Genworth MI Canada Inc.

NEWS RELEASE

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Genworth MI Canada Inc. Reports Fourth Quarter and Full Year 2018 Results Including Fourth Quarter Net Operating Income of $117 Million

	Fourth Quarter			Full Year 2018	
Transactional Premiums Written:	**$151 million**	**Down 22% Q/Q**	**Down 4% Y/Y**	**$619 million**	**Up 3% Y/Y**
Total Premiums Written:	**$156 million**	**Down 20% Q/Q**	**Down 5% Y/Y**	**$639 million**	**Down 4% Y/Y**
Premiums Earned:	**$169 million**	**No change Q/Q**	**Down 1% Y/Y**	**$680 million**	**Up 1% Y/Y**
Loss Ratio:	**18%**	**Up 4 pts Q/Q**	**Up 9 pts Y/Y**	**15%**	**Up 5 pts Y/Y**
Net Income:	**$80 million**	**Down 37% Q/Q**	**Down 39% Y/Y**	**$452 million**	**Down 14% Y/Y**
Net Operating Income:	**$117 million**	**Down 3% Q/Q**	**Down 3% Y/Y**	**$475 million**	**Up 2% Y/Y**
Fully Diluted Operating EPS:	**$1.32**	**Down 2% Q/Q**	**Down 1% Y/Y**	**$5.27**	**Up 4% Y/Y**

Toronto, ON (February 5th, 2019) – Genworth MI Canada Inc. (the “Company”) (TSX: MIC) today reported fourth quarter 2018 net income of $80 million or $0.88 fully diluted earnings per common share, and net operating income of $117 million or $1.32 fully diluted operating earnings per common share. The reported fourth quarter net income included $46 million from losses on derivatives and foreign exchange, primarily due to unrealized losses resulting from a decrease in interest rates in the quarter.

On a full year basis, the Company reported net income of $452 million or $4.99 fully diluted earnings per common share, and net operating income of $475 million or $5.27 fully diluted operating earnings per common share. The Company paid ordinary dividends of $1.92 per common share in 2018 reflecting an increase of 7% versus the prior year. The Company also delivered an operating return on equity of 12% for each of the fourth quarter and the full year.

“We are very pleased with our 2018 results, which reflect ongoing strength in underwriting performance, proactive investment management and high portfolio quality”, said Stuart Levings, President and CEO. “Our strategy remains focused on enhancing our customer value proposition, embracing technology and advanced analytics in an effort to drive prudent growth in a normalizing economic and housing market environment.”

Key Fourth Quarter 2018 Financial Results and Operational Metrics:

- **Net income** of $80 million was $52 million lower than the same quarter in the prior year, including $46 million from losses on derivatives and foreign exchange, primarily due to unrealized losses resulting from a decrease in interest rates in the quarter and to higher losses on claims, partially offset by higher operating investment income. Net income was $48 million lower than the prior quarter primarily due to higher losses on derivatives and foreign exchange, primarily due to unrealized losses resulting from a decrease in interest rates in the quarter.

- **Net operating income** of $117 million was $4 million lower than the same quarter in the prior year primarily due to higher losses on claims and lower premiums earned. Net operating income was $4 million lower than the prior quarter primarily due to higher losses on claims, partially offset by higher operating investment income. Fully diluted operating earnings per common share of $1.32 was down 1% versus the prior year period, and down 2% versus the prior quarter.

- **New insurance written** from **transactional insurance** was $4.3 billion, a decrease of $0.2 billion, or 4%, compared to the same quarter in the prior year. This decrease was primarily as a result of a smaller mortgage originations market due to ongoing housing affordability pressure. Compared to the prior quarter, transactional new insurance written decreased by $1.2 billion, primarily as a result of typical seasonality.

- **Premiums written** from **transactional insurance** were $151 million. This represents a decrease of $6 million, or 4%, from the fourth quarter of 2017, primarily due to lower new insurance written. Compared to the prior quarter, premiums written decreased by $42 million, or 22%, primarily due to seasonality.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $1.1 billion, an increase of $0.2 billion compared to the same quarter in the prior year. Compared to the prior quarter, new insurance written from portfolio insurance increased by $0.3 billion.

