



February 15, 2017

## NMI Holdings, Inc. Reports Fourth Quarter Net Income of \$61.6 Million

EMERYVILLE, CA -- (Marketwired) -- 02/15/17 --

NMI Holdings, Inc. (NASDAQ: NMIH) today reported net income of \$61.6 million, or \$1.01 per share, for the fourth quarter ended Dec. 31, 2016. Results for the quarter include a tax benefit of \$54.5 million resulting from reversal of the valuation allowance on the company's deferred tax asset and a charge of \$1.7 million related to the change in fair value of outstanding warrants as a result of the company's higher stock price at Dec. 31, 2016. The company reported net income of \$6.2 million, or \$0.10 per share, in the prior quarter and a net loss of (\$4.8) million, or (\$0.08) per share, in the fourth quarter of 2015.

Bradley Shuster, chairman and CEO of National MI, said, "We are proud of our performance in the fourth quarter and for the full year. In 2016 we achieved profitability, more than doubled insurance in force and premiums earned, negotiated a reinsurance treaty to support our growth, and solidified our position as a strong, returns-oriented mortgage insurance provider. We are excited about our growing operating leverage and returns profile, realizing the business model we envisioned at our founding. We want to thank our customers and employees, as well as business partners, lenders and shareholders for making it possible."

Shuster added, "Looking ahead, we believe 2017 will be an even better year as we continue to layer on more high-quality insurance in force and drive strong revenue growth while prudently managing expenses and risk. With our largely fixed expense base, we expect that the operating leverage we already have demonstrated will drive increasing profits and returns throughout the year."

- ┆ As of December 31, 2016, the company had primary insurance-in-force of \$32.2 billion, up 14% from \$28.2 billion at the prior quarter end and up 117% over \$14.8 billion as of December 31, 2015.
- ┆ Premiums earned for the quarter were \$32.8 million, up 3% from \$31.8 million in the prior quarter and up 94% over \$16.9 million in the same quarter a year ago.
- ┆ NIW mix was 75% monthly premium product, which compares with 71% in the prior quarter and 45% in the fourth quarter of 2015.
- ┆ Total underwriting and operating expenses in the fourth quarter were \$23.3 million, including share-based compensation expense of \$1.9 million. This compares with total underwriting and operating expenses of \$24.0 million, including \$1.8 million of share-based compensation, in the prior quarter, and \$21.7 million, including \$2.3 million of share-based compensation, in the same quarter a year ago.
- ┆ Loss expense for the quarter was \$0.8 million, resulting in a loss ratio of 2%.
- ┆ As of the end of the fourth quarter, the company had approved master policies in place with 1,131 customers, up from 1,100 as of the end of the prior quarter, and up from 964 as of the end of the fourth quarter of 2015. Customers delivering NIW in the quarter grew to a new high of 638, which compares with 525 in the prior quarter and 500 in the same quarter a year ago.
- ┆ At quarter-end, cash and investments were \$677 million, including \$74 million at the holding company, and book equity was \$477 million, equal to \$8.07 per share.
- ┆ In 2016, the company generated \$71.9 million of cash from operations, which compares with \$41.5 million for 2015.
- ┆ At quarter-end, the company had total PMIERS available assets of \$454 million, which compares with risk-based required assets under PMIERS of \$367 million.

|  | <b>Quarter<br/>Ended<br/>12/31/2016</b> | <b>Quarter<br/>Ended<br/>9/30/2016</b> | <b>Quarter<br/>Ended<br/>12/31/2015</b> | <b>Growth<br/>Q/Q</b> | <b>Growth<br/>Y/Y</b> |
|--|---|--|---|-----------------------|-----------------------|
| <b>Primary Insurance-in-Force (\$billions)</b>           | 32.17                                   | 28.22                                  | 14.82                                   | 14%                   | 117%                  |
| <b>New Insurance Written - NIW (\$billions)</b>          |   |  |   |                       |                       |
| Monthly premium  | 3.90                                    | 4.16                                   | 2.03                                    | -6%                   | 92%                   |
| Single premium   | 1.34                                    | 1.70                                   | 2.52                                    | -21%                  | -47%                  |
| Total  | 5.24                                    | 5.86                                   | 4.55                                    | -11%                  | 15%                   |
| <b>Premiums Earned (\$millions)</b>                      | 32.83                                   | 31.81                                  | 16.88                                   | 3%                    | 94%                   |
| <b>Underwriting &amp; Operating Expense (\$millions)</b> | 23.28                                   | 24.04                                  | 21.69                                   | -3%                   | 7%                    |
| <b>Loss Expense (\$millions)</b>                         | 0.80                                    | 0.66                                   | 0.37                                    | 21%                   | 116%                  |
| <b>Loss Ratio</b>  | 2%                                      | 2%                                     | 2%                                      |                       |                       |
| <b>Cash &amp; Investments (\$millions)</b>               | 677                                     | 686                                    | 617                                     | -1%                   | 10%                   |

|                                 |       |       |      |     |     |
|---------------------------------|-------|-------|------|-----|-----|
| <b>Book Equity (\$millions)</b> | 477   | 430   | 403  | 11% | 18% |
| <b>Book Value per Share</b>     | 8.07  | 7.28  | 6.85 | 11% | 18% |
| <b>Approved Master Policies</b> | 1,131 | 1,100 | 964  | 3%  | 17% |
| <b>Customers Generating NIW</b> | 638   | 525   | 500  | 22% | 28% |

