

MGIC

Investor Presentation Q2 2019

MGIC Investment Corporation (NYSE: MTG)



Forward Looking Statements



As used below, “we,” “our” and “us” refer to MGIC Investment Corporation’s consolidated operations or to MGIC Investment Corporation, as the context requires, and “MGIC” refers to Mortgage Guaranty Insurance Corporation.

This presentation may contain forward looking statements. Our actual results could be affected by the risk factors that are summarized at the end of this presentation. These risk factors may also cause actual results to differ materially from the results contemplated by any forward looking statements that we may make.

Forward looking statements consist of statements which relate to matters other than historical fact, including matters that inherently refer to future events. Among others, statements that include words such as “believe,” “anticipate,” “will” or “expect,” or words of similar import, are forward looking statements.

We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which this presentation was prepared in July 2019.



MGIC Investment Corporation

Key Financial Metrics

Q2 2019



- \$167.8 million GAAP net income in Q2 19; \$167.6 million adjusted net operating income⁽¹⁾ in Q2 19
 - Benefited from positive primary loss reserve development and a lower estimated claim rate on new notices
- \$0.46 net income per diluted share
- 17.6% GAAP annualized return on beginning shareholders' equity in Q2 19
- Incurred losses increased due to lower favorable development on previously received delinquencies in Q2 19 compared to Q2 18
- \$70 million in dividends paid from MGIC to MTG in Q2 19
- Repurchased ~1.8 million shares of common stock for \$25 million

(\$ in millions)	3 Months Ending		% Change
	Jun - 18	Jun - 19	y/o/y
Total revenues	\$282.0	\$292.3	4%
Incurred losses, net	(\$13.5)	\$21.8	262%
Net income	\$186.8	\$167.8	(10%)
Adjusted Net Operating Income ⁽¹⁾	\$189.2	\$167.6	(11%)
Primary Delinquent Inventory (# of units)	36,037	29,795	(17%)
Key Operating Metrics			
Loss Ratio (%)	(5.4)	8.8	
Expense Ratio (%)	16.4	17.6	
Statutory Risk-to-Capital - MGIC ⁽²⁾	9.1 : 1	10.1 : 1	

1. We present this non-GAAP financial measure "Adjusted Net Operating Income" to increase the comparability between periods of our financial results. See Page 27 for a reconciliation of GAAP net income to adjusted net operating income.

2. A reinsurance agreement in effect between Mortgage Guaranty Insurance Corporation and an affiliate was terminated during Q2 2019.



MGIC Investment Corporation

Key Financial Metrics

YTD 2019



- \$319.7 million GAAP net income YTD 2019; \$320.0 million adjusted net operating income⁽¹⁾ YTD 2019
 - Benefited from positive primary loss reserve development, lower new notice activity and lower estimated claim rate on those notices
- \$0.87 net income per diluted share
- 17.9% GAAP return on 2019 beginning shareholders' equity
- Increased book value 13.0%
- Incurred losses increased y/o/y due to lower favorable development on previously received delinquencies and the recognition of a probable loss from litigation of our claims paying practices in the first quarter of 2019
- \$140 million in dividends paid from MGIC to MTG YTD 2019

(\$ in millions)	6 Months Ending		% Change
	Jun - 18	Jun - 19	y/o/y
Total revenues	\$547.8	\$584.0	7%
Incurred losses, net	\$10.4	\$60.9	486%
Net income	\$330.5	\$319.7	(3%)
Adjusted Net Operating Income ⁽¹⁾	\$333.8	\$320.0	(4%)
Primary Delinquent Inventory (# of units)	36,037	29,795	(17%)
Key Operating Metrics			
Loss Ratio (%)	2.2	12.3	
Expense Ratio (%)	17.9	18.3	
Statutory Risk-to-Capital - MGIC	9.1 : 1	10.1 : 1	

1. We present this non-GAAP financial measure "Adjusted Net Operating Income" to increase the comparability between periods of our financial results. See Page 27 for a reconciliation of GAAP net income to adjusted net operating income.

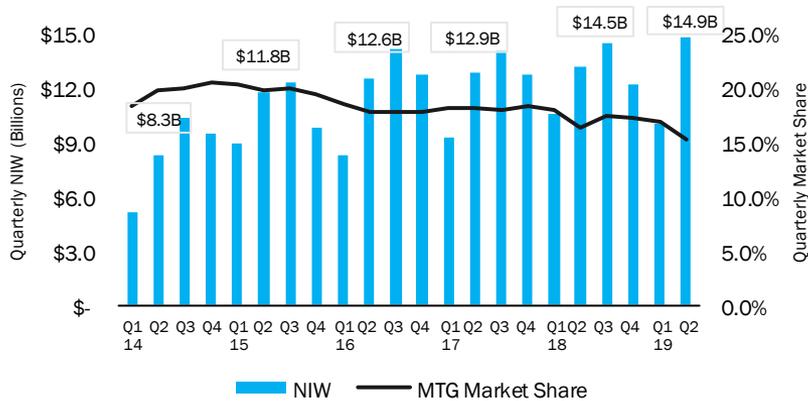


MGIC Investment Corporation

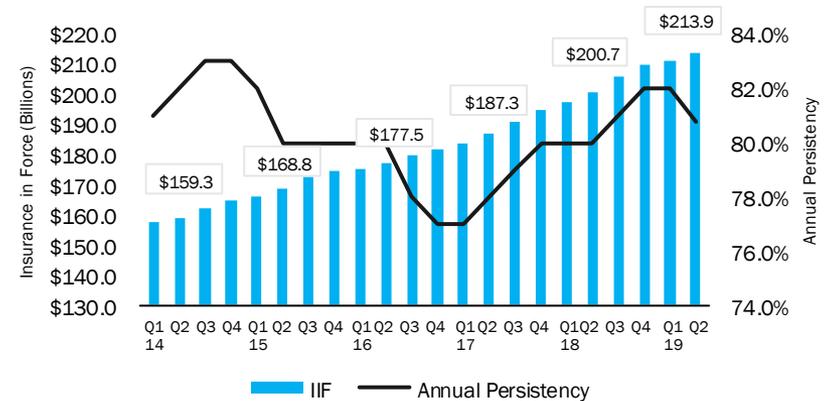
Key Financial Metrics



Quality NIW and Steady Market Share



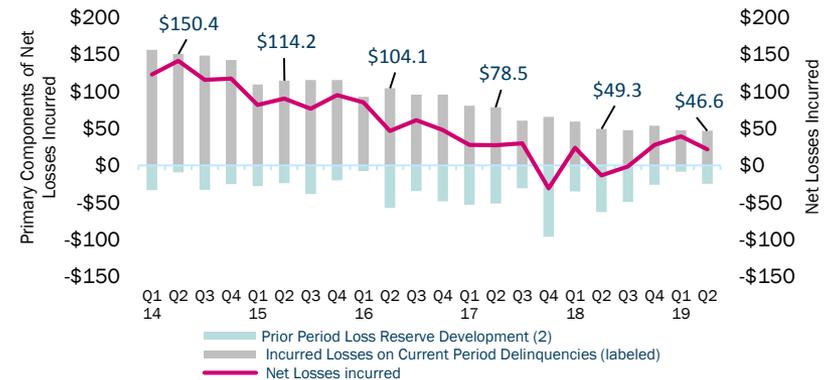
Strong Persistency and Growing IIF



Net Premium Yield ⁽⁴⁾ Declines as Higher Premium and Loss Content of Legacy Book is Replaced by Lower Premium Rates and Expected Lower Loss Content of >2008 NIW



Favorable Trends for New Delinquent Notices Received and a Steady Improvement in the Cure Rates of Previously Received Notices Has Resulted in Lower Net Losses Incurred



- Net premium yield is the ratio of net premiums earned / average insurance in force for each period shown. The net premium yield reported each period can be affected by changes in estimates for premium refunds, accelerated recognition of single premiums, changes in reinsurance contract terms, premium rates on NIW, premium rate resets, and cancellation of remaining insurance in force.
- Prior period reserve development in Q1 2019 includes the recognition of a \$23.5 million probable loss from litigation of our claims paying practices; excluding this charge, the prior period positive loss reserve development would have been approximately \$32 million.



