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## Genworth MI Canada Inc. Reports Fourth Quarter And Full Year 2017 Results Including Net Operating Income of \$467 Million

|                                 | Fourth Quarter |                |                | Full Year 2017 |                 |
|---------------------------------|----------------|----------------|----------------|----------------|-----------------|
| Transactional Premiums Written: | \$157 million  | Down 19% Q/Q   | Up 5% Y/Y      | \$602 million  | Down 3% Y/Y     |
| Premiums Earned:                | \$171 million  | No change Q/Q  | Up 4% Y/Y      | \$676 million  | Up 6% Y/Y       |
| Loss Ratio:                     | 9%             | Down 5 pts Q/Q | Down 9 pts Y/Y | 10%            | Down 12 pts Y/Y |
| Net Income:                     | \$132 million  | Down 5% Q/Q    | Down 6% Y/Y    | \$528 million  | Up 27% Y/Y      |
| Net Operating Income:           | \$121 million  | Up 8% Q/Q      | Up 15% Y/Y     | \$467 million  | Up 20% Y/Y      |
| Fully Diluted Operating EPS:    | \$1.33         | Up 9% Q/Q      | Up 17% Y/Y     | \$5.09         | Up 21% Y/Y      |

Toronto, ON (February 6, 2018) – Genworth MI Canada Inc. (the “Company”) (TSX: MIC) today reported fourth quarter 2017 net income of \$132 million or \$1.45 earnings per fully diluted common share, and net operating income of \$121 million or \$1.33 operating earnings per fully diluted common share.

On a full year basis, the Company reported net income of \$528 million or \$5.76 earnings per fully diluted common share, and net operating income of \$467 million or \$5.09 operating earnings per fully diluted common share. The Company paid ordinary dividends of \$1.79 per common share in 2017. The Company also delivered an operating return on equity of 13% during the quarter and 13% on a full year basis.

“2017 was another strong year for our business, with outstanding underwriting results and portfolio quality,” said Stuart Levings, President and CEO. “As the economy and housing markets continue to evolve, we remain focused on enhancing the customer experience in order to drive prudent growth, while maintaining our disciplined risk management practices.”

### Key Fourth Quarter 2017 Financial Results and Operational Metrics:

- **New insurance written from transactional insurance** was \$4.5 billion, a decrease of \$0.6 billion, or 12%, compared to the same quarter in the prior year. This decrease was primarily due to a smaller high loan-to-value origination market following the introduction by the Canadian federal government of an insured mortgage rate stress test in the fourth quarter of 2016. Compared to the prior quarter, transactional new insurance written decreased by \$1.1 billion, primarily as a result of typical seasonality.
- **Premiums written from transactional insurance** were \$157 million. This represents an increase of \$8 million, or 5%, from the fourth quarter of 2016, primarily due to a 19% higher average premium rate resulting from the March 17, 2017 premium rate increase, which was partially offset by a decline in new insurance written. Compared to the prior quarter, premiums written decreased by \$38 million, or 19%, primarily due to seasonality.

