Genworth Canada



First Quarter 2020 Results

May 6th, 2020

Forward-looking and non-IFRS statements

Genworth Canada

Public communications, including oral or written communications such as this document, relating to Genworth MI Canada Inc. (the "Company", "Genworth Canada" or "MIC") often contain certain forward-looking statements. These forward-looking statements include, but are not limited to, statements with respect to the impact of any potential regulatory changes, guideline changes by OSFI or legislative changes introduced in connection with the Protection of Residential Mortgage or Hypothecary Insurance Act (PRMHIA); the effect of changes to the mortgage insurance rules, including government guarantee mortgage eligibility rules and provincial housing initiatives; the potential impact of the COVID-19 pandemic on the Company's business and operations; and the Company's beliefs as to housing demand and home price appreciation, key macroeconomic factors, unemployment rates; as well as the Company's future operating and financial results, sales expectations regarding premiums written, capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies, the Canadian housing market, and other statements that are not historical facts. These forward-looking statements may be identified by their use of words such as "may", "would", "could", "will," "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions. These statements are based on the Company's current assumptions, including assumptions regarding economic, global, political, business, competitive, market and regulatory matters. These forward-looking statements are inherently subject to significant risks, uncertainties and changes in circumstances, many of which are beyond the ability of the Company to control or predict. The Company's actual results may differ materially from those expressed or implied by such forward-looking statements, including as a result of changes in the facts underlying the Company's assumptions, and the other risks described in the Company's most recently issued Annual Information Form, Short Form Base Shelf Prospectus, Management's Discussion and Analysis and all documents incorporated by reference in such documents. Management's current views regarding the Company's financial outlook are stated as of the date hereof and may not be appropriate for other purposes. Other than as required by applicable laws, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

To supplement its financial statements, the Company uses select non-IFRS financial measures. Such non-IFRS financial measures include net operating income, operating earnings per common share (basic), operating earnings per common share (diluted), operating return on equity, insurance in-force, new insurance written, loss ratio, expense ratio, combined ratio, investment yield, Mortgage Insurer Capital Adequacy Test (MICAT) and Minimum Capital Test (MCT). The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-IFRS measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies. These measures are defined in the Company's glossary, which is posted on the Company's website at http://investor.genworthmicanada.ca. A reconciliation from non-IFRS financial measures to the most readily comparable measures calculated in accordance with IFRS, where applicable, can be found in the Company's most recent Management's Discussion and Analysis, which is posted on the Company's website and is also available at www.sedar.com.

1Q20 financial results

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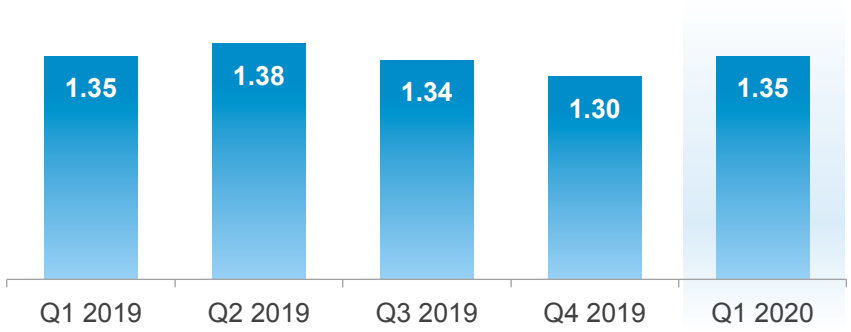
$MM except loss ratio, Op. ROE, Op. EPS & MICAT ratio	Q1 2020	Q4 2019	Q1 2019	Q / Q	Y / Y
Premiums written	$114	$183	$105	-38%	+8%
Premiums earned	$171	$171	$169	-	+1%
Loss ratio	14%	20%	15%	-6pts	-1pt
Net income	$95	$108	$97	-13%	-3%
Net operating income	$117	$112	$119	+4%	-1%
Operating ROE	13%	11%	12%	+1pts	+1pt
Operating EPS (dil.)	$1.35	$1.30	$1.35	+4%	-
MICAT ratio[1]	172%	170%	172%	+2pts	-

