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## **Genworth MI Canada Inc. Reports Fourth Quarter 2013 Earnings And Full Year Results**

**Fourth Quarter Net Operating Income of \$85 million, Operating Diluted EPS of \$0.90 per share**  
**Full Year Net Operating Income of \$349 million, Full Year Diluted Operating EPS of \$3.60 per share**  
**Full Year Operating EPS up 5%**  
**Full Year Operating Return on Equity of 12%**

Toronto, ON (February 4, 2014) – Genworth MI Canada Inc. (the “Company”) (TSX: MIC) today reported fourth quarter 2013 net income of \$93 million or \$0.98 per diluted common share, and net operating income of \$85 million or \$0.90 operating earnings per diluted common share. While net operating income was lower by 4% as compared to the same quarter in the prior year on an adjusted basis, the Company delivered consistent operating earnings per share.

On a full year basis, the Company reported \$349 million in total net operating income, as compared to \$339 million on an adjusted basis for the prior year. Compared to the adjusted net operating income in the prior year, net operating income for 2013 represented a \$10 million or 3% increase. Full year operating earnings per share were \$3.60 as compared to \$3.43 in the prior year, on an adjusted basis. This represents a 5% increase to the prior year. The Company also delivered an operating return on equity of 12% during the quarter and on a full year basis.

“We delivered strong performance in 2013,” said Brian Hurley, Chairman and Chief Executive Officer of the Company. “We enhanced the customer experience, strengthened the quality of our insurance portfolio, and realized loss ratio improvement. We believe that we are well positioned for continued profitability.”

With the implementation of the *Protection of Residential Mortgage or Hypothecary Insurance Act* (Canada) (“PRMHIA”) on January 1, 2013, reported net operating income for the fourth quarter and full year in 2012 was \$226 million and \$470 million, respectively. These reported values included a one-time favourable after-tax item of \$137 million on a quarter basis and \$122 million on a full year basis related to the reversal of previously accrued exit fees related to the federal government guarantee fund under the previous Government of Canada Guarantee Agreement, which was released with the implementation of PRMHIA. Adjusted net operating income of \$89 million in the fourth quarter of 2012 and \$339 million for the 2012 full year are being used for comparison purposes.

#### Fourth Quarter 2013 Key Financial Metrics:

- **Net premiums written** of \$129 million were \$32 million, or 20%, lower than the prior quarter and \$12 million, or 11%, higher than the same quarter in the prior year. The sequential decrease was primarily driven by typical seasonally lower volumes of high loan-to-value mortgages and lower market demand for portfolio insurance. The year-over-year increase was primarily the result of a slightly higher mortgage origination volume.
- **Net premiums earned** of \$142 million were lower by \$1 million as compared to the prior quarter and \$5 million lower than the same quarter in the prior year. The **unearned premium reserve** was \$1.7 billion at the end of the quarter, consistent with the prior quarter.
- **Losses on claims** of \$31 million reflected a \$1 million improvement over the prior quarter and \$15 million improvement over the same quarter in the prior year. In both cases, the Company experienced lower losses primarily due to a favourable shift in the regional mix of delinquencies, a stable economic environment, and strong credit quality of recent books. This resulted in a **loss ratio** of 22% for this quarter, as compared to 22% in the prior quarter and 31% in the same quarter in the prior year.
- **The expense ratio** was 23%, as a percentage of net premiums earned, during the quarter. This ratio was 4 percentage points higher than the prior quarter and 4 percentage points higher as compared to the same quarter in the prior year. The increase was primarily attributed to higher employee share-based compensation due to a higher share price. Excluding this cost, which fluctuates with movements in the trading price of the Company's common shares, the expense ratio is generally in line with the full year expense ratio of 19%.
- **Net Investment income, excluding realized gains**, of \$44 million was essentially flat to the prior quarter and \$2 million lower than the same quarter in the prior year. The comparison to the prior year excluded the one-time favourable pre-tax impact of \$186 million from the reversal of the previously accrued exit fees.
- **Net operating income** of \$85 million was \$6 million lower relative to the prior quarter and \$4 million lower compared to the adjusted net operating income in the same quarter in the prior year which excluded the one-time favourable after tax impact of \$137 million from the reversal of the previously accrued exit fees.
- **Operating return on equity** was 12% for the quarter, 1 percentage point lower when compared to the prior quarter and 1 percentage point lower on a year-over-year basis, when compared on an adjusted basis.
- **The regulatory capital ratio or Minimum Capital Test ("MCT") ratio** was approximately 222%, 4 percentage points higher than the prior quarter and 37 percentage points higher than the Company's internal target MCT ratio of 185%. The Company currently intends to operate with a MCT ratio above 190% to maintain financial strength and flexibility.

