

Genworth MI Canada

2014 Investor Day

BUILDING ON GROWTH MOMENTUM

WEDNESDAY, DECEMBER 10, 2014





> FORWARD-LOOKING AND NON-IFRS STATEMENTS

This presentation relating to Genworth MI Canada Inc. (the "Company", "Genworth Canada" or "MIC") includes certain forward-looking statements. These forward-looking statements include, but are not limited to, statements with respect to the Company's future operating and financial results, expectations regarding premiums written, losses on claims and investment income, unearned premiums, adjacent opportunities, capital optimization, the Canadian housing market and potential housing prices, 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 control of the Company. 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 Annual Information Form dated March 17, 2014, its Short Form Base Shelf Prospectus dated June 18, 2014, the Prospectus Supplements thereto and all documents incorporated by reference in such documents. 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. Non-IFRS financial measures include net operating income, interest and dividend income (net of investment expenses), operating earnings per common share (basic), operating earnings per common share (diluted), shareholders' equity excluding accumulated other comprehensive income ("AOCI"), operating return on equity and underwriting ratios such as loss ratio, expense ratio and combined ratio. 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.



> **BRIAN HURLEY, CHAIRMAN AND CEO**

SOLID AND SUSTAINABLE BUSINESS



LARGEST PRIVATE RESIDENTIAL **MORTGAGE INSURER** IN CANADA

Since 1995 helped 1.5 million families **COAST TO COAST** achieve homeownership.

We support more than 250 Canadian lenders.

MARKET FACTS (as at Sept 30, 2014)

$5.9 billion Total Assets

$3.3 billion Shareholders' Equity

$3.8 billion Market Capitalization

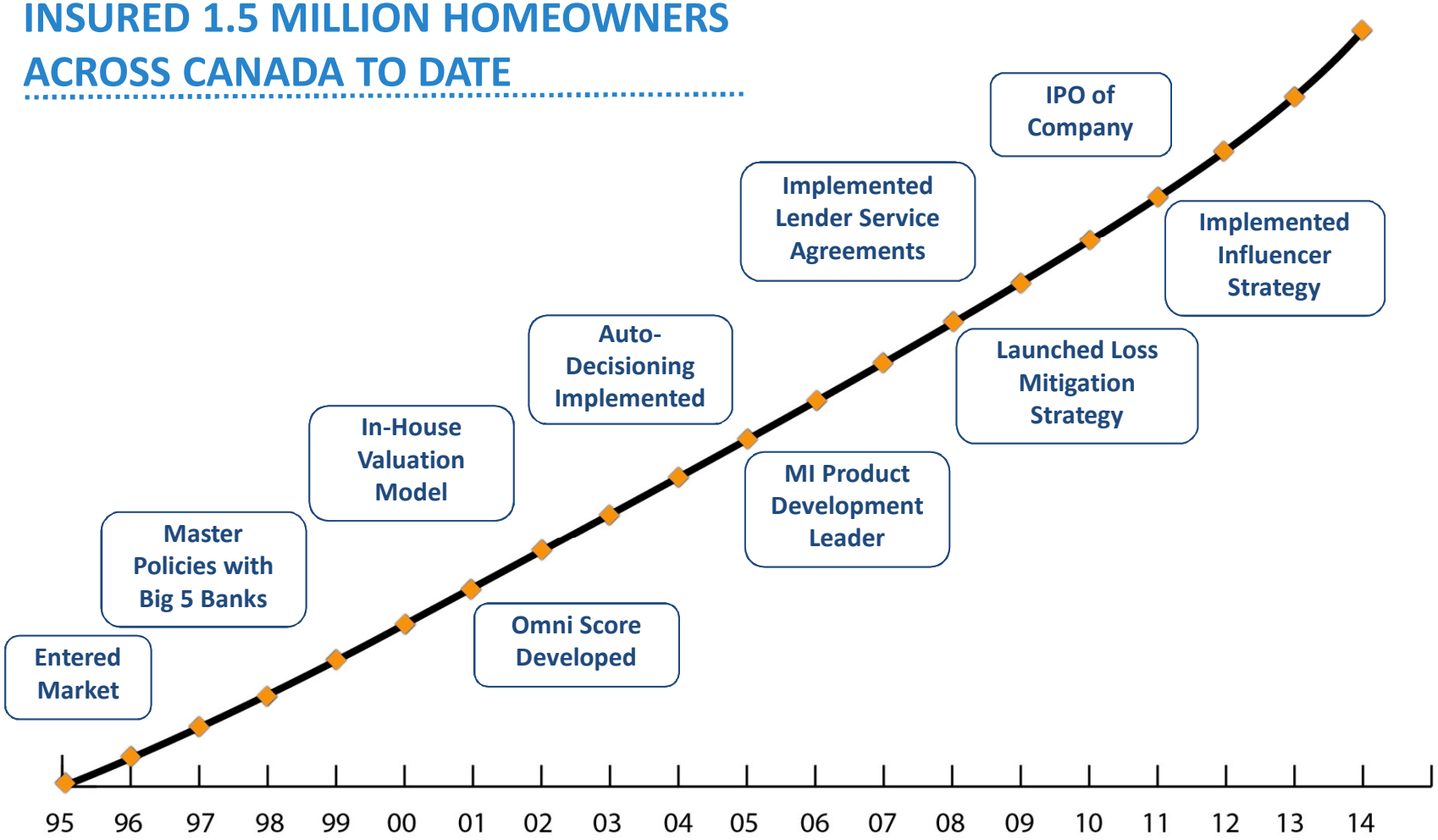
95 million Shares Outstanding

COMPETITIVE STRENGTHS

- Strong Market Presence
- Long-Standing Customer Relationships
- Best-in Class Technology and Processes
- Prudent Risk Management
- Impressive Long-Term Track Record
- Experienced and Engaged Workforce

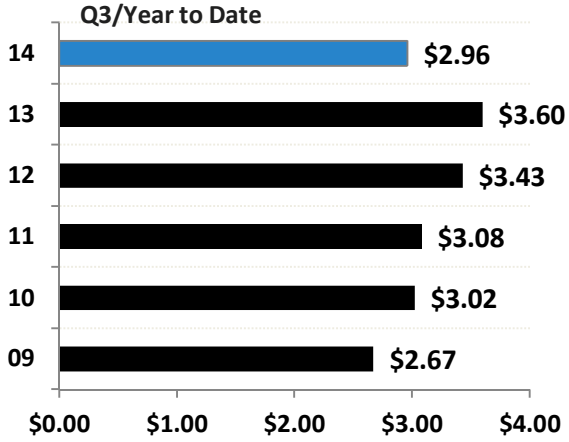
> THE MARKET HAS EVOLVED SINCE WE ENTERED…

INSURED 1.5 MILLION HOMEOWNERS ACROSS CANADA TO DATE

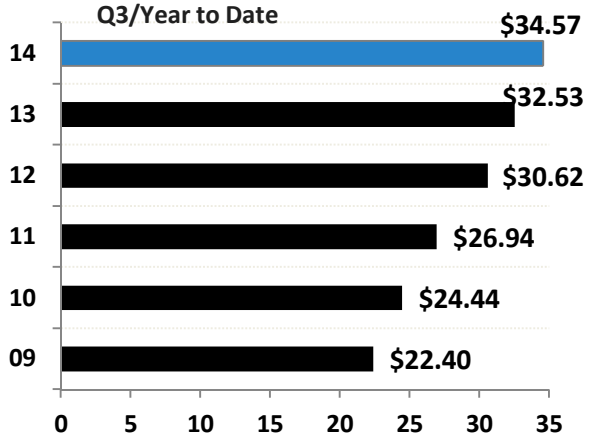


> 5 YEARS AS A PUBLIC COMPANY

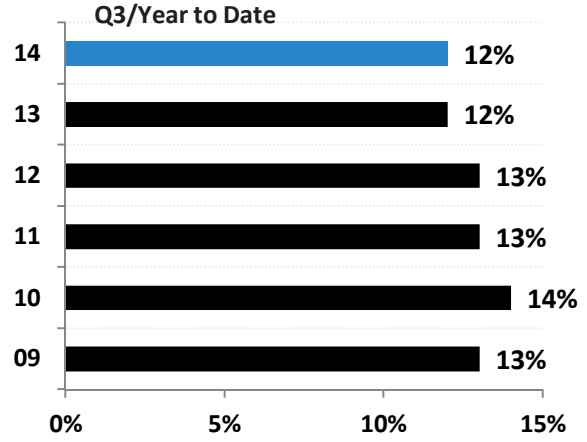
Operating earning per share
(diluted)