Return on Equity Being Driven by Quality NIW, Growing IIF and Improved Credit Profile



1. GAAP return on beginning shareholders' equity is the ratio of GAAP net income for each period shown x 4 divided by beginning shareholders' equity for each period.
 2. Adjusted return on beginning shareholders' equity is the ratio of adjusted net operating income for each period shown x 4 divided by beginning shareholders' equity for each period. See Page 27 for a reconciliation of GAAP net income to adjusted net operating income.



Capital Management Objectives



- Influence and ensure compliance with capital requirements;
- Manage relationships to foster access to capital and reinsurance markets;
- Size the level of capital to balance competitive needs, handle contingencies, and create shareholder value, including analyzing the size and form of capital return to shareholders;
- Position our mix of debt, equity and/or reinsurance to support our business strategy while considering the needs of credit ratings agencies, regulators, and shareholders;
- Support business opportunities by efficiently using company resources, aligning legal structure and enabling capital flexibility;
- Continue positive ratings trajectory;
- Cover claim obligations arising from our underlying mortgage insurance activities.



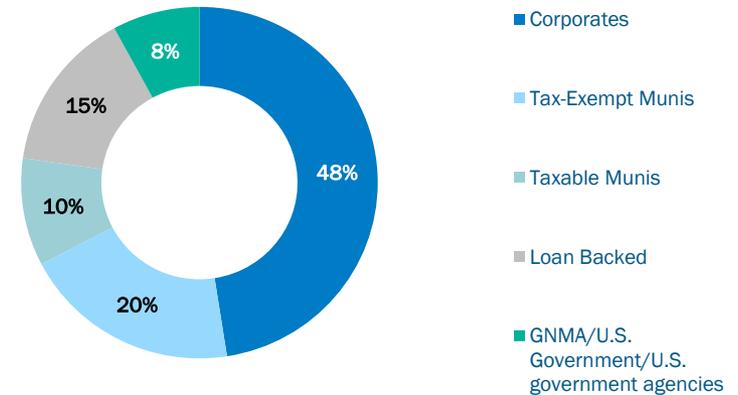
Strong Balance Sheet Investment Portfolio Overview At June 30, 2019



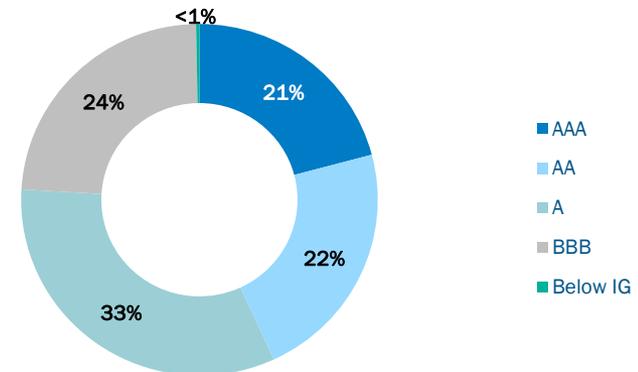
Commentary

- \$5.7 billion of cash and investments (consolidated)
 - Includes \$333 million at holding company
- 99.7% Investment Grade
 - ~75% with an underlying rating of “A” or better
- Effective Duration of 4.0 years (excludes cash and cash equivalents)
- Embedded pre-tax yield is 3.16%

Invested Assets By Type



Fixed Income Security Ratings





Summary



Unique Company

- Enables private investment in mortgage credit risk
- Established market player positioned to take advantage of current environment
- Solid capital position and positive ratings momentum
- Proven track record of execution with strong management team

Potential Financial Tailwinds

- Growing Insurance in force; Increasing owner occupied households
- Positive loss trajectory of legacy book; Low loss ratios from 2009 and > books
- Increasing dividends from the writing company to the holding company
- Emerging programs to transfer additional mortgage credit risk

Potential Financial Headwinds

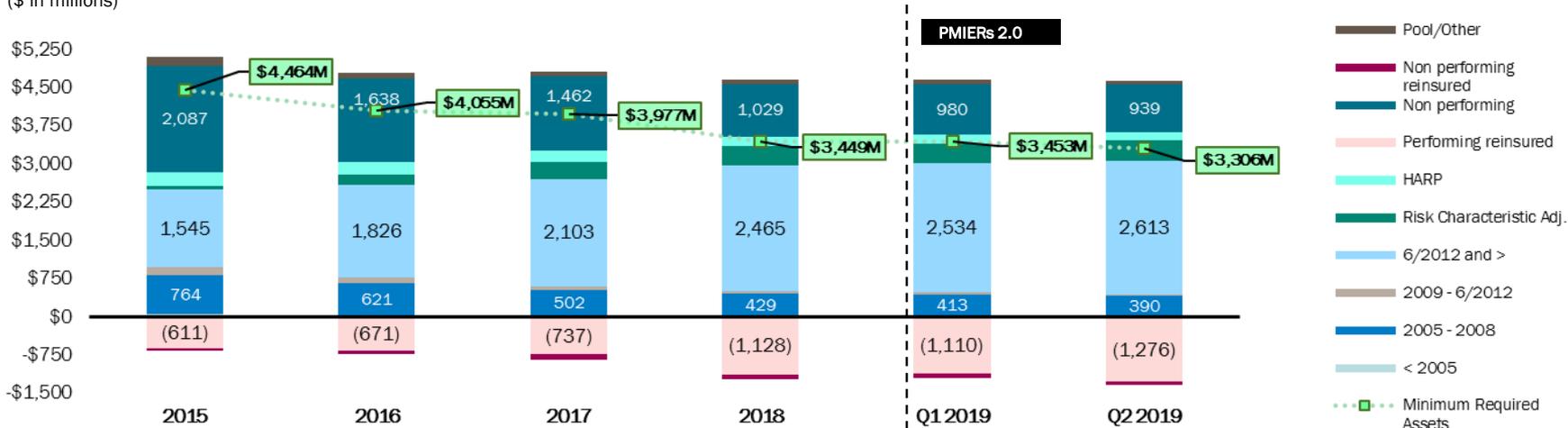
- Premium revenue growth limited in near term as net premium yield drifts lower
 - changing mix of remaining insurance in force (legacy books have materially higher premium rates compared to business written since then)
 - reinsurance and insurance linked note transactions
- Increased influence of FHA and GSEs in Housing Finance
- Housing Finance Reform
 - GSE Patch expires January 2021; CFPB seeking comments
- Emerging alternatives to traditional mortgage insurance