#### **Fourth Quarter 2013 Key Highlights:**

- The high loan-to-value component of new insurance written during the quarter was \$5.2 billion, representing a decrease of \$1.1 billion or 17% from the prior quarter, and an increase of \$0.8 billion or 19% over the same quarter in the prior year. The sequential decrease was primarily due to typical seasonality. The year-over-year increase was primarily due to a normalization of the high loan-to-value mortgage insurance market following the impact from 2012 product changes.
- During the quarter, the Company insured \$2.5 billion of low loan-to-value mortgage portfolios, representing a decrease of \$1.5 billion or 38% from the prior quarter volume, and a \$1.6 billion or 39% decrease over the same quarter in the prior year. The volume of portfolio insurance fluctuates and varies from quarter to quarter based on lender demand.
- The net premiums written in the quarter from insurance of high loan-to-value mortgage was \$119 million, accounting for 92% of the Company's net premiums written. This represented a decrease of \$25 million, or 17%, from the prior quarter and an increase of 17 million, or 16%, from the same quarter in the prior year.
- The number of reported delinquencies was 1,830 outstanding at the end of the quarter, representing a small increase of 52, as compared to the prior quarter and a decrease of 323 delinquencies as compared to the same quarter in the prior year, reflecting an improvement of 15% on a year over year basis. This reflects the strong credit quality in the portfolio and improving economic conditions across most regions. These factors, in combination with the ongoing success of the Company's proactive loss mitigation strategies, contributed to the Company's delinquency performance, resulting in a loss ratio of 22% for the quarter.
- The Company's investment portfolio had a market value of \$5.4 billion at the end of the quarter. The portfolio had a pre-tax equivalent book yield of 3.6% and duration of 3.7 years as at December 31, 2013. As a result of ongoing active portfolio management, the Company had realized investment gains of \$11 million in the quarter, primarily related to a further reduction in its equity exposure.

#### **Dividends**

On November 29, 2013, the Company paid a quarterly dividend of \$0.35 per common share.

The Company also announced today that its Board of Directors approved a dividend payment of \$0.35 per common share, payable on February 28, 2014, to shareholders of record at the close of business on February 14, 2014.

#### **Shareholders' Equity**

As of December 31, 2013, shareholders' equity was \$3.1 billion, representing a book value of \$32.53 per common share on a fully diluted basis. Excluding accumulated other comprehensive income ("AOCI"), shareholders' equity was \$ 3.0 billion, or a book value of \$31.22 per common share on a fully diluted basis.

## **Detailed Operating Results and Financial Supplement**

For more information on the Company's operating results, please refer to the Company's Review of Performance as posted on SEDAR and available at [www.sedar.com](http://www.sedar.com).

This press release, the financial statements, the Company's Review of Performance, and the fourth quarter 2013 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 5, 2014 at 10:00 am ET (Local: 416-644-3414, Toll free: 1-800-814-4859, Conference ID: 4660814). The call is accessible via telephone and by audio webcast on 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 5, 2014 (Local 416-640-1917, Toll Free 1-877-289-8525, Access Code 4660814#). Participants are encouraged to pre-register for the webcast through the Company's website. A replay of the call will also be available from 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 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 almost 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, 2013, Genworth Canada had \$5.7 billion total assets and \$3.1 billion shareholders' equity. Find out more at [www.genworth.ca](http://www.genworth.ca).

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## Consolidated Financial Highlights

