Genworth MI Canada Inc.

NEWS RELEASE

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Genworth MI Canada Inc. Reports Fourth Quarter and Full Year 2019 Results Including Fourth Quarter Net Operating Income of $112 Million

	Fourth Quarter			Full Year 2019	
Net Income:	**$108 million**	**Down 3% Q/Q**	**Up 35% Y/Y**	**$426 million**	**Down 6% Y/Y**
Net Operating Income:	**$112 million**	**Down 2% Q/Q**	**Down 4% Y/Y**	**$466 million**	**Down 2% Y/Y**
Fully Diluted Operating EPS:	**$1.30**	**Down 3% Q/Q**	**Down 2% Y/Y**	**$5.38**	**Up 2% Y/Y**
Transactional Premiums Written:	**$177 million**	**Down 17% Q/Q**	**Up 17% Y/Y**	**$677 million**	**Up 9% Y/Y**
Total Premiums Written:	**$183 million**	**Down 16% Q/Q**	**Up 17% Y/Y**	**$701 million**	**Up 10% Y/Y**
Premiums Earned:	**$171 million**	**Flat Q/Q**	**Up 1% Y/Y**	**$679 million**	**Flat Y/Y**
Loss Ratio:	**20%**	**Up 2 pts Q/Q**	**Up 2 pts Y/Y**	**17%**	**Up 2 pts Y/Y**

Toronto, ON (February 5th, 2020) – Genworth MI Canada Inc. (the "Company") (TSX: MIC) today reported fourth quarter 2019 net income of $108 million or $1.25 fully diluted earnings per common share, and net operating income of $112 million or $1.30 fully diluted operating earnings per common share.

On a full year basis, the Company reported net income of $426 million or $4.92 fully diluted earnings per common share, and net operating income of $466 million or $5.38 fully diluted operating earnings per common share. The Company also delivered an operating return on equity of 12% for the full year.

"We are very pleased with our 2019 results including the return of $608 million of capital through ordinary dividends, special dividends and share buybacks", said Stuart Levings, President and CEO. "Our strategy in 2020 is focused on improving our operating return on equity and driving prudent growth by enhancing our customer value proposition in a resilient economic environment."

Key Fourth Quarter 2019 Financial Results and Operational Metrics:

- **New insurance written** from **transactional insurance** was $5.1 billion, an increase of $0.7 billion, or 17%, compared to the same quarter in the prior year, primarily due to a larger transactional mortgage originations market. Compared to the prior quarter, transactional new insurance written decreased by $1.0 billion, or 17%, primarily as a result of typical seasonality.

- **Premiums written** from **transactional insurance** were $177 million. This represents an increase of $26 million, or 17%, compared to the same quarter in the prior year, primarily due to the aforementioned higher new insurance written. Compared to the prior quarter, premiums written decreased by $35 million, or 17%, primarily due to seasonality.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $1.3 billion, an increase of $0.2 billion compared to the same quarter in the prior year and consistent with the prior quarter.

- **Premiums written** from **portfolio insurance** were $5 million, consistent with the same quarter in the prior year and the prior quarter.

- **Premiums earned** of $171 million were $2 million, or 1%, higher than the same quarter in the prior year, primarily reflecting relatively higher premiums written in 2019. Premiums earned were relatively consistent with the prior quarter.

- **New reported delinquencies, net of cures,** of 385, were 59 higher than the same quarter in the prior year primarily due to increases in Ontario (20), Alberta (24), the Pacific region (12) and the Prairies region (12). Compared to the prior quarter, new delinquencies, net of cures, increased by 12.

- The **loss ratio** for the quarter was 20% as a percentage of premiums earned, compared to 18% in the same quarter in the prior year and the prior quarter. **Losses on claims** of $34 million were $4 million higher than the fourth quarter of 2018 primarily due to the aforementioned increase in new reported delinquencies, net of cures, and a modestly higher average reserve per delinquency. Losses on claims increased by $3 million from the prior quarter primarily due to a marginal increase in new reported delinquencies, net of cures, and lower favourable development.

- **Expenses** were $35 million during the quarter, resulting in an **expense ratio** of 20%, as a percentage of premiums earned. This ratio was one percentage point higher than the same quarter in the prior year and relatively consistent with the prior quarter. The expense ratio remained consistent with the Company's expected operating range of 18% to 20%.

