Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

GENWORTH MI CANADA INC.

Six months ended June 30, 2018 and 2017
(Unaudited)

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents	5	$ 271,645	$ 286,980
Short-term investments	5	127,859	221,397
Accrued investment income and other receivables		74,798	31,902
Derivative financial instruments	5	139,552	151,321
Bonds and debentures and other	5	5,409,105	5,394,204
Preferred shares	5	582,697	546,775
Total invested assets, accrued investment income and other receivables		6,605,656	6,632,579
Income taxes recoverable		17,871	—
Subrogation recoverable	4(c)	55,155	59,303
Prepaid assets		3,930	3,518
Property and equipment		1,129	1,345
Intangible assets		8,079	8,352
Deferred policy acquisition costs	4(d)	205,548	208,046
Goodwill		11,172	11,172
Total assets		$ 6,908,540	$ 6,924,315
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities		$ 85,152	$ 64,665
Income taxes payable		—	43,637
Loss reserves	4(b)	117,952	118,951
Share-based compensation liabilities	7	19,534	23,485
Derivative financial instruments	5	64,391	59,698
Long-term debt	9	433,511	433,299
Unearned premiums reserve	4(a)	2,074,579	2,129,758
Accrued net benefit liabilities under employee benefit plans		50,229	48,393
Deferred tax liabilities		37,090	41,006
Total liabilities		2,882,438	2,962,892
Shareholders' equity:			
Share capital	11	1,347,935	1,359,220
Retained earnings		2,651,636	2,524,589
Accumulated other comprehensive income		26,531	77,614
Total shareholders' equity		4,026,102	3,961,423
Total liabilities and shareholders' equity		$ 6,908,540	$ 6,924,315

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board:

(signed) "Stuart Levings" Director

(signed) "Neil Parkinson" Director

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Income
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Premiums written	4(a)	$ 171,559	$ 169,516	$ 286,902	$ 296,725
Premiums earned	4(a)	$ 171,273	$ 168,464	$ 342,081	$ 335,518
Losses on claims	4(b)	24,705	5,514	46,580	31,124
Expenses:					
Premium taxes and underwriting fees		13,892	13,383	23,079	23,377
Employee compensation		11,730	10,604	23,339	24,317
Office		5,322	5,378	10,488	10,705
Professional fees		813	1,089	1,873	2,099
Promotional and travel		1,203	1,144	2,633	2,523
Regulatory fees and assessments		577	142	1,065	351
Total expenses		33,537	31,740	62,477	63,372
Net change in deferred policy acquisition costs	4(d)	(941)	(835)	2,498	1,541
		32,596	30,905	64,975	64,913
Net underwriting income		113,972	132,045	230,526	239,481
Investment income:					
Interest		40,382	41,293	82,126	82,508
Dividends		6,663	5,285	12,499	10,131
Net realized gains (losses) on sale of investments		276	1,252	(697)	2,681
Net gains on derivatives and foreign exchange		2,719	29,641	18,716	26,468
Total investment income		50,040	77,471	112,644	121,788
General investment expenses		(1,077)	(1,217)	(1,996)	(2,544)
		48,963	76,254	110,648	119,244
Interest expense	9	5,858	5,825	11,651	11,585
Income before income taxes		157,077	202,474	329,523	347,140
Income taxes:					
Current		43,542	54,335	89,696	85,042
Deferred		(2,532)	(1,567)	(3,836)	6,151
		41,010	52,768	85,860	91,193
Net income for the period attributable to owners of the Company		$ 116,067	$ 149,706	$ 243,663	$ 255,947
Earnings per share:	8				
Basic		$ 1.29	$ 1.63	$ 2.70	$ 2.78
Diluted		$ 1.29	$ 1.61	$ 2.68	$ 2.78

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income	$ 116,067	$ 149,706	$ 243,663	$ 255,947
Other comprehensive income:				
Items that may be reclassified subsequently to income:				
Re-measurement of employee benefit obligations (a)	—	214	—	214
Net change in fair value of Available-for-Sale ("AFS") financial assets (b)	(15,390)	(23,023)	(48,758)	17,170
Losses (gains) on AFS financial assets realized and reclassified to income (c)	(2,634)	(933)	(2,325)	(1,492)
Total other comprehensive (loss) income for the period attributable to owners of the Company (d)	(18,024)	(23,742)	(51,083)	15,892
Total comprehensive income attributable to owners of the Company	$ 98,043	$ 125,964	$ 192,580	$ 271,839

(a) Net of income tax of $79 for the three and six months ended June 30, 2017.

(b) Net of income tax of $5,676 for the three months ended June 30, 2018 (June 30, 2017 - $8,533) and net of income tax of $18,042 for the six months then ended (June 30, 2017 - $6,188).

(c) Net of income tax of $975 for the three months ended June 30, 2018 (June 30, 2017 - $334) and net of income tax of $860 for the six months then ended (June 30, 2017 - $539).

(d) Net of income tax of $6,651 for the three months ended June 30, 2018 (June 30, 2017 - $8,946) and net of income tax of $18,902 for the six months then ended (June 30, 2017 - $6,806).

