Genworth Canada



Fourth Quarter 2015 Results

February 5th, 2016

Forward-looking and non-IFRS statements

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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 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 23, 2015, 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. 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. 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.

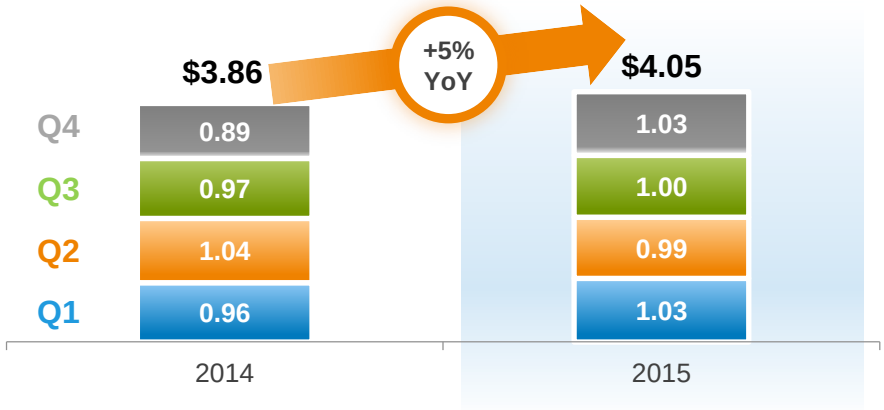
2015 financial results

$MM except ROE, EPS & MCT	Q4 2015	Q / Q	Y / Y	2015	Y / Y
Premiums written	$213	-18%	+20%	$809	+26%
Loss ratio	23%	+2 pts	-3 pts	21%	+1 pt
Operating Income	$95	+3%	+14%	$375	+3%
Operating ROE	12%	Flat	+1%	12%	Flat
Operating EPS (dil.)	$1.03	+3%	+16%	$4.05	+5%
MCT[1]	233%	+5 pts	+5 pts	233%	+5 pts

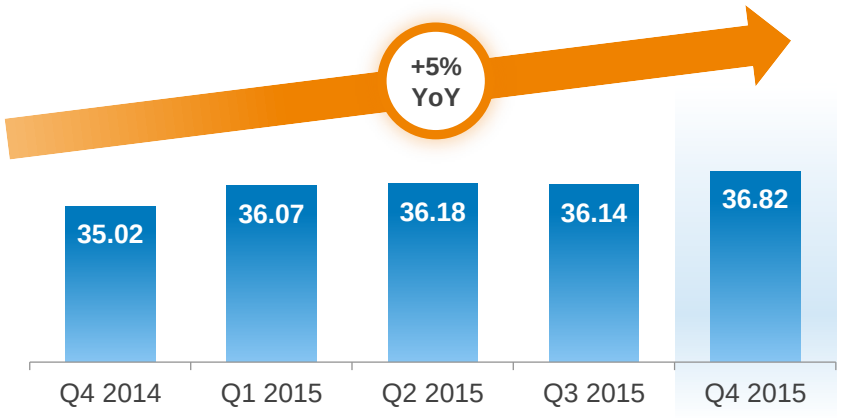
2015 key highlights

- Strong 2015 top line growth of +26% Y/Y
- Loss ratio of 21%, at lower end of stated range
- Operating income +3% and Op. EPS +5% Y/Y
- Consistent ROE performance at 12%
- Ongoing capital strength with MCT ratio at 233%[1]
- Book value per share[2] growth of 5%

Operating EPS (diluted)



Book Value Per Share (diluted, incl. AOCI)

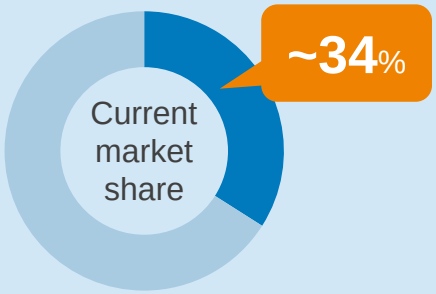


1. Year end MCT based on company estimates. Actual year-end MCT for 2014 was 225%, pro-forma under 2015 guidelines was 228%.
2. Book value per share, diluted, including AOCI.

2015 key accomplishments

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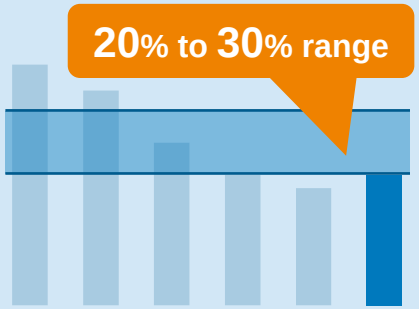
Strong but prudent **top line growth**



High quality and diversified **insurance portfolio,** with a **strong risk culture**[1]



21% loss ratio at lower end of stated range



25% cumulative price increases since 2013 translate into earnings tailwinds



PROVEN BUSINESS MODEL .... WELL POSITIONED GOING INTO 2016

Note: Company sources
1. Average credit score for 2015 volumes.

