Genworth MI Canada Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Quarter ended September 30, 2010

September 29, 2010

Formation of the Company

Genworth MI Canada Inc. ("Genworth Canada" or the "Company") completed its initial public offering ("IPO") on July 7, 2009.

The full three and nine month results and prior period comparative results for the Company reflect the consolidation of the Company and its subsidiaries, including Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary"). The insurance subsidiary is engaged in mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions ("OSFI") as well as financial services regulators in each province.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations as approved by the Company's board of directors (the "Board") is prepared for the three and nine months ended September 30, 2010 and 2009. The discussion should be read in conjunction with the unaudited financial statements of the Company which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Interpretation

Unless the context otherwise requires, all references in this MD&A to "Genworth Canada" or the "Company" refer to Genworth MI Canada Inc. and its subsidiaries.

Forward-Looking Statements

This document contains forward looking statements that involve certain risks. The Company's actual results could differ materially from these forward-looking statements. For more information, please read "Special Note Regarding Forward-Looking Statements" at the end of this document.

Non-GAAP Financial Measures

To supplement its financial statements, the Company uses select non-GAAP financial measures. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as operating income and return on operating income. The Company believes that these non-GAAP 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-GAAP measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies. See "Non-GAAP Financial Measures" for reconciliation to net income at the end of this document. These measures are defined in the Company's glossary which is posted on the Company's website at www.investor.genworthmicanada.ca which can be accessed by clicking on the "Glossary of Terms" link in the Investor Resources subsection on the left navigation bar.

Overall Performance

Business Background

Genworth Canada is the largest private residential mortgage insurer in Canada and has been providing private mortgage insurance in Canada since 1995. The Company has built a broad underwriting and distribution platform across the country that provides customer-focused products and support services to the vast majority of Canada's residential mortgage lenders and originators. Today, Genworth Canada underwrites mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share among private mortgage insurers. The Canada Mortgage and Housing Corporation ("CMHC"), a crown corporation, is the Company's major competitor.

Seasonality

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and sales, underwriting and administrative expenses are relatively stable from quarter-to-quarter, premiums written may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage insurance policies written, which typically peak in the spring and summer months. 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.

Outlook

The mortgage insurance business is affected by changes in economic, employment and housing market trends. More specifically, the housing market is affected by trends in interest rates, home price appreciation, mortgage origination volume, levels of mortgage delinquencies and changes in the regulatory environment.

The Company recorded higher net premiums written in the third quarter 2010 as compared to the second quarter primarily due to a higher average premium rate from a higher mix of purchase transactions, which generate higher premiums than refinance transactions. Homebuyers continued to take advantage of low mortgage interest rates to purchase homes in anticipation of higher interest rates. The Company expects that tighter mortgage insurance criteria, (implemented April 19th) and the Harmonized Sales Tax in Ontario and British Columbia (that took effect on July 1st) pulled forward housing demand from the second half of 2010. The Company expects that housing demand will moderate in fourth quarter 2010 and early 2011 as a result of these factors and traditional seasonality. The Company believes that the housing market is normalizing with housing supply and demand returning to a balanced state.

During the third quarter of 2010, the unemployment rate in Canada marginally increased from 7.9% at the end of June 2010 to 8.0% at the end of September 2010. The Company believes that the unemployment rate should remain approximately 8% for the remainder of 2010, and decline modestly in 2011. The improving employment trend should lead to further improvements in overall mortgage delinquency rates which should offset the impact of a slowing housing market on the Company's losses on claims incurred. Accordingly, the Company expects that its loss ratios for the remainder of 2010 should remain within, or below, the Company's long term target loss ratio range of 35 – 40%.

The Company continues to proactively and prudently manage its approximately $5 billion investment portfolio by prudently diversifying its investment mix and has allocated a small portion of its portfolio to dividend paying preferred shares. The investment portfolio is well positioned to benefit from a rising interest rating environment.

As a part of its capital plan, the Company completed a $325 million common share repurchase in August 2010. The repurchase resulted in a 10.5% reduction in the number of common shares outstanding. The MCT ratio at the end of the third quarter was 153%, or 8% higher than the Insurance Subsidiary's internal target of 145%. The execution of the capital plan reflects the Company's confidence in the economic fundamentals in Canada, solid financial results over the past twelve months and its ability to support growth. The Company plans to maintain a capital buffer and operate at a level above the internal target.

In summary, Genworth MI Canada Inc. continues to maintain a strong financial position and capital flexibility, including a $1.9 billion unearned premium reserve. The Company is well positioned to remain the leading private mortgage insurer in the current environment due to its significant scale, execution of customer-focused sales and service strategies, pro-active risk management of its insurance portfolio and prudent investment management of its high quality investment portfolio.

Results of Operations

The following table sets forth certain financial information for the three and nine months ended September 30, 2010 and 2009.