- **New insurance written from portfolio insurance** on low loan-to-value mortgages was \$0.9 billion, a decrease of \$4.0 billion compared to the same quarter in the prior year. The decrease was primarily due to lower demand for portfolio insurance as a result of a substantial increase in portfolio insurance premium rates on mortgage applications received after December 31, 2016 in response to higher regulatory capital requirements, as well as the prohibition of portfolio insurance on refinance transactions originated by lenders after November 30, 2016. Compared to the prior quarter, new insurance written from portfolio insurance increased by \$0.1 billion.
- **Premiums written from portfolio insurance** were \$7 million, representing a decrease of \$15 million compared to the same quarter in the prior year primarily due to the decrease in new insurance written. Compared to the prior quarter, premiums written increased by \$1 million.
- **Premiums earned** of \$171 million were \$6 million, or 4%, higher than the same quarter in the prior year due to the relatively higher level of premiums written in recent years. Premiums earned were relatively consistent with the prior quarter.
- **New delinquencies, net of cures**, of 346 were 90 lower than the fourth quarter of 2016 primarily due to a decrease in Quebec (77). Compared to the prior quarter, new delinquencies, net of cures, increased by 9.
- The **loss ratio** for the quarter was 9% as a percentage of premiums earned, compared to 18% in the same quarter in the prior year and 13% in the prior quarter. **Losses on claims** of \$15 million were \$14 million lower than the fourth quarter of 2016 primarily due to lower new delinquencies, net of cures, a decrease in the average reserve per delinquency and favourable development consistent with improving or strong economic conditions in Quebec, Alberta and Ontario. Losses on claims decreased by \$8 million from the prior quarter primarily due to a lower average reserve per delinquency, partially offset by a seasonal increase in new delinquencies, net of cures.
- **Expenses** were \$34 million during the quarter, resulting in an **expense ratio** of 20%, as a percentage of premiums earned. This ratio was consistent with the same quarter in the prior year and the prior quarter. The expense ratio remained consistent with the Company's expected operating range of 18% to 20%.
- **Interest and dividend income, net of investment expenses**, of \$48 million was \$2 million higher compared to the same quarter in the prior year and \$3 million higher compared to the prior quarter.
- **Realized and unrealized gains on derivatives and foreign exchange**, of \$15 million were \$31 million lower than the same quarter in the prior year and \$22 million lower compared to the prior quarter. These decreases were primarily due to a lower increase in the market value of the Company's interest rate swaps in the current quarter as compared to the increases in the fourth quarter of 2016 and the third quarter of 2017.
- **Net income** of \$132 million was \$8 million lower than the same quarter in the prior year primarily due to lower total net investment income and higher expenses, partially offset by lower losses on claims and higher premiums earned. Net income was \$8 million lower than the prior quarter primarily due to lower total net investment income, partially offset by lower losses on claims.

- **Net operating income** of \$121 million was \$16 million higher than the same quarter in the prior year primarily due to lower losses on claims and higher premiums earned. Net operating income was \$9 million higher than the prior quarter primarily due to lower losses on claims and higher operating investment income.
- **Operating return on equity** was 13% for the quarter, one percentage point higher than both the same quarter in the prior year and the prior quarter.

#### **Key 2017 Annual Financial Results and Operational Metrics:**

- **New insurance written from transactional insurance** was \$18.2 billion, a decrease of \$3.0 billion, or 14%, compared to 2016. This decrease was primarily due to a smaller high loan-to-value origination market following the introduction by the Canadian federal government of an insured mortgage rate stress test in the fourth quarter of 2016.
- **Premiums written from transactional insurance** were \$602 million. This represents a decrease of \$17 million, or 3%, from 2016, primarily due to lower new insurance written, partially offset by a 13% higher average premium rate resulting from the March 17, 2017 premium rate increase.
- **New insurance written from portfolio insurance** on low loan-to-value mortgages was \$13.4 billion, a decrease of \$28.5 billion compared to 2016. The decrease was primarily due to lower demand for portfolio insurance as a result of the prohibition of portfolio insurance on refinance transactions originated by lenders after November 30, 2016 and a substantial increase in portfolio insurance premium rates on mortgage applications received after December 31, 2016 in response to higher regulatory capital requirements.
- **Premiums written from portfolio insurance** were \$60 million. This represents a decrease of \$80 million, or 57%, compared to 2016, primarily due to the decline in new insurance written, partially offset by a 34% higher average premium rate.
- **Premiums earned** of \$676 million were \$38 million or 6% higher than the prior year due to the relatively higher level of premiums written in recent years. The **unearned premiums reserve** was \$2.1 billion at the end of the year, relatively consistent with the reserve level as at December 31, 2016. 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 1,329 were 520 lower than 2016 led by decreases in Alberta (193), Quebec (130) and Ontario (124).
- The **loss ratio** for 2017 was 10% as a percentage of premiums earned, compared to 22% in the prior year. **Losses on claims** of \$69 million were \$70 million lower than in 2016, primarily due to a decrease in new delinquencies, net of cures, a decrease in the average reserve per delinquency and favourable development.
- The number of **delinquencies outstanding** of 1,718 reflected a decrease of 352 delinquencies, as compared to prior year, including decreases in Quebec (147), Alberta (113) and Ontario (79).

