Genworth Canada



Third Quarter 2019 Results

October 29th, 2019

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 guideline changes by OSFI and legislation 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; 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.

3Q19 financial results

Genworth Canada

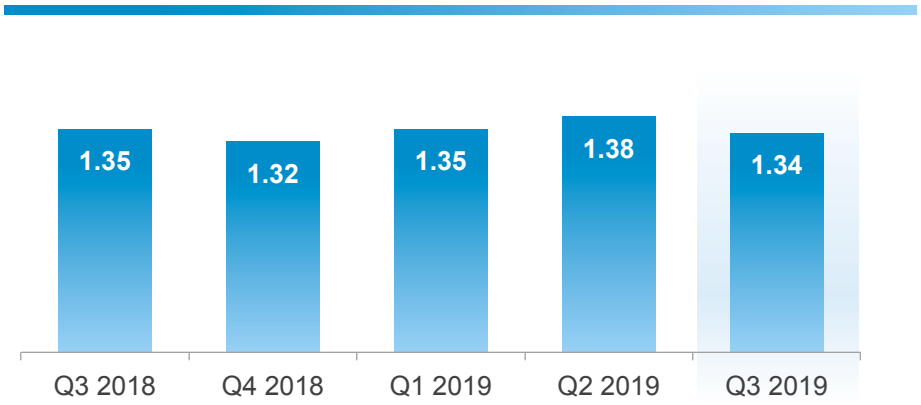
$MM except loss ratio, Op. ROE, Op. EPS & MICAT/MCT ratio	Q3 2019	Q2 2019	Q3 2018	Q / Q	Y / Y
Premiums written	$218	$195	$196	+12%	+11%
Premiums earned	$171	$169	$169	+1%	+1%
Loss ratio	18%	15%	14%	-3 pts	-5 pts
Net income	$111	$110	$128	+1%	-13%
Net operating income	$115	$120	$121	-4%	-5%
Operating ROE	11%	12%	12%	-	-1 pt
Operating EPS (dil.)	$1.34	$1.38	$1.35	-3%	-1%
MICAT/MCT ratio[1]	172%	170%	171%	+2 pts	+1 pt

Q3 key highlights

- Total premiums written increased Y/Y by 11% primarily due to increased transactional insurance premiums written, driven by increased housing market activity
- Loss ratio of 18% remains below long run pricing levels
- Net operating income down modestly Q/Q and Y/Y with operating EPS lower by 3% Q/Q and 1% Y/Y
- Ongoing capital strength with MICAT ratio of 172%[1]
- Book value per share and special dividend growth of 7% Y/Y after declaration of a $125 million special dividend ($1.45 per common share) in the quarter

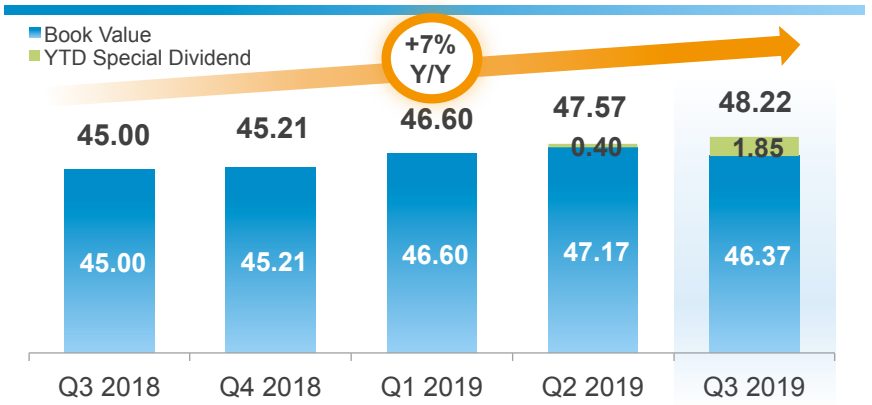
Operating EPS

($, diluted)



Book Value and Special Dividends Per Share

(Book Value $, diluted, incl. AOCI)



1. 3Q19 MICAT ratio represents an estimate. Effective January 1, 2019, the MCT ratio was replaced with the MICAT ratio. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under the Protection of Residential Mortgage or Hypothecary Insurance Act for 2019 remains at 150% and the Company's internal target ratio for 2019 under the MICAT remains unchanged at 157%. Note: Amounts may not total due to rounding.