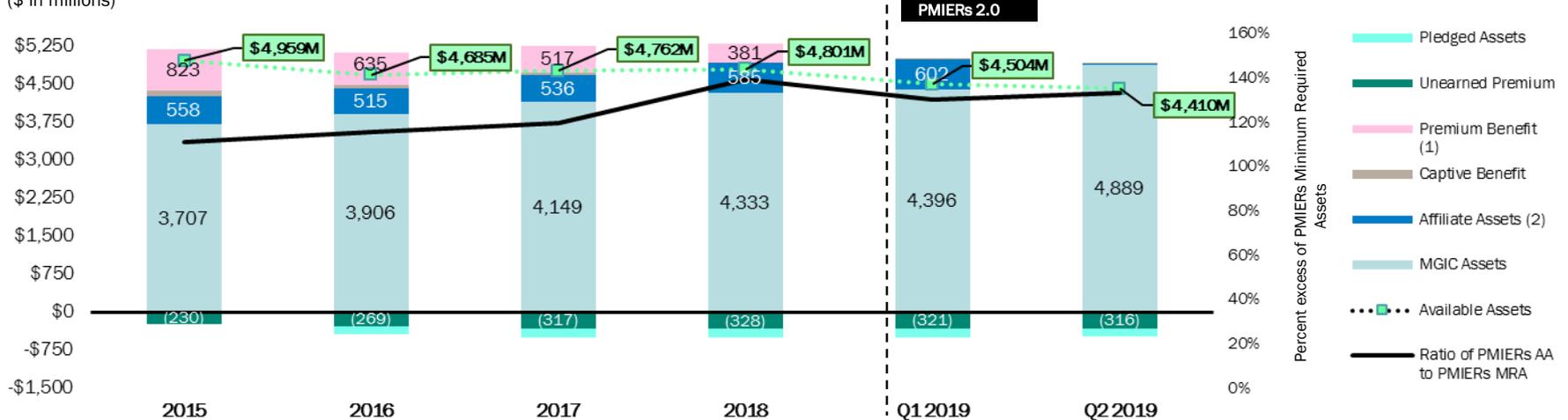
PMIERS Asset Trends



(\$ in millions)



(\$ in millions)



1. Revised PMIERS became effective March 31, 2019. The decrease in our available assets at March 31, 2019 was primarily due to the elimination of any credit for future premiums that had previously been allowed for certain insurance policies.

2. A reinsurance agreement in effect between Mortgage Guaranty Insurance Corporation and an affiliate was terminated during Q2 2019



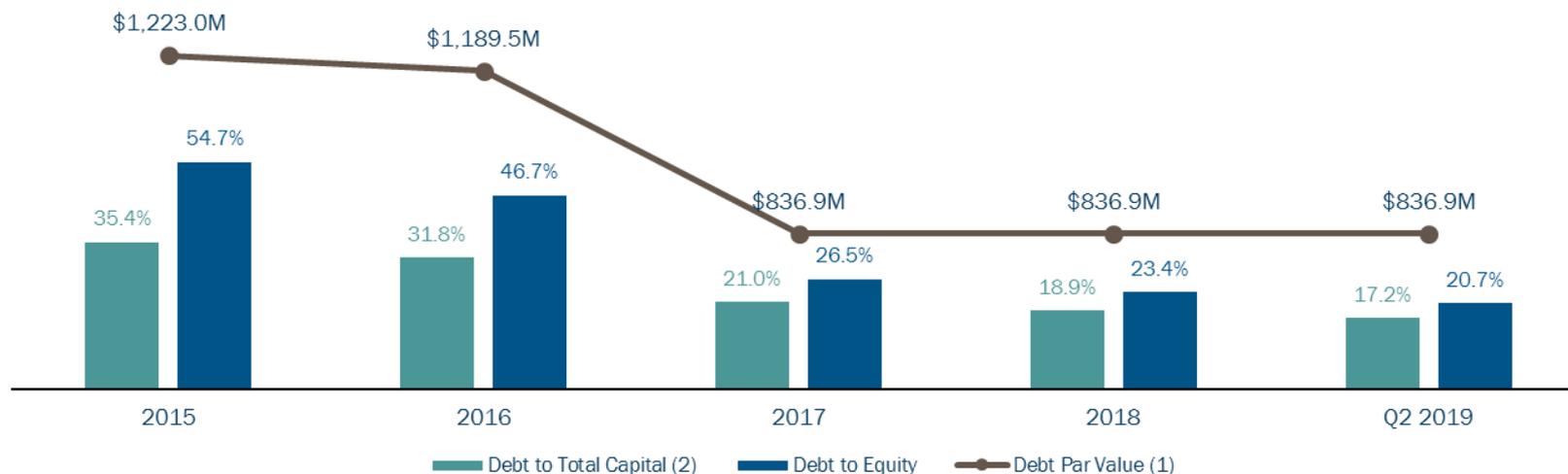
Debt Outstanding As of June 30, 2019



Company	Issuance	Par Value	Interest Rate	Maturity
MGIC	FHLB Advance	\$155.0 million	1.91% Fixed Rate	February 2023
MTG (HoldCo)	Senior Notes	\$425.0 million	5.75% Fixed Rate	August 2023
MTG (HoldCo)	Convertible Jr. Subordinated Debentures (1)	\$257.0 million	9.00% Fixed Rate	April 2063

- **\$333 million cash and investments at holding company (3)**
- **\$60 million annual debt service on a cash basis**

Improved Debt to Capital Position



1. Convertible Junior Subordinated Debentures due 2063 are shown net of the \$133 million that is still outstanding and is owned by MGIC.
2. Debt to Total Capital is the ratio of Debt Outstanding / (Debt Outstanding + Shareholders Equity)
3. Holding company cash and investments before effect of Q3 2019 dividends declared and share repurchases



Key Drivers of MGIC's Strategy



Continued MI Leadership

- Largest customer base in industry (~5,000 lenders/servicers)
- Established market player positioned to take advantage of current environment
- Exceptional customer service with industry-leading low expense ratio

Risk & Capital Management

- Focus on increasing holding company capital allocation options
 - Repurchased ~16mm shares in 2018 / Repurchased ~3.6million shares in 2019 through August 5
 - As of August 5, 2019 ~\$177 million remaining under share repurchase authorization expiring in December 2020
 - Declared \$0.06/share common cash dividend payable September 20, 2019
- Reinsurance treaties cover a portion of the risk on ~80% of insurance in force as of June 30, 2019
 - Use of quota share reinsurance transactions and excess of loss reinsurance (insurance linked note) transactions provides both risk and PMIERS capital relief
- Maintain PMIERS/state capital compliance with adequate ability to absorb reasonable economic shocks

Continued Growth

- Promote prudent low down payment lending with lenders, policymakers and consumers
- Support efforts to right-size the FHA's role in housing
- Participate in additional risk sharing opportunities with GSEs and lenders when returns add to shareholder value