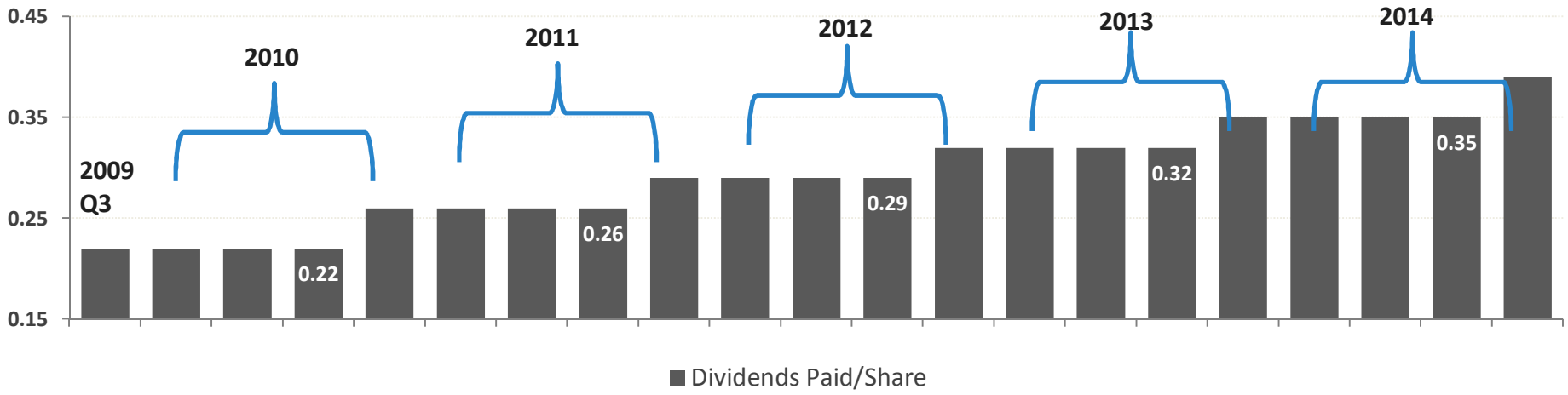


Book value per share
(diluted, including AOCI)



Operating return on equity
(%)





TODAY'S AGENDA

Vision for prudent growth

Managing mortgage default risk

Capitalizing on strong capital position

Q&A

Conclusion



> **STUART LEVINGS, CHIEF OPERATING OFFICER**

VISION FOR PRUDENT GROWTH

OUR MISSION

Working with our lender partners, regulators and influencers we

- **help people responsibly achieve and maintain the dream of homeownership**
- **promote strong and sustainable communities across Canada**

While enhancing stakeholder value

OUR VISION

CANADA'S MORTGAGE INSURER OF CHOICE



> GROWTH CATALYSTS

COMPETITIVE STRENGTHS

Strong Market Presence	Long-Standing Customer Relationships	Best-in Class Technology and Processes	Prudent Risk Management	Impressive Long-Term Track Record	Experienced and Engaged Workforce

GROWTH CATALYSTS

- **Market Share**
- **Market Size**
- **Premium Rates**
- **Adjacent Opportunities**

FOCUS ON PEOPLE, RISK AND TECHNOLOGY



> KEY STRATEGIC PRIORITIES

STRATEGIC PRIORITIES

- Expand Market Share
- Proactive Risk Management
- Strong Government Relations
- Efficient Capital Structure
- Adjacent Opportunities
- Employ and Engage Top Talent

HOW WE MEASURE SUCCESS

- Market Share Gains
- High Quality, Diversified Portfolio
- Operating Income Growth
- Strong Employee Engagement



FOUR KEY GROWTH LEVERS FOR OUR BUSINESS

1. MARKET SHARE
2. MARKET SIZE
3. PREMIUM RATES
4. ADJACENT OPPORTUNITIES



FOUR KEY GROWTH LEVERS FOR OUR BUSINESS

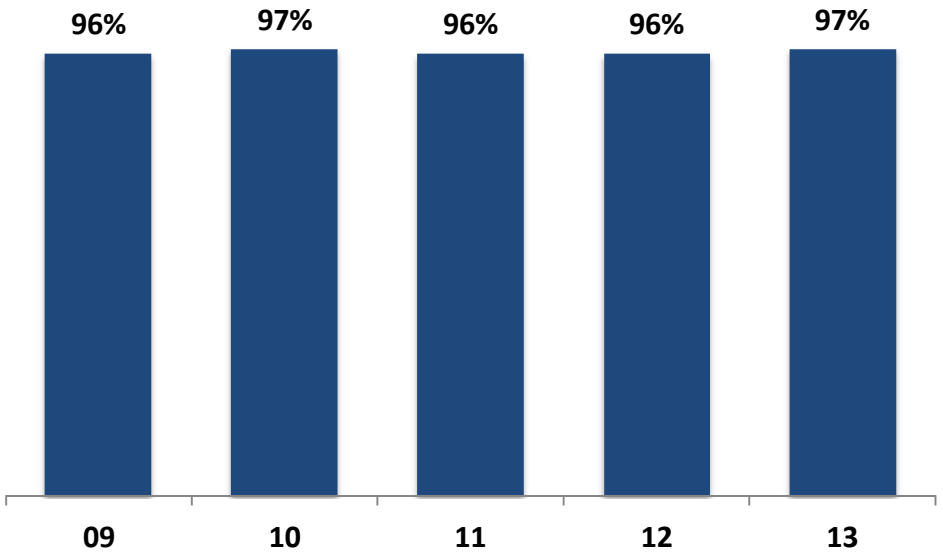
1	2	3	4
MARKET SHARE	MARKET SIZE	PREMIUM RATES	ADJACENT OPPORTUNITIES

- **Enhance Customer Experience**
- **Build on Value Proposition**
- **Deepen Collaboration**

ENHANCE CUSTOMER EXPERIENCE

- Service Innovation
- Deep Relationships
- Customer-Centric Culture
- Customized Experience

HIGH DEGREE OF LENDER SATISFACTION



DRIVING VALUE THROUGH CUSTOMIZED SERVICE EXPERIENCE

BUILD VALUE PROPOSITION

- Portfolio Insurance
- Customer Training and Education
- Mortgage Default Management
- Sales Technology
- Industry Influencers

