

# **GENWORTH MI CANADA INC.**

## **FOURTH QUARTER FINANCIAL SUPPLEMENT December 31, 2009**

### **Note to Readers:**

Genworth MI Canada Inc. (the "Company") completed its initial public offering ("IPO") on July 7, 2009. Immediately prior to completion of the IPO, the Company acquired all of the issued and outstanding common shares of Genworth Canada Holdings I Limited and the issued and outstanding common shares of Genworth Canada Holdings II Limited in exchange for newly-issued common shares. As no substantial change in ownership interests resulted from this reorganization and IPO, the Company carried forward the basis of measurement of assets and liabilities as reflected in the consolidated financial statements of Genworth Canada Holdings I Limited and the financial statements of Genworth Canada Holdings II Limited.

Prior to the acquisitions of Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, the Company as at June 30, 2009 had a share capital of \$2.

The full three and twelve month results and prior period comparative results for the Company reflect the consolidation of the Company and its subsidiaries Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, including the subsidiary of Genworth Canada Holdings I Limited, Genworth Financial Mortgage Insurance Company Canada.

Information in this financial supplement should be read in conjunction with the Company's fourth quarter of 2009 financial statements, its related Review of Performance and its fourth quarter of 2009 press release.

If you have any questions or comments, please do not hesitate to contact me.

Once again, thank you for your continued interest in Genworth MI Canada Inc.

Best Regards,

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**Non-GAAP Measures**

To supplement its financial statements, the Company uses select non-GAAP financial measures. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as operating income and return on operating income. The Company believes that these non-GAAP 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-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies. These measures are defined in the Company's glossary which is posted on the Company's website at [www.investor.genworthmicanada.ca](http://www.investor.genworthmicanada.ca). Click on the Glossary of Terms under Investor Resources on the left navigation bar.

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**Selected Financial Data**  
(amounts in millions, unless otherwise specified)

	As of or for the quarters ended				As of or for the years ended December 31,					
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	2009	2008	2007	2006	2005	2004
<b><u>Income Statement Data</u></b>										
Gross premiums written	\$ 113	\$ 107	\$ 86	\$ 68	\$ 374	\$ 722	\$ 997	\$ 604	\$ 471	\$ 504
<b><u>Underwriting revenues:</u></b>										
Net premiums earned	\$ 155	\$ 154	\$ 153	\$ 147	\$ 610	\$ 518	\$ 424	\$ 337	\$ 277	\$ 214
Impact of change in premium recognition curve	\$ -	\$ -	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -
Underwriting revenues	\$ 155	\$ 154	\$ 153	\$ 247	\$ 710	\$ 518	\$ 424	\$ 351	\$ 296	\$ 235
<b><u>Losses on claims and expenses:</u></b>										
Losses on claims	\$ 60	\$ 64	\$ 71	\$ 60	\$ 256	\$ 160	\$ 79	\$ 46	\$ 34	\$ 26
Sales, underwriting and administrative	\$ 24	\$ 24	\$ 23	\$ 26	\$ 98	\$ 78	\$ 60	\$ 67	\$ 61	\$ 59
Investment income	\$ 46	\$ 49	\$ 51	\$ 43	\$ 189	\$ 200	\$ 148	\$ 126	\$ 105	\$ 89
Pre-tax income	\$ 117	\$ 115	\$ 109	\$ 204	\$ 544	\$ 477	\$ 430	\$ 362	\$ 307	\$ 240
Net income	\$ 87	\$ 79	\$ 75	\$ 138	\$ 379	\$ 337	\$ 308	\$ 251	\$ 206	\$ 153
Net operating income	\$ 85	\$ 75	\$ 70	\$ 141	\$ 371	\$ 324	\$ 310	\$ 248	\$ 205	\$ 149
<b><u>Balance Sheet Data</u></b>										
Cash and investments	\$ 4,986	\$ 4,972	\$ 4,853	\$ 4,736	\$ 4,986	\$ 4,698	\$ 4,102	\$ 3,174	\$ 2,581	\$ 2,182
Total assets	\$ 5,210	\$ 5,207	\$ 5,072	\$ 4,970	\$ 5,210	\$ 4,915	\$ 4,291	\$ 3,298	\$ 2,677	\$ 2,260
Unearned premium reserves	\$ 1,971	\$ 2,017	\$ 2,067	\$ 2,139	\$ 1,971	\$ 2,322	\$ 2,133	\$ 1,573	\$ 1,316	\$ 1,132
Total liabilities	\$ 2,567	\$ 2,618	\$ 2,703	\$ 2,717	\$ 2,567	\$ 2,826	\$ 2,525	\$ 1,953	\$ 1,583	\$ 1,372
Shareholders' equity	\$ 2,643	\$ 2,589	\$ 2,369	\$ 2,253	\$ 2,643	\$ 2,089	\$ 1,766	\$ 1,345	\$ 1,094	\$ 888
AOCI	\$ 97	\$ 104	\$ 55	\$ 11	\$ 97	\$ (15)	\$ 19	\$ -	\$ -	\$ -
Shareholders' equity, excluding AOCI	\$ 2,546	\$ 2,485	\$ 2,314	\$ 2,242	\$ 2,546	\$ 2,104	\$ 1,747	\$ 1,345	\$ 1,094	\$ 888
<b><u>Non-GAAP Key Ratios and Other Metrics</u></b>										
Loss ratio	39%	42%	46%	24%	36%	31%	19%	14%	12%	12%
Expense ratio	16%	15%	15%	10%	14%	15%	14%	20%	22%	28%
Combined ratio	55%	57%	62%	35%	50%	46%	33%	34%	35%	40%
Operating return on equity	14%	12%	12%	26%	16%	17%	20%	20%	21%	20%
MCT ratio	149%	147%	140%	134%	149%	127%	125%	125%	129%	124%
Delinquency rate	0.28%	0.28%	0.30%	0.29%	0.28%	0.25%	0.19%	0.18%	0.21%	0.26%
Severity ratio	27%	27%	26%	28%	27%	26%	24%	23%	23%	22%

