

Genworth MI Canada

BUILDING ON GROWTH MOMENTUM

FEBRUARY 2015



> 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, its most recently issued Management's Discussion and Analysis 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.



> **STUART LEVINGS, PRESIDENT 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 December 31, 2014)

$5.8 billion Total Assets

$3.3 billion Shareholders' Equity

$2.9 billion Market Capitalization

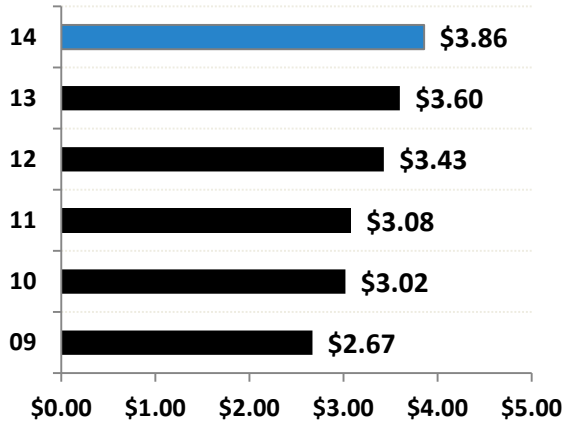
94 million Shares Outstanding

COMPETITIVE STRENGTHS

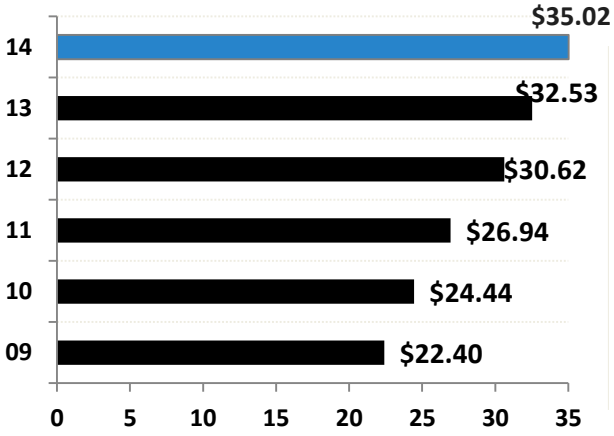
- Strong Market Presence
- Long-Standing Customer Relationships
- Best-in Class Technology and Processes
- Prudent Risk Management
- Impressive Long-Term Track Record
- Experienced and Engaged Workforce

> STRONG PERFORMANCE

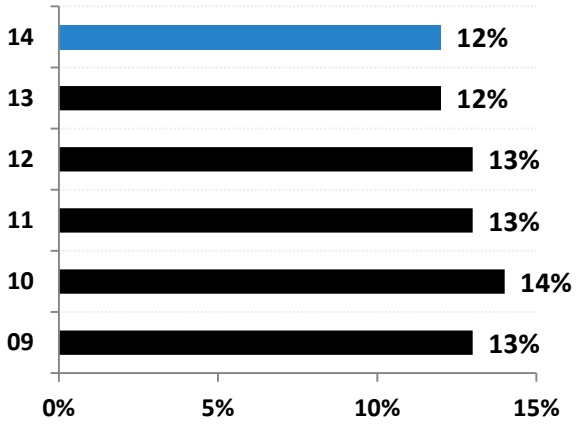
Operating earning per share
(diluted)

