Genworth Canada



Fourth Quarter 2019 Results

February 6th, 2020

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 any potential guideline changes by OSFI or legislative changes 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.

4Q19 financial results

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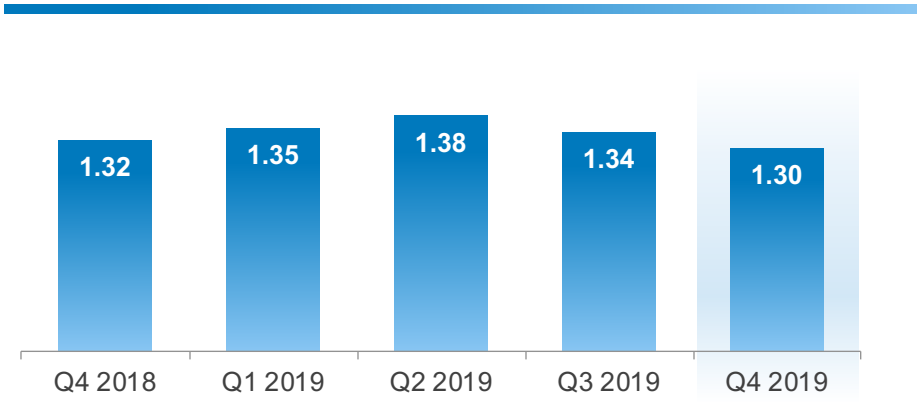
$MM except loss ratio, Op. ROE, Op. EPS & MICAT/MCT ratio	Q4 2019	Q / Q	Y / Y	FY 2019	Y / Y
Premiums written	$183	-16%	+17%	$701	+10%
Premiums earned	$171	-	+1%	$679	-
Loss ratio	20%	+2 pts	+2 pts	17%	+2 pts
Net income	$108	-3%	+35%	$426	-6%
Net operating income	$112	-2%	-4%	$466	-2%
Operating ROE	11%	-	-	12%	-
Operating EPS (dil.)	$1.30	-3%	-2%	$5.38	+2%
MICAT/MCT ratio[1]	170%	-2 pts	-2 pts	170%	-2 pts

Q4 key highlights

- Total premiums written increased Y/Y by 17% primarily due to increased housing market activity
- Loss ratio of 20% remained at low end of long run pricing target of 20% to 25%
- Net operating income down modestly Q/Q and Y/Y with operating EPS lower by 3% Q/Q and 2% Y/Y
- Ongoing capital strength with MICAT ratio of ~170%[1]
- Book value per share of $44.58 after payment of $4.17 special dividends per share during the year

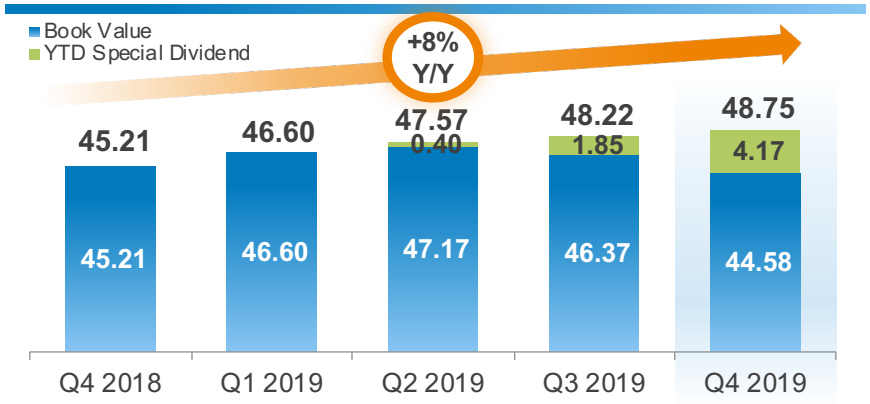
Operating EPS

($, diluted)



Book Value and Special Dividends Per Share

(Book Value $, diluted, incl. AOCI)



1. 4Q19 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

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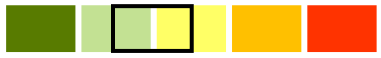
Risk	Assessment ↔ Denotes change from Q3'19
Economic	
Housing & mortgage markets	
Insurance portfolio	
Regulatory	

