MI - FHFA CRT
  - Pilot Program for GSEs –several transactions concluded
- Royce-Moore Bill (December 2016 & July 2017)
  - Strike balance between front-end and back-end credit risk transfer
  - 5-year MI pilot --- \$50B annual program; reduce risk to GSE down to 50% of property value
- Pilot program for Ginnie Mae/FHA —allow private capital such as private MI to stand in first loss position

- Tax Cuts and Jobs Act – What will ultimately survive?

## Borrowers

- Tax deductibility of mortgage interest retained
- Lower tax burden/higher disposable incomes supportive to buying first home

## National MI

- Changes in individual taxes support strong housing demand
- Potential for lower corporate tax rate in 2019



# PMIERS 2.0

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- Any provisions effective as of Q4 2018
- Would expect to see draft provisions in Q4 2017

# Summary

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- Dynamic times in the overall housing finance/regulatory ecosystem
- We are actively engaged on the issues
- We have strong relationships across the spectrum of administrative and legislative policy makers to drive our agenda



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# Risk Management

Patrick Mathis

*Executive Vice President & Chief Risk Officer*

# Risk Management Framework

- Board and senior management oversight
  - Board Risk Committee
  - Management Risk Committee
- Policies governing critical risk activities including:
  - Underwriting guidelines and risk policy and pricing changes
  - Portfolio concentration guidelines and monitoring
  - Pricing changes
  - Portfolio Stress Testing
  - Lender approval and monitoring
  - Independent validation and QC requirements
- Independent Internal Audit and Enterprise Risk Management oversight
- A comprehensive privacy protection and data security program

# Portfolio Characteristics

	Risk in Force
>= 720 FICO	78.7%
California	13.6%
Texas	7.6%
Virginia	5.6%
Florida	4.3%
<u>Risk Segments we monitor and limit:</u>	
95.01 – 97.0% LTV	7.8%
620-659 FICO	1.6%
ARMS with reset < 5 years	0.1%
Cash-Out Refinance	0.1%
Second Home	2.0%
Investor-owned Home	0.1%

- Risk limits are monitored by Risk Management and Risk Committee in monthly and quarterly meetings
- Exposure to Hurricanes and Fires
  - National MI policy generally excludes default when proximate cause is unrepaired damage to the property
  - We expect to see increases in new notices of default in the disaster areas, however we do not expect material impact on ultimate claims paid
  - MIs were largely unaffected by past major hurricanes such as Katrina
- Key Portfolio Averages:
  - LTV: 92.4%
  - FICO: 752
  - DTI: 35.7%
- Our portfolio is geographically diversified
- We have paid 27 claims from our 209,415 policies ever in force and we currently have 350 policies 60+ days delinquent (0.2% of policies in force)

Data as of 9/30/2017

# Underwriting Today Versus Before the Crisis

- The Ability to Repay (ATR) guidelines embedded in the Qualified Mortgage requirements have led to the extinction of the riskier categories of >80 LTV loans in the GSE/Private MI space:
  - 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 (Max. LTV = 85% and Min. FICO = 680)
  - Loans for second/vacation homes (Max. LTV = 90%)
- 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
- ATR guidelines are common-sense underwriting criteria designed to ensure a borrower has the documented capacity to repay a loan; likely to remain embedded in GSE requirements regardless of the fate of Dodd Frank and the CFPB

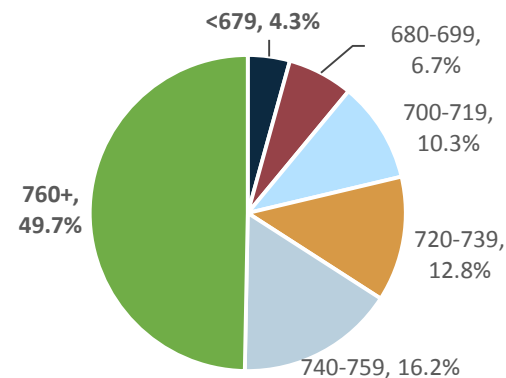
# National MI Book Now Versus Legacy Book 2009

Attribute	Legacy MI* 12/31/2009	National MI 9/30/2017
Stated + No Doc	12.4%	0.0%
<620 FICO	10.0%	0.0%
Interest Only	7.3%	0.0%
97%-100% LTV	28.2%	7.8%**
>=720	42.0%	78.7%
Fixed Rate	84.5%	98.1%

\*One of the legacy MIs that survived the crisis

\*\*97% Only

- 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



# Two Layers of Risk

180,089 Policies in Force

= Ineligible  
 = Duplicate

	97 LTV	95 LTV	620-639	ARM >= 5 yr.	Self Employed
Policies in Force % →	8.81%	46.61%	0.62%	1.53%	7.80%
620-639	0.05%	0.27%			
640-659	0.13%	0.66%			
ARM >= 5 yr.	0.08%	0.51%	0.00%		
Self Employed	0.36%	3.56%	0.05%	0.13%	
Cash-Out Refi.			0.00%	0.00%	0.02%
Ln. > \$636k		0.03%	0.00%	0.09%	0.05%
2 Unit		0.05%	0.00%	0.00%	0.04%
3-4 Unit		0.02%		0.00%	0.00%
Investor				0.00%	0.09%
Second Home			0.02%	0.03%	0.44%



# Three or More Layers of Risk

**95 LTV & Self-Employed**

**3.56% of Policies in Force**

= Ineligible  
 = Duplicate

Third Risk Layer	620-659	5 Yr. ARM	2 Unit	3-4 Unit	Second Home	Investor	Cash Out Refi
<b>PIF: 0.14% →</b>	<b>0.08%</b>	<b>0.04%</b>	<b>0.01%</b>	<b>0.00%</b>			
620-659 FICO							
5 Yr. ARM	--						
2 Unit	--	--					
3-4 Unit	--	--	--				
Second Home							
Investor							
Cash Out Refi							
<b>Fourth Layer→</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			

- **0.14% of the portfolio has a third layer of risk beyond 95 LTV & Self-employed**
- **0 Loans have a fourth layer of risk beyond the top row above**

# Additional Layer of Risk Mitigation

- We have underwritten or independently validated 85% of the loans in our portfolio
- This is a marked contrast to the practice of all mortgage insurers before the mortgage crisis when 80% to 90% of the loans they insured were “waved in” based solely on the lenders’ underwrite
- Even today, no other mortgage insurer has underwritten as large a portion of their portfolio as we have at National MI
- Underwriting the majority of our portfolio provides us with both:
  - Key loan-level comfort about borrower capacity and appraisal quality
  - A thorough understanding of the “loan manufacturing process” of our customers
- We are confident that we will drive superior loss performance over time by avoiding poorly underwritten loans and, where needed, helping some lenders improve their loan manufacturing processes

# Privacy Protection and Data Security Program

- Mindful of our obligations as stewards of sensitive borrower data and have a deep commitment to protecting this data
- Significant safeguards, processes and protocols to protect sensitive information
- Continuing investments to maintain best-in-class information security capability
- Comprehensive Data Security program includes:
  - Detailed scrutiny and annual audits by IT Departments of large bank lenders following Fed and OCC regulations
  - Risk identification, assessment and mitigation
  - Periodic reviews, testing, third party assessments and auditing
  - Continuous evaluation of effectiveness against best practices and investments as appropriate

# Key Risk Management Themes

- Regulatory changes and lessons learned have led to:
  - *Tighter underwriting environment; minimal risk layering*
  - *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*** as we have underwritten or independently validated 85% of the loans in our portfolio
- GSE eligibility requirements (PMIERs) provide a ***comprehensive financial safety and soundness framework for the MI industry***
- We maintain a ***comprehensive privacy protection and data security program***



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# Pricing and Performance

Robert Smith

*Senior Vice President, Pricing & Portfolio Analytics*

# Pricing Model Overview

- Three main components of MI pricing:

## **Expected losses**

Estimated by historical performance of similar insured loans over expected economic scenario