	For the quarter ended September 30,		For the nine months ended September 30,	
(in millions, unless otherwise specified)	**2010**	2009	**2010**	2009
Income Statement Data				
Net premiums written	**$ 166**	$ 104	**$ 417**	$ 250
Underwriting revenues:				
Net premiums earned	**155**	154	**465**	455
Impact of change in first quarter premium recognition curve	**-**	-	**-**	100[2]
Underwriting revenues	**155**	154	**465**	555
Losses on claims and expenses:				
Losses on claims	**47**	64	**156**	195
Sales, underwriting and administrative expenses	**26**	24	**75**	73
Total losses on claims and expenses	**73**	88	**231**	269
Net underwriting income	**82**	66	**233**	286
Investment income	**49**	49	**139**	143
Interest expense	**(4)**	-	**(4)**	(1)
Income before income taxes	**127**	115	**368**	428
Net income	**95**	79	**264**	291[2]
Net operating income[1]	**$ 92**	$ 75	**$ 259**	$ 286[2]
Key Ratios and Other Items				
Insurance in force	**240,417**	219,927	**240,417**	219,927
New insurance written	**7,630**	5,051	**20,931**	12,701
Loss ratio	**30%**	42%	**34%**	35%[2]
Expense ratio	**17%**	15%	**16%**	13%[2]
Combined ratio	**47%**	57%	**50%**	48%[2]
Operating return on equity[1]	**14%**	12%	**14%**	17%[2]
MCT ratio	**153%**	147%	**153%**	147%
Delinquency ratio	**0.25%**	0.28%	**0.25%**	0.28%
Severity on claims paid	**28%**	27%	**26%**	27%
Earnings per Common Share (basic)	**$0.84**	$0.67	**$2.29**	$2.56[2]
Earnings per Common Share (diluted)	**$0.84**	$0.67	**$2.27**	$2.56[2]
Operating earnings per Common Share (basic)[1]	**$0.82**	$0.64	**$2.25**	$2.51[2]
Operating earnings per Common Share (diluted)[1]	**$0.81**	$0.63	**$2.22**	$2.51[2]
Weighted average number of shares outstanding				
Basic	**112,550,428**	116,767,391	**115,566,811**	113,606,593
Diluted	**113,671,224**	117,580,016	**116,647,039**	113,880,445

Notes: Amounts may not total due to rounding.
[1] This is a financial measure not calculated based on GAAP. See the “Non-GAAP Financial Measures” section at the end of this MD&A for additional information.
[2] Excluding the impact of change to the premium recognition curve in the first quarter of 2009, financial measures for the nine months ended September 30, 2009 would have been: net premiums earned $455, net income $228, net operating income $222, loss ratio 43%, expense ratio 15%, combined ratio 58%, operating return on equity 14% and earnings per share (basic) $2.00, earnings per share (diluted) $2.00, operating earnings per share (basic) $1.95, operating earnings per share (diluted) $1.95.

Third Quarter Highlights

- Compared to the third quarter of 2009, net income and net operating income increased 20%, or $16 million, and 23%, or $17 million, respectively. This increase was the result of lower losses and a lower effective tax rate related to a favourable $5 million adjustment to prior year's income taxes, offset by interest expense related to the debentures issued in June 2010.
- Compared to the third quarter of 2009, net premiums written increased 60%, or $62 million, due to both a larger mortgage insurance market, as estimated by the Company, resulting from improved economic conditions, and a higher average premium rate resulting from a higher proportion of purchase transactions, as compared to refinance transactions.
- Compared to the third quarter of 2009, losses on claims decreased 27%, or $17 million, due to improved economic conditions and continued loss mitigation activities.
- The minimum capital test ratio was 153%, which is an increase of 6 points over the prior year's period, primarily due to the increase in retained earnings from the Company's continued profitability and the increase in unrealized gains in the Company's investment portfolio resulting from low interest rates in the fixed income market.

The following table sets forth the quarterly results of operations for the Company's business:

(in millions, unless otherwise specified)	For the quarter ended September 30, **2010**	2009	Increase (decrease) and percentage change Q3'10 vs. Q3'09	
Net premiums written	**$ 166**	$ 104	$ 62	60%
Underwriting revenues:				
Net premiums earned	**$ 155**	$ 154	$ 1	1%
Fees and other income	**-**	-	-	-
Underwriting revenues	**155**	154	1	1%
Losses on claims and expenses:				
Losses on claims	**47**	64	(17)	(27)%
Sales, underwriting and administrative	**26**	24	2	8%
Total losses on claims and expenses	**73**	88	(15)	(17)%
Net underwriting income	**82**	66	16	24%
Investment income:				
Interest and dividend income, net of investment expenses	**45**	42	3	7%
Gain (loss) on investments[1]	**4**	6	(2)	(33)%
Guarantee fund earnings	**-**	1	(1)	NM
Total investment income	**49**	49	-	-%
Interest expense	**(4)**	-	(4)	NM
Income before income taxes	**127**	115	12	10%
Provision for income taxes	**32**	36	(4)	(11)%
Net income	**95**	79	16	20%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	**(3)**	(4)	1	(25)%
Net operating income	**$ 92**	$ 75	$ 17	23%
Effective tax rate	**25%**	32%	-	(7) pts
Operating return on equity	**14%**	12%	-	2 pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 100%.
[1]Includes realized gain (loss) on sale of Available for Sale and change in unrealized gain (loss) on Held For Trading investments.

Third Quarter 2010 compared to Third Quarter 2009

High loan-to-value new insurance written increased by $2.6 billion, or 51%, to $7.6 billion in the third quarter of 2010 as compared to the prior year's period. The Company believes this increase was driven mainly by a larger mortgage insurance market resulting from a strong spring housing market and improved market penetration.

Net premiums written increased by $62 million, or 60%, to $166 million in the third quarter of 2010 as compared to the prior year's period. A larger mortgage insurance market, as estimated by the Company, accounted for approximately $47 million of the increase, including $3 million of higher low-loan-to-value net premiums written. The remaining $15 million of the increase resulted from a higher average premium rate associated with a higher proportion of purchase transactions, as compared to refinance transactions.

Net premiums earned increased by $1 million, or 1% to $155 million in the third quarter of 2010 as compared to the prior year's period. The increase was primarily due to seasoning of the Company's large 2007 and 2008 books of business. Net premiums earned include $12 million resulting from the quarterly update to the premium recognition curve in the third quarter of 2010. This amount is consistent with the result of the update to the premium recognition curve in the third quarter of 2009.