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Share capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at January 1, 2018	$ 1,359,220	$ 2,524,589	$ 77,614	$ 3,961,423
Comprehensive income:				
Net income	—	243,663	—	243,663
Other comprehensive loss	—	—	(51,083)	(51,083)
Total comprehensive income	—	243,663	(51,083)	192,580
Total transactions recognized directly in equity:				
Dividends on common shares[1]	—	(84,999)	—	(84,999)
Issuance of common shares	7,103	—	—	7,103
Repurchase of common shares (note 11)	(18,388)	(31,617)	—	(50,005)
Total transactions recognized directly in equity	(11,285)	(116,616)	—	(127,901)
Balance at June 30, 2018	$ 1,347,935	$ 2,651,636	$ 26,531	$ 4,026,102

	Share capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at January 1, 2017	$ 1,368,658	$ 2,186,988	$ 92,934	$ 3,648,580
Comprehensive income:				
Net income	—	255,947	—	255,947
Other comprehensive income	—	—	15,892	15,892
Total comprehensive income	—	255,947	15,892	271,839
Total transactions recognized directly in equity:				
Dividends on common shares[1]	—	(80,904)	—	(80,904)
Issuance of common shares	3,143	—	—	3,143
Re-measurement of employee benefit obligations	—	214	(214)	—
Total transactions recognized directly in equity	3,143	(80,690)	(214)	(77,761)
Balance at June 30, 2017	$ 1,371,801	$ 2,362,245	$ 108,612	$ 3,842,658

(1) The Company paid dividends of $0.47 per common share in the first and second quarter of 2018 ($0.44 per common share in the first and second quarter of 2017).

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by (used in):		
Operating activities:		
Net income	**$ 243,663**	**$ 255,947**
Adjustments for non-cash items in net income:		
Amortization of intangible assets and depreciation of property and equipment	1,525	1,929
Expensing of deferred policy acquisition costs	34,023	33,313
Income taxes	85,860	91,193
Interest income	(82,126)	(82,508)
Dividend income	(12,499)	(10,131)
Net realized losses (gains) on sale of investments	697	(2,681)
Net gains on derivatives and foreign exchange	(18,716)	(26,468)
Interest expense	11,651	11,585
Net share-based compensation expense	2,104	2,751
	266,182	274,930
Change in non-cash balances related to operations:		
Accrued investment income and other receivables	(2,230)	(516)
Prepaid assets	(412)	(850)
Subrogation recoverable	4,148	4,732
Deferred policy acquisition costs	(31,525)	(31,772)
Accounts payable and accrued liabilities	(16,003)	(19,187)
Loss reserves	(999)	(30,113)
Unearned premiums reserve	(55,179)	(38,793)
Accrued net benefit liability under employee benefit plans	1,836	1,793
	165,818	160,224
Cash generated from (used in) operating activities:		
Interest received from bonds and debentures	83,369	85,794
Dividends received from preferred shares	12,222	10,663
Interest paid on long-term debt	(11,204)	(11,204)
Income taxes paid	(132,382)	(89,385)
Share-based compensation awards settled in cash	(2,596)	(3,052)
Net cash generated from operating activities	**115,227**	**153,040**
Financing activities:		
Dividends paid	(84,999)	(80,904)
Repurchase of common shares	(50,005)	—
Proceeds from exercise of stock options	3,715	1,588
Net cash used in financing activities	**(131,289)**	**(79,316)**
Investing activities:		
Purchase of short-term investments	(160,092)	(256,975)
Proceeds from sale or maturities of short-term investments	253,952	315,261
Purchase of bonds	(770,751)	(701,186)
Proceeds from sale or maturities of bonds	733,828	632,505
Purchase of preferred shares	(64,612)	(14,243)
Proceeds from sale of preferred shares	22,032	915
Purchase of intangible assets and property and equipment	(1,036)	(807)
Derivative financial instruments	(12,594)	(6,225)
Net cash generated from (used in) investing activities	**727**	**(30,755)**
(Decrease) increase in cash and cash equivalents	(15,335)	42,969
Cash and cash equivalents, beginning of period	286,980	126,072
Cash and cash equivalents, end of period	**$ 271,645**	**$ 169,041**

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity:

Genworth MI Canada Inc. (the "Company") was incorporated under the Canada Business Corporations Act on May 25, 2009 and is domiciled in Canada. The Company's shares are traded publicly on the Toronto Stock Exchange (the "TSX") under the symbol "MIC". The Company's registered office is located at Suite 300, 2060 Winston Park Drive, Oakville, Ontario, L6H 5R7, Canada.

Genworth Financial Inc., ("Genworth Financial") a public company listed on the New York Stock Exchange, indirectly holds approximately 57.0% (December 31, 2017 - 57.1%) of the common shares of the Company.

The Company holds a 100% ownership interest in the holding companies Genworth Canada Holdings I Company ("Holdings I"), Genworth Canada Holdings II Company ("Holdings II"), MIC Holdings H Company ("Hco") and MIC Holdings I Company ("Ico"). The Company also holds an indirect 100% ownership interest in Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary") through Holdings I and Holdings II. These condensed consolidated interim financial statements as at and for the six months ended June 30, 2018, reflect the consolidation of the Company and these subsidiaries.

The Insurance Subsidiary is engaged in mortgage insurance in Canada and owns all of the issued and outstanding shares of MIC Insurance Company Canada ("MICICC"). MICICC is licensed to service policies originated prior to its acquisition by the Company in 2012.

The Insurance Subsidiary and MICICC are regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as applicable provincial financial services regulators.