### **Conference Call and Webcast Details**

The company will hold a conference call and live webcast today at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time. The webcast will be available on the company's website, [www.nationalmi.com](http://www.nationalmi.com), in the "Investor Relations" section. The call also can be accessed by dialing (888) 734-0328 in the U.S., or (914) 495-8578 for international callers using Conference ID: 41208251, or by referencing NMI Holdings, Inc.

### **About National MI**

National Mortgage Insurance Corporation (National MI), a subsidiary of NMI Holdings, Inc. (NASDAQ: NMIH), is a U.S.-based, private mortgage insurance company enabling low down payment borrowers to realize home ownership while protecting lenders and investors against losses related to a borrower's default. To learn more, please visit [www.nationalmi.com](http://www.nationalmi.com).

### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this press release or any other written or oral statements made by or on behalf of the Company in connection therewith may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995 (PSLRA). The PSLRA provides a "safe harbor" for any forward-looking statements. All statements other than statements of historical fact included in or incorporated by reference in this release are forward-looking statements, including any statements about our expectations, outlook, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believe," "can," "could," "may," "predict," "assume," "potential," "should," "will," "estimate," "plan," "project," "continuing," "ongoing," "expect," "intend" and similar words or phrases. All forward-looking statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties that may turn out to be inaccurate and could cause actual results to differ materially from those expressed in them. Many risks and uncertainties are inherent in our industry and markets. Others are more specific to our business and operations. Important factors that could cause actual events or results to differ materially from those indicated in such statements include, but are not limited to: our ability to implement our business strategy, including our ability to attract and retain a diverse customer base and to achieve a diversified mix of business across the spectrum of our product offerings; changes in the business practices of the GSEs that may impact the use of private mortgage insurance; our ongoing ability to comply with the financial requirements of the PMIERs; our ability to maintain sufficient holding company liquidity to meet our short- and long-term liquidity needs; 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; heightened competition for our mortgage insurance business from other private mortgage insurers and the FHA; adoption of new or changes to existing laws and regulations 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; emergence of unexpected claims and coverage issues, including claims exceeding our reserves or amounts we expected to experience; 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; and general economic downturns and volatility. 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, 2015, as subsequently updated through other reports we file with the SEC. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. We caution you not to place undue reliance on any forward-looking statement, which speaks only as of the date on which it is made, and we undertake no obligation to publicly update or revise any forward-looking statement to reflect new information, future events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events except as required by law.

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### **Press Contact**

**Consolidated statements of operations and comprehensive income**

|  | <i>For the three months ended<br/>December 31,</i> |             | <i>For the year ended December 31,</i> |             |
|--|--|-------------|--|-------------|
|  | <i>2016</i>  | <i>2015</i> | <i>2016</i>                            | <i>2015</i> |
|  | <i>(In Thousands, except for share data)</i>       |             |  |             |
| Revenues   |  |             |  |             |
| Net premiums earned  | \$ 32,825  | \$ 16,880   | \$ 110,481                             | \$ 45,506   |
| Net investment income  | 3,634  | 2,078       | 13,751                                 | 7,246       |
| Net realized investment gains (losses)   | 65   | (121)       | (693)                                  | 831         |
| Other revenues   | 105  | 25          | 276                                    | 25          |
| Total revenues   | 36,629   | 18,862      | 123,815                                | 53,608      |
| Expenses   |  |             |  |             |
| Insurance claims and claims expenses   | 800  | 371         | 2,392                                  | 650         |
| Underwriting and operating expenses  | 23,281   | 21,686      | 93,223                                 | 80,599      |
| Total expenses   | 24,081   | 22,057      | 95,615                                 | 81,249      |
| Other (expense) income   |  |             |  |             |
| (Loss) gain from change in fair value of warrant liability   | (1,713)  | 431         | (1,900)                                | 1,905       |
| Interest expense   | (3,777)  | (2,057)     | (14,848)                               | (2,057)     |
| Total other (expense)  | (5,490)  | (1,626)     | (16,748)                               | (152)       |
| Income (loss) before income taxes  | 7,058  | (4,821)     | 11,452                                 | (27,793)    |
| Income tax benefit   | (54,502)   | -           | (54,389)                               | -           |
| Net income (loss)  | \$ 61,562  | \$ (4,821)  | \$ 65,841                              | \$ (27,793) |
| Earnings (loss) per share  |  |             |  |             |
| Basic  | \$ 1.04  | \$ (0.08)   | \$ 1.11                                | \$ (0.47)   |
| Diluted  | \$ 1.01  | \$ (0.08)   | \$ 1.08                                | \$ (0.47)   |
| Weighted average common shares outstanding   |  |             |  |             |
| Basic  | 59,140,011   | 58,781,566  | 59,070,948                             | 58,683,194  |
| Diluted  | 61,229,338   | 58,781,566  | 60,829,372                             | 58,683,194  |
| Loss Ratio <sup>(1)</sup>  | 2%   | 2%          | 2%                                     | 1%          |
| Expense Ratio <sup>(2)</sup>   | 71   | 128         | 84                                     | 177         |
| Combined ratio   | 73%  | 131%        | 87%                                    | 179%        |
| Net income (loss)  | \$ 61,562  | \$ (4,821)  | \$ 65,841                              | \$ (27,793) |
| Other comprehensive (loss) income, net of tax:   |  |             |  |             |
| Net unrealized (losses) gains in accumulated other comprehensive income (loss), net of tax expense of \$1,178, and \$0 for the years ended December 31, 2016 and December 31, 2015, respectively and \$1,178, and \$0 for the quarters ended December 31, 2016 and December 31, 2015 | (16,196)   | (3,503)     | 1,429                                  | (3,518)     |
| Reclassification adjustment for losses (gains) included in net loss, net of tax expense of \$0 for all periods presented   | (65)   | 603         | 758                                    | (349)       |
| Other comprehensive (loss) income,   |  |             |  |             |