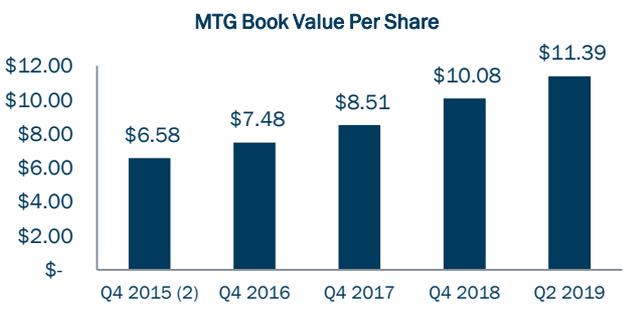
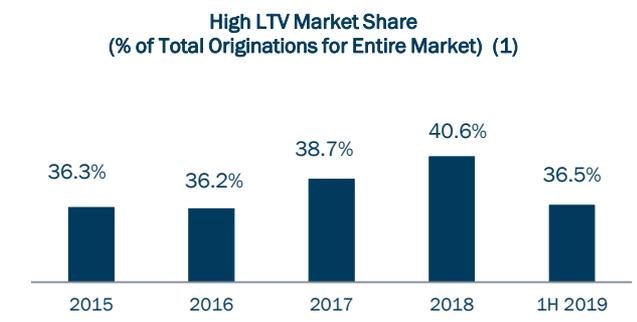
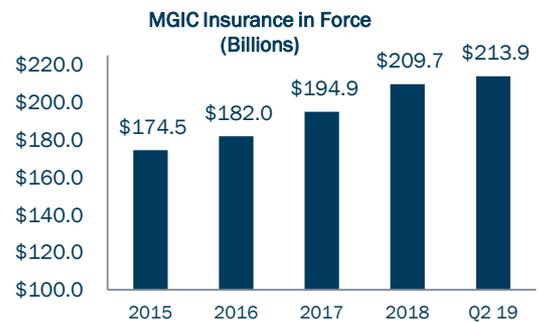


Good Progress on Executing Business Strategies

June 30, 2019



Prudently grow insurance in force	Pursue new business opportunities that meet our return objectives	Preserve and expand the role of MGIC and Private MI in housing finance policy	Develop and diversify the talents of co-workers	Manage and deploy capital to optimize creation of shareholder value
<ul style="list-style-type: none"> •\$213.9 billion of insurance in force (~+7% y/o/y) •86% of RIF is 2009 and > •Average FICO > 750 on 2009 and > NIW •Low delinquency and ever to date losses on 2009 and > NIW 	<ul style="list-style-type: none"> •Engage in discussions supportive of front-end credit risk transfer through “deep cover” MI •Participate in GSE mortgage insurance credit risk transfer programs 	<ul style="list-style-type: none"> •Private MI has a meaningful market share of High LTV Market •Private MI NIW volume of ~\$290 billion in 2018 •MGIC had ~16.0% market share in 1H 19; ~17.4% market share in 2018 •Increased visibility in housing policy arenas 	<ul style="list-style-type: none"> •Increased investment in co-worker development while maintaining industry low expense ratio •Promote accountability and reward success 	<ul style="list-style-type: none"> •PMIERS Compliant •Positive ratings trajectory •Y/O/Y decreased MTG leverage ratios and reduced potential share dilution •Repurchased ~20 million shares in 2018 and YTD 2019 (through August 5, 2019) •Book value per share increased 24.5% y/o/y



(1) Total originations, FHA, Private MI, VA and USDA as published by Inside Mortgage Finance.

(2) In 2015 Book Value was materially impacted by the reversal of the Valuation Allowance against the Company's Deferred Tax Asset.



Summary



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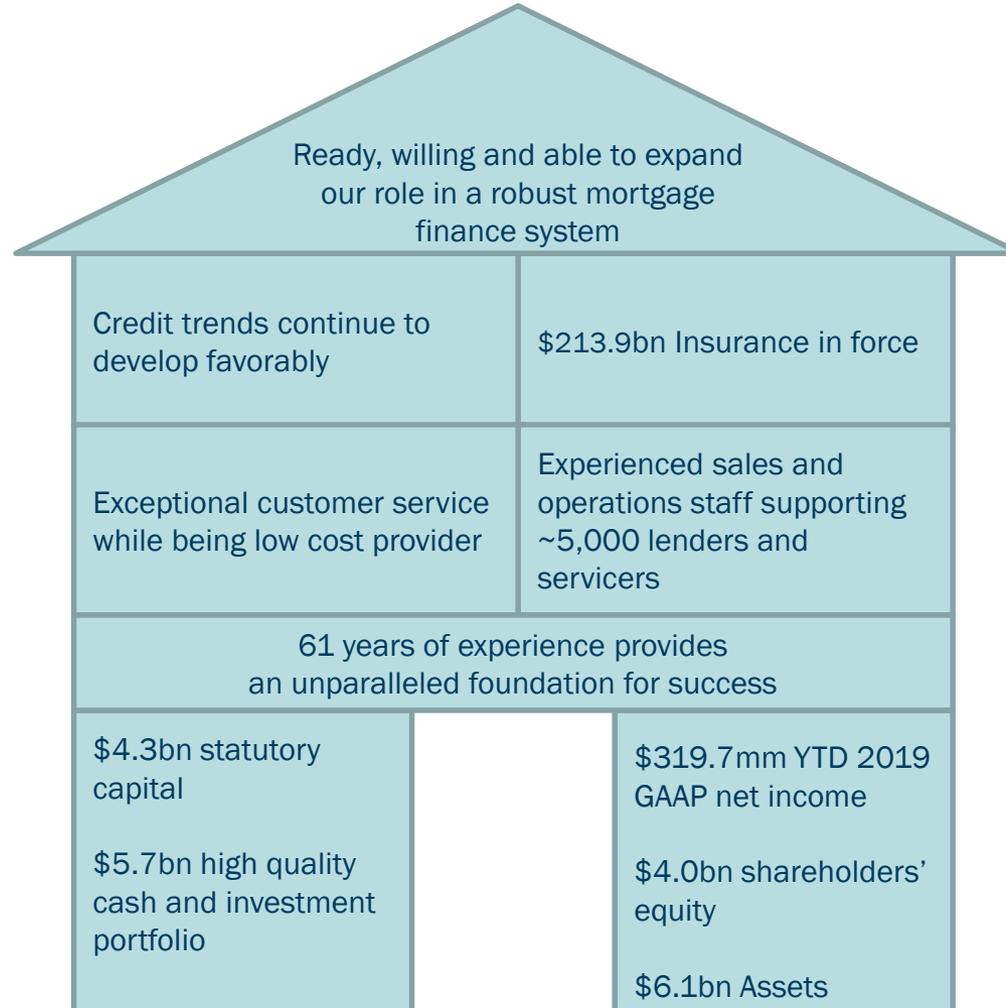
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- Premium revenue growth limited in near term as net premium yield drifts lower
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 - reinsurance and insurance linked note transactions
- Increased influence of FHA and GSEs in Housing Finance
- Housing Finance Reform
 - GSE Patch expires January 2021; CFPB seeking comments
- Emerging alternatives to traditional mortgage insurance



MGIC at a Glance

June 30, 2019





Appendix



MGIC Investment Corporation Overview

MGIC

✓ Who we are

- The nation's oldest private mortgage insurer, with insurance in force of \$213.9 billion
- In 1957 Max Karl founded the modern MI industry and MGIC in Milwaukee, WI
- ~750 employees, including an experienced sales and underwriting team covering the U.S. and other locations

✓ What we do

- Take **first-loss** credit position on low down payment residential mortgages
- **Reduce** cost for borrowers and promote risk-sharing compared to FHA
- Enable **private** investment in mortgage credit risk
- Provide **long term** credit enhancement options to investors in mortgages

