



## **Q1 2016 Investor Supplement**

May 4, 2016

*Keeping the Dream of Home Ownership Alive*

# Disclaimers

## **Forward Looking Statements**

*Any statements in this presentation that are not historical or current facts are forward looking statements. These forward looking statements include, but are not limited to, statements regarding: Servicing profitability and targets; and Xome's pipeline and profitability. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Certain of these risks and uncertainties are described in the "Business" and "Risk Factors" sections of our most recent annual report and other required documents as filed with the SEC, which are available at the SEC's website at <http://www.sec.gov>. Nationstar undertakes no obligation to publicly update or revise any forward looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.*

## **Non-GAAP measures**

*This presentation contains certain references to non-GAAP measures. Please refer to the Appendix and Endnotes for more information on non-GAAP measures.*

# Investment Thesis

## Strong recurring cash flows

- ✓ Servicing fuels strong, annuity-like cash flow stream
- ✓ Originations channel replenishes portfolio with minimal cash investment
- ✓ Xome provides complementary recurring cash flows
- ✓ Repurchased \$94 million shares since authorization in December '15

## Fortified capital position

- ✓ In compliance with industry capital requirements with cushion for growth
- ✓ Retired \$410 million unsecured debt since 2014
- ✓ Plan to continue deleveraging throughout the year

## Preferred partner

- ✓ Preferred industry partner with \$57 billion in commitments and pipeline of \$130 billion
- ✓ Awarded FNMA 5 STAR rating for the 2<sup>nd</sup> consecutive year
- ✓ Xome operations serve 3 out of the top 5 financial institutions

## Undervalued Assets

- ✓ MSR fair value accounting underestimates intrinsic value of asset
- ✓ Servicing valuation excludes full value of recapture economics and Xome potential

## Financial Highlights<sup>(1)</sup>

- **Servicing:** achieved \$49 million of earnings or 5.0 bps profitability – convincing start to year
  - ✓ Fannie Mae 5 STAR rating – second year in a row
- **Originations:** \$40 million of earnings on \$4.2 billion of funded loans
  - ✓ Recapture improved by 15% to 31%
- **Xome:** \$11 million pre-tax income – 83% increase to Q4'15
  - ✓ Solidly positioned for second quarter

### Key Financial Highlights

<i>\$ mm, unless otherwise noted</i>	Q4'15	Q1'16	% QoQ
Consolidated GAAP PTI	\$121	(\$216)	n/m
Mark-to-market	(67)	\$253	n/m
Non-recurring expenses	---	\$6	n/m
<b>Adjusted Pretax Income</b>	<b>\$54</b>	<b>\$44</b>	<b>(20%)</b>
<b>Adjusted EPS</b>	<b>\$0.32</b>	<b>\$0.27</b>	<b>(16%)</b>

**Adjusted pretax income decrease attributable primarily to Q4'15 debt retirement benefit of \$8 million**

#### Key Segment Metrics:

Servicing Profitability (bps)	5.1	5.0	(2%)
Originations Volume (\$B)	\$4.0	\$4.2	5%
Xome 3 <sup>rd</sup> Party Revenue %	37%	36%	(3%)