|                             |           |            |           |             |
|-----------------------------|-----------|------------|-----------|-------------|
| net of tax                  | (16,261)  | (2,900)    | 2,187     | (3,867)     |
| Comprehensive income (loss) | \$ 45,301 | \$ (7,700) | \$ 68,028 | \$ (31,660) |

(1) Loss ratio is calculated by dividing the provision for insurance claims and claims expenses by net premiums earned.

(2) Expense ratio is calculated by dividing other underwriting and operating expenses by net premiums earned.

### Consolidated balance sheets

|   | December 31, 2016                            |                | December 31, 2015 |                |
|---|--|----------------|-------------------|----------------|
|   | <i>(In Thousands, except for share data)</i> |                |                   |                |
| <b>Assets</b>   |  |                |                   |                |
| Fixed maturities, available-for-sale, at fair value (amortized cost of \$630,688 and \$564,319 as of December 31, 2016 and December 31, 2015, respectively) | \$   | 628,969        | \$                | 559,235        |
| Cash and cash equivalents   |  | 47,746         |                   | 57,317         |
| Premiums receivable   |  | 13,728         |                   | 5,143          |
| Accrued investment income   |  | 3,421          |                   | 2,873          |
| Prepaid expenses  |  | 1,991          |                   | 1,428          |
| Deferred policy acquisition costs, net  |  | 30,109         |                   | 17,530         |
| Software and equipment, net   |  | 20,402         |                   | 15,201         |
| Intangible assets and goodwill  |  | 3,634          |                   | 3,634          |
| Prepaid reinsurance premiums  |  | 37,921         |                   | -              |
| Deferred tax asset, net   |  | 53,274         |                   | -              |
| Other assets  |  | 542            |                   | 90             |
| <b>Total assets</b>   | <b>\$</b>                                    | <b>841,737</b> | <b>\$</b>         | <b>662,451</b> |
| <b>Liabilities</b>  |  |                |                   |                |
| Term loan   | \$   | 144,353        | \$                | 143,939        |
| Unearned premiums   |  | 152,906        |                   | 90,773         |
| Accounts payable and accrued expenses   |  | 25,297         |                   | 22,725         |
| Reserve for insurance claims and claim expenses   |  | 3,001          |                   | 679            |
| Reinsurance funds withheld  |  | 30,633         |                   | -              |
| Deferred ceding commission  |  | 4,831          |                   | -              |
| Warrant liability, at fair value  |  | 3,367          |                   | 1,467          |
| Deferred tax liability, net   |  | -              |                   | 137            |
| <b>Total liabilities</b>  |  | <b>364,388</b> |                   | <b>259,720</b> |
| <b>Commitments and contingencies</b>  |  |                |                   |                |

### Shareholders' equity

|  |           |                |           |                |
|--|-----------|----------------|-----------|----------------|
| Common stock - class A shares, \$0.01 par value; 59,145,161 and 58,807,825 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively (250,000,000 shares authorized) |           | 591            |           | 588            |
| Additional paid-in capital   |           | 576,927        |           | 570,340        |
| Accumulated other comprehensive loss, net of tax   |           | (5,287)        |           | (7,474)        |
| Accumulated deficit  |           | (94,882)       |           | (160,723)      |
| <b>Total shareholders' equity</b>  |           | <b>477,349</b> |           | <b>402,731</b> |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$</b> | <b>841,737</b> | <b>\$</b> | <b>662,451</b> |