Our environment today

Risk	Assessment Denotes change from Q2'19
Economic	
Housing & mortgage markets	
Insurance portfolio	
Regulatory	

Key observations

- Resilient Canadian economy. GDP forecast[1] for 2019 at 1.3%, growth expected to pick up to 1.9% in 2020
- Slowing global growth driven by trade conflicts, geopolitical tensions & uncertainty
- BoC overnight rate maintained at 1.75% in September[2]
- Labour force growth fastest in more than a decade[3]; expected to normalize in the following quarters

- GVA market is balanced with housing activity returning to more normal levels and home prices showing signs of stabilization
- GTA market has adapted to regulatory changes, market activity and home prices are on the rise
- Increase in market activity in Calgary and Edmonton, home prices have stabilized

- Portfolio quality remains strong, robust underwriting & quality assurance routines
- Average credit score for transactional new insurance written at 748

- Regulatory environment supporting reduced product risk and strong underwriting practices
- Government of Canada's first-time home buyer incentive program launched in September

OVERALL MACROECONOMIC ENVIRONMENT CONTINUES TO BE SOUND

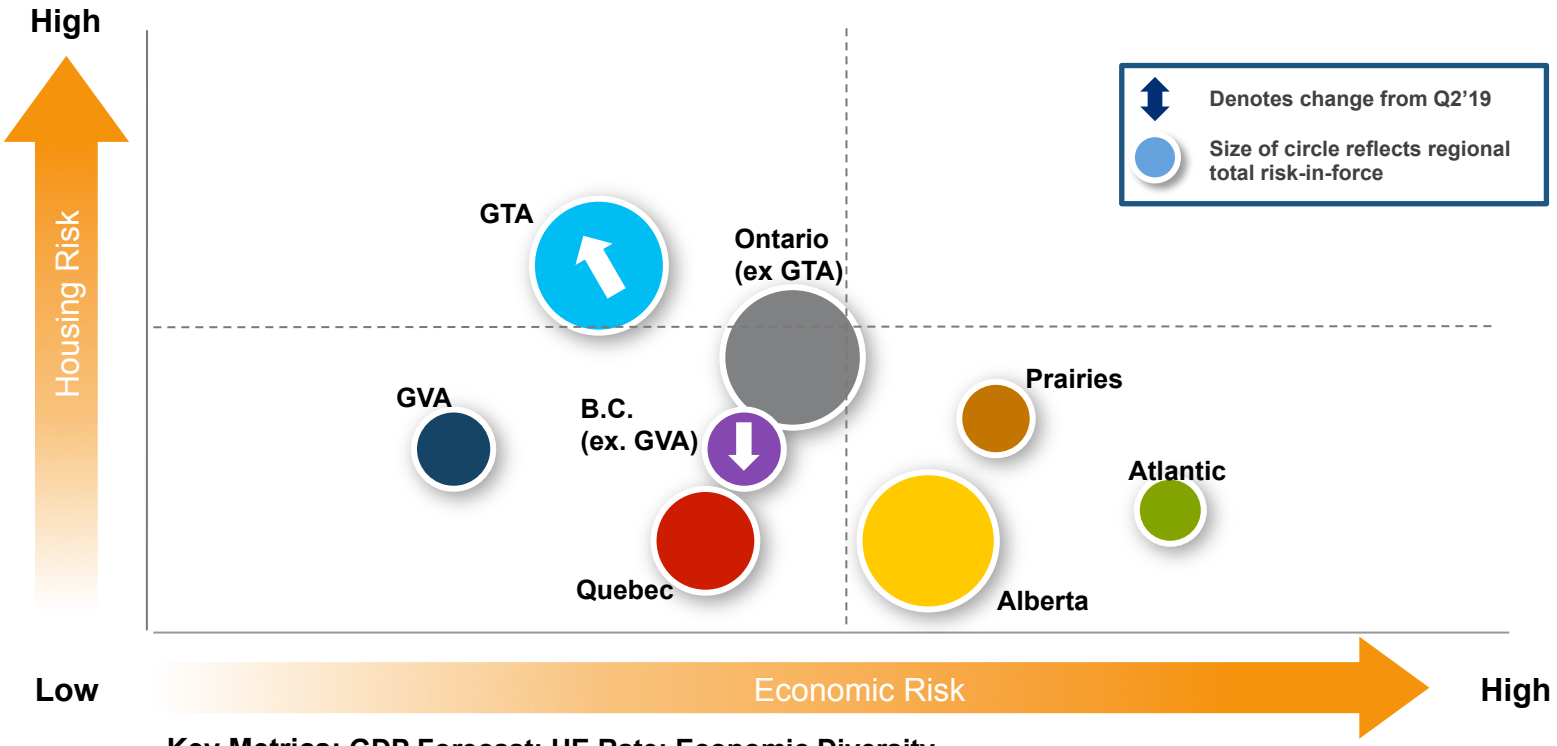
1. BoC GDP forecast: Monetary Policy Report, July 2019.
2. BoC's interest rate announcement, September 2019
3. RBC Economics; October11th 2019.