## **Expenses**

MI expenses are largely fixed; acquisition costs are 10-20% of total expenses

## **Capital**

GSE PMIERS are likely to be binding constraint in managing capital going forward

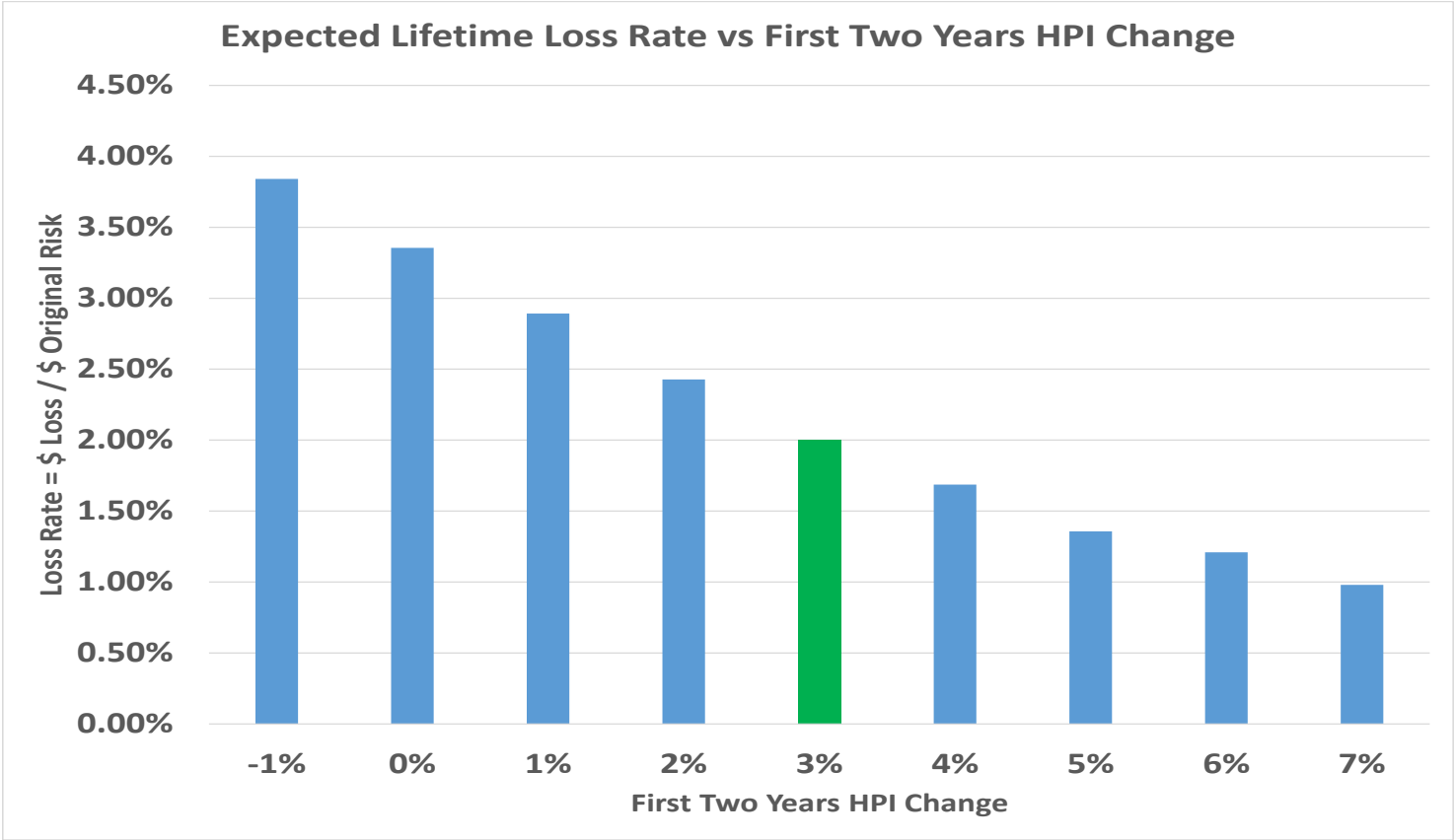
- Other components include investment income, taxes, and expected duration of coverage
- These inputs are combined to generate a price that solves for a target return

# Expected Losses

- MI losses are a function of insured loan quality and the economic environment
- The underwriting quality of recent vintages is driving lower expected losses as compared to historical norms
  - Credit scores of insured loans are high from an historical perspective
  - 100% of insured loans are fully documented and fully amortizing
  - Little layered risk
- Loss performance is also a function of past and future house prices
- Recent vintages have benefited from higher than expected house price appreciation
- Housing market dynamics are likely to foster continued house price strength

# Expected Losses

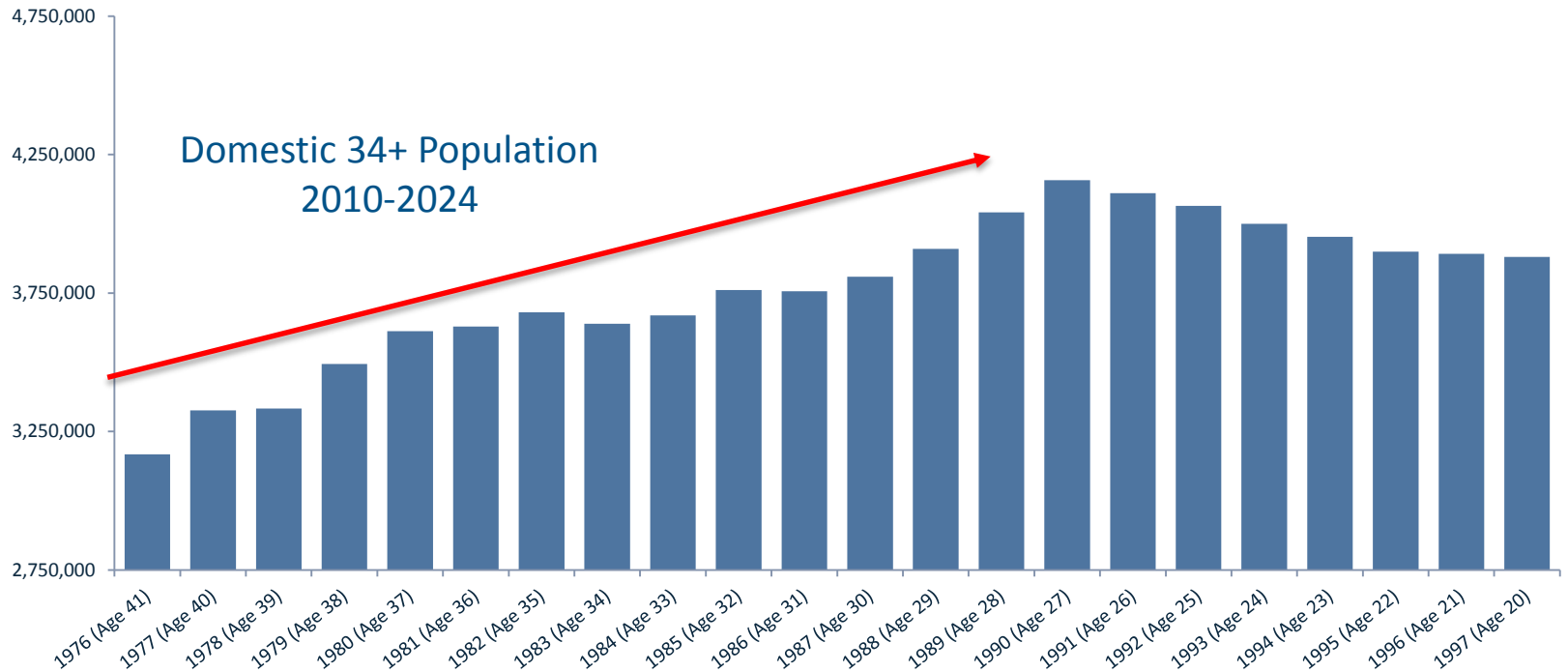
- MI losses are mitigated by strong HPI growth
- Indicative lifetime loss rates (\$ loss / \$ original risk) on new originations under a range of 2 year HPI growth followed by 3% HPI growth a year thereafter





# Expected Losses

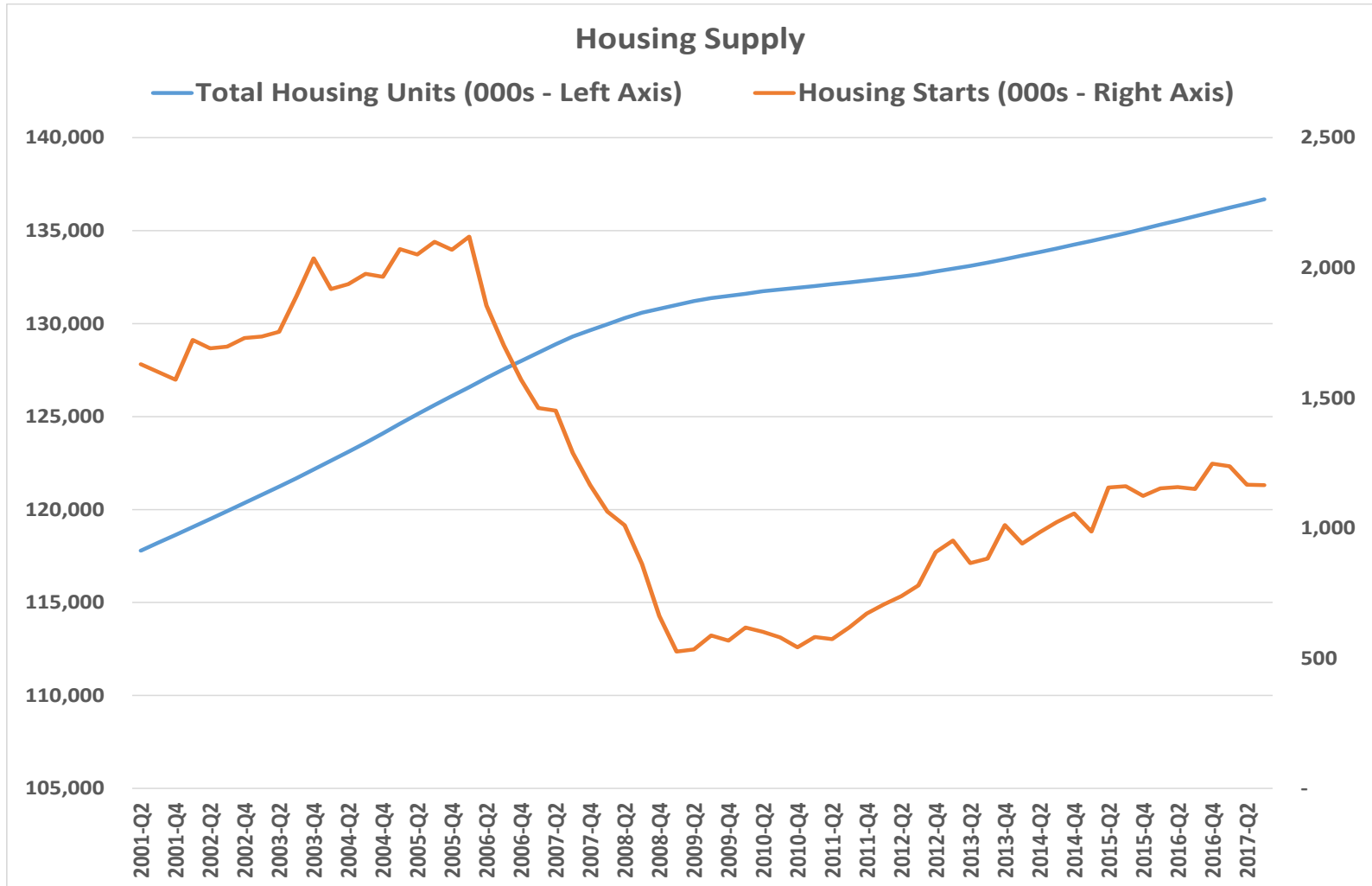
- Housing demand will be supported for foreseeable future as the Millennial Generation hits peak home buying age