Losses on claims decreased by $17 million, or 27%, to $47 million in the third quarter of 2010 as compared to the prior year's period. The decrease in losses on claims is a result of improved economic conditions and continued loss mitigation activities which resulted in 3% fewer new reported delinquencies and a 3% lower average reserve per delinquent loan. During the third quarter of 2010, the Company approved 1,301 workouts under its loss mitigation programs as compared to 1,329 in the prior year's period. While not all files where a workout is performed would have ultimately resulted in claims, loss mitigation activities including workouts have positively impacted losses on claims.

Sales, underwriting and administrative costs increased $2 million, or 8% to $26 million in the third quarter of 2010 as compared to the prior year's period. This increase is primarily due to higher net public company costs.

Total investment income, including guarantee fund earnings and net gains and losses, remained flat at $49 million in the third quarter of 2010 as compared to the prior year's period. Interest and dividend income from the general portfolio increased by $3 million, or 7%, to $45 million. Of this $3 million increase, $1 million was attributable to dividend income on preferred shares acquired in 2010 and $2 million was attributable to a higher book yield. In the current period, the book yield was 4.3%, compared to 4.0% in the prior year's period. Guarantee fund earnings decreased by $1 million primarily due to higher exit fees from an increase in gross premiums written. The Company recorded a $3 million decrease in gains and losses on investments attributable to the net unrealized loss position on Held for Trading ("HFT") investments offset by a $1 million increase in realized gains on Available for Sale ("AFS") securities.

Interest expense in the third quarter of 2010 was $4 million and is related to the $275 million of debentures due June 15, 2020 issued on June 29, 2010, which bear interest at a fixed annual rate of 5.68%.

The following table sets forth the quarterly income tax expense for the Company.

	For the quarter ended September 30, 2010		**For the quarter ended September 30, 2009**	
(in millions, unless otherwise specified)	**$**	**Rate**	**$**	**Rate**
Income before income taxes	**$ 127**		$ 115	
Income tax expense excluding adjustment	**$ 37**	**29%**	$ 36	32%
Adjustment for prior period's income taxes	**(5)**	**(4)%**	-	-%
Income tax expense	**$ 32**	**25%**	$ 36	32%

Notes: Amounts may not total due to rounding.

The effective tax rate was 25% in the third quarter of 2010 compared to 32% in the prior year's period. The lower current period rate is the result of decreases in substantively enacted income tax rates. A favourable adjustment of $5 million was reflected in the current period as the result of favourability in the combined federal and provincial 2009 tax rates and was realized upon the completion of the Company's 2009 tax returns.

Net income increased by $16 million, or 20%, to $95 million and net operating income increased by $17 million, or 23% to $92 million in the third quarter of 2010. Excluding the $5 million favourable tax adjustment related to the prior period, net income would have increased by 14% to $90 million and net operating income would have increased by 16% to $87 million. The increase in both net income and in net operating income was attributable primarily to lower losses on claims and current year tax rate favourability, offset by interest expense related to the debentures issued in June 2010.

Year to Date Highlights

- Compared to the nine months ended September 2009 and excluding the $63 million after-tax impact of the change in the premium recognition curve that occurred in the first quarter of 2009, net income and net operating income increased 16%, or $36 million, and 16%, or $37 million, respectively. The increase in both net income and in net operating income resulted primarily from lower losses on claims and a lower effective tax rate related to a favourable $5 million adjustment to the prior period's income taxes, primarily offset by interest expense related to the debentures issued in June 2010.
- Compared to the nine months ended September 2009, net premiums written increased 67%, or $167 million, due to a larger mortgage insurance market, as estimated by the Company, resulting from improved economic conditions, the strong spring housing market, and higher average premium rate resulting from a higher proportion of purchase transactions, as compared to refinance transactions.
- Compared to the nine months ended September 2009, losses on claims decreased 20%, or $39 million, due to improved economic conditions and continued loss mitigation activities.
- The minimum capital test ratio was 153%, which is an increase of 6 points over the prior year's period due to the increase in retained earnings from the Company's continued profitability and the increase in unrealized gains in the Company's investment portfolio driven by low interest rates in the fixed income market.

The following table sets forth year to date results of operations for the Company's business:

(in millions, unless otherwise specified)	Nine months ended September 30, **2010**	2009	Increase (decrease) and percentage change YTD 2010 vs. YTD 2009	
Net premiums written	**$ 417**	$ 250	$ 167	67%
Underwriting revenues:				
Net premiums earned	**$ 465**	$ 455	$ 10	2%
Impact of initial change in premium recognition curve on net premiums earned		100	(100)	NM
Fees and other income	**-**	-	-	-
Underwriting revenues	**465**	555[2]	(90)	(16)%
Losses on claims and expenses:				
Losses on claims	**156**	195	(39)	(20)%
Sales, underwriting and administrative	**75**	73	2	3%
Total losses on claims and expenses	**231**	269	(38)	(14)%
Net underwriting income	**233**	286	(53)	(19)%
Investment income:				
Interest and dividend income, net of investment expenses	**129**	131	(2)	(2)%
Gain (loss) on investments[1]	**7**	9	(2)	(22)%
Guarantee fund earnings	**3**	4	(1)	(25)%
Total investment income	**139**	143	(4)	(3)%
Interest expense	**(4)**	(1)	(3)	NM
Income before income taxes	**368**	428	(60)	(14)%
Provision for income taxes	**103**	136	(33)	(24)%
Net income	**264**	291[2]	(27)	(9)%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	**(5)**	(6)	1	(17)%
Net operating income	**$ 259**	$ 286[2]	$ (27)	(9)%
Effective tax rate	**28%**	32%	-	(4) pts
Operating return on equity	**14%**	17%[2]	-	(3) pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 100%.
[1]Includes realized gain (loss) on sale of AFS and change in unrealized gain (loss) on HFT investments.
[2]Excluding the impact of the change to the premium recognition curve in the first quarter of 2009, financial measures for the nine months ended September 30, 2009 would have been net premiums earned $455, net income $228, net operating income $222, and operating return on equity 14%.

