

# Genworth MI Canada Inc.

First Quarter 2015

**April 29, 2015**

# Forward-Looking and Non-IFRS Statements

This presentation relating to Genworth MI Canada Inc. (the “Company”, “Genworth Canada” or “MIC”) includes 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. 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](http://www.sedar.com).

# Q1 2015 Financial Results

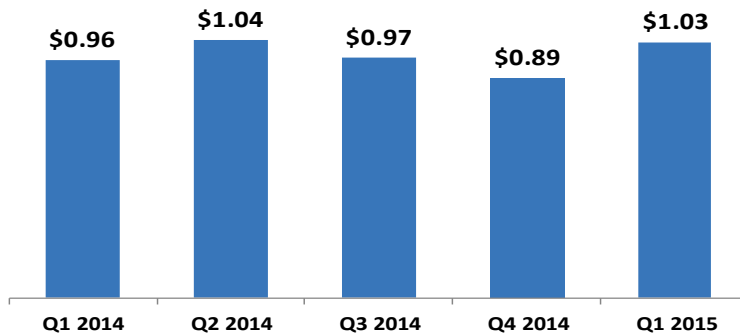
	Q1 2015	Q4 2014	Q1 2014	Q/Q	Y/Y
Premiums written (MM)	\$130	\$178	\$84	-27%	+55%
Loss ratio	22%	26%	20%	-4 pts	+2 pts
Net Operating Income (MM)	\$97	\$84	\$91	+15%	+6%
Operating ROE	12%	11%	12%	+1 pt	flat
Operating EPS (diluted)	\$1.03	\$0.89	\$0.96	+16%	+8%
MCT <sup>1</sup>	233%	225%	229%	8 pts	4 pts

## Quarter Highlights

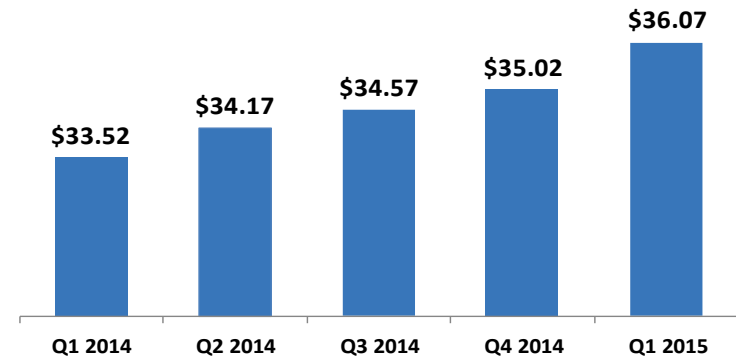
- Strong top line growth of +55% Y/Y
- Loss ratio of 22%, 4 pt. improvement Q/Q
- +15% growth in net operating income Q/Q
- Consistent ROE performance
- 8% growth in Y/Y book value

<sup>1</sup>Company estimate

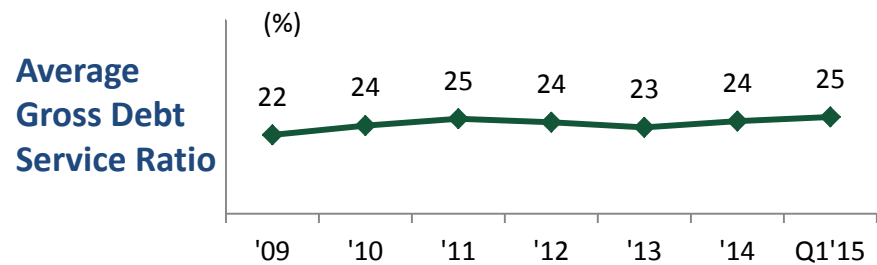
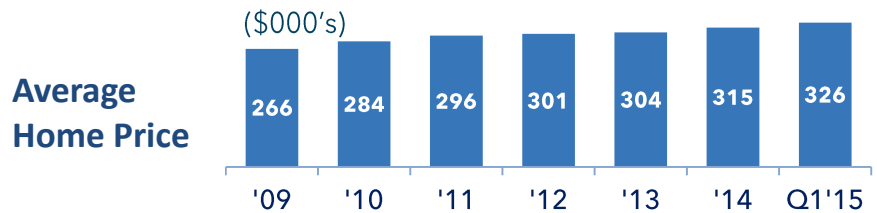
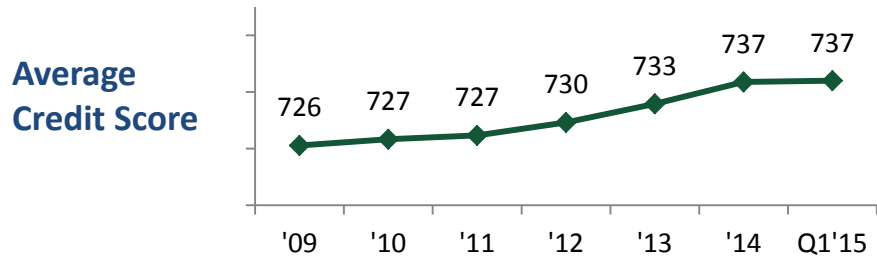
## Operating EPS (diluted)