- **Operating investment income** of $55 million was $2 million lower than the same quarter in the prior year primarily due to lower realized income from the interest rate hedging program. Compared to the prior quarter, operating investment income was $1 million lower, primarily due to a modest decrease in the average amount of invested assets.

- **Realized and unrealized losses from derivatives and foreign exchange** of $6 million excludes the realized income from the Company's interest rate hedging program of $6 million. This compares to a $46 million loss in the prior year period, with the decreased losses being primarily due to the impact of higher interest rates on the market value of the Company's interest rate swaps. Compared to the prior quarter, losses decreased by $3 million primarily due to the impact of higher interest rates on the market value of the Company's interest rate swaps and foreign exchange.

- **Net income** of $108 million was $28 million higher than the same quarter in the prior year, primarily due to a lower level of realized and unrealized losses from derivatives and foreign exchange and higher premiums earned, partially offset by higher losses on claims and higher expenses. Net income was $3 million lower than the prior quarter, primarily due to modestly higher losses on claims, higher expenses and lower operating investment income, partially offset by a lower level of realized and unrealized losses from derivatives and foreign exchange.

- **Net operating income** of $112 million was $5 million lower than the same quarter in the prior year primarily due to higher losses on claims and higher expenses, partially offset by higher premiums earned. Net operating income was $3 million lower than the prior quarter primarily due to higher losses on claims, higher expenses and lower operating investment income.

- **Operating return on equity** was 11% for the quarter, down less than 1 percentage point from the same quarter in the prior year, and consistent with the prior quarter.

Key 2019 Annual Financial Results and Operational Metrics:

- **New insurance written** from **transactional insurance** was $19.3 billion, an increase of $1.6 billion, or 9%, compared to 2018, primarily due a larger transactional mortgage originations market and a modest increase in market penetration.

- **Premiums written** from **transactional insurance** were $677 million, an increase of $58 million, or 9%, compared to 2018, primarily due to the aforementioned higher new insurance written.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $6.1 billion, an increase of $1.9 billion, or 46%, compared to 2018 primarily due to increased demand for portfolio insurance.

- **Premiums written** from **portfolio insurance** were $24 million, an increase of $4 million, or 20%, primarily due to higher new insurance written, partially offset by a lower average premium rate as a result of improved portfolio quality.

- **Premiums earned** of $678 million were $2 million, or less than 1%, lower than the prior year. The **unearned premiums reserve** was $2.1 billion at the end of the year, relatively consistent with the reserve level as at December 31, 2018. These unearned premiums will be recognized as premiums earned over time in accordance with the Company's loss emergence pattern.

- **New reported delinquencies, net of cures,** of 1,444 were 65 higher than 2018 primarily due to an increase in Alberta (166), partially offset by a decrease in Quebec (103).

- The **loss ratio** for 2019 was 17% as a percentage of premiums earned, compared to 15% in the prior year. **Losses on claims** of $116 million were $16 million higher than in 2018, primarily due to the aforementioned increase in new reported delinquencies, net of cures, and a modest increase in the average reserve per delinquency.

- The number of **delinquencies outstanding** of 1,798 were 114 higher than 2018 primarily due to an increase in Alberta (135) and the Atlantic region (34), partially offset by a decrease in Quebec (54).

- **Expenses** were $136 million during 2019 resulting in an **expense ratio** of 20%, as a percentage of premiums earned. This ratio was one percentage point higher than 2018 and consistent with the Company's expected operating range of 18% to 20%.

- The Company's **investment portfolio** had a market value of $6.5 billion at the end of the year. The portfolio had a pre-tax equivalent book yield of 3.3% and a duration of 3.6 years as at December 31, 2019, each of which were relatively consistent with prior year.

- **Operating investment income,** of $225 million was $13 million higher than the prior year primarily due to an increase in realized income from the interest rate hedging program and a modestly higher average amount of invested assets.

- **Realized and unrealized losses on derivatives and foreign exchange, excluding income from interest rate hedging** of $69 million excludes the realized income from the Company's interest rate hedging program of $29 million. This compares to a $26 million loss in the prior year primarily due to the impact of lower interest rates on the market value of the Company's interest rate swaps and foreign exchange.