- **Premiums written** from **portfolio insurance** were $5 million, representing a decrease of $2 million compared to the same quarter in the prior year primarily reflecting a lower average premium rate as a result of a higher proportion of insured mortgages with loan-to-values of less than 75% in the current quarter. Compared to the prior quarter, premiums written increased by $1 million.

- **Premiums earned** of $169 million were $2 million, or 1%, lower than the same quarter in the prior year primarily reflecting relatively lower premiums written in 2018 and 2017 versus the preceding two years. Premiums earned were relatively consistent with the prior quarter.

- **New delinquencies, net of cures,** of 326 were 20 fewer than the fourth quarter of 2017 primarily due to decreases in Ontario (31) and the Atlantic region (26), partly offset by increases in Alberta (21) and Quebec (13). Compared to the prior quarter, new delinquencies, net of cures, decreased by 2.

- The **loss ratio** for the quarter was 18% as a percentage of premiums earned, compared to 9% in the same quarter in the prior year and 14% in the prior quarter. **Losses on claims** of $30 million were $15 million higher than the fourth quarter of 2017 predominantly due to a higher Alberta average reserve per delinquency and a lower level of favourable loss reserve development. This was partly offset by a modest decrease in new delinquencies, net of cures. Losses on claims increased by $7 million from the prior quarter primarily due to a higher proportion of Alberta delinquencies with a higher average reserve per delinquency.

- **Expenses** were $32 million during the quarter, resulting in an **expense ratio** of 19%, as a percentage of premiums earned. This ratio was relatively 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%.

- **Operating investment income** of $57 million was $7 million higher than the same quarter in the prior year primarily due to realized income from the interest rate hedging program, and an increase in the average amount of invested assets. Compared to the prior quarter, operating investment income was $3 million higher, primarily due to realized income from the interest rate hedging program.

- **Realized and unrealized losses on derivatives and foreign exchange, excluding income from interest rate hedging** of $46 million were $59 million lower than the same quarter in the prior year and $55 million lower compared to the prior quarter. These decreases were primarily due to unrealized losses resulting from the impact of lower interest rates on the market value of the Company's interest rate swaps in the current quarter.

- **Operating return on equity** was 12% for the quarter, consistent with the prior quarter, and down from 13% in the prior year period.

Key 2018 Annual Financial Results and Operational Metrics:

- **Net income** of $452 million was $76 million lower compared to 2017, primarily due to the increase in losses on claims of $31 million and the $105 million change from net gains on derivatives and foreign exchange in 2017 to net losses in 2018, consisting predominantly of unrealized losses on our interest rate hedging program. The overall decrease in net income was partly offset by higher premiums earned, lower expenses, and higher operating investment income.

- **Net operating income** of $475 million was $8 million higher compared to 2017, primarily due to higher premiums earned, lower expenses, and higher operating investment income, which was partly offset by higher losses on claims. Fully diluted operating earnings per common share of $5.27 increased 4% including the favourable impact of the Company's share repurchases under its normal course issuer bids.

- **New insurance written** from **transactional insurance** was $17.8 billion, a decrease of $0.4 billion, or 2%, compared to 2017. This decrease was primarily due to a smaller transactional mortgage originations market due to regulatory changes and ongoing housing affordability pressure.

- **Premiums written** from **transactional insurance** were $619 million. This represented an increase of $17 million, or 3%, from 2017, primarily due to a higher average premium rate from the March 2017 premium rate increase, partly offset by lower transactional new insurance written.

- **New insurance written** from **portfolio insurance** on low loan-to-value mortgages was $4.2 billion, a decrease of $9.2 billion compared to 2017. The decrease was primarily due to reduced demand for portfolio insurance compared to stronger demand in 2017, particularly in the first quarter of the year.

- **Premiums written** from **portfolio insurance** were $20 million. This represents a decrease of $40 million, or 67%, compared to 2017, primarily due to the decline in new insurance written.