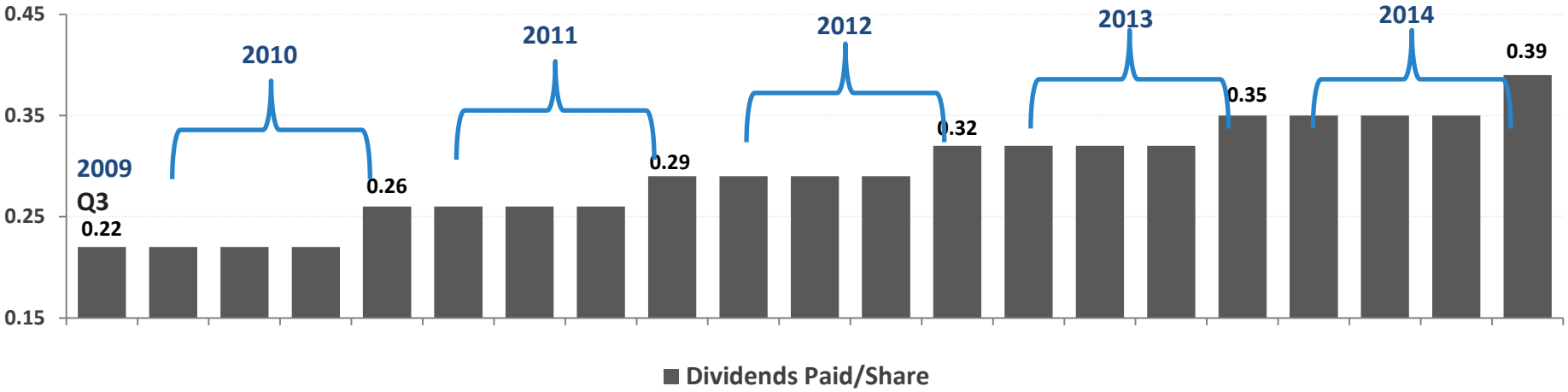


Book value per share
(diluted, including AOCI)



Operating return on equity
(%)





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



> COMPETITIVE STRENGTHS AND 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

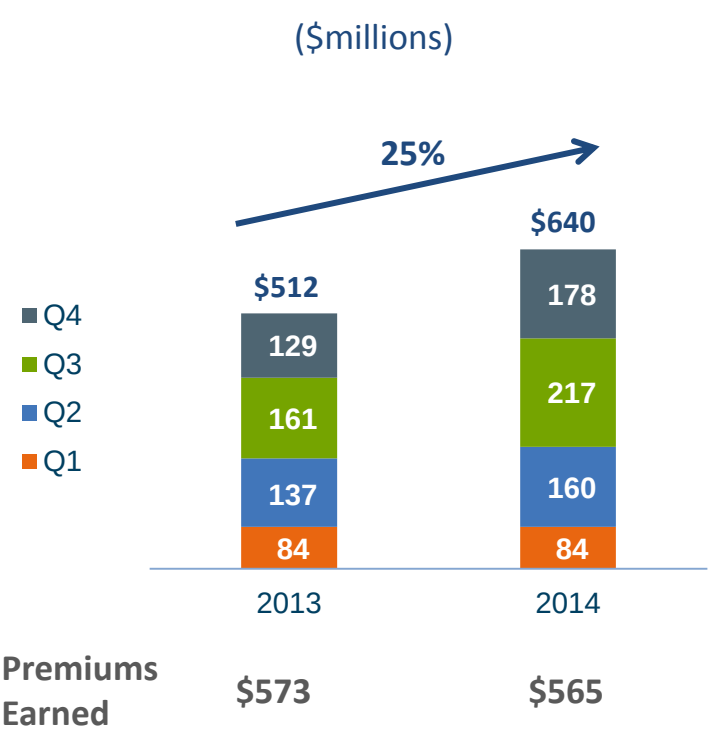
STRATEGIC PRIORITIES

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

HOW WE MEASURE SUCCESS

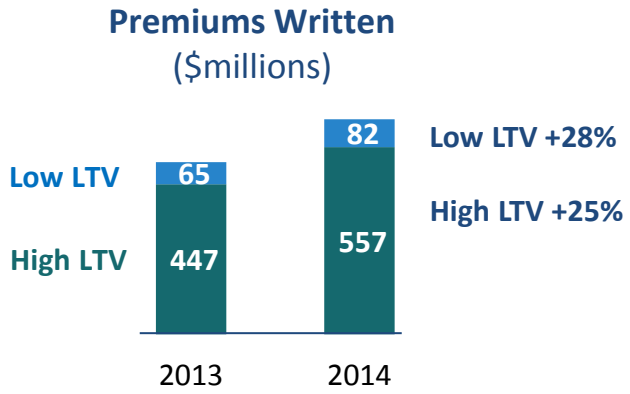
- Market Share Gains
- High Quality, Diversified Portfolio
- Operating Income Growth
- Strong Employee Engagement