Key observations

- Resilient Canadian economy with GDP forecast[1] for 2020 at 1.6%.
- Phase-one trade agreement between U.S. and China expected to reduce global trade tensions and uncertainty.
- Bank of Canada overnight rate maintained at 1.75% in January[2]
- Employment grew by 2.1% in 2019; "the best reading since 2007"[3]

- A shortage of new listings has shifted most regions to a sellers market
- Sales activity and house prices expected to increase modestly in 2020
- Housing markets remain balanced in oil producing regions and Manitoba

- Portfolio quality remains strong, supported by robust underwriting & quality assurance routines
- Average credit score for transactional new insurance written at 749

- Regulatory environment supporting reduced product risk and strong underwriting practices
- Government of Canada's first-time home buyer incentive program not expected to materially increase housing activity in 2020

MACROECONOMIC ENVIRONMENT EXPECTED TO BE SUPPORTIVE IN 2020

1. Monetary Policy Review GDP forecast January 2020
2. BoC's interest rate announcement, January 2020
3. BMO Economics, January 10th,2020

Regional risk assessment (Q4'19)

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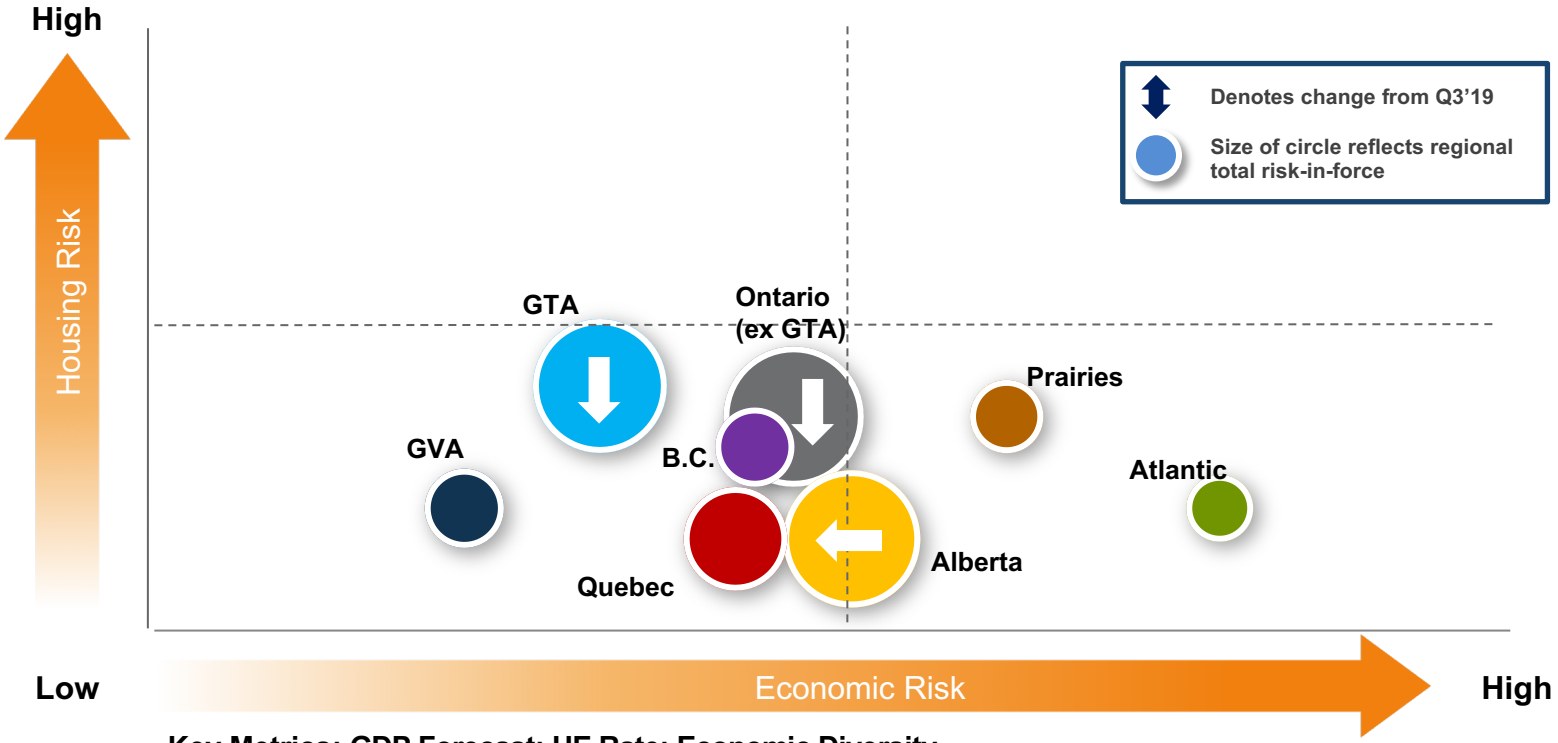
Quarterly Snapshot	TOR	VAN	MTL	CGY	CANADA
Q4'19 Q/Q Teranet HPI [1]	0.4%	-0.1%	1.3%	0.1%	0.3%
Q4'19 UE Rate [1]	5.6%	4.8%	6.0%	7.1%	5.7%

