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## Genworth MI Canada Inc. Reports Third Quarter 2015 Results

**Premiums Written: \$260 million, up 20% year-over-year**

**Loss Ratio: 21%, flat year-over-year, up four points quarter-over-quarter**

**Fully Diluted Operating EPS: \$1.00, up \$0.03 year-over-year, up \$0.01 quarter-over-quarter**

**Net Operating Income: \$92 million, flat quarter-over-quarter**

**Increase in quarterly dividend of \$0.03 or 8% from \$0.39 to \$0.42**

Toronto, ON (October 29, 2015) – Genworth MI Canada Inc. (the “Company”) (TSX: MIC) today reported third quarter 2015 net income of \$90 million or \$0.96 earnings per fully diluted common share, and net operating income of \$92 million or \$1.00 operating earnings per fully diluted common share. The Company also delivered an operating return on equity of 12% for the quarter. Premiums written for the quarter increased 20% over the prior year primarily related to transactional mortgage insurance.

“Another quarter of strong profitability and top line growth demonstrates the solid fundamentals of our business” said Stuart Levings, President and Chief Executive Officer. “We continue to take prudent steps to expand our market share with a keen focus on maintaining a high-quality and diversified portfolio.”

### Key Third Quarter 2015 Financial Metrics:

- **Premiums written** of \$260 million represented an increase of \$43 million, or 20%, compared to the same quarter in the prior year. This increase was primarily the result of improved market penetration and a 9% increase in average premium rates resulting from the May 2014 and June 2015 premium rate increases. When compared to the prior quarter, premiums written were higher by \$55 million, or 27%, primarily due to seasonally higher mortgage origination volumes and the June 2015 premium rate increase.
- **Net premiums earned** of \$148 million were \$7 million, or 5%, higher, than the same quarter in the prior year due to the higher level of premiums written in recent years. When compared to the prior quarter, net premiums earned were \$4 million, or 3% higher. The **unearned premiums reserve** was \$2.0 billion at the end of the quarter, up \$160 million from December 31, 2014, which primarily reflects the higher level of premiums written that will be recognized as premiums earned over time in accordance with the Company’s historical pattern of loss emergence.

- **Losses on claims** of \$31 million were \$1 million higher than the same quarter in the prior year, primarily due to a modest increase in new delinquencies, net of cures, and a higher average reserve per delinquency related to Quebec and Atlantic delinquencies. Losses on claims represented an increase of \$6 million or 26% from the prior quarter, primarily due to an increase in new delinquencies, net of cures. The **loss ratio** was 21% for the quarter, as compared to 17% in the prior quarter and 21% in the same quarter in the prior year.
- **Expenses** were \$28 million during the quarter resulting in an **expense ratio** of 19%, as a percentage of net premiums earned. This ratio was two percentage points higher than the same quarter in the prior year and one percentage point lower than the prior quarter. The expense ratio remains within the Company's expected operating range of 18-20%.
- **Net investment income, excluding investment gains**, of \$42 million was \$1 million lower than the same quarter in the prior year primarily due to the impact of lower reinvestment rates which was partially offset by higher invested assets. Net investment income, excluding investment gains, was consistent with the prior quarter.
- **Net operating income** of \$92 million was \$1 million lower relative to the same quarter in the prior year and was consistent with the prior quarter.
- **Operating return on equity** was 12% for the quarter, consistent with the same quarter in the prior year and the prior quarter.
- **The regulatory capital ratio or Minimum Capital Test ("MCT") ratio** was approximately 227%, 42 percentage points higher than the Company's internal target MCT ratio of 185% and 7 percentage points higher than the Company's holding target MCT ratio of 220%. The Company intends to operate with a MCT ratio modestly above its holding target.

#### **Key Third Quarter 2015 Highlights:**

- The transactional insurance business line continued to be the Company's primary focus and during the quarter new insurance written from this business line was \$8.3 billion. Compared to the prior year's period, new insurance written was up by \$1.0 billion or 13%, driven primarily by higher market penetration. As a result of typical seasonality, new insurance written increased by \$1.6 billion as compared to the prior quarter.
- Premiums written from the transactional insurance business line were \$236 million. This represents an increase of \$45 million, or 23%, from the prior year's period, primarily due to higher market penetration and higher average premium rates resulting from the May 2014 and June 2015 premium rate increases. Compared to the prior quarter, there was an increase of \$53 million, or 29%, primarily due to seasonality and higher average premium rates resulting from the June 2015 premium rate increase. The impact of the June 2015 price increase will gradually increase the average premium rate on transactional insurance over the remainder of the year due to the time lag between mortgage approvals and mortgage closings.