Source: U.S. Census Bureau

# Expected Losses

- Housing supply growth has decelerated since the Great Recession



# Expenses

- Expenses in the MI industry are largely fixed
  - Variable costs associated with generating volume – sales commissions, underwriting costs, etc. – are 10-15% of total expenses
- Expense control is especially important in the current environment, where expenses make up a relatively large portion of premium
  - In today's environment, expenses consume as much, or more, premium dollars, than claim payments
  - Expense discipline is vital: reducing or eliminating non-core expenses that don't contribute to generating business or supporting core functions

# Capital

- PMIERS required asset charges are likely to be the binding constraint in managing capital for the foreseeable future
  - The PMIERS grid below is the required asset charge expressed as a percentage of risk in force, for performing primary loans
- Draft proposal for changes to the NAIC model act indicate less stringent requirements than PMIERS

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%

# Capital

- Asset charges are adjusted for additional risk factors, including Lender Paid Mortgage Insurance

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

# Solving For Return

## 95LTV / 740-759 FICO / 30% Coverage

a	Average Loan Size	\$	240,000
b	Coverage		30%
c	Premium Rate		0.59%
d	Average Loan Life		5.25
e=c*d	Total Premium Rate		3.10%
f=a*b	Risk	\$	72,000
g	Expected Loss Rate		1.90%
h	Average PMIERS Seasoning Credit		0.88
i=a*e	Lifetime Premium	\$	7,434
j=f*g	Paid Losses	\$	1,368
k	Operating Expenses	\$	<u>1,500</u>
l=i-j-k	Pre-Tax Income	\$	4,566
m	Federal Income Tax @ 35%	\$	<u>1,598</u>
n=l-m	Net Income From Operations	\$	2,968
o	Required Asset Factor		6.91%
p=f*o	Loan Level Initial Required Assets	\$	4,975
q=d*h*p	Lifetime Required Assets	\$	22,985
r=n/q	After Tax Return From Operations		12.91%
s	After Tax Return On Investments		<u>2.00%</u>
t-r+s	Total Return		14.91%

# Insurance Portfolio Metrics

Vintage	Policies Ever in Force	Current Policies in Force	Wtd Avg Credit Score	Wtd Avg Orig LTV	Wtd Avg Curr LTV <sup>1</sup>	# of Loans in Default	# of Claims Paid	Incurred Loss Ratio to Date <sup>2</sup>	Cum Default Rate <sup>3</sup>
2013	655	201	752	89.9%	69.4%	-	1	0.2%	0.2%
2014	14,786	7,451	747	91.3%	74.7%	54	9	3.8%	0.4%
2015	52,548	39,727	752	91.1%	78.8%	164	14	2.9%	0.3%
2016	83,626	76,095	754	91.0%	83.6%	119	3	1.6%	0.1%
2017	57,800	56,615	748	91.8%	89.8%	13	--	0.5%	--
Total	209,415	180,089	752	91.3%	84.1%	350	27		

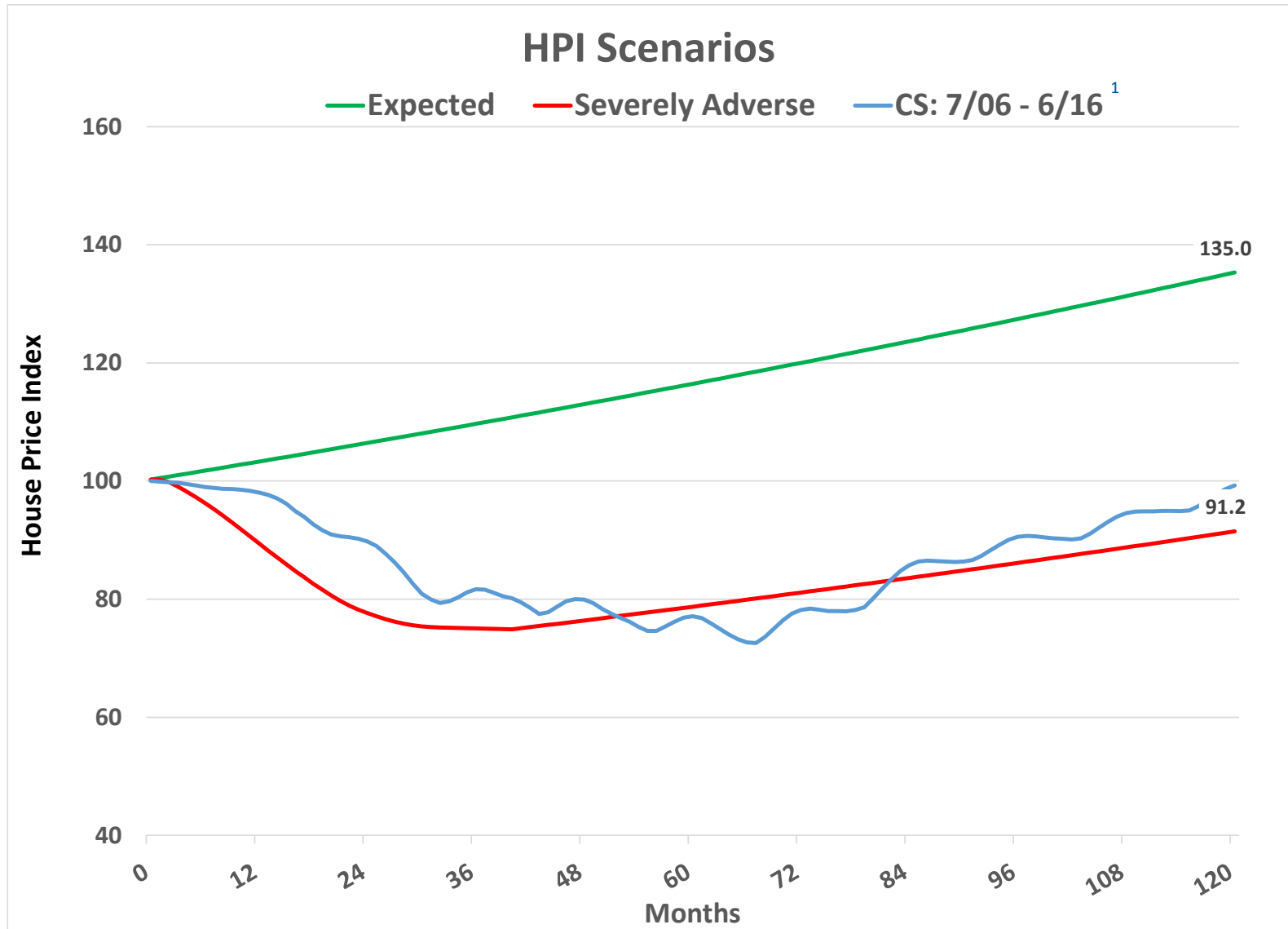
## Portfolio Performance:

- Better-than-expected claims experience to date
- Loss development has been modest as a result of solid job growth and healthy home price appreciation

Portfolio as of 9/30/2017

1. Current LTV includes amortization and assumed Home Price Appreciation per Corelogic
2. Ratio of total claims incurred (paid and reserved) divided by cumulative premiums earned, net of reinsurance.
3. Sum of the number of claims paid ever to date and number of loans in default as of the end of the period, divided by policies ever in force.

# Portfolio Testing



1 – Case-Schiller index of home prices. Source: S&P Dow Jones Indices, LLC.



# Portfolio Testing

	2013 Vintage	2014 Vintage	2015 Vintage	2016 Vintage	2017 Vintage	Portfolio
<b>w.a. OrigLTV</b>	89.83%	91.25%	91.20%	91.08%	91.78%	91.33%
<b>w.a. CurrLTV</b>	69.37%	74.67%	78.82%	83.60%	89.83%	84.13%
<b>w.a. Credit Score</b>	752	747	752	754	748	752
<b>IIF (MM)</b>	\$ 39	\$ 1,479	\$ 8,742	\$ 18,684	\$ 14,315	\$ 43,259
<b>RIF (MM)</b>	\$ 9	\$ 368	\$ 2,167	\$ 4,520	\$ 3,508	\$ 10,572
<b>Expected Loss Rate</b>	0.68%	0.97%	0.82%	0.86%	1.40%	1.02%
<b>Stress Loss Rate</b>	3.65%	4.97%	5.04%	5.29%	7.50%	5.91%
<b>Expected Loss \$</b>	\$ 61	\$ 3,575	\$ 17,705	\$ 38,780	\$ 49,153	\$ 109,274
<b>Stress Loss \$</b>	\$ 328	\$ 18,283	\$ 109,118	\$ 238,917	\$ 262,931	\$ 629,577
<b>Stress Multiple</b>	5.4X	5.1X	6.2X	6.2X	5.3X	5.8X

- Numbers above are before reinsurance
- Estimated lifetime loss ratio under stress before reinsurance is 63%
- After consideration of reinsurance, estimated loss ratio is 45%

Note: Portfolio as of 9/30/2017. For illustrative purposes only.

