Arch Mortgage
May 2018

Andrew Rippert, CEO
Arch Global Mortgage Group

David Gansberg, President and CEO
Arch Mortgage Insurance Company

Tom Jeter, EVP and CFO
Arch Mortgage Insurance Company

Informational Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. This presentation or any other written or oral statements made by or on behalf of Arch Capital Group Ltd. and its subsidiaries may include forward looking statements, which reflect our current views with respect to future events and financial performance. All statements other than statements of historical fact included in or incorporated by reference in this presentation are forward looking statements.

Forward looking statements can generally be identified by the use of forward looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or their negative or variations or similar terminology. Forward looking statements involve our current assessment of risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: adverse general economic and market conditions; increased competition; pricing and policy term trends; fluctuations in the actions of rating agencies and our ability to maintain and improve our ratings; investment performance; the loss of key personnel; the adequacy of our loss reserves, severity and/or frequency of losses, greater than expected loss ratios and adverse development on claim and/or claim expense liabilities; greater frequency or severity of unpredictable natural and man-made catastrophic events; the impact of acts of terrorism and acts of war; changes in regulations and/or tax laws in the United States or elsewhere; our ability to successfully integrate, establish and maintain operating procedures as well as integrate the businesses we have acquired or may acquire into the existing operations; changes in accounting principles or policies; material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements; availability and cost to us of reinsurance to manage our gross and net exposures; the failure of others to meet their obligations to us; and other factors identified in our filings with the U.S. Securities and Exchange Commission.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. All subsequent written and oral forward looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Some non-GAAP measures of financial performance also may be referred to during this presentation. The reconciliation to GAAP and definition of operating income can be found in the Current Report on Form 8-K furnished to the SEC by Arch Capital Group Ltd. (the "Company") in connection with its most recent earnings press release, and is also available on the Company's website: www.archcapgroup.com. From time to time, the Company posts additional financial information and presentations to its website, including information with respect to its subsidiaries, and investors and other recipients of this information are encouraged to check the website.

Strong U.S. Mortgage Insurance Market Conditions

Favorable market conditions for Mortgage Insurance (MI).

- Rebounding economy, including home price appreciation.
- Credit box remains "tight" with no signs of subprime products.
- More stringent capital requirements (PMIERs) provide increased market discipline.

Diversification within MI products enhance the MI Segment's earnings.

- Primary MI generated $587 million of underwriting income in 2017.
- Non-traditional MI business generated $79 million of underwriting (UW) income in 2017.
- Earned premium from business outside the U.S. doubled in 2017.

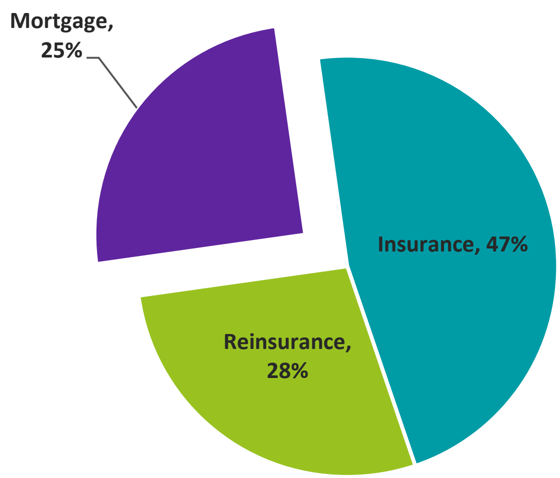
Sustainable earnings are visible with MI.

- Rate decreases only apply to New Insurance Written (NIW).
  - 60% plus of UW income three years from now will come from business written in 2017 and prior.
  - Five years from now, over 40% of UW income will still come from business written in 2017 and prior.
- Despite recent industry rate changes, new business Return on Equity remains attractive.

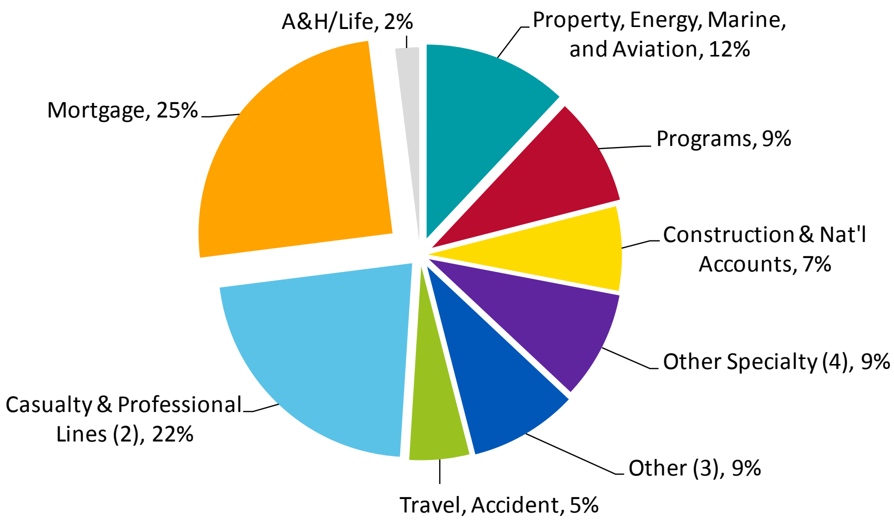
Arch

Diversification enhances earnings stability by enabling better cycle management.

Arch Capital Group
Net Written Premiums by Segment ($4.5B)[1]
TTM March 31, 2018



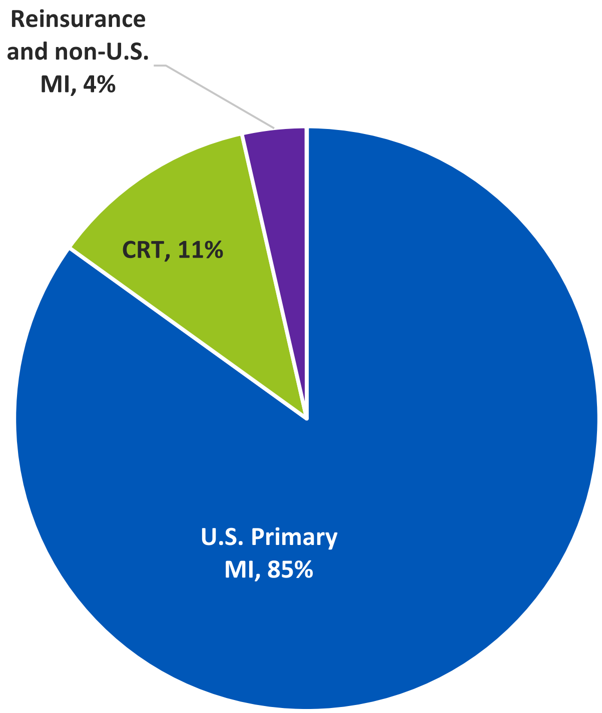
Arch Capital Group
Net Written Premiums by Line ($4.5B)[1]
TTM March 31, 2018



[1] Based on net premiums written, excluding amounts attributable to the “other” segment (Watford).
[2] Includes casualty, professional liability, executive assurance, healthcare, contract binding and excess motor.
[3] Includes insurance for lenders products, alternative markets and other insurance and reinsurance.
[4] Includes reinsurance for proportional motor, trade credit, surety, workers’ compensation catastrophe and other.