2016 key themes

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Economic environment

- Low oil prices
- Modest economic growth (GDP)
- Slowing house price appreciation
- Consumer indebtedness and regional affordability pressures



Market dynamics

- Modestly smaller mortgage originations market
- Fiscally disciplined first-time homebuyers
- Minimal impact from downpayment rule changes
- Focus on underwriting quality throughout the lending industry



Regulatory changes

- New standardized capital test for mortgage insurers
  - More risk sensitive
  - Increased capital on new business if regional house price to income threshold is exceeded
  - 2017 implementation
- Regulatory rule change may reduce demand for portfolio insurance



Implications

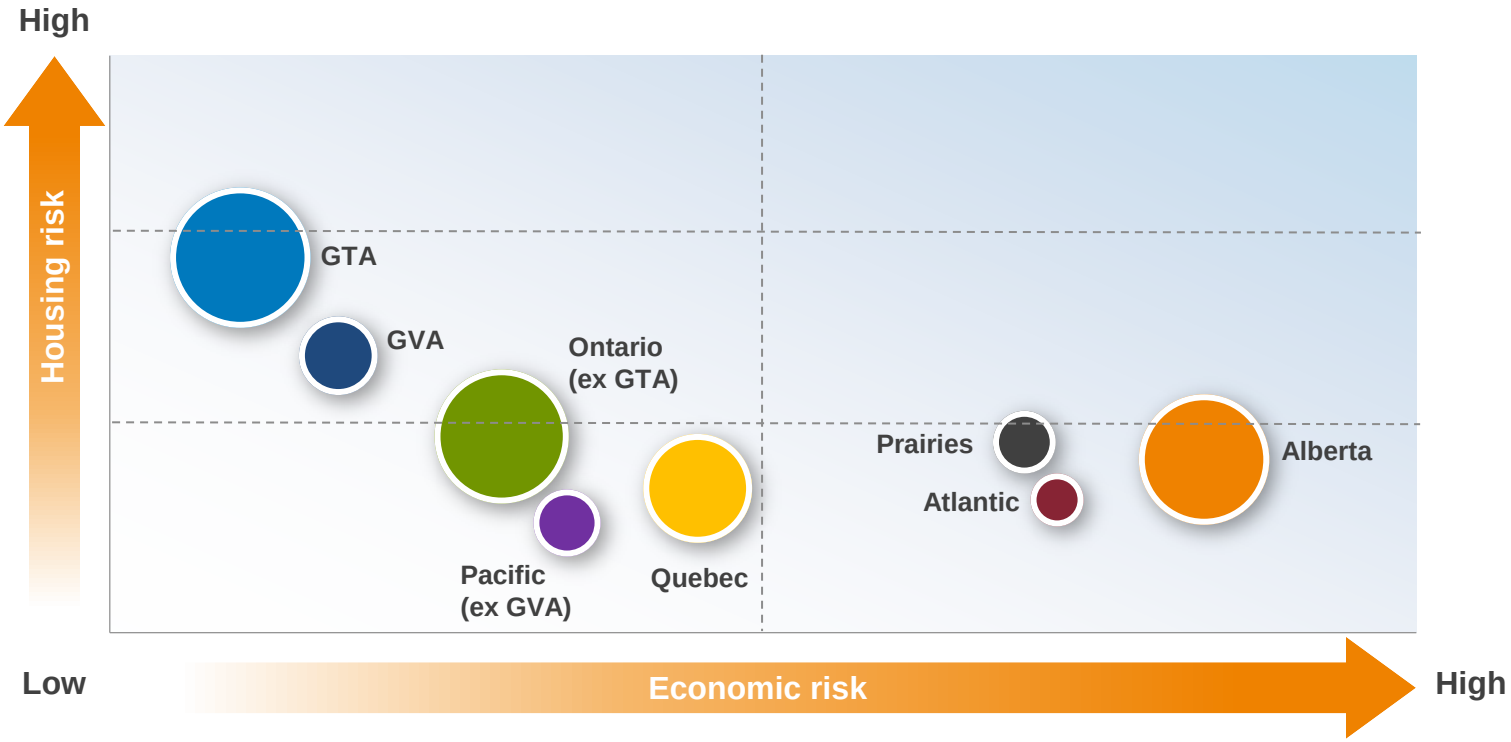
- Moderately lower total premiums written
  - Flat to modestly lower transactional premiums written
  - Lower portfolio insurance volumes
- Moderate growth of 5%+ expected in premiums earned
- Loss ratio range for 2016 of 25% to 40%
- MCT ratio to remain modestly above 220%



Regional risk assessment

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Key Metrics
- Price-to-income
- Affordability
- Price-to-rent



Key Metrics: GDP; UE Rate; Economic diversity

Monitoring **housing risk** in GTA and GVA

Prudent **underwriting actions** in Alberta & Saskatchewan

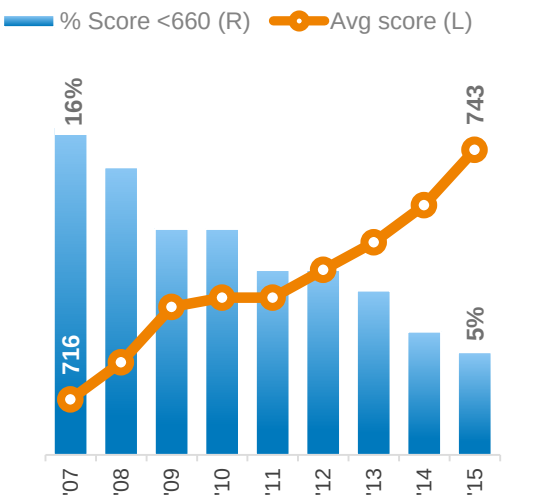
Balanced **risk profile** in Quebec and Ontario

Note: Based on Company estimates.