Q1 key highlights

- Total premiums written increased Y/Y by 8% primarily due to increased housing market activity
- Loss ratio of 14% reflects strong portfolio quality and stable housing markets and employment coming out of 2019
- Net operating income and operating EPS up ~4% Q/Q
- Ongoing capital strength with MICAT ratio of ~172%[1]
- Book value per share of $39.61 after payment of $4.64 of special dividends in the quarter and $8.81 since Q2 2019

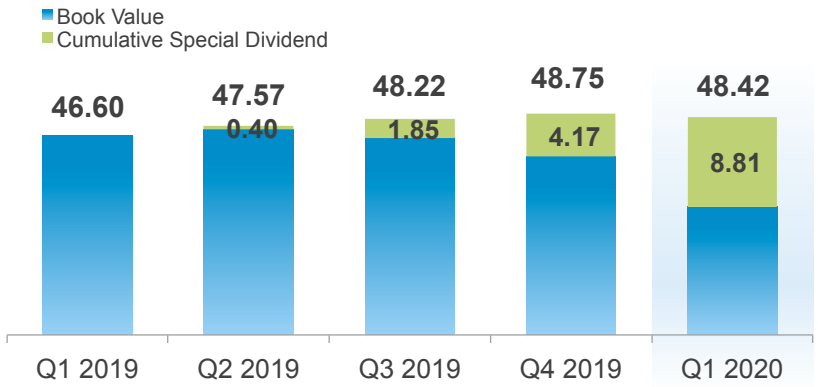
Operating EPS

($, diluted)



Book Value and Special Dividends Per Share

(Book Value $, diluted, incl. AOCI)



1. 1Q20 MICAT ratio represents an estimate.
Note: Amounts may not total due to rounding.

Top line

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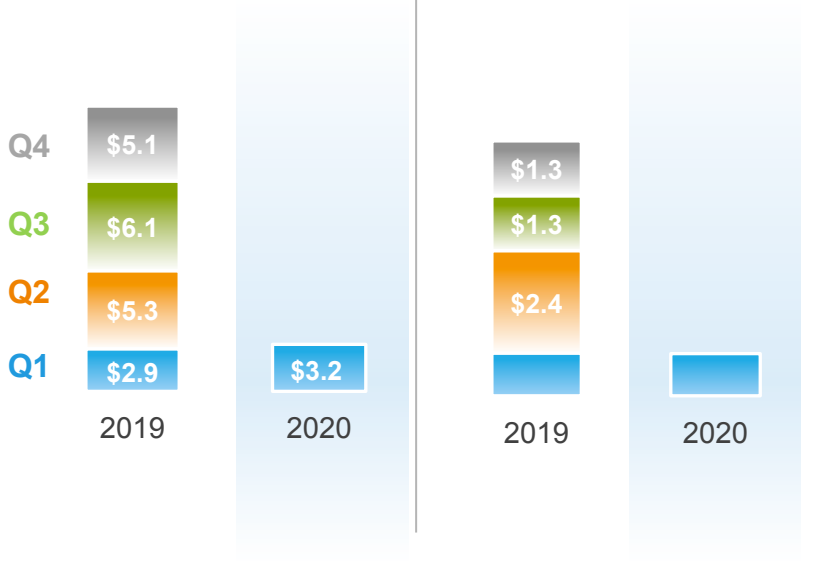
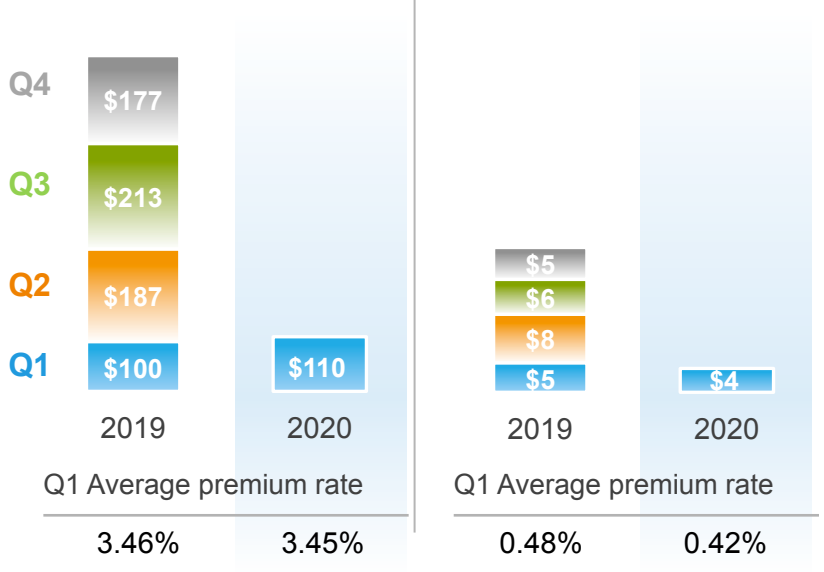
New insurance written ($ billions)