Expanding the Market "Pie"

Arch Mortgage Segment
FY2017 Underwriting Income
$691M



Mortgage Segment diversification enhances returns

- Expanded product offerings increase market opportunity.
- Leverages Arch MI underwriting and data.
- Allows optimization of capital allocation across products.
- Improves earnings stability.
- Positions Arch Mortgage for market evolution.

Favorable Trends for U.S. MI

Macroeconomic conditions support mortgage originations.

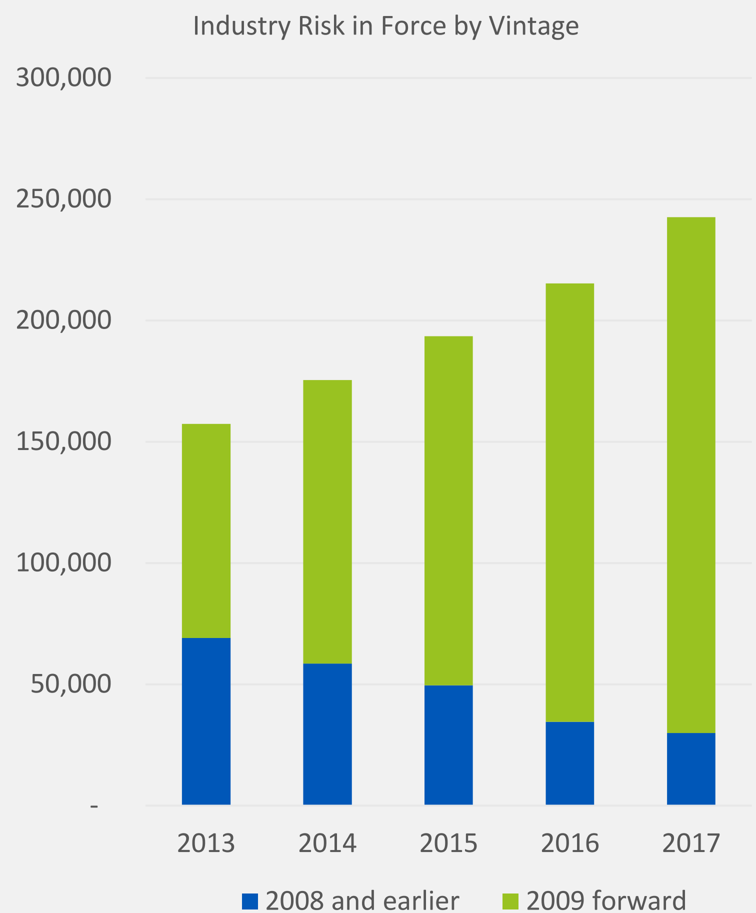
- Interest rates are in a “sweet spot” for mortgage insurers.
  - Rates are low enough to support home purchases – positive for Insurance in Force (IIF) growth.
  - Expectations for rising rates means declining refinancing activity – helps lower expenses.
- Unemployment has been declining while wage growth has been accelerating.
- Demographics: Strong household formations and aging of millennials supports growth in first-time home buyers.
- Affordability is at historically high levels.

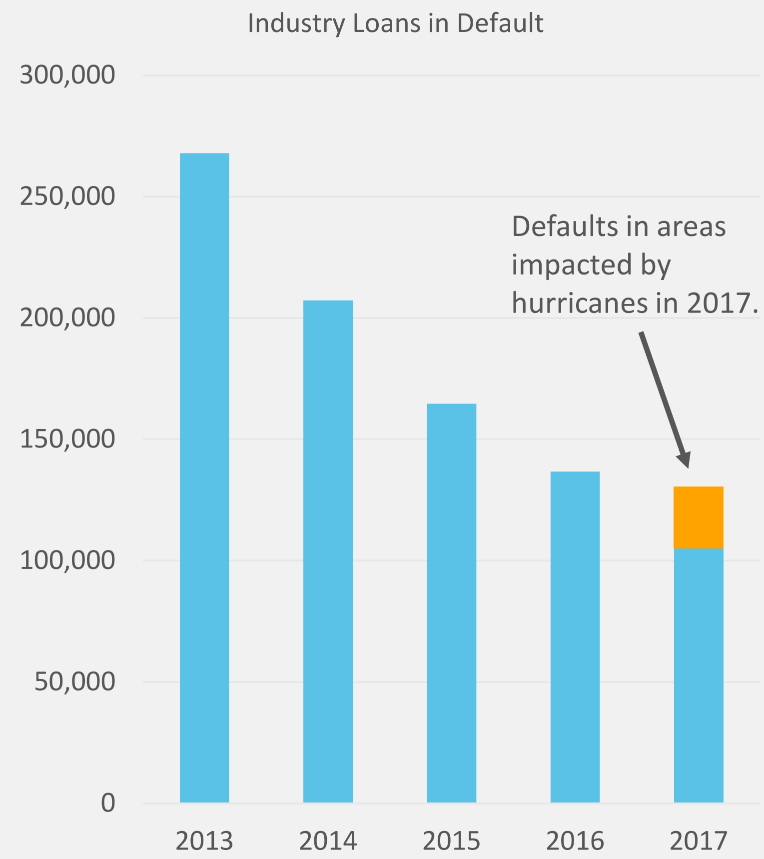
MI industry trends are very favorable.

- Lenders and GSEs remain generally conservative from an underwriting standpoint.
- Demand for MI remains strong as the upward trend in home prices since 2011 has made it more difficult for first-time homebuyers to make a 20% down payment.
- MI is still a “purchase” product. Expectations are that purchases will be at worst stable but likely to increase.