✓ Our strategies

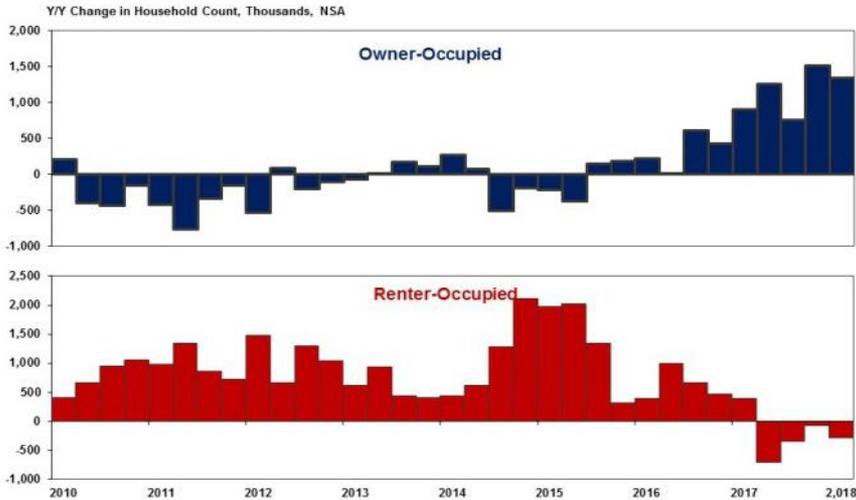
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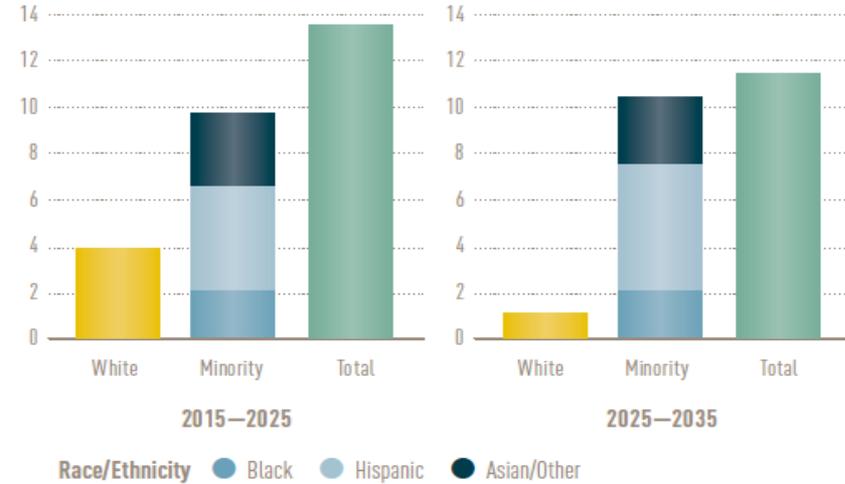
Solid Demographic Trends Are Positively Influencing Housing Markets



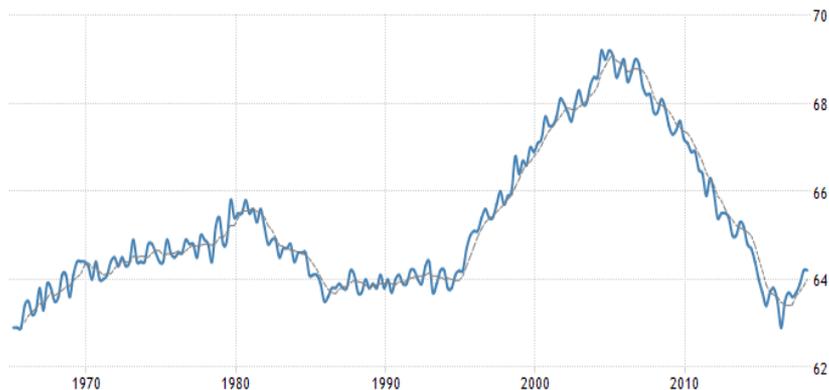
Household Formation Changes



Projected Household Growth (Millions)



US HOME OWNERSHIP RATE



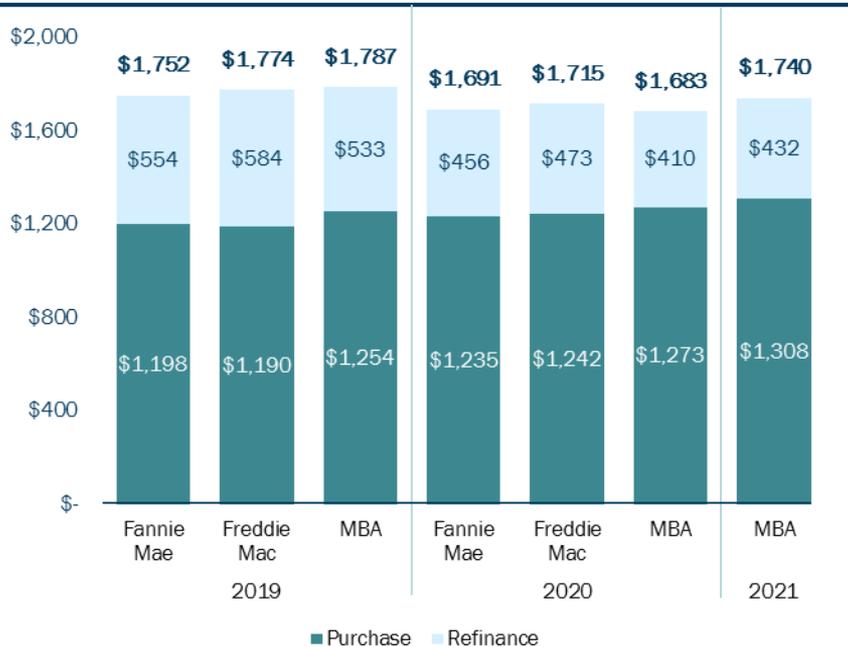
- ✓ *Increasing household formations*
 - ✓ *Increase in owner-occupied partially offset by a decline in renters*
 - ✓ *~45 million households between ages 25 and 34*
 - ✓ *(Homeownership rate is ~35% for < 35 year olds and ~60% for 35 – 44 year olds)*
- ✓ *Homeownership rates off of lows and rising*



Mortgage Origination Outlook



Origination Forecasts (in Billions)



Commentary

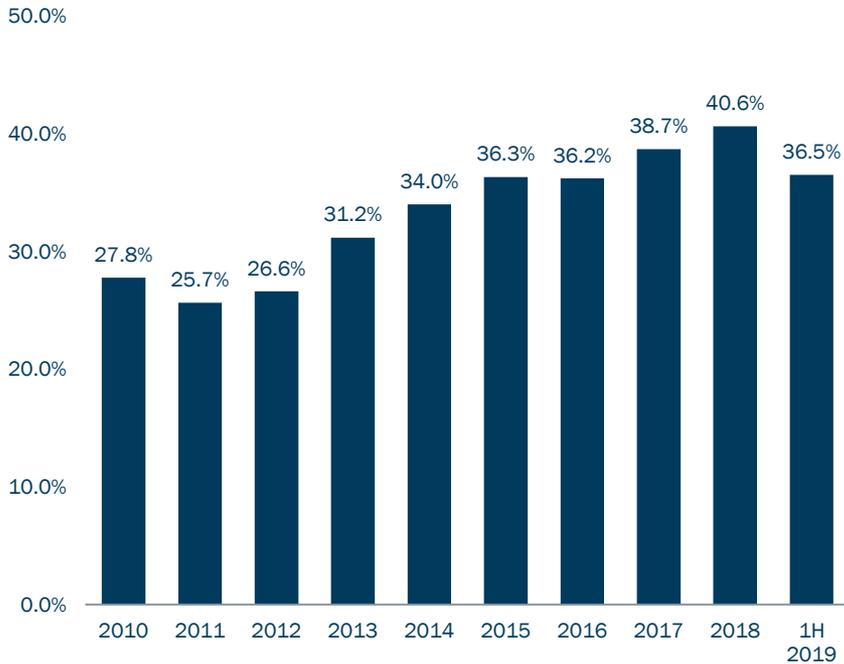
- ✓ 2019 mortgage origination forecasts ~\$1.8 trillion
- ✓ Overall market volume expected to be relatively flat
- ✓ GSEs and MBA all forecasting modest increases in purchase activity over next few years
- ✓ Good environment for Private MI
 - ✓ MI market share 3.5-4x higher for Purchase business v. Refinance business
 - ✓ Attractive interest rate environment
 - ✓ Strong demand for housing especially among millennials



