# Genworth MI Canada Inc.

## Third Quarter 2014

**November 6, 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, 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 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.

# Strong performance driven by top line

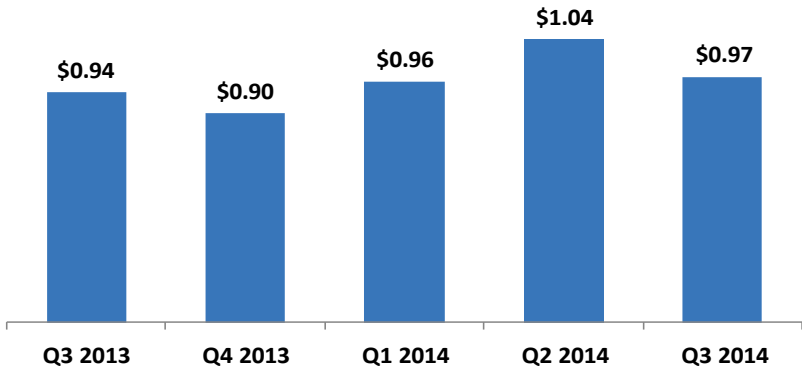
| | Q3 2014 | Q/Q | Y/Y |
|---|---|---|---|
| Premiums written | $217 million | +57 million | +$56 million |
| Net Operating Income | $93 million | -$6 million | +$2 million |
| Operating ROE | 12% | -1 pt | -1 pt |
| Operating EPS (diluted) | $0.97 | -$0.07 | +$0.03 |
| MCT[1] | 224% | -6 pts | +6 pts |

[1] Company estimate

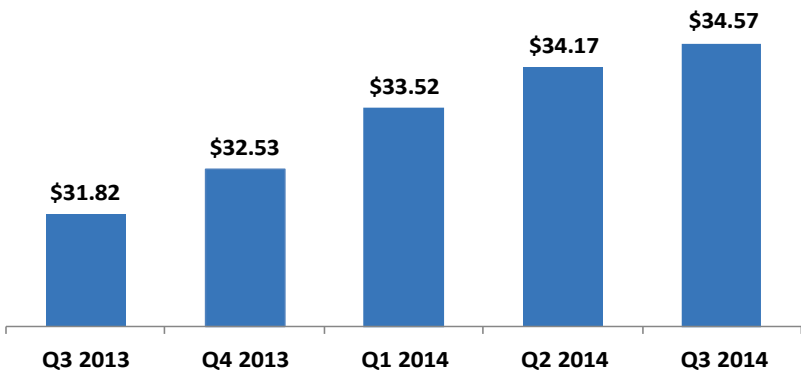
## Key Q3 2014 messages:

- Very strong top line growth of +35%
- Loss ratio normalized at 21% after exceptionally strong performance in the second quarter
- 11% increase in the ordinary dividend
- Special dividend of $0.43 per common share
- Net income consistent with management expectations

**Operating EPS (diluted)**




**Book Value Per Share (diluted, including AOCI)**



# Market environment remains stable

## Market dynamics

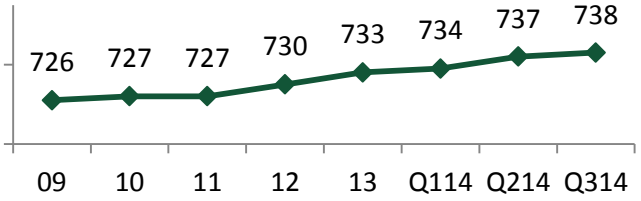
- Modest home price appreciation led by Vancouver, Calgary and Toronto
- GDP growth in the 2-2.5% range expected over the next 12 months
- Unemployment rate down to 6.8% - lowest since Dec 2008
- Low rate environment expected to continue into 2015

## Impact to business

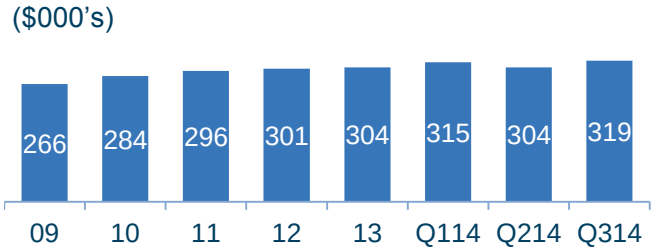
- Growth in mortgage originations expected in 2015
- Credit quality expected to remain strong
- Stable unemployment rate supporting loss ratio in 15-25% range