Industry Fundamentals are Attractive

Insurance in Force (IIF) Is Growing and Defaults are Declining



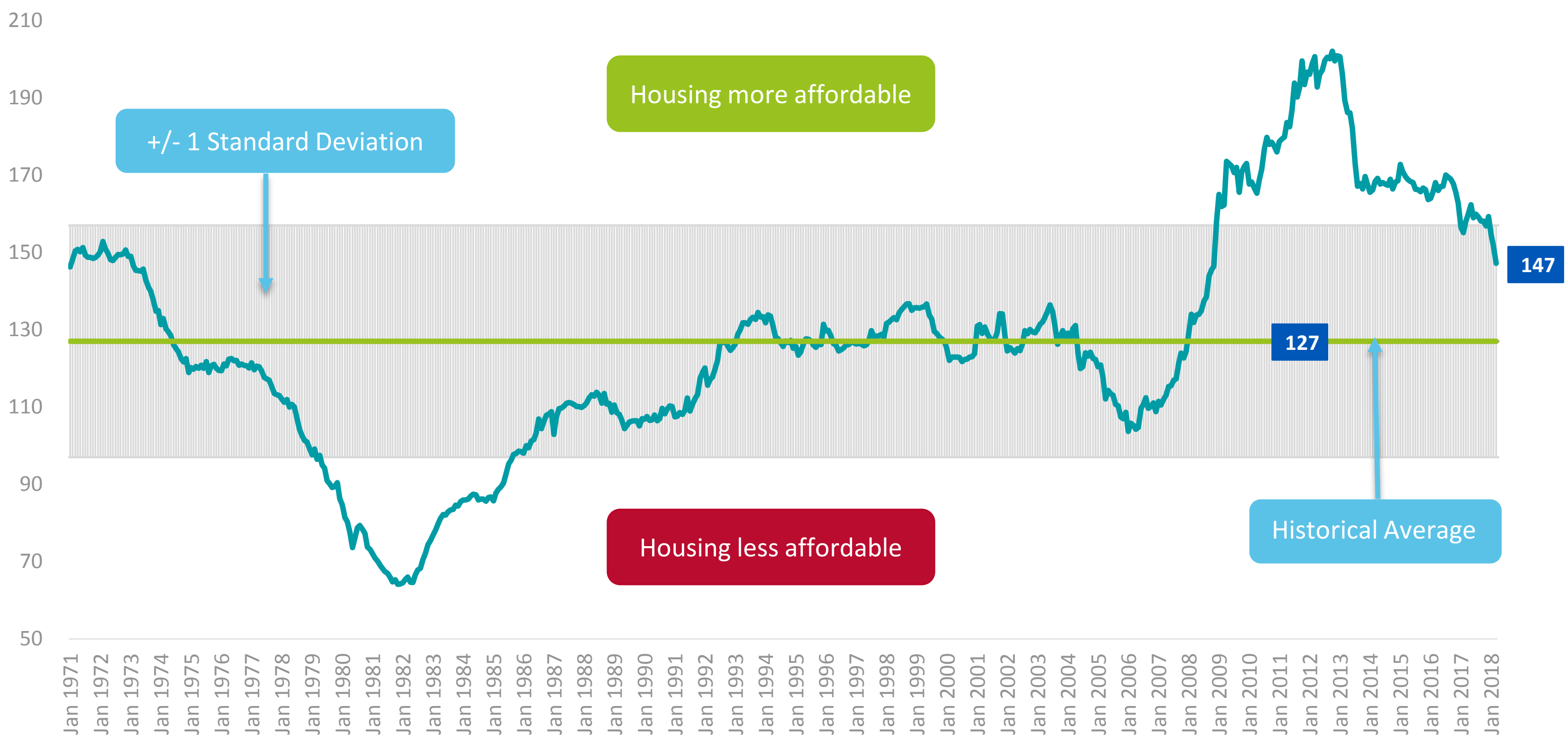


Industry defined as U.S. MI operations of Arch, Radian Group, Inc. Essent Group, Inc. MGIC Investment Corp., Genworth Financial, Inc. and NMI Holdings, Inc. Industry excludes MIs that were placed in runoff, which would have RIF outstanding.

Housing Affordability is Above Historical Average

Arch

Composite Housing Affordability Index for U.S.

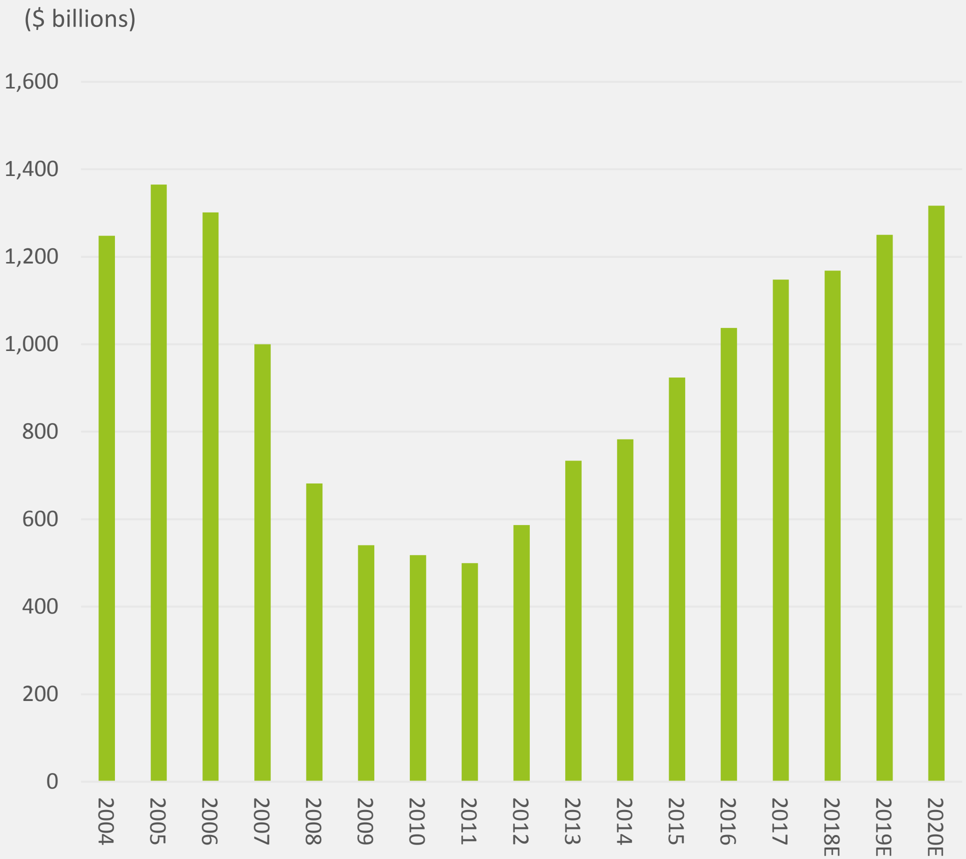


Source: National Association of Realtors (NAR): Housing Affordability for the United States; Moody's Analytics Adjusted.