The Insurance Subsidiary is also subject to regulation under the Protection of Residential Mortgage or Hypothecary Insurance Act ("PRMHIA"). Under the terms of PRMHIA, the Canadian federal government guarantees the benefits payable under eligible mortgage insurance policies issued by the Insurance Subsidiary, less 10% of the original principal amount of each insured loan, in the event that the Insurance Subsidiary fails to make claim payments with respect to that loan due to its bankruptcy or insolvency.

On October 21, 2016, Genworth Financial, Inc. (“Genworth Financial”) entered into an agreement and plan of merger (the “Merger Agreement”) with Asia Pacific Global Capital Co., Ltd. (“the Parent”), a limited liability company incorporated in the People’s Republic of China, and Asia Pacific Global Capital USA Corporation (“Merger Sub”), a Delaware corporation and an indirect, wholly-owned subsidiary of the Parent. Subject to the terms and conditions of the Merger Agreement, including the satisfaction or waiver of certain conditions, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as an indirect, wholly-owned subsidiary of

1. Reporting entity (continued):

the Parent. The Parent is a newly formed subsidiary of China Oceanwide Holdings Group Co., Ltd. (together with its affiliates, “China Oceanwide”).

At a special meeting held on March 7, 2017, Genworth Financial’s stockholders voted on and approved a proposal to adopt the Merger Agreement. On June 9, 2018 the parties to the transaction announced that the Committee on Foreign Investment in the United States had completed its review of the proposed transaction and concluded that there are no unresolved national security concerns with respect to the proposed transaction. The transaction remains subject to other closing conditions, including the receipt of required regulatory approvals in the U.S., China, and other international jurisdictions. On June 28, 2018, Genworth Financial, the Parent and Merger Sub entered into a fifth waiver and agreement of each party's right to terminate the Merger Agreement. The fifth waiver and agreement extends the previous deadline of July 1, 2018 to August 15, 2018 to allow additional time for continued regulatory review of the transaction.

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by International Financial Reporting Standards. Full disclosures were included in the Company's annual consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on July 30, 2018.

(b) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. These significant judgments and estimates made by the Company in preparing

2. Basis of presentation (continued):

these condensed consolidated interim financial statements were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2017.

(c) Seasonality:

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and underwriting and administrative expenses are relatively stable from quarter to quarter, premiums written and losses may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage policies written, which typically peak in the spring and summer months. Delinquencies and losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age. All revenue and expenses are recognized when they occur in accordance with the accounting policies referred to in the Company's annual consolidated financial statements.

3. Significant accounting policies:

The Company's complete accounting policies have been included in the consolidated financial statements for the year ended December 31, 2017. Accounting policies and methods of computation followed in the preparation of these condensed consolidated interim financial statements were the same as those applied by the Company in the annual consolidated financial statements as at and for the year ended December 31, 2017.

(a) Changes in accounting standards effective January 1, 2018:

Share-based payments (Amendments to IFRS 2):

In June 2016, the IASB issued amendments to IFRS 2 which clarify how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

i. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

ii. share-based payment transactions with a net settlement feature for withholding tax obligations; and

3. Significant accounting policies (continued):

iii. the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments to IFRS 2 had no impact on the Company's financial statements.

(b) Future accounting standards:

(i) IFRS 17: Insurance contracts ("IFRS 17"):

In May 2017, the IASB published IFRS 17, a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4.

The measurement approach under IFRS 17 is based on the following:

i. a current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;

ii. the effect of the time value of money;

iii. a risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and

iv. a contractual service margin which represents the unearned profit in a contract and that is recognized as the insurer fulfils its performance obligations under the contract.

There will be a new financial statement presentation for insurance contracts and additional disclosure requirements.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021. The Company is currently assessing the impact of IFRS 17. The extent of the impact of adoption of the standard has not yet been determined.

3. Significant accounting policies (continued):

(ii) IFRS 9: Financial Instruments ("IFRS 9"):

In July 2014, the International Accounting Standards Board ("IASB") published the final version of IFRS 9, which replaces IAS 39: Financial instruments: recognition and measurement ("IAS 39"), and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces a single impairment model for financial instruments not measured at Fair Value through Profit or Loss that requires recognition of expected credit losses at initial recognition of a financial instrument and the recognition of lifetime expected credit losses if certain criteria are met. The new model for hedge accounting aligns hedge accounting with risk management activities.

IFRS 9 is generally effective for annual periods beginning on or after January 1, 2018. Moreover, in September 2016, the IASB issued amendments to IFRS 4 which provide optional relief to eligible insurers in respect of IFRS 9. The options permit (a) entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17 a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. Entities that apply either of the options will be required to adopt IFRS 9 on January 1, 2021, which aligns with the effective date of IFRS 17.

The Company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Approximately 77% of the Company's liabilities at December 31, 2015 are liabilities that arise from contracts within the scope of IFRS 17 and approximately 23% of the Company's liabilities at December 31, 2015 are liabilities that arise because the Company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at January 1, 2018, the Company has elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Company will continue to apply IAS 39 until January 1, 2021. See note 5 (Investments) for additional disclosures which enable comparison between the Company and entities that applied IFRS 9 at January 1, 2018.