Premiums written ($ millions)



Q1 transactional insurance highlights

- NIW and premiums written increased ~10% Y/Y primarily due to increased housing market activity
- NIW and premiums written decreased Q/Q by ~37%, primarily as a result of typical seasonality

Q1 portfolio insurance highlights

- NIW was relatively flat compared to prior year
- Premiums written decreased Y/Y, primarily due to a lower average premium rate as a result of higher portfolio quality

Note: Company sources. Amounts may not total due to rounding.

Strong portfolio quality

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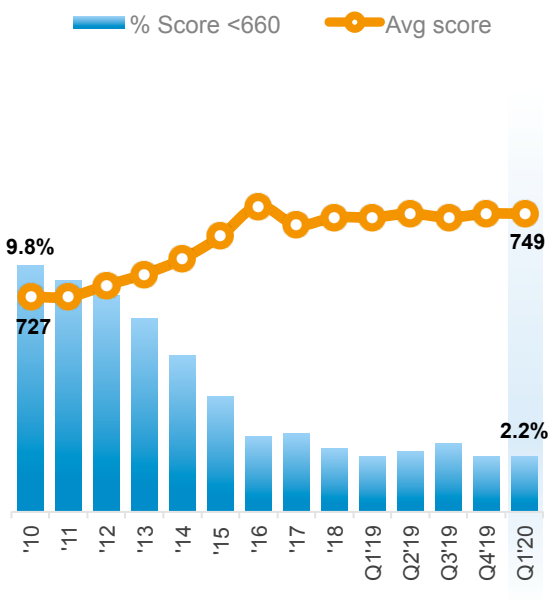
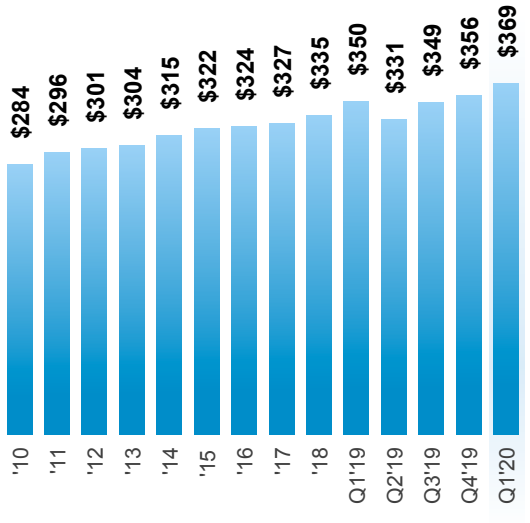
Credit score[1]

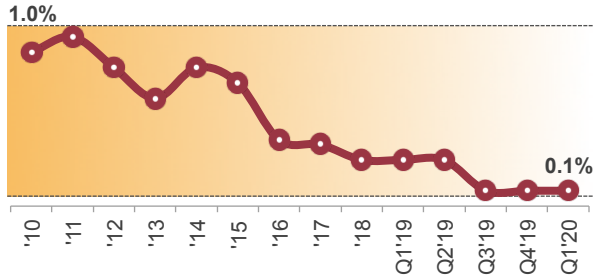


Average home price[2]

(In '$000s)



Stacked risk factors[3]



Highlights

Credit quality remains very strong

Modest increase in average home price Y/Y

Limited exposure to loans with **stacked risk factors**

HIGH QUALITY PORTFOLIO IS A MITIGANT AGAINST ECONOMIC STRESS

1 Company sources for transactional new insurance written. Average score for all borrowers. 2 Company sources for transactional new insurance written. Purchase only.
3 Stacked risk factors: Purchase only; 90%+ LTV and <=660 credit score, and Contractual TDSR >40%.