- **Expenses** were \$133 million during 2017 resulting in an **expense ratio** of 20%, as a percentage of premiums earned. This ratio was relatively consistent with 2016 and with the Company's expected operating range of 18% to 20%.
- **Interest and dividend income, net of investment expenses**, of \$182 million were \$7 million higher compared to the prior year primarily due to an increase in the amount of invested assets.
- **Realized and unrealized gains on derivatives and foreign exchange**, of \$79 million were \$41 million higher than 2016. The increase in the market value of the Company's interest rate swaps in the current year was higher than the increase in the prior year.
- **Net income** of \$528 million was \$111 million higher compared to 2016, primarily due to higher total net investment income, lower losses on claims and higher premiums earned, partially offset by higher expenses.
- **Net operating income** of \$467 million was \$79 million higher compared to 2016, primarily due to lower losses on claims, higher premiums earned, and higher interest and dividend income, partially offset by higher expenses.
- **Operating return on equity** was 13%, one percentage point higher than in the prior year.
- **The regulatory capital ratio or Minimum Capital Test ("MCT") ratio** was approximately 168%, 11 percentage points higher than the Insurance Company's internal MCT ratio target of 157% and 18 percentage points higher than the Office of the Superintendent of Financial Institutions ("OSFI") Supervisory MCT ratio target of 150%.
- The Company estimates that its **outstanding principal balance of insured mortgages** as at December 31, 2017, was approximately \$218 billion, or 44% of the original insured amount.

## Dividends

On November 30, 2017, the Company paid a quarterly dividend of \$0.47 per common share. This represents an increase of \$0.03, or 7% per common share from the dividend paid in respect of the third quarter of 2016.

The Company also announced today that its Board of Directors approved a dividend payment of \$0.47 per common share, payable on March 7, 2018, to shareholders of record at the close of business on February 20, 2018.

## Shareholders' Equity

As at December 31, 2017, shareholders' equity was \$3,961 million, representing a book value including accumulated other comprehensive income ("AOCI") of \$43.13 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was \$3,884 million, representing a book value of \$42.29 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](http://www.sedar.com).

This Press Release, as well as the Company's full year 2017 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 7, 2018 at 10:30 am ET (Local: 416-640-5944, Toll free: 1-800-239-9838, Conference ID: 7077844). 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 8, 2018 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 7077844). 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 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, 2017, the Company had \$6.9 billion total assets and \$4.0 billion shareholders' equity. Find out more at [www.genworth.ca](http://www.genworth.ca).

## **Contact Information:**

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## Consolidated Financial Highlights

| (\$ millions, except per share amounts)                                  | Fourth Quarter<br>(Unaudited) |                 | Full Year<br>(Unaudited) |                 |
|--|-------------------------------|-----------------|--------------------------|-----------------|
|  | 2017                          | 2016            | 2017                     | 2016            |
| Transactional new insurance written <sup>1</sup>                         | \$4,516                       | \$5,120         | \$18,187                 | \$21,171        |
| Portfolio new insurance written <sup>1</sup>                             | 913                           | 4,918           | 13,381                   | 41,881          |
| <b>Total new insurance written<sup>1</sup></b>                           | <b>\$5,428</b>                | <b>\$10,038</b> | <b>\$31,568</b>          | <b>\$63,051</b> |
| Premiums written   | 164                           | 171             | 663                      | 760             |
| Premiums earned  | 171                           | 164             | 676                      | 638             |
| Losses on claims   | 15                            | 29              | 69                       | 139             |
| Expenses   | 34                            | 33              | 133                      | 124             |
| <b>Net underwriting income</b>   | <b>\$121</b>                  | <b>\$103</b>    | <b>\$474</b>             | <b>\$375</b>    |
| Investment income (interest and dividends, net of expenses) <sup>1</sup> | 48                            | 46              | 182                      | 176             |
| Realized gains (losses) on sale of investments                           | 1                             | 1               | 3                        | 3               |
| Impairment loss  | -                             | -               | -                        | 3               |
| Realized and unrealized gains on derivatives and foreign exchange        | 15                            | 46              | 79                       | 38              |
| <b>Total net investment income</b>                                       | <b>\$64</b>                   | <b>\$93</b>     | <b>\$265</b>             | <b>\$214</b>    |
| <b>Net income</b>  | <b>\$132</b>                  | <b>\$140</b>    | <b>\$528</b>             | <b>\$417</b>    |
| <b>Net operating income<sup>1</sup></b>                                  | <b>\$121</b>                  | <b>\$105</b>    | <b>\$467</b>             | <b>\$388</b>    |
| Basic weighted average common shares outstanding                         | 90,942,040                    | 91,856,165      | 91,583,907               | 91,828,701      |
| Diluted weighted average common shares outstanding                       | 90,965,574                    | 92,266,264      | 91,625,024               | 91,874,244      |
| Fully diluted earnings per common share                                  | \$1.45                        | \$1.52          | \$5.76                   | \$4.54          |
| Fully diluted operating earnings per common share <sup>1</sup>           | \$1.33                        | \$1.14          | \$5.09                   | \$4.23          |
| Fully diluted book value per common share, incl. AOCI <sup>1</sup>       | \$43.13                       | \$39.28         | \$43.13                  | \$39.28         |
| Fully diluted book value per common share, excl. AOCI <sup>1</sup>       | \$42.29                       | \$38.28         | \$42.29                  | \$38.28         |
| Loss ratio <sup>1</sup>  | 9%                            | 18%             | 10%                      | 22%             |
| Combined ratio <sup>1</sup>  | 29%                           | 38%             | 30%                      | 41%             |
| Operating return on equity <sup>1</sup>                                  | 13%                           | 12%             | 13%                      | 11%             |
| Internal MCT target (2017)/MCT holding target (2016) <sup>1,3</sup>      | 157%                          | 220%            | 157%                     | 220%            |
| MCT ratio <sup>1,4</sup>   | 168%                          | 245%            | 168%                     | 245%            |
| Delinquency ratio <sup>1,2</sup>   | 0.08%                         | 0.10%           | 0.08%                    | 0.10%           |