3. Significant accounting policies (continued):

(iii) IFRS 16: Leases ("IFRS 16"):

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard removes the current requirement of classifying leases as finance or operating leases by introducing a single lessee accounting model. Under the new model, the lessee will be required to recognize a right of use asset and a lease liability for the lease component of future payments. Lessees will also be required to replace operating lease expenses with the depreciation expense for the right of use assets and interest expense on lease liabilities in the statement of income. There are recognition exemptions for short-term leases and leases of low value items. There are no significant changes to lessor accounting requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with retrospective application and some practical expedients available on adoption.

The Company is currently assessing the impact of IFRS 16. The Company expects that IFRS 16 will result in leases being recorded on the Company's statement of financial position, including those currently classified as operating leases, except leases with low value of the underlying asset. On transition, the Company expects to apply practical expedients available whereby the Company will not need to reassess whether a contract is, or contains, a lease for transactions recognized prior to the date of initial application.

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts:

(a) Premiums and unearned premiums reserve:

The following table presents movement in unearned premiums reserve and the impact on premiums written and earned:

	Six months ended June 30, 2018	2017
Unearned premiums reserve, beginning of period	$ 2,129,758	$ 2,142,903
Premiums written during the period	286,902	296,725
Premiums earned during the period	(342,081)	(335,518)
Unearned premiums reserve, end of period	$ 2,074,579	$ 2,104,110

Premiums written are recognized as premiums earned using a factor-based premium recognition curve that is based on the Company's expected loss emergence pattern. The Company performs actuarial studies of loss emergence at least annually and may adjust the factors under which the premiums are earned in accordance with the results of such studies.

(b) Losses on claims and loss reserves:

Loss reserves comprise the following:

	June 30, 2018	December 31, 2017
Case reserves	$ 79,925	$ 79,914
Incurred but not reported reserves	32,510	33,205
Discounting	(1,996)	(1,757)
Provision for adverse deviation	7,513	7,589
Total loss reserves	$ 117,952	$ 118,951

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts (continued):

(b) Losses on claims and loss reserves:

The following table presents movement in loss reserves and the impact on losses on claims:

	Six months ended June 30, 2018	2017
Loss reserves, beginning of period	$ 118,951	$ 163,467
Claims paid during the period	(47,579)	(61,237)
Losses on claims incurred during the period	46,580	31,124
Loss reserves, end of period	$ 117,952	$ 133,354

The carrying value of loss reserves reflects the present value of expected claims costs and expenses and provisions for adverse deviation and is considered to be an indicator of fair value. There is no ready market for the trading of loss reserves and the value agreed between parties in an arm's-length transaction may be materially different.

(c) Subrogation recoverable:

The following table presents movement in subrogation recoverable during the period:

	Six months ended June 30, 2018	2017
Subrogation rights related to real estate, beginning of period	$ 45,533	$ 51,225
Subrogation rights related to real estate acquired as a result of settling claims, at fair value	83,908	107,110
Change in market value of real estate on hand	5,553	3,545
Subrogation rights related to real estate disposed of during the period	(92,742)	(114,612)
Subrogation rights related to real estate, end of period	42,252	47,268
Borrower recoveries, beginning of period	13,770	16,017
Net estimated future borrower recoveries recognized	1,677	1,553
Borrower recoveries received	(2,482)	(2,390)
Discounting	(133)	(101)
Provision for adverse deviation	71	163
Borrower recoveries, end of period	12,903	15,242
Subrogation recoverable, end of period	$ 55,155	$ 62,510

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts (continued):

(c) Subrogation recoverable:

The Company applies an expected recovery rate based on historical experience of successful recoveries from borrowers to past claims paid and current loss reserves to establish a recovery accrual. The Company reviews the expected recovery rate quarterly to ensure it reflects the most current historical experience of successful recoveries. Borrower recoveries are discounted to take into account the time value of money and include an explicit margin for adverse deviation.

(d) Deferred policy acquisition costs:

The following table presents movement in deferred policy acquisition costs and the impact on total expenses:

	Six months ended June 30, 2018	Six months ended June 30, 2017
Deferred policy acquisition costs, beginning of period	$ 208,046	$ 206,810
Policy acquisition costs deferred during the period	31,525	31,772
Deferred policy acquisition costs expensed during the period	(34,023)	(33,313)
Net change in deferred policy acquisition costs during the period	(2,498)	(1,541)
Deferred policy acquisition costs, end of period	$ 205,548	$ 205,269

(In thousands of Canadian dollars, except per share amounts)

5. Investments:

The investments presented in the table below are carried at fair value:

