

dear fellow shareholders

In 2012, Genworth MI Canada (Genworth Canada) continued a trend of solid annual growth, delivering an 11%¹ increase in adjusted earnings per share and over 14%¹ increase in book value per share (diluted). In each quarter we reported strong results, and we ended the year having delivered on all our strategic priorities.

We achieved this in a year marked by challenges due to a changing regulatory landscape. This success is credited to the long-standing relationships we have with our customers – relationships built on trust and collaboration – that earned us an improved market position and helped offset the smaller high loan-to-value market.

Managing the changing regulatory landscape

The mortgage default insurance industry was subjected to greater scrutiny in 2012 as a result of the Office of the Superintendent of Financial Institutions (OSFI) taking on a broader supervisory role over the public sector insurer. This created a more consistent application of rules and regulations and gave OSFI more insight into the industry.

In addition, mortgage insurance product changes were implemented. The most significant changes were the reduction of the maximum amortization period for high loan-to-value mortgages to 25 years, and the lower maximum loan-to-value for refinances of 80%. While these rules had their intended effect of slowing the housing market, they also contributed to improved borrower profiles.

The new government guarantee legislative framework governed by The Protection of Residential Mortgages or Hypothecary Insurance Act of Canada (PRMHIA) was finalized at the end of the year. PRMHIA, which took effect January 1, 2013, had a positive impact on the Company's year-end financial results and formalized the government guarantee and market structure. This provides more transparency into the mortgage insurance industry for all Canadians.

While this dynamic regulatory landscape has presented some challenges for our industry, we recognize the importance of maintaining stability in the housing sector. Through our active government relations efforts, ongoing market research and astute risk management, we continue to play an important role in helping protect the safety and soundness of Canada's housing market.

Delivering on strategic priorities

Last year we promised shareholders that our senior management team would maintain its focus on smart business decisions, on customers and on shareholder returns. This is how we always do business, and our approach was successful again in 2012.

Our strategic wins in 2012 include the following:

- Increased our share of market with key customers through service excellence
- Strengthened our competitive position by capitalizing on portfolio insurance market opportunities
- Enhanced business flexibility with the purchase of PMI Canada
- Reinforced financial strength and flexibility with the finalization of PRMHIA and related minimal capital test requirements

Loss mitigation is also a core part of our overall strategy. We continued to successfully execute our market-leading asset management and homeowner assistance programs, contributing to a full year loss ratio of 33%, which was below our long-term target range.

As a result of these and other initiatives, we delivered on all our priorities and ended the year with \$5.7 billion in total assets and \$3 billion in shareholders' equity. This generated a 13%¹ full-year adjusted return on equity. Improving top line growth, proactively managing risk and maintaining a strong balance sheet will remain our key priorities.

Maintaining service leadership position

With nearly 20 years in the business, focused on delivering the best customer experience, service is a key element of our value proposition.

Lender customers want quick turnaround times, flexible underwriting, consistent decisions and knowledgeable people to deal with. This is what we offer. Each of our customers is appointed a tailored and cross-functional service team that brings together people from management to sales to underwriting to finance and risk. Through this approach, our customers benefit from having direct contacts with multiple touch points, each of whom understands our customers' business and their particular needs.

Our entire business is aligned with this customer-centric model and that is what sets us apart.

3-year compound annual growth
of 11% in book value per share

Dividend increase of 10% or
more each year since 2010

¹ Amount based on non-GAAP measures. For further information refer to MD&A.

Making a difference

The passion that our employees demonstrate in their commitment to our customers is also evident in their commitment to helping build stronger communities throughout Canada. There is an active culture of volunteerism at the Company and it extends across all provinces.

All of our employees are encouraged to take time from their work day to participate in meaningful volunteer activities. And this year our reach went beyond the Canadian borders. For the second year in a row Genworth Canada supported the Jimmy and Rosalynn Carter Habitat for Humanity Project in Haiti. Three of our very own took part in this intensive mission of building 100 homes in one week for victims of the 2010 earthquake that ravaged the country.

Confident outlook on our future

The Canadian mortgage insurance industry is a vibrant one. For many first-time homebuyers, purchasing a home would be out of reach were it not for mortgage insurance. Enabling responsible homeownership helps more families start building equity in a home sooner, which helps maintain a healthy and stable housing market.

While the industry remains subject to economic fluctuations and regulatory influences, our view is one of stability in the housing sector. By remaining focused on insuring high-quality loans, and maintaining a well-diversified insurance portfolio, we will protect and grow the strong business that Genworth Canada has built.

Our proven strategy, our knowledgeable and passionate employees, and our seasoned management team will enable the Company to maintain its track record of profitability.

Thank you to our shareholders, our customers, our partners and our employees for your continued support and loyalty.

“The housing market in Canada remains healthy, supported by population growth, rising employment and continued low interest rates. First-time homebuyers and new immigrants are among those who will continue to fuel the demand for average-priced homes across the country.”



Brian Hurley
Chairman and Chief Executive Officer

 [link to video](#)