Regional risk assessment

Quarterly Snapshot	TOR	VAN	MTL	CGY	CANADA
Q3'19 Q/Q Teranet HPI [1]	3.0%	-2.0%	3.5%	1.2%	1.7%
Q3'19 UE Rate [1]	5.8%	4.6%	5.5%	7.1%	5.6%

Key Indicators

- Overvaluation
- Affordability
- Price-to-income
- Price-to-rent
- Supply/ demand



Key Metrics: GDP Forecast; UE Rate; Economic Diversity

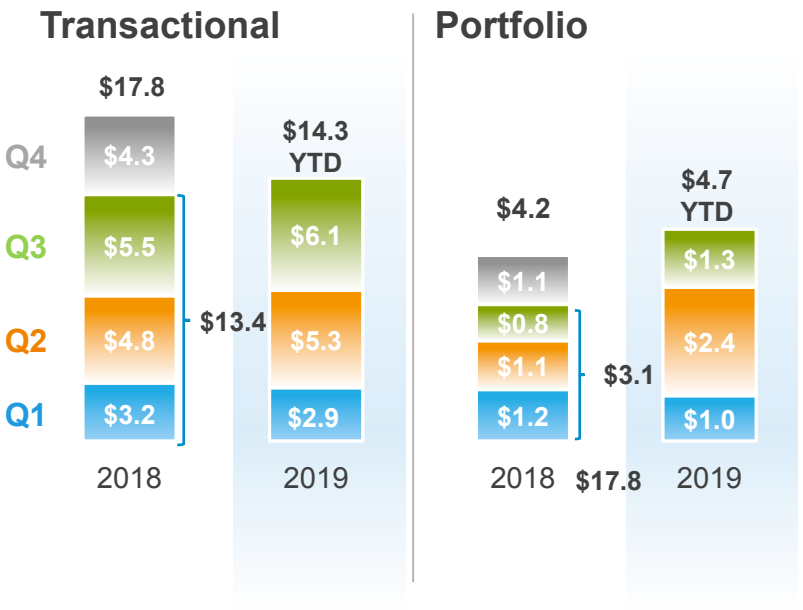
Housing risk moderate to low for most regions. Slight increase in GTA risk as market activity and prices rebound in 3Q

Economic risk primarily driven by oil producing regions. National GDP growth expected to return to ~2% in 2020 & 2021