	June 30, 2018				December 31, 2017			
	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value
Cash and cash equivalents:								
Canadian federal government treasury bills	$ 144,154	$ 144,154	$ —	2.3	$ 127,168	$ 127,168	$ —	2.0
Cash [(1)]	127,491	127,491	—	2.0	159,812	159,812	—	2.5
	271,645	271,645	—	4.3	286,980	286,980	—	4.5
AFS investments:								
Short-term investments:								
Canadian federal government treasury bills	127,859	127,891	(32)	2.0	221,397	221,403	(6)	3.4
Government bonds and debentures:								
Canadian federal government	1,896,638	1,890,023	6,615	29.7	1,907,016	1,890,802	16,214	29.6
Canadian provincial and municipal governments	874,026	845,521	28,505	13.7	945,646	907,128	38,518	14.7
	2,770,664	2,735,544	35,120	43.4	2,852,662	2,797,930	54,732	44.3
Corporate bonds and debentures:								
Financial	800,172	805,417	(5,245)	12.5	843,456	838,550	4,906	13.1
Energy	351,145	348,372	2,773	5.5	349,221	341,324	7,897	5.4
Infrastructure	122,051	119,132	2,919	1.9	98,109	94,019	4,090	1.5
All other sectors	943,376	950,501	(7,125)	14.8	893,261	878,736	14,525	13.9
	2,216,744	2,223,422	(6,678)	34.7	2,184,047	2,152,629	31,418	33.9
Collateralized loan obligations	421,697	421,922	(225)	6.6	357,495	355,990	1,505	5.5
Total AFS bonds and debentures	5,409,105	5,380,888	28,217	84.6	5,394,204	5,306,549	87,655	83.7
Preferred shares:								
Financial	361,406	357,461	3,945	5.7	329,323	318,501	10,822	5.1
Energy	97,356	92,271	5,085	1.5	98,688	91,654	7,034	1.5
All other sectors	123,935	119,080	4,855	1.9	118,764	112,213	6,551	1.8
	582,697	568,812	13,885	9.1	546,775	522,368	24,407	8.4
Total investments	$ 6,391,306	$ 6,349,236	$ 42,070	100.0	$ 6,449,356	$ 6,337,300	$ 112,056	100.0

[(1)] Cash includes $23,710 (December 31, 2017 - $38,060) as collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in liabilities for derivative financial instruments.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The fair value of investments, excluding preferred shares and cash and cash equivalents, are shown by contractual maturity of the investment[1].

	June 30, 2018	December 31, 2017
Terms to maturity:		
Federal, provincial and municipal bonds and debentures and short-term investments:		
1 year or less	$ 373,568	$ 472,119
1 - 3 Years	896,503	736,343
3 - 5 Years	536,661	662,414
5 - 10 Years	870,760	970,631
Over 10 Years	221,031	232,552
	2,898,523	3,074,059
Corporate bonds and debentures and collateralized loan obligations:		
1 year or less	182,733	260,125
1 - 3 Years	570,519	450,517
3 - 5 Years	658,529	628,440
5 - 10 Years	851,756	925,231
Over 10 Years	374,904	277,229
	2,638,441	2,541,542
	$ 5,536,964	$ 5,615,601

[1] Certain bonds and collateralized loan obligations have prepayment features that may cause actual maturities to be shorter than contractual maturities.

(a) Investments denominated in foreign currencies:

Collateralized loan obligations ("CLOs") of $421,697 (December 31, 2017 - $357,495) are denominated in U.S. dollars. The CLOs are structured credit securities, collateralized by U.S. bank loans with an average AA credit rating that pay interest based on floating interest rates indexed to the London Interbank Offered Rate. Additionally, corporate bonds and debentures includes $449,171 (December 31, 2017 - $402,609) of emerging market bonds and $140,943 of Global bonds (December 31, 2017 - $112,769) denominated in U.S. dollars.

(b) Investment impairment assessment:

For investments in bonds and debentures and preferred shares, evaluation of whether impairment has occurred is based on the Company's best estimate of the cash flows expected to be collected at the individual investment level.

5. Investments (continued):

No impairment losses were recognized during the three and six months ended June 30, 2018 (June 30, 2017 - nil).

(c) Derivative financial instruments:

Derivative financial instruments are used by the Company for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio, subject to exposure limits specified within the Company's investment policy guidelines, which have been approved by the Board of Directors.

The Company uses derivative financial instruments in the form of foreign currency forwards and cross currency interest rate swaps to mitigate foreign currency risk associated with bonds and collateralized loan obligations denominated in U.S. dollars. Foreign currency forwards and cross currency interest rate swaps are contractual obligations to exchange one currency for another at a predetermined future date.

The Company uses equity total return swaps to hedge a portion of its economic exposure from the changes in fair market value of the Company's common shares in relation to risks associated with share-based compensation expense. Additional disclosure of the Company's equity total return swaps is included in note 7.

The Company uses fixed-for-floating interest rate swaps in conjunction with management of interest rate risk related to its fixed income investments. The fixed for floating interest rate swaps are derivative financial instruments in which the Company and its counterparty agree to exchange interest rate cash flows based on a specified notional amount from a fixed rate to a floating rate.

During the three months ended June 30, 2018, the Company commenced purchasing interest rate floors. Interest rate floors are derivative financial instrument contracts in which the floor seller will compensate the floor buyer when a reference interest rate falls below an agreed upon floor strike rate at a specified date. The Company uses interest rate floors to mitigate the downside risk that may arise from its existing fixed-for-floating interest rate swaps.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The following table shows the fair value and notional amounts of the derivatives by terms of maturity, in Canadian dollars:

				Notional amount				
June 30, 2018	Derivative asset	Derivative liability(1)	Net fair value	1 year or less	1 - 3 years	3 - 5 years	Over 5 years	Total
Foreign currency forwards	$ 266	$ (30,300)	$ (30,034)	$ 144,617	$ 38,686	$ 107,396	$ 144,931	$ 435,630
Cross currency interest rate swaps	1,845	(10,381)	(8,536)	13,485	329,636	94,224	167,024	604,369
Equity total return swaps	1,313	—	1,313	26,010	—	—	—	26,010
Interest rate swaps	134,942	—	134,942	—	800,000	2,700,000	—	3,500,000
Interest rate floors	1,186	—	1,186	—	150,000	350,000	—	500,000
Total	$ 139,552	$ (40,681)	$ 98,871	$ 184,112	$1,318,322	$3,251,620	$ 311,955	$5,066,009