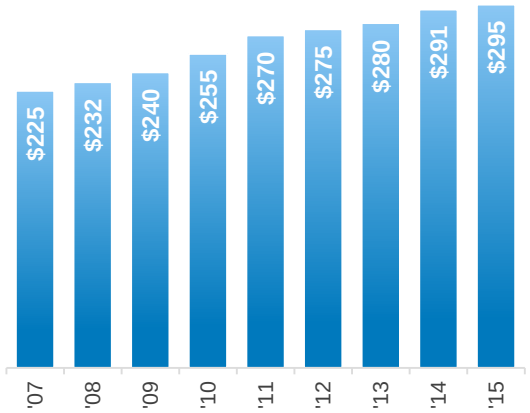
Portfolio quality improving

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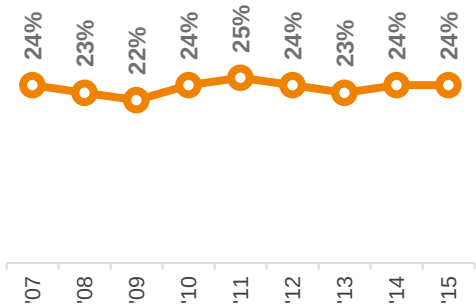
Credit score



Median home price (In '$000s)



Average gross debt service ratio (%)



2015 highlights

Steady credit score improvement year-over-year

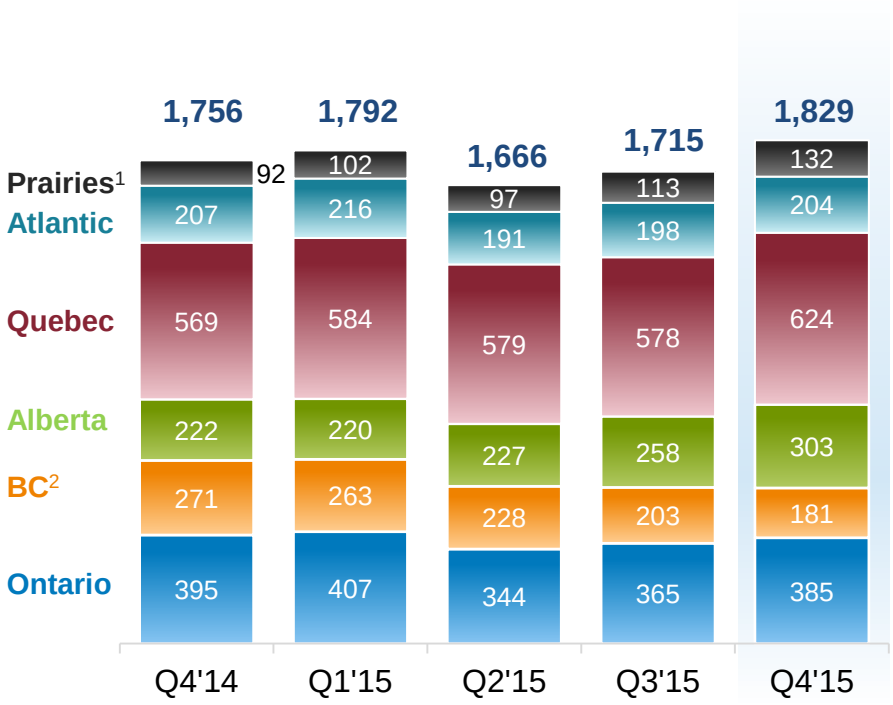
Modest home price increases

Stable debt servicing ratios

NATIONAL PORTFOLIO QUALITY SIGNIFICANTLY IMPROVED COMPARED TO '07/08

Note: Company sources for transactional new insurance written.

Outstanding delinquencies



Highlights

- Delinquencies up 7% Q/Q, primarily reflecting seasonality
  - Increases in Alberta, Quebec & Ontario partially offset by a decrease in BC
- Delinquencies decreased in Ontario & B.C. Y/Y
- Delinquency rates relatively stable over the past year

Based on reported outstanding balances

Delinquency Rates[3]	Q1'15	Q2'15	Q3'15	Q4'15[4]
Transactional	0.31%	0.29%	0.29%	n.a.
Portfolio	0.08%	0.07%	0.08%	n.a.
Total	**0.22%**	**0.20%**	**0.21%**	**n.a.**