1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

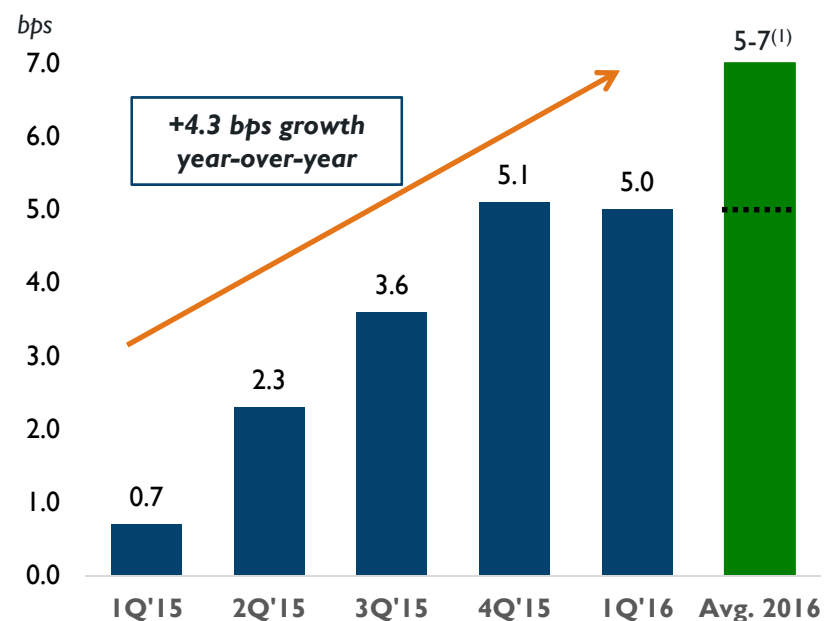
## Servicing Highlights

- Achieved 5.0 bps of adjusted profitability, despite seasonal impact on revenues and costs
- Remain committed to exceeding 5.0 bps on average in 2016<sup>(1)</sup>
- Significant pipeline of subservicing opportunities, or opportunities with minimal capital requirements

### Servicing Highlights

<i>\$ in mm, unless noted</i>	Q4'15	Q1'16	% QoQ
GAAP Pretax Income	\$118	(\$208)	n/m
Mark-to-market	(67)	253	n/m
Non-recurring expenses <sup>(2)</sup>	--	4	n/m
<b>Adjusted Pretax Income</b>	<b>\$51</b>	<b>\$49</b>	<b>(4%)</b>
<b>Profitability (bps)</b>	<b>5.1</b>	<b>5.0</b>	<b>(2%)</b>
Average UPB (\$B)	\$403	\$392	(3%)
Portfolio DQ %	6.9%	6.5%	(6%)
Annualized CPR	13.8%	13.5%	(2%)
Modifications and workouts	15,292	14,716	(4%)

### Five-Quarter Profitability Growth



1) Estimates of future profitability targets are forward looking and based on a number of factors outside our control. Results could differ materially. Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

2) Non-recurring expenses include \$2 million in ramp-up costs for the previously-announced subservicing contract that should board mostly in Q3 and \$2 million associated with exercising a reverse call provision.

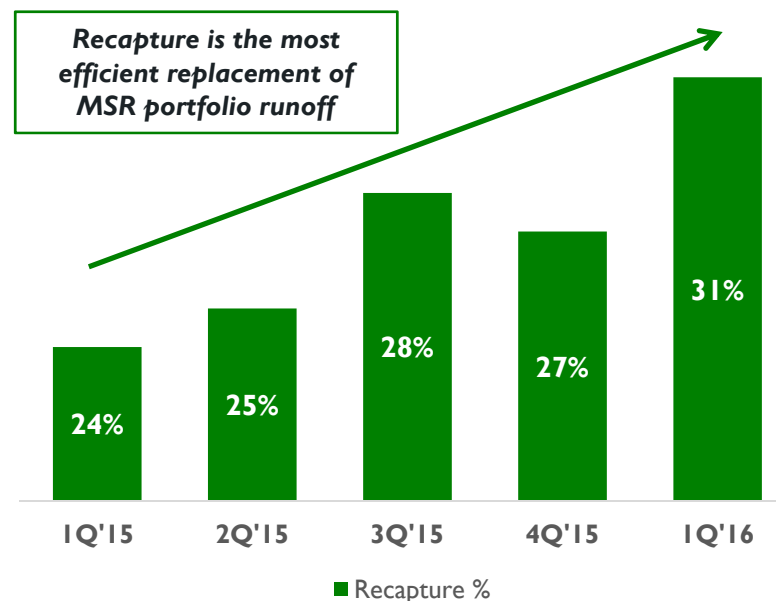
# Originations Highlights

- \$40 million of adjusted pretax income
- Q1 funded volume up Q-o-Q by 5% driven by strong consumer direct mix
- Recapture improved Q-o-Q to 31%, highest recapture rate in 5 quarters
  - Offers low-cost replenishment of servicing portfolio run-off

## Financial Highlights

<i>\$ in mm, unless noted</i>	Q4'15	Q1'16	% QoQ
GAAP Pretax Income	\$43	\$40	(7%)
Non-recurring expenses	---	---	---
<b>Adjusted Pretax Income</b>	<b>\$43</b>	<b>\$40</b>	<b>(7%)</b>
Adjusted Pretax Margin	27%	25%	(3%)
Funded Volumes (\$B)	\$4.0	\$4.2	5%
Recapture %	27%	31%	15%
Purchase mix	21%	25%	19%
CPR, net of recapture	11.5%	10.9%	(5%)
Consumer direct mix	60%	69%	3%

