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Genworth MI Canada Inc. Reports Second Quarter 2018 Results Including Net Operating Income of $117 Million

Transactional Premiums Written:	**$166 million**	**Up 3% Y/Y**	**Up 52% Q/Q**
Premiums Earned:	**$171 million**	**Up 2% Y/Y**	**Flat Q/Q**
Loss Ratio:	**14%**	**Up 11 pts Y/Y**	**Up 1 pts Q/Q**
Net Income:	**$116 million**	**Down 22% Y/Y**	**Down 9% Q/Q**
Net Operating Income:	**$117 million**	**Down 7% Y/Y**	**Down 1% Q/Q**
Fully Diluted Operating EPS:	**$1.31**	**Down 4% Y/Y**	**Flat Q/Q**

Toronto, ON (July 31, 2018) – Genworth MI Canada Inc. (the "**Company**") (TSX: MIC) today reported second quarter 2018 net income of $116 million or $1.29 earnings per fully diluted common share, net operating income of $117 million or $1.31 operating earnings per fully diluted common share, and an operating return on equity of 12%.

"We continue to see strong operating results this year, with another low loss ratio of 14% for the quarter," said Stuart Levings, President and CEO. "Our results have been favourably impacted by the generally supportive macroeconomic environment, while housing markets continue to normalize in line with our expectations. We remain focused on our customers and on driving prudent growth, while maintaining disciplined risk management practices."

Key Second Quarter 2018 Financial Results And Operational Metrics:

- **New insurance written** from **transactional insurance** was $4.8 billion, a decrease of $0.2 billion, or 5%, compared to the same quarter in the prior year primarily due to a smaller transactional mortgage originations market. Compared to the prior quarter, transactional new insurance written increased by $1.6 billion, or 51%, primarily as a result of typical seasonality.

- **Premiums written** from **transactional insurance** were $166 million. This represents an increase of $5 million, or 3%, from the second quarter of 2017, primarily due to an 8% higher average premium rate resulting from the March 17, 2017 premium rate increase. Compared to the prior quarter, premiums written increased by $57 million, or 52%, primarily as a result of higher new insurance written.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $1.1 billion, consistent with the same quarter in the prior year and the prior quarter.

- **Premiums written** from **portfolio insurance** were $5 million, representing a decrease of $3 million compared to the same quarter in the prior year and a decrease of $1 million compared to the prior quarter, in each case primarily due to a lower average premium rate resulting from a higher proportion of insured mortgages with a loan-to-value below 75%.

- **Premiums earned** of $171 million were $3 million, or 2%, higher than the same quarter in the prior year, reflecting the seasoning of recent books of business. Premiums earned were flat compared to the prior quarter. The **unearned premiums reserve** was $2.1 billion at the end of the quarter, consistent with the balance at December 31, 2017. 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 360 were 205 higher than the second quarter of 2017 primarily due to increases in Ontario (71), Alberta (42), Quebec (41), the Atlantic region (41) and the Prairies region (17). Compared to the prior quarter, new delinquencies, net of cures, decreased by 5 primarily due to decreases in the Atlantic region (11) and the Prairies region (13), which were partially offset by an increase in Alberta (22).

- The **loss ratio**, as a percentage of premiums earned, for the quarter was 14% compared to 3% in the same quarter in the prior year and 13% in the prior quarter. **Losses on claims** of $25 million were $19 million higher than the same quarter in 2017, primarily due to an increase in new delinquencies, net of cures and lower favourable loss reserve development. Favourable loss reserve development was $5 million in the current quarter compared to $31 million in the same quarter in the prior year. Losses on claims increased by $3 million from the prior quarter, primarily due to a higher mix of Alberta delinquencies with higher average reserve per delinquency.

- The number of **delinquencies outstanding** of 1,742 reflected a decrease of 67 delinquencies, as compared to the same quarter in the prior year, including decreases in Quebec (78), the Pacific region (53), and Alberta (41). Compared to the prior quarter, the number of delinquencies outstanding increased by 19 delinquencies, primarily due to an increase in Alberta.

- **Expenses** were $33 million during the quarter, resulting in an **expense ratio** of 19%, as a percentage of premiums earned. This ratio was one percentage point higher than the same quarter in the prior year and consistent with the prior quarter and the Company's expected operating range of 18% to 20%.

- The Company's **investment portfolio** had a market value of $6.4 billion at the end of the quarter. The portfolio had a pre-tax equivalent book yield of 3.2% and duration of 3.9 years as at June 30, 2018, each of which were consistent with the prior quarter.

- **Operating investment income,** of $51 million was $7 million higher than the same quarter in the prior year primarily due to an increase in the amount of invested assets and realized income from the interest rate hedging program. Operating investment income was relatively unchanged from the prior quarter.

- **Realized and unrealized losses on derivatives and foreign exchange,** excluding the realized income from the interest rate hedging program, of $2 million were $35 million lower than the same quarter in 2017 and $14 million lower than the prior quarter. This result was primarily due to a decrease in the market value of the Company's interest rate swaps in the current year compared to an increase in the prior year, and movements in foreign exchange rates on the Company's invested assets denominated in U.S. Dollars.

- **Net income** of $116 million was $34 million lower relative to the same quarter in the prior year primarily due to lower total net investment income, higher losses on claims and higher expenses, partially offset by higher premiums earned. Net income was $12 million lower than the prior quarter primarily due to lower total net investment income and higher losses on claims.

