



NMI Holdings, Inc. (NMIH)

Sanford C. Bernstein
Investor Presentation

May 14, 2014

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All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements. Any forward-looking statement is qualified in its entirety by reference to the matters discussed in this presentation. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law.

National MI (NMI Holdings, Inc.) Introduction

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

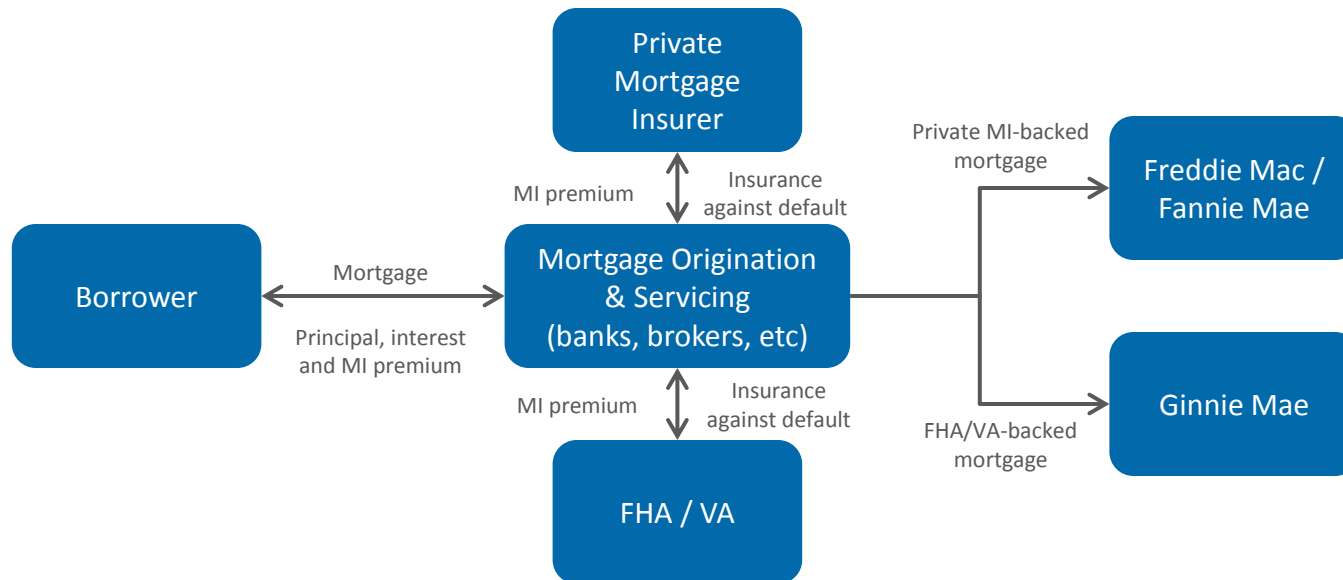
Key Accomplishments and Future Milestones

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



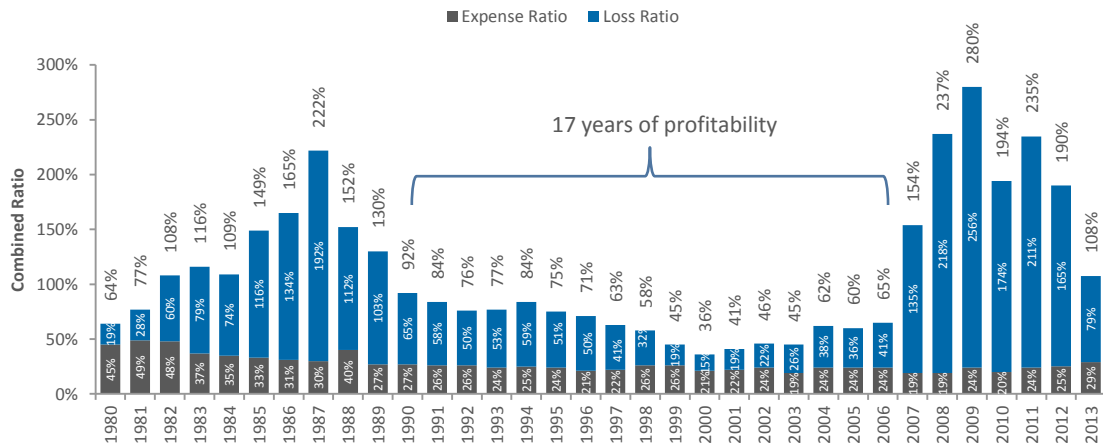
What is Private MI and Why is it Critical?