Year to Date 2010 compared to Year to Date 2009

High loan-to-value new insurance written increased by $6.0 billion, or 50%, to $18.0 billion in the nine months ended September 30, 2010 as compared to the prior year's period. The Company believes this increase was driven mainly by a larger mortgage insurance market resulting from a strong spring housing market and improved market penetration by the Company.

Net premiums written increased by $167 million, or 67%, to $417 million in the nine months ended September 30, 2010 as compared to the prior year's period. A larger mortgage insurance market, as estimated by the Company, accounted for $134 million, including higher low loan-to-value net premiums written of $8 million. The remaining $33 million increase resulted from a higher average premium rate associated with a higher proportion of purchase transactions relative to refinance transactions.

Excluding the $100 million impact of the change in the premium recognition curve of which $12 million related to the first quarter 2009, net premiums earned increased by $10 million, or 2%, to $465 million in the nine months ended September 30, 2010 as compared to the prior year's period. The $10 million increase consisted of net additional earned premium resulting from the quarterly updates to the premium recognition curve in 2010 to reflect the most recent loss development experience. An additional increase of premiums earned related to the continued seasoning of the Company's 2007 and 2008 books was partially offset by a decrease in premium earned related to the termination of insurance in force from lower policy cancelations.

Losses on claims decreased by $39 million, or 20%, to $156 million in the nine months ended September 30, 2010 as compared to the prior year's period. The decrease in losses on claims is a result of improved economic conditions and continued loss mitigation activity which resulted in 11% fewer new reported delinquencies and a 3% lower average reserve per delinquent loan compared to the prior year's period. During the nine months ended September 2010, the Company approved 3,785 workouts under its loss mitigation programs as compared to 3,229 in the prior year's period. While not all files where a workout is performed would have ultimately resulted in claims, loss mitigation activities including workouts have positively impacted losses on claims.

Sales, underwriting and administrative costs increased by $2 million, or 3%, to $75 million in the nine months ended September 30, 2010 as compared to the prior year's period. Higher public company and operating costs and higher amortization of deferred acquisition costs of approximately $8 million were responsible for the increase. However, this amount was offset by approximately $6 million related to the additional amortization of deferred acquisition costs from the cumulative impact of the initial change in the net premium recognition curve in the first quarter of 2009.

Total investment income, including guarantee fund earnings and net gains and losses, decreased by $4 million, or 3%, to $139 million in the nine months ended September 30, 2010 as compared to the prior year's period. Interest and dividend income from the general portfolio decreased by $2 million, or 2%, to $129 million. The $2 million decrease was primarily attributable to a bond call in the second quarter of 2010. In the current period, the book yield remained flat at 4.2% compared to the prior period. The average invested assets balance, excluding unrealized gains and losses, also remained relatively flat. Guarantee fund earnings decreased by $1 million, or 25% due to higher exit fees from an increase in gross written premiums. The Company recorded a $3 million decrease in gains and losses on investments attributable to the net unrealized loss position on Held for Trading ("HFT") investments offset by a $1 million increase in realized gains on Available for Sale ("AFS") securities.

Interest expense in the nine months ended September 30, 2010 was $4 million, which arose in the third quarter of 2010 and is related to the $275 million of debentures issued on June 29, 2010, bearing interest at a fixed annual rate of 5.68%. In 2009, the Company incurred $1 million of interest on a related party loan that was repaid prior to the Company's IPO.

The following table sets forth the year to date income tax expense for the Company.

	For the nine months ended September 30, 2010		For the nine months ended September 30, 2009	
(in millions, unless otherwise specified)	**$**	**Rate**	$	Rate
Income before income taxes	**$ 368**		$ 428	
Income tax expense excluding adjustment	**$ 108**	**29%**	$ 136	32%
Adjustment for prior period's income taxes	**(5)**	**(1)%**	-	-%
Income tax expense	**$ 103**	**28%**	$ 136	32%

Notes: Amounts may not total due to rounding.

The Company's effective tax rate decreased by 4 points to 28% in the nine months ended September 30, 2010 as compared to the prior year's period. The decrease is the result of lower substantively enacted tax rates. A favourable adjustment of $5 million was reflected in the current period as the result of favourability in the combined federal and provincial tax rates and was realized upon the completion of the Company's 2009 tax returns.

Excluding the $63 million impact of the change in the premium recognition curve that occurred in the first quarter of 2009 and the $5 million favourable tax adjustment related to the prior year's income taxes, net income increased by

$31 million, or 14%, to $259 million and net operating income increased by $32 million, or 14%, to $254 million in the nine months ended September 30, 2010. The increase in both net income and in net operating income resulted primarily from lower losses on claims and current year tax rate favourability, primarily offset by interest expense related to the debentures issued in June 2010.

On June 29, 2010, the Company completed an offering of $275 million principal amount of debentures. The debentures bear interest at a fixed annual rate of 5.68% until maturity on June 15, 2020, payable semi-annually commencing on December 15, 2010. The proceeds of the debentures were used to finance, in part, the common share repurchase completed by the Company in August 2010.