### Historical Quarterly Data

|  | 2016          |               |               |               | 2015          |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | December 31,  | September 30  | June 30       | March 31      | December 31   | September 30  |
| <i>(In Thousands, except for share data)</i> |               |               |               |               |               |               |
| Revenues                                     |               |               |               |               |               |               |
| Net premiums earned                          | \$ 32,825     | \$ 31,808     | \$ 26,041     | \$ 19,807     | \$ 16,880     | \$ 12,834     |
| Net investment income                        | 3,634         | 3,544         | 3,342         | 3,231         | 2,078         | 1,884         |
| Net realized investment gains (losses)       | 65            | 66            | 61            | (885)         | (121)         | (15)          |
| Other revenues                               | 105           | 102           | 37            | 32            | 25            | -             |
| <b>Total revenues</b>                        | <b>36,629</b> | <b>35,520</b> | <b>29,481</b> | <b>22,185</b> | <b>18,862</b> | <b>14,703</b> |
| Expenses                                     |               |               |               |               |               |               |
| Insurance claims and claims expenses         | 800           | 664           | 470           | 458           | 371           | 181           |
| Underwriting and operating expenses          | 23,281        | 24,037        | 23,234        | 22,672        | 21,686        | 19,653        |
| <b>Total expenses</b>                        | <b>24,081</b> | <b>24,701</b> | <b>23,704</b> | <b>23,130</b> | <b>22,057</b> | <b>19,834</b> |

|  |                  |                 |                 |                   |                   |                   |
|--|------------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| Other (expense) income <sup>(1)</sup>      | (5,490)          | (4,530)         | (3,766)         | (2,962)           | (1,626)           | 332               |
| Income (loss) before income taxes          | 7,058            | 6,289           | 2,011           | (3,907)           | (4,821)           | (4,799)           |
| Income tax (benefit) expense               | (54,502)         | 114             | -               | -                 | -                 | -                 |
| Net income (loss)                          | <u>\$ 61,562</u> | <u>\$ 6,175</u> | <u>\$ 2,011</u> | <u>\$ (3,907)</u> | <u>\$ (4,821)</u> | <u>\$ (4,799)</u> |
| Earnings (loss) per share                  |                  |                 |                 |                   |                   |                   |
| Basic                                      | \$ 1.04          | \$ 0.10         | \$ 0.03         | \$ (0.07)         | \$ (0.08)         | \$ (0.08)         |
| Diluted                                    | \$ 1.01          | \$ 0.10         | 0.03            | (0.07)            | (0.08)            | (0.08)            |
| Weighted average common shares outstanding |                  |                 |                 |                   |                   |                   |
| Basic                                      | 59,140,011       | 59,130,401      | 59,105,613      | 58,936,694        | 58,781,566        | 58,741,328        |
| Diluted                                    | 61,229,338       | 60,284,746      | 59,830,899      | 58,936,694        | 58,781,566        | 58,741,328        |
| Other data                                 |                  |                 |                 |                   |                   |                   |
| Loss Ratio <sup>(2)</sup>                  | 2%               | 2%              | 2%              | 2%                | 2%                | 1%                |
| Expense Ratio <sup>(3)</sup>               | <u>71%</u>       | <u>76%</u>      | <u>89%</u>      | <u>114%</u>       | <u>128%</u>       | <u>153%</u>       |
| Combined ratio                             | <u>73%</u>       | <u>78%</u>      | <u>91%</u>      | <u>117%</u>       | <u>131%</u>       | <u>155%</u>       |

(1) Other (expense) income includes the gain from change in fair value of warrant liability, gain from settlement of warrants, and interest expense.

(2) Loss ratio is calculated by dividing the provision for insurance claims and claims expenses by net premiums earned.

(3) Expense ratio is calculated by dividing other underwriting and operating expenses by net premiums earned.

### ***New Insurance Written (NIW), Insurance in Force (IIF) and Premiums***

The tables below show primary and pool NIW and IIF, by quarter, for the last six quarters.

#### ***Primary NIW***

|         | <b><i>Three months ended</i></b> |                                  |                             |                              |                                 |                                  |
|---------|----------------------------------|----------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------------|
|         | <b><i>December 31, 2016</i></b>  | <b><i>September 30, 2016</i></b> | <b><i>June 30, 2016</i></b> | <b><i>March 31, 2016</i></b> | <b><i>December 31, 2015</i></b> | <b><i>September 30, 2015</i></b> |
|         | <i>(In Millions)</i>             |                                  |                             |                              |                                 |                                  |
| Monthly | \$ 3,904                         | \$ 4,162                         | \$ 3,700                    | \$ 2,492                     | \$ 2,029                        | \$ 1,582                         |
| Single  | 1,336                            | 1,695                            | 2,138                       | 1,762                        | 2,518                           | 2,051                            |
| Primary | \$ 5,240                         | \$ 5,857                         | \$ 5,838                    | \$ 4,254                     | \$ 4,547                        | \$ 3,633                         |

