Genworth MI Canada Inc.

NEWS RELEASE

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# Genworth MI Canada Inc. Reports Second Quarter 2016 Results Including Net Operating Income of $99 Million

**Premiums Written: $249 million, up 21% Y/Y**
**Premiums Earned: $158 million, up 3% Q/Q**
**Loss Ratio: 21%, down 3 points Q/Q**
**Net Operating Income: $99 million, up 8% Q/Q**
**Fully Diluted Operating EPS: $1.07, up 8% Q/Q**

Toronto, ON (August 2, 2016) – Genworth MI Canada Inc. (the "Company") (TSX: MIC) today reported second quarter 2016 net income of $91 million or $0.99 earnings per fully diluted common share, net operating income of $99 million or $1.07 operating earnings per fully diluted common share, and an operating return on equity of 12%.

"We are pleased with our strong results this quarter" said Stuart Levings, President and CEO. "Our loss ratio continues to reflect the prime quality of our insurance portfolio, as well as the ongoing resiliency in the oil-producing regions. We continue to write high quality business and remain focused on providing a best-in-class service experience to our lenders."

**Key Second Quarter 2016 Financial Results And Operational Metrics:**

- **New insurance written** from **transactional insurance** was $5.8 billion, a decrease of $1.0 billion, or 15%, compared to the same quarter in the prior year primarily as a result of targeted underwriting changes in select markets and a slower housing market in oil-producing regions. As a result of typical seasonality, transactional new insurance written increased by $2.4 billion, or 69%, as compared to the prior quarter.

- **Premiums written** from the **transactional insurance** business line were $170 million. This represents a decrease of $13 million, or 7%, from the prior year's period, primarily due to a decline in new insurance written, which was partially offset by a higher average premium rate resulting from the June 2015 premium rate increase. Compared to the prior quarter, premiums written increased by $71 million, or 71%, primarily due to seasonality.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $25.9 billion, an increase of $21.8 billion compared to the same quarter in the prior year. Compared to the prior quarter, new insurance written from portfolio insurance increased by $21.4 billion. The Company experienced increased demand for portfolio insurance in the quarter in advance of the July 1, 2016 regulatory changes, which generally limits portfolio insurance to only those mortgages that will be used in CMHC securitization programs.

- **Premiums written** from **portfolio insurance** were $78 million, representing an increase of $57 million as compared to the same quarter in the prior year and $61 million compared to the prior quarter primarily due to an increase in new insurance written. The average premium rate of 0.30% this quarter reflects the high quality portfolio and higher proportion of portfolio insured mortgages with loan-to-values below 65%.

- **Premiums earned** of $158 million were $14 million, or 10%, higher than the same quarter in the prior year due to the higher level of premiums written in recent years. When compared to the prior quarter, premiums earned were $4 million, or 3% higher. The **unearned premiums reserve** was $2.1 billion at the end of the quarter, up $54 million from December 31, 2015. These unearned premiums will be recognized as premiums earned over time in accordance with the Company's historical pattern of loss emergence.

- **New delinquencies, net of cures,** of 352, were 33 higher than the same quarter in the prior year primarily due to an increase in Alberta (82) and the Prairies region (50), partially offset by decreases in Quebec (56), Ontario (23), and the Pacific region (21). Compared to the prior quarter, new delinquencies, net of cures, decreased 216, primarily due to seasonality with decreases in all regions except the Prairies.

- The **loss ratio** was 21% for the quarter as a percentage of premiums earned, compared to 24% in the prior quarter and 17% in the same quarter in the prior year period. **Losses on claims** of $32 million were $8 million, or 32%, higher than the same quarter in the prior year, primarily due to oil-producing regions which experienced an increase in the average reserve per delinquency and an increase in new delinquencies, net of cures. Losses on claims decreased by $4 million, or 12%, from the prior quarter, primarily due to a seasonal decrease in new delinquencies, net of cures.

- The number of **delinquencies outstanding** of 1,961 represented an increase of 295 delinquencies, as compared to the same quarter in the prior year, including an increase of 240 delinquencies in Alberta. Compared to the prior quarter, the number of delinquencies outstanding decreased by 73 delinquencies primarily due to seasonal trends.

- **Expenses** were $30 million during the quarter resulting in an **expense ratio** of 19%, as a percentage of premiums earned. This ratio was one percentage point lower than the same quarter in the prior year and consistent with the prior quarter. The expense ratio remained consistent with the Company's expected operating range of 18% to 20%.

- **Net Investment income, excluding realized and unrealized investment gains and losses,** of $44 million was $2 million, or 6%, higher than the same quarter in the prior year primarily due to an increase in the amount of invested assets and higher dividend income. Net investment income, excluding realized and unrealized investment gains and losses, was $2 million higher than the prior quarter.

- The Company's **investment portfolio** had a market value of $6.1 billion at the end of the quarter. The portfolio had a pre-tax equivalent book yield of 3.1% and duration of 3.7 years as at June 30, 2016.

- **Net operating income** of $99 million was $7 million higher relative to the same quarter in the prior year primarily as a result of higher premiums earned which was partially offset by higher losses. Net operating income was $7 million higher than the prior quarter primarily as a result of higher premiums earned and lower losses on claims.

- **Operating return on equity** was 12% for the quarter, a modest increase from the prior quarter and consistent with the same quarter in the prior year.

- **The regulatory capital ratio** or **Minimum Capital Test ("MCT") ratio** was approximately 233%, 48 percentage points higher than the Company's internal target MCT ratio of 185% and 13 percentage points higher than the Company's holding target MCT ratio of 220%. The Company intends to operate with a MCT ratio modestly above its holding target.