Loss and Expense Ratios

The following table sets forth selected ratios for the three and nine months ended September 30, 2010 and 2009:

	For the quarter ended September 30,		For the nine months ended September 30,		Increase (decrease)	
	2010	2009	**2010**	2009[1]	Q3'10 vs. Q3'09	YTD'10 vs. YTD'09
Loss ratio	**30%**	42%	**34%**	35%	(12) pts	(1) pts
Expense ratio	**17%**	15%	**16%**	13%	2 pts	3 pts
Combined ratio	**47%**	57%	**50%**	48%	(10) pts	2 pts

Note: Amounts may not total due to rounding.
[1]Excluding the impact of changes to the premiums recognition curve, the loss ratio, expense ratio and combined ratio at September 30, 2009 would have been 43%, 15% and 58%, respectively.

Third quarter 2010 compared to third quarter 2009

The loss ratio decreased 12 points to 30% for the quarter ended September 30, 2010. This decrease is attributable to lower average reserve per delinquent loan resulting from an improved housing market and fewer new reported delinquencies, resulting primarily from the declining unemployment rate.

The expense ratio increased 2 points to 17% for the quarter ended September 30, 2010. This increase is attributable to higher expenses resulting from an increase in net public company costs.

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

The loss ratio decreased 1 point to 34% for the nine months ended September 30, 2010. Excluding the $100 million increase in net premiums earned arising from the initial change in the premium recognition curve in the first quarter of 2009, the loss ratio would have decreased 9 points from 43% as a result of improved economic conditions and continued loss mitigation activities.

The expense ratio increased 3 points to 16% for the nine months ended September 30, 2010. Excluding the impact of the change in the premium recognition curve in the first quarter of 2009, the expense ratio would have increased 1 point from 15% due to higher public company and operating costs and higher amortization of deferred acquisition costs.

Balance Sheet Highlights and Select Financial Data

(in millions, unless otherwise specified)	**As at September 30, 2010**	As at Dec 31, 2009	Increase (decrease) and percentage change 2010 vs. 2009	
Investments:				
General portfolio	**$ 4,281**	$4,410	$(129)	(3)%
Government guarantee fund	**640**	576	64	11%
Total assets	**5,308**	5,210	98	2%
Unearned premium reserves	**1,924**	1,971	(47)	(2)%
Loss reserves	**214**	236	(22)	(9)%
Debt	**272**	-	272	NM
Total liabilities	**2,735**	2,567	168	7%
Shareholders' equity	**2,573**	2,643	(70)	(3)%
Accumulated Other Comprehensive Income	**166**	97	69	71%
Shareholders equity excluding AOCI	**$ 2,407**	$2,546	$(139)	(5)%
Select Ratios				
MCT Ratio	**153%**	149%	-	4 pts
Book value per share				
Book value per share including AOCI (basic)	**$ 24.56**	$ 22.57	$ 1.99	9%
Book value per share excluding AOCI (basic)	**$ 22.98**	$ 21.74	$ 1.24	6%
Number of shares outstanding (basic)[1]	**104,789,394**	117,100,000	(12,310,606)	(11)%
Book value per share including AOCI (diluted)	**$ 24.30**	$ 22.40	$ 1.90	8%
Book value per share excluding AOCI (diluted)	**$ 22.74**	$ 21.58	$ 1.16	5%
Number of shares outstanding (diluted)[1]	**105,911,439**	117,997,663	(12,086,224)	(10)%

Notes: Amounts may not total due to rounding. The Company defines "NM" as not meaningful for increases or decreases greater than 100%.

[1]The difference between basic and diluted number of shares outstanding is caused by the grant of employee stock options, Restricted Share Units ("RSUs") and Directors' Deferred Share Units ("DSUs"). As at September 30, 2010 the number of stock options, RSUs and DSUs were 989,200, 124,591 and 8,254 respectively and as at December 31, 2009 the number of stock options, RSUs and DSUs were 810,000, 84,406 and 3,257 respectively.

Financial Instruments and Other Instruments

Portfolio of Invested Assets

As of September 30, 2010, the Company had total cash, cash equivalents and invested assets of $4.3 billion in the general portfolio and $640 million in the government guarantee fund established under the Insurance Subsidiary's guarantee agreement with the Canadian government (the "Government Guarantee Agreement"). Unrealized gains on AFS securities were $200 million in the general portfolio and $45 million in the government guarantee fund.

The following tables provide the diversification of assets by asset class and credit rating in each of the two portfolios:

Asset Class	**As at September 30, 2010**			**As at Dec 31, 2009**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/ (Losses)**	Fair Value	%
General portfolio					
Asset backed	**$ 258**	6%	$ 9	$ 254	6%
Corporate fixed income[1]					
Financial	**1,281**	30%	80	1,420	32%
Energy	**306**	7%	17	230	5%
Infrastructure	**256**	6%	16	206	5%
All other sectors	**302**	7%	15	175	4%
Total corporate fixed income	**2,145**	50%	128	2,033	46%
Federal fixed income	**987**	23%	26	1,073	24%
Provincial fixed income	**620**	14%	36	638	14%
Preferred Shares	**68**	2%	1	-	0%
Other invested assets – HFT[2]	**38**	1%	-	34	1%
Total invested assets	**4,116**	96%	200	4,032	91%
Cash and cash equivalents	**166**	4%	-	378	9%
Total invested assets and cash – general portfolio	**$ 4,281**	100%	$ 200	$4,410	100%
Government guarantee fund					
Federal fixed income	**$ 752**	97%	$ 45[3]	$ 698	100%
Cash and cash equivalents	**$ 22**	3%	-	1	0%
Total invested assets and cash – guarantee fund	**$ 774**	100%	$ 45	$ 699	100%
Accrued income and contributions	**24**			15	
Accrued exit fees and due to others	**(159)**			(137)	
Net Guarantee Fund assets	**$640**			$576	
Total invested assets and cash	**$ 4,921**		$ 245	$4,986	

Notes: Amounts may not total due to rounding.
[1]The portfolio classifications and holding were realigned to be consistent with the portfolio benchmark.
[2]HFT investments in the general portfolio are recorded at fair value with realized gains and losses and changes in fair value recorded in investment income. Unrealized losses on HFT investments at September 30, 2010 were $12 million.
[3]The $45 million unrealized gain is gross of the $9 million of market value related primarily to exit fees.

