



**Jay Bray**  
Chief Executive Officer  
and Director

## Transformative Year— Strategically Positioned to Capitalize on Market Trends

### DEAR FELLOW STOCKHOLDERS,

2012 was an exciting and historic year for Nationstar. Hard work and dedication from our employees generated strong operational and financial performance for the company. In addition to becoming a publicly traded company in March, we nearly doubled the size of our servicing portfolio, more than doubled our origination volume, and grew net income over 9.8 times to a record \$205 million, or \$2.40 per share. Our return on average equity was 40 percent.

Industry dynamics remained favorable throughout 2012. The \$10 trillion residential mortgage industry is undergoing major structural changes that impact the way mortgage loans are originated and serviced. As financial institutions re-evaluate capital priorities and core competencies, Nationstar is a strategic partner of choice that can both acquire assets and provide operational support across all facets of the mortgage business.

Nationstar's mortgage services platform, designed to generate fee-based income across the entire economic cycle via servicing, originations and Solutionstar, benefited from the changing landscape. Nationstar raised over \$1 billion in capital in 2012 and deployed it in accretive, high-return assets. These investments produced significant income in 2012, with pretax income up 13.2 times year-over-year, and should continue to provide long-term earnings growth.

This success would not be possible without the unwavering commitment of our employees, strong relationships with our business partners, and the support of our stockholders. I would like to thank these vital constituencies for their exceptional efforts and commitment to Nationstar.

### SERVICING SEGMENT ACHIEVES SUBSTANTIAL GROWTH

Nationstar took advantage of the market dislocation by acquiring mortgage servicing rights ("MSR") represent-

ing more than \$100 billion of unpaid principal balance ("UPB"), including the \$63 billion UPB Aurora portfolio. We successfully integrated each of the acquired portfolios and remain focused on improving asset performance. We ended 2012 with a servicing portfolio of nearly \$208 billion, up 94 percent year-over-year.

### ORIGINATIONS SEGMENT DELIVERS RECORD RESULTS

Nationstar's originations segment produced a record year with volume of \$7.9 billion, up from \$3.4 billion in 2011. We capitalized on favorable market conditions by originating more than 34,000 loans. In March 2012, we entered into a preferred lending relationship with KB Home, the fifth-largest homebuilder in the United States. Loan origination for this partnership began in May, and fundings increased significantly as we progressed through the year.

### 2013: VAST FUTURE GROWTH OPPORTUNITIES, IMPROVED PERFORMANCE AND PROFITABILITY

Last year presented significant opportunities to expand our business, and we expect market dynamics to remain favorable, providing a long runway of growth. In January 2013, we announced the acquisition of a \$215 billion UPB servicing portfolio from Bank of America. This transaction builds upon a strong track record of portfolio acquisitions and will produce significant earnings growth for the company in 2013 and beyond.

We seek to drive future growth in three fundamental areas of our business: (1) growth in our residential mortgage servicing portfolio with an increased focus on improving profitability; (2) expansion of origination channels to profitably create long-term servicing assets; and (3) build-out of Solutionstar to deliver fee-based mortgage services across the lifecycle of a mortgage loan.

## **RESIDENTIAL MORTGAGE SERVICING — CRITICAL MASS, PATH TO IMPROVED PROFITABILITY**

Over the last two years, financial institutions have completed a significant number of MSR sales and sub-servicing transfers. We expect this transformational shift to continue over the next several years. Our successful track record of improving the performance of acquired portfolios, supported by our proven infrastructure designed to meet unique client requirements, has driven our success. In addition to bulk acquisitions, we also are focused on long-term flow servicing agreements with strategic partners in which we acquire newly originated or delinquent loan servicing on a recurring basis.

As we grow servicing assets under management, we are focused on improving servicing profitability. We implemented several strategic operational initiatives that will strengthen earnings over the course of 2013; we expect the full benefit of these initiatives to materialize in 2014 when our platform reaches its full earnings power.

## **EXPAND ORIGINATIONS TO COMPLEMENT SERVICING THROUGH ORGANIC GROWTH**

Originations play an important role in driving the growth of our servicing business. In 2013, we are focused on expanding our origination channels, capitalizing on strong margins, and forming strategic alliances to drive new business.

Recapturing refinancings from our existing servicing portfolio is the most efficient way to acquire servicing assets. As our servicing book grows via acquisition, originations volume should grow via recapture from a larger customer portfolio. Taking into account the Bank of America portfolio acquisition, Nationstar will have 2.5 million customers in its servicing book, providing a large opportunity for our originations business.

We will continue to develop relationships with homebuilders to provide us with greater access to high-quality origination business, and we will selectively build out our wholesale and correspondent channels to enable the acquisition of servicing assets at attractive prices. Channel expansion provides improved access to the purchase money origination market, increasingly important as the “green shoots” of the housing recovery become more sustainable.

## **SOLUTIONSTAR MEETS THE EVOLVING NEEDS OF THE RESIDENTIAL MORTGAGE INDUSTRY**

We plan to drive growth across all of our businesses by being an outsource solution-provider to financial institutions as they look to partner with proven leaders in credit and asset management. Our servicing and origination

businesses are building out a mortgage factory that offers plug-in functionality to financial institutions that wish to outsource all or part of the mortgage process to a proven credit and asset manager like Nationstar.

Our Solutionstar business broadens our product offering by providing mortgage-related services that are complementary to our servicing and originations businesses. Solutionstar presents a significant opportunity to increase future earnings with minimal capital investment as it grows into a premier provider of real estate services.

I am extremely proud of what we accomplished in 2012, and there are significant opportunities ahead of us. We took strategic steps to enable the company to capitalize on market opportunities and perform in all environments. We remain steadfast in our objectives of (1) increasing stockholder value, (2) providing exceptional customer service and preserving homeownership, and (3) improving portfolio performance for credit investors.

While challenges are inevitable and the market is ever-changing, our strategically positioned business model, coupled with the dedication of our employees and performance-based culture, position Nationstar to deliver increased stockholder value. On behalf of everyone at Nationstar, thank you for your continued support.



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