PREMIUMS WRITTEN



KEY POINTS

- Strong sales momentum in 2014 expected to continue into 2015



- Portfolio insurance may be lower in 2015 due to government MBS changes
- Higher premiums written Y/Y is positive for earned premiums going forward

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

> CHANGING MARKET DYNAMICS

Market Dynamics

- Oil is anticipated to be in the $50-$65 USD range for 2015
- 2015 GDP outlook of 2.1%
- Canadian dollar expected to be in the range of $0.75 to $0.85 per USD
- Interest rate cut partially offsets impact of lower oil prices

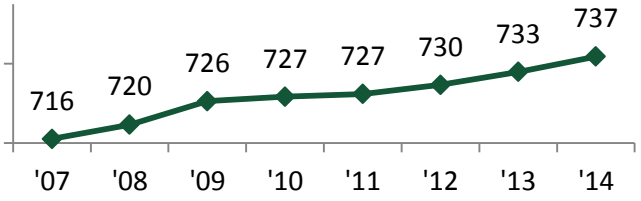
Impact to Business

- Unemployment rate likely modestly higher and home prices modestly lower in oil producing regions (Alberta, Newfoundland, Saskatchewan)
- GDP, home prices and employment in Ontario and Quebec may benefit from lower oil prices and Canadian dollar
- Continued lower interest rates supportive of housing affordability

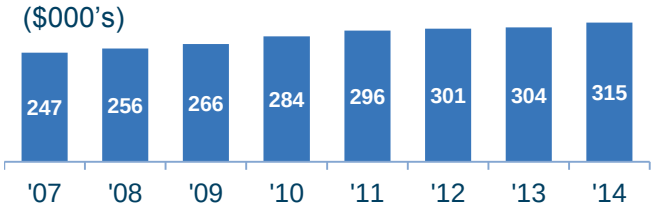
REBALANCING OF ECONOMIC GROWTH ACROSS THE COUNTRY

> HIGHER QUALITY PORTFOLIO

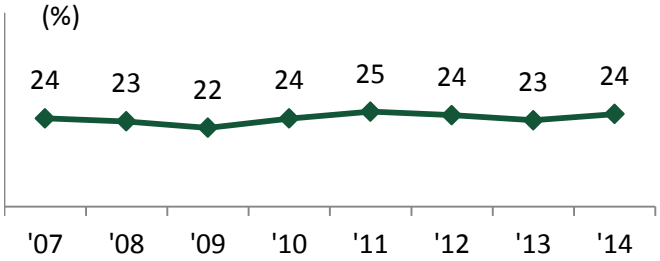
Average Credit Score



Average Home Price



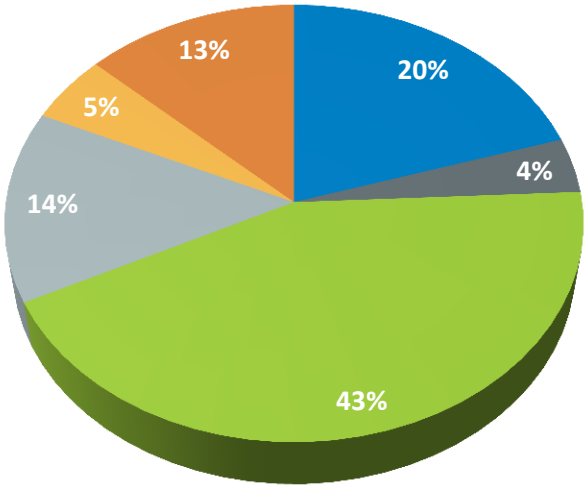
Average Gross Debt Service Ratio



- Credit score up 21 points since 2007
- Average home price 29% lower than CREA national average price of $407K
- Gross debt ratios stable, strong preference for 5 year fixed rate mortgages
- Financially disciplined first-time homebuyers