Credit Rating – General Portfolio	**As at September 30, 2010**			As at Dec 31, 2009	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	Fair value	%
Cash and Cash equivalents	**$ 166**	**4%**	**$ -**	$ 378	9%
AAA	**1,405**	**33%**	**43**	1,614	37%
AA	**1,422**	**33%**	**92**	1,344	30%
A	**1,176**	**27%**	**62**	1,018	23%
BBB	**112**[1]	**3%**	**2**	56	1%
Below BBB	**-**	**-**	**-**	-	-
Total invested assets and cash	**$ 4,281**	**100%**	**$ 200**	$4,410	100%

Notes: Amounts may not total due to rounding.
[1]The BBB category includes HFT investments of $38 million. HFT investments in the general portfolio are recorded at fair value with realized gains and losses and changes in fair value recorded in investment income. Unrealized losses on HFT investments at September 30, 2010 were $12 million.

General Portfolio

The Company manages its general portfolio assets to meet liquidity, credit quality, diversification and yield objectives by investing primarily in fixed income securities, including federal, provincial and corporate bonds, asset-backed securities, and mortgage loans on commercial real estate. The Company also holds other invested assets, which at various times include short-term investments and preferred shares. In all cases, investments are required to comply with restrictions imposed by applicable laws and insurance regulatory authorities, as well as, the Company's guidelines which have been approved by the Board.

In order to diversify management styles and to broaden credit resources, the Company has split these assets between two external Canadian investment managers. The Company works with these managers to optimize the performance of the portfolios within the stated investment objectives outlined in its investment policy. The policy takes into account the current and expected condition of capital markets, the historic return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, regulatory capital required to support the various asset types, security ratings and other material variables likely to effect the overall performance of the Company's investment portfolio. Compliance with the policy is monitored by the Company and reviewed at least quarterly with the Company's management-level investment committee and the Risk, Capital and Investment Committee of the Board.

Cash and Cash Equivalent*s*

Cash and cash equivalents consist primarily of cash in bank accounts, government treasury bills, bankers' acceptances notes, and time deposits with maturities within 90 days of the balance sheet date. The Company determines its target cash holdings based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company's cash holdings decreased to $166 million or a decrease of 56% as of September 30, 2010 from $378 million as of December 31, 2009. The decrease is mainly attributed to the share repurchase transaction of $325 million that occurred in the third quarter of 2010.

During the third quarter of 2010, the Company invested a net amount of $425 million in securities, consisting of $8 million in preferred shares and the remaining balance in corporate bonds, government bonds and short term securities. The portfolio duration has increased to 3.6 years from 3.2 years in the prior year's period.

Federal and Provincial Fixed Income Securities

The Company's investment policy requires a minimum of 10% of the investment portfolio be invested in federal fixed income securities. As of September 30, 2010, 23% of the portfolio was invested in federal securities, down from 24% at the end of 2009. Provincial holdings were 14% of the portfolio, the same level as at the end of 2009.

Corporate Fixed Income Securities

Allocations to corporate fixed income securities are determined based on their relative value to federal fixed income securities and adjusted for the carrying charge for the increased capital holdings required under regulations set by the Office of the Superintendant of Financial Institutions (“OSFI”). As of September 30, 2010, approximately 50% of the investment portfolio was held in corporate fixed income securities, up 4% from 46% as at the end of 2009. Securities rated below A were $112 million, or 3% of invested assets, as of September 30, 2010. The investment policy places limits on the percentage of the portfolio that can be invested in any single issuer or group of related issuers.

Financial sector exposure represents 30% of the general portfolio, or approximately two-thirds of the corporate fixed income securities, as financial institutions are the predominate issuers of fixed income securities in the Canadian marketplace. The Company is continuously monitoring and repositioning its exposure to the financial services sector.

Asset Backed Securities

The Company has invested approximately 6% of the general portfolio in a combination of consumer finance securitizations and commercial mortgage backed securities to provide yield enhancement. As of September 30, 2010, all of these securities were rated AAA.

Other Invested Assets

The Company has invested directly in a European investment fund to diversify its holdings, with no exposure to foreign currency fluctuations associated with this investment. As of September 30, 2010, this investment had a fair value of $38 million, or 1% of invested assets, up from $34 million at the end of 2009, and was classified as HFT in the Company’s financial statements.

Preferred Shares

The Company had $68 million invested in preferred shares as of September 30, 2010, representing 2% of the general portfolio. Approximately 90% of the preferred shares were issued by Canadian financial institutions. The Company’s investment guidelines require that preferred shares be rated P-1 or P-2 at the time of purchase.