Mortgage Origination Trends are Favorable

Arch

Mortgage Originations from Purchase Transactions Should Help IIF Growth



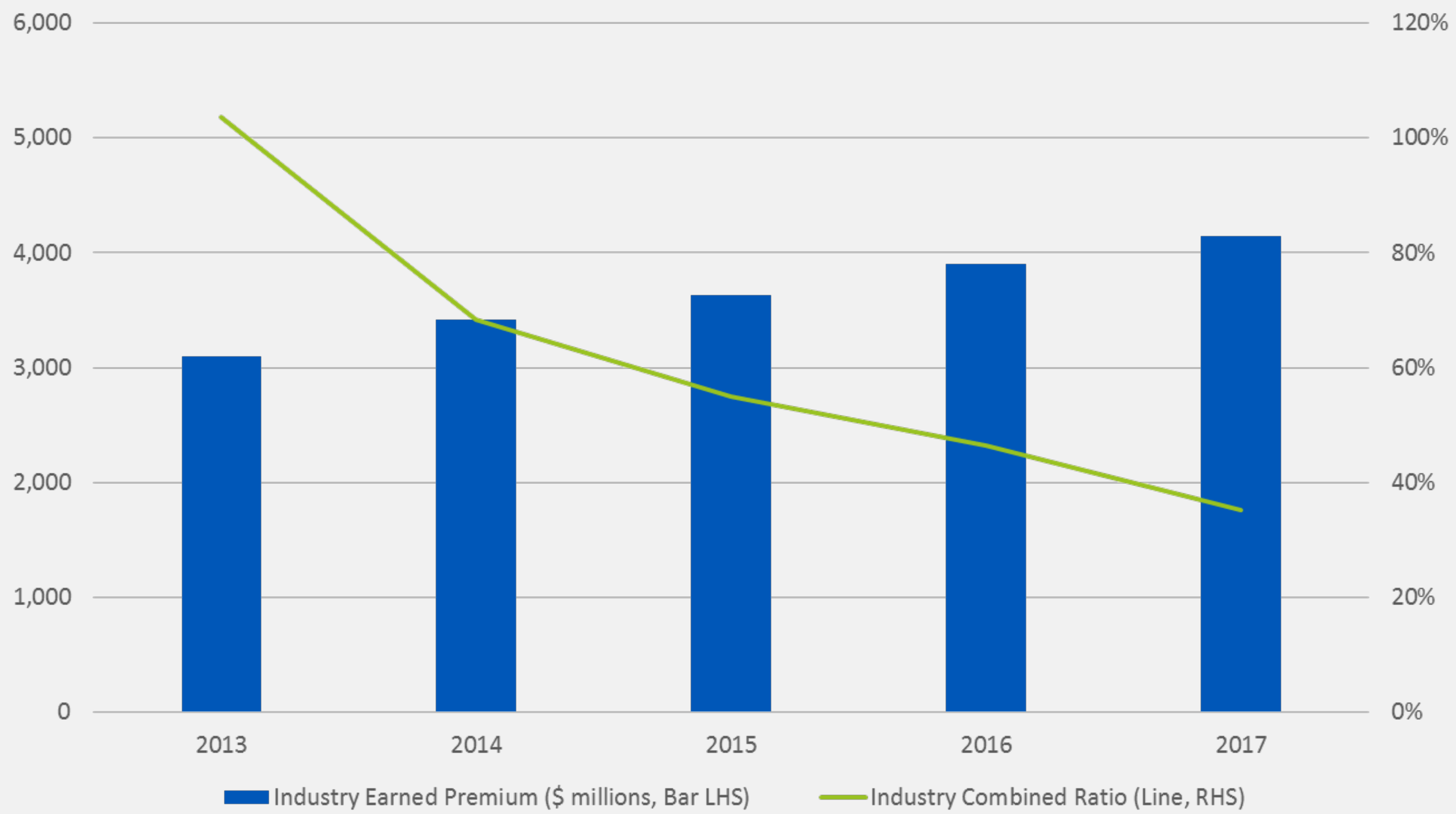
Upward trend in purchase transactions reflects strong demand for housing.

- Strong demand for housing is supported by a robust job market and strong household formations.
  - Unemployment rate declined to 3.9% in April, the lowest level since 2000.
  - Average hourly wage growth approached 3% in April.
  - Household formations increased to an annual rate of over 1.3 million in March.
- Mortgage insurers' penetration rate is 4x higher on purchase transactions than refinancing activity.

Source: Inside Mortgage Finance for historical data and Mortgage Bankers Association for expectations for 2018–2020.