				Notional amount				
December 31, 2017	Derivative asset	Derivative liability(1)	Net fair value	1 year or less	1 - 3 years	3 - 5 years	Over 5 years	Total
Foreign currency forwards	$ 6,135	$ (21,608)	$ (15,473)	$ 184,921	$ 28,401	$ 85,772	$ 117,231	$ 416,325
Cross currency interest rate swaps	13,735	(30)	13,705	36,336	155,870	83,949	162,354	438,509
Equity total return swaps	381	—	381	27,398	—	—	—	27,398
Interest rate swaps	131,070	—	131,070	—	—	3,500,000	—	3,500,000
Interest rate floors	—	—	—	—	—	—	—	—
Total	$ 151,321	$ (21,638)	$ 129,683	$ 248,655	$ 184,271	$3,669,721	$ 279,585	$4,382,232

(1) Excludes $23,710 cash pledged as collateral by counterparties for derivative contracts (December 31, 2017 - $38,060).

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

Net gains on derivatives and foreign exchange in the statements of income is comprised of the following amounts:

		June 30, 2018		June 30, 2017
Foreign exchange gains (losses) on bonds and debentures denominated in U.S. dollars	$	47,043	$	(48,068)
(Losses) gains on foreign currency forward and cross currency interest rate swap contracts		(38,950)		19,013
Realized foreign exchange (losses) gains		(1,615)		20,067
Net gains (losses) on foreign exchange		6,478		(8,988)
Gains on interest rate swap and interest rate floor contracts [1]		12,238		35,456
Net gains on derivatives and foreign exchange	$	18,716	$	26,468

[1] Includes $8,467 of net realized interest rate swap income related to contractual cash flows (June 30, 2017 - net realized expense $2,128).

The Company enters into collateral arrangements with its derivative counterparties that require the posting of collateral to its derivative financial instruments upon certain net exposure thresholds being met. As at June 30, 2018, the Company has accepted collateral of $80,245 from its counterparties comprised of $23,710 cash and $56,535 Canadian federal and provincial government bonds and has no collateral posted to its counterparties. At December 31, 2017, the Company accepted collateral of $109,577 from its counterparties comprised of $38,060 cash and $71,517 Canadian federal and provincial government bonds and has no collateral posted to its counterparties.

Cash received from counterparties as collateral for derivative contracts is recognized within cash and cash equivalents, and a corresponding liability is recognized within derivative financial instruments on the consolidated statements of financial position. Securities received from counterparties as collateral are not recorded as assets. Securities delivered to counterparties as collateral for derivative financial instruments continue to be reflected as investment assets on the consolidated statements of financial position. The Company does not currently pledge cash to its counterparties as collateral for derivative contracts.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

(d) Securities lending:

The Company had loaned the following investments under its securities lending program:

		June 30, 2018		December 31, 2017
Cash equivalents	$	114,627	$	120,086
Short-term investments		10,549		633
Bonds and debentures		347,258		350,402
Preferred shares		11,361		7,423
	$	483,795	$	478,544

As at June 30, 2018, the Company has accepted eligible securities as collateral with a fair value of $507,335 (December 31, 2017 - $501,536).

(e) Fair value measurements:

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in estimating the fair value of financial instruments. The hierarchy of inputs is summarized below:

- Level 1 - inputs used to value the financial instruments are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs used to value the financial instruments are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs used to value the financial instruments are not based on observable market data.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The following tables set forth inputs used in valuing the Company's financial instruments carried at fair value:

June 30, 2018	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,409,105	$ —	$ 5,409,105
Preferred shares	582,697	—	—	582,697
Short-term investments	127,859	—	—	127,859
Net derivative financial instruments[(1)]	—	98,871	—	98,871
	$ 710,556	$ 5,507,976	$ —	$ 6,218,532

December 31, 2017	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,394,204	$ —	$ 5,394,204
Preferred shares	546,775	—	—	546,775
Short-term investments	166,279	55,118	—	221,397
Net derivative financial instruments[(1)]	—	129,683	—	129,683
	$ 713,054	$ 5,579,005	$ —	$ 6,292,059

[(1)] Excludes $23,710 cash pledged as collateral by counterparties for derivative contracts (December 31, 2017 - $38,060).

During the period ended June 30, 2018 and the year ended December 31, 2017, the Company did not hold any investments measured at fair value using unobservable inputs (Level 3). Transfers between levels of the fair value hierarchy may occur if the inputs used to value the investments change. Any transfers between the levels are deemed to have occurred at the end of the reporting period.

Given the types of assets classified in Level 1, which are short-term investments and preferred shares the Company does not typically have any transfers between Level 1 and Level 2 of the fair value hierarchy, and there were no such transfers during the period ended June 30, 2018 and the year ended December 31, 2017.