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



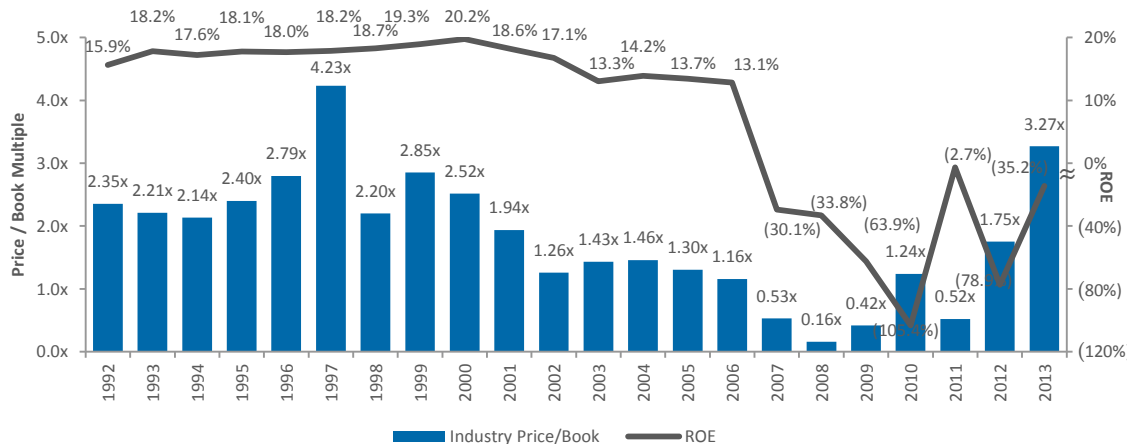
Historically Profitable Industry

Private MI Combined Ratio (1980-2013)