DELIVERING VALUE BEYOND THE MI TRANSACTION

DEEPEN OUR COLLABORATION



COLLABORATE ON

- Portfolio Reviews
- Regulatory Change
- Product Development

ADVISING ON

- Market Trends
- Performance Statistics
- Competitive Intelligence

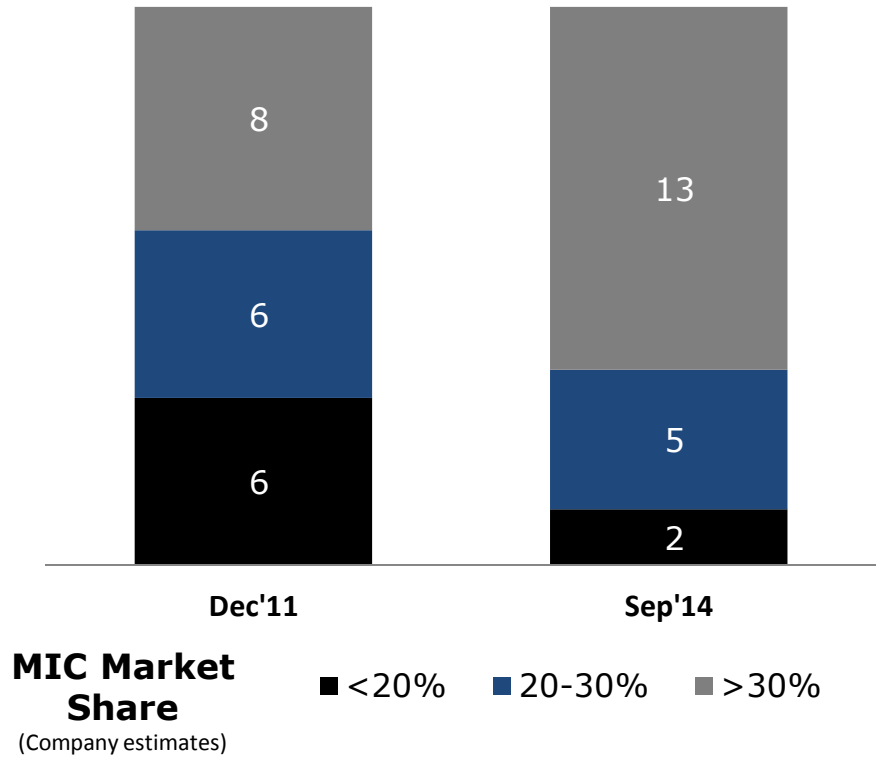
ADDING VALUE THROUGH THOUGHT LEADERSHIP & APPLICATION

DEMONSTRATED SHARE GAINS

THREE STRATEGIC INITIATIVES

- > Enhancing the customer experience
- > Building on our value proposition
- > Deepening our collaboration

TOP 20 LENDER SHARE



CAPITALIZE ON MARKET MOMENTUM IN 2015



FOUR KEY GROWTH LEVERS FOR OUR BUSINESS

1 MARKET SHARE

2 MARKET SIZE

3 PREMIUM RATES

4 ADJACENT OPPORTUNITIES

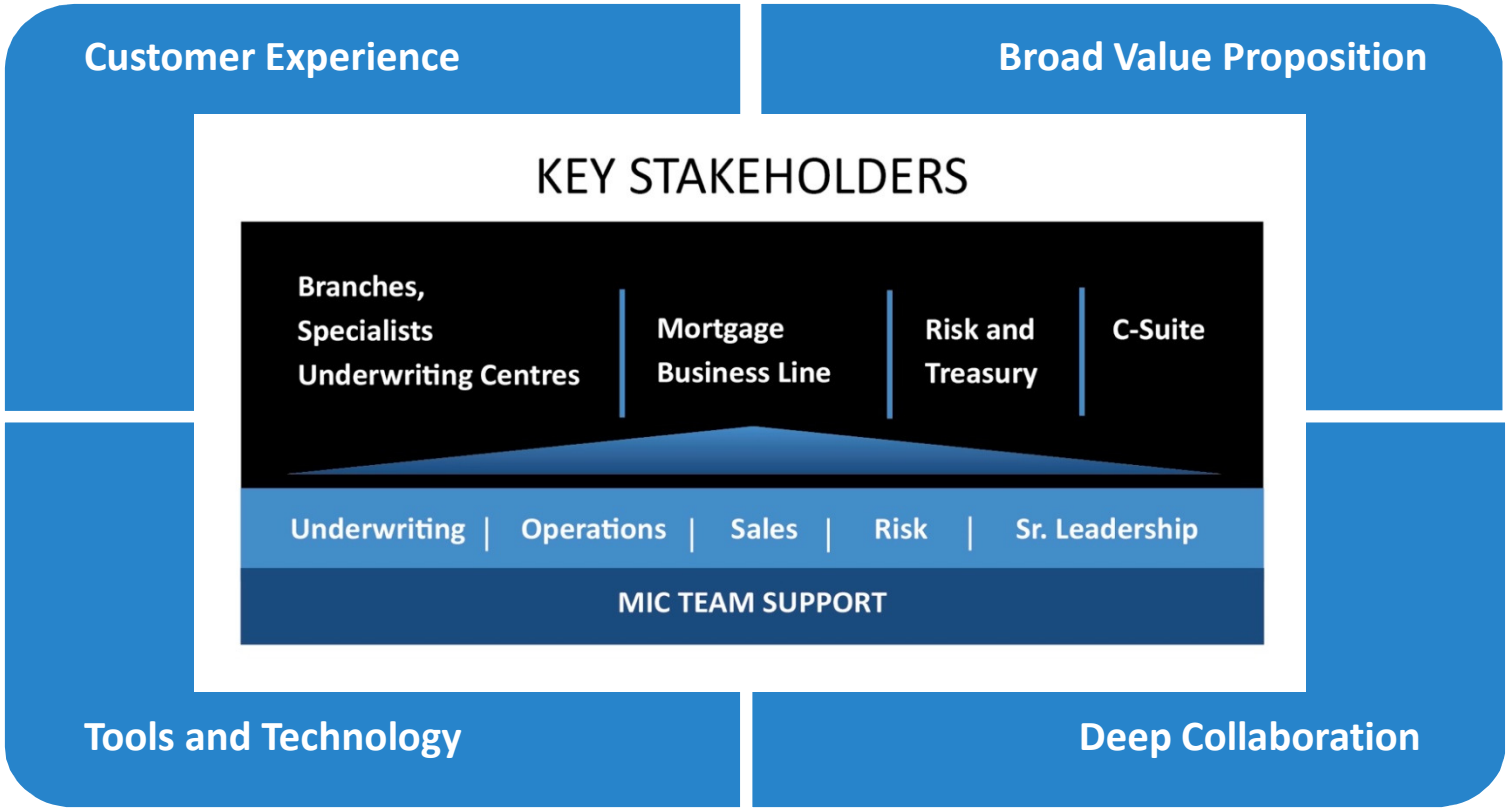
- **High Ratio Penetration**
- **First-Time Homebuyer**
- **Private MI Segment**

DEMOGRAPHICS AND IMMIGRATION FUEL FIRST-TIME BUYER MARKET

- Growth in prime home-buying age (30-39) outpacing general population growth (1.8% vs. 1.1%)
- Household formation in Canada supported by immigration
  - drives ~60% of population growth
  - new immigrant quota increased to ~285,000
- Homeownership still seen as a vehicle for building wealth in Canada

FIRST-TIME BUYERS CONTINUE TO SUPPORT THE HIGH RATIO MARKET

EXTENSIVE CUSTOMER ENGAGEMENT



STRONG CUSTOMER ENTRENCHMENT



FOUR KEY GROWTH LEVERS FOR OUR BUSINESS

1 MARKET SHARE

2 MARKET SIZE

3 PREMIUM RATES

4 ADJACENT OPPORTUNITIES

- Increased Capital Levels
- Annual Review



FOUR KEY GROWTH LEVERS FOR OUR BUSINESS

1 MARKET SHARE

2 MARKET SIZE

3 PREMIUM RATES

4 ADJACENT OPPORTUNITIES

- Leverage Mortgage Expertise
- Broader Mortgage Services

> CONCLUSION

Sound Business Model

Customer-Centric Culture

Supportive Regulatory and Economic Environment

Strong Risk Management Culture

CLEAR STRATEGY FOR PRUDENT GROWTH



> **CRAIG SWEENEY, CHIEF RISK OFFICER**

MANAGING MORTGAGE DEFAULT RISK



> MANAGING MORTGAGE DEFAULT RISK

- Regulatory and Economic Environment
- Assessment of Canadian Markets
- Genworth MIC Portfolio Quality
- Emerging Trends

> ECONOMIC AND REGULATORY ENVIRONMENT

POLICY ACTIONS REDUCE RISK

Macroprudential Actions

- ✓Purchase LTV Reduced From 100% to 95%
- ✓Refinance LTV Reduced From 95% to 80%
- ✓Investment Properties Reduced From 95% to 80%
- ✓Max Amortization Reduced From 40 to 25 Years
- ✓All Borrowers Must Qualify at 5-year Fixed Rate
- ✓Max Debt Service Ratio's Lowered
- ✓Minimum FICO 600 Required For MI