Valuation of Level 2 financial instruments:

Fair values of bonds and debentures, including CLOs, are obtained primarily from industry-standard pricing services and third party brokers utilizing market observable inputs. Fair value is assessed by analyzing available market information through processes such as benchmark curves, benchmarking of like securities and quotes from market participants.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

Observable information is compiled and integrates relevant credit information, interest rates of the underlying investment, perceived market movements and sector news. Market indicators, industry and economic events are also monitored as triggers to obtain additional data. The primary inputs used in determining fair value of bonds and debentures are interest rate curves and credit spreads.

Derivative financial instruments are non-exchange traded foreign currency forwards, cross currency interest rate swaps, equity total return swaps, interest rate swaps and interest rate floors. The value of these derivative financial instruments is determined using an income approach in which future cash flows expected from the contracts are discounted to reflect the current value of the derivative financial instruments. The primary inputs used in determining fair value of foreign currency forwards and cross currency interest rate swaps are interest rate yield curves and foreign currency exchange rates. The primary inputs used in determining fair value of equity total return swaps are market prices for referenced assets and interest rate yield curves. The primary inputs used in determining fair value of interest rate swaps are interest rate yield curves. The primary inputs used in determining fair value of the interest rate floors are interest rate yield curves and implied volatility.

At June 30, 2018, the Company's short-term investments, bonds and debentures and preferred shares are classified as Available-for-Sale ("AFS") in accordance with IAS 39. The AFS financial assets are recorded at fair value on the Company's consolidated statements of financial position with changes in their fair value recorded in other comprehensive income. As at June 30, 2018, the Company did not have any short-term investments, bonds and debentures or preferred shares that were held for trading or whose performance was evaluated on a fair value basis.

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets as at and for the period ending June 30, 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI"):

Financial Asset	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Short-term investments	$ 127,859	$ (26)	$ —	$ —
Bonds and debentures	5,401,250	(59,128)	7,855	(310)
Preferred Shares	—	—	582,697	(10,522)
Total	$ 5,529,109	$ (59,154)	$ 590,552	$ (10,832)

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at June 30, 2018:

Credit Rating	Credit Risk	Carrying Value (Fair Value)	% of Fair Value
Bonds and debentures and short-term investments:			
AAA	Low	$ 2,263,955	41.0
AA	Low	1,002,854	18.1
A	Low	1,660,826	30.0
BBB	Low	593,531	10.7
BB	Other	7,943	0.2
		$ 5,529,109	100.0

6. Related party balances and transactions:

The Company enters into related party transactions with Genworth Financial and its subsidiaries. Services rendered by Genworth Financial and affiliated companies consist of information technology, finance, human resources, legal and compliance, and other specified services. The services rendered by the Company and the Insurance Subsidiary relate mainly to financial reporting, tax compliance and other support services. These transactions are in the normal course of business and are at terms and conditions no less favourable than market. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis.

The Company incurred net related party charges of $1,592 and $3,175 for the three and six months ended June 30, 2018 (June 30, 2017 - $1,608, and $3,175, respectively). The balance receivable for related party services at June 30, 2018 is $129 (December 31, 2017 - $168) and is reported in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

(In thousands of Canadian dollars, except per share amounts)

7. Share-based compensation:

The Company provides long-term incentive plans for the granting of stock options ("Options"), restricted share units ("RSUs"), directors' deferred share units ("DSUs"), performance share units ("PSUs"), and executive deferred share units ("EDSUs"). The Company has reserved 3,000,000 common shares of its issued and authorized shares for issuance under these long-term incentive plans. As at June 30, 2018, the Company has 1,153,264 common shares remaining that are available for distribution.

The Company enters into equity total return swaps to hedge a portion of its economic exposure from the changes in fair market value of the Company's common shares. Equity total return swaps are contracts by which one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a referenced asset or group of assets, including any returns such as interest earned or dividends accrued on these assets in exchange for amounts that are based on prevailing market funding rates. Changes in fair value of the equity total return swaps are recognized in employee compensation expense in the condensed consolidated interim statements of income.

The following table summarizes information about the Company's share-based compensation plans:

	Number of share-based awards outstanding as at June 30, 2018		Fair value of share-based awards as at June 30, 2018		Share-based compensation expense for three months ended June 30, 2018		Share-based compensation expense for six months ended June 30, 2018
Options	711,530	$	9,429	$	1,384	$	127
RSUs	137,814		5,896		537		825
DSUs	79,870		3,417		251		177
PSUs	95,802		4,098		458		846
EDSUs	50,376		2,155		127		58
	1,075,392	$	24,995	$	2,757	$	2,033
Effect of equity total return swaps				$	(1,329)	$	71
Net share-based compensation expense				$	1,428	$	2,104

Total share based compensation liability as of June 30, 2018 was $19,534 (December 31, 2017 - $23,485).

(In thousands of Canadian dollars, except per share amounts)

8. Earnings per share:

Basic earnings per share have been calculated using the weighted average number of shares outstanding of 89,822,762 and 90,285,170 for the three and six months ended June 30, 2018 (2017 - 91,947,700 and 91,925,180 respectively). Diluted earnings per share have been calculated using the diluted weighted average number of shares outstanding of 89,947,816 and 90,780,422 for the three and six months ended June 30, 2018 (2017 - 92,349,039 and 92,095,869 respectively).