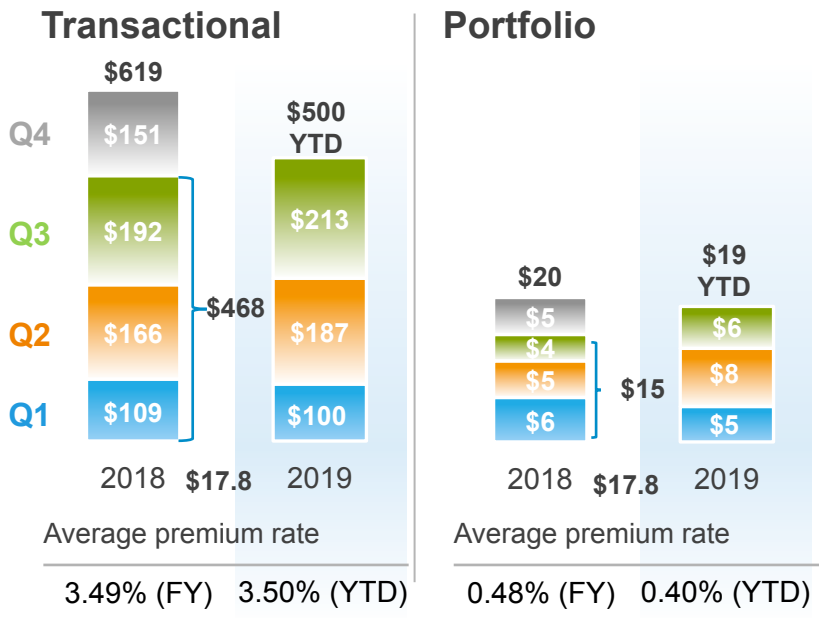
1 HPI and UE based on quarterly averages (Calgary UE uses a three-month rolling exit).
Graph based on Company's estimates of housing and economic risk as at Q3'19, including regional GDP forecast as per BoC/major FIs and key housing indicators at the end of Q3'19.

Top line

New insurance written ($ billions)



Premiums written ($ millions)



Q3 transactional insurance highlights

- NIW and premiums written increased ~10% Y/Y primarily due to increased housing market activity and ongoing market share momentum
- NIW and premiums written increased Q/Q by ~14%, primarily as a result of typical seasonality

Q3 portfolio insurance highlights

- NIW increased by $0.5 billion from the prior year primarily due to increased lender demand
- Premiums written increased Y/Y, primarily due to an increase in NIW, partly offset by a lower average premium rate

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

Strong portfolio quality

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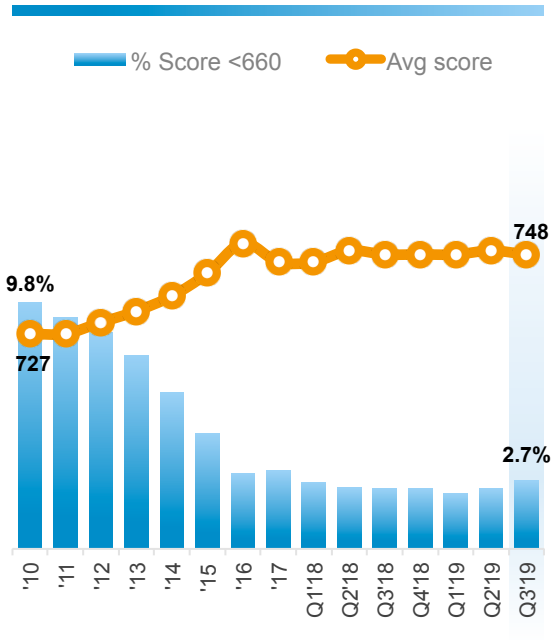
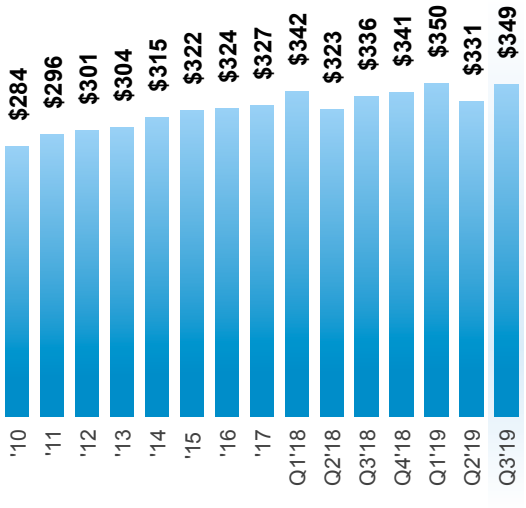
Credit score[1]