- **Premiums earned** of $680 million were $4 million or 1% higher than the prior year due to the seasoning of recent books of business. The **unearned premiums reserve** was $2.1 billion at the end of the year, relatively consistent with the reserve level as at December 31, 2017. These unearned premiums will be recognized as premiums earned over time in accordance with the Company's loss emergence pattern.

- **New delinquencies, net of cures,** of 1,379 were 50 higher than 2017 led by increases in Alberta (52), and the Prairies (41), partly offset by decreases in the Pacific region (20) and the Atlantic region (31).

- The **loss ratio** for 2018 was 15% as a percentage of premiums earned, compared to 10% in the prior year. **Losses on claims** of $100 million were $31 million higher than in 2017, primarily due to an increase in new delinquencies, net of cures, lower favourable reserve development and an increase in the average reserve per delinquency predominantly driven by modest declines in home prices in Alberta and the Prairies regions.

- The number of **delinquencies outstanding** of 1,684 reflected a decrease of 34 delinquencies, as compared to prior year, including decreases in the Atlantic region (34), Quebec (27) and other regions, partly offset by increases in Alberta (37) and the Prairies region (20).

- **Expenses** were $129 million during 2018 resulting in an **expense ratio** of 19%, as a percentage of premiums earned. This ratio was relatively consistent with 2017 and with the Company's expected operating range of 18% to 20%.

- **Operating investment income,** of $212 million was $31 million higher than the prior year primarily due to realized income from the interest rate hedging program, and an increase in the average amount of invested assets.

- **Realized and unrealized losses on derivatives and foreign exchange, excluding income from interest rate hedging** of $26 million were $105 million lower than the prior year. This decrease was primarily due to the impact of losses on derivatives and foreign exchange, primarily due to unrealized losses resulting from the impact of lower interest rates on the market value of the Company's interest rate swaps.

- **Operating return on equity** was 12%, one percentage point lower than in the prior year.

- **The regulatory capital ratio** or **Minimum Capital Test ("MCT") ratio** was approximately 171%, 14 percentage points higher than the Insurance Company's internal MCT ratio target of 157% and 21 percentage points higher than the Office of the Superintendent of Financial Institutions ("OSFI") Supervisory MCT ratio target of 150%. Effective January 1st, 2019, the Company became subject to the Mortgage Insurer Capital Adequacy Test ("MICAT"), under which capital required in aggregate is substantially similar to the 2018 MCT. The pro-forma MICAT ratio at January 1st, 2019 was 171%.

- The Company estimates that its **outstanding principal balance of insured mortgages** as at December 31, 2018, was approximately $208 billion, or 41% of the original insured amount.

Dividends

On November 30, 2018, the Company paid a quarterly dividend of $0.51 per common share. This represented an increase of $0.04, or 9% per common share from the dividend paid in the third quarter of 2018.

The Company also announced today that its Board of Directors approved a dividend payment of $0.51 per common share, payable on March 6th, 2019, to shareholders of record at the close of business on February 15th, 2019.

Share Repurchase

During the year ended December 31, 2018, the Company repurchased 3,580,939 common shares for cancellation at an average price of $41.89, for an aggregate purchase price of approximately $150 million (including $50 million in the fourth quarter), under the terms of its normal course issuer bids. The Company's majority shareholder, Genworth Financial, Inc., through its subsidiaries, participated proportionately in the normal course issuer bids to maintain its approximately 57% ownership interest in the Company.

Shareholders' Equity

As at December 31, 2018, shareholders' equity was $4.0 billion, representing a book value including accumulated other comprehensive income ("AOCI") of $45.21 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was $4.0 billion, representing a book value of $45.62 per common share on a fully diluted basis.

Credit and Debt Ratings

The Company's issuer credit rating by DBRS Ratings Limited is 'A' high (stable) and the financial strength rating of the Company's primary operating subsidiary is 'AA' (stable). The Company's credit rating by Standard & Poor's is 'BBB+' (stable) and the financial strength of the Company's primary operating subsidiary is 'A+' (stable).

Detailed Operating Results and Financial Supplement

For more information on the Company's operating results, please refer to the Company's Management's Discussion and Analysis as posted on SEDAR and available at www.sedar.com.