- The Company estimates that its **outstanding balance of insured mortgages** as at March 31, 2016, was approximately $197 billion, which is 48% of the original insured amount. The outstanding balance of insured mortgages are reported on a one quarter lag.

- During the quarter the Company entered into a **$100 million senior unsecured revolving credit facility**, which matures on May 20, 2019. The Company has not drawn on the credit facility as at June 30, 2016. The credit facility provides further financial flexibility in an efficient and cost effective manner.

**Dividends**

On May 27, 2016, the Company paid a quarterly dividend of $0.42 per common share.

The Company also announced today that its Board of Directors approved a dividend payment of $0.42 per common share, payable on August 26, 2016, to shareholders of record at the close of business on August 12, 2016.

**Shareholders' Equity**

As at June 30, 2016, shareholders' equity was $3.6 billion, representing a book value including accumulated other comprehensive income ("AOCI") of $38.23 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was $3.4 billion, representing a book value of $36.57 per common share on a fully diluted basis.

**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 second quarter 2016 consolidated Financial Statements, Management's Discussion and Analysis and 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 second quarter earnings call will be held on August 3rd, 2016 at 10:00 AM ET (Local: 416-204-9498, Toll free: 1-800-505-9568, Conference ID: 4469366). 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 September 1st, 2016 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 4469366). The webcast will also be available for replay on the Company's website for a period of at least approximately 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 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 June 30, 2016, the Company had $6.4 billion total assets and $3.6 billion shareholders' equity. Find out more at www.genworth.ca.

**Contact Information**:

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## Consolidated Financial Highlights

| *($ millions, except per share amounts)* | Three Months Ended June 30 (Unaudited) | | Six Months Ended June 30 (Unaudited) | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Transactional new insurance written[1]** | $5,769 | $6,761 | $9,183 | $10,670 |
| **Portfolio new insurance written[1]** | 25,931 | 4,100 | 30,423 | 9,978 |
| **Total new insurance written[1]** | 31,700 | 10,862 | 39,606 | 20,648 |
| **Premiums written** | 249 | 205 | 366 | 335 |
| **Premiums earned** | 158 | 144 | 312 | 287 |
| **Losses on claims** | 32 | 25 | 69 | 56 |
| **Expenses** | 30 | 29 | 59 | 54 |
| **Net underwriting income** | 95 | 90 | 184 | 178 |
| **Investment income (interest and dividends, net of expenses) [1]** | 44 | 42 | 86 | 83 |
| **Realized investment gains (losses)** | (1) | 14 | (1) | 24 |
| **Unrealized investment gains (losses)** | (11) | 3 | (16) | 8 |
| **Total net investment income** | 33 | 58 | 70 | 115 |
| **Net income** | $91 | $103 | $178 | $211 |
| **Net operating income[1]** | $99 | $92 | $190 | $188 |
| **Basic weighted average common shares outstanding** | 91,807,935 | 92,459,207 | 91,802,793 | 92,806,650 |
| **Diluted weighted average common shares outstanding** | 91,842,106 | 92,475,757 | 91,853,661 | 93,267,763 |
| **Fully diluted earnings per common share** | $0.99 | $1.12 | $1.94 | $2.23 |
| **Fully diluted operating earnings per common share[1]** | $1.07 | $0.99 | $2.07 | $2.02 |
| **Fully diluted book value per common share, incl. AOCI[1]** | $38.23 | $36.18 | $38.23 | $36.18 |
| **Fully diluted book value per common share, excl. AOCI[1]** | $36.57 | $34.23 | $36.57 | $34.23 |
| **Loss ratio[1]** | 21% | 17% | 22% | 19% |
| **Combined ratio[1]** | 40% | 37% | 41% | 38% |
| **Operating return on equity[1]** | 12% | 12% | 11% | 12% |
| **Minimum Capital Test ratio (MCT) [1]** | 233% | 231% | 233% | 231% |
| **Delinquency ratio[1, 2]** | 0.10% | 0.10% | 0.10% | 0.10% |

[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. The MCT ratio as at June 30, 2016 is based on the Company's estimate.

[2] Based on original insured loans in-force for which coverage term has not expired and excludes delinquencies that have been incurred but not reported.

**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. 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 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. Other non-IFRS financial measures used by the Company to analyze performance for which no comparable IFRS measure is available include insurance in-force, new insurance written, loss ratio, expense ratio, combined ratio, operating return on equity, MCT ratio, delinquency ratio, investment yield, average reserve per delinquency, credit score, gross debt service ratio, ordinary dividend payout ratio, workout penetration, cures, effective tax rate, gross debt service ratio, 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.

See the "Non-IFRS financial measures" section at the end of the Company's Management's Discussion and Analysis for a reconciliation of net operating income to net income, total net investment income to interest and dividend income, net of investment expenses, 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.

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 Management's Discussion and Analysis.

**Caution regarding forward looking information and statements**

Certain statements made in this press release contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this press 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 Company's expectations regarding the effect of the Canadian government guarantee legislative framework, the impact of proposed guideline changes by the Office of the Superintendent of Financial Institutions Canada and legislation introduced in connection with the Protection of Residential Mortgage or Hypothecary Insurance Act and the effect of 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.

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, Genworth Financial, Inc.; 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; and potential conflicts of interest between the Company and its majority shareholder, Genworth Financial, Inc.

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 16, 2016. 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 press release represent the Company's views only as of the date hereof. Forward-looking statements contained in this press 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 securityholders 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.