Industry is Reporting Strong, Growing Profitability

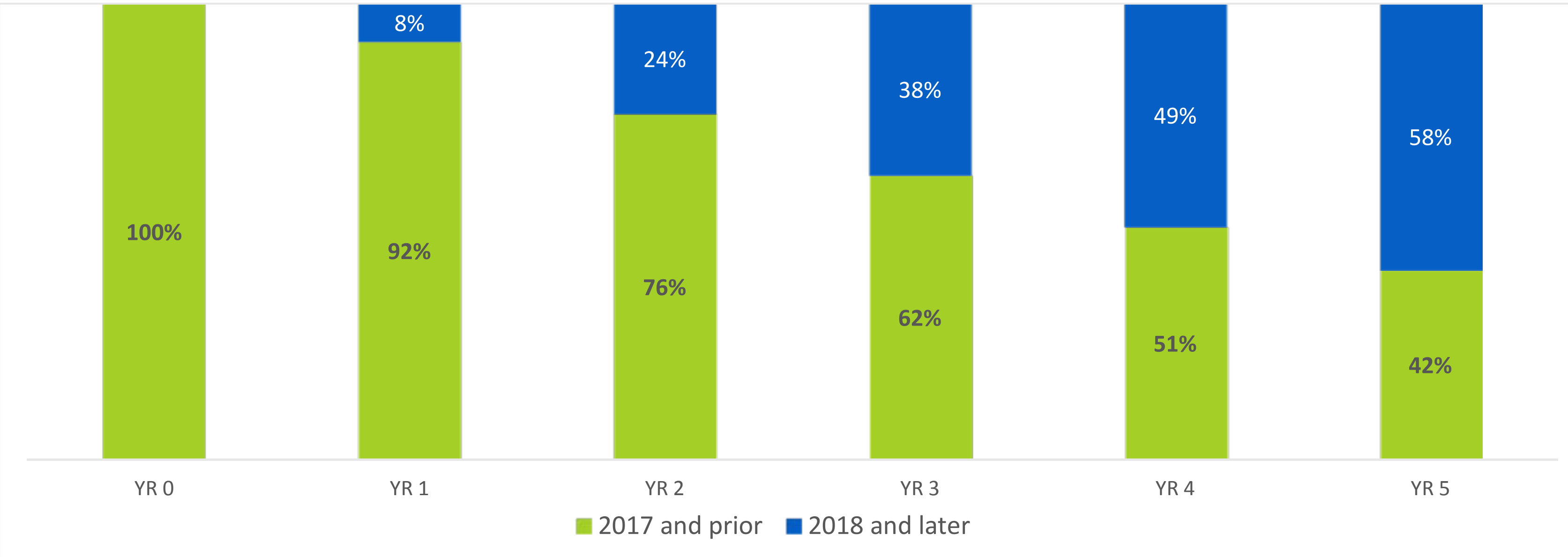
Solid Fundamentals Translate into Strong Top Line and Bottom Line Results



Industry defined as U.S. MI operations of Arch, Radian Group, Inc. Essent Group, Inc. MGIC Investment Corp., Genworth Financial, Inc. and NMI Holdings, Inc. Industry excludes MIs that were placed in runoff, which would have RIF outstanding.

MI Earnings Model Produces Stable Long Term Earnings

Underwriting Income Composition on U.S. *Model Portfolio* by IIF Vintage[1, 2] Assuming 10% Price Reduction Today



- It takes five years for price changes to meaningfully impact underwriting income.
- 60% plus of underwriting income three years from now will come from business written in 2017 and prior.

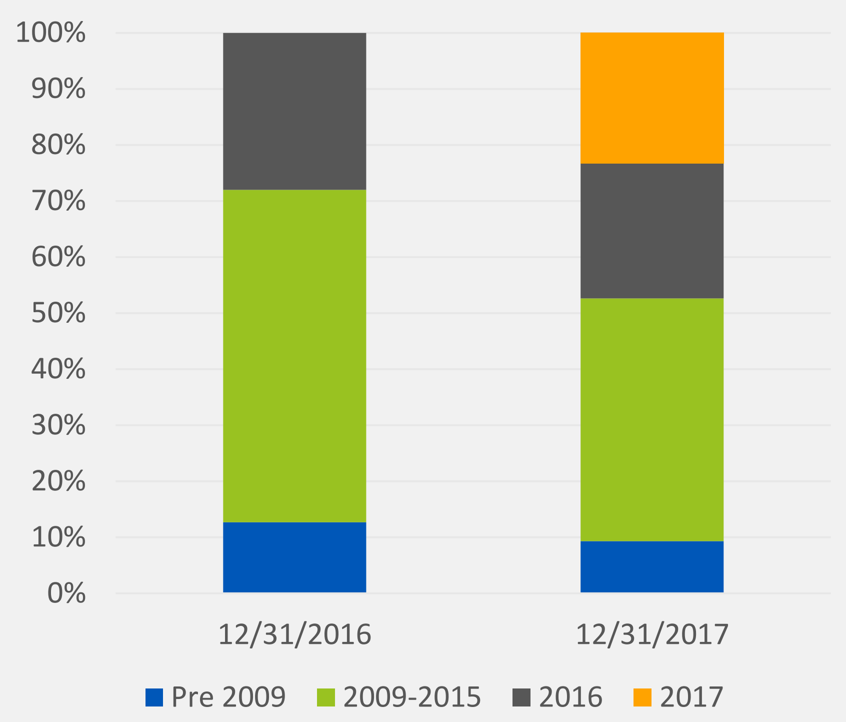
Assumptions on Model Portfolio for illustrative purposes only and are not intended to reflect the actual, current or future results for Arch U.S. MI.

[1] Assumptions: $100B IIF at YR0, 80% persistency, 50 bps premium yield before price reduction, 10% assumed price reduction on new business, 25% loss ratio on pre-price reduction basis, 20% expense ratio on pre-price reduction basis. [2] Assumes IIF stays flat at $100B over the 5 years.

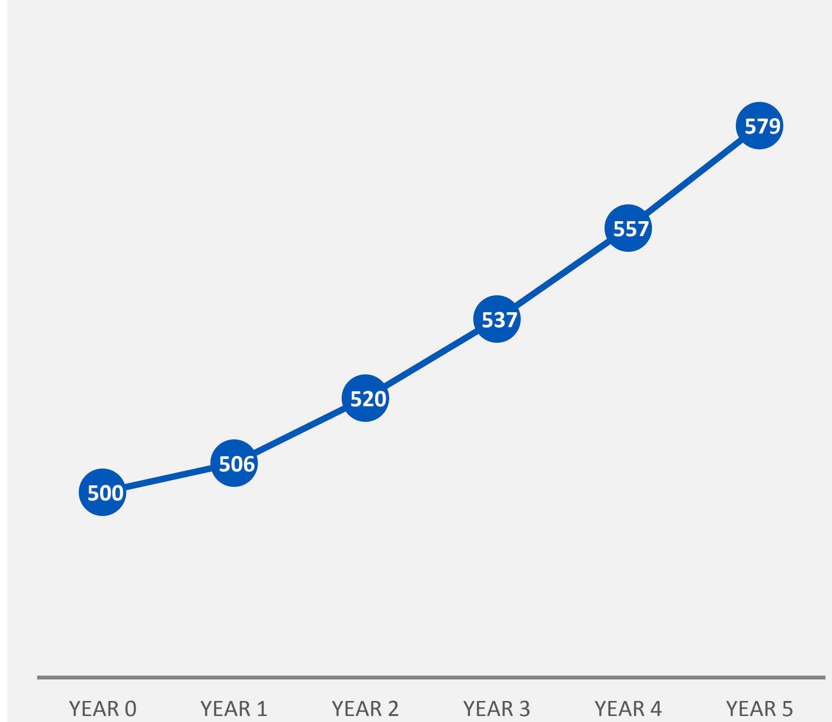
Earned Premium Should be Stable Over Near Term

Pricing actions taken in 2018 will not affect pricing on business written prior to 2018; therefore, its effect on near-term revenue is modest.