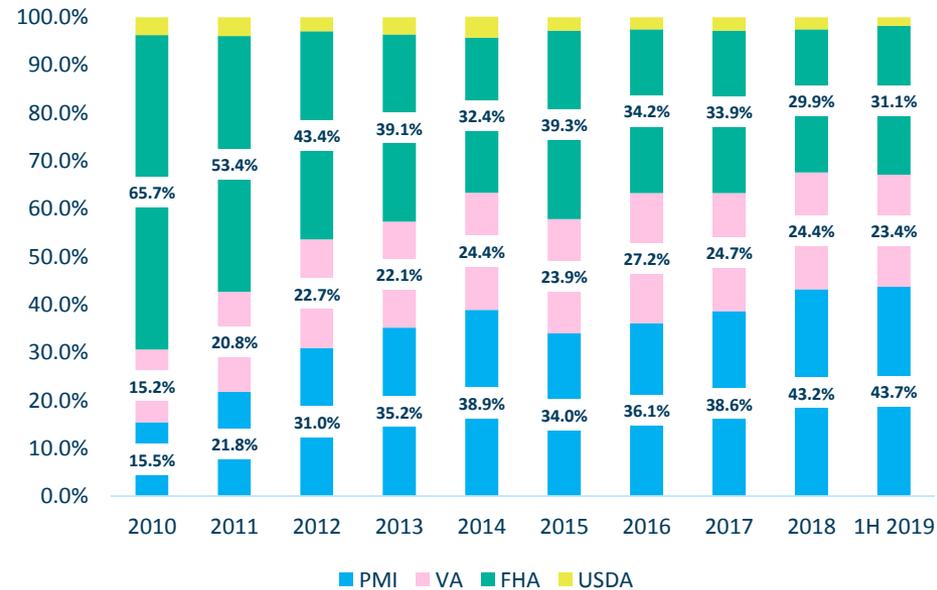
High LTV Lending Trends



**Private and Government Insured Loans
as % of Total Origination Market ⁽¹⁾**



Private MI Market Share of Insured Loans ⁽²⁾



1. Insured loans equals the total dollar volume of PMI, FHA, VA and USDA insurance issued in that period as a percentage of total originations for the same period as reported by Inside Mortgage Finance July 2019
 2. Source: Inside Mortgage Finance August 2019

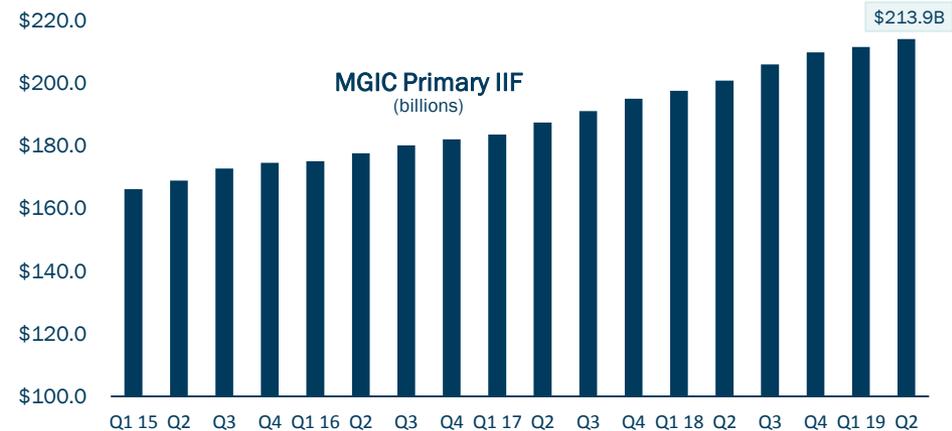
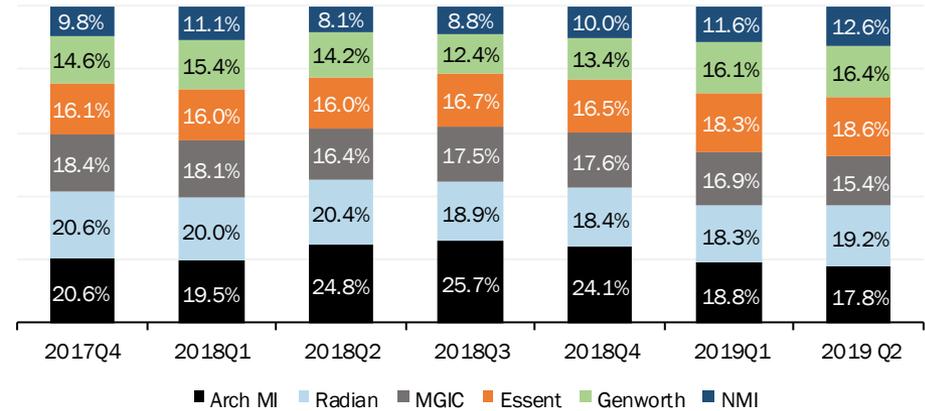


Solid Market Share Leads to Growing Insurance in Force



- Ready, willing and able to expand our role in a robust mortgage finance system
- \$213.9 billion Insurance in force is up ~7% year over year at June 30, 2019
- 60+ years of experience provides an unparalleled foundation for success

Market Share by NIW (1)



1. Per company press releases



Well Positioned to Serve the Market



MGIC's Strong Positioning

- Exceptional customer service with low expense ratio
- Growing risk in force and improving credit performance
- Strong relationships with large, diverse customer base
 - ~5,000 originators or servicers transacted with MGIC in last 12 months
 - Top 25 lenders deliver <40% of new business in each of 2016, 2017 or 2018

Increasing Risk in Force and Improving Credit Profile



Highly Efficient and Low Cost Platform Expense Ratio ⁽¹⁾



1. Expense Ratio for MGIC is for insurance operations. MGIC calculates expense ratio based on net written premiums, while some peers use net earned premiums to calculate expense ratios.



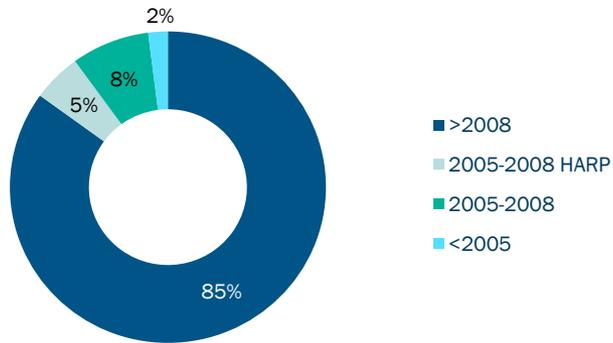
Well Positioned to Serve the Market

(as of June 30, 2019)