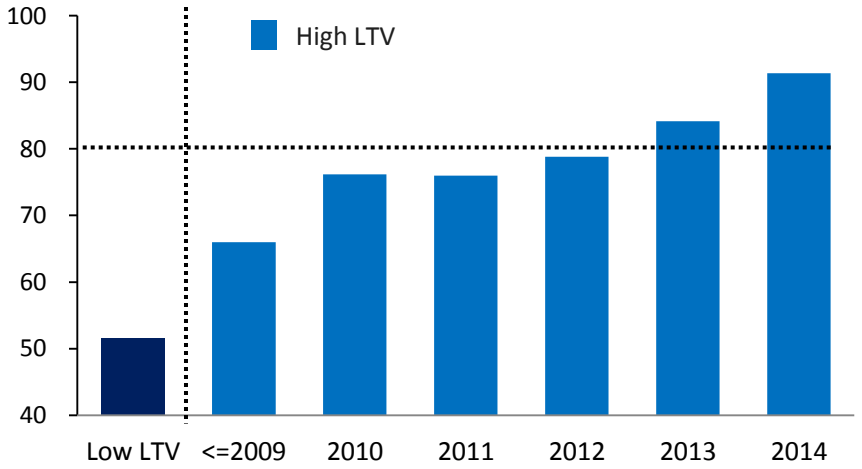
> REGIONAL DISPERSION

Regional Dispersion



Note: % as per Company's estimate of outstanding balance of insured mortgages

Alberta Effective Loan-to-Value by Book Year



Estimated outstanding balance of insured mortgages ($B)	7.6	6.8	2.5	3.1	3.3	4.0	4.8
Avg. Credit Score	749	720	728	730	729	730	734