## Improving Recapture Rates



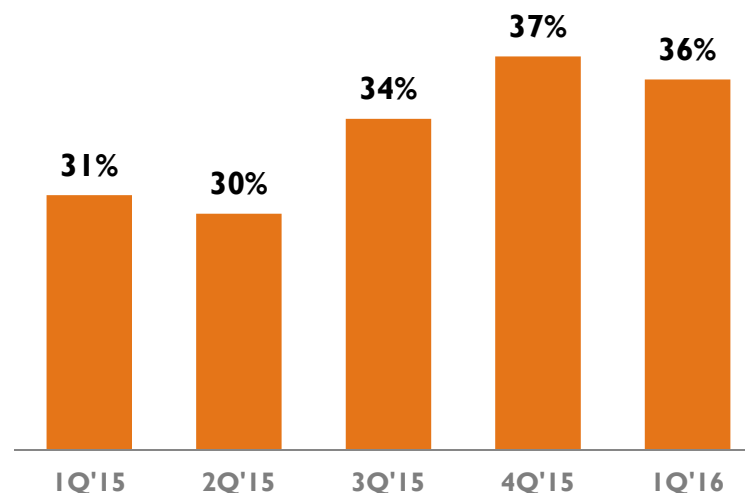
# Xome<sup>SM</sup> Highlights

- \$11 million in pre-tax income; 83% improvement
- Sustained strength in third-party business of 36%
  - ✓ Successful launch of Phase I REO for a GSE
  - ✓ Executed agreements with large financial institutions for B2B white label service and title services
- Q2 off to strong start with \$8 million in pretax income in April

## Financial Highlights

<i>\$ in mm, unless noted</i>	<b>Q4'15</b>	<b>Q1'16</b>	<b>% QoQ</b>
Revenues	\$98	\$101	3%
Expenses	92	90	(2%)
Non-recurring expenses	--	---	---
<b>Adjusted Pretax Income<sup>(1)</sup></b>	<b>\$6</b>	<b>\$11</b>	<b>83%</b>
Property Sales	4,113	4,165	1%
Fulfillment Orders Completed	148,878	161,339	8%
3 <sup>rd</sup> Party Revenue %	37%	36%	(1%)

## 3<sup>rd</sup> Party Business Percentage



1) Please refer to Appendix and Endnotes for information on non-GAAP numbers and reconciliation.

# Capitalization

<b>Intrinsic Valuation<sup>(1)</sup></b> <i>(\$ in billions, except for per share amounts)</i>	<b>Book Value</b>	<b>Per Share<sup>(1,2)</sup></b>
Current Book Value	\$1.59	\$15.46
Intrinsic MSR Value <sup>(3)</sup>	\$0.38	\$3.64
<b>NSM Intrinsic Book Value <sup>(3)</sup></b>	<b>\$1.97</b>	<b>\$19.10</b>
Tangible Book Value <sup>(5)</sup>	\$1.47	\$14.26
Intrinsic MSR Value <sup>(3)</sup>	\$0.38	\$3.64
<b>NSM Intrinsic Tangible Book Value <sup>(3)</sup></b>	<b>\$1.85</b>	<b>\$17.90</b>

**Before any consideration of value for Xome**

- Shares trade at a significant discount to book and intrinsic value
- \$156 million shares remaining under authorizations:
  - ✓ 13.6 million shares at \$11.50/share or 39% of free float
- Senior Notes Repurchased<sup>(4)</sup>:
  - ✓ \$109 million in 2015
  - ✓ \$16 million to date in 2016

<b>Share Repurchase Summary</b>	<b>Shares (000s)</b>	<b>Average Price</b>	<b>Gross (\$000s)</b>
4Q 2015	837	\$13.21	\$11,054
1Q 2016	5,190	\$10.59	\$54,947
2Q 2016	2,603	\$10.69	\$27,747
<b>Total under \$250mm program <sup>(1)</sup></b>	<b>8,352</b>	<b>\$10.69</b>	<b>\$93,818</b>

1) Represents illustrative economic values to Nationstar based on the 3/31/16 balance sheet.  
 2) 103.1 million shares outstanding as of 3/31/16.  
 3) Includes recapture value at 30% excluded from MSR valuation  
 4) As of 5/2/16.  
 5) Excludes Goodwill.