#### ***Primary and pool IIF***

|         | <b><i>As of</i></b>             |                                  |                             |                              |                                 |                                  |
|---------|---------------------------------|----------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------------|
|         | <b><i>December 31, 2016</i></b> | <b><i>September 30, 2016</i></b> | <b><i>June 30, 2016</i></b> | <b><i>March 31, 2016</i></b> | <b><i>December 31, 2015</i></b> | <b><i>September 30, 2015</i></b> |
|         | <i>(In Millions)</i>            |                                  |                             |                              |                                 |                                  |
| Monthly | \$ 19,205                       | \$ 16,038                        | \$ 12,529                   | \$ 9,210                     | \$ 6,958                        | \$ 5,087                         |
| Single  | 12,963                          | 12,190                           | 11,095                      | 9,354                        | 7,866                           | 5,514                            |
| Primary | 32,168                          | 28,228                           | 23,624                      | 18,564                       | 14,824                          | 10,601                           |
| Pool    | 3,650                           | 3,826                            | 3,999                       | 4,136                        | 4,238                           | 4,340                            |
| Total   | \$ 35,818                       | \$ 32,054                        | \$ 27,623                   | \$ 22,700                    | \$ 19,062                       | \$ 14,941                        |

### ***Portfolio Statistics***

The table below shows primary portfolio trends, by quarter, for the last six quarters.

#### ***Primary portfolio trends***

|  | <b><i>As of and for the quarter ended</i></b> |                                  |                             |                              |                                 |                                  |
|--|---|----------------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------------|
|  | <b><i>December 31, 2016</i></b>               | <b><i>September 30, 2016</i></b> | <b><i>June 30, 2016</i></b> | <b><i>March 31, 2016</i></b> | <b><i>December 31, 2015</i></b> | <b><i>September 30, 2015</i></b> |
|  | <i>(\$ Values In Millions)</i>                |                                  |                             |                              |                                 |                                  |

|  |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
| New insurance written                    | \$ 5,240 | \$ 5,857 | \$ 5,838 | \$ 4,254 | \$ 4,547 | \$ 3,633 |
| New risk written                         | 1,244    | 1,415    | 1,411    | 1,016    | 1,105    | 887      |
| Insurance in force <sup>(1)</sup>        | 32,168   | 28,228   | 23,624   | 18,564   | 14,824   | 10,601   |
| Risk in force <sup>(1)</sup>             | 7,790    | 6,847    | 5,721    | 4,487    | 3,586    | 2,553    |
| Policies in force (count) <sup>(1)</sup> | 134,662  | 119,002  | 100,547  | 79,700   | 63,948   | 46,175   |
| Weighted-average coverage <sup>(2)</sup> | 24.2%    | 24.3%    | 24.2%    | 24.2%    | 24.2%    | 24.1%    |
| Loans in default (count)                 | 179      | 115      | 79       | 55       | 36       | 20       |
| Percentage of loans in default           | 0.1%     | 0.1%     | 0.1%     | 0.1%     | 0.1%     | -%       |
| Risk in force on defaulted loans         | \$ 10    | \$ 6     | \$ 4     | \$ 3     | \$ 2     | \$ 1     |
| Average premium yield <sup>(3)</sup>     | 0.44%    | 0.48%    | 0.47%    | 0.45%    | 0.49%    | 0.52%    |
| Annual persistency <sup>(4)</sup>        | 80.7%    | 81.8%    | 83.3%    | 82.7%    | 79.6%    | 71.6%    |

(1) Reported as of the end of the period.

(2) End of period risk in force (RIF) divided by IIF.

(3) Average premium yield is calculated by dividing primary net premiums earned, net of reinsurance, by average gross IIF for the period, annualized.

(4) Defined as the percentage of IIF that remains on our books after any 12-month period.

The tables below reflect our total primary NIW by FICO, loan-to-value (LTV), and purchase/refinance mix.

#### Primary NIW by FICO

|         | Three months ended |                    |                   |
|---------|--------------------|--------------------|-------------------|
|         | December 31, 2016  | September 30, 2016 | December 31, 2015 |
|         | (In Millions)      |                    |                   |
| > = 760 | \$ 2,566           | \$ 2,975           | \$ 2,315          |
| 740-759 | 846                | 934                | 754               |
| 720-739 | 647                | 725                | 569               |
| 700-719 | 560                | 588                | 485               |
| 680-699 | 375                | 387                | 277               |
| < =679  | 246                | 248                | 147               |
| Total   | \$ 5,240           | \$ 5,857           | \$ 4,547          |

#### Primary NIW by LTV

|                  | Three months ended |                    |                   |
|------------------|--------------------|--------------------|-------------------|
|                  | December 31, 2016  | September 30, 2016 | December 31, 2015 |
|                  | (In Millions)      |                    |                   |
| 95.01% and above | \$ 355             | \$ 347             | \$ 219            |
| 90.01% to 95.00% | 2,224              | 2,557              | 1,989             |
| 85.01% to 90.00% | 1,580              | 1,844              | 1,559             |
| 85.00% and below | 1,081              | 1,109              | 780               |
| Total            | \$ 5,240           | \$ 5,857           | \$ 4,547          |