IIF by Vintage – Arch U.S. MI Portfolio



Earned Premium U.S. *Model Portfolio*[1]
Assuming 10% Price Reduction Today, 5% IIF Growth

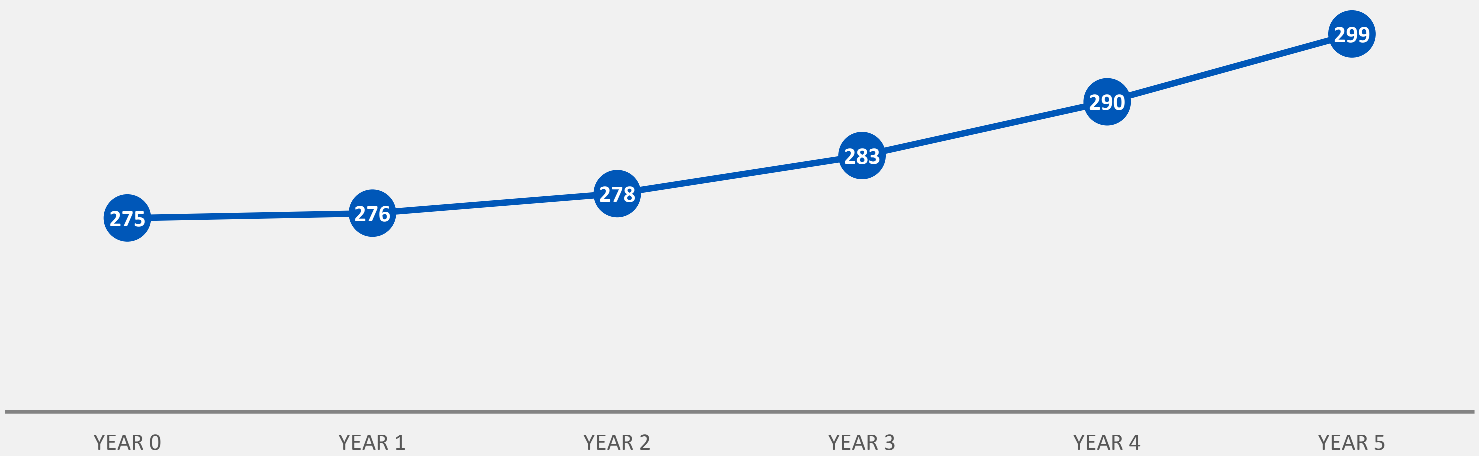


Assumptions on Model Portfolio for illustrative purposes only and are not intended to reflect the actual, current or future results for Arch U.S. MI.

[1] Assumptions: $100B IIF at Year 0, 80% persistency, 50 bps premium yield before price reduction, 10% assumed price reduction on new business, 25% loss ratio on pre-price reduction basis, 20% expense ratio on pre-price reduction basis, 5% IIF Growth.

MI Earnings Could Still Increase in Competitive Market

Underwriting Income on U.S. *Model Portfolio* ($M)[1]
Assuming 10% Price Reduction Today, 5% IIF Growth



Assumptions on Model Portfolio for illustrative purposes only and are not intended to reflect the actual, current or future results for Arch U.S. MI.

[1] Assumptions: $100B IIF at Year 0, 80% persistency, 50 bps premium yield before price reduction, 10% assumed price reduction on new business, 25% loss ratio on pre-price reduction basis, 20% expense ratio on pre-price reduction basis, 5% IIF Growth.

Risk-Based Pricing

Arch U.S. MI uses RateStar to manage its exposure to housing cycles related to macroeconomic, loan, property and borrower attributes.

RateStar consists of 1.3M unique rates and adjustments across 17 risk dimensions.

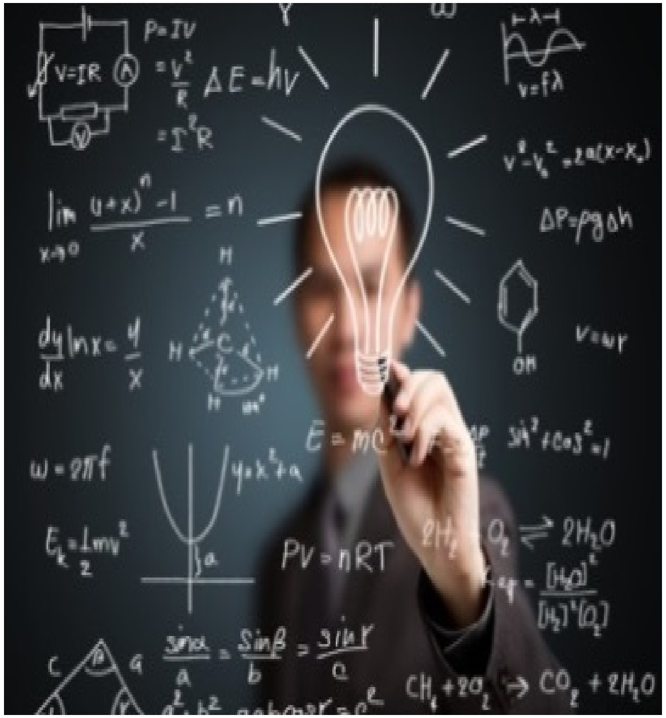
- Arch U.S. MI risk-based pricing (RBP) accounted for 80% of NIW in 1Q2018.

RBP depends on three critical processes.

- Employ sophisticated analytics to determine the appropriate price for a risk.
- Develop pricing flexibility with state regulatory filings.
- Interface with mortgage originator systems.