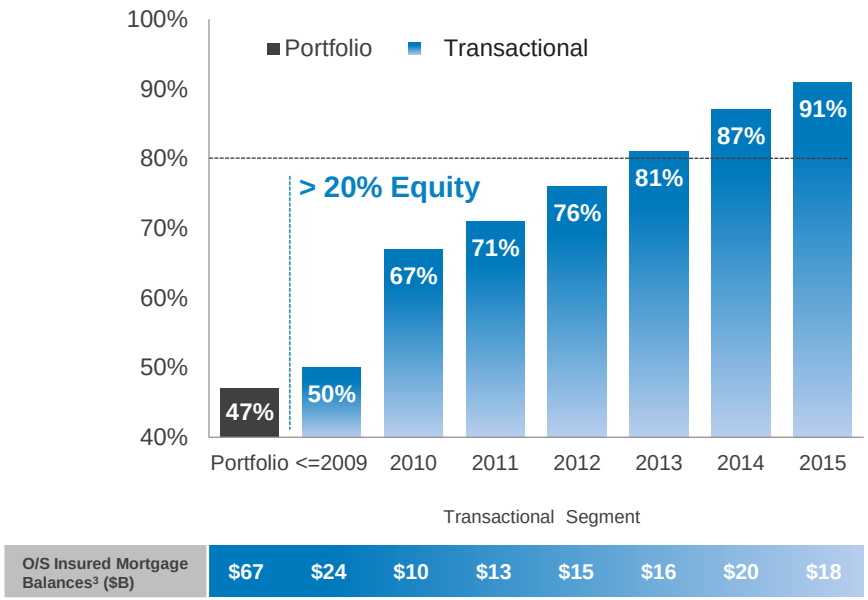
[1] Prairies include MB and SK. [2] BC includes the Territories. [3] Delinquency rates are based on outstanding insured mortgages as at the end of the quarter and exclude delinquencies that have been incurred but not reported. [4] Outstanding mortgage insured balances are reported on a one quarter lag.

2016 annual loss ratio expectations

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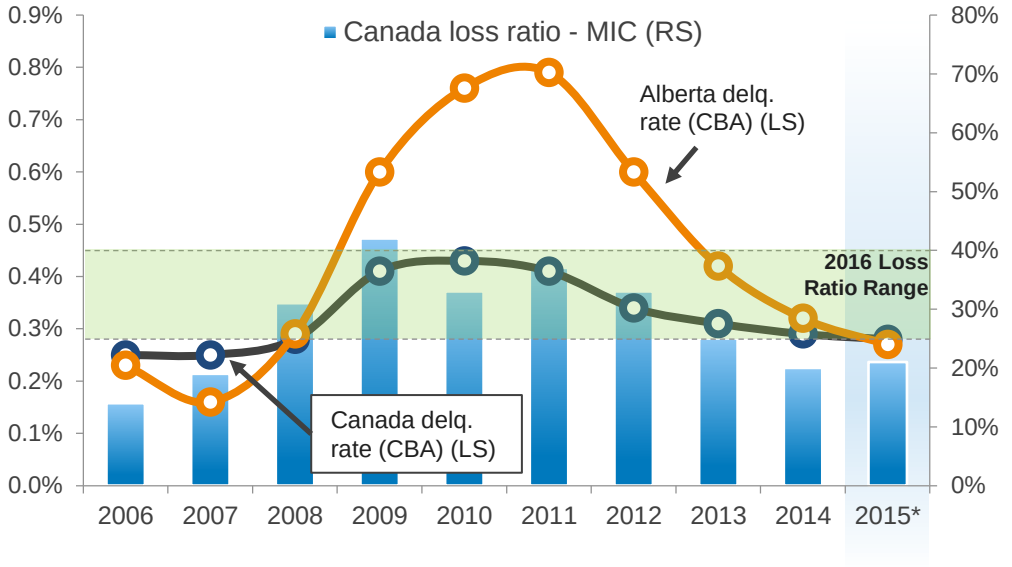
Effective Loan-to-Value by Book Year

National, as at September 30, 2015



O/S Insured Mortgage Balances[3] ($B)	$67	$24	$10	$13	$15	$16	$20	$18

MIC loss ratio[1] & CBA delinquency rates[1,2]



Assumptions for loss ratio range

	Alberta	National
Unemployment rate	7.8 to 9.0%	7.4 to 8.0%
Home price appreciation (depreciation)	(8) to (12)%	1 to (3)%

2016 ANNUAL LOSS RATIO ESTIMATED RANGE: 25% TO 40%

1 Source: Canadian Bankers Association (CBA, annual averages) and Company sources.
2 2009 excludes the impact of the change to the premium recognition curve in 1Q'09
3 Based on Company's estimate of outstanding balance of insured mortgages as at September 30, 2015 of $184B.
* CBA delinquency rates as of Q3 2015.

Solid financial performance

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$MM except EPS & BVPS	Q4'15	Q3'15	Q4'14
Transactional premiums written	$181	$236	$165
Portfolio premiums written	32	24	13
Total premiums written	**$213**	**$260**	**$178**
Premiums earned	151	148	143
Losses on claims	(35)	(31)	(37)
Expenses	(27)	(28)	(30)
Underwriting income	$90	$89	$76
Net investment income (excl. realized gains / losses)	44	42	43
Net operating income	**$95**	**$92**	**$84**
Operating EPS (diluted)	**$1.03**	**$1.00**	**$0.89**
Book value per share (diluted, incl. AOCI)	**$36.82**	**$36.14**	**$35.02**