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**Selected Operating Performance Indicators  
(dollar amounts in millions, unless otherwise specified)**

	2009					2008				
	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Insurance in-force	\$ 223,842	\$ 219,927	\$ 216,742	\$ 213,479	\$ 223,842	\$ 211,724	\$ 204,938	\$ 196,933	\$ 189,800	\$ 211,700
High loan-to-value	177,905	174,198	170,720	167,993	177,905	166,763	161,972	154,972	148,500	167,000
Low loan-to-value	45,937	45,729	46,022	45,486	45,937	44,961	42,967	41,961	41,300	44,700
New insurance written	\$ 5,307	\$ 5,051	\$ 4,198	\$ 3,450	\$ 18,007	\$ 7,839	\$ 9,197	\$ 8,443	\$ 6,440	\$ 31,900
High loan-to-value	4,976	4,868	4,099	3,015	16,958	5,755	8,274	7,594	4,950	26,600
Low loan-to-value	331	184	99	435	1,049	2,083	923	850	1,490	5,300
Net premiums written	\$ 110	\$ 104	\$ 82	\$ 64	\$ 360	\$ 153	\$ 223	\$ 200	\$ 131	\$ 706
High loan-to-value	108	103	81	63	355	145	221	194	127	686
Low loan-to-value	1	1	1	1	4	8	2	7	4	20

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**Selected Ratios<sup>(1)</sup>**

	2009					2008				
	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Loss ratio	39%	42%	46%	24%	36%	42%	27%	24%	29%	31%
Expense ratio	16%	15%	15%	10%	14%	19%	14%	15%	14%	15%
Combined ratio	55%	57%	62%	35%	50%	61%	41%	39%	43%	46%

<sup>(1)</sup>Excluding the impact of changes to the premium recognition curve, the loss ratio, expense ratio and combined ratio for the quarter ended March 31, 2009 and the year ended December 31, 2009 would have been as follows:

	2009	
	Q1	Total
Loss ratio	41%	42%
Expense ratio	13%	15%
Combined ratio	54%	57%

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**Selected Loss and Claims Measures  
(amounts in millions, unless otherwise specified)**

	2009					2008				
	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
<b><u>Paid Claims</u></b>										
High loan-to-value	58	56	45	\$ 27	\$ 186	\$ 21	\$ 20	\$ 20	\$ 15	\$ 76
Low loan-to-value	2	1	-	1	4	1	-	-	-	1
Total paid claims	<u>\$ 60</u>	<u>\$ 57</u>	<u>\$ 45</u>	<u>\$ 28</u>	<u>\$ 190</u>	<u>\$ 22</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 15</u>	<u>\$ 77</u>
Average paid claim (in thousands)	\$ 71.0	\$ 69.8	\$ 66.9	\$ 64.2		\$ 62.1	\$ 56.3	\$ 54.5	\$ 49.6	
Average reserve per delinquent loan (in thousands)	\$ 69.9	\$ 70.3	\$ 64.8	\$ 60.7		\$ 58.4	\$ 53.7	\$ 50.8	\$ 45.3	
<b><u>Loss Metrics</u></b>										
Loss reserves										
Beginning reserves	\$ 236	\$ 230	\$ 204	\$ 172		\$ 135	\$ 119	\$ 109	\$ 89	
Paid claims	(60)	(57)	(45)	(28)		(22)	(20)	(20)	(15)	
Increase in reserves	60	63	71	60		59	36	30	35	
Ending reserves	<u>\$ 236</u>	<u>\$ 236</u>	<u>\$ 230</u>	<u>\$ 204</u>		<u>\$ 172</u>	<u>\$ 135</u>	<u>\$ 119</u>	<u>\$ 109</u>	
<b><u>Dispersion of Total Insurance In-Force By Loan Amount (in thousands)</u></b>										
Over \$550	3 %	3	3 %	3 %		3 %	3 %	3 %	3 %	
\$400 to \$550	7	7	7	6		6	6	6	6	
\$250 to \$400	28	27	27	27		27	26	26	25	
\$100 to \$250	55	56	55	56		56	57	57	58	
\$100 or Less	7	7	8	8		8	8	8	8	
Total	<u>100 %</u>	<u>100</u>	<u>100 %</u>	<u>100 %</u>		<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	
<b>Average Loan Size (in thousands)</b>	\$ 185	\$ 183	\$ 182	\$ 182		\$ 181	\$ 180	\$ 178	\$ 176	