# High quality insurance portfolio

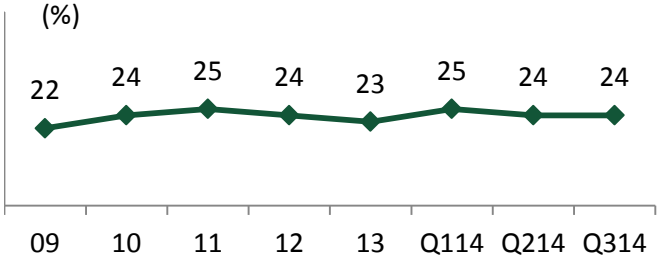
**Average Credit Score**




**Average Home Price**



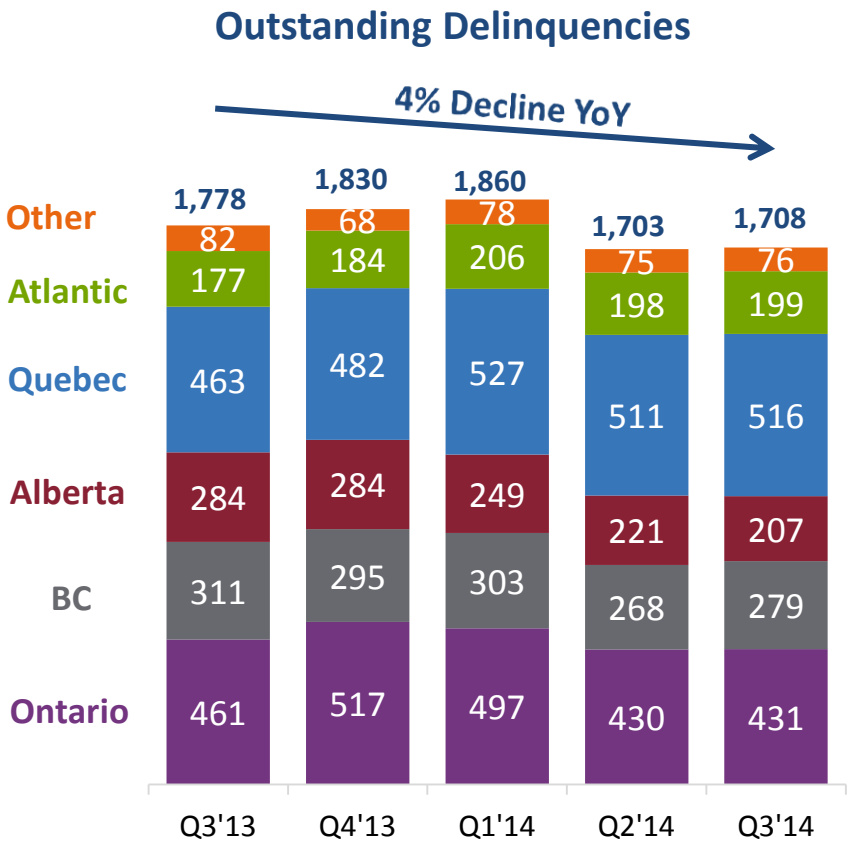

**Average Gross Debt Service Ratio**




## Key messages:

- Credit score up 12 pts since 2009
- Average home price well below CREA national average price
- Gross debt ratios stable, strong preference for 5 year fixed-rate mortgages
- Financially disciplined first-time home buyers

# Stable delinquency trend




## Key messages:

- Y/Y delinquency improvement reflects lower delinquencies in Ontario, BC and Alberta, offset by Quebec and the Atlantic region
- New delinquencies net of cures increased by ~120 Q/Q