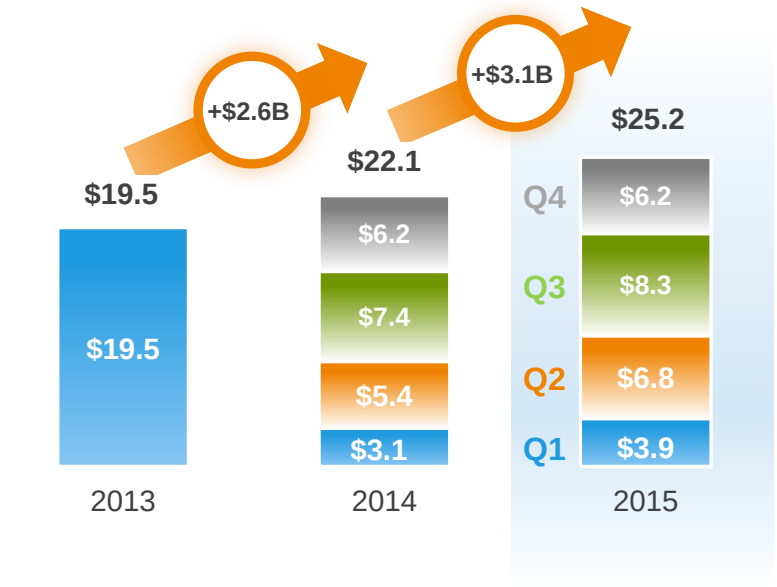
Q4 highlights

- Transactional premiums written higher by 10% Y/Y primarily due to premium rate increases
- Premiums Earned increased by 3% Q/Q and 6% Y/Y as a result of the larger recent books and price increases
- Loss ratio of 23%, up 2 pts Q/Q consistent with typical seasonality, and emerging Alberta pressure, but down 3 pts Y/Y
- Net investment income modestly higher Q/Q primarily due to higher invested assets
- Net operating income modestly higher Q/Q
- Book value per share up 5% Y/Y

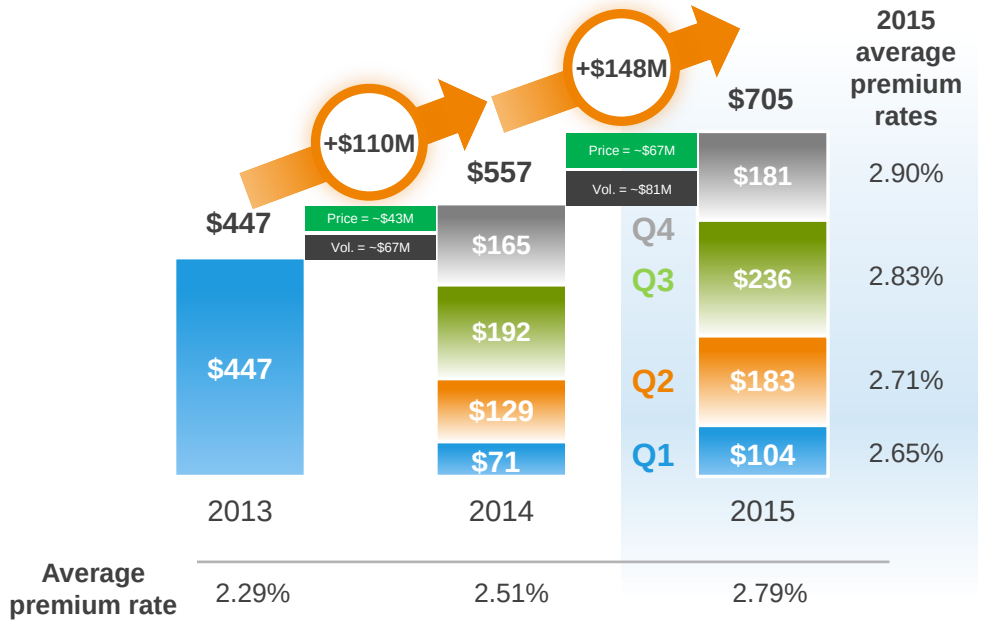
Transactional insurance

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New insurance written ($ billions)



Net premiums written ($ millions)



2015 highlights

Average **market share increase of ~4 percentage points** in 2015; modestly larger origination market

2016 outlook

Maintain market share in a modestly smaller origination market

Average premium rate should be **marginally higher** than 2.90%

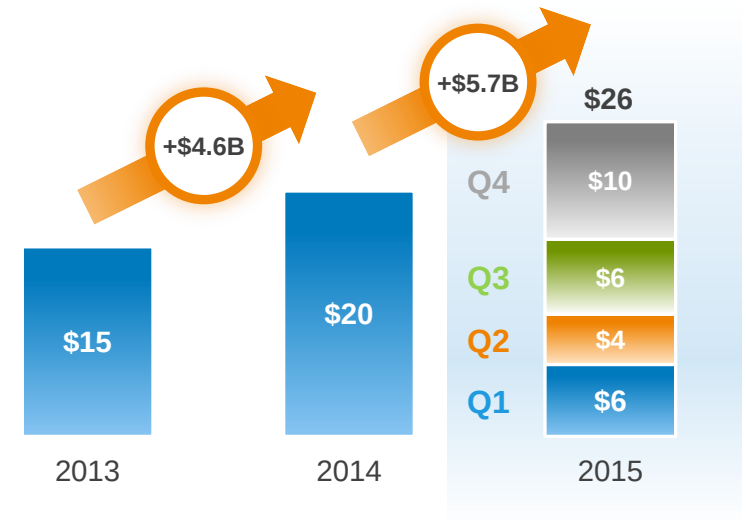
SOLID BUSINESS FUNDAMENTALS; FLAT TO MODESTLY LOWER PREMIUMS WRITTEN FROM TRANSACTIONAL INSURANCE IN 2016

Note: Company sources.