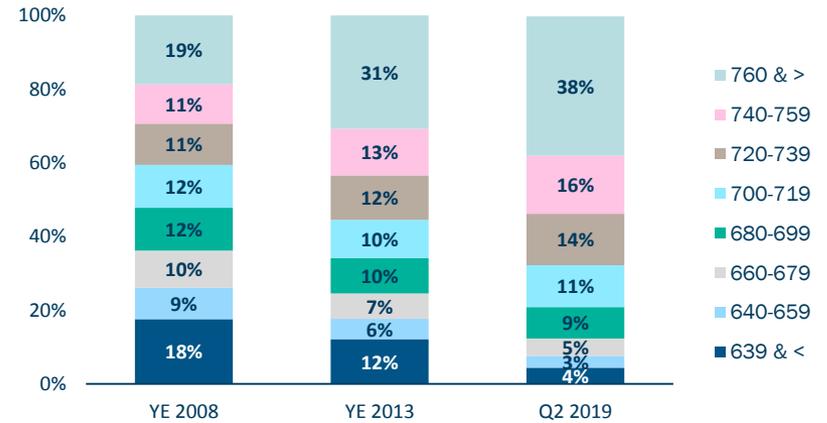


Primary Risk in Force \$55.2 Billion

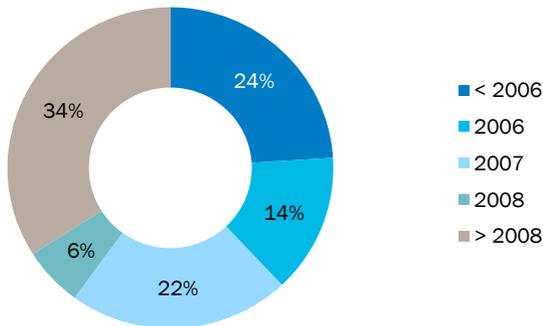
90% of RIF is >2008 or HARP



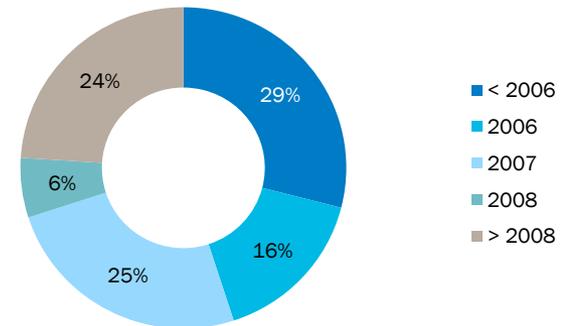
Risk in Force By FICO Score at Time of Origination (as of period ending)



New Notices Received in Q2 2019



Primary Delinquent Inventory



2009 – 2019 books account for 86% of risk in force, 34% of new notices of delinquency in Q2 19 and 24% of delinquent inventory.

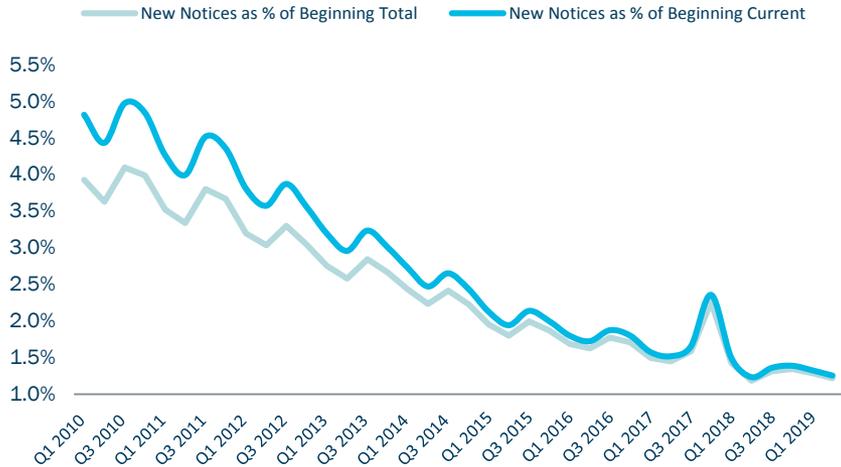


Positive Credit Trends

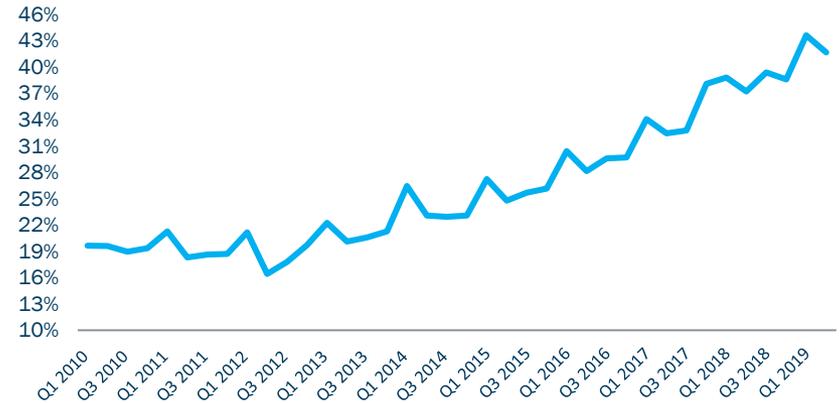
(as of June 30, 2019)



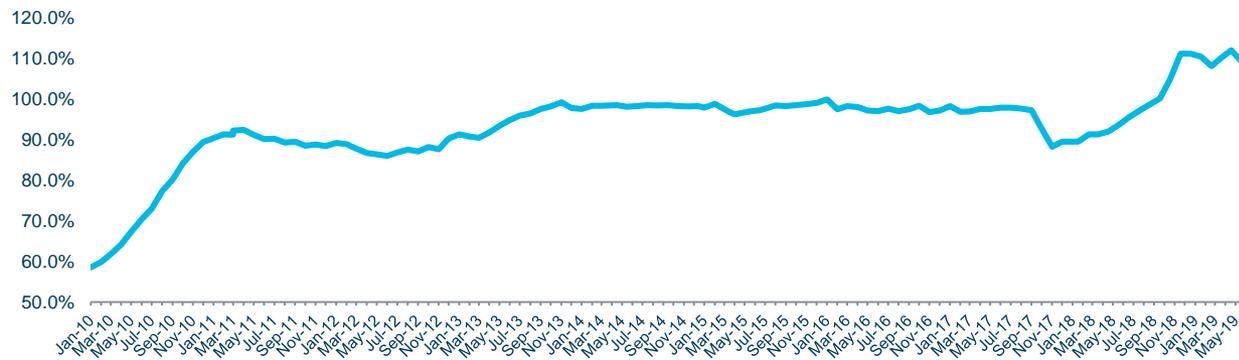
New Notices as Percent of Primary Loans Insured



Cures as Percent of Beginning Primary Delinquent Inventory



Trailing 12 Month Cure to Default Ratio (1)