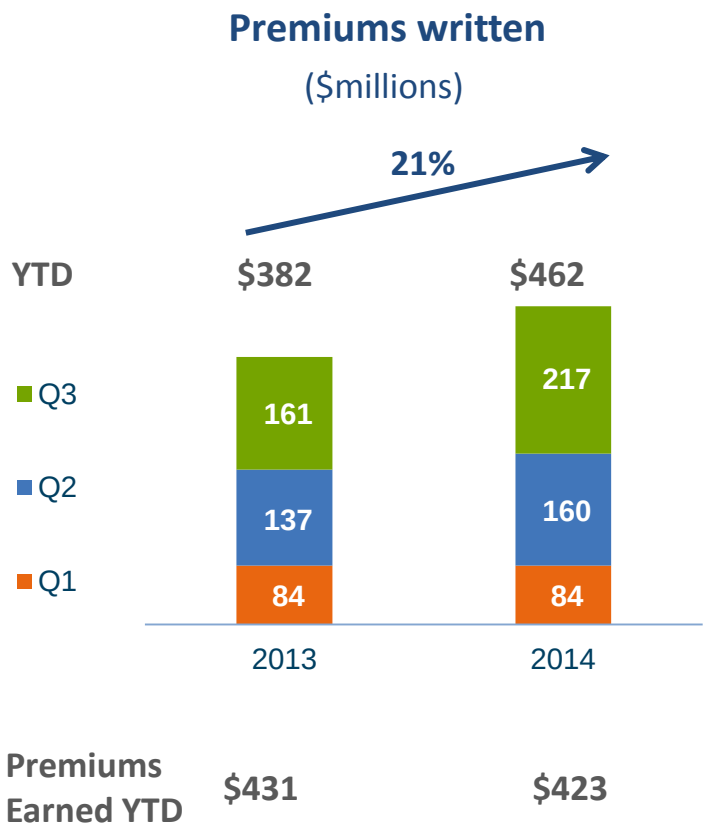
# Solid financial performance

| $MM except EPS and BVPS | Q3'14 | Q2'14 | Q3'13 |
|---|---|---|---|
| **Premiums written** | **$217** | **$160** | **$161** |
| Premiums earned | 140 | 141 | 143 |
| Losses on claims | 30 | 17 | 32 |
| Expenses | 24 | 27 | 27 |
| Underwriting income | $87 | $97 | $84 |
| Investment income (excl. realized gains / losses) | 43 | 43 | 45 |
| **Net operating Income** | **$93** | **$99** | **$91** |
| **Diluted operating EPS** | **$0.97** | **$1.04** | **$0.94** |
| **Book value per share** (diluted, incl. AOCI) | **$34.57** | **$34.17** | **$31.82** |

**Key messages:**

- Strong premiums written growth outpaced the general market growth
- Higher losses on claims reflect new delinquency activity
- Investment income consistent QoQ

# Premiums written trending higher

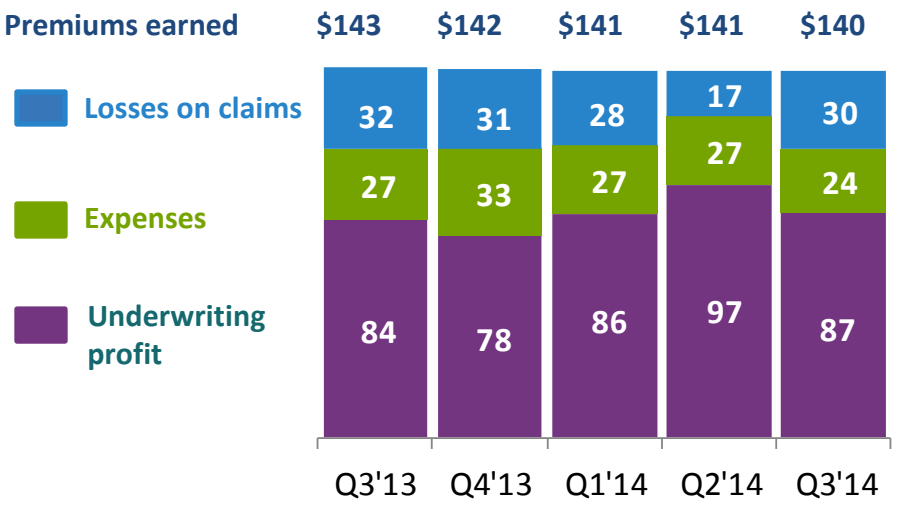



**Key messages:**

- On pace for strong premiums written growth in 2014
- Unearned premiums increased Q/Q due to higher premiums written
- Higher premiums written year-over-year is positive for earned premiums going forward