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

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

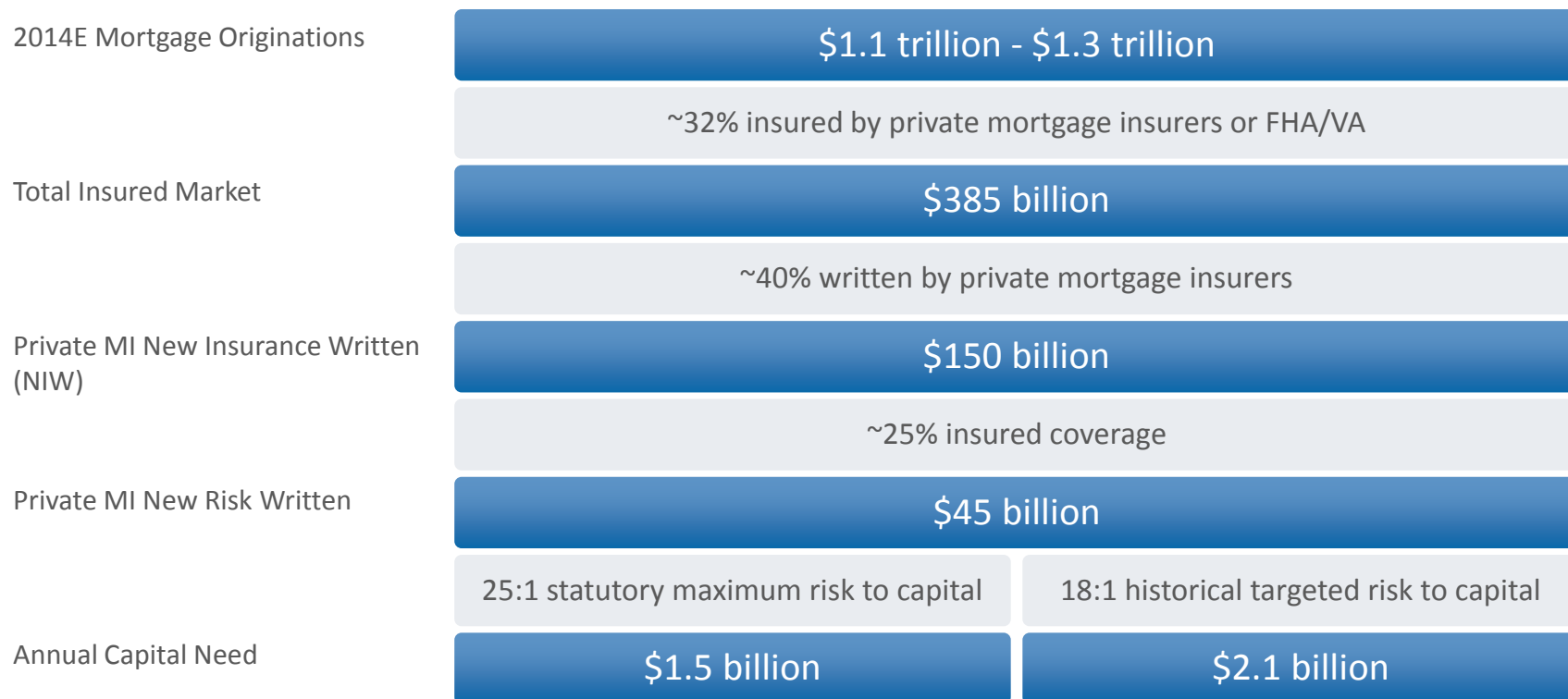


- The industry has paid over \$40 B in claims since the end of 2006
- 3 of the 8 legacy MI companies have ceased writing new business
- 2 new MI providers have been formed post-financial crisis

Source: SNL Financial, Regulatory filings for MI companies

The MI Industry's Capital Need Continues

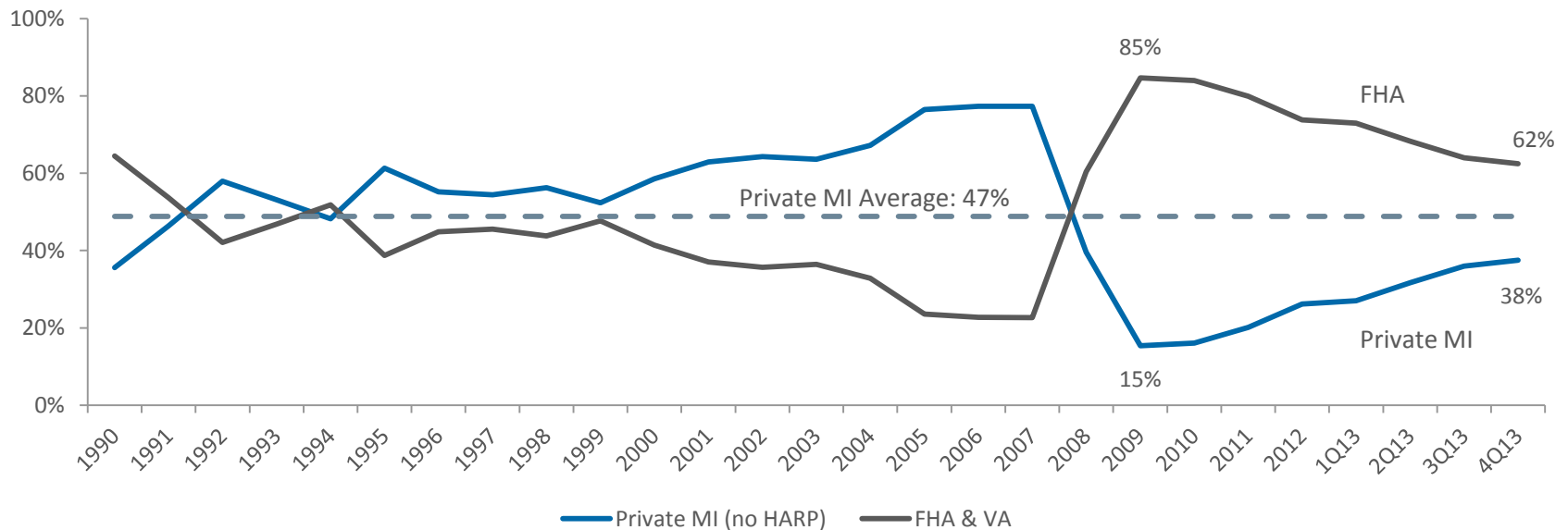
- We estimate, based on the assumptions below, that the private mortgage insurance industry requires between \$1.5 - \$2.1 billion of additional capital each year.
- Industry-wide expectation that the GSEs will establish a new, lower, Risk-to-Capital level at 18:1.