The following units were excluded from the diluted weighted average number of shares since their effect would have been anti-dilutive due to the cash settlement option:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Options	654,130	69,600	124,367	933,363
RSUs	50,795	—	—	—
DSUs	78,102	—	—	—
PSUs	36,030	—	—	35,709
Total	819,057	69,600	124,367	969,072

(In thousands of Canadian dollars, except per share amounts)

8. Earnings per share (continued):

Basic and diluted earnings per share:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Basic earnings per share:				
Net income	$ 116,067	$ 149,706	$ 243,663	$ 255,947
Diluted earnings per share:				
Re-measurement amount net of income taxes	(11)	(677)	(103)	101
Earnings for purposes of diluted earnings per share	$ 116,056	$ 149,029	$ 243,560	$ 256,048
Basic common shares outstanding, beginning of period	89,792,327	91,947,700	90,942,040	91,864,100
Effect of share-based compensation exercised during the period	30,435	—	74,001	61,080
Effect of repurchase of common shares during the period	—	—	(730,871)	—
Weighted average basic common shares outstanding, during the period	89,822,762	91,947,700	90,285,170	91,925,180
Basic earnings per share	$ 1.29	$ 1.63	$ 2.70	$ 2.78
Diluted earnings per share:				
Basic weighted average common shares outstanding during the period	89,822,762	91,947,700	90,285,170	91,925,180
Effect of share-based compensation during the period	125,054	401,339	495,252	170,689
Diluted weighted average common shares outstanding, during the period	89,947,816	92,349,039	90,780,422	92,095,869
Diluted earnings per share	$ 1.29	$ 1.61	$ 2.68	$ 2.78

(In thousands of Canadian dollars, except per share amounts)

9. Long-term debt:

The following table provides details of the Company's long-term debt:

	Series 1	Series 3
Date issued	June 29, 2010	April 1, 2014
Maturity date	June 15, 2020	April 1, 2024
Principal amount outstanding	$275,000	$160,000
Fixed annual rate	5.68%	4.242%
Semi-annual interest payment due each period on:	June 15	October 1
	December 15	April 1

The Company's long-term debt balances are as follows:

June 30, 2018	Series 1	Series 3	Total
Carrying value	$ 274,366	$ 159,145	$ 433,511
Fair value	287,463	161,435	448,898

December 31, 2017	Series 1	Series 3	Total
Carrying value	$ 274,219	$ 159,080	$ 433,299
Fair value	292,762	163,182	455,944

The Company incurred interest expense of $5,858 and $11,651 for the three and six months ended June 30, 2018, (June 30, 2017 - $5,825 and 11,585 respectively) with accrued interest payable of $2,398 at June 30, 2018 (December 31, 2017 - $2,490) recorded in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

(In thousands of Canadian dollars, except per share amounts)

9. Long-term debt (continued):

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long Term Debt	Interest Payable
Balance at January 1, 2018	$ 433,299	$ 2,490
Amortization of discount and capitalized borrowing costs	212	—
Interest expense on long-term debt	—	11,112
Interest paid	—	(11,204)
	212	(92)
Balance at June 30, 2018	$ 433,511	$ 2,398

10. Credit Facility:

On September 29, 2017, the Company entered into a $200 million senior unsecured revolving syndicated credit facility, which matures on September 29, 2022. Any borrowings under the syndicated credit facility will bear interest at a rate per annum equal to either a fixed rate based on a spread over Bankers' Acceptance or a variable rate based on a spread over the Lender Prime Rate. The Company also pays a standby fee based on the unused amount of the commitment which is recorded in interest expense in the condensed consolidated interim statements of income. The syndicated credit facility includes customary representations, warranties, covenants, terms and conditions for transactions of this type.

As at June 30, 2018 there was no amount outstanding under the syndicated credit facility and all of the covenants were met (December 31, 2017 - nil).

11. Share capital:

On May 2, 2017, the Company received approval from the TSX for the Company to undertake a normal course issuer bid ("2017 NCIB"). Pursuant to the 2017 NCIB, the Company could purchase, for cancellation, up to 4,597,385 shares, representing approximately 5% of its outstanding common shares as at April 27, 2017.

During the six months ended June 30, 2018 the Company repurchased 1,228,413 shares for cancellation, for an aggregate purchase price of $50,005, pursuant to the 2017 NCIB. The Company's majority shareholder, Genworth Financial Inc., through its subsidiaries, participated proportionately in the share purchase transaction.

The 2017 NCIB expired on May 4, 2018.

On May 1, 2018, the Company received approval from the TSX for the Company to undertake a new normal normal course issuer bid (the "2018 NCIB"), following the expiration of its existing share repurchase program. Pursuant to the 2018 NCIB, the Company can purchase, for cancellation, up to 4,489,616 shares, representing approximately 5% of its outstanding common shares as at April 27, 2018. Purchases of common shares under the 2018 NCIB were permitted to commence on May 7, 2018 and will conclude on the earlier of May 6, 2019 and the date on which the Company has purchased the maximum number of shares under the 2018 NCIB.

The Company did not purchase any shares under the 2018 NCIB during the three months ended June 30, 2018.

12. Capital management and regulatory requirements:

On January 1, 2017, the Company implemented a new regulatory capital framework based on OSFI's advisory for capital titled "Capital Requirements for Federally Regulated Mortgage Insurers." As at June 30, 2018 and December 31, 2017, Management has determined that the Company has complied with its regulatory capital requirements.

13. Comparatives:

Certain comparative figures have been reclassified to conform to financial statement presentation adopted in the current year.