## Book Value Per Share (diluted, including AOCI)



# High Quality Insurance Portfolio



Source: Company data based on new insurance written

## Highlights

- Steady credit score improvement since 2009
- Average home price 23% below CREA national average price of \$424K
- Home price increase driven by higher concentration in Toronto and Vancouver
- Gross debt ratios stable, strong preference for 5 year fixed-rate mortgages
- Financially disciplined first-time homebuyers

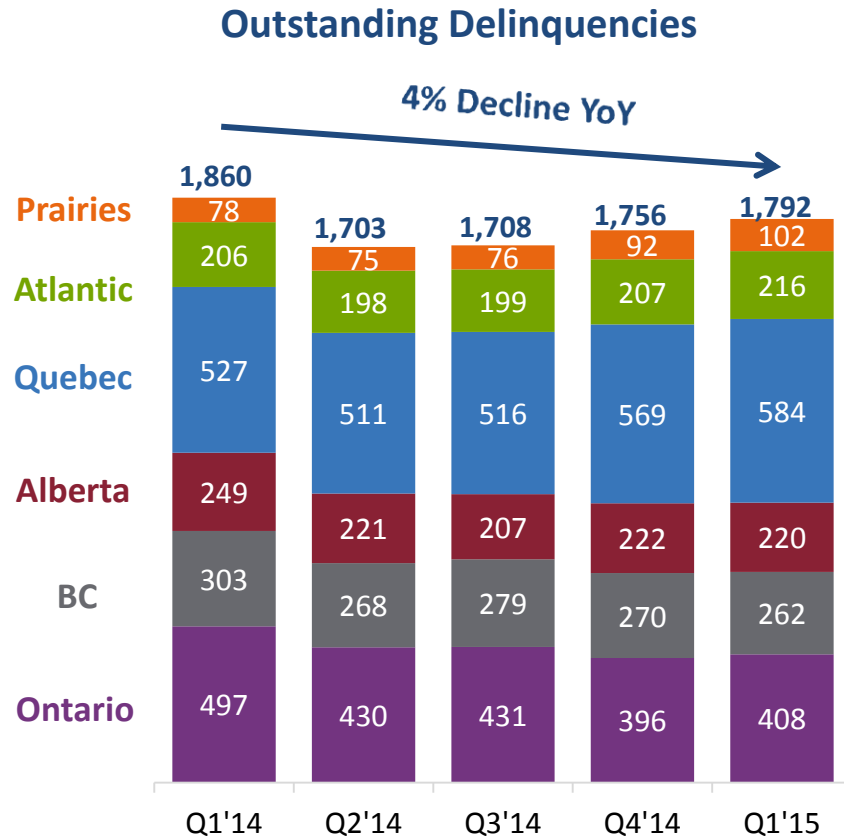
# Genworth's served market

Region	Average Home Price			Average Income	Average Gross Debt Servicing
	Genworth	Market	% Variance	Genworth	Genworth
Vancouver	\$486K	\$847K	-43%	\$115K	28%
Toronto	\$447K	\$589K	-24%	\$108K	29%
Calgary	\$421K	\$445K	-5%	\$113K	27%
Rest of Canada	\$297K	\$334K	-11%	94K	24%
Canada	\$326K	\$424K	-23%	\$97K	25%