Strong financial performance

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$MM except EPS & BVPS	Q1'20	Q4'19	Q1'19
Transactional premiums written	$110	$177	$100
Portfolio premiums written	4	5	5
Total premiums written	**$114**	**$183**	**$105**
Premiums earned	171	171	169
Losses on claims	(25)	(34)	(25)
Expenses	(37)	(35)	(33)
Underwriting income	$109	$102	$110
Operating investment income[1]	54	55	57
Net operating income	**$117**	**$112**	**$119**
Net income	**$95**	**$108**	**$97**
Operating EPS (diluted)	**$1.35**	**$1.30**	**$1.35**
Book value per share (diluted, incl. AOCI)	**$39.61**	**$44.58**	**$46.60**

Q1 highlights

- Transactional premiums written were higher by 10% Y/Y on increased housing activity
- Premiums earned up by 1% Y/Y
- Loss ratio of 14%, down by 6 pts Q/Q, due to a decrease in new delinquencies, net of cures
- Operating investment income modestly lower Q/Q at $54 million
- Net operating income up by $5 million Q/Q
- Operating EPS up by 4% Q/Q due primarily to lower losses on claims
- Book value per share down by 11% Q/Q reflecting special dividends of $4.64 per common share

Company sources. Note: Amounts may not total due to rounding. 1. Includes realized income from the interest rate hedging program, excluding realized & unrealized gains / losses.

Delinquency trends

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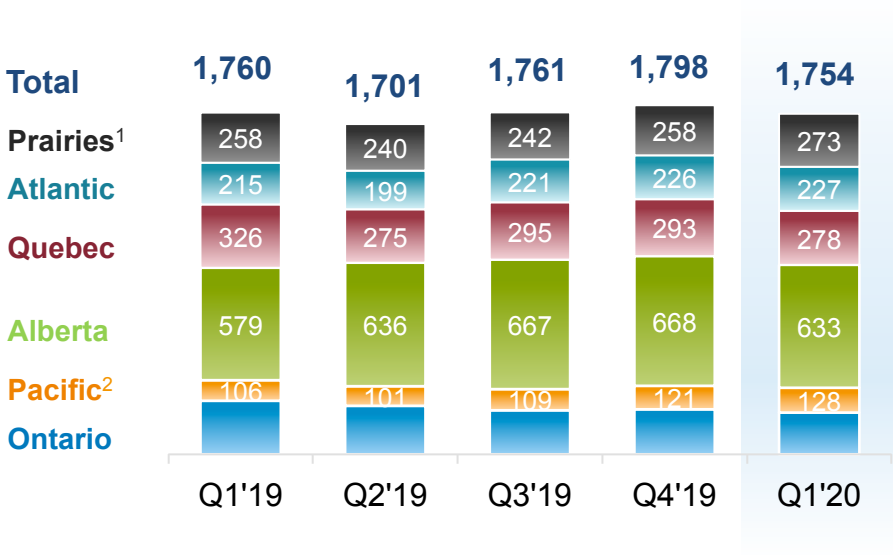
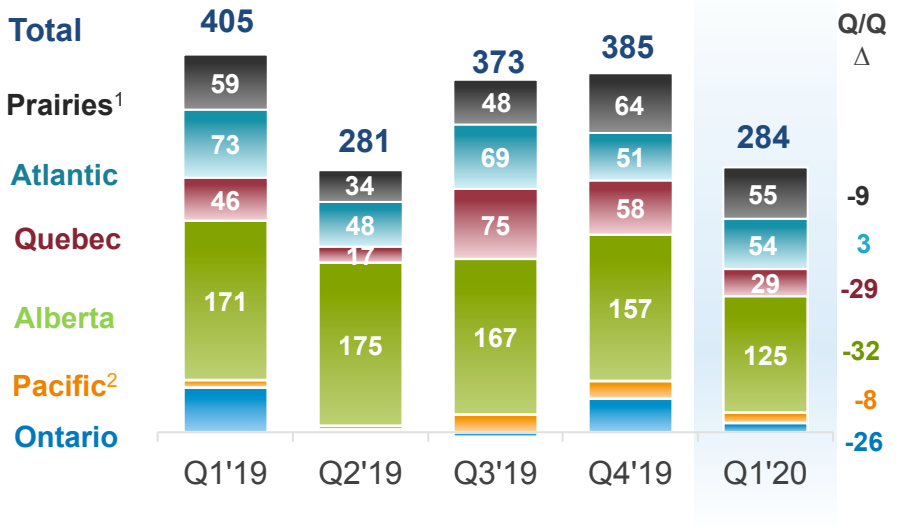
Outstanding delinquencies