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.

Economic risk expected to modestly improve in oil producing regions in 2020

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 Q4'19, including regional GDP forecast per major FIs and key housing indicators at the end of Q4'19.

Top line

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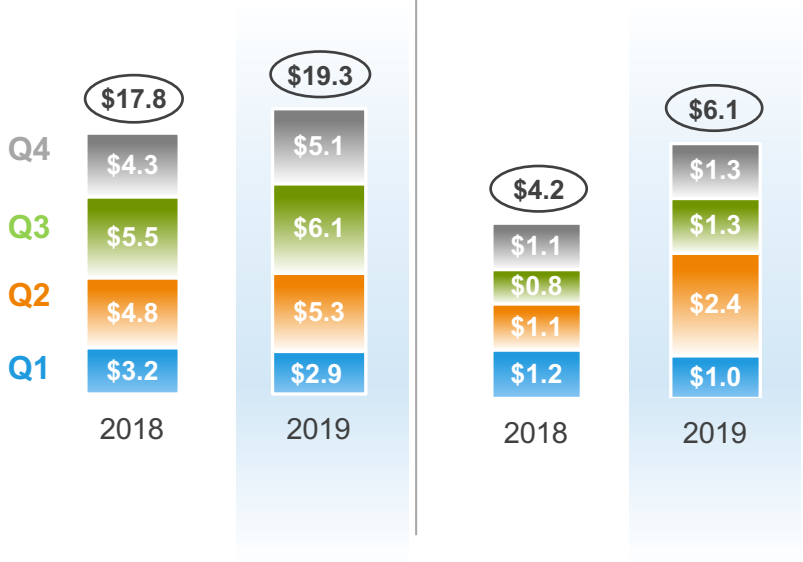
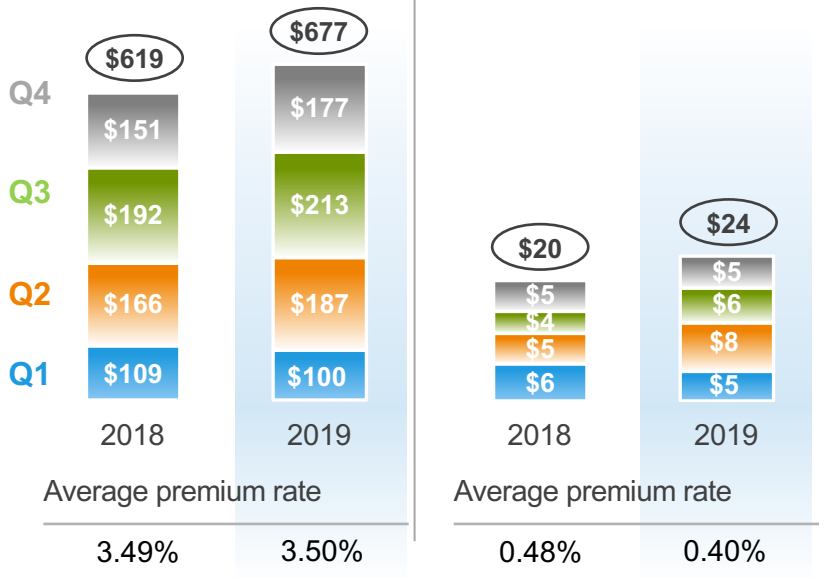
New insurance written ($ billions)