Note: Q1'15 data; Genworth averages for purchase deals only, market averages from CREA; market rest of Canada calculated by using CREA cities weighted average s

**GENWORTH'S AVERAGE HOME PRICE ~23% LOWER THAN MARKET AVERAGE**

# Stable Delinquency Trend



## Highlights

- 4% decline in Y/Y delinquency led by Ontario, BC and Alberta
- Delinquencies up modestly Q/Q due to typical seasonality

# Market Environment

## Market Dynamics

- Oil is anticipated to be in the \$55-\$65 USD range for 2015
- 2015 GDP outlook of 1.9%
- Canadian dollar expected to be in the range of \$0.78 to \$0.82 per USD
- Interest rate flat; low interest rates to partially offset economic impact from lower oil prices

## Impact to Business

- Unemployment rate modestly higher and home prices modestly lower in oil producing regions (Alberta, Newfoundland, Saskatchewan)
- GDP, home prices and employment in Ontario and Quebec may benefit from lower oil prices and Canadian dollar
- Continued lower interest rates supportive of housing affordability

**Rebalancing of economic activity across country**

# Solid Financial Performance

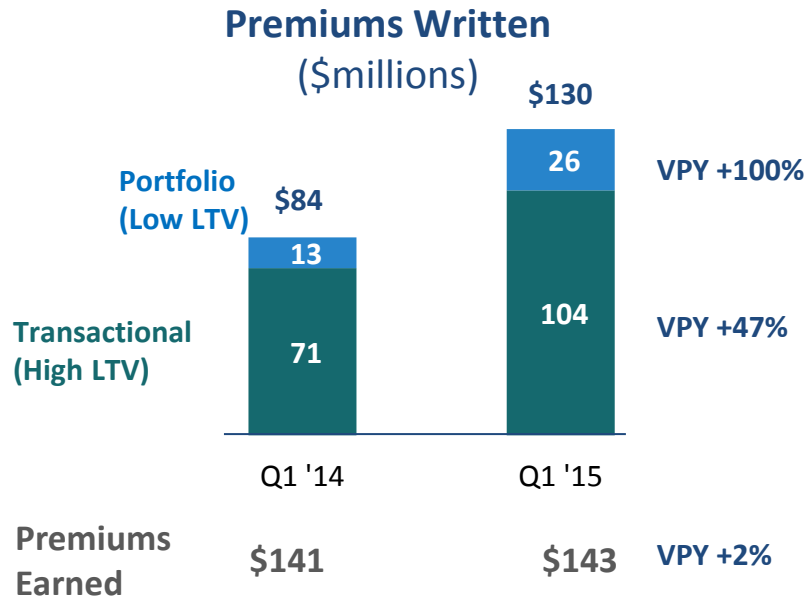
\$MM except EPS and BVPS	Q1'15	Q4'14	Q1'14
Premiums written	\$130	\$178	\$84
Premiums earned	143	143	141
Losses on claims	31	37	28
Expenses	24	30	27
Underwriting income	\$87	\$76	\$86
Investment income (excl. realized gains / losses)	42	43	44
<b>Net operating Income</b>	<b>\$97</b>	<b>\$84</b>	<b>\$91</b>
<b>Diluted operating EPS</b>	<b>\$1.03</b>	<b>\$0.89</b>	<b>\$0.96</b>
<b>Book value per share</b> (diluted, incl. AOCI)	<b>\$36.07</b>	<b>\$35.02</b>	<b>\$33.52</b>

## Q1 Highlights

- Strong top line performance was primarily result of market penetration
- Loss ratio of 22%
- Consistent investment income
- \$5 MM one-time favorable tax item
- Book value up to \$36 per share