DIVERSIFICATION OFFSETS REGIONAL PRESSURES; ALBERTA PORTFOLIO MANAGEABLE

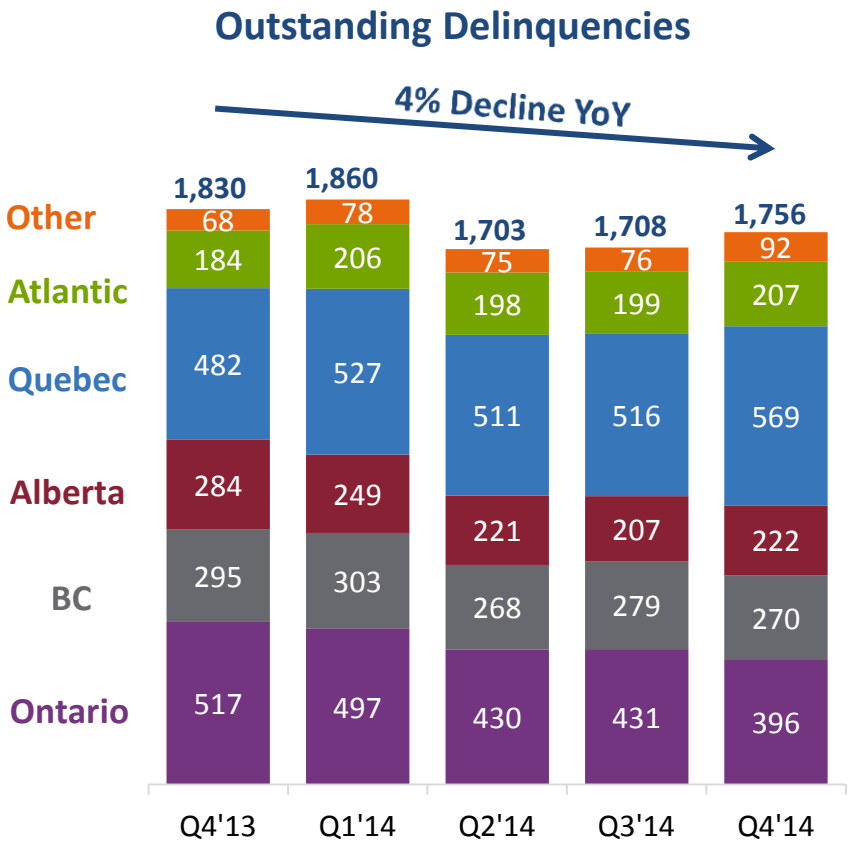
> HIGHER QUALITY PORTFOLIO IN ALBERTA

Market Dynamics	2014 vs. 2007
Underwriting standards	▪ Better underwriting quality in recent years ▪ Higher risk products eliminated prior to 2011
Portfolio quality	▪ Stronger borrower profile – average credit score up 21 points in Alberta since 2007
Government policy actions 2009-14	▪ Increased oversight enhancing safety and soundness housing market (PRHMIA, B20)
Housing market	▪ Risk of a major housing correction low due to reasonable current valuations

- Regional modest pressures expected
  - Modest increase in frequency due to job loss expected in Alberta
  - Home prices expected to decline modestly in Alberta

2015 EXPECTED OVERALL LOSS RATIO RANGE OF 20-30%

> DELINQUENCY TREND



- Y/Y delinquency improvement reflects lower delinquencies in Ontario and BC
- Improvement in delinquencies partially offset by Alberta, Quebec and the Atlantic region



> **PHILIP MAYERS, CFO**

SOLID AND SUSTAINABLE BUSINESS

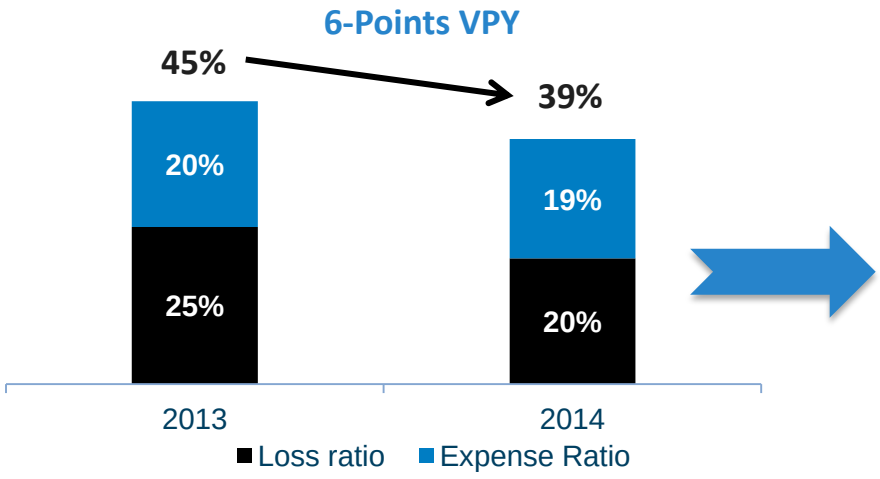
> FINANCIAL PRIORITIES

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 20-30% range for 2015
› 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 › Focus on sustainable ordinary and growing dividend

TARGETING ROE EXPANSION OVER TIME

> EARNINGS PROFILE AND KEY DRIVERS

COMBINED RATIO



KEY FINANCIAL RESULTS

$ MM (except EPS)	2014	2013
Underwriting Income	$346	$319
Operating Investment Income	195	215
Interest Expense	(24)	(23)
Net Operating Income	**$366**	**$349**
Total Invested Assets and cash	$5,443	$5,375
Investment Yield	**3.5%**	**3.7%**
Operating ROE	**12%**	**12%**
Operating EPS (Diluted)	**$3.86**	**$3.60**