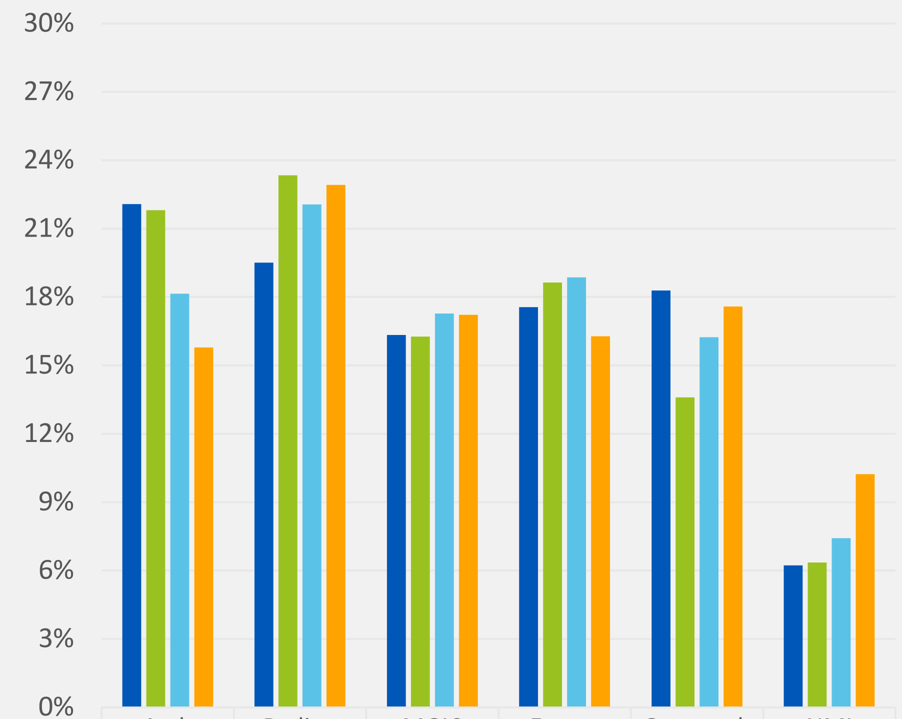
Competitor adoption of RBP should be net positive for industry.

- Broad based adoption of RBP should improve industry's ability to manage through deterioration in the credit cycle.
- Competitors remain behind Arch's ten years of RBP experience.



Arch

Market Share of NIW with LTV > 95%



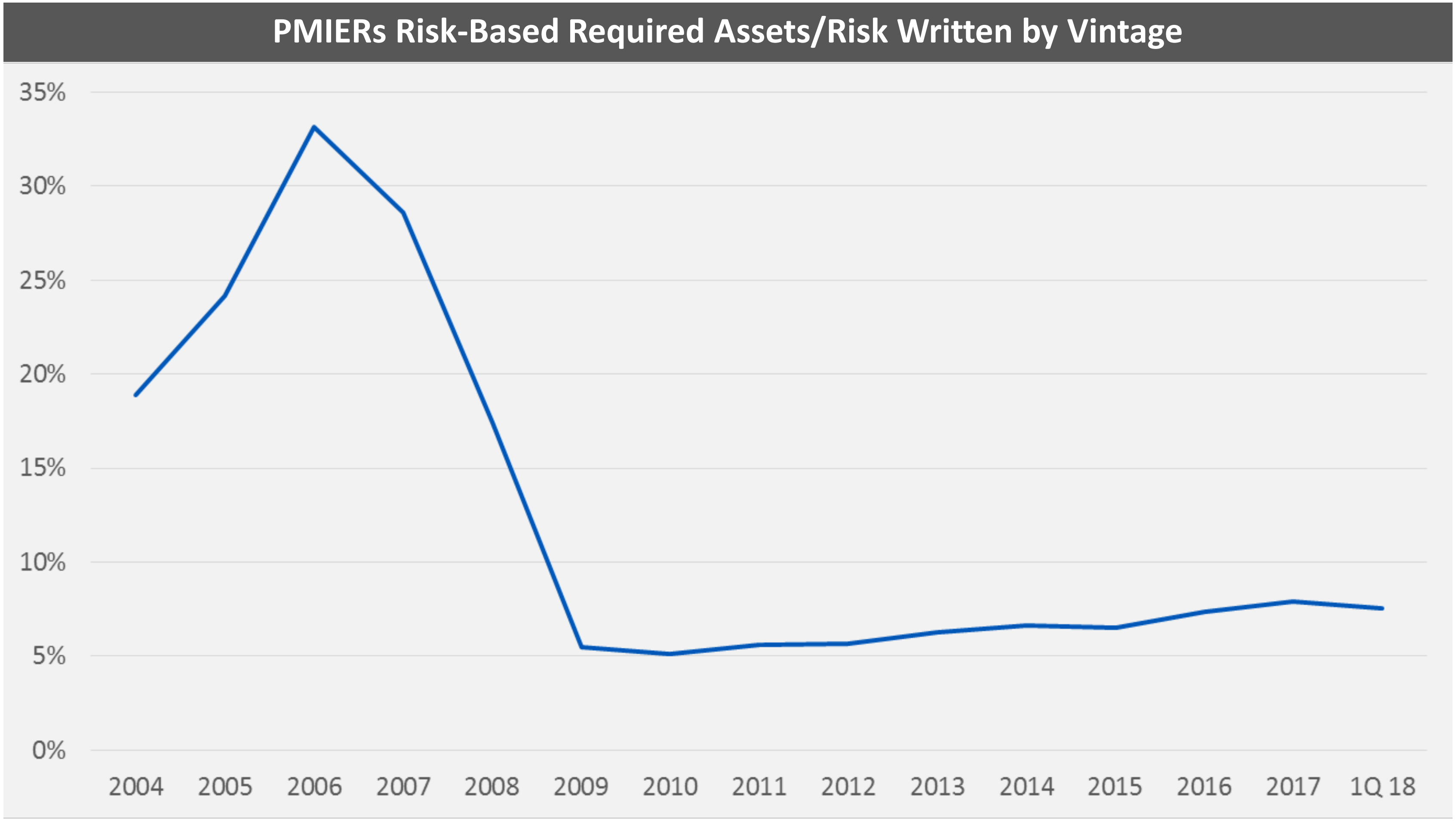
	Arch	Radian	MGIC	Essent	Genworth	NMI
1Q17	22%	20%	16%	18%	18%	6%
2Q17	22%	23%	16%	19%	14%	6%
3Q17	18%	22%	17%	19%	16%	7%
4Q17	16%	23%	17%	16%	18%	10%

RateStar is effective at managing emerging underwriting risks.

- On July 29, 2017, Fannie Mae increased the debt-to-income (DTI) threshold in its automated underwriting system (AUS) to 50% from 45%.
  - The portion of Fannie Mae's high LTV mortgages with a DTI greater than 45% increased from ~2% before the change to **almost 20% in 4Q17.**
  - Mortgages with DTI ratios greater than 45% represented **12% of Arch's NIW in 1Q18.**
    - We believe our portion of mortgages with DTI ratios greater than 45% is less than the industry's portion — which we believe is ~20% — because RateStar incorporates DTI in pricing.
  - Fannie Mae recently enacted restrictions to curb its acquisitions of mortgages with DTI ratios greater than 45%; FICO below 700.