- **Net income** of $426 million was $25 million lower compared to 2018, primarily due to higher losses on claims, higher expenses, and lower net investment income.

- **Net operating income** of $466 million was $9 million lower compared to 2018, primarily due to higher losses on claims and higher expenses, partially offset by higher operating investment income.

- **Operating return on equity** was 12%, consistent with the prior year.

- **The regulatory capital ratio** or **Mortgage Insurance Capital Adequacy Test ("MICAT") ratio** was approximately 170%, 13 percentage points higher than the Insurance Company's internal MICAT ratio target of 157% and 20 percentage points higher than the Office of the Superintendent of Financial Institutions ("OSFI") Supervisory MICAT ratio target of 150%.

- The Company estimates that its **outstanding principal balance of insured mortgages** as at December 31, 2019, was approximately $200 billion, or 38% of the original insured amount. The Company estimates, that as of September 30, 2019, the outstanding principal balance for all privately insured mortgages was approximately $275 billion relative to the $350 billion aggregate outstanding principal limit under the government guarantee legislation (Protection of Residential Mortgage or Hypothecary Insurance Act).

Ordinary Dividends

On November 27th, 2019, the Company paid a quarterly dividend of $0.54 per common share. This represented an increase of $0.03, or 6% per common share from the dividend paid in the third quarter of 2019.

The Company also announced today that its Board of Directors approved a dividend payment of $0.54 per common share, payable on March 5th, 2020, to shareholders of record at the close of business on February 18th, 2020.

Special Dividend

During the fourth quarter of 2019 the Company paid a special dividend of $1.45 per common share, for an aggregate amount of approximately $125 million, on October 11, 2019 and a special dividend of $2.32 per common share, for an aggregate amount of approximately $200 million, on December 30, 2019.

On January 15th, 2020, the Board of Directors announced that it declared a special dividend of $2.32 per common share for an aggregate amount of approximately $200 million. This special dividend will be paid on February 11th, 2020, to shareholders of record at the close of business on January 28th, 2020.

Credit Facility

On January 16th, 2020 the Company put in place a $700 million syndicated credit facility composed of a senior unsecured revolving facility of $300 million which matures in January 2025, a $200 million five-year term loan, and a $200 million twelve-month bridge facility. This syndicated credit facility replaced its previously existing $300 million unsecured revolving credit facility.

Share Repurchase

During the year ended December 31, 2019, the Company repurchased 1,650,951 common shares for cancellation at an average price of $41.45, for an aggregate purchase price of approximately $68 million, under the terms of its normal course issuer bids. The Company's former majority shareholder, Genworth Financial, Inc., through its subsidiaries, participated proportionately in the normal course issuer bid to maintain its approximately 57% ownership interest in the Company.

Shareholders' Equity

As at December 31, 2019, shareholders' equity was $3.9 billion, representing a book value including accumulated other comprehensive income ("AOCI") of $44.58 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was $3.9 billion, representing a book value of $44.45 per common share on a fully diluted basis.

Closing of Genworth Financial, Inc. Sale of Majority Interest to Brookfield Business Partners

On December 12, 2019, the previously announced sale of Genworth Financial, Inc.'s majority interest in the Company to Brookfield Business Partners L.P., together with its institutional partners, was completed.

Credit and Debt Ratings

The Company's issuer credit rating by DBRS Ratings Limited is 'A' high (stable) and the financial strength rating of the Company's primary operating subsidiary is 'AA' (stable). The Company's credit rating by Standard & Poor's is 'BBB+' (stable) and the financial strength of the Company's primary operating subsidiary is 'A+' (stable).

Detailed Operating Results and Financial Supplement

For more information on the Company's operating results, please refer to the Company's Management's Discussion and Analysis as posted on SEDAR and available at www.sedar.com.

This press release, as well as the Company’s full year 2019 consolidated financial statements, Management’s Discussion and Analysis and the Company’s Financial Supplement are also posted on the Investor section of the Company’s website (http://investor.genworthmicanada.ca). Investors are encouraged to review all of these materials.