Microprudential Actions

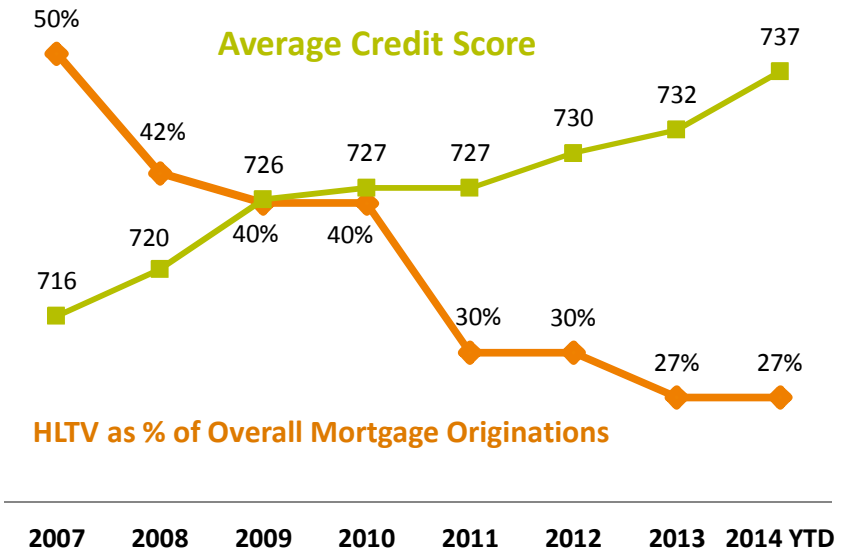
- ✓Increased Regulatory Oversight of Private MIs through PRMHIA
- ✓OSFI Assumes Oversight Of CMHC
- ✓New Limits Planned on Gov't Backed MI For low-LTV Mortgages
- ✓B20 & B21 Policy Guidelines On Mortgage Lending

Monetary Policy

- ✓Very Accommodative
- ✓Interest Rates Remain Low To Support Economic Recovery

Source: Genworth data, as at September 30, 2014

QUALITY OF NEW BUSINESS CONTINUES TO IMPROVE





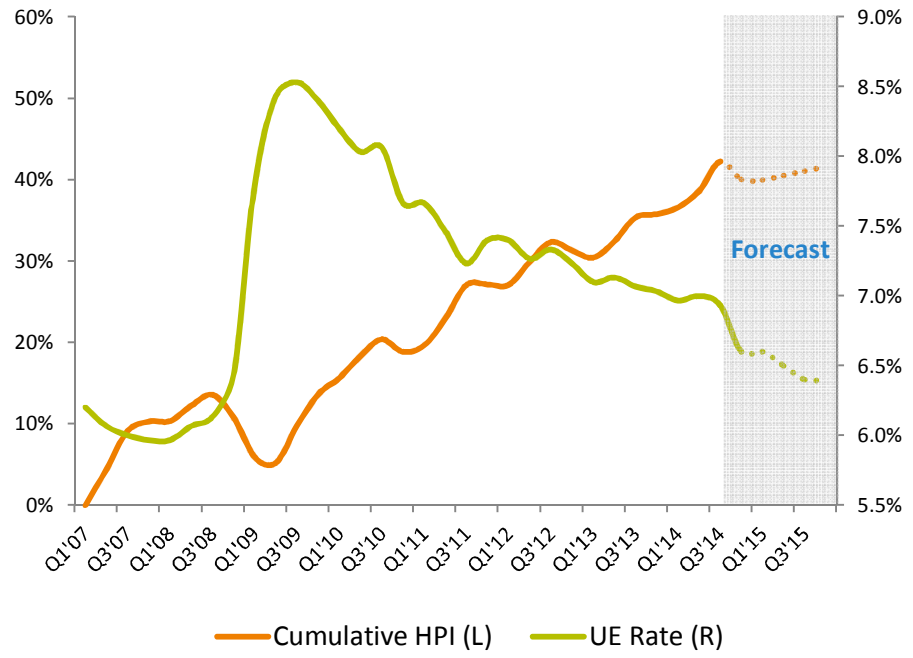
OSFI B21 GUIDELINE – RESIDENTIAL MORTGAGE INSURANCE UNDERWRITING PRACTICES

Principle 1	Board Approved Underwriting Strategy
Principle 2	Lender Approval and Assessment Standards
Principle 3	Standardized Underwriting Requirements
Principle 4	Ongoing Lender Quality Assurance
Principle 5	Internal Assessment of Underwriting Systems and Processes
Principle 6	Portfolio Risk Management and Risk Mitigation

UNDERWRITING BEST PRACTICES STANDARDIZED ACROSS THE INDUSTRY

STABLE ECONOMIC ENVIRONMENT

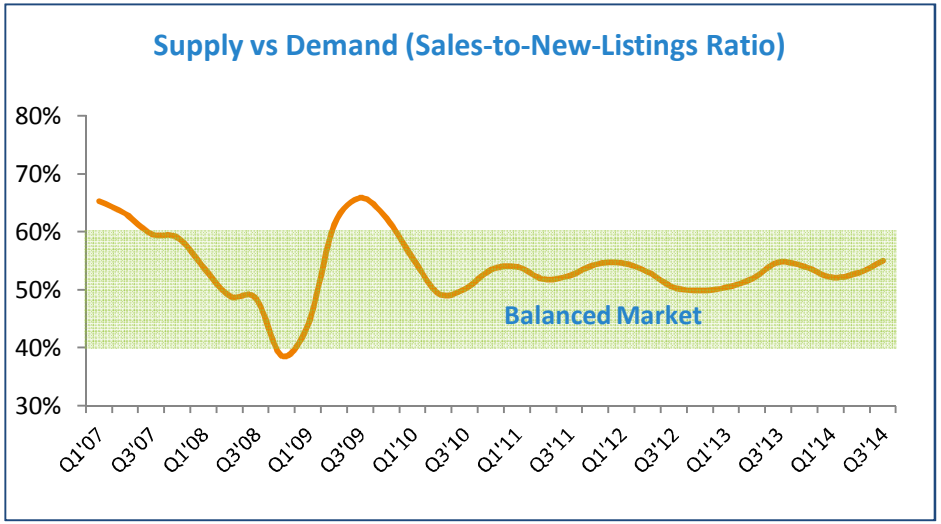
National HPI (Teranet) and UE Rate



- Solid employment gains supporting housing market since 2010
- Job growth expected to be positive over forecast period
- Rising rates in 2015 should keep price gains modest

Sources: UE Rate – Statistics Canada, RBC Economics (November 2014 forecast); HPI – Teranet, Genworth calculations (forecast); data as at September 30, 2014

> ASSESSMENT OF KEY CANADIAN MARKETS





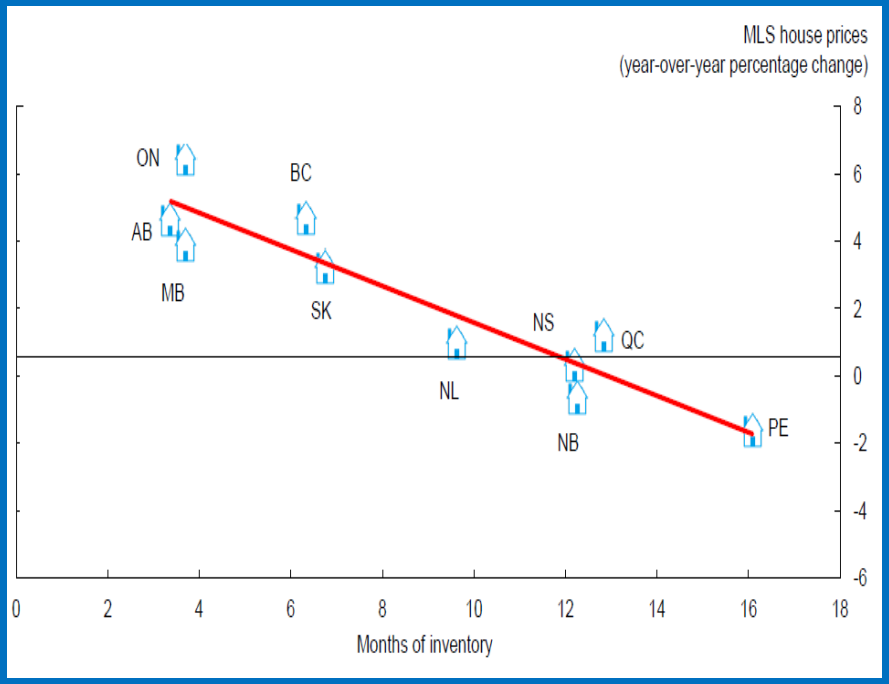
STABLE HOUSING MARKET

- Housing market remains balanced
- Stable employment supporting housing demand
- Low interest rates continue to support affordability