Government Guarantee Fund Assets

In accordance with the terms of the Government Guarantee Agreement, all funds deposited into the government guarantee fund are held in a revenue trust account separate from all other assets of the Company. On the Company’s financial statements, government guarantee fund assets reflect the Company’s interest in the assets held in the government guarantee fund, including accrued income and net of exit fees. The assets of the government guarantee fund are permitted to be invested in cash and securities issued by the Canadian government or agencies unconditionally guaranteed by the Canadian government.

Summary of Quarterly Results

The table shown below represents select income statement line items and certain key performance indicators for the last eight quarters.

(in millions, unless otherwise specified)	**Q3'10**	**Q2'10**	**Q1'10**	Q4'09	Q3'09	Q2'09[3]	Q1'09[3]	Q4'08[3]
Net premiums written	**166**	**157**	**94**	110	104	82	64	152
Underwriting revenues:								
Net premiums earned	**155**	**154**	**156**	155	154	153	147[2]	138
Impact of initial change in premiums recognition curve on net premiums earned	**-**	**-**	**-**	-	-	-	100[2]	-
Underwriting revenue	**155**	**154**	**156**	155	154	153	247	138
Losses on claims	**47**	**49**	**59**	60	64	71	60	58
Net underwriting income	**82**	**81**	**71**	70	66	59	161	53
Investment income, including gains (losses)[1]	**49**	**41**	**49**	46	49	51	43	44
Net income	**95**	**85**	**84**	87	79	75	138[2]	74
Adjustment to net income:								
Losses (gains) on investments, net of taxes	**(3)**	**1**	**(3)**	(2)	(4)	(5)	3	1
Net operating income	**92**	**86**	**81**	85	75	70	141[2]	75
Selected Ratios:								
Loss ratio	**30%**	**32%**	**38%**	39%	42%	46%	24%[2]	42%
Expense ratio	**17%**	**15%**	**17%**	16%	15%	15%	10%[2]	19%
Combined ratio	**47%**	**47%**	**55%**	55%	57%	62%	35%[2]	61%
Operating earnings per common share (diluted)	**$0.81**	**$0.73**	**$0.69**	$0.72	$0.63	$0.63	$1.26[2]	$0.67
Operating return on equity	**14%**	**13%**	**13%**	14%	12%	12%	26%[2]	15%

Notes: Amounts may not total due to rounding

[1]Includes realized gain (loss) on sale of AFS and change in unrealized gain (loss) on HFT investments.

[2]Excluding the impact of change to the premium recognition curve in the first quarter 2009, financial measures for the quarter ended March 31, 2009 would have been net premiums earned $147, net income $74, net operating income $77, loss ratio 41%, expense ratio 13%, combined ratio 54%, operating return on equity 14% and operating earnings per share (diluted) $0.69.

[3]These prior periods' comparative results for the Company reflect the consolidation of the Company and its subsidiaries Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, including the Insurance Subsidiary. Prior to the third quarter of 2009, the Company's management discussion and analysis, as available on SEDAR, only reflected Genworth Canada Holdings I Limited's results. The primary difference is the elimination of interest paid from the Insurance Subsidiary to Genworth Canada Holdings II Limited.

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations as they fall due. The Company believes it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year and to satisfy regulatory capital requirements. The Company has four primary sources of funds, consisting of premiums written from operations, investment income, cash and short-term investments, investment maturities or sales, and proceeds from the issuance of debt. Uses of funds are primarily for operating expenses including claims payments, interest expense, as well as dividends and distributions to shareholders.

Throughout 2008 and into early 2009, the Company had increased its cash and cash equivalent balance to conserve regulatory capital and strengthen liquidity as a result of a slowing economic environment. As of December 31, 2009, the Company held a significant cash balance of $378 million, or 9% of cash and invested assets, in the general portfolio. As of September 30, 2010, the Company's cash and cash equivalent balance decreased to $166 million, or 4% of cash and invested assets.

Debt Outstanding

On June 29, 2010, the Company completed an offering of $275 million principal amount of debentures. The debentures bear interest at a fixed annual rate of 5.68% until maturity on June 15, 2020, payable semi-annually commencing on December 15, 2010. The annual interest expense obligation is $16 million. The debentures were issued under a trust indenture dated June 29, 2010 as supplemented by a first series supplement dated June, 29, 2010 (the "First Series Supplement"). The debentures may be redeemed at the option of the Company, in whole or in part at any time, at a redemption price equal to the greater of (i) the Canada Yield Price (as defined in the First Series Supplement) and (ii) par.

Share Repurchase

On July 19, 2010, the Company made an offer ("the Offer") to repurchase up to $325 million of its common shares validly tendered to the Offer, by way of Dutch auction and proportional tenders. On August 27, 2010, in accordance with the terms of the Offer, the Company repurchased 12,310,606 common shares for cancellation at a price of $26.40 per common share, for an aggregate purchase price of approximately $325 million. Genworth Financial Inc., through its wholly owned subsidiary Brookfield Life Assurance Company Limited, participated in the Offer by making a proportional tender and continues to hold approximately 57.5% of the outstanding common shares of the Company.

Capital Expenditures

The Company's capital expenditures primarily relate to technology investments aimed at improving operational efficiency and effectiveness for sales, underwriting, risk management and loss mitigation. For the three and nine months ended September 30, 2010, the Company invested well under $1 million and $3 million, respectively, for risk management and underwriting technologies. The Company expects that future capital expenditures will continue to be focused on underwriting and risk management technology improvements. The Company expects that capital expenditures for the entirety of 2010 will be in the $3 to $5 million range.