# In Summary

- National MI's risk-based pricing is designed to deliver mid-teens returns on PMIERs required assets in expected claim environments
- The economic environment is expected to be positive for the near future
- In stress environments, National MI's portfolio quality, underwriting approach, and reinsurance coverage should limit ultimate losses
- The current risk-based pricing environment affords National MI ample opportunity to generate target returns for shareholders



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# Financial Overview

Adam Pollitzer

*Executive Vice President & Chief Financial Officer*

# Achieving Our Financial Goals

## Recap of Our Success

- ✓ Achieving the milestones we have set for the business

## Exciting Inflection Point

- ✓ Uniquely delivering revenue growth, accelerating income and ROE, and high earnings visibility

## Vision and Strategy for the Future

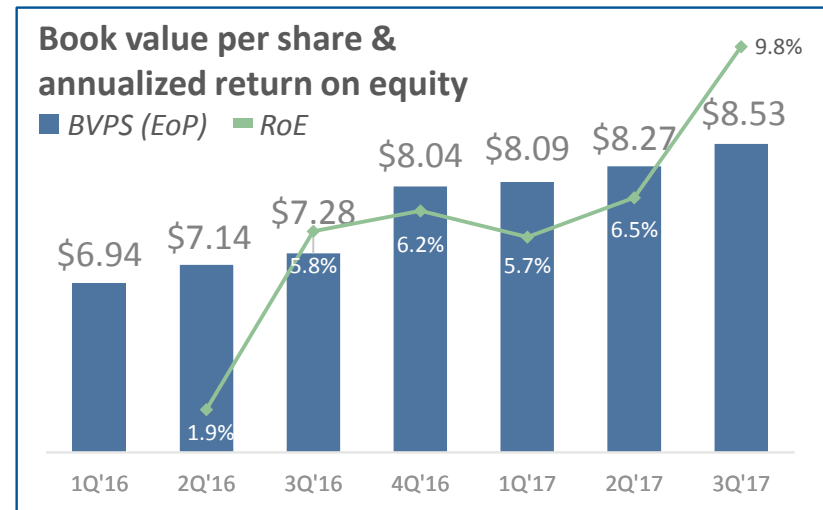
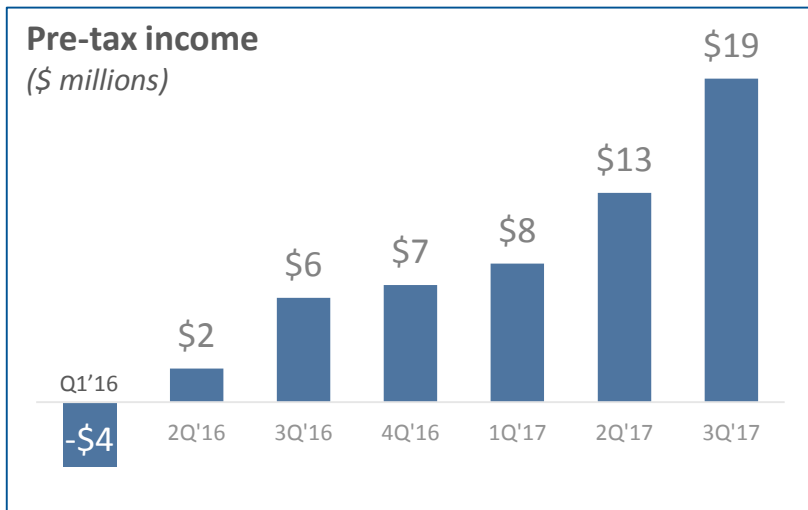
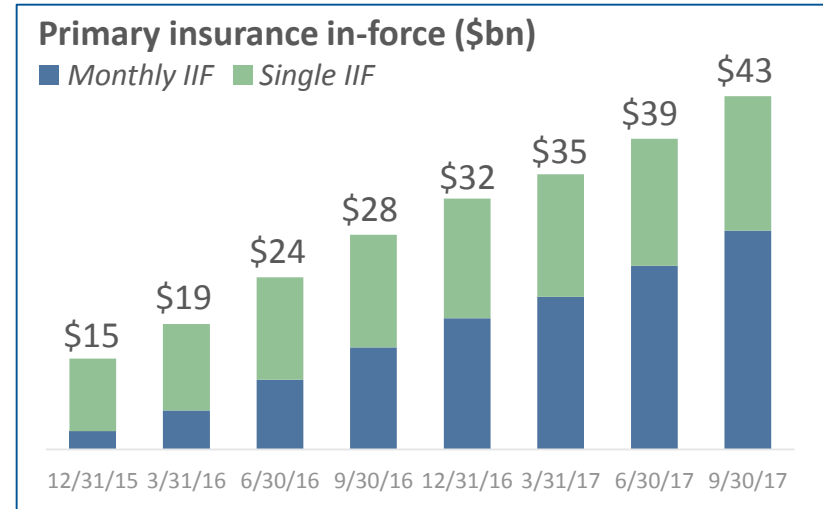
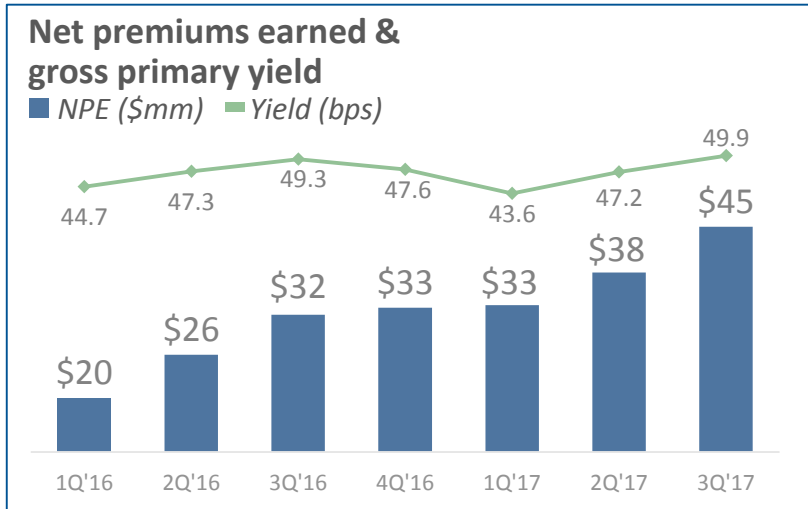
- ✓ Optimized strategy to continue our positive financial momentum

# Delivering Financial Success

- ✓ **Revenue** \$165mm LTM / 55% one-year growth
- ✓ **Underwriting & other expenses** \$97mm LTM / 6% one-year growth
- ✓ **Pre-tax income** \$47mm LTM vs. -\$0.4mm one-year ago
- ✓ **Return on equity** 9.8% Q3'17 annualized
- ✓ **Book value** \$511 million
- ✓ **Book value per share** \$8.53/share / +17% one-year growth
- ✓ **Combined ratio** 58% Q3'17 / 20 pt one-year improvement
- ✓ **Ratings (FSR)** S&P: BBB- (OP), Moody's: Ba1 (OP)

Note: Data presented as of 9/30/17 unless otherwise noted; LTM represents last twelve month data as of 9/30/16 and "one year ago" represents data as of or for the twelve month period ended 9/30/16; underwriting & other expenses and pre-tax income presented on adjusted basis excluding \$4.7mm previously disclosed transaction related expenses (including such expenses year-on-year growth in underwriting & other expenses would have been 11%)

# Delivering Results – Quarter by Quarter



Notes: 4Q'16 annualized RoE adjusted to exclude \$52.6mm benefit from release of valuation allowance; 1Q'17 and 2Q'17 pre-tax income and annualized ROE adjusted to exclude previously disclosed pre-tax transaction costs of \$1.6mm and \$3.1mm, respectively

# Financial “Sweet Spot”

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

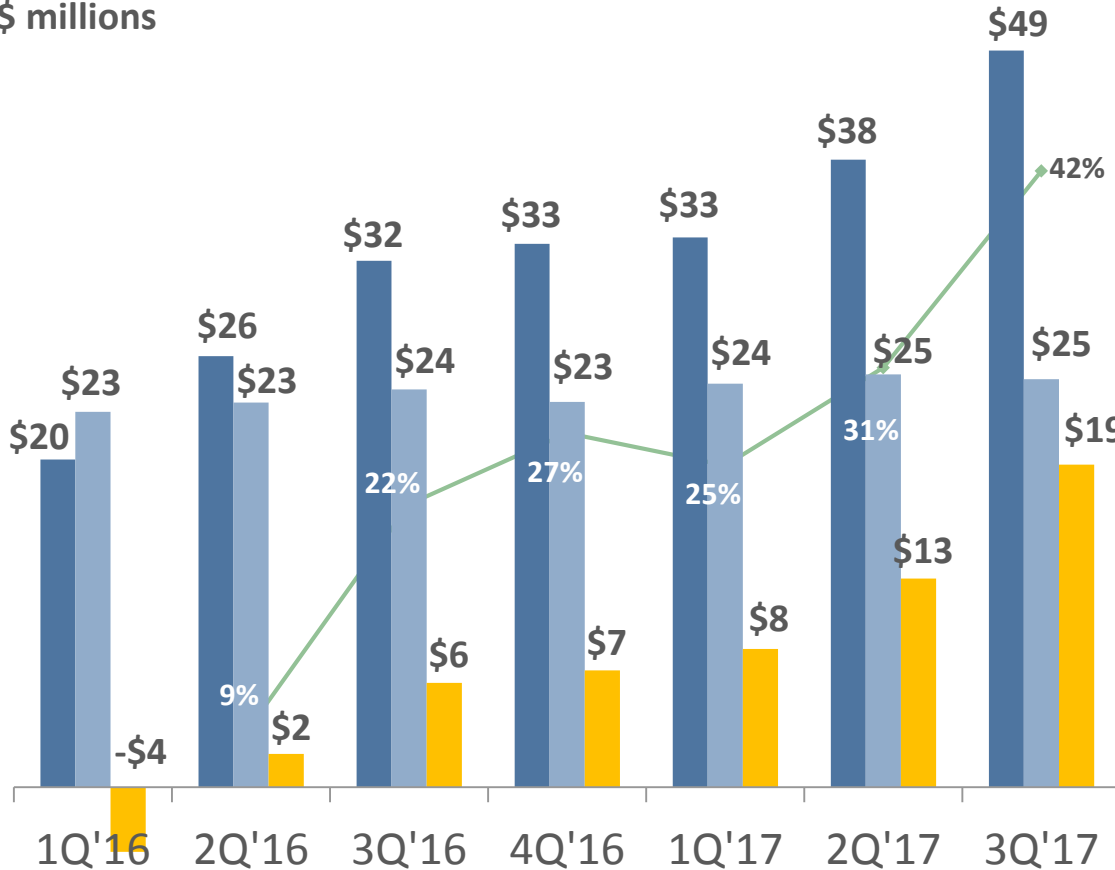
- High growth
  - Insurance-in-force and premiums
  - Net income and book value
- Operating leverage drives accelerating profitability
  - Premiums growing much faster than operating expenses
  - Low single-digit loss ratios
- Increasing returns
  - Delivering on full potential of platform
  - Double digit today, building to mid-teens by 4Q’18
- High visibility
  - Existing book drives majority of near-term financial performance