GSEs Impose Risk-Based Capital Requirements

PMIERs encourage underwriting discipline by requiring significantly more capital for riskier loans.



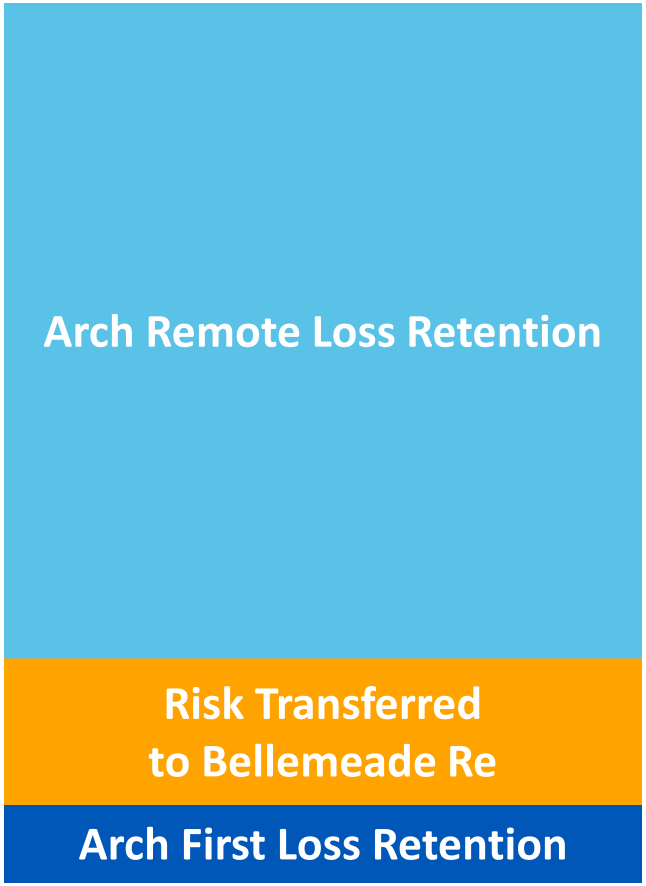
Cat Reinsurance for Mortgage – Arch ILS Risk Transfer

- Four issues transferred $1.3 billion of RIF totaling $30 billion in aggregate.
- Attachment and detachment points vary by transaction.
  - Two most recent transactions attached at 2.25% of RIF and detached at 7.25% of RIF.

Bellemeade Re accomplishes three key objectives for Arch.

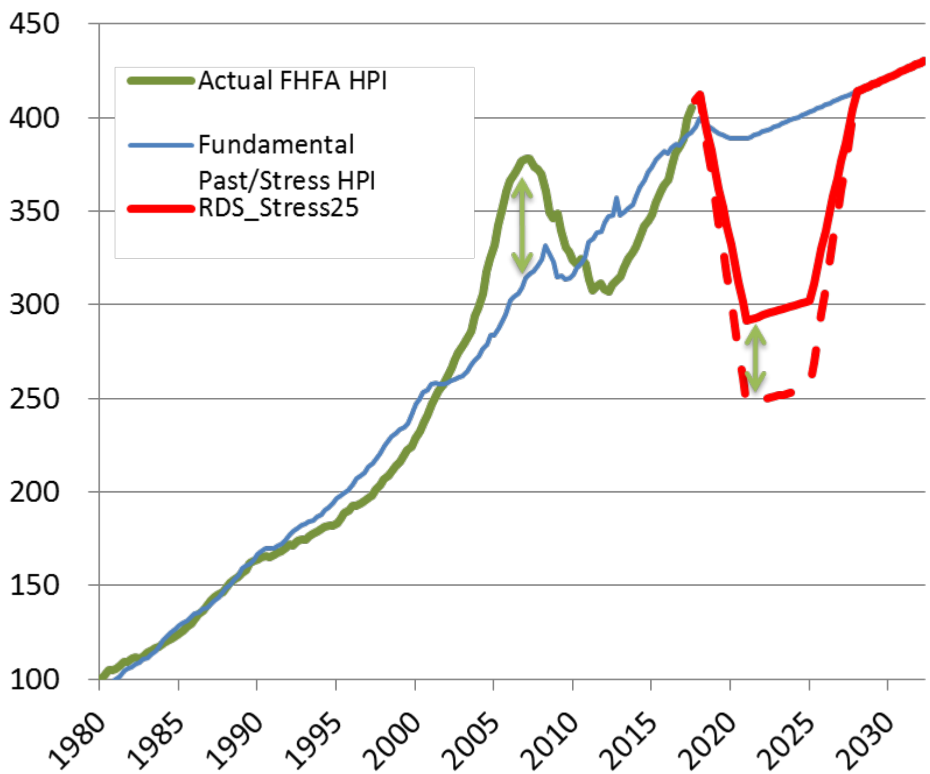
1. Mitigates losses in a stress scenario.
2. Reduces required capital.
3. Provides insight into capital markets' view of mortgage risk.

Bellemeade Re Structure



Realistic Disaster Scenario (RDS)

- Caps our exposure to mortgage risk at 25% of tangible equity.
  - RDS is designed to require more capital as mortgage and credit risk expand.
  - Current RDS is 16.4% of tangible equity.
- Preserves our ability to compete following a severe event.



Conclusion

Arch Mortgage's market leadership and culture of innovation has developed new earnings streams that directly benefit shareholders.

- Arch's Mortgage Segment plays an important role in our specialty insurance businesses by providing a predictable stream of high average returns.
- Potential for higher average returns from Mortgage given current hard market conditions.
- Diversified approach to MI businesses puts Arch in a better position to navigate through changes in market opportunities.
- Development of fee income enhances the Arch Mortgage Segment's earnings.
  - Arch MRT receives a ceding commission for administering GSEs' purchase of investor paid MI.
  - Arch Credit Risk Services earns fee income by advising clients on CRT transactions.

Questions?

Contact

Investor Inquiries:

Donald Watson
Executive Vice President,
Financial Services

Arch Capital Services Inc.
360 Hamilton Ave
Suite 600
White Plains, NY 10601
914-872-3616

DWatson@archcapservices.com

Vinay Misquith
Vice President
Financial Services

Arch Capital Services Inc.
360 Hamilton Ave
Suite 600
White Plains, NY 10601
914-872-3666

Vmisquith@archcapservices.com

www.archcapgroup.com