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**Unearned Premium Reserves by Book Year <sup>(1)</sup>  
(amounts in millions, unless otherwise specified)**

<b><u>Policy Year</u></b>	<b><u>December 31, 2009</u></b>	<b><u>September 30, 2009</u></b>	<b><u>June 30, 2009</u></b>	<b><u>March 31, 2009</u></b>
2002 and Prior	\$ 29	\$ 34	\$ 39	\$ 43
2003	39	45	52	54
2004	78	90	103	119
2005	112	128	144	157
2006	215	242	269	290
2007	541	595	650	704
2008	568	607	647	691
2009	389	276	162	80
	<u>\$ 1,971</u>	<u>\$ 2,017</u>	<u>\$ 2,067</u>	<u>\$ 2,139</u>

<sup>(1)</sup> Amounts may not total due to rounding.

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**Insured Loans In-force, Delinquent Loans In-force and Delinquency Rate**

	<u>December 31, 2009</u>	<u>September 30, 2009</u>	<u>June 30, 2009</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Total Insured loans in-force	1,213,080	1,198,792	1,188,541	1,174,756	1,168,884
Total Insured delinquent loans	3,381	3,359	3,551	3,365	2,940
Total Insured delinquency rate	0.28%	0.28%	0.30%	0.29%	0.25%
High loan-to-value loans in-force	931,882	918,015	904,702	893,680	890,092
High loan-to-value delinquent loans	3,149	3,102	3,283	3,074	2,680
High loan-to-value loan delinquency rate	0.34%	0.34%	0.36%	0.34%	0.30%
Low loan-to-value loans in-force	281,198	280,777	283,839	281,076	278,792
Low loan-to-value delinquent loans	232	257	268	291	260
Low loan-to-value loan delinquency rate	0.08%	0.09%	0.09%	0.10%	0.09%



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**Dispersion of Total Insurance In-force<sup>(2)</sup>**

<u>Province</u>	<u>December 31, 2009</u>		<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>
Ontario	48 %	0.23 %	48 %	0.25 %	48 %	0.25 %
British Columbia	16	0.25 %	16	0.23 %	16	0.15 %
Alberta	15	0.54 %	15	0.50 %	15	0.31 %
Quebec	14	0.29 %	14	0.29 %	14	0.26 %
Nova Scotia	2	0.28 %	2	0.31 %	2	0.29 %
Saskatchewan	2	0.15 %	2	0.12 %	2	0.07 %
Manitoba	1	0.12 %	1	0.09 %	1	0.10 %
New Brunswick	1	0.29 %	1	0.25 %	1	0.24 %
All Other	1	0.10 %	1	0.13 %	1	0.19 %
Total	<u>100</u> %	<u>0.28</u> %	<u>100</u> %	<u>0.28</u> %	<u>100</u> %	<u>0.25</u> %

<u>Year of Policy Origination</u>	<u>December 31, 2009</u>		<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>	<u>% of Insurance In-force</u>	<u>Delinquency Rate</u>
2000 and Prior	8 %	0.02 %	8 %	0.02 %	8 %	0.04 %
2001	3	0.03 %	3	0.04 %	3	0.06 %
2002	5	0.04 %	5	0.04 %	5	0.07 %
2003	6	0.08 %	6	0.11 %	7	0.12 %
2004	9	0.12 %	9	0.14 %	10	0.20 %
2005	9	0.20 %	10	0.22 %	11	0.28 %
2006	12	0.42 %	12	0.46 %	13	0.49 %
2007	24	0.58 %	25	0.56 %	27	0.42 %
2008	15	0.50 %	15	0.40 %	16	0.11 %
2009	9	0.05 %	7	0.04 %	-	- %
	<u>100</u> %	<u>0.28</u> %	<u>100</u> %	<u>0.28</u> %	<u>100</u> %	<u>0.25</u> %

<u>Loan-to-value<sup>(1)</sup></u>	<u>December 31, 2009</u>	<u>September 30, 2009</u>
95.01% and above	4 %	4 %
90.01% to 95.00%	31	31
80.01% to 90.00%	39	39
80.00% and lower	26	26
Total	<u>100</u> %	<u>100</u> %

<sup>(1)</sup> Loan amount in loan-to-value ratio calculation excludes capitalized premiums, where applicable.

<sup>(2)</sup> Dispersion of Total Insurance In-force includes both High loan-to-value and Low loan-to-value