Private MI Share Growth vs. FHA / VA

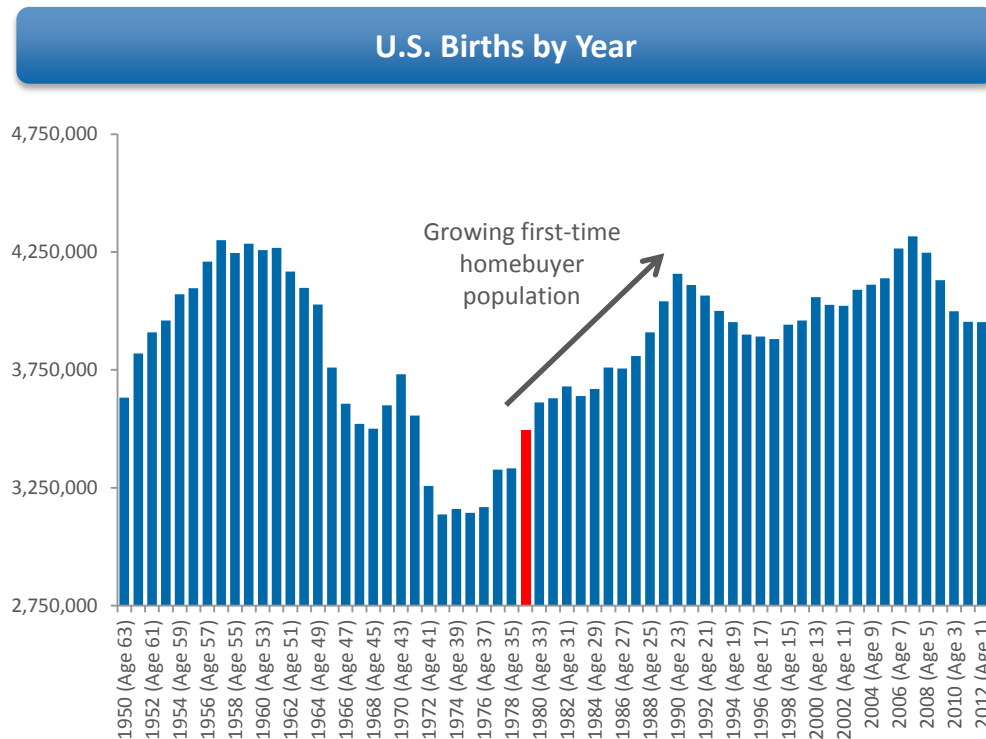
- FHA and VA have filled the gap left by the capital constraints facing the private MI industry during the economic downturn
- As of year end 2013, FHA had a capital ratio of (0.11%), despite its 2.0% statutory minimum
- Market share continues to shift back to private MI companies, primarily due to several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

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



Highly Favorable Demographic Trends

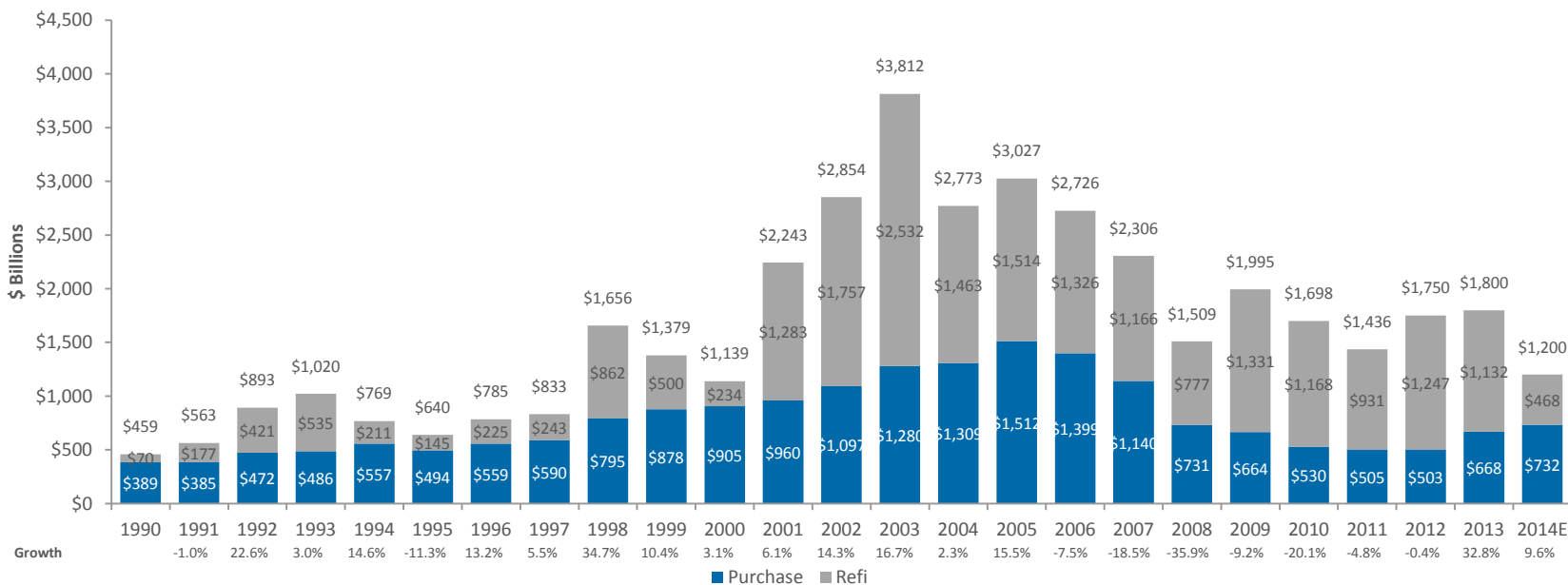
- First-time homebuyers represent a significant future opportunity
- Average age of a first-time homebuyer is 34 years old
 - More Americans will enter the typical first-time homebuyer age nearly every year over the next decade
 - Over 40 MM Americans will reach the age of an average first time homebuyer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