## Servicing Valuation Overview

**Operations continue to earn strong, recurring cash flows and the life of our MSR is improving despite a notable mark this quarter**

	Q1'15	Q4'15	Q1'16
U.S. 10-year Treasury yield	1.94%	2.27%	1.78%
Annualized CPR	14.1%	13.8%	13.5%
NSM recapture rate	24%	27%	31%
Avg. UPB @ FV (\$B)	\$343.1	\$345.6	\$332.7
MSR @ FV (bps)	88	97	93
Prepayment speed net of recapture	11.8%	11.5%	10.9%
<b>NSM Servicing Portfolio (\$ mm)</b>			
MSR Value	\$3,022	\$3,358	\$3,088
Intrinsic MSR Value <sup>(2)</sup>	\$367	\$357	\$375
Xome cash flows <sup>(3)</sup>	\$225	\$225	\$225
<b>Illustrative Portfolio valuation<sup>(1)</sup></b>	<b>\$3,614</b>	<b>\$3,940</b>	<b>\$3,688</b>

- MSR economics do not reflect additional value of \$600 million<sup>(1,2,3)</sup>
- Recapture – \$375 million intrinsic value<sup>(2)</sup>
  - ✓ Investments in brand loyalty
- Cash flow from Xome Services – \$225 million intrinsic value<sup>(3)</sup>
  - ✓ Property disposition
  - ✓ Collateral valuation
  - ✓ Title and close (refi, purchase, default)

1) For illustrative purposes only.

2) Assumes 30% recapture rate excluded from MSR valuation.

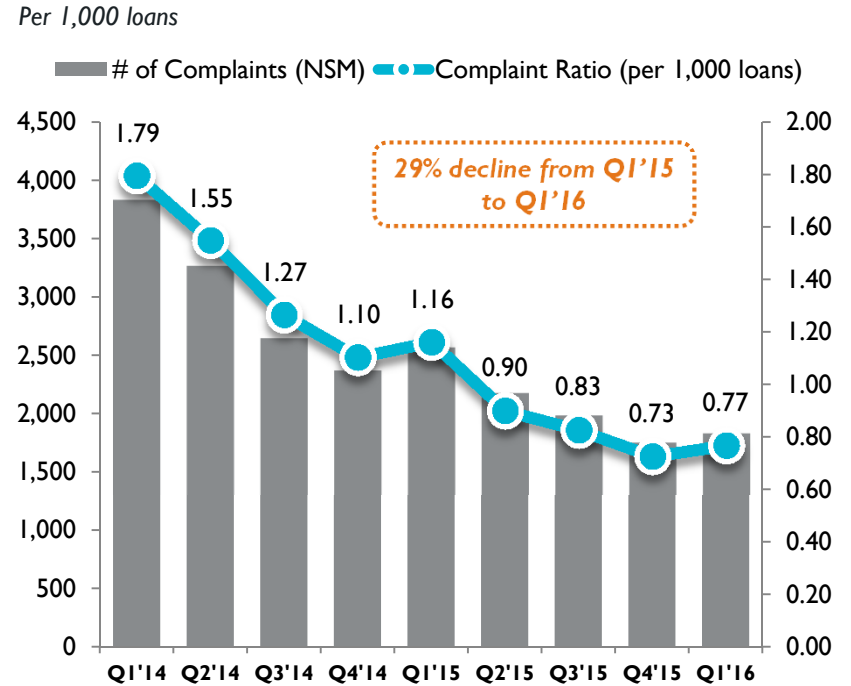
3) Assumes Xome Services cash flow based on the present value of revenue excluded from MSR valuation.

# Becoming the Industry Benchmark for Customer Service

## Enhanced customer satisfaction...

- Increases customer retention
  - ✓ Fuels recurring cash flow stream
  - ✓ Replenishes portfolio at attractive returns
  - ✓ Extends the life of underlying MSR asset
  - ✓ Maximizes current interest rate environment
- Secures position as preferred industry partner
- Lowers operating costs
- Reduces complaint volume

## Complaint Reductions by Quarter



Sources: CFPB and Inside Mortgage Finance.