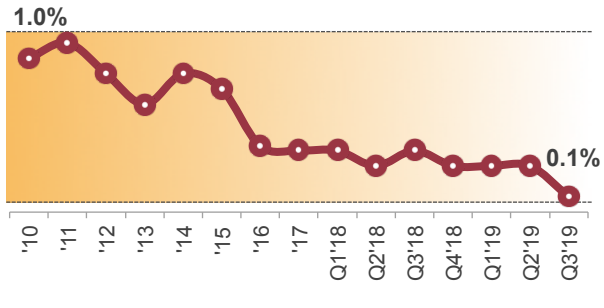


Average home price[2]

(In '$000s)



Stacked risk factors[3]



Highlights

Credit quality remains very strong

Modest increase in average home price Y/Y reflecting modest growth in FTHBs[4] household income[5]

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

CONTINUED PORTFOLIO QUALITY STRENGTH

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%. 4 FTHB represents First-Time Homebuyers. 5. Statistics Canada

Strong financial performance

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$MM except EPS & BVPS	Q3'19	Q2'19	Q3'18
Transactional premiums written	$213	$187	$192
Portfolio premiums written	6	8	4
Total premiums written	**$218**	**$195**	**$196**
Premiums earned	171	169	169
Losses on claims	(31)	(26)	(23)
Expenses	(33)	(34)	(32)
Underwriting income	$106	$109	$114
Operating investment income[1]	57	56	54
Net operating income	**$115**	**$120**	**$121**
Net income	**$111**	**$110**	**$128**
Operating EPS (diluted)	**$1.34**	**$1.38**	**$1.35**
Book value per share (diluted, incl. AOCI)	**$46.37**	**$47.17**	**$45.00**

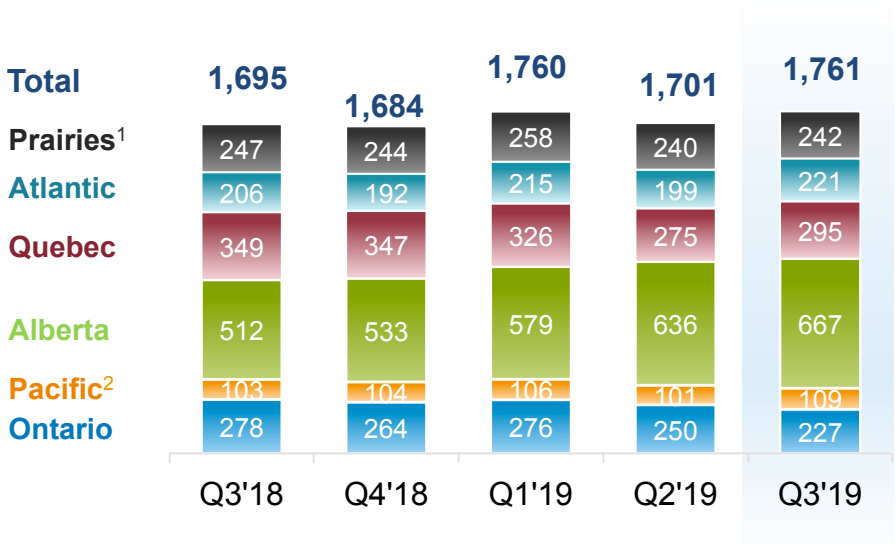
Q3 highlights

- Transactional premiums written were higher by 10% Y/Y, driven by increased housing market activity and ongoing market share momentum
- Premiums earned up by 1% Q/Q and Y/Y
- Loss ratio of 18%, up by 3 pts Q/Q, as net new delinquencies increased in Quebec and Atlantic
- Operating investment income relatively flat Q/Q at ~$57 million
- Net operating income down by $6 million Y/Y, and down by $5 million Q/Q
- Operating EPS down by 3% Q/Q due primarily to modestly higher losses on claims
- Book value per share up by 3% Y/Y to $46.37 after declaration of a $125 million special dividend ($1.45 per common share)