Sources: Teranet (HPI), Statistics Canada (UE), CREA (SLR), RBC Economics (Affordability); data as of Q3'14

> ASSESSMENT OF KEY CANADIAN MARKETS

HOME PRICES AND SUPPLY

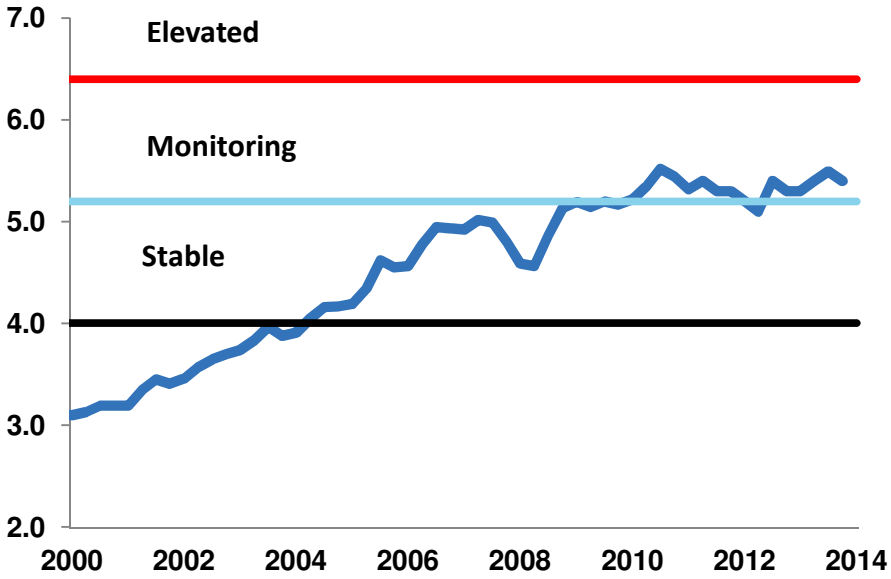


- Stronger growth trend in Ontario primarily driven by limited supply in Greater Toronto Area
- Strong employment driving house price growth in Western provinces
- Softer housing markets in Quebec and Atlantic regions

Note: 3-month moving average of the seasonally adjusted year-over-year price change is shown. Months of inventory uses adjusted values.
Sources: Canadian Real Estate Association and Bank of Canada calculations

> ASSESSMENT OF KEY CANADIAN MARKETS

MIC HOUSING RISK MONITOR



KEY HOUSING MEASURES

- Supply vs. Demand
- Price-to-income
- Price-to-rent
- House price appreciation
- Affordability

ROBUST HOUSING FRAMEWORK TO ASSESS MARKET RISK



> ASSESSMENT OF KEY CANADIAN MARKETS

ASSESSMENT OF CURRENT HOUSING RISK

● Stable
● Monitoring

Region	Risk Level	2014 NIW	Avg. Credit Score*	Issues / Trends
Vancouver	●	5%	748	• Income gains and population growth supporting housing • Smaller but better quality high LTV market since 2012
Toronto	●	16%	741	• Modestly overvalued, primarily in single family segment • Condominium units under construction still a risk
Calgary	●	9%	738	• Lower oil prices to impact demand in coming years • Risk of housing correction currently low
Montreal	●	7%	745	• Modest oversupply putting downward pressure on condo prices • Strong credit score profile in 2014

* YTD. As at September 30,2014



GENWORTH SERVED MARKET

Region	Average Home Price			Average Income	Average Gross Debt Servicing
	Genworth	Market	% Variance	Genworth	Genworth
Vancouver	$449K	$814K	-45%	$107K	28%
Toronto	$436K	$581K	-25%	$104K	29%
Calgary	$413K	$469K	-12%	$110K	27%
Montreal	$280K	$342K	-18%	$87K	25%
Canada	**$316K**	**$419K**	**-25%**	**$97K**	**24%**

Note: Q3'14 data; Genworth averages for purchase deals only, market averages from CREA

GENWORTH'S AVERAGE HOME PRICE ~25% LOWER THAN MARKET AVERAGE



GENWORTH SERVED MARKET

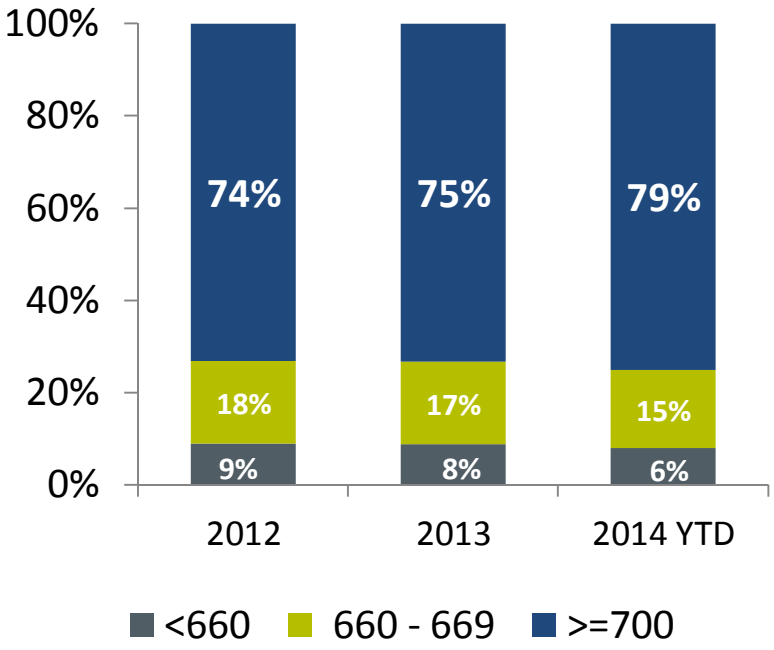
	Vancouver			Toronto	
	Detached Home	Condo High-rise		Detached Home	Condo High-rise
# of borrowers	1.9	1.5		1.8	1.4
Age	39	37		39	37
Credit score	747	751		738	745
Property price	$630,000	$347,000		$499,500	$313,000
Income level	$129,000	$92,800		$116,000	$90,000
Gross debt service ratio	30%	27%		29%	27%

Note: Based on Genworth data as at September 30, 2014

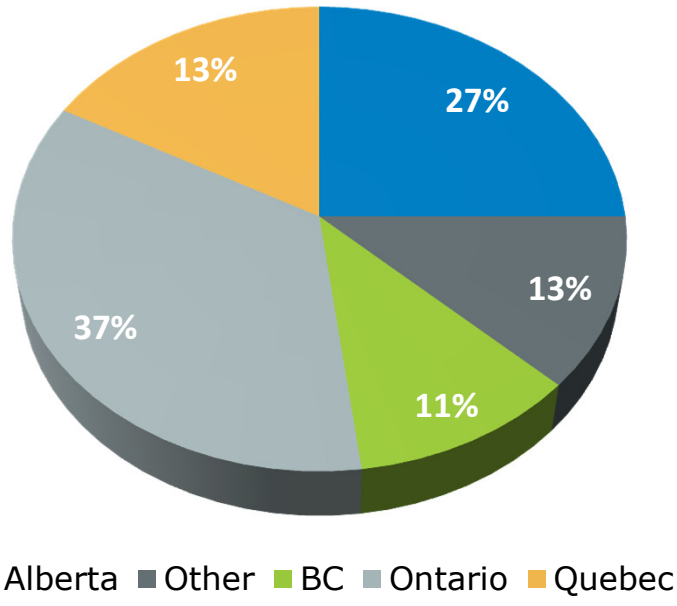
STRONG BORROWER PROFILE IN MAJOR MARKETS

> PORTFOLIO QUALITY

CREDIT SCORE DISPERSION



REGIONAL DISPERSION



% based on high loan-to-value new insurance written as at 2014 Q3 YTD

Note: Company data: ~

KEY RISKS

● Acceptable

● Monitoring

	Key Risks	Risk Level	Assessment / Actions
Rising Interest Rates	Affordability	●	› 73% of borrowers YTD choosing 5-yr fixed rate mortgage › Portfolio well positioned for modest rate increases
Debt levels	Debt-to-income ratio	●	› Debt service ratios at historic lows › Prudent home buying with manageable debt levels
Alberta - Oil prices	Lower GDP in 2015-17	●	› Monitoring provincial economic health › Enhanced due diligence in economically sensitive areas