# Strong Premiums Written Growth

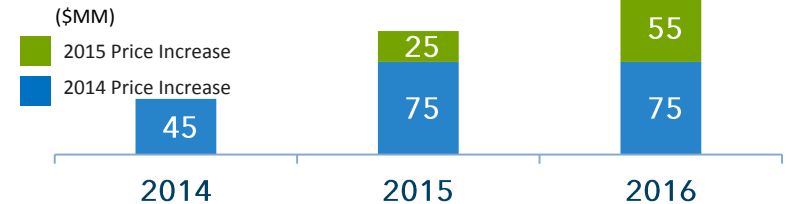


**Strong sales momentum expected to continue into 2015**

## Highlights

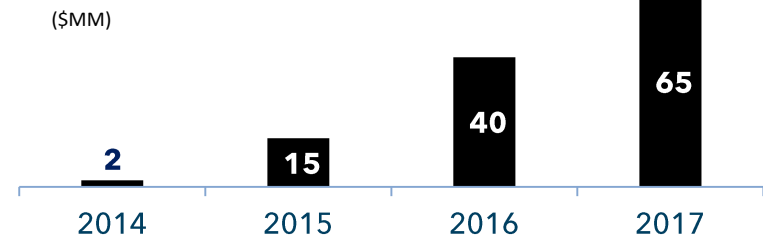
- 15% premium rate increase effective June 1 on >90% loan-to-value

### Incremental Premiums Written (2014 & 2015 Price Increases on \$22 B of Transactional NIW Example)



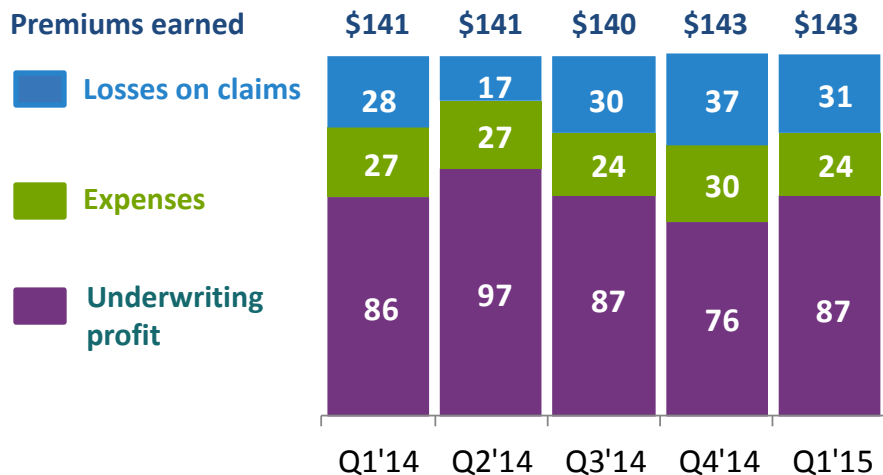
- Higher premiums written Y/Y is positive for earned premiums going forward