Premiums written ($ millions)



Q4 transactional insurance highlights

- NIW and premiums written increased ~17% Y/Y primarily due to increased housing market activity and ongoing market share momentum
- NIW and premiums written decreased Q/Q by ~17%, primarily as a result of typical seasonality

Q4 portfolio insurance highlights

- NIW increased by $0.2 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

TOTAL 2019 PREMIUMS WRITTEN UP BY 10%

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

Strong portfolio quality

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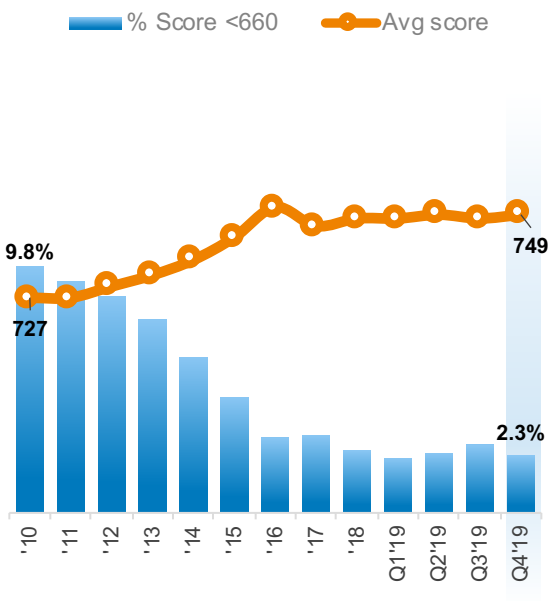
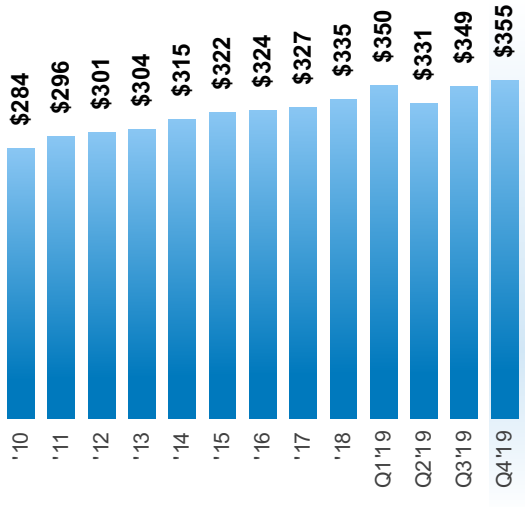
Credit score[1]

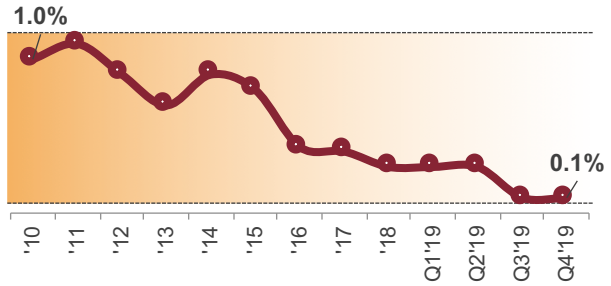


Average home price[2]

(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	Q4'19	Q3'19	Q4'18
Transactional premiums written	$177	$213	$151
Portfolio premiums written	5	6	5
Total premiums written	**$183**	**$218**	**$156**
Premiums earned	171	171	169
Losses on claims	(34)	(31)	(30)
Expenses	(35)	(33)	(32)
Underwriting income	$102	$106	$106
Operating investment income[1]	55	57	57
Net operating income	**$112**	**$115**	**$117**
Net income	**$108**	**$111**	**$80**
Operating EPS (diluted)	**$1.30**	**$1.34**	**$1.32**
Book value per share (diluted, incl. AOCI)	**$44.58**	**$46.37**	**$45.21**