This press release, as well as the Company's full year 2018 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 6th, 2019 at 9:30 am ET (Local: 647-794-1827, Toll free: 1-866-288-0540, Conference ID: 9507032). 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 7th, 2019 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 9507032). 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, 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)	Fourth Quarter (Unaudited)		Full Year	
	2018	2017	2018	2017
Transactional new insurance written[1]	$4,333	$4,516	$17,753	$18,187
Portfolio new insurance written[1]	1,098	913	4,155	13,381
Total new insurance written[1]	$5,431	$5,428	$21,908	$31,568
Premiums written	156	164	639	663
Premiums earned	169	171	680	676
Losses on claims	30	15	100	69
Expenses	32	34	129	133
Net underwriting income	$106	$121	$451	$474
Investment income (interest and dividends, net of expenses) [1]	50	48	191	182
Realized income from interest rate hedging program	7	2	22	-
Realized gains (losses) on sale of investments	-	1	(1)	3
Realized and unrealized gains/(losses) on derivatives and foreign exchange	(46)	13	(26)	80
Total net investment income	$11	$64	$186	$265
Net income	$80	$132	$452	$528
Net operating income[1]	$117	$121	$475	$467
Basic weighted average common shares outstanding	88,558,437	90,942,040	89,656,310	91,583,907
Diluted weighted average common shares outstanding	89,027,202	90,965,574	90,183,338	91,625,024
Fully diluted earnings per common share	$0.88	$1.45	$4.99	$5.76
Fully diluted operating earnings per common share[1]	$1.32	$1.33	$5.27	$5.09
Fully diluted book value per common share, incl. AOCI[1]	$45.21	$43.13	$45.21	$43.13
Fully diluted book value per common share, excl. AOCI[1]	$45.62	$42.29	$45.62	$42.29
Loss ratio[1]	18%	9%	15%	10%
Combined ratio[1]	37%	29%	34%	30%
Operating return on equity[1]	12%	13%	12%	13%
MCT ratio [1,3]	171%	172%	171%	172%
Delinquency ratio[1, 2]	0.18%	0.18%	0.18%	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 December 31, 2018.

Non-IFRS financial measures reconciled to comparable IFRS measures for such periods

(in millions of dollars, unless otherwise specified)	Three months ended December 31, 2018	Three months ended December 31, 2017	Full Year 2018	Full Year 2017
Investment income	**$ 11**	$ 64	**$ 186**	$ 265
Adjustment to investment income:				
Net investment (gains) losses[1]	**46**	(15)	**27**	(83)
Operating investment income	**57**	50	**212**	182
Realized (income) expense from the interest rate hedging program	**(7)**	(2)	**(22)**	-
Interest and dividend income, net of investment expenses	**$ 50**	$ 48	**191**	$ 182
Net income	**80**	132	**452**	528
Adjustments to net income, net of taxes:				
Net investment (gains) losses[1]	**37**	(11)	**23**	(61)
Net operating income	**$ 117**	$ 121	**$ 475**	$ 467
Earnings per common share (basic)	**$ 0.90**	$ 1.45	**$ 5.04**	$ 5.76
Adjustment to earnings per common share, net of taxes:				
Net investment (gains) losses[1]	**0.42**	(0.12)	**0.26**	(0.66)
Operating earnings per common share (basic)	**$ 1.32**	$ 1.33	**$ 5.30**	$ 5.10
Earnings per common share (diluted)[2]	**$ 0.88**	$ 1.45	**$ 4.99**	$ 5.76
Adjustment to earnings per common share, net of taxes:				
Share based compensation re-measurement amount	**0.02**	-	**0.02**	-
Net investment (gains) losses[1]	**0.42**	(0.12)	**0.26**	(0.66)
Operating earnings per common share (diluted)[2]	**$ 1.32**	$ 1.33	**$ 5.27**	$ 5.09

Note: Amounts may not total due to rounding.
[1] Includes realized and unrealized gains (losses) from derivatives other than realized income (expense) from the interest rate hedging program.
[2] The difference between basic and diluted earnings per common share and basic and diluted 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 certain 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

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 December 31, 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 or potential cyber threats; 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.