# Operating Leverage Drives Accelerating Financial Results

■ Net premiums earned ■ Operating expenses ■ Pre-tax income ■ Underwriting margin

\$ millions



**Business model has significant embedded operating leverage**

2Q'16-3Q'17 CAGR:

➤ Net premiums earned  
11%

➤ Operating expenses  
1%

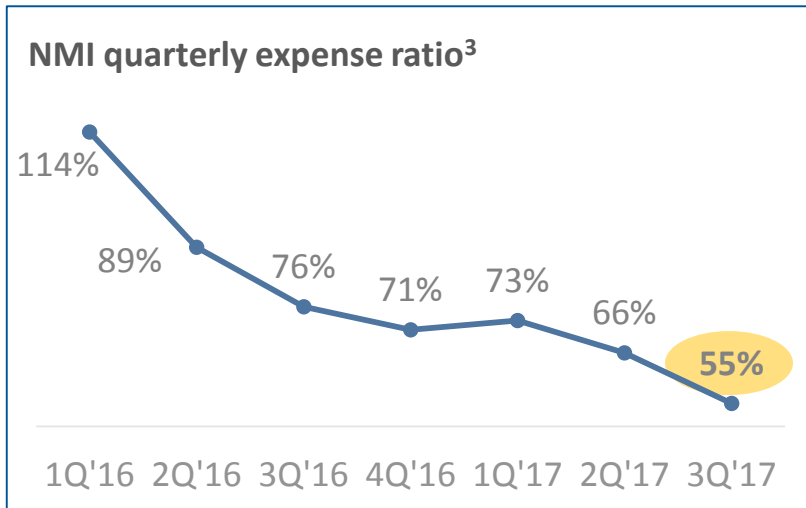
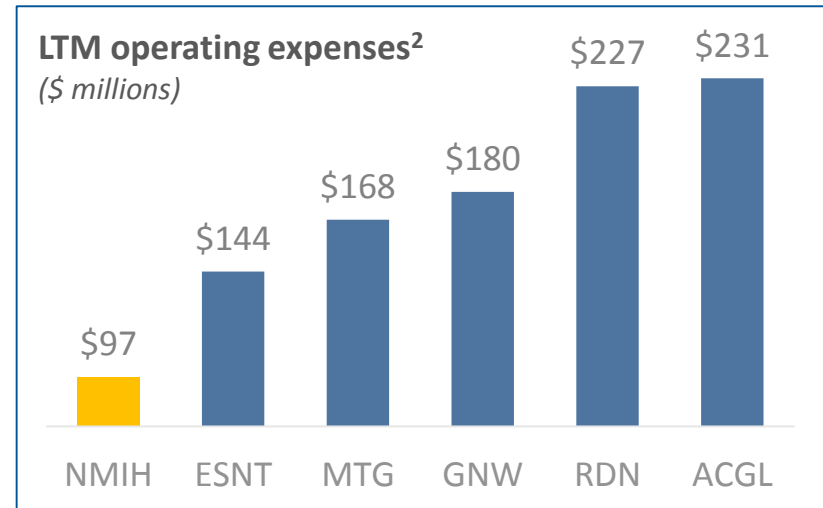
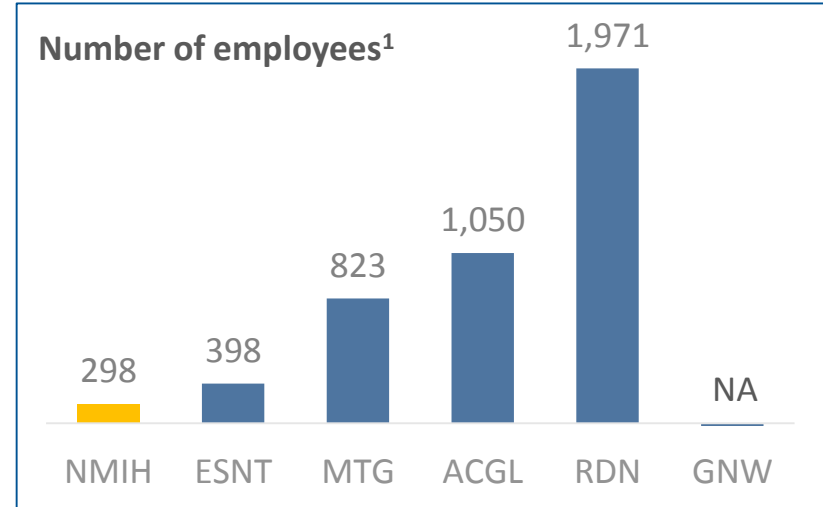
➤ Pre-tax income  
58%

Note: GAAP financial data; 1Q'17 and 2Q'17 operating expenses, pre-tax income and underwriting margin presented on as adjusted basis for previously disclosed \$1.6mm and \$3.1mm transaction related expenses, respectively; underwriting margin = 1 – reported combined ratio



# Focus on Efficiency and Expense Management

- **Smallest employee base in industry**  
*...by far*
- **Smallest expense base in industry**  
*...by far*
- **Driving significant expense efficiency**  
*...quickly scaling our expense ratio*



<sup>1</sup> Employee count as of most recent available reporting period; NMIH and ESNT as of 9/30/17; MTG and RDN as of 12/31/16 (MTG excludes "on call" employees, RDN includes all employees – MI only employee base not disclosed); ACGL represents United Guaranty reported employees as of 3/31/16 per IPO S-1

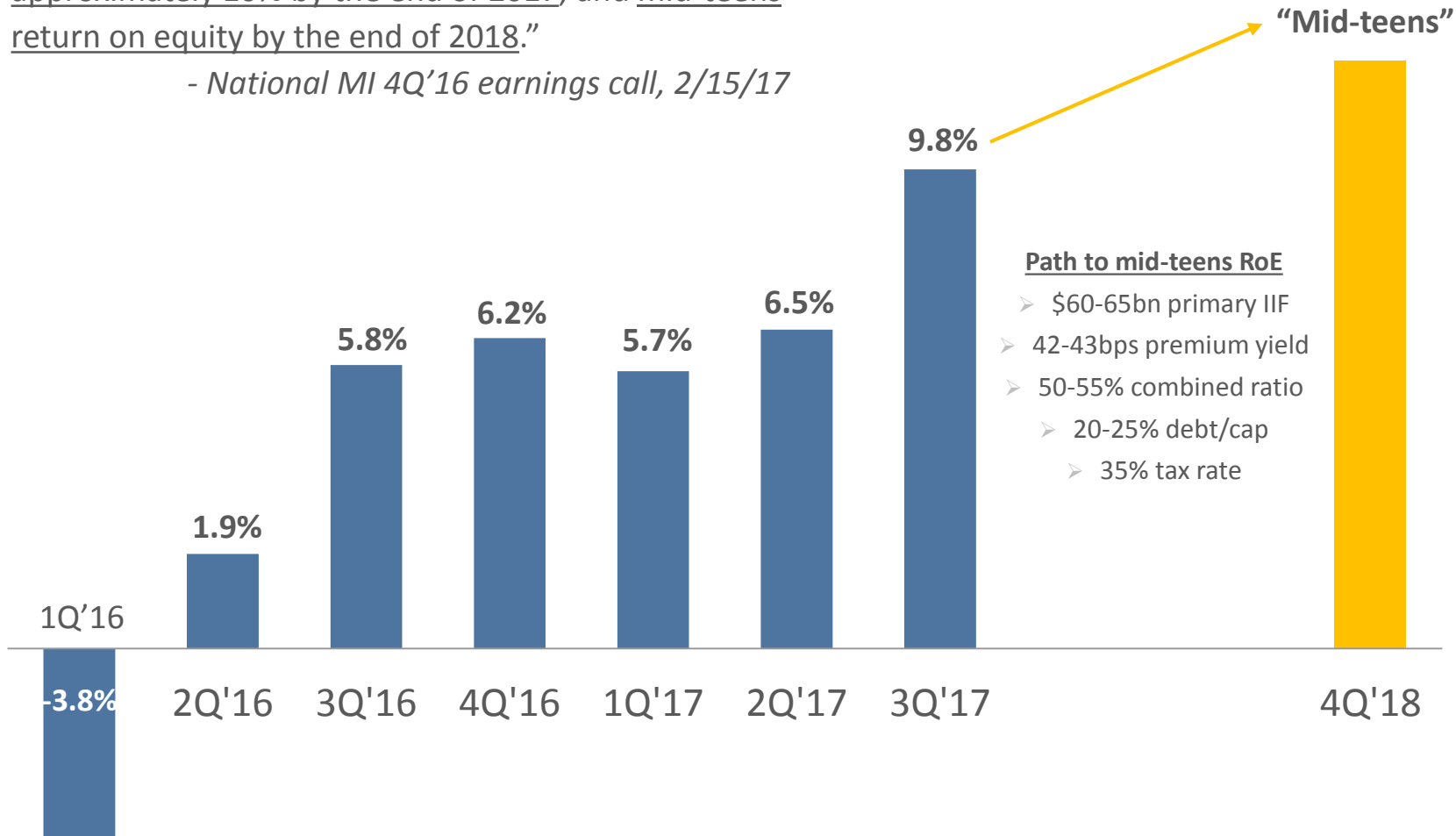
<sup>2</sup> NMIH operating expenses on as adjusted basis excluding previously disclosed \$4.7mm transaction related expenses in 1H'17; ESNT and MTG total company as reported; RDN MI segment as reported – including RDN's allocation of corporate items; ACGL and GNW MI segment as reported – excluding corporate allocation