# Endnotes

**Adjusted Cash Flow (“Adjusted Cash Flow”)** This disclaimer applies to every usage of Adjusted Cash Flow in this presentation. Adjusted Cash Flow is a metric that is used by management to provide an estimate of cash flow generated by the operating segments. Adjusted Cash Flow begins with pretax income and makes adjustments for cash and non-cash items including changes in the fair value of MSR, value of capitalized servicing retained, depreciation and amortization, stock based compensation and cash taxes.

**Adjusted Pretax Income (“Adjusted Pretax Income” or “PTI”) (Servicing)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of servicing operations by excluding changes in fair value of the MSR and non-recurring expenses.

**Adjusted Pretax Income (“Adjusted Pretax Income” or “PTI”) (Originations)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of originations operations by excluding non-recurring expenses.

**Adjusted Pretax Income (“Adjusted Pretax Income”, or “PTI”) (Xome)** This disclaimer applies to every usage of Adjusted Pretax Income in this presentation. Adjusted Pretax Income is a metric that is used by management to provide a better depiction of the results of Xome operations by excluding non-recurring expenses.

**Servicing profitability** Servicing profitability is a metric used by management to estimate earnings from the servicing segment. Servicing profitability begins with adjusted earnings and adjusts for financing structure payments.

# Appendix



# Adjusted Income Reconciliation

<i>\$ in mm, except per share data</i>	<b>Q4'15</b>	<b>Q1'16</b>
<b>GAAP Pretax Income</b>	<b>\$121</b>	<b>(\$216)</b>
MTM Adjustments	(\$67)	\$253
Non-Recurring Expenses <sup>(1)</sup>	---	\$6
<b>Adjusted Pretax Income</b>	<b>\$54</b>	<b>\$44</b>
Less: Taxes <sup>(2)</sup>	(\$20)	(\$16)
<b>Adjusted Earnings</b>	<b>\$34</b>	<b>\$28</b>
<b>Adjusted Earnings Per Share<sup>(3)</sup></b>	<b>\$0.32</b>	<b>\$0.27</b>

1) Non-recurring expenses include: \$2 million associated with ramp-up costs for the previously-announced subservicing contract that should board mostly in Q3, \$2 million associated with the exercise of a reverse call provision and \$2 million for marketing expenses related to the Company's branding efforts.

2) Calculated using tax rate of 36.5% in Q4'15 and Q1'16.

3) Calculated using fully-diluted average share count of 108.0mm in Q4'15 and 103.1mm in Q1'16.

# Adjusted Pretax Income Reconciliations

\$ in mm	Q4'15					Q1'16				
	Servicing	Xome	Orig	Corp / Other	Total	Servicing	Xome	Orig	Corp / Other	Total
<b>GAAP Pretax Income</b>	\$118	\$6	\$43	(\$46)	\$121	(\$208)	\$11	\$40	(\$59)	(\$216)
MTM Adjustments	(\$67)	---	---	---	(\$67)	\$253	---	---	---	\$253
Non-Recurring Expenses <sup>(1)</sup>	---	---	---	---	---	\$4	---	---	\$2	\$6
<b>Adjusted Pretax Income</b>	<b>\$51</b>	<b>\$6</b>	<b>\$43</b>	<b>(\$46)</b>	<b>\$54</b>	<b>\$49</b>	<b>\$11</b>	<b>\$40</b>	<b>(\$57)</b>	<b>\$44</b>

Note: Numbers may not add down due to rounding.

1) Non-recurring expenses include: \$2 million associated with ramp-up costs for the previously-announced subservicing contract that should board mostly in Q3, \$2 million associated with the exercise of a reverse call provision and \$2 million for marketing expenses related to the Company's branding efforts.