#### Primary NIW by purchase/refinance mix

|           | Three months ended |                    |                   |
|-----------|--------------------|--------------------|-------------------|
|           | December 31, 2016  | September 30, 2016 | December 31, 2015 |
|           | (In Millions)      |                    |                   |
| Purchase  | \$ 3,776           | \$ 4,400           | \$ 3,138          |
| Refinance | 1,464              | 1,457              | 1,409             |
| Total     | \$ 5,240           | \$ 5,857           | \$ 4,547          |

The tables below show the primary weighted average FICO and the weighted average LTV, by policy type, for NIW in the quarters presented.

#### Weighted Average FICO

|         | September 30,     |      |                   |
|---------|-------------------|------|-------------------|
|         | December 31, 2016 | 2016 | December 31, 2015 |
| Monthly | 746               | 748  | 750               |
| Single  | 764               | 763  | 756               |

### Weighted Average LTV

|         | December 31, 2016 | September 30,<br>2016 | December 31, 2015 |
|---------|-------------------|-----------------------|-------------------|
| Monthly | 92%               | 91%                   | 92%               |
| Single  | 90                | 90                    | 91                |

The table below reflects a summary of our primary IIF and RIF by book year.

### Primary IIF and RIF

|                   | As of December 31, 2016 |          |
|-------------------|-------------------------|----------|
|                   | IIF                     | RIF      |
|                   | (In Millions)           |          |
| December 31, 2016 | \$ 20,193               | \$ 4,850 |
| 2015              | 10,071                  | 2,472    |
| 2014              | 1,856                   | 457      |
| 2013              | 48                      | 11       |
| Total             | \$ 32,168               | \$ 7,790 |

The tables below reflect our total primary IIF and RIF by FICO, average loan size, LTV, and loan type.

### Primary IIF by FICO

|         | As of             |                       |                      |
|---------|-------------------|-----------------------|----------------------|
|         | December 31, 2016 | September 30,<br>2016 | December 31,<br>2015 |
|         | (In Millions)     |                       |                      |
| > = 760 | \$ 16,166         | \$ 14,258             | \$ 7,124             |
| 740-759 | 5,248             | 4,612                 | 2,406                |
| 720-739 | 4,130             | 3,648                 | 2,111                |
| 700-719 | 3,245             | 2,813                 | 1,515                |
| 680-699 | 2,151             | 1,863                 | 1,100                |
| < =679  | 1,228             | 1,034                 | 568                  |
| Total   | \$ 32,168         | \$ 28,228             | \$ 14,824            |

### Primary RIF by FICO

|         | As of             |                       |                      |
|---------|-------------------|-----------------------|----------------------|
|         | December 31, 2016 | September 30,<br>2016 | December 31,<br>2015 |
|         | (In Millions)     |                       |                      |
| > = 760 | \$ 3,934          | \$ 3,470              | \$ 1,707             |
| 740-759 | 1,281             | 1,130                 | 590                  |
| 720-739 | 1,000             | 887                   | 519                  |
| 700-719 | 782               | 680                   | 369                  |
| 680-699 | 511               | 443                   | 267                  |
| < =679  | 282               | 237                   | 134                  |
| Total   | \$ 7,790          | \$ 6,847              | \$ 3,586             |

### Primary Average Loan Size by FICO

|         | As of             |                       |                      |
|---------|-------------------|-----------------------|----------------------|
|         | December 31, 2016 | September 30,<br>2016 | December 31,<br>2015 |
|         | (In Thousands)    |                       |                      |
| > = 760 | \$ 250            | \$ 250                | \$ 246               |
| 740-759 | 241               | 240                   | 235                  |
| 720-739 | 235               | 235                   | 229                  |
| 700-719 | 233               | 233                   | 228                  |
| 680-699 | 224               | 224                   | 219                  |
| < =679  | 210               | 209                   | 207                  |

### Primary IIF by LTV

|                  | As of             |                       |                      |
|------------------|-------------------|-----------------------|----------------------|
|                  | December 31, 2016 | September 30,<br>2016 | December 31,<br>2015 |
|                  | (In Millions)     |                       |                      |
| 95.01% and above | \$ 1,686          | \$ 1,363              | \$ 498               |
| 90.01% to 95.00% | 14,358            | 12,644                | 6,583                |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 85.01% to 90.00% | 10,282           | 9,157            | 5,098            |
| 85.00% and below | 5,842            | 5,064            | 2,645            |
| Total            | <u>\$ 32,168</u> | <u>\$ 28,228</u> | <u>\$ 14,824</u> |