Earnings Call

The Company’s fourth quarter earnings call will be held on February 6th, 2020 at 10:00 am ET (Local: 647-794-4605, Toll free: 1-866-239-9838, Conference ID: 2844031). The call is accessible via telephone and by audio webcast on the Company’s website. If listening via webcast, participants are encouraged to pre-register for the webcast through the Company’s website. Slides to accompany the call will be posted just prior to its start. A replay of the call will be available until March 6th, 2020 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 2844031). The webcast will also be available for replay on the Company's website for a period of at least 45 days following the conference call.

About Genworth MI Canada Inc.

Genworth MI Canada Inc. (TSX: MIC) through its subsidiary, Genworth Financial Mortgage Insurance Company Canada (“Genworth Canada”), is the largest private sector residential mortgage insurer in Canada. The Company provides mortgage default insurance to Canadian residential mortgage lenders, making homeownership more accessible to first-time homebuyers. Genworth Canada differentiates itself through customer service excellence, innovative processing technology, and a robust risk management framework. For more than two decades, Genworth Canada has supported the housing market by providing thought leadership and a focus on the safety and soundness of the mortgage finance system. As at December 31, 2019, the Company had $6.8 billion total assets and $3.9 billion shareholders' equity. Find out more at www.genworth.ca.

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Consolidated Financial Highlights

($ millions, except per share amounts)	Three Months Ended December 31 (unaudited),		Twelve Months Ended December 31 (unaudited),	
	2019	**2018**	**2019**	**2018**
Transactional new insurance written[1]	$5,065	$4,333	$19,347	$17,753
Portfolio new insurance written[1]	1,332	1,098	6,062	4,155
Total new insurance written[1]	$6,397	$5,431	$25,409	$21,908
Premiums written	183	156	701	639
Premiums earned	171	169	679	680
Losses on claims	34	30	117	100
Expenses	35	32	136	129
Net underwriting income	$102	$106	$427	$451
Investment income (interest and dividends, net of expenses) [1]	49	50	196	191
Interest rate hedging program income	6	7	29	22
Realized gains (losses) on sale of investments	1	-	18	(1)
Realized and unrealized losses on derivatives, foreign exchange	(6)	(46)	(69)	(26)
Total net investment income	$50	$11	$174	$186
Net income	$108	$80	$426	$452
Net operating income[1]	$112	$117	$466	$475
Basic weighted average common shares outstanding	86,176,993	88,558,437	86,682,766	89,656,310
Diluted weighted average common shares outstanding	86,177,587	89,027,202	86,697,013	90,183,338
Fully diluted earnings per common share	$1.25	$0.88	$4.92	$4.99
Fully diluted operating earnings per common share[1]	$1.30	$1.32	$5.38	$5.27
Fully diluted book value per common share, incl. AOCI[1]	$44.58	$45.21	$44.58	$45.21
Fully diluted book value per common share, excl. AOCI[1]	$44.45	$45.62	$44.45	$45.62
Loss ratio[1]	20%	18%	17%	15%
Combined ratio[1]	41%	37%	37%	34%
Operating return on equity[1]	11%	12%	12%	12%
MICAT ratio [1,3]	170%	172%	170%	172%
Transactional delinquency ratio[1, 2]	0.29%	0.26%	0.29%	0.26%
Portfolio delinquency ratio[1, 2]	0.10%	0.09%	0.10%	0.09%
Delinquency ratio[1, 2]	0.20%	0.18%	0.20%	0.18%

Note: Amounts may not total due to rounding.

[1]This is a financial measure not calculated based on International Financial Reporting Standards ("**IFRS**"). See the "Non-IFRS Financial Measures" section of this press release for additional information.

[2] Based on outstanding balance and excludes delinquencies that have been incurred but not reported.

[3] Company estimate at December 31, 2019. 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%.

Non-IFRS Financial Measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with IFRS, the Company uses certain non-IFRS financial measures to analyze performance. The Company's key performance indicators and certain other information included in this press release include non-IFRS financial measures. Such non-IFRS financial measures used by the Company to analyze performance include, among others, interest and dividend income, net of investment expenses, operating investment income, net operating income (excluding fee on early redemption of long-term debt), operating earnings per common share (basic) and operating earnings per common share (diluted). 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 financial measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies.