- **Net operating income** of $117 million was $8 million lower relative to the same quarter in the prior year primarily due to higher losses on claims and expenses, partially offset by higher operating investment income and higher premiums earned. Net operating income was $2 million lower than the prior quarter primarily due to higher losses on claims.

- **Operating return on equity** was 12% for the quarter, which was two percentage points lower than the same quarter in the prior year and relatively consistent with the prior quarter.

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

- The Company estimates that its **outstanding principal balance of insured mortgages** as at June 30, 2018, was approximately $214 billion, or 43% of the original insured amount. The Company estimates, that as of March 31, 2018, the outstanding principal balance for all privately insured mortgages was $282 billion relative to the $350 billion aggregate outstanding principal limit under the government guarantee legislation *(Protection of Residential Mortgage or Hypothecary Insurance Act)*.

Dividends

On May 30, 2018, the Company paid a quarterly dividend of $0.47 per common share.

The Company also announced today that its Board of Directors approved a dividend payment of $0.47 per common share, payable on August 30, 2018, to shareholders of record at the close of business on August 13, 2018.

Shareholders' Equity

As at June 30, 2018, shareholders' equity was $4.0 billion, representing a book value including accumulated other comprehensive income ("**AOCI**") of $44.40 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was $4.0 billion, representing a book value of $44.11 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 ("MD&A") as posted on SEDAR and available at www.sedar.com.

This News Release, as well as the Company's second quarter 2018 consolidated Financial Statements, MD&A 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 1, 2018 at 10:00 am ET (Local: 647-484-0475, Toll free: 1-888-220-8451, Conference ID: 6972157). 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 August 30, 2018 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 6972157). 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 second-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, 2018, the Company had $6.9 billion total assets and $4.0 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 June 30 (Unaudited)		Six Months Ended June 30 (Unaudited)	
	2018	**2017**	**2018**	**2017**
Transactional new insurance written[1]	$4,751	$4,984	$7,907	$8,030
Portfolio new insurance written[1]	1,092	1,108	2,245	11,620
Total new insurance written[1]	$5,844	$6,091	$10,152	$19,651
Premiums written	172	170	287	297
Premiums earned	171	168	342	336
Losses on claims	25	6	47	31
Expenses	33	31	65	65
Net underwriting income	$114	$132	$231	$239
Investment income (interest and dividends, net of expenses) [1]	46	45	93	90
Realized income (expense) from Interest rate hedging program	5	(2)	8	(2)
Realized gains (losses) on sale of investments	-	1	(1)	3
Realized and unrealized gains (losses) on derivatives and foreign exchange	(2)	31	10	29
Total net investment income	$49	$76	$111	$119
Net income	$116	$150	$244	$256
Net operating income[1]	$117	$126	$237	$233
Basic weighted average common shares outstanding	89,822,762	91,947,700	90,285,170	91,925,180
Diluted weighted average common shares outstanding	89,947,816	92,349,039	90,780,422	92,095,869
Fully diluted earnings per common share	$1.29	$1.61	$2.68	$2.78
Fully diluted operating earnings per common share[1]	$1.31	$1.36	$2.61	$2.53
Fully diluted book value per common share, incl. AOCI[1, 4]	$44.40	$41.34	$44.40	$41.34
Fully diluted book value per common share, excl. AOCI[1, 4]	$44.11	$40.17	$44.11	$40.17
Loss ratio[1]	14%	3%	14%	9%
Combined ratio[1]	33%	22%	33%	29%
Operating return on equity[1]	12%	14%	12%	13%
MCT ratio [1, 3]	170%	167%	170%	167%
Delinquency ratio[1, 2]	0.19%	0.18%	0.19%	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 June 30, 2018.

[4] 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.

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

	Three months ended June 30,		Six months ended June 30,	
(in millions of dollars, unless otherwise specified)	**2018**	2017	**2018**	2017
Investment income	**$ 49**	$ 76	**$ 111**	$ 119
Adjustment to investment income:				
Net investment (gains) losses[1]	**2**	(33)	**(10)**	(31)
Operating investment income	**51**	44	**101**	88
Realized (income) expense from the Interest rate hedging program	**(5)**	2	**(8)**	2
Interest and dividend income, net of investment expenses	**$ 46**	$ 45	**93**	$ 90
Net income	**116**	150	**244**	256
Adjustments to net income, net of taxes:				
Net investment (gains) losses[1]	**1**	(24)	**(7)**	(23)
Net operating income	**$ 117**	$ 126	**$ 237**	$ 233
Earnings per common share (basic)	**$ 1.29**	$ 1.63	**$ 2.70**	$ 2.78
Adjustment to earnings per common share, net of taxes:				
Net investment (gains) losses[1]	**0.02**	(0.26)	**(0.08)**	(0.25)
Operating earnings per common share (basic)	**$ 1.31**	$ 1.37	**$ 2.62**	$ 2.54
Earnings per common share (diluted)[2]	**$ 1.29**	$ 1.61	**$ 2.68**	$ 2.78
Adjustment to earnings per common share, net of taxes:				
Share based compensation re-measurement amount	**-**	0.01	**-**	-
Net investment (gains) losses[1]	**0.02**	(0.26)	**(0.08)**	(0.25)
Operating earnings per common share (diluted)[2]	**$ 1.31**	$ 1.36	**$ 2.61**	$ 2.53

Note: Amounts may not total due to rounding.
[1] Excludes realized income from the interest rate hedging program.
[2] The difference between basic and diluted earnings per common shares and operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

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 quarter ended June 30, 2018. 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 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 19, 2018. 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. 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 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.