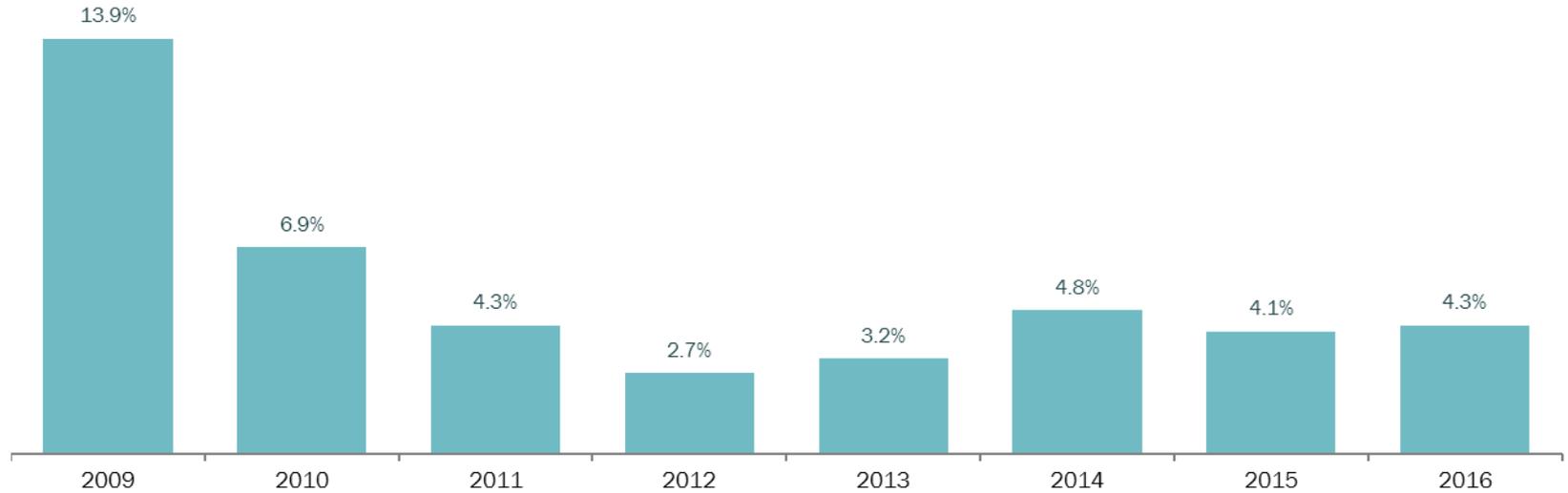
1. Trailing 12 month cure/default ratio is the sum of the last 12 month's cures / the sum of the last 12 month's new notices of delinquencies. Decrease in Q4 17 was due to major 2017 hurricanes. Increases in 2018 were due to cures that resulted from the new notices of delinquencies that were a result of the 2017 hurricanes.



High Quality Business Leads to Lower Losses and Solid Returns



Ever to Date Loss Ratio of Individual Book Years ^{(1), (2)}



1. Ever to date loss ratio is the sum of paid losses plus established primary loss reserves (not including IBNR) divided by net premiums earned for each book year shown as of June 30, 2019
2. 2017 - 2019 not displayed as there is not an adequate period of aging to draw meaningful conclusions



Reconciliation of GAAP Net Income to Adjusted Net Operating Income

(\$ in millions)

MGIC

	Q1 16	Q2	Q3	Q4	Q1 17	Q2	Q3	Q4	Q1 18	Q2	Q3	Q4	Q1 19	Q2
GAAP Net Income	\$ 69.19	\$ 109.22	\$ 56.62	\$ 107.49	\$ 89.80	\$ 118.62	\$ 120.03	\$ 27.31	\$ 143.64	\$ 186.81	\$ 181.90	\$ 157.75	\$ 151.94	\$ 167.78
Effect of change in deferred tax asset valuation allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional income tax provision related to the rate decrease included in the Tax Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
After-tax additional income tax provision related to IRS litigation	\$ 0.19	\$ 0.15	\$ 0.19	\$ 0.20	\$ 27.22	\$ 0.56	\$ 0.62	\$ 0.64	\$ 0.71	\$ 0.92	\$ (0.15)	\$ (3.94)	\$ -	\$ -
After-tax net realized investment losses (gains)	\$ (1.99)	\$ (0.54)	\$ (3.31)	\$ 0.03	\$ 0.08	\$ 0.03	\$ 0.03	\$ (0.30)	\$ 0.26	\$ 1.50	\$ (0.88)	\$ 0.19	\$ 0.49	\$ (0.17)
Loss on debt extinguishment	\$ 8.74	\$ 1.21	\$ 48.90	\$ -	\$ -	\$ 0.04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted net operating income	\$ 76.13	\$ 110.04	\$ 102.40	\$ 107.72	\$ 117.10	\$ 119.25	\$ 120.68	\$ 160.65	\$ 144.61	\$ 189.24	\$ 180.87	\$ 154.00	\$ 152.43	\$ 167.61
Annualized adjusted net operating income	\$ 304.52	\$ 440.16	\$ 409.60	\$ 430.88	\$ 468.41	\$ 477.00	\$ 482.71	\$ 642.60	\$ 578.44	\$ 756.94	\$ 723.46	\$ 615.99	\$ 609.72	\$ 670.43
Beginning shareholders' equity	\$ 2,236.14	\$ 2,343.40	\$ 2,511.68	\$ 2,583.08	\$ 2,548.84	\$ 2,647.53	\$ 2,995.06	\$ 3,130.15	\$ 3,154.53	\$ 3,231.41	\$ 3,313.88	\$ 3,489.53	\$ 3,581.89	\$ 3,816.18
GAAP return on beginning shareholders' equity	12.4%	18.6%	9.0%	16.6%	14.1%	17.9%	16.0%	3.5%	18.2%	23.1%	22.0%	18.1%	17.0%	17.6%
Adjusted return on beginning shareholders' equity	13.6%	18.8%	16.3%	16.7%	18.4%	18.0%	16.1%	20.5%	18.3%	23.4%	21.8%	17.7%	17.0%	17.6%



Summary of Risk Factors



The below is a brief summary of some of the risk factors that could cause the issuer's results to differ materially from those expressed in, or implied by, the forward looking statements included in this presentation. Before investing in the issuer's securities, investors should read and carefully consider the risks described in the company's SEC filings.

- *Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses.*
- *The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.*
- *Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.*
- *We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease as we are required to maintain more capital in order to maintain our eligibility.*
- *We are involved in legal proceedings and are subject to the risk of additional legal proceedings in the future.*
- *We are subject to comprehensive regulation and other requirements, which we may fail to satisfy.*
- *If our risk management programs are not effective in identifying, or adequate in controlling or mitigating, the risks we face, or if the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition.*
- *Because we establish loss reserves only upon a loan delinquency rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.*
- *Because loss reserve estimates are subject to uncertainties, paid claims may be substantially different than our loss reserves.*
- *We rely on our management team and our business could be harmed if we are unable to retain qualified personnel or successfully develop and/or recruit their replacements.*
- *If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline.*
- *State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.*
- *Downturns in the domestic economy or declines in the value of borrowers' homes from their value at the time their loans closed may result in more homeowners defaulting and our losses increasing, with a corresponding decrease in our returns.*
- *The mix of business we write affects our Minimum Required Assets under the PMIERS, our premium yields and the likelihood of losses occurring.*
- *The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations.*
- *We are susceptible to disruptions in the servicing of mortgage loans that we insure.*
- *Changes in interest rates, house prices or mortgage insurance cancellation requirements may change the length of time that our policies remain in force.*
- *Our holding company debt obligations materially exceed our holding company cash and investments.*
- *Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock.*
- *The price of our common stock may fluctuate significantly, which may make it difficult for holders to resell common stock when they want or at a price they find attractive.*
- *We could be adversely affected if personal information on consumers that we maintain is improperly disclosed and our information technology systems may become outdated and we may not be able to make timely modifications to support our products and services.*
- *Our success depends, in part, on our ability to manage risks in our investment portfolio.*
- *Our financial results may be adversely impacted by natural disasters; certain hurricanes may impact our incurred losses, the amount and timing of paid claims, our inventory of notices of default and our Minimum Required Assets under PMIERS.*



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Company Contact:

Michael Zimmerman
Senior Vice President - Investor Relations
Direct: (414) 347-6596
mike_zimmerman@mgic.com