Growing Purchase Originations

- Increasing purchase vs. refinance mix is driving a relatively flat MI market, despite a decreasing overall origination market
- MI penetration is approximately 4x higher in purchase mortgages than refinancing
- Purchase originations have recovered since the financial crisis and are expected to reach their highest level since 2008
- Total Originations projected to be between \$1.1 trillion and \$1.3 trillion in 2014

Total Mortgage Originations (1990-2014E)

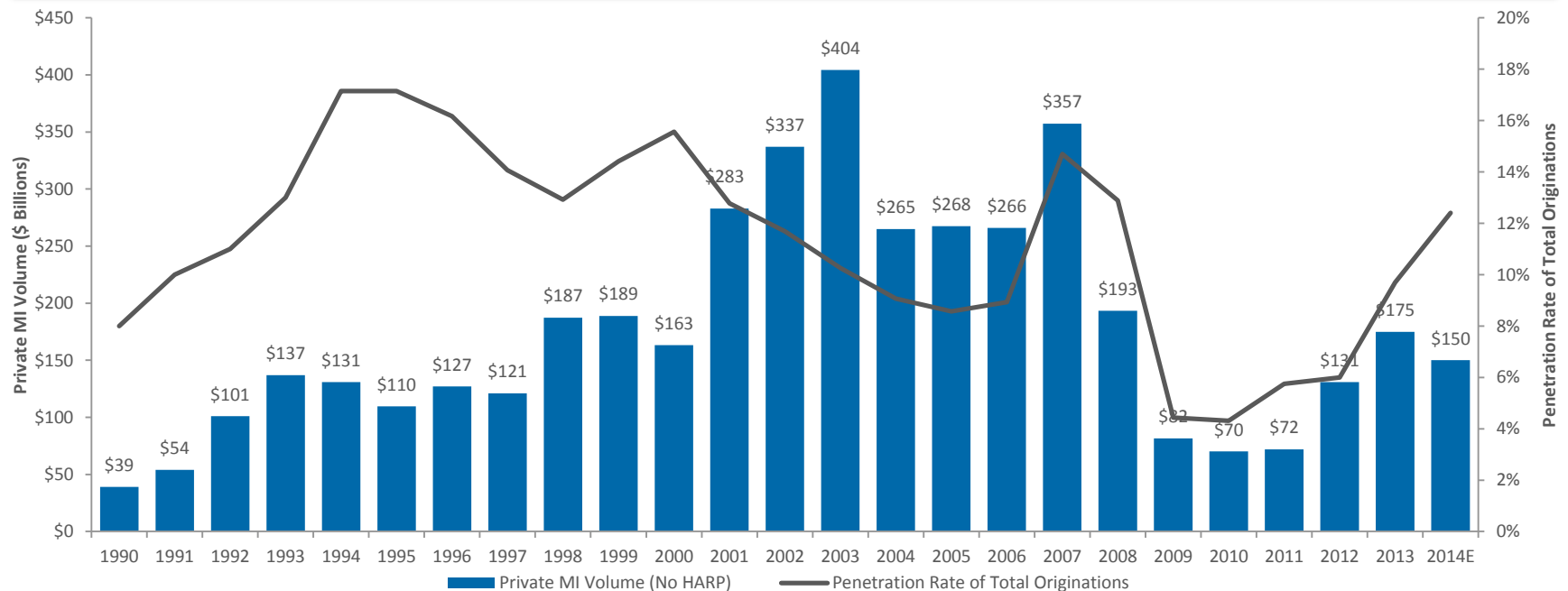


Source: Mortgage Bankers Association, Fannie Mae, Freddie Mac

Strong Outlook For Private MI Volume

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

Private MI Volume and Penetration



GSE Reform

- Senate Committee Proposals
- Timing and Results Uncertain
- Unlikely anything will happen pre-November elections