	Three months ended December 31,		Twelve months ended December 31,	
(in millions of dollars, unless otherwise specified)	**2019**	**2018**	**2019**	**2018**
Total investment income	**$ 50**	$ 11	**$ 174**	$ 186
Adjustment to investment income:				
Net losses from investments, derivatives and foreign exchange[1]	**6**	46	**51**	27
Operating investment income	**55**	57	**225**	212
Realized expense (income) from the interest rate hedging program	**(7)**	(7)	**(29)**	(22)
Interest and dividend income, net of investment expenses	**$ 49**	$ 50	**196**	$ 191
Net income	**108**	80	**426**	452
Adjustments to net income, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**2**	-
Net losses from investments, derivatives and foreign exchange[1]	**4**	37	**37**	23
Net operating income	**$ 112**	$ 117	**$ 466**	$ 475
Earnings per common share (basic)	**$ 1.25**	$ 0.90	**$ 4.92**	$ 5.04
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**0.03**	-
Net losses from investments, derivatives and foreign exchange[1]	**0.05**	0.42	**0.43**	0.26
Operating earnings per common share (basic)	**$ 1.30**	$ 1.32	**$ 5.38**	$ 5.30
Earnings per common share (diluted)[2]	**$ 1.25**	$ 0.88	**$ 4.92**	$ 4.99
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**0.03**	-
Share based compensation re-measurement amount	**-**	(0.02)	**-**	(0.02)
Net losses from investments, derivatives and foreign exchange[1]	**0.05**	0.42	**0.43**	0.26
Operating earnings per common share (diluted)[2]	**$ 1.30**	$ 1.32	**$ 5.38**	$ 5.27

Note: Amounts may not total due to rounding.

[1] Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. [2] The difference between basic and diluted earnings per common share and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

Non-IFRS financial measures reconciled to comparable IFRS measures for such periods

Definitions of key non-IFRS financial measures and explanations of why these measures are useful to investors and management can be found in the Company's "Glossary", in the "Non-IFRS financial measures" section at the end of the Company's MD&A for the three and twelve months ended December 31, 2019. The MD&A, along with the Company's most recent financial statements, are available on the Company's website and on SEDAR at www.sedar.com.

Caution regarding forward-looking information and statements

Certain statements made in this news release contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company are intended to identify forward-looking statements. Specific forward-looking statements in this document 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; the Company's beliefs as to housing demand and home price appreciation, key macroeconomic factors, unemployment rates; the Company's future operating and financial results; the operating range for the Company's expense ratio; expectations regarding premiums written; and capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies.

The forward-looking statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking statements contained herein. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Actual results or developments may differ materially from those contemplated by the forward-looking statements.

The Company's actual results and performance could differ materially from those anticipated in these forward-looking statements as a result of both known and unknown risks, including: the continued availability of the Canadian government's guarantee of private mortgage insurance on terms satisfactory to the Company; the Company's expectations regarding its revenues, expenses and operations; the Company's plans to implement its strategy and operate its business; the Company's expectations regarding the compensation of directors and officers; the Company's anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing; the Company's plans for and timing of expansion of service and products; the Company's ability to accurately assess and manage risks associated with the policies that are written; the Company's ability to accurately manage market, interest and credit risks; the Company's ability to maintain ratings, which may be affected by the ratings of its majority shareholder, Brookfield Business Partners L.P. ("Brookfield Business Partners"); interest rate fluctuations; a decrease in the volume of high loan-to-value mortgage originations; the cyclical nature of the mortgage insurance industry; changes in government regulations and laws mandating mortgage insurance; the acceptance by the Company's lenders of new technologies and products; the Company's ability to attract lenders and develop and maintain lender relationships; the Company's competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; anticipated trends and challenges in the Company's business and the markets in which it operates; changes in the global or Canadian economies; a decline in the Company's regulatory capital or an increase in its regulatory capital requirements; loss of members of the Company's senior management team; potential legal, tax and regulatory investigations and actions; the failure of the Company's computer systems or potential cyber threats; potential conflicts of interest between the Company and its majority shareholder, Brookfield Business Partners.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's Annual Information Form (the "AIF") dated March 22, 2019. Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial and territorial securities regulatory authorities (including the Company's AIF) and can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. The forward-looking statements contained in this news release represent the Company's views only as of the date hereof. Forward-looking statements contained in this news release are based on management's current plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and are presented for the purpose of assisting the Company's security holders in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not undertake to update any forward-looking statements, except to the extent required by applicable securities laws.