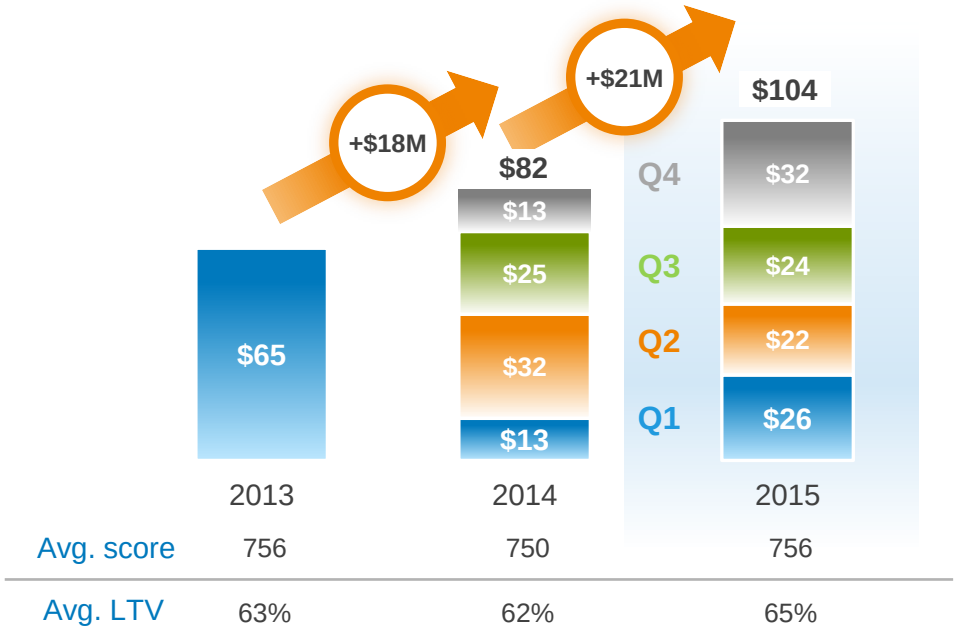
Portfolio insurance

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New insurance written ($ billions)



Net premiums written ($ millions)



2015 highlights

Large wins at banks

Leveraging **proprietary risk models** to drive portfolio quality

2016 outlook

Regulatory rule change expected to moderate demand in 2H16 as portfolio insurance could be limited to mortgages backing gov't MBS

PORTFOLIO INSURANCE IS A KEY PART OF VALUE PROPOSITION

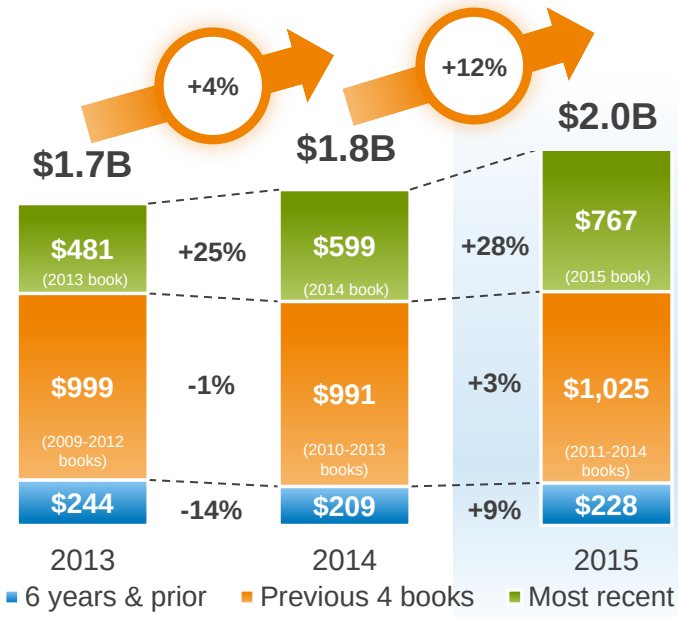
Note: Company sources.

Premiums earned growth

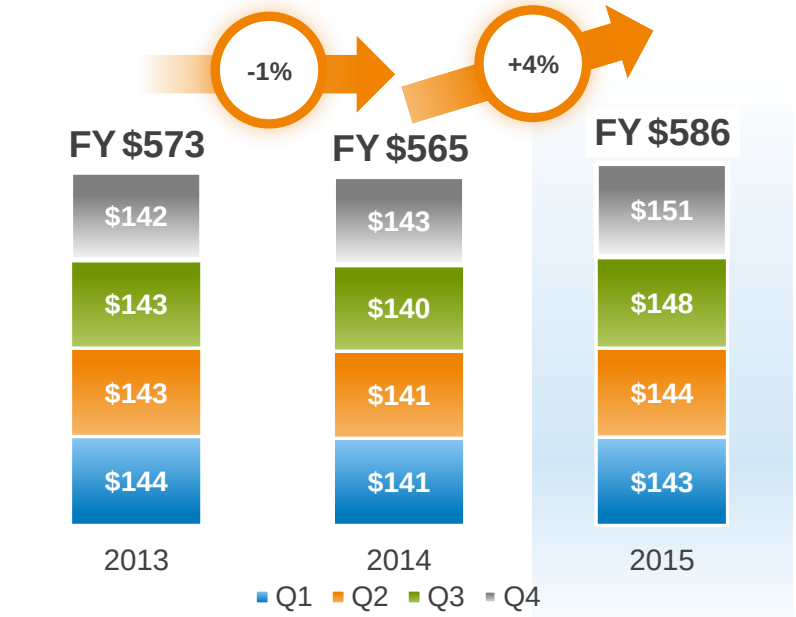
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LARGER RECENT BOOKS PROVIDE TAILWIND FOR PREMIUMS EARNED