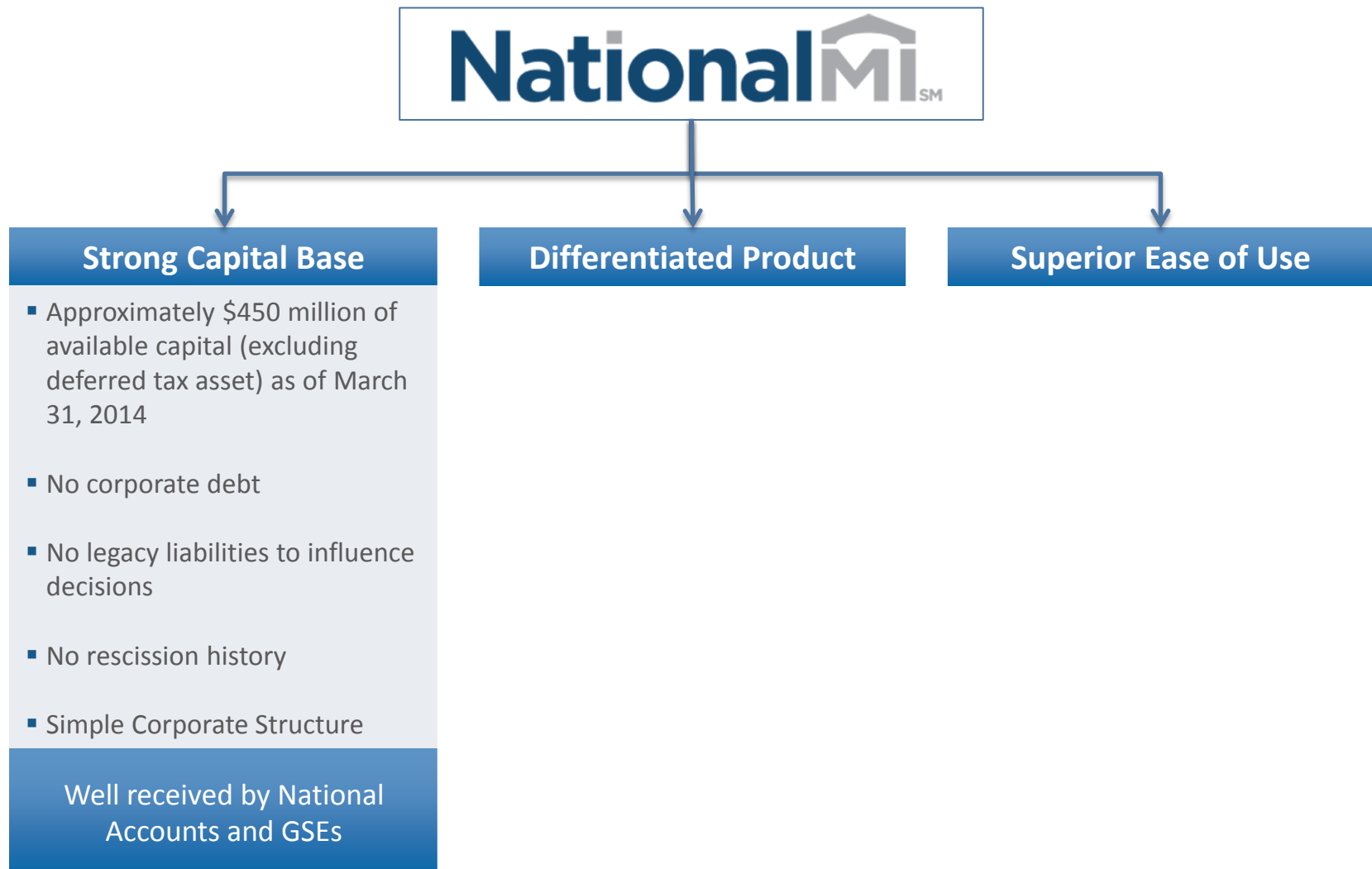
Significant Value Proposition

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



Significant Value Proposition – Capitalization

- Our balance sheet is among the strongest in the industry



Significant Value Proposition – Differentiation

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

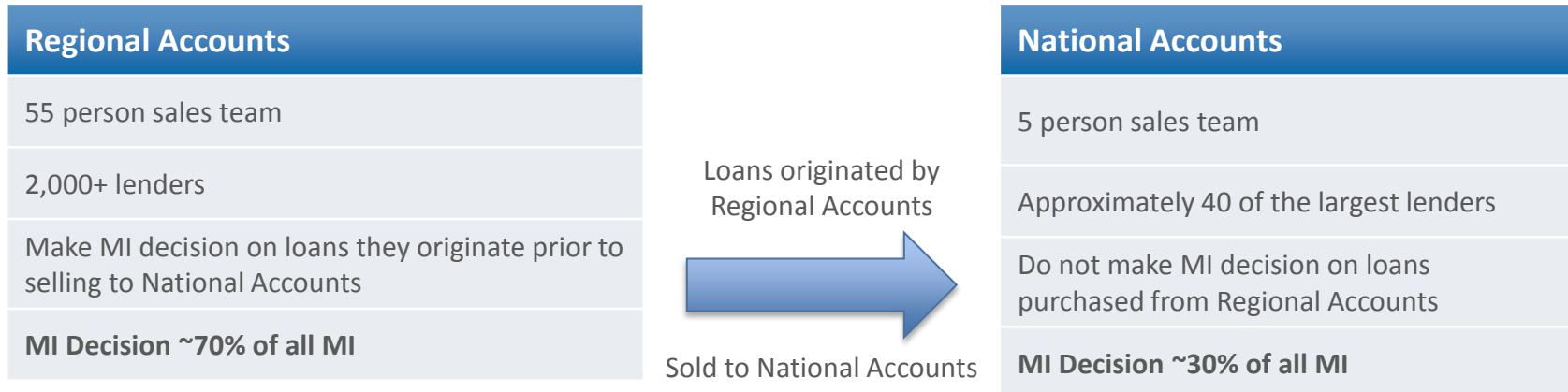


Significant Value Proposition – Ease of Use

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



Focused Sales Effort

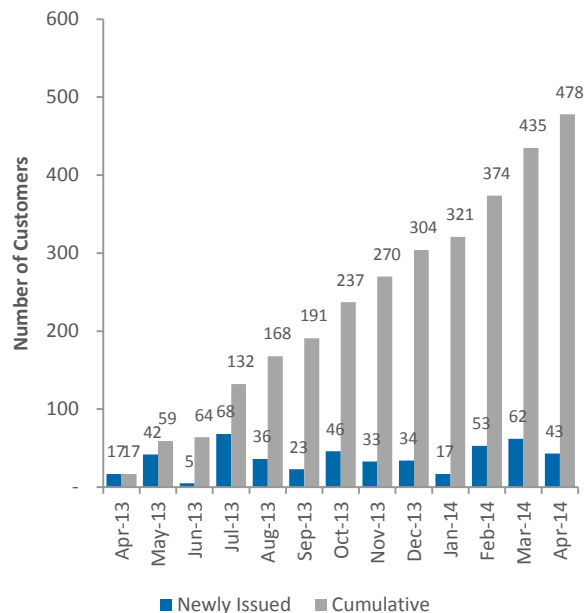


- Approval by National Accounts facilitates access to Regional Accounts
- The approximately 40 lenders we have identified as National Accounts purchase ~75% of loans sold by Regional Accounts