<sup>3</sup> NMI 1Q'17 and 2Q'17 expense ratio calculated excluding previously disclosed \$1.6mm and \$3.1mm transaction related expenses, respectively

# Delivering on Our Return Commitment

“We currently are targeting return-on-equity of approximately 10% by the end of 2017, and mid-teens return on equity by the end of 2018.”

- National MI 4Q'16 earnings call, 2/15/17



Notes: 4Q'16 presented on as adjusted basis excluding \$52.6mm benefit from release of valuation allowance; 1Q'17 and 2Q'17 presented on as adjusted basis excluding previously disclosed pre-tax transaction related expenses of \$1.6mm and \$3.1mm, respectively; 4Q'18 and “path to mid-teens RoE” not a forecast - for illustrative purposes only

# High Visibility to Near-Term Financial Performance

## Five pillars of MI value:

- Volume
- Price
- Losses
- Expenses
- Capital

### Portfolio drives performance

- In-force portfolio or “back book” drives majority of near term performance
- Increasing success with customers drives growth in NIW / the “forward” book and seeds long-term performance

### Considering the variables

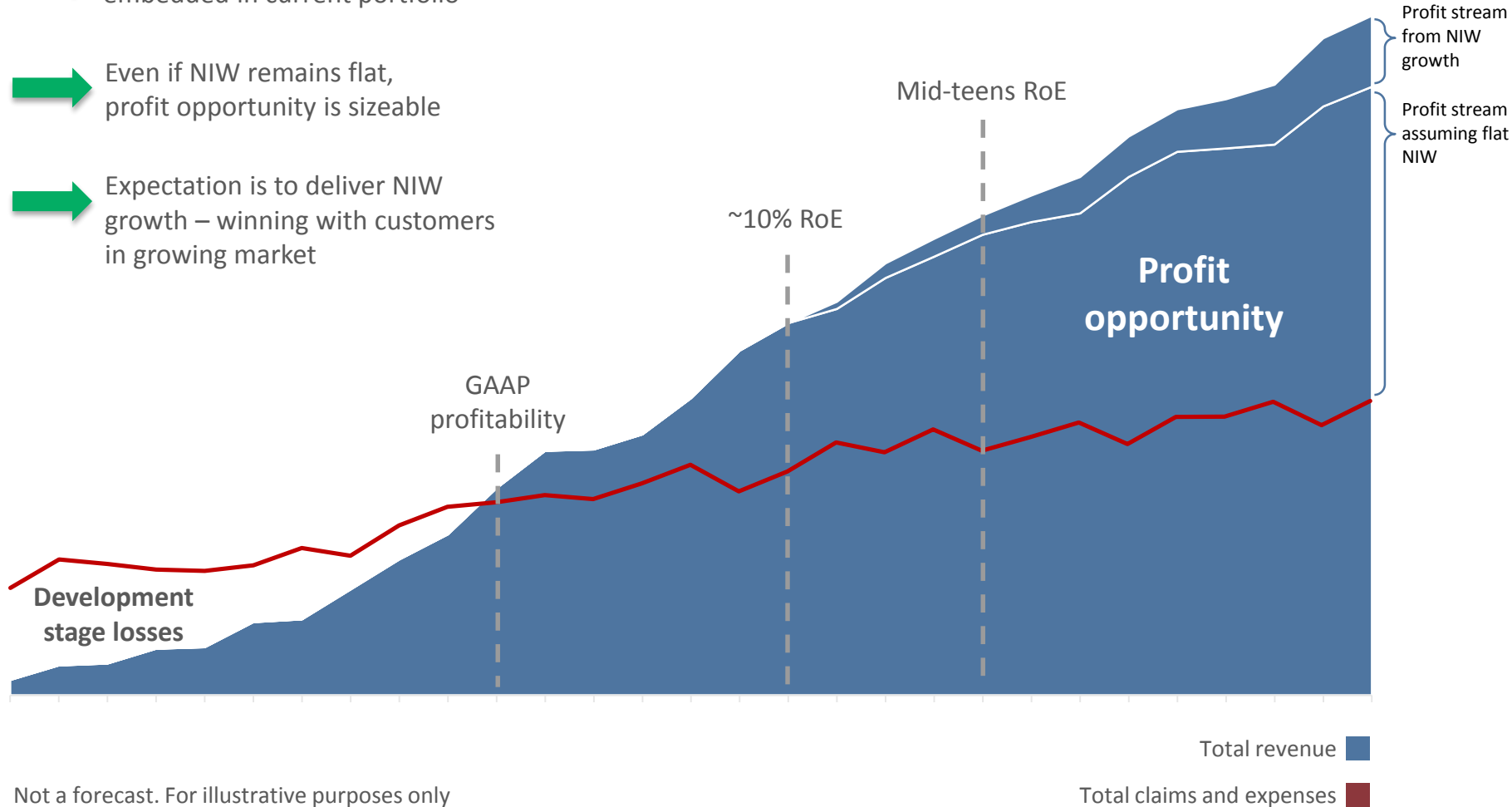
- High persistency
- Pricing on in-force portfolio is fixed
- Pricing outlook is stable
- Expense discipline
- Favorable loss performance on in-force
- Overall loss ratios limited by age
- Cost of capital is efficient & improving

### Simplicity of MI model

- Limited number of “moving pieces”
- Monoline MI provider – sell one product, in one market (U.S.), with no distractions

# Profit Potential is Significant and Highly Visible

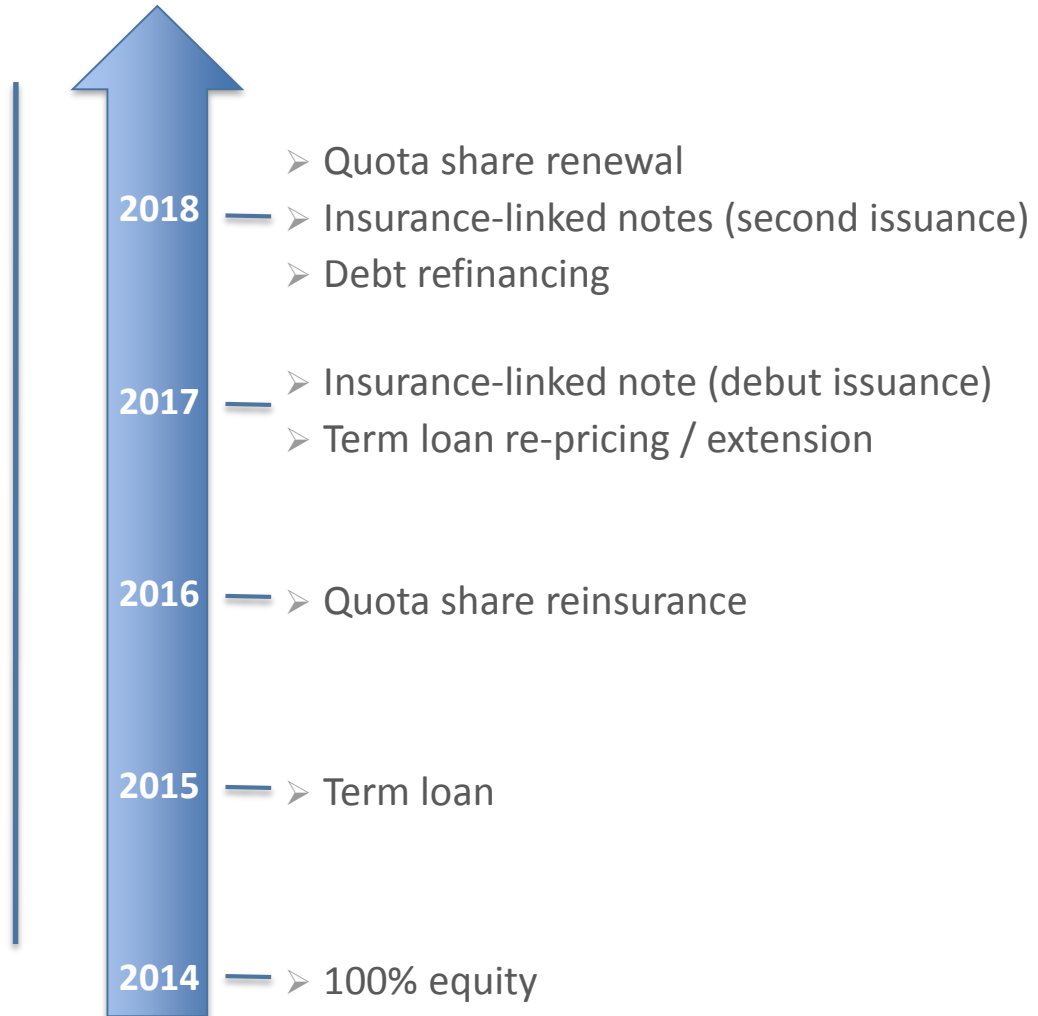
- ➔ Significant portion of future profits embedded in current portfolio
- ➔ Even if NIW remains flat, profit opportunity is sizeable
- ➔ Expectation is to deliver NIW growth – winning with customers in growing market