> CONCLUSIONS

- Positive economic and regulatory environment
- Portfolio quality continues to be strong
- Housing risk limited to isolated pockets
- Proactive response to emerging risks



> **PHILIP MAYERS, CHIEF FINANCIAL OFFICER**

CAPITALIZING ON STRONG CAPITAL POSITION



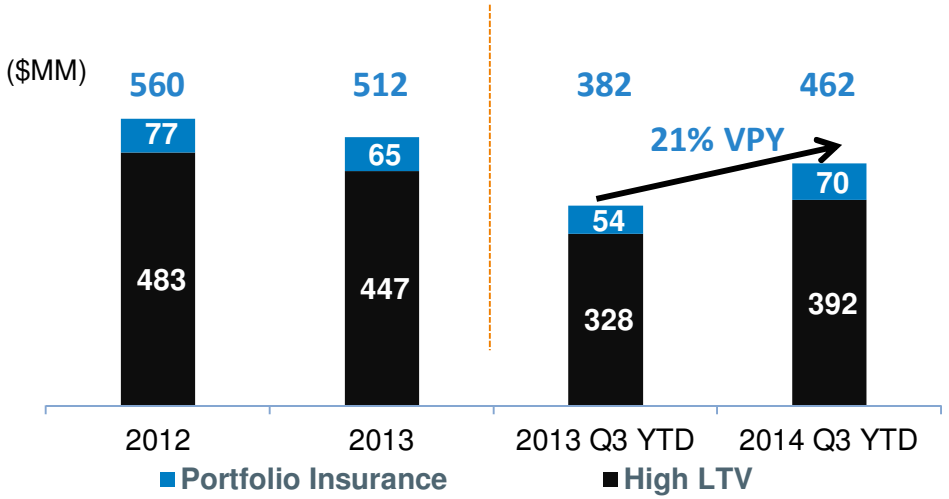
> POSITIONED TO DELIVER ON STRATEGIC PRIORITIES

PRIORITIES	IMPACT ON FINANCIAL METRICS
› Prudent top line growth	› Increasing premiums written › Improving premiums earned
› Proactive risk management › High quality insurance portfolio	› Loss ratio In 15-25% range for 2014
› High quality investment portfolio	› Investment income pressured by low rate environment
› Proactive approach to capital management	› Operating modestly above MCT holding target of 220% › Ongoing capital generation › Strong ratings

TARGETING ROE EXPANSION OVER TIME

> PREMIUMS WRITTEN

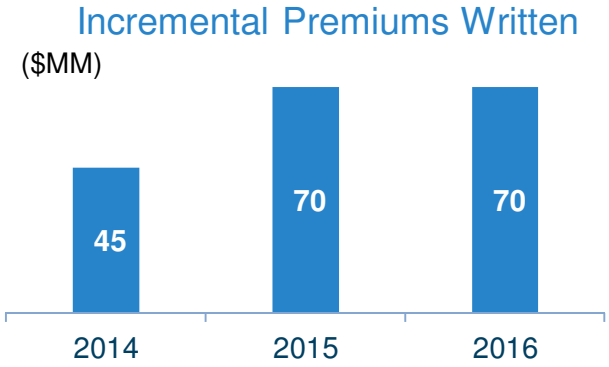
PREMIUMS WRITTEN



GROWTH CATALYSTS

› Price Increase

Example: Impact of 2014 price increase on $20 B of High LTV NIW



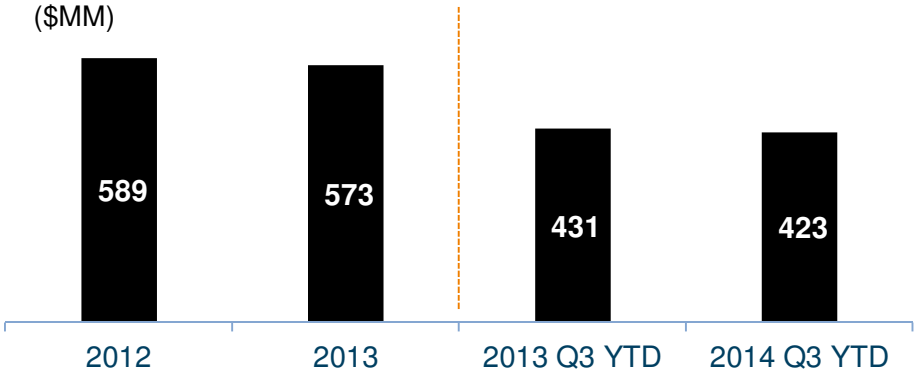
› Market Share Momentum Continuing

› Market Size - First-Time Homebuyers

TOP LINE GROWTH IN 2014 DRIVEN BY HIGHER VOLUME & PREMIUM RATE INCREASE

> PREMIUMS EARNED

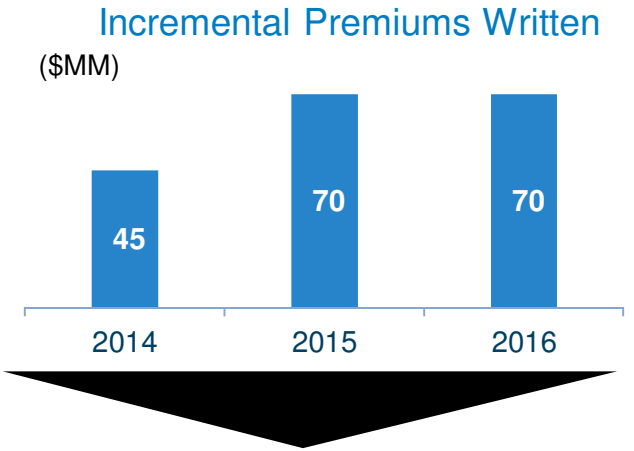
PREMIUMS EARNED

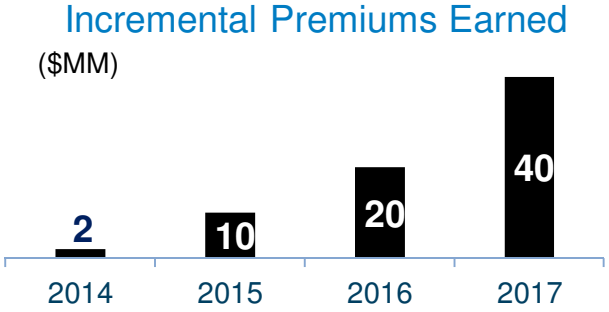


- Declining trend coming to an end
- Higher insured volumes & 2014 price increase should contribute to higher Premiums Earned in 2015 and beyond