- The two largest National Accounts dominate the origination market
 - ~37% of the correspondent origination market
 - ~23% of the retail origination market

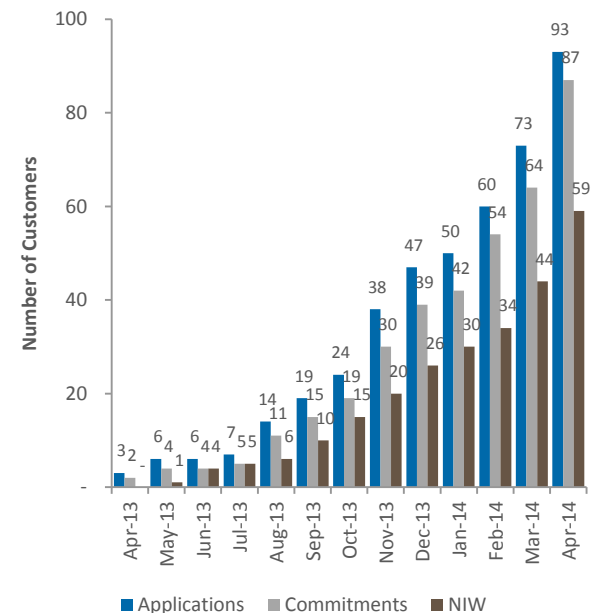
Growing Customer Base

- We have made tremendous progress in our efforts to establish relationships with both regional and national accounts
 - We have master policies signed with 478 lenders as of April 30, 2014
- Approval by large aggregators significantly increases our ability to source business from small and medium-sized lenders who regularly sell loans to these entities. As of April 30, 2014, we have secured correspondent-channel approvals from approx. 20 aggregators.