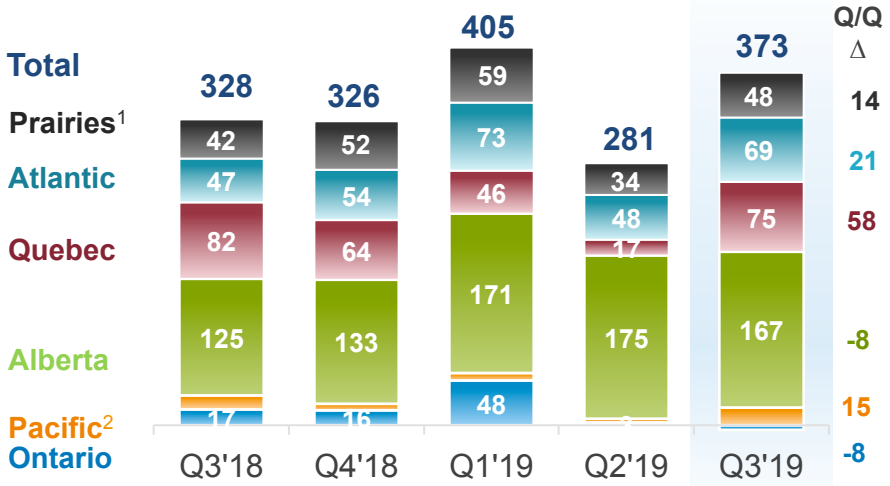
Company sources. Note: Amounts may not total due to rounding. 1. Includes realized income from the interest rate hedging program, excluding realized & unrealized gains / losses.

Delinquency trends

Outstanding delinquencies



New delinquencies, net of cures, by region



Delinquency rate based on reported outstanding balances[3]

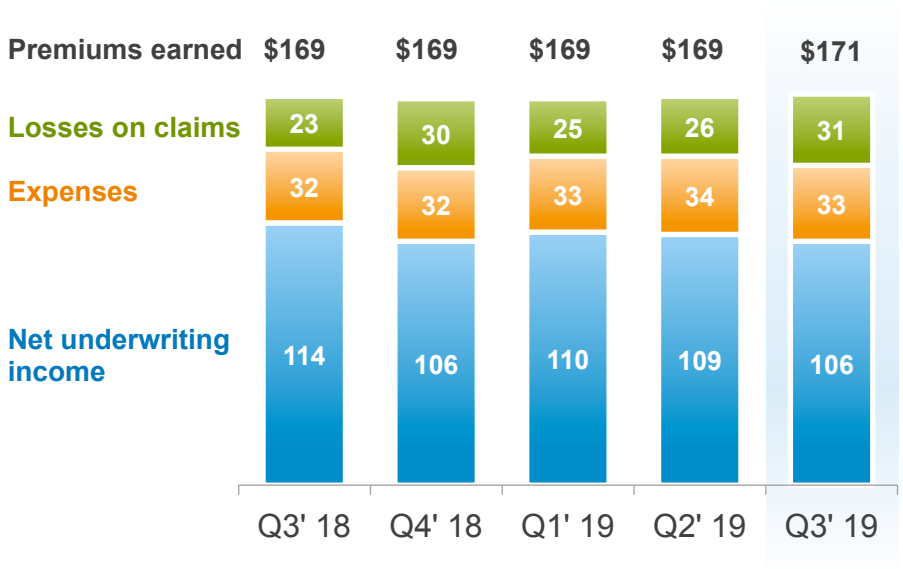
	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Transactional	0.27%	0.26%	0.28%	0.27%	0.27%
Portfolio	0.09%	0.09%	0.09%	0.09%	0.10%
Total	**0.18%**	**0.18%**	**0.20%**	**0.19%**	**0.20%**

- Higher net new delinquencies Q/Q as Quebec and Atlantic regions normalized following a low level of losses in the prior quarter

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.

Solid underwriting profitability

Underwriting profitability ($ millions)



	Q3' 18	Q4' 18	Q1' 19	Q2' 19	Q3' 19
Loss ratio	14%	18%	15%	15%	18%
Expense ratio	19%	19%	20%	20%	20%
Combined ratio	32%	37%	35%	35%	38%
Avg. reserve per delq. ($000s)	$67.8	$73.5	$71.7	$76.0	$77.6
New delqs. net of cures	328	326	405	281	373

Highlights

- Full year 2019 premiums earned are expected to be flat to modestly lower Y/Y due to relatively smaller recent books
- Trend of relatively low loss ratios ranging from 14% to 18% over the past 5 quarters reflects strong portfolio quality and stable employment in most regions
- Higher average reserve per delinquency reflects unemployment and housing pressure in Alberta and Prairies
- 2019 full year loss ratio expected range remains 15% to 25%, with a bias towards the lower half of the range

Company sources. Amounts may not total due to rounding.