Q4 highlights

- Transactional premiums written were higher by 17% Y/Y
- Premiums earned up by 1% Y/Y
- Loss ratio of 20%, up by 2 pts Q/Q, as new delinquencies, net of cures, and average reserve increased modestly
- Operating investment income modestly lower Q/Q at ~$55 million
- Net operating income down by $5 million Y/Y, and down by $3 million Q/Q
- Operating EPS down by 3% Q/Q due primarily to modestly higher losses on claims
- Book value per share down by 4% Q/Q after payment of a $200 million special dividend ($2.32 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

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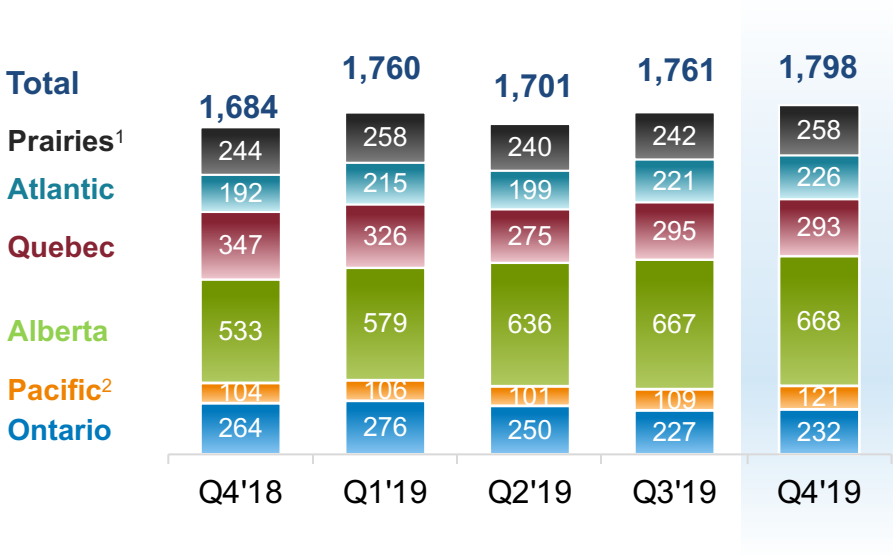
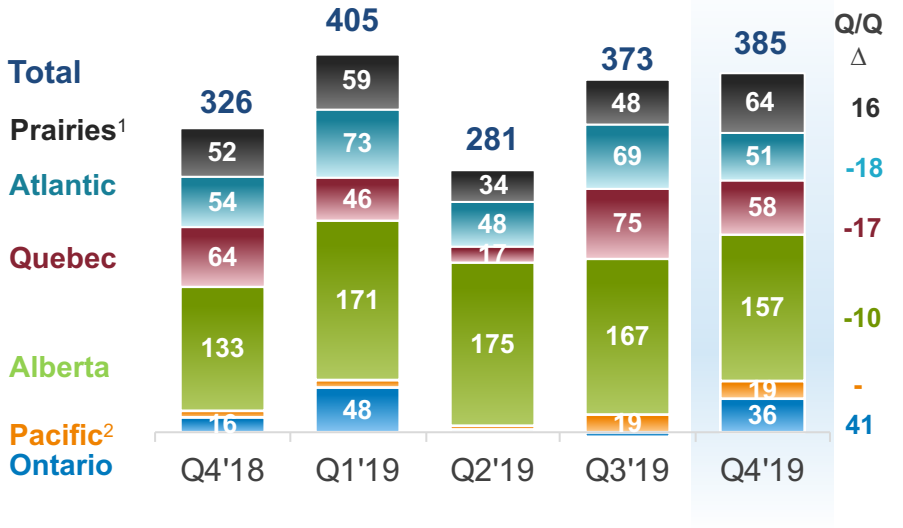
Outstanding delinquencies



New delinquencies, net of cures, by region



Delinquency rate based on reported outstanding balances[3]

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Transactional	0.26%	0.28%	0.27%	0.27%	0.29%
Portfolio	0.09%	0.09%	0.09%	0.10%	0.10%
Total	**0.18%**	**0.20%**	**0.19%**	**0.20%**	**0.20%**

- Modestly higher new delinquencies, net of cures, Q/Q with seasonal increases in Ontario and the Prairies