- The Company wrote \$6.1 billion of portfolio insurance on low loan-to-value mortgages, consistent with the same quarter in the prior year. Compared to the prior quarter, new insurance written from portfolio insurance increased by \$2.0 billion, or 49%. The volume and mix of portfolio insurance varies from quarter to quarter based on lender demand.
- Premiums written from portfolio insurance were \$24 million, representing a decrease of \$1 million or 5% as compared to the same quarter in the prior year. Compared to the prior quarter, there was an increase of \$2 million or 10%.
- The number of delinquencies outstanding was 1,715, an increase of 49 as compared to the prior quarter, primarily reflecting seasonality. Compared to the same quarter in the prior year, this represented a modest increase of 7 delinquencies.
- New delinquencies, net of cures, were 440 in the quarter representing an increase of 28 compared to the same quarter in the prior year and 121 compared to the prior quarter. The 121 increase in new delinquencies from the prior quarter includes a modest increase of 32 delinquencies in Alberta and 46 in Ontario.
- The Company's investment portfolio had a market value of \$5.7 billion at the end of the quarter. The portfolio had a pre-tax equivalent book yield of 3.3% and duration of 3.8 years as at September 30, 2015.
- The Company estimates that its outstanding balance of insured mortgages as at June 30, 2015, was approximately \$178 billion, which is approximately 46% of the original insured amount. Outstanding mortgage insured balances are reported on a one quarter lag.

## **Dividends**

On August 31, 2015, the Company paid a quarterly dividend of \$0.39 per common share.

The Company also announced today that its Board of Directors approved a dividend payment of \$0.42 per common share, payable on November 27, 2015, to shareholders of record at the close of business on November 13, 2015. This dividend represents an increase of \$0.03 or 8% over the Company's last quarterly dividend. The Company has increased its dividend in each of the last 6 years.

## **Shareholders' Equity**

As at September 30, 2015, shareholders' equity was \$3.4 billion, representing a book value including accumulated other comprehensive income ("AOCI") of \$36.14 per common share on a fully diluted basis. Excluding AOCI, shareholders' equity was \$3.2 billion, representing a book value of \$34.80 per common share on a fully diluted basis.

## **Credit and Debt Ratings**

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

## **Detailed Operating Results and Financial Supplement**

For more information on the Company's operating results, please refer to the Company's Management's Discussion and Analysis as posted on SEDAR and available at [www.sedar.com](http://www.sedar.com).

This Press Release, as well as the Company's third quarter 2015 consolidated Financial Statements, Management's Discussion and Analysis and Financial Supplement are also posted on the Investor section of the Company's website (<http://investor.genworthmicanada.ca>). Investors are encouraged to review all of these materials.

## **Earnings Call**

The Company's third quarter earnings call will be held on October 30, 2015 at 10:00 am ET (Local: 416-260-0113, Toll free: 1-800-524-8950, Conference ID: 578219). 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 November 28, 2015 (Local: 647-436-0148, Toll-free 1-888-203-1112, Replay Passcode 578219). 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 September 30, 2015, Genworth Canada had \$6.1 billion total assets and \$3.4 billion shareholders' equity. Find out more at [www.genworth.ca](http://www.genworth.ca).

## **Contact Information:**

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## Consolidated Financial Highlights

| (\$ millions, except per share amounts)                                  | Three Months<br>Ended September 30<br>(Unaudited) |            | Nine Months<br>Ended September 30<br>(Unaudited) |            |
|--------------------------------------------------------------------------|---------------------------------------------------|------------|--------------------------------------------------|------------|
|                                                                          | 2015                                              | 2014       | 2015                                             | 2014       |
| Transactional new insurance written <sup>1</sup>                         | \$8,341                                           | \$7,354    | \$19,012                                         | \$15,919   |
| Portfolio new insurance written <sup>1</sup>                             | 6,123                                             | 6,037      | 16,101                                           | 17,449     |
| Total new insurance written <sup>1</sup>                                 | 14,464                                            | 13,391     | 35,113                                           | 33,368     |
| Premiums written                                                         | 260                                               | 217        | 595                                              | 462        |
| Premiums earned                                                          | 148                                               | 140        | 435                                              | 422        |
| Losses on claims                                                         | 31                                                | 30         | 87                                               | 74         |
| Expenses                                                                 | 28                                                | 24         | 82                                               | 78         |
| Net underwriting income                                                  | 89                                                | 87         | 266                                              | 270        |
| Investment income (interest and dividends, net of expenses) <sup>1</sup> | 42                                                | 43         | 125                                              | 130        |
| Net investment gains (losses)                                            | (3)                                               | 8          | 29                                               | 18         |
| Total net investment income                                              | 39                                                | 51         | 154                                              | 149        |
| Net income                                                               | \$90                                              | \$98       | \$301                                            | \$290      |
| Net operating income <sup>1</sup>                                        | \$92                                              | \$93       | \$280                                            | \$283      |
| Fully diluted earnings per common share                                  | \$0.96                                            | \$1.01     | \$3.19                                           | \$3.04     |
| Fully diluted operating earnings per common share <sup>1</sup>           | \$1.00                                            | \$0.97     | \$3.02                                           | \$2.96     |
| Fully diluted book value per common share, inc. AOCI <sup>1</sup>        | \$36.14                                           | \$34.57    | \$36.14                                          | \$34.57    |
| Fully diluted book value per common share, excl. AOCI <sup>1</sup>       | \$34.80                                           | \$32.87    | \$34.80                                          | \$32.87    |
| Basic weighted average common shares outstanding                         | 91,794,296                                        | 95,015,502 | 92,465,491                                       | 94,971,533 |
| Diluted weighted average common shares outstanding                       | 92,209,495                                        | 95,572,195 | 92,931,839                                       | 95,501,056 |
| Loss ratio <sup>1</sup>                                                  | 21%                                               | 21%        | 20%                                              | 18%        |
| Combined ratio <sup>1</sup>                                              | 40%                                               | 38%        | 39%                                              | 36%        |
| Operating return on equity <sup>1</sup>                                  | 12%                                               | 12%        | 12%                                              | 12%        |
| Minimum Capital Test ratio (MCT) <sup>1</sup>                            | 227%                                              | 224%       | 227%                                             | 224%       |