LTV = High Loan to Value
NIW = New Insurance Written

EXAMPLE: IMPACT OF 2014 PRICE INCREASE ON $20 B OF HIGH LTV NIW

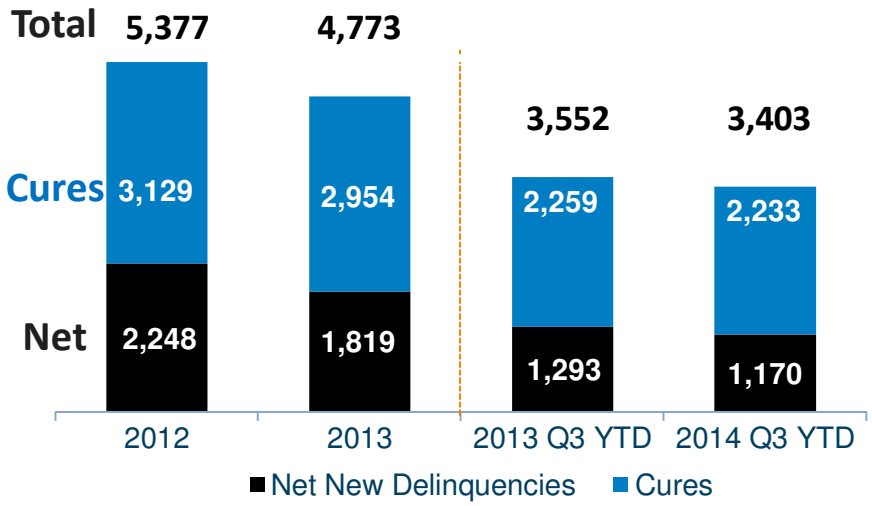




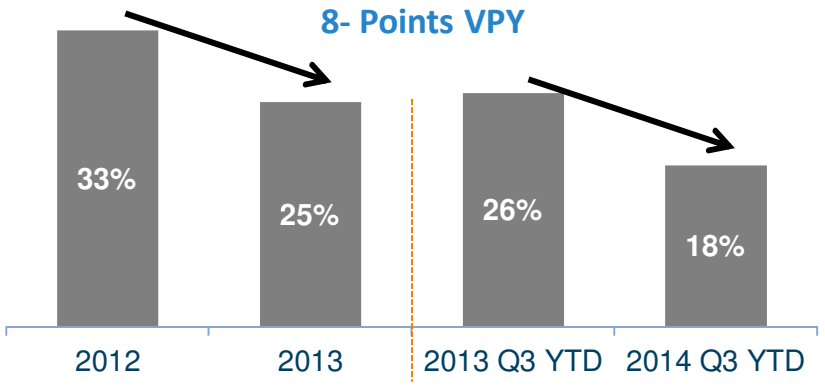
PREMIUMS EARNED EXPECTED TO RISE IN COMING QUARTERS

> LOSSES ON CLAIMS

NEW DELINQUENCIES NET OF CURES



LOSS RATIO



Loss Drivers:

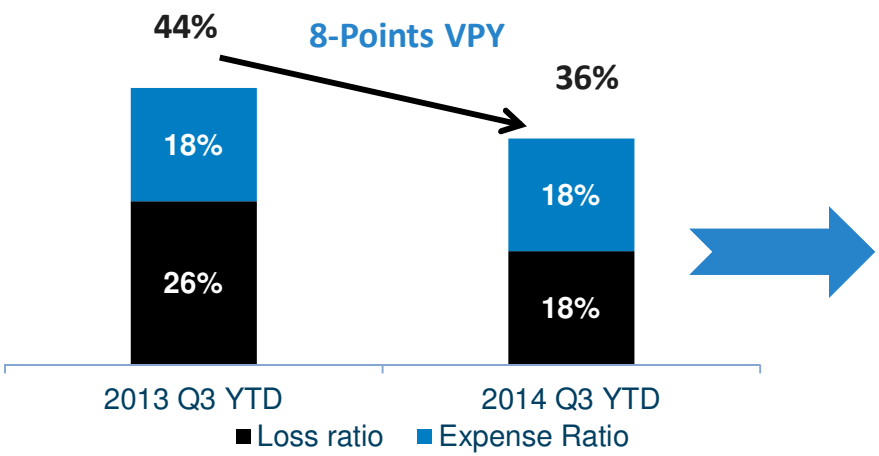
- Continued home price appreciation
- Declining unemployment
- Proactive loss mitigation programs

Results:

- High rate of cures
- Declining average paid claim severity
- Loss ratio of 18% Q3'14 YTD

> EARNINGS PROFILE & KEY DRIVERS

COMBINED RATIO



KEY FINANCIAL RESULTS

$ MM (except EPS)	2014 Q3 YTD	2013 Q3 YTD
Underwriting Income	$270	240
Operating Investment Income	130	134
Interest Expense	(18)	(17)
Net Operating Income	**$283**	**$264**
Investments	$5,609	$5,435
Investment Yield	**3.5%**	**3.7%**
Operating ROE	**12%**	**12%**
Operating EPS (Diluted)	**$2.96**	**$2.70**

- Strong underwriting performance driving improving profitability
- Investment yield continues to be pressured by low rate environment
- ROE stable at 12% as higher profitability was offset by higher capital levels

STRONG EARNINGS MOMENTUM GOING INTO 2015



> IMPACT OF PRICE INCREASE

LIFETIME UNDERWRITING INCOME EXAMPLE

$ MM except NIW	Pre- Price Increase	Post- Price Increase
HLTV NIW - $ B	$20 B	$20 B
Average Premium Rate	2.30%	2.65%
Premiums Written / Earned	$460	$530
Losses on Claims	(161)	(161)
Expenses	(92)	(95)
Underwriting Income	**207**	**274**
Loss Ratio	35%	30%
Expense Ratio	20%	18%
Combined Ratio	**55%**	**48%**

KEY HIGHLIGHTS

- 2014 price increase should translate into higher underwriting profitability
- Annual pricing review - potential for future price increases

2014 PRICE INCREASE A CATALYST FOR EARNINGS GROWTH IN COMING YEARS



> DISCIPLINED APPROACH TO INVESTMENT MANAGEMENT

$5.5 B INVESTMENT PORTFOLIO → **PRE-TAX YIELD[1] OF 3.5%** (SEPT. 30/14)

Preserve Principal
- Gov't Bonds (~50% of AUM)
- Investment Grade Bonds

Diversify By Sector
- Market Weight Financials
- Underweight Energy

Diversify Globally
- IG Emerging Markets Debt
- US CLOs (<3% of AUM / "A' or Above)
- Hedge FX Risk

ACTIVE PORTFOLIO MANAGEMENT
- 4 External Managers
- In House Investment Allocation & Oversight
- Focus on Investment Grade Fixed Income
- Limited Appetite for "Risk" Assets

Protect From Rising Rates
- Short Duration (3.6 Years)
- Floating Rate Notes

Cash Flow Match Liabilities
- Portfolio Duration < 5 Years

Enhance Income
- Dividend Paying Equities
- IG Emerging Markets Debt
- US CLOs (<3% of AUM / "A" or Above)

1. Pre-tax equivalent book yield after dividend gross-up of general portfolio

IG = Investment Grade

CLOs = Collateral Loan Obligations

YIELD CURRENTLY PRESSURED BY LOW RATES … POSITIVE OUTLOOK FOR MEDIUM TERM

> STRONG BALANCE SHEET

$ MM	September 30, 2014
Assets	
Cash and investments	$5,609
Other Assets	258
Total Assets	**$5,867**
Liabilities	
Loss reserves	108
Unearned Premiums	**1,763**
Long Term Debt	432
Other Liabilities	242
Total Liabilities	**2,545**
Shareholders' Equity	3,322
Total Liabilities and Shareholders' Equity	**$5,867**
Book Value Per Share (diluted)	**$34.57**