New delinquencies, net of cures, by region



Delinquency rate based on reported outstanding balances[3]

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Transactional	0.28%	0.27%	0.27%	0.29%	0.28%
Portfolio	0.09%	0.09%	0.10%	0.10%	0.10%
Total	**0.20%**	**0.19%**	**0.20%**	**0.20%**	**0.20%**

- Lower new delinquencies, net of cures, Q/Q with decreases across all regions except Atlantic

Company sources. [1] Prairies include MB and SK. [2] Pacific includes B.C. and the Territories. [3] Delinquency rates are based on the Company's reported outstanding insured mortgage balances as at the end of the quarter and exclude delinquencies that have been incurred but not reported.

Investments

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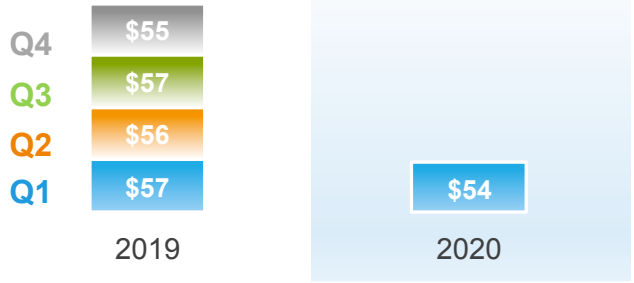
Total investments and net derivatives
($6.1B[1])

Duration: **3.5 years** Book yield: **3.3%**[2]

Portfolio ($MM)	Market Value	Book Value	MTM[6]	%
Cash & other[4]	$352	$352	-	6%
Federals	1,953	1,862	91	32%
Provincials	747	706	41	12%
Investment grade corporates[3]	2,687	2,704	(17)	44%
Preferred shares	393	620	(227)	6%
Total Investments	**$6,132**	**$6,244**	**$(111)**	**100%**
Accrued income and other	48	48	-	
Net derivatives	(118)	-	(118)	
Total	**$6,063**	**$6,292**	**$(229)**	

- MTM on Investments has decreased from $15 million to $(111) million on preferred share dislocation and credit spread widening
- Derivatives market value primarily driven by impact of lower C$ on FX hedging, partially offset by favourable MTM on interest rate hedging
- Income from interest rate hedging program will continue to benefit from interest rate floors

Operating Investment Income
(excluding realized/unrealized gains, $ millions)



Q1 average investment yield[2]	
3.3%	3.3%

Interest rate hedge program

Interest rate swaps	Forward curve[5]
Net Notional (C$B)	$3.5
2020 floating rate range[5]	0.5% - 0.7%
Fixed rate[5]	1.17%
Floor rate	1.85%
Spread	~0.70%
Potential impact on 2020 full year operating investment income	~$15MM - $20MM (2019 actual $29MM)

Note: Company sources. Amounts may not total due to rounding.

1. Represents market value, includes accrued investment income and other receivables and net derivative financial instruments. 2. Investment yield represents pre-tax equivalent book yield after dividend gross-up of portfolio. 3. Includes CLOs. 4. Cash includes short-term investments. 5. Represents interest rate swaps with outside counterparties; Floating rate reflects management's estimate of the forward curve as at April 20th,2020; fixed rate represents the contract rates as at March 31st, 2020. 6. Mark to market

Capital management

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Regulatory capital as at March 31st, 2020

(by category, $ millions unless otherwise noted)*

	March 31st, 2020	Dec. 31st, 2019
MICAT & Holdco Cash		
Capital available	3,923	4,186
Capital required	2,279	2,461
MICAT ratio	**172%**	**170%**
Internal MICAT target	157%	157%
Holdco cash[1]	**~$93**	**~$115**
LEVERAGE		
Total debt	**$626**	**$436**
Undrawn credit facility	**$300**	**$300**
Debt-to-total capital	**15%**	**10%**

Highlights

- Strong capital position with MICAT ratio of ~172%
- Holding company cash and liquid investments of ~$93 million
- Strong liquidity position with modest leverage of 15%
  - Next debt maturity of $260 million in April 2024 after recent debt refinancing
  - $300 million undrawn credit facility available
- Completed $400 million of special dividends in Q1($200 million funded through increased leverage)
- No further capital redeployment expected for the remainder of 2020 outside of ordinary dividends