Unearned premiums reserve ($ millions)



Premiums earned ($ millions)



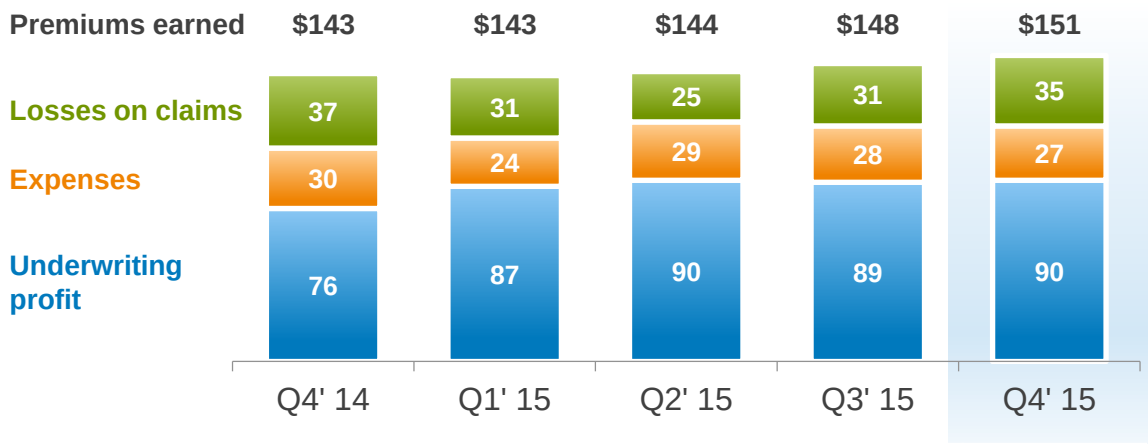
PREMIUMS EARNED IN 2016 TO GROW BY 5%+ DRIVEN BY LARGER RECENT BOOKS

Note: Company sources.

Solid underwriting profitability

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Underwriting profitability ($ millions)



	Q4' 14	Q1' 15	Q2' 15	Q3' 15	Q4' 15
Loss ratio	26%	22%	17%	21%	23%
Expense ratio	21%	17%	20%	19%	18%
Combined ratio	47%	39%	37%	40%	41%
New delinquencies net of cures	489	432	319	440	487

Highlights

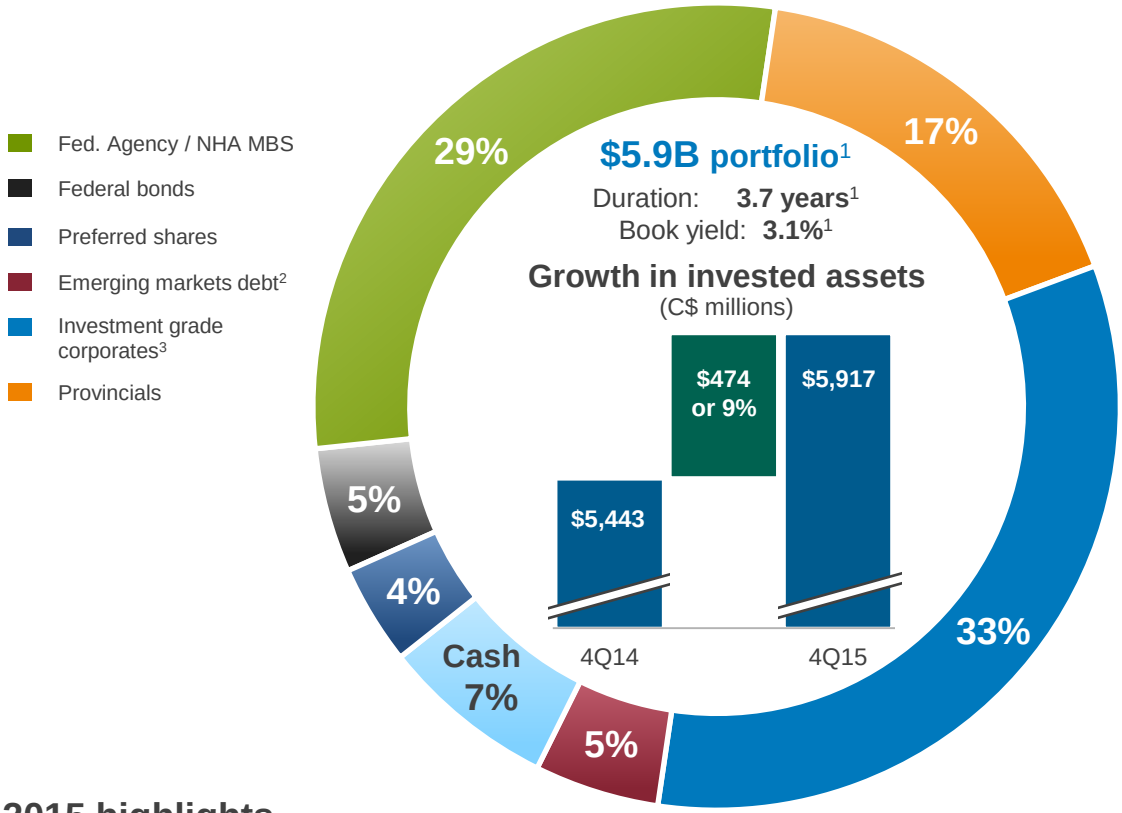
- 2015 loss ratio of 21% at lower end of stated range of 20 to 30%
- New delinquencies net of cures modestly higher, primarily due to Quebec and Alberta
- Expense ratio of 18% in line with management expectations
- Loss mitigation programs continue to be effective