# Solid underwriting profitability

**Underwriting profitability**
($millions)



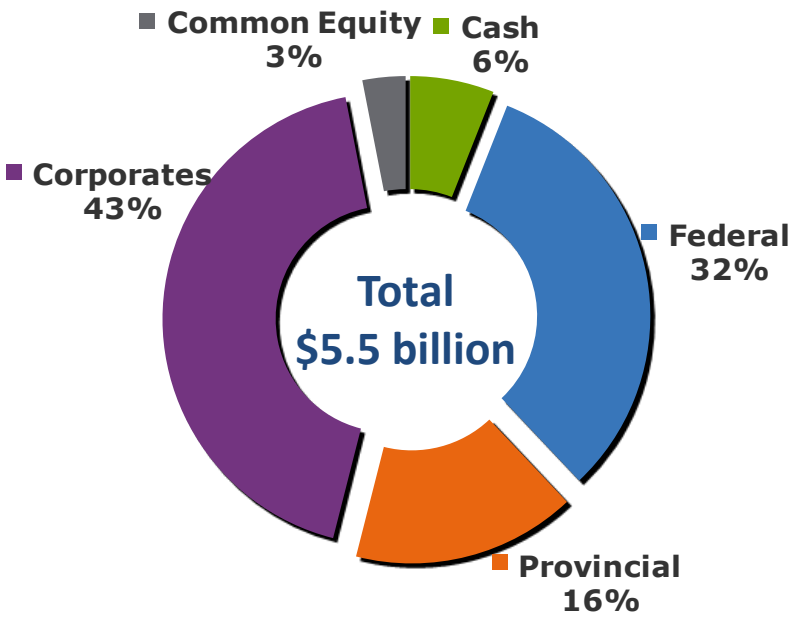

**Key messages:**

- YTD loss ratio of 18% consistent with 2014 full year loss ratio expected range of 15-25%
- Stable expense ratio

| | | | | | |
|---|---|---|---|---|---|
| Loss ratio | 22% | 22% | 20% | 12% | 21% |
| Expense ratio | 19% | 23% | 19% | 19% | 17% |
| **Combined ratio** | **41%** | **45%** | **39%** | **31%** | **38%** |

**Strong business execution and favourable housing market**

# Investments contribute steady income



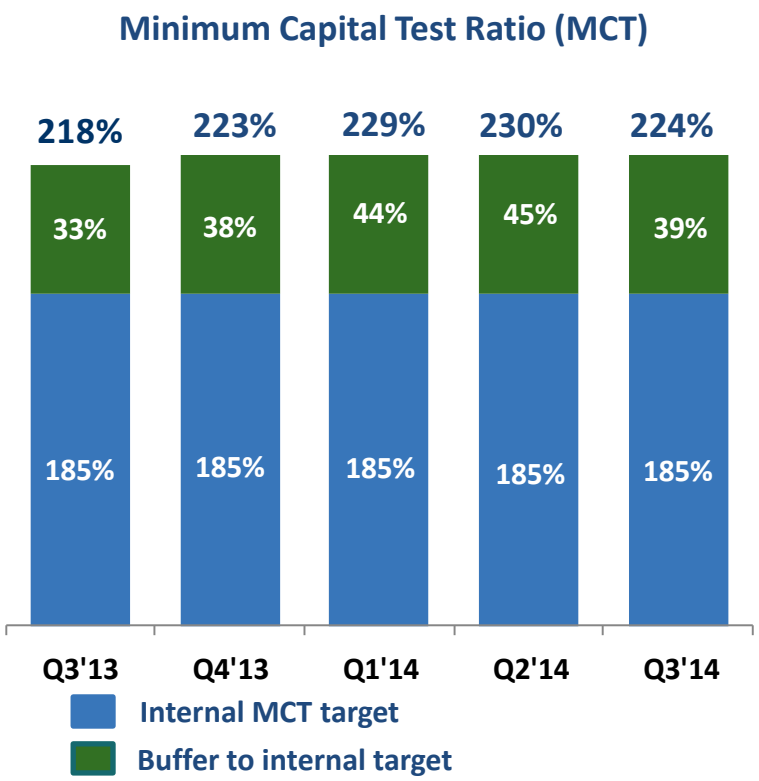

**Key messages:**

- Focus on high investment quality
- Diversified portfolio with over 50% government securities and cash

| | Portfolio |
|---|---|
| Invested assets and cash (market value) | **$5.5 billion** |
| Pre-tax yield[1] | **3.5%** |
| Duration | **3.6 years** |

1. Pre-tax equivalent book yield after dividend gross-up of general portfolio (as at September 30, 2014)

# Strong capital position




## Key messages:

- Continuing to balance capital strength, flexibility and efficiency
- $184 million holding company cash and marketable securities
- Increased ordinary dividend by 11%
- Special dividend of approximately $40 million

**MCT holding target at 220%**

# Question and Answer

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