(\$ millions, except per share amounts)	Three Months Ended December 31 (Unaudited)		Full Year Ended December 31 (Unaudited)	
	2013	2012	2013	2012
New insurance written	7,693	8,472	34,985	41,286
Insurance in-Force	316,702	301,456	316,702	301,456
Net premiums written	129	117	512	550
Net premiums earned	142	147	573	589
Losses on claims	31	46	142	194
Expenses	33	28	113	105
Investment income (interest/dividends, net of expenses) <sup>1</sup>	44	46	179	169
Net investment gains	11	1	37	12
Total net investment income	56	47 <sup>2</sup>	215	181 <sup>2</sup>
Net income	93	89 <sup>2</sup>	375	348 <sup>2</sup>
Net operating income <sup>1</sup>	85	89 <sup>2</sup>	349	339 <sup>2</sup>
Fully diluted earnings per common share	\$0.98	\$0.90 <sup>2</sup>	\$3.86	\$3.52 <sup>2</sup>
Fully diluted operating earnings per common share <sup>1</sup>	\$0.90	\$0.90 <sup>2</sup>	\$3.60	\$3.43 <sup>2</sup>
Fully diluted book value per common share, inc. AOCI	\$32.53	\$30.62	\$32.53	\$30.62
Fully diluted book value per common share, excl. AOCI <sup>1</sup>	\$31.22	\$28.40	\$31.22	\$28.40
Basic weighted average common shares outstanding	94,904,567	98,695,175	97,049,781	98,684,587
Diluted weighted average common shares outstanding	94,907,933	98,836,531	97,067,722	98,806,915
Loss ratio	22%	31%	25%	33%
Combined ratio	45%	50%	44%	51%
Operating return on equity <sup>1</sup>	12%	13%	12%	13%
Minimum Capital Test ratio (MCT)	222%	170%	222%	170%

<sup>1</sup> 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.

<sup>2</sup> Total investment income, net income, net operating income, fully diluted earnings per common share, fully diluted operating earnings per common share, and operating return on equity for 2012 are presented in the table as adjusted values and exclude the one-time impact from the reversal of the government guarantee exit fee. Including this adjustment in Q4 2012, total investment income, net income, net operating income, fully diluted earnings per common share, fully diluted operating earnings per common share, and net operating return on equity were \$233 million, \$226 million, \$226 million, \$2.29, \$2.28, and 33%, respectively. Including this adjustment on a full year 2012 basis, total investment income, net income, net operating income, fully diluted earnings per common share, fully diluted operating earnings per common share, and operating return on equity were \$367 million, \$470 million, \$462 million, \$4.76, \$4.67, and 17%, respectively.

## **Non-IFRS Financial Measures**

To supplement the Company's consolidated financial statements, which are prepared in accordance with IFRS, the Company uses non-IFRS financial measures to analyze performance. Non-IFRS financial measures include net operating income, 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. Non-IFRS financial measures used by the Company to analyze the impact of the reversal of the government guarantee fund exit fee include adjusted net investment income, adjusted net income, adjusted earnings per common share (basic), adjusted earnings per common share (diluted), adjusted net operating income, adjusted operating earnings per common share (basic), adjusted operating earnings per common share (diluted), and adjusted operating return on equity. Other non-IFRS measures used by the Company to analyze performance include insurance in-force, new insurance written, Minimum Capital Test ("MCT") ratio, delinquency ratio, severity on claims paid, investment yield, book value per common share (basic) including AOCI, book value per common share (basic) excluding AOCI, book value per common share (diluted) including AOCI, book value per common share (diluted) excluding AOCI, and dividends paid per common share. 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. In addition, where applicable, non-IFRS measures have been adjusted to analyze the impact of the reversal of the government guarantee fund exit fee.

These non-IFRS measures are defined in the Company's glossary, which is posted on the investor section of the Company's website. To access the glossary, click on the "Glossary" link under "Investor Resources" subsection at the bottom of the page. A reconciliation of net operating income to net income, operating earnings per common share (basic) to earnings per common share (basic), operating earnings per common share (diluted) to earnings per common share (diluted), and shareholders' equity excluding AOCI to shareholders' equity may be found in the Review of Performance. A definition of these measures as well as an explanation of why these measures are useful to investors and the additional purposes for which management uses the measures can be found in the Company's "Glossary for non-IFRS financial measures", in the "Non-IFRS financial measures" section at the end of the Review of Performance. The Review of Performance along with the Company's most recent financial statements, are available on the Company's website and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Statements**

This press release includes certain forward-looking statements. These forward-looking statements include, but are not limited to, the Company's plans, objectives, expectations and intentions, and other statements contained in this release that are not historical facts. These statements may be identified by their use of words such as "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", or 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 Company's expectations regarding the effect of the Canadian government's new government guarantee legislative framework, the effect of the changes to the government guarantee mortgage eligibility rules, and the Company's beliefs as to housing demand and home price appreciation, unemployment rates, 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. These statements are inherently subject to significant risks, uncertainties and changes in circumstances, many of which are beyond the Company's control. 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 global, political, economic, business, competitive, market and regulatory factors, and the other risks described in the Company's Annual Information Form dated March 18, 2013. 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.