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

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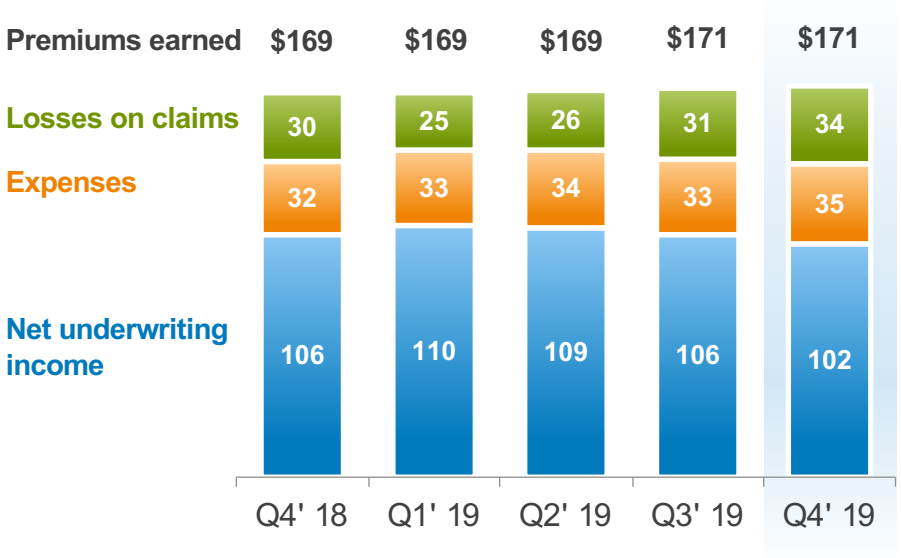
Underwriting profitability ($ millions)



	Q4' 18	Q1' 19	Q2' 19	Q3' 19	Q4' 19
Loss ratio	18%	15%	15%	18%	20%
Expense ratio	19%	20%	20%	20%	20%
Combined ratio	37%	35%	35%	38%	41%
Avg. reserve per delq. ($000s)	$73.5	$71.7	$76.0	$77.6	$78.5
New delqs. net of cures	326	405	281	373	385

Highlights

2019

- Full year 2019 premiums earned of $680 million relatively consistent with prior year
- Trend of relatively low loss ratios ranging from 15% to 20% 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 of 17% towards the lower half of the expected range of 15% to 25%

2020

- Full year loss ratio range of 15% to 25%
- Higher expense ratio of approximately 20% expected due to one-time transitional related costs

Company sources. Amounts may not total due to rounding.