Investments contribute steady income

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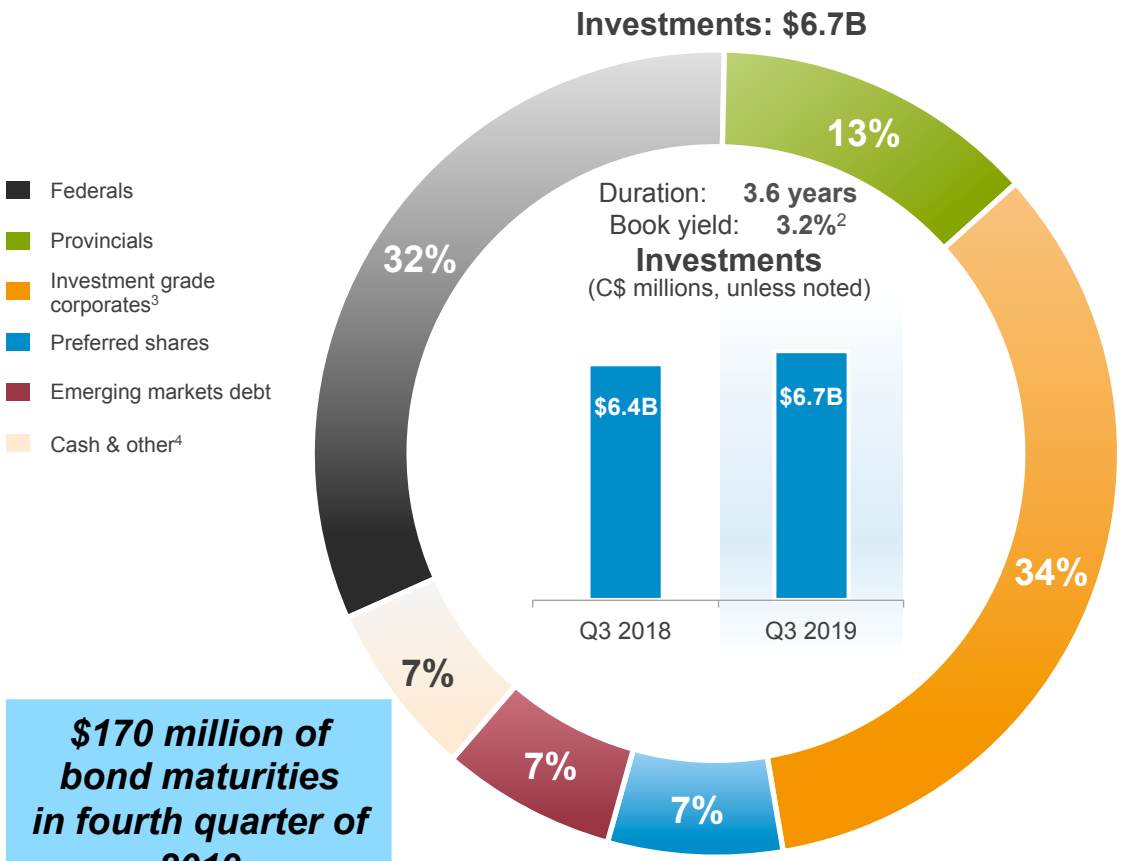
Total investments and net derivative assets
($6.7B[1])

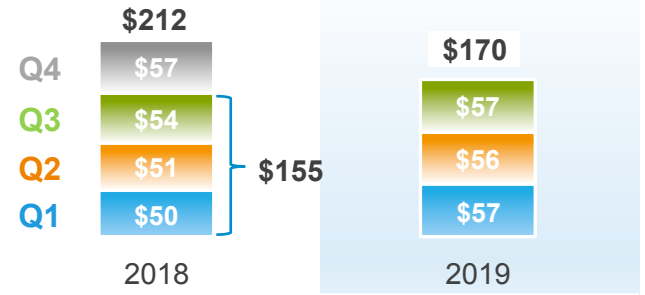


$170 million of bond maturities in fourth quarter of 2019

Interest rate hedge program

Interest rate swaps	Forward curve[5]
Notional (C$B)	$3.5
Floating rate[5]	1.75% - 2.00%
Fixed rate[5]	1.17%
Spread	~0.60% - 0.80%
Potential impact on 2019 full year operating investment income	~$25MM - $30MM (YTD $23MM)