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

<sup>3</sup> Effective January 1, 2017, the 2016 holding target MCT ratio of 220% was recalibrated to the OSFI Supervisory MCT ratio target of 150% and the minimum MCT ratio under the Protection of Residential Mortgage of Hypothecary Insurance Act was reduced to 150%.

<sup>4</sup> Company estimate at December 31, 2017.

## Non-IFRS Financial Measures

| <i>(in millions of dollars, unless otherwise specified)</i> | Fourth Quarter |         | Full year |         |
|---|----------------|---------|-----------|---------|
|   | 2017           | 2016    | 2017      | 2016    |
| Investment income   | \$ 64          | \$ 93   | \$ 265    | \$ 214  |
| Adjustment to investment income:                            |                |         |           |         |
| Net investment (gains)                                      | (17)           | (47)    | (83)      | (38)    |
| Interest and dividend income, net of investment expenses    | \$ 48          | \$ 46   | \$ 182    | \$ 176  |
| Net income  | 132            | 140     | 528       | 417     |
| Adjustments to net income, net of taxes:                    |                |         |           |         |
| Net investment (gains)                                      | (11)           | (35)    | (61)      | (29)    |
| Net operating income  | \$ 121         | \$ 105  | \$ 467    | \$ 388  |
| Earnings per common share (basic)                           | \$ 1.45        | \$ 1.52 | \$ 5.76   | \$ 4.54 |
| Adjustment to earnings per common share, net of taxes:      |                |         |           |         |
| Net investment (gains)                                      | (0.12)         | (0.38)  | (0.66)    | (0.31)  |
| Operating earnings per common share (basic)                 | \$ 1.33        | \$ 1.15 | \$ 5.10   | \$ 4.23 |
| Earnings per common share (diluted) <sup>1</sup>            | \$ 1.45        | \$ 1.52 | \$ 5.76   | \$ 4.54 |
| Adjustment to earnings per common share, net of taxes:      |                |         |           |         |
| Share based compensation re-measurement amount              | -              | -       | -         | -       |
| Net investment (gains)                                      | (0.12)         | (0.38)  | (0.66)    | (0.31)  |
| Operating earnings per common share (diluted) <sup>1</sup>  | \$ 1.33        | \$ 1.14 | \$ 5.09   | \$ 4.23 |

Note: Amounts may not total due to rounding.

<sup>1</sup>The difference between basic and diluted earnings per common share and operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

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, among others, interest and dividend income, net of investment expenses, net operating income, 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.

### 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 Management's Discussion and Analysis for the full year ended December 31, 2017 ("MD&A"). 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](http://www.sedar.com).

### 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, the Company's future operating and financial results, the payment of dividends; and the operating range for the Company's expense ratio as a percentage of premiums earned.

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; potential conflicts of interest between the Company and its majority shareholder, Genworth Financial Inc.; and Genworth Financial Inc. closing or failing to execute on a merger agreement entered into with subsidiaries of China Oceanwide Holdings Group Co., Ltd.

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 15, 2017. 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 SEDAR website at [www.sedar.com](http://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.