<sup>1</sup>This is a financial measure not calculated based on International Financial Reporting Standards ("IFRS"). See the "Non-IFRS Financial Measures" section of this press release for additional information. The MCT ratio as at September 30, 2015 is based on the Company's estimate.

## 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. Non-IFRS financial measures include net operating income, interest and dividend income, net of investment expenses, operating earnings per common share (basic), operating earnings per common share (diluted), shareholders' equity excluding AOCI, operating return on equity and underwriting ratios such as loss ratio, expense ratio and combined ratio. Non-IFRS measures used by the Company to analyze performance include insurance in-force, new insurance written, MCT ratio, delinquency ratio, severity on claims paid, investment yield, book value per common share (basic) including AOCI, book value per common share (basic) excluding AOCI, book value per common share (diluted) including AOCI, book value per common share (diluted) excluding AOCI, and dividends paid per common share. The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-IFRS financial measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies.

See the "Non-IFRS financial measures" section at the end of the Company's Management's Discussion and Analysis for the quarter ended September 30, 2015 ("MD&A") for a reconciliation of net operating income to net income, total net investment income to interest and dividend income, net of investment expenses, operating earnings per common share (basic) to earnings per common share (basic), operating earnings per common share (diluted) to earnings per common share (diluted), and shareholders' equity excluding AOCI to shareholders' equity. Definitions of key non-IFRS financial measures and explanations of why these measures are useful to investors and management can be found in the Company's "Glossary", in the "Non-IFRS financial measures" section at the end of the MD&A. The MD&A, along with the Company's most recent financial statements, are available on the Company's website and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Special Note Regarding Forward-Looking 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 press release include, but are not limited to, statements with respect to the Company's expectations regarding the impact of guideline changes by OSFI, and the effect of changes to the government guarantee mortgage eligibility rules, and the Company's beliefs as to housing demand and home price appreciation, unemployment rates, the Company's future operating and financial results, sales expectations regarding premiums written, capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies.

The forward-looking statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking statements contained herein. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Actual results or developments may differ materially from those contemplated by the forward-looking statements.

The Company's actual results and performance could differ materially from those anticipated in these forward-looking statements as a result of both known and unknown risks, including the continued availability of the Canadian government's guarantee of private mortgage insurance on terms satisfactory to the Company; the Company's expectations regarding its revenues, expenses and operations; the Company's plans to implement its strategy and operate its business; the Company's expectations regarding the redemption of its existing debentures; 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 orientations; the cyclical nature of the mortgage insurance industry; changes in government regulations and laws mandating mortgage insurance; the acceptance by the Company's lenders of new technologies and products; the Company's ability to attract lenders and develop and maintain lender relationships; the Company's competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; anticipated trends and challenges in the Company's business and the markets in which it operates; changes in the global or Canadian economies; a decline in the Company's regulatory capital or an increase in its regulatory capital requirements; loss of members of the Company's senior management team; potential legal, tax and regulatory investigations and actions; the failure of the Company's computer systems; and potential conflicts of interest between the Company and its majority shareholder, Genworth Financial, Inc.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's Annual Information Form dated March 23, 2015. Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial and territorial securities regulatory authorities (including the Company's AIF) and can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this press release represent the Company's views only as of the date hereof. Forward-looking statements contained in this press release are based on management's current plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and therefore 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.