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



Q3 average investment yield[2]	
3.2%	3.3%

EXPECT FLAT OR MODESTLY HIGHER INVESTMENT INCOME IN 2019 INCLUSIVE OF FAVOURABLE CONTRIBUTION FROM INTEREST RATE HEDGING PROGRAM

Note: Company sources.

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. Floating rate reflects management's estimate of the forward curve as at Oct. 17th, 2019; fixed rate represents the contract rates for our existing portfolio of interest rate swaps as at Sep. 30th, 2019.

Capital management

Regulatory capital as at September 30th, 2019

(by category, $ millions unless otherwise noted)*

	MICAT	
	Sep. 30th, 2019	**Jun. 30th, 2019**
Capital available	4,351	4,420
Capital required	2,523	2,596
MICAT ratio	**172%**	**170%**
Internal MICAT target	157%	157%
Holdco cash[1]	**~$226 million**	**~$95 million**

2019 Mortgage Insurer Capital Adequacy Test

- 2019 Mortgage Insurer Capital Adequacy Test ("MICAT") eliminates the updating of credit scores for 2015 and prior books and increases the base total asset requirement for insurance risk by 5%
- Changes are net positive to capital required in 2019

Highlights

- Strong capital position with MICAT ratio of 172%
- Holding company cash and liquid investments of $226 million that includes $125 million designated to fund the special dividend which was declared and accrued in September but paid in October 2019
- Quarterly dividend increased by 6% to $0.54, payable to shareholders of record on November 27
- Capital available for redeployment for the full year revised to ~$400 to $450 million due to higher transactional new insurance written and lower lapse rates than originally expected

Note: Company sources. MICAT denotes ratio for operating insurance company. *Totals may not add due to rounding. September 30th, 2019 MICAT ratio represents an estimate.
1. Represents liquid investments and cash held in addition to capital in operating insurance company

Transition of services

Genworth Canada

Planning underway to transition services currently outsourced to Genworth Financial

Services provided by Genworth Financial	▪ Finance (including treasury, investment management, tax and accounting) and related services ▪ Human resources, employee benefits and related services, ▪ IT infrastructure and technical support services
Transition Period	▪ Based on anticipated need but expect most services will be transitioned within 12 to 18 months of the close date
Cost	▪ Expect some incremental, one-time transition related expenses in 2020 ▪ May incur modestly higher operating costs as a result of having a stand-alone, Canadian IT infrastructure ▪ Expense ratio should trend back towards the 18 to 20 percent range in the medium term as we leverage technology driven efficiencies to offset any cost increases
Data Protection	▪ Canadian data is protected by strong security measures and controls ▪ Canadian portfolio data is both logically and physically separate from Genworth Financial data

Key strategic priorities

Genworth Canada

1

Drive market share growth by leveraging advanced analytics and process enhancements to improve our **customer experience**



2

Continue to exercise **prudent risk management** and proactive **loss mitigation**



3

Develop **innovative product solutions** to enhance our **value proposition**



4

Right-size our capital levels to **drive improved returns**



5

Influence key **government stakeholders** to focus on **first time homebuyer affordability**



FOCUSED ON PRUDENT GROWTH AND CAPITAL EFFICIENCY

Investor day 2019

Please join us for an interactive discussion with senior leaders from Genworth MI Canada to gain insights on the current dynamics, trends and strategies impacting our business.

THURSDAY, DECEMBER 5, 2019

9:00 AM - 10:00 AM
Registration & Hot Breakfast

10:00 AM – 11:30 AM
Executive Presentations & Q&A

LOCATION

Vantage Venues
~ Garden Room | 16th Floor ~
150 King Street West
Toronto, ON

This event is by invitation only. For further information, please contact Frances Hicks:
frances.hicks@genworth.com

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