Newly Issued and Cumulative Master Policies



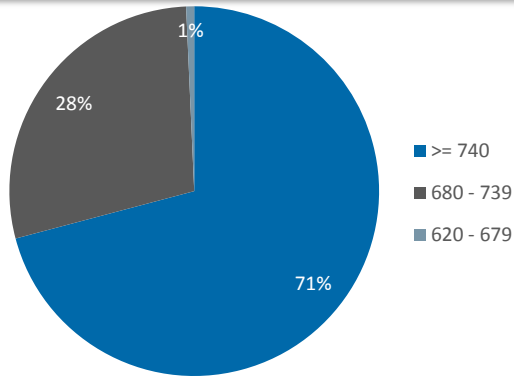
Customers Generating Applications, Commitments and NIW (Cumulative)



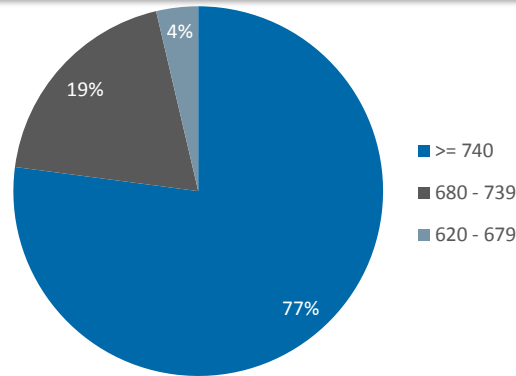
Portfolio Review as of March 31, 2014

Risk-In-Force by FICO Score

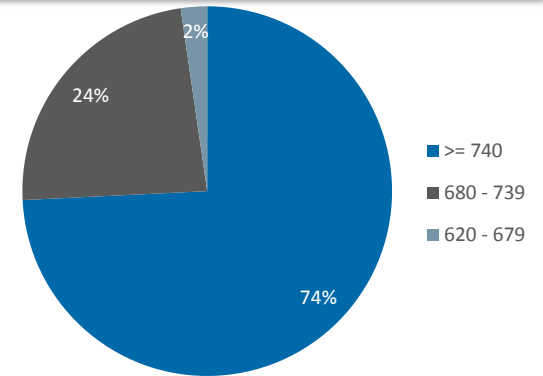
Primary



Pool

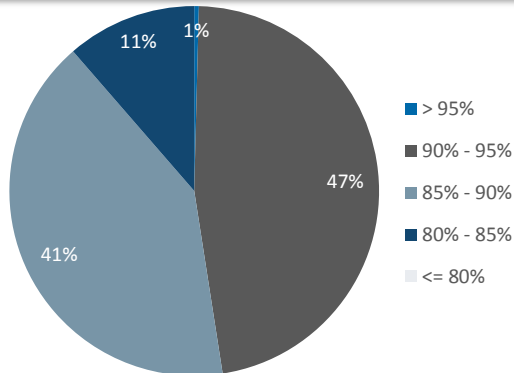


Total

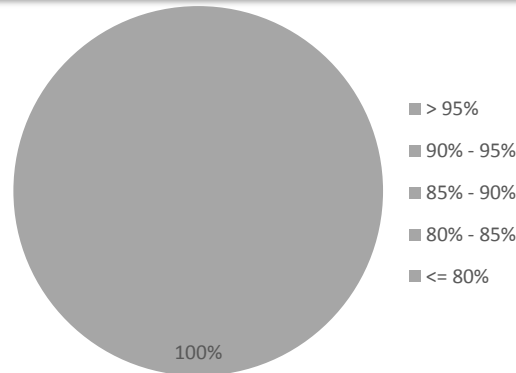


Risk-In-Force by LTV

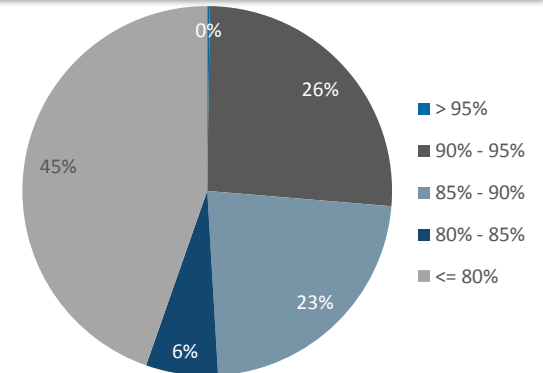
Primary



Pool



Total



Conclusion

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