**Primary RIF by LTV**

|                  | <i>As of</i>             |                           |                          |
|------------------|--------------------------|---------------------------|--------------------------|
|                  | <u>December 31, 2016</u> | <u>September 30, 2016</u> | <u>December 31, 2015</u> |
|                  | <i>(In Millions)</i>     |                           |                          |
| 95.01% and above | \$ 467                   | \$ 380                    | \$ 139                   |
| 90.01% to 95.00% | 4,226                    | 3,725                     | 1,943                    |
| 85.01% to 90.00% | 2,439                    | 2,174                     | 1,210                    |
| 85.00% and below | 658                      | 568                       | 294                      |
| Total            | <u>\$ 7,790</u>          | <u>\$ 6,847</u>           | <u>\$ 3,586</u>          |

**Primary RIF by Loan Type**

|                            | <i>As of</i>             |                           |                          |
|----------------------------|--------------------------|---------------------------|--------------------------|
|                            | <u>December 31, 2016</u> | <u>September 30, 2016</u> | <u>December 31, 2015</u> |
| Fixed                      | 99%                      | 98%                       | 98%                      |
| Adjustable rate mortgages: |                          |                           |                          |
| Less than five years       | -                        | -                         | -                        |
| Five years and longer      | 1                        | 2                         | 2                        |
| Total                      | <u>100%</u>              | <u>100%</u>               | <u>100%</u>              |

As of December 31, 2016 and December 31, 2015, 100% of each of our pool IIF and RIF was comprised of insurance on fixed rate mortgages.

The table below reflects a summary of the change in total primary IIF for the following periods.

**Primary IIF**

|                                    | <i>Three months ended</i> |                           |                          |
|------------------------------------|---------------------------|---------------------------|--------------------------|
|                                    | <u>December 31, 2016</u>  | <u>September 30, 2016</u> | <u>December 31, 2015</u> |
|                                    | <i>(In Millions)</i>      |                           |                          |
| IIF, beginning of period           | \$ 28,228                 | \$ 23,624                 | \$ 10,601                |
| NIW                                | 5,240                     | 5,857                     | 4,547                    |
| Cancellations and other reductions | (1,300)                   | (1,253)                   | (324)                    |
| IIF, end of period                 | <u>\$ 32,168</u>          | <u>\$ 28,228</u>          | <u>\$ 14,824</u>         |

**Geographic Dispersion**

The following table shows the distribution by state of our primary RIF.

**Top 10 primary RIF by state**

|              | <i>As of</i>             |                           |                          |
|--------------|--------------------------|---------------------------|--------------------------|
|              | <u>December 31, 2016</u> | <u>September 30, 2016</u> | <u>December 31, 2015</u> |
| California   | 13.6%                    | 13.2%                     | 12.9%                    |
| Texas        | 7.0                      | 6.8                       | 6.8                      |
| Virginia     | 6.5                      | 6.6                       | 5.2                      |
| Florida      | 4.5                      | 4.7                       | 5.3                      |
| Arizona      | 3.9                      | 3.8                       | 3.7                      |
| Colorado     | 3.9                      | 4.0                       | 4.2                      |
| Maryland     | 3.7                      | 3.6                       | 2.8                      |
| Michigan     | 3.7                      | 3.9                       | 4.4                      |
| Utah         | 3.7                      | 3.6                       | 3.0                      |
| Pennsylvania | 3.6                      | 3.6                       | 3.7                      |
| Total        | <u>54.1%</u>             | <u>53.8%</u>              | <u>52.0%</u>             |

The following table shows portfolio data by origination year.

As of December 31, 2016



| Origination year        | Remaining Insurance        |                    | % Remaining of Original Insurance | Number of Policies     |                   | Number of Loans in Default | # of Claims Paid | Incurred Loss Ratio (Inception to Date) <sup>(1)</sup> | Cumulative default rate <sup>(2)</sup> |
|-------------------------|----------------------------|--------------------|-----------------------------------|------------------------|-------------------|----------------------------|------------------|--|--|
|                         | Original Insurance Written | Insurance in Force |                                   | Policies Ever in Force | Policies in Force |                            |                  |  |  |
| (\$ Values in Millions) |                            |                    |                                   |                        |                   |                            |                  |  |  |
| 2013                    | \$ 162                     | \$ 48              | 30%                               | 655                    | 239               | -                          | 1                | -%   | 0.2%                                   |
| 2014                    | 3,451                      | 1,857              | 54%                               | 14,786                 | 9,003             | 48                         | 3                | 2.6%   | 0.3%                                   |
| 2015                    | 12,422                     | 10,071             | 81%                               | 52,548                 | 44,716            | 103                        | 7                | 2.4%   | 0.2%                                   |
| 2016                    | 21,189                     | 20,192             | 95%                               | 83,633                 | 80,704            | 28                         | -                | 0.6%   | -%                                     |
| Total                   | \$ 37,224                  | \$ 32,168          |                                   | 151,622                | 134,662           | 179                        | 11               |  |  |

(1) The ratio of losses incurred (paid and reserved) divided by cumulative premiums earned, net of reinsurance.