- 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 PROFITABILITY

> DISCIPLINED APPROACH TO INVESTMENT MANAGEMENT

$5.4 B INVESTMENT PORTFOLIO → PRE-TAX YIELD[1] OF 3.5% (DEC.31/14)

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 ... STILL STRONG INCOME CONTRIBUTOR

> STRONG BALANCE SHEET

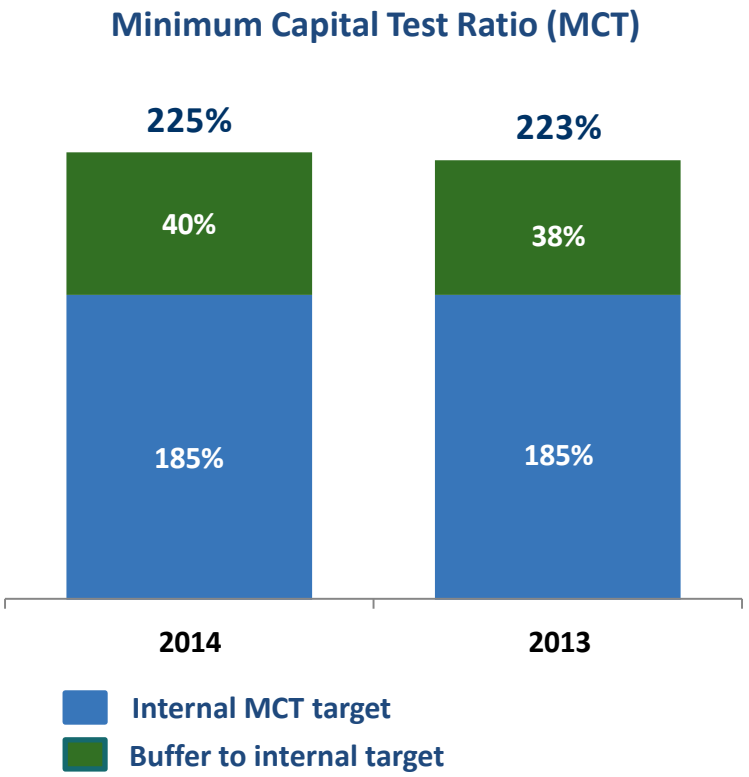
$ MM	December 31, 2014
Assets	
Cash and investments	$5,443
Other Assets	327
Total Assets	**$5,770**
Liabilities	
Loss reserves	115
Unearned Premiums	**1,799**
Long Term Debt	432
Other Liabilities	153
Total Liabilities	**2,499**
Shareholders' Equity (w/AOCI)	3,271
Total Liabilities and Shareholders' Equity	**$5,770**
Book Value Per Share (diluted)	**$35.02**

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 losses on claims and expenses calculalted using 55% combined ratio



KEY HIGHLIGHTS

- Strong capital generation has resulted in actions
  - History of ordinary dividend increases
    - 35-45% payout ratio
  - History of share repurchases - $75 million in Q4 2014, $105 million in 2013, $160 million in 2011, $325 million in 2010
  - Special dividends paid in 2011 and 2014
- Conservative leverage of 12%
- Holding company cash and liquid securities of $143 million
- Intend to operate moderately above 220% MCT operating holding target

CAPITAL OBJECTIVES: STRENGTH, FLEXIBILITY, EFFICIENCY

POTENTIAL IMPACT OF PERFORMANCE LEVERS OVER TIME

Levers	EPS	ROE	Comments
Price Increase	↑	↑	2014 price increase Annual review of pricing by government
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

SEVERAL LEVERS TO DRIVE ROE EXPANSION OVER TIME



> 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

> CONTACT INFORMATION

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