## Segment Adjusted Cash Flow Reconciliations

\$ in mm	Q4'15					Q1'16				
	Servicing	Xome	Orig	Corp / Other	Total	Servicing	Xome	Orig	Corp / Other	Total
GAAP Pretax Income	\$118	\$6	\$43	(\$46)	\$121	(\$208)	\$11	\$40	(\$59)	(\$216)
MTM Adjustments	(\$67)	---	---	---	(\$67)	\$253	---	---	---	\$253
MSR Amortization	\$73	---	---	---	\$73	\$65	---	---	---	\$65
Principal Payments on Co-Invest	\$48	---	---	---	\$48	\$47	---	---	---	\$47
Servicing Value Retained	---	---	(\$49)	---	(\$49)	---	---	(\$37)	---	(\$37)
Other <sup>(1)</sup>	\$7	\$3	\$5	\$3	\$18	\$6	\$8	\$5	(\$12)	\$7
Non-Recurring Expenses	---	---	---	---	---	\$4	---	---	\$2	\$6
<b>Adjusted Cash Flow</b>	<b>\$179</b>	<b>\$9</b>	<b>(\$1)</b>	<b>(\$43)</b>	<b>\$144</b>	<b>\$168</b>	<b>\$19</b>	<b>\$8</b>	<b>(\$69)</b>	<b>\$126</b>

1) Principally includes depreciation and amortization (not related to MSRs), stock-based compensation and cash taxes.

## Servicing: Operational P&L (in bps)

\$ in mm, unless otherwise noted

	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Operating Revenue	38.9	41.3	41.9	41.0	39.9
Labor costs <sup>(1)</sup>	6.2	6.2	6.2	6.1	6.8
Direct corporate allocation	4.1	4.0	4.0	4.5	4.4
Other direct expenses <sup>(1)</sup>	8.7	10.1	9.9	7.9	7.4
Total Expenses	18.9	20.3	20.1	18.6	18.6
Other (income) / expense	1.5	0.3	0.1	0.3	(0.2)
<b>Adj. operating income b/f amortization</b>	<b>18.4</b>	<b>20.8</b>	<b>21.8</b>	<b>22.1</b>	<b>21.5</b>
MSR amortization	(11.2)	(13.6)	(13.1)	(11.9)	(11.5)
Excess spread accretion	3.3	4.6	4.8	4.6	4.9
Total amortization <sup>(2)</sup>	(7.9)	(8.9)	(8.2)	(7.2)	(6.6)
<b>Adjusted operating income</b>	<b>10.5</b>	<b>11.8</b>	<b>13.5</b>	<b>14.9</b>	<b>14.9</b>
MSR financing liability payments	3.6	3.2	3.0	2.8	2.8
Excess spread payments – principal	4.2	4.2	4.7	4.8	4.8
Excess spread payments – interest / other	2.0	2.1	2.2	2.3	2.3
Total financing structure payments	9.8	9.5	10.0	9.8	9.9
<b>Adjusted Pretax income</b>	<b>0.7</b>	<b>2.3</b>	<b>3.6</b>	<b>5.1</b>	<b>5.0</b>
Excess Spread / Financing MTM	0.0	(4.4)	6.4	(5.9)	0.3
MSR MTM	(11.4)	12.7	(21.5)	12.6	(26.1)
Total MTM adjustments	(11.4)	8.3	(15.2)	6.6	(25.8)
Non-recurring expenses	--	(0.9)	(1.1)	---	(0.4)
GAAP Pretax Income	(10.6)	9.7	(12.7)	11.7	(21.2)
Average UPB (\$B)	\$385.6	\$394.9	\$399.9	\$403.1	\$392.0

1) Excludes severance and other non-recurring items

2) Previously, the release of mortgage servicing liabilities related to GNMA buy-outs was reflected in the Operating P&L as a reduction of amortization totaling \$16mm in Q1'16 and \$10mm in Q4'15, respectively. These items have been reclassified, for presentation purposes, to the Operating Revenue line item in all periods.



## Servicing: Operating P&L Reconciliation

### GAAP Revenue Reconciliation

<i>\$ in mm</i>	Q4'15	Q1'16
Operating Revenue	\$414	\$391
Less: MSR Financing Liability	(28)	(27)
Less: Excess Spread - principal	(48)	(47)
Less: Amortization – total	(73)	(65)
MTM Adjustments	67	(253)
<b>GAAP Revenue</b>	<b>\$332</b>	<b>(\$1)</b>

### GAAP Other Income / (Expense) Reconciliation

<i>\$ in mm</i>	Q4'15	Q1'16
Other Income / (Expense)	(\$3)	---
Plus: Excess Spread – Interest	(23)	(22)
<b>GAAP Other Income / (Expense)</b>	<b>(\$26)</b>	<b>(\$22)</b>