### Incremental Premiums Earned (2014 & 2015 Price Increases on \$22 B of Transactional NIW Example)



# Solid Underwriting Profitability

**Underwriting Profitability**  
(\$millions)

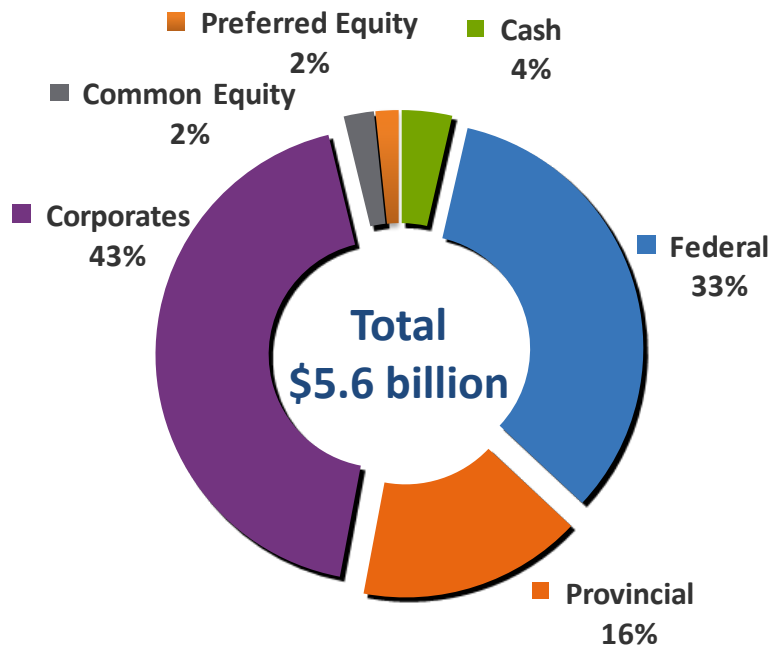


Loss ratio	20%	12%	21%	26%	22%
Expense ratio	19%	19%	17%	21%	17%
Combined ratio	39%	31%	38%	47%	39%
New delinquencies net of cures	469	289	412	489	432

## Highlights

- Loss ratio improved 4 pts. Q/Q
  - Improved Quebec performance
  - Low level of Alberta delinquencies
- Expense ratio of 17% in line with target
- Full year 2015 loss ratio expected to be in the range of 20 to 30%

# Investments Contribute Steady Income



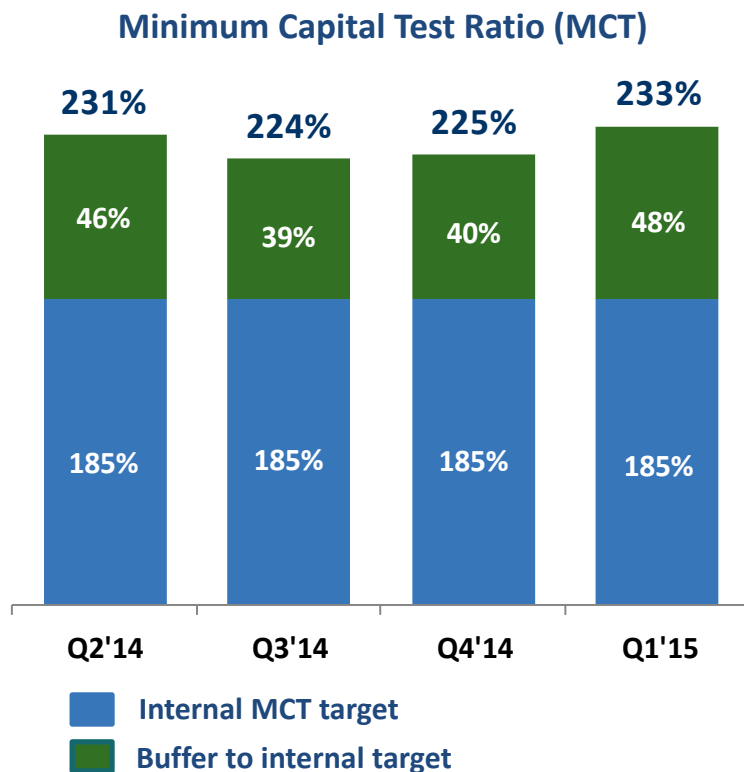
## Highlights

- Focus on high investment quality
- Diversified portfolio with over 50% government securities and cash
- Reduced common equities given higher regulatory capital requirements (2015 MCT)
- Adding to preferred share holdings

	<b>Portfolio</b>
Invested assets and cash (market value)	<b>\$5.6 billion</b>
Pre-tax yield <sup>1</sup>	<b>3.4%</b>
Duration	<b>3.8 years</b>

1. Pre-tax equivalent book yield after dividend gross-up of general portfolio (as at March 31, 2015)

# Strong Capital Position



## Highlights

- Holding company cash and liquid securities of \$158 million
- Focused on balancing capital strength, flexibility and efficiency
- Intend to operate moderately above the 220% MCT operating holding target

**Well-positioned to achieve business objectives**

# Question and Answer

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