Not a forecast. For illustrative purposes only

# Enterprise Capital Planning

- Conservative approach to capital planning
  - Maintain cushion at all times
  - Balance economic, regulatory, rating agency and competitive needs
  - Utilize external capital sources to fund growth in IIF until self-sufficiency
  
- Successfully tapped full spectrum of funding markets
  - Traditional and securitized reinsurance, debt and equity
  - All markets are currently available to NMI



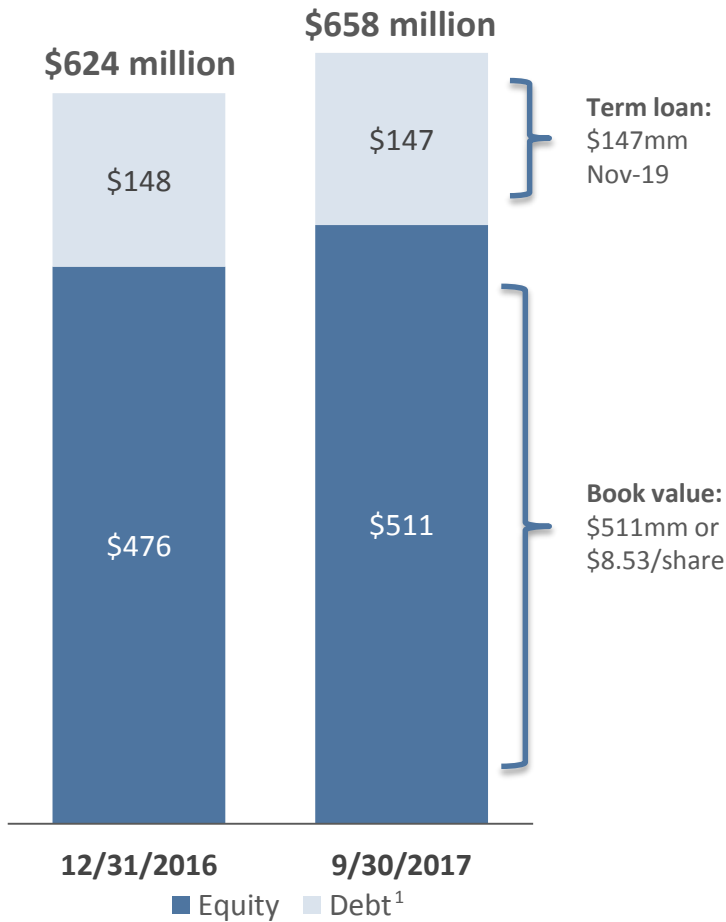
# Quota Share Reinsurance Renewal

- NMI has received binding commitments to renew its quota share reinsurance agreement for 2018 and 2019
- We have submitted contract to the GSEs for approval as required under PMIERS and expect to have coverage in place effective January 1, 2018
- Renewal was successful and improved upon our existing deal across several key areas:
  - *Pricing*: Improved profit commission by 100bps
  - *Tenor*: Two years – covering 2018 and 2019 NIW production
  - *Flexibility*: Ability to increase / decrease cession between 20-30% in 2019
  - *Panel*: Broader syndication with highly rated counterparts

# Current Capital Snapshot and PMIERS Runway

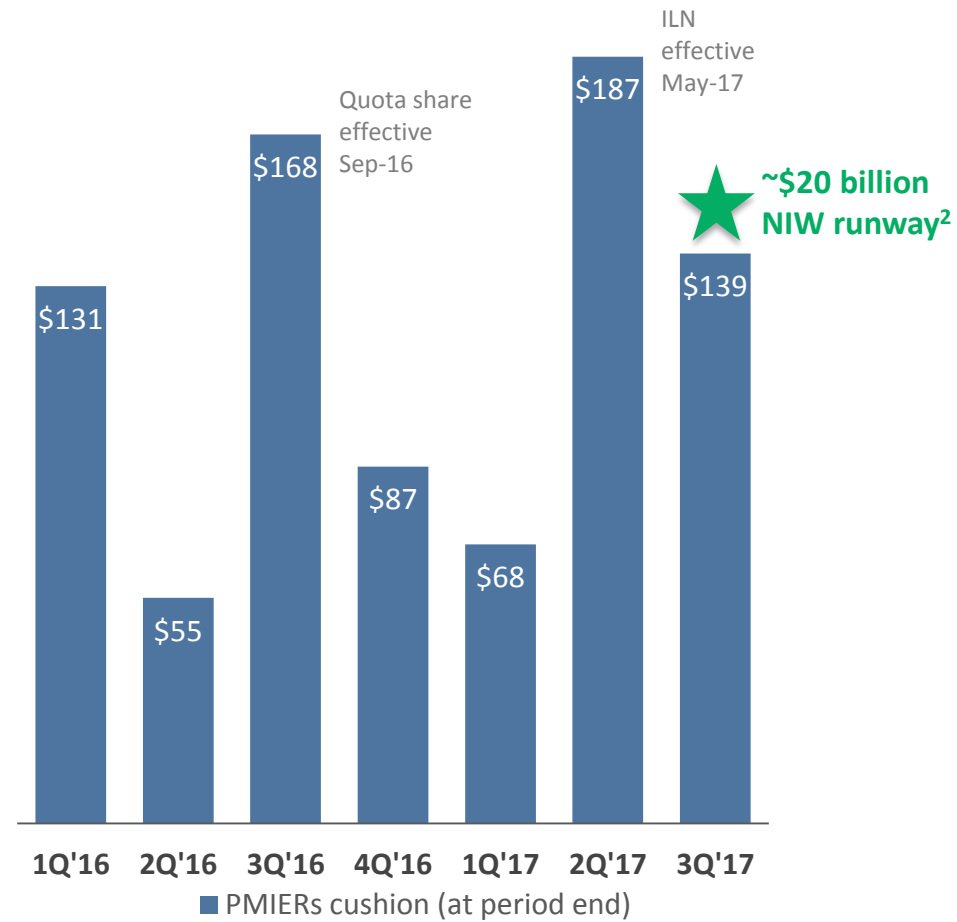
## Capital structure

\$ millions



## PMIERS excess

\$ millions



<sup>1</sup> Principal balance due

<sup>2</sup> Based on management's current estimates



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# Questions & Answers



# 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. 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 the other cautionary statements that are included in reports we file with the SEC. 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 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; potential adverse impacts arising from recent 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 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; and, our ability to recruit, train and retain key personnel. These risks and uncertainties also include, but are not limited to, those set forth under the heading "Risk Factors" detailed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016, as subsequently updated through other reports we file with the SEC.

This presentation makes use of non-GAAP financial measures. For a reconciliation of non-GAAP financial measures to the most comparable measures under GAAP, see our website at [www.nationalmi.com](http://www.nationalmi.com).



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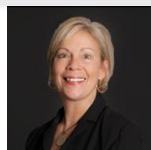
# Appendix

# 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



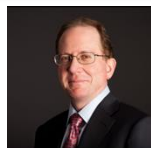
**Claudia Merkle**  
Chief Operating Officer

- Joined NMI 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; prior to NMI she served as Vice President, PMI Mortgage Insurance Co. and VP at Meridian Mortgage/Corestates



**William Leatherberry**  
Executive VP and General Counsel

- Joined NMI in 2014 as EVP and Chief Legal Officer. Over 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



**Patrick Mathis**  
Executive VP and 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



**Adam Pollitzer**  
Executive VP and Chief Financial Officer

- Joined NMI 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**  
Senior VP,  
Pricing Strategy & Portfolio Analytics

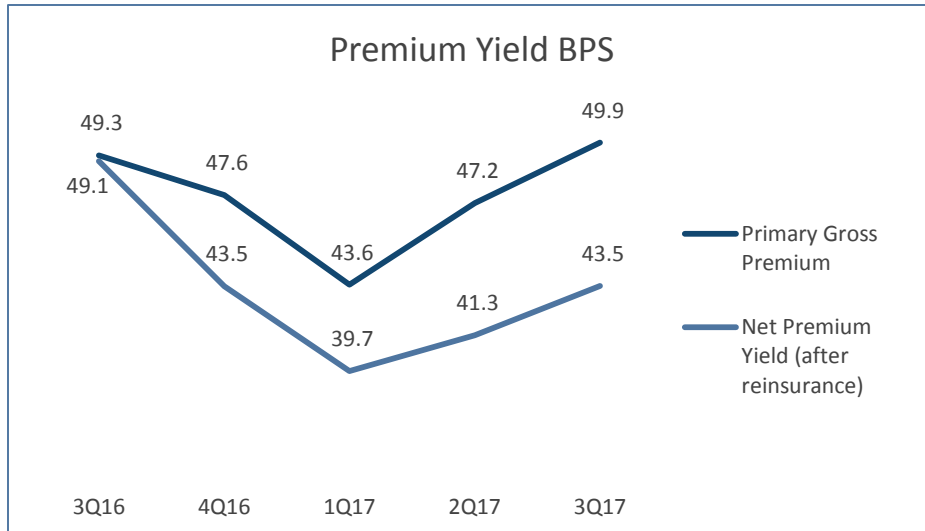
- Joined National MI in 2012, and has more than 18 years' experience in the mortgage and financial services industry, including previous roles at Washington Mutual and PMI Mortgage Insurance.
- He is a Chartered Financial Analyst and holds a master's degree in Engineering from Stanford University and an MBA from Stanford's Graduate School of Business.