(2) The sum of claims paid ever to date and notices of default as of the end of the period divided by policies ever in force.

The following table provides a reconciliation of the beginning and ending reserve balances for primary insurance claims and claims expenses:

|   | For the three months ended December 31, |        | For the year ended December 31, |        |
|---|---|--------|---------------------------------|--------|
|   | 2016                                    | 2015   | 2016                            | 2015   |
| (In Thousands)  |   |        |                                 |        |
| Beginning balance   | \$ 2,133                                | \$ 358 | \$ 679                          | \$ 83  |
| Less reinsurance recoverables <sup>(1)</sup>              | (90)                                    | -      | -                               | -      |
| Beginning balance, net of reinsurance recoverables        | 2,043                                   | 358    | 679                             | 83     |
| Add claims incurred:                                      |   |        |                                 |        |
| Claims and claim expenses incurred:                       |   |        |                                 |        |
| Current year <sup>(2)</sup>                               | 654                                     | 341    | 2,457                           | 699    |
| Prior years <sup>(3)</sup>                                | 149                                     | 30     | (65)                            | (49)   |
| Total claims and claims expenses incurred                 | 803                                     | 371    | 2,392                           | 650    |
| Less claims paid:   |   |        |                                 |        |
| Claims and claim expenses paid:                           |   |        |                                 |        |
| Current year <sup>(2)</sup>                               | 171                                     | 50     | 171                             | 50     |
| Prior years <sup>(3)</sup>                                | (29)                                    | -      | 196                             | 4      |
| Total claims and claim expenses paid                      | 142                                     | 50     | 367                             | 54     |
| Reserve at end of period, net of reinsurance recoverables | 2,704                                   | 679    | 2,704                           | 679    |
| Add reinsurance recoverables <sup>(1)</sup>               | 297                                     | -      | 297                             | -      |
| Balance, December 31                                      | \$ 3,001                                | \$ 679 | \$ 3,001                        | \$ 679 |

(1) Related to ceded losses recoverable on our 2016 quota-share reinsurance transaction. To date, ceded losses have been immaterial.

(2) Related to defaults occurring in the current year.

(3) Related to defaults occurring in prior years.

The following table provides a reconciliation of the beginning and ending count of loans in default.

|                             | Three months ended |                   | Year ended        |                   |
|-----------------------------|--------------------|-------------------|-------------------|-------------------|
|                             | December 31, 2016  | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Beginning default inventory | 115                | 20                | 36                | 4                 |
| Plus: new defaults          | 126                | 27                | 284               | 51                |
| Less: cures                 | (59)               | (10)              | (132)             | (17)              |

|                          |     |     |     |     |
|--------------------------|-----|-----|-----|-----|
| Less: claims paid        | (3) | (1) | (9) | (2) |
| Ending default inventory | 179 | 36  | 179 | 36  |

The following tables provide details of our claims and reserves.

|                                     | <i>Three months ended</i>       |                          | <i>Year ended</i>              |                                |
|-------------------------------------|---------------------------------|--------------------------|--------------------------------|--------------------------------|
|                                     | <i>December 31, 2016</i>        | <i>December 31, 2015</i> | <i>December 31, 2016</i>       | <i>December 31, 2015</i>       |
|                                     | <i>(\$ Values In Thousands)</i> |                          |                                |                                |
| Number of claims paid               | 3                               | 1                        | 9                              | 2                              |
| Total amount paid for claims        | \$ 136                          | \$ 50                    | \$ 367                         | \$ 54                          |
| Average amount paid per claim       | \$ 45                           | \$ 50                    | \$ 41                          | \$ 27                          |
| Severity                            | 65%                             | 104%                     | 64%                            | 44%                            |
| <b>Average reserve per default:</b> |                                 |                          | <b>As of December 31, 2016</b> | <b>As of December 31, 2015</b> |
|                                     |                                 |                          | <i>(In Thousands)</i>          |                                |
| Case                                |                                 |                          | \$ 15                          | \$ 18                          |
| IBNR                                |                                 |                          | 2                              | 1                              |
| Total                               |                                 |                          | \$ 17                          | \$ 19                          |

The following table provides a comparison of the PMIERS financial requirements as reported by National MI.

|                                | <i>As of</i>             |                           |                          |
|--------------------------------|--------------------------|---------------------------|--------------------------|
|                                | <i>December 31, 2016</i> | <i>September 30, 2016</i> | <i>December 31, 2015</i> |
|                                | <i>(In thousands)</i>    |                           |                          |
| Available Assets               | \$ 453,523               | \$ 488,635                | \$ 431,411               |
| Net Risk-Based Required Assets | 366,584                  | 320,609                   | 249,805                  |
| Asset charge % <sup>(1)</sup>  | 6.15%                    | 6.14%                     | 6.17%                    |

<sup>(1)</sup> Asset charge represents the *risk based required asset amount* as defined in the PMIERS, divided by the outstanding RIF on performing primary loans.

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