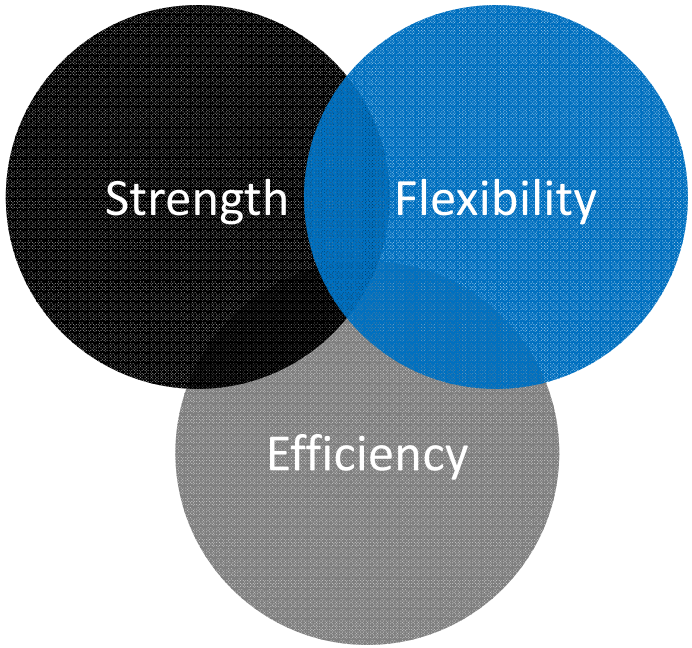
KEY HIGHLIGHTS

- $1.8 B of unearned premiums represent future revenues & profits
  - Illustration:

Unearned Premiums	$1.8 B
Future Losses on Claims & Expenses[1]	(1.0)
Future Pre-tax Underwriting Income	0.8
Future Net Income	$0.6 B

1. Future Loss on Claims & Expenses Calculated using 55% Combined Ratio

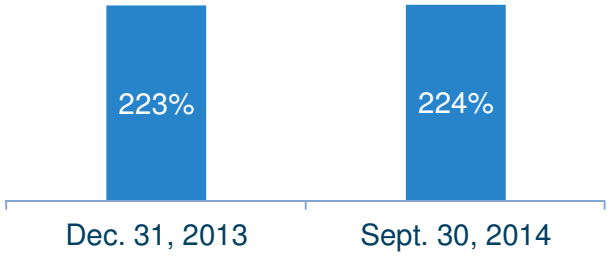
CAPITAL MANAGEMENT OBJECTIVES



CAPITAL STRENGTH

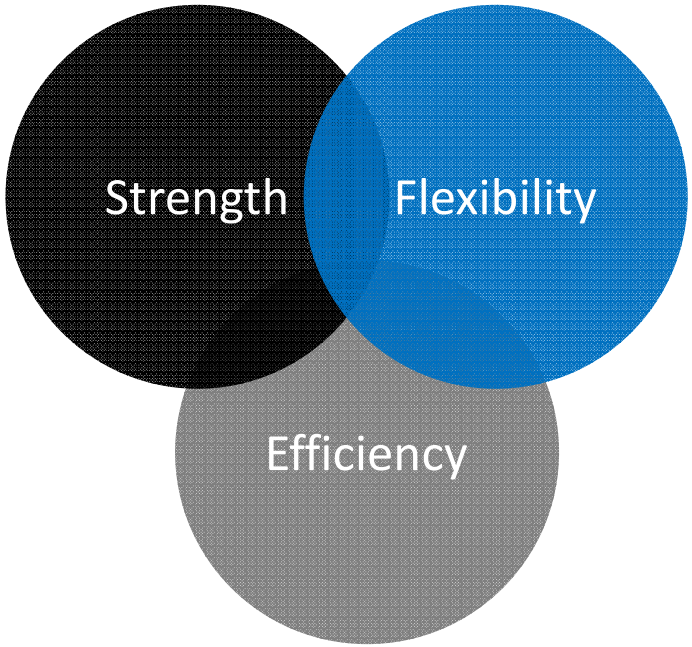
- Operate modestly above MCT Holding Target of 220%
- Conservative leverage of 12%
- Maintain Holding Company Cash & Marketable Securities of >$100 MM

Minimum Capital Test



> STRONG CAPITAL

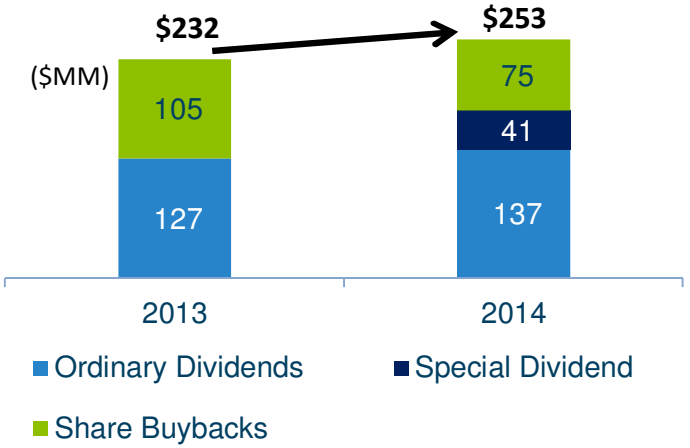
CAPITAL MANAGEMENT OBJECTIVES



CAPITAL FLEXIBILITY & EFFICIENCY

- Target dividend payout ratio of 35 to 45%
- Pursue efficient capital structure using available levers
  - Target leverage of 15% over the long run
  - Share Buybacks & Special Dividends
  - Optimize regulatory capital requirements

CAPITAL RETURNED TO SHAREHOLDERS





POTENTIAL IMPACT OF PERFORMANCE LEVERS OVER TIME

Levers	EPS	ROE	Comments
Price Increase	↑	↑	2014 price increase Potential for future increases
Market Share Gains	↑	↑	Capitalizing on momentum
Investment Yield Improvement	↑	↑	10 Bps improvement in yield adds $4MM in net operating income
Capital Optimization		↑	Potential for a lower MCT Holding Target reflecting the 2014 price increase

SEVERAL LEVERS TO DRIVE ROE EXPANSION OVER TIME



Q&A



> **STUART LEVINGS, CHIEF OPERATING OFFICER**

CLOSING REMARKS



> KEY TAKE-AWAYS

- Proven and sustainable business model
- Clear strategy for prudent growth
- Supportive market and regulatory environment
- Experts at managing mortgage default risk
- Solid financial position
- Experienced and engaged employees

CANADA'S MORTGAGE INSURER OF CHOICE

> SPEAKER BIOGRAPHIES



Brian Hurley

Chairman and CEO

Brian led the establishment of Genworth into the Canadian marketplace in 1994 and later led it through its initial public offering in 2009. He has more than 20 years of senior management experience in the mortgage insurance industry worldwide. From 2004 to 2009 he led Genworth's activities and expansion in key international markets. Prior roles includes Senior Vice President, International of General Electric's U.S. mortgage insurance business and Senior Vice President of Sales and Operations. As of January 1, 2015, Brian will step down from the CEO position and occupy the role of Chairman of the Company.



Stuart Levings

Chief Operating Officer

Stuart has held a variety of senior management positions within Genworth Canada since joining the company in 2000. These roles include five years as Chief Financial Officer prior to becoming the Chief Risk Officer in January 2008. More recently he has held the positions of Chief Operations and Chief Operating Officer, and effective January 1, 2015 he will hold the position of President and CEO. Stuart brings more than 20 years of finance and general management experience in financial services businesses. Prior to joining the Company, Stuart spent seven years with Deloitte & Touche. He holds a Bachelor of Accounting Science degree from the University of South Africa and is a member of both the South African and Canadian Institutes of Chartered Accountants.

> SPEAKER BIOGRAPHIES



Philip Mayers

Chief Financial Officer

Philip became Chief Financial Officer of the Company in 2009. He has more than 25 years of finance and general management experience in financial services businesses. Since joining the Company in 1995, Philip has held several senior positions, including Vice President, Finance, Vice President, Operations, and Senior Vice President, Business Development. Prior to joining the Company, he held finance positions with Mortgage Insurance Company of Canada, Esso Petroleum Canada and Deloitte & Touche. He holds CPA, CA and CMA professional designations and has a Master of Accounting degree from the University of Waterloo.



Craig Sweeney

Chief Risk Officer

Craig has more than 20 years of professional experience in the mortgage and banking industry. Since joining the Company in 1998, he has held senior positions in Operations and Business Development, including Director of Risk Operations and Director of Product Development. Craig holds an Economics degree from Carleton University and is a member of the Canadian Association of Accredited Mortgage Professionals.



> CONTACT INFORMATION

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