Investments contribute steady income

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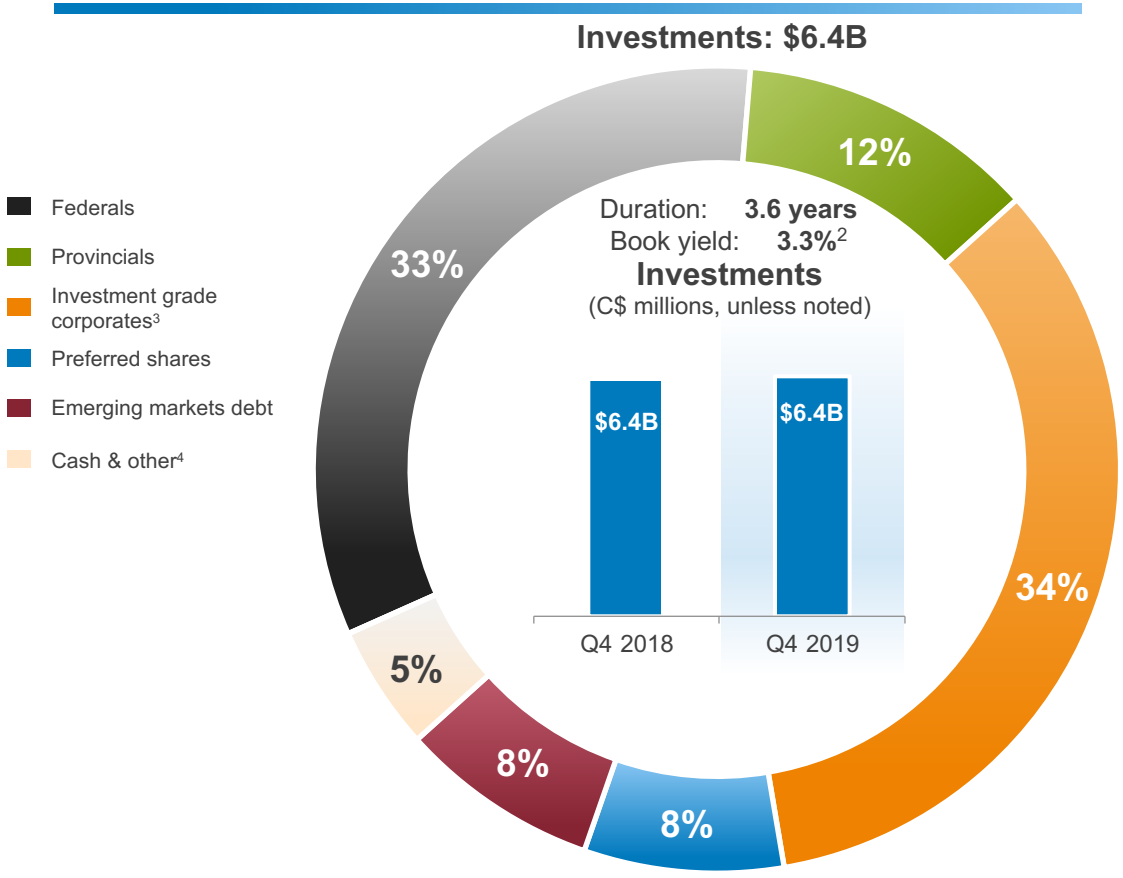
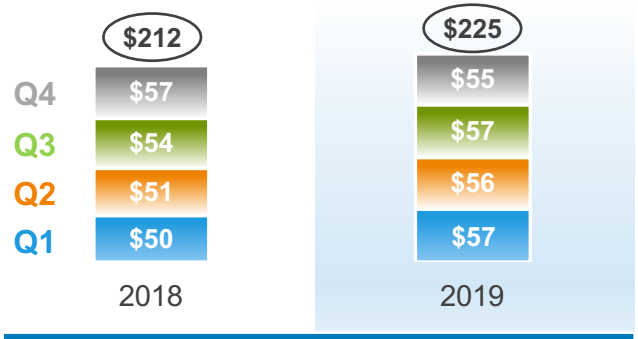
Total investments and net derivative assets
($6.5B[1])



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



Full year average investment yield[2]	
3.2%	3.3%

Interest rate hedge program

Interest rate swaps	Forward curve[5]
Notional (C$B)	$3.5
2020 floating rate range[5]	1.70% - 2.00%
Fixed rate[5]	1.17%
Spread	~0.50% - 0.80%
Potential impact on 2020 full year operating investment income	~$18MM - $29MM (2019 actual $29MM)

MODESTLY LOWER INVESTMENT INCOME IN 2020 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 Jan. 29th, 2020; fixed rate represents the contract rates for our existing portfolio of interest rate swaps as at Dec. 31st, 2019.

Capital management

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Regulatory capital as at December 31st, 2019

(by category, $ millions unless otherwise noted)*

	MICAT	
	Dec. 31st, 2019	Sep. 30th, 2019
Capital available	4,186	4,351
Capital required	2,463	2,523
MICAT ratio	**170%**	**172%**
Internal MICAT target	157%	157%
Holdco cash[1]	**~$115 million**	**~$226 million**

2019 highlights

- Strong capital position with MICAT ratio of ~170%
- Holding company cash and liquid investments of $115 million
- 2019 full year capital redeployment of $428 million

2020 capital management plan

- Full year capital redeployment of $600 to $700 million, in addition to regular quarterly dividends:
  - $400 to $500 million of organically generated capital
  - $200 million from special dividend declared January 15, 2020 to be funded from increased leverage
- Proforma leverage of 15% consistent with long term target
- $700 million syndicated credit facility replaces previously existing $300 million unsecured revolving credit facility
  - Senior unsecured revolving credit facility $300 million
  - Five-year term loan $200 million
  - Twelve-month bridge facility $200 million

Note: Company sources. MICAT denotes ratio for operating insurance company. *Totals may not add due to rounding. December 31st, 2019 MICAT ratio represents an estimate.
1. Represents liquid investments and cash held in addition to capital in operating insurance company

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

Genworth Canada

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