# Financial Highlights

	Third Quarter 9/30/2017	Second Quarter 6/30/2017	First Quarter 3/31/2017	Fourth Quarter 12/31/2016	Third Quarter 9/30/2016	Change Qtr/Qtr	Change Yr/Yr
Net Premiums Earned	\$ 44,519	\$ 37,917	\$ 33,225	\$ 32,825	\$ 31,808	17%	40%
Investment Income	4,170	3,908	3,807	3,634	3,544	7%	18%
Net realized investment gains (losses) and other revenue	264	373	22	170	168		
Revenue	48,953	42,198	37,054	36,629	35,520	16%	38%
Underwriting and operating expenses	24,645	28,048	25,989	23,281	24,037	-12%	3%
Insurance claims and claims expenses	957	1,373	635	800	664		
Underwriting Income (Loss)	23,351	12,777	10,430	12,548	10,819	83%	116%
Interest expense	(3,352)	(3,300)	(3,494)	(3,777)	(3,733)	2%	-10%
Gain (Loss) from change in fair value of warrants	(502)	19	(196)	(1,713)	(797)		
Pretax Income (Loss)	19,497	9,496	6,740	7,058	6,289	105%	210%
Income tax expense (benefit) <sup>1</sup>	7,185	3,484	1,248	(52,664)	114		
Net income (loss)	12,312	6,012	5,492	59,722	6,175	105%	99%
Net income (loss) per diluted share	\$ 0.20	\$ 0.10	\$ 0.09	\$ 0.98	\$ 0.10		
<i>Expense Ratio</i>	55%	74%	78%	71%	76%		
<i>Loss Ratio</i>	2%	4%	2%	2%	2%		
<i>Combined Ratio</i>	57%	78%	80%	73%	78%		
Total Cash & Investments	713,427	693,730	671,183	676,715	686,094	3%	4%
Shareholders' Equity	511,025	495,040	483,909	475,509	430,269	3%	19%
Book Value Per Share	\$ 8.53	\$ 8.27	\$ 8.09	\$ 8.04	\$ 7.28	3%	17%
<i>Annualized Return-on-Equity</i>	9.8%	4.9%	4.6%	52.7%	5.8%		

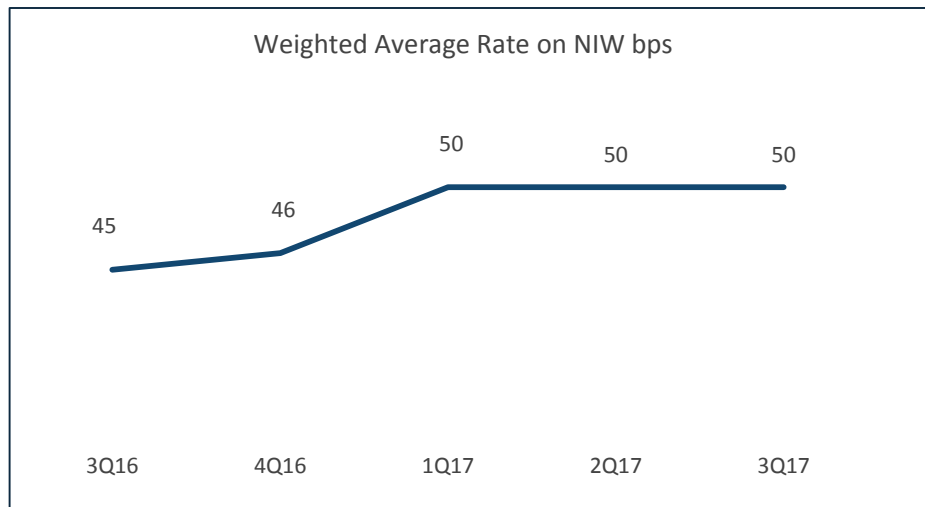
1) Reflects reversal of valuation allowance on the company's deferred tax asset

# 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 3Q17
- Approximately 6 bps impact from quota share reinsurance and insurance-linked notes (ILN)



## Rates (pricing):

- Our weighted average rates have been stable
  - Raised prices on single premium
  - Increased mix of monthly premium
  - Slightly broader credit quality

# Reinsurance Illustration

## Reinsurance Illustration \$Millions

	Before Reinsurance	Impact of Reinsurance	After Reinsurance
Insurance in Force	\$ 1,000		\$ 1,000
Effective Risk in Force	250.0	(62.5)	187.5
Required Assets*	14.6	(3.9)	10.7
Gross Premium	\$ 5.30		\$ 5.30
Ceded Premium		\$ (1.33)	\$ (1.33)
Profit Commission		\$ 0.53	\$ 0.53
Net Premiums Earned	\$ 5.30	\$ (0.80)	\$ 4.51
Interest Income on Assets	\$ 0.44		\$ 0.44
Expenses	\$ 1.33		\$ 1.33
Ceding Commission		\$ (0.27)	\$ (0.27)
Net Expenses	\$ 1.33	\$ (0.27)	\$ 1.06
Losses	\$ 1.06		\$ 1.06
Ceded Losses		\$ (0.27)	\$ (0.27)
Net Losses	\$ 1.06	\$ (0.27)	\$ 0.80
Pretax Income	\$ 3.35	\$ (0.27)	\$ 3.09
Taxes @35%	\$ 1.17	\$ 0.09	\$ (1.08)
<b>Net Income</b>	<b>\$ 2.18</b>	<b>\$ (0.17)</b>	<b>\$ 2.01</b>
Expense Ratio	25.0%		23.5%
Loss Ratio	20.0%		17.6%
<b>Return on Required Assets</b>	<b>14.9%</b>		<b>18.7%</b>

25% reduction in risk and required assets

8% dilution from reinsurer margin

Significant benefit to returns

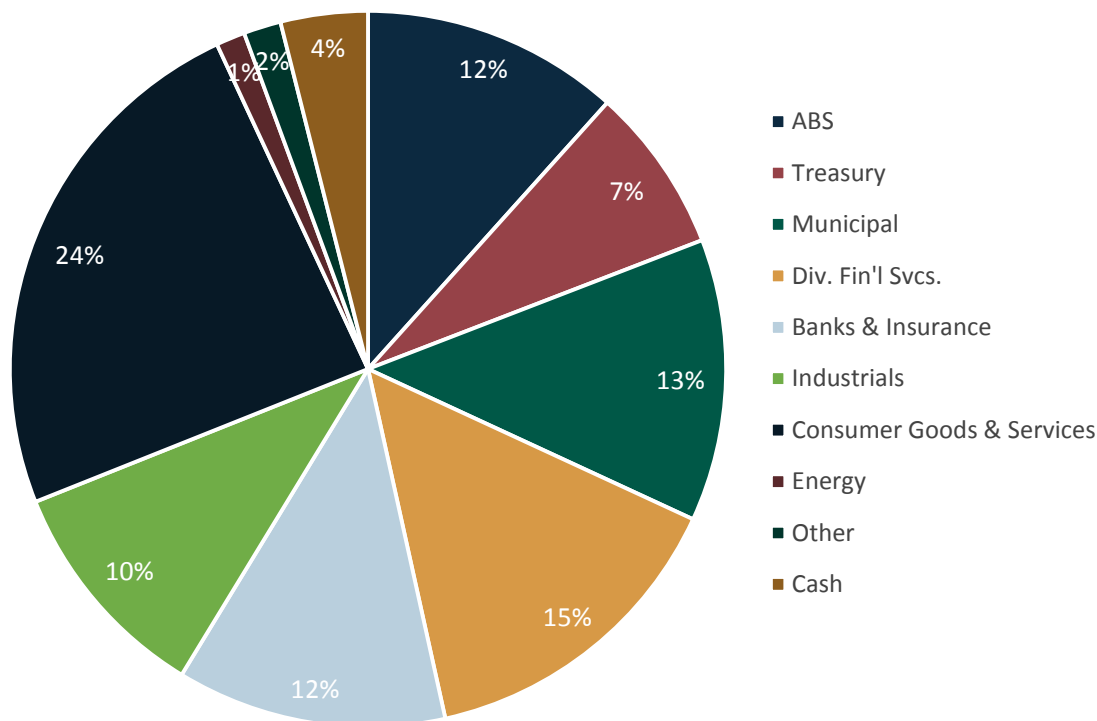
- **Risk/Capital:** Reinsurer takes 25% of risk of loss, effectively reducing NMI’s capital requirement by 25%
- **Premiums:** NMI cedes to reinsurer 25% of gross premium
- **Economics to National MI:** Subject to certain limitations, we retain an 80% margin on ceded premiums; illustratively, this margin is comprised of:
  - Ceding commission ~20%
  - Profit commission ~40%
  - Ceded losses ~20%

Illustrative only – not a forecast and not representative of current operating ratios

\*Adjusted for PMIERS seasoning credit

More conservatively managed than peers with regard to duration and diversification

## Highlights as of September 30, 2017



- ~\$716M managed portfolio
- Investment policy governs eligible securities, issuer and asset concentration, duration
- 100% fixed income
- 100% investment grade
- ~60% corporate securities
- Quality: Weighted average A rating
- Duration 3.95
- WA yield: 2.4%