Note: Company sources. MICAT denotes ratio for operating insurance company. *Totals may not add due to rounding. March 31st, 2020 MICAT ratio represents an estimate.
1. Represents liquid investments and cash held in addition to capital in operating insurance company

COVID-19 Financial Measures

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Key Measures Impacting Mortgage Market	Impact
BoC lowered the overnight rate by 150 basis points to 25 basis points.	• Supporting liquidity and smooth functioning of financial markets including availability of funds for lending to businesses and consumers • **Creates demand for portfolio insurance to secure funding through IMPP and Canada Mortgage Bonds**
BoC purchasing Canada Mortgage Bonds, backed by insured mortgages, up to $500 million per week	
$150 billion Insured Mortgage Purchase Program (“**IMPP**”)	
Minister of Finance temporarily relaxed the eligibility criteria for portfolio insurance	
Annual issuance limit for Canada Mortgage Bonds expanded from $40 billion to $60 billion	
Canada Emergency Response Benefit (CERB) provides $500 per week for up to 16 weeks for Canadians whose employment has been impacted by COVID-19	• 7.3 million CERB applications submitted[1] • ~13% of Genworth-insured mortgages have taken payment deferrals, of which approx. 62% have current effective LTVs ≤ 80% [2] • **Payment deferrals and support payments should help bridge borrowers experiencing loss of employment**
Canada Economic Response Plan provides a wage subsidy for 75% of employee remuneration up to $58,725 per annum	
Mortgage Payment Deferrals: Permitting borrowers impacted by COVID-19 to defer up to six (6) monthly mortgage payments	

TARGETED MEASURES TO SUPPORT CANADIANS AND THE ECONOMY

1. Government of Canada, Canada Emergency Response Benefit Statistics, April 28th, 2020
2. Company estimate based on preliminary reporting by lenders in mid-April

Potential Economic Scenarios

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	Base Assumptions	Downside Assumptions
GDP	• Short but severe economic correction in 1H'20 • Recovery begins in Q3 as the health crisis subsides with slower recovery for oil-producing regions likely • Negative GDP growth for full year 2020, followed by strong rebound in 2021	• Deeper economic shock and slower recovery as health crisis extends into 2H'20 • Business closures & social distancing persist through the year. • GDP in Canada is projected to be negative for 2020 with a robust recovery not expected until late 2021
UE Rate	• UE expected to peak in Q2'20 in the mid teens but end the year in the 8-10% range • Government programs should support employment retention and rehiring	• UE expected to peak in Q3'20 in the 15- 20% range; end the year in the 10-15% range • Government programs are extended but impact is reduced as companies focus on cost containment
Housing Market	• Housing transactions expected to be 15-25% below 2019 levels with a recovery beginning in 2H'20 • House prices deteriorate modestly in the 2H'20 as increased supply outpaces demand	• Housing transactions expected to be 30-50% below 2019 levels and does not return to pre-crisis levels for 18 to 24 months • House prices deteriorate significantly in 2020 as increased supply outpaces demand
Other	• Covid-19 cases in Canada peak in Q2'20 • Closure of non-essential businesses until Q3'20 • Government programs provide a material level of support for employment retention and rehiring • WTI averages US $20-35 per barrel for 2020	• Covid-19 cases in Canada peak in Q3'20 • Non-essential businesses remain closed until the end of the year • Government programs only adequately support employment retention and rehiring • WTI averages US $10-25 per barrel for 2020

2020 FULL YEAR LOSS RATIO RANGE REVISED TO 25% TO 40%

Revised 2020 performance objectives

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Lower total premiums written on smaller transactional market size due to impact of COVID-19, partially offset by the anticipated increase in portfolio insurance opportunities



Modestly lower premiums earned due to the expected decrease in premiums written



Loss ratio range revised to 25% to 40% due to COVID-19 pandemic



Moderately lower operating investment income inclusive of favourable contribution from interest rate hedging program



Capital redeployment (outside of ordinary dividend) on hold for the remainder of 2020 after payment of $400 million of special dividends in the first quarter



Leverage of 15% consistent with long term target

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