2016 ANNUAL LOSS RATIO ESTIMATED RANGE: 25% TO 40%

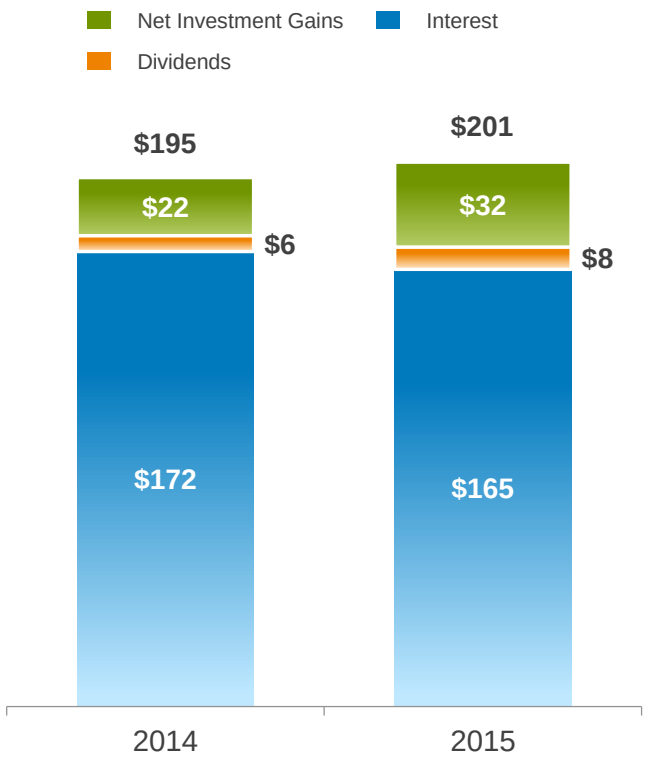
Investments contribute steady income

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Total Invested Assets



Investment Income ($ millions)



2015 highlights

89% of portfolio is **high-quality** fixed income

Limited energy exposure
6% of portfolio

2016 outlook

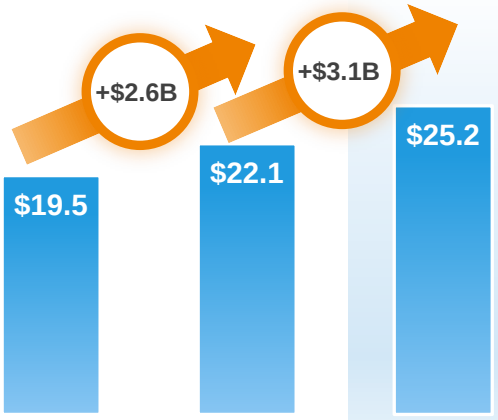
Impact of **low rate environment** should be largely offset **by growth in invested assets**

Note: Company sources.
1. Represents market value. Book yield represents pre-tax equivalent book yield after dividend gross-up of portfolio (as at Dec. 31, 2015).
2. 98% investment grade. 3. Market value, includes CLOs.

Capital management

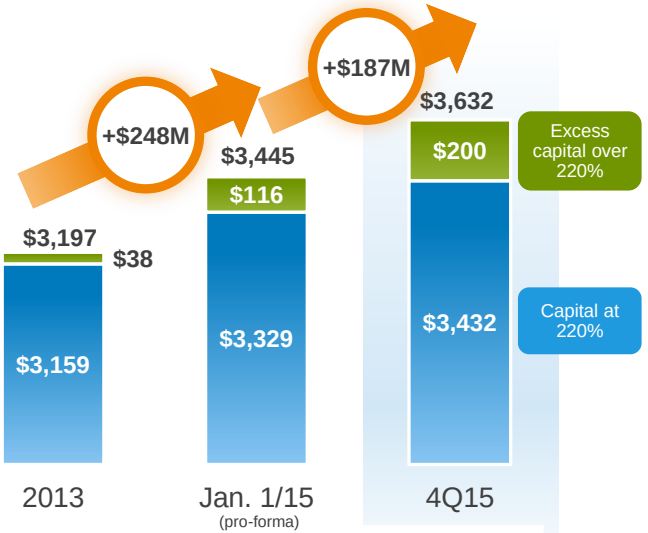
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Transactional new insurance written ($ billions)





Capital required at 220% MCT ($ millions)[1]



	2013	Jan. 1/15 (pro-forma)	4Q15
Holdco cash[2]	$85M	$143M	$121M
MCT ratio	223%	228%	233%

2016 outlook

Maintain holdco cash and liquid securities **above $100 million**

New capital test under development for 2017 will be more risk sensitive and will include additional capital for new business if regional home price to income threshold is exceeded

INTEND TO OPERATE MODESTLY ABOVE THE 220% MCT HOLDING TARGET IN 2016

Note: Company sources.
1. MCT denotes ratio for operating insurance company. 4Q15 MCT based on company estimates.
2. Represents capital in addition to capital in operating insurance company.

Key takeaways

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- Market share **retention**
- Navigating 2016 with a keen **focus on risk management**
- Proactive **loss mitigation** programs
- Investing in our **customer experience strategy**

Proven business model has positioned MIC for **future performance**

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