Regulatory Capital Management

The Insurance Subsidiary is regulated by OSFI. Under the Minimum Capital Test ("MCT") an insurer calculates a ratio of capital available to capital required in a prescribed manner. Mortgage insurers are required to maintain a minimum ratio of core capital (capital available as defined for MCT purposes, but excluding subordinated debt) to required capital of 100%. As a result of the distinct methodology applied to the policy liabilities of mortgage insurers and the risk profile of the Insurance Subsidiary, OSFI has established a minimum supervisory capital target of 120% for the Insurance Subsidiary. In order to maintain an adequate cushion above this supervisory minimum, in July 2010 the Insurance Subsidiary revised its internal MCT ratio target to 145%.

Capital above the amount required to meet the Insurance Subsidiary's MCT ratio targets could be used to support organic growth of the business and, if distributed to Genworth MI Canada Inc., to repurchase shares, declare and pay dividends or other distributions, or for such other uses as permitted by applicable laws and that may be approved by the Board.

The MCT ratio of the Insurance Subsidiary at the end of September 30, 2010 was 153%, representing a 1-point sequential decrease over the second quarter, primarily resulting from a $50 million dividend paid by the Insurance Subsidiary in order to fund a portion of the aggregate purchase price under the Company's common share repurchase. These dividends reduced the Insurance Subsidiary's MCT ratio by approximately 4 points, offset by capital provided from third quarter net income and increase in unrealized gains on investments.

Restrictions on Dividends and Capital Transactions

The 'Insurance Companies Act' ("ICA") prohibits directors from declaring or paying any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. The ICA also requires an insurance company to notify OSFI of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company, or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. Share cancellation or redemption would also require the prior approval of OSFI. Finally, OSFI has broad authority to take actions that could restrict the ability of an insurance company to pay dividends.

Financial Strength Ratings

The Insurance Subsidiary has financial strength ratings from both Standard and Poor's ("S&P") and the Dominion Bond Rating Service ("DBRS"). Although the Insurance Subsidiary is not required to have ratings to conduct its business, ratings are helpful to maintain confidence in an insurer and in the marketing of its products. The Insurance Subsidiary is rated AA- (Very Strong), with a positive outlook, by S&P and AA (Superior), with a stable outlook, by DBRS. The ratings, from both agencies, were affirmed in June 2010. In addition S&P revised the outlook from stable to positive.

The Company has a counterparty credit rating from S&P of A-, with a positive outlook and an issuer rating from DBRS of AA (Low). The rating from S&P is a function of the financial strength rating on its Insurance Subsidiary and its structural subordination to the policyholders of its Insurance Subsidiary. S&P has applied its standard notching criteria of 3 notches between an operating company and holding company, the Insurance Subsidiary and the Company, respectively. The rating from DBRS is a function of the structural subordination of the Parent's financial obligations relative to those of the regulated operating subsidiary. DBRS applied a one-notch differential between the Insurance Subsidiary and the Company.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty include: other than temporary declines in the value of investments, the recognition of unearned premium reserves to earned premiums, the provision for losses on claims, and pensions and other post-employment benefits. Actual results may differ from the estimates used in preparing the consolidated financial statements and such differences may be material.

Investments

Investments in bonds and debentures, including government guarantee fund investments, are classified either as AFS or HFT and their fair value is determined using quoted market prices. HFT investments are recorded at fair value with realized gains and losses on sale and changes in the fair value of these investments recorded in net investment income in the consolidated statement of income and comprehensive income.

AFS investments are recorded at fair value with changes in the fair value of these investments recorded in unrealized gains and losses, which are included in Accumulated Other Comprehensive Income ("AOCI"). Realized gains and losses on sale, as well as losses from other than temporary declines in value of AFS investments, are reclassified from AOCI and recorded in net investment income in the consolidated statement of income and comprehensive income.

Interest income from fixed income securities is recognized on an accrual basis and reported as interest on the consolidated statements of income. Dividends are recognized when the shareholder's right to receive payment is established, which is the ex-dividend date and are reported in "Dividends" on the consolidated statement of income.

Investment sales and purchases are recorded at the investment's trade date. Realized gains or losses recorded on investment sales are measured as the difference between cash received for the investment and the book value of the investment at the trade date.

The Company ceases to accrue interest on non-performing bonds which are 90 days or more in arrears, as well as those which are less than 90 days in arrears but are deemed by management to be impaired. Once invested assets are classified as non-performing, any accrued but uncollected interest is reversed.

Premiums Earned and Deferred Policy Acquisition Costs

Insurance premiums are deferred and then taken into underwriting revenues as earned premiums over the life of the related policies based on the expected loss emergence pattern. The majority of policies to date have been written with amortization policy terms of 25 to 35 years. The rates or formulae under which premiums are earned relate to the amount of risk in each year of coverage as estimated by management, based primarily on the past incidence of losses on claims. Based on historical experience, the majority of losses on claims generally occur within two to five years of policy origination. Therefore, the majority of premiums written are recognized as net premiums earned within five years of policy origination, in an effort to match premiums earned to losses on claims. The formulae under which premiums are earned are adjusted quarterly in accordance with such estimates and were last updated in September 2010, resulting in a $12 million increase in premiums earned during the third quarter of 2010 and a $36 million increase for the nine months ended September 30, 2010. The cumulative impact of the initial update of the premiums recognition curve for the three months and nine months ended September 30, 2009 was $11 million and $124 million respectively. The Company will continue to assess its loss experience on a quarterly basis and make adjustments as appropriate to the premium recognition curve.

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs are comprised of premium taxes and other expenses which relate directly to obtaining of new insurance business. Policy acquisition costs related to unearned premium reserves are only deferred to the extent that they can be expected to be recovered from the unearned premium reserves and are amortized to income in proportion to and over the periods in which the premiums are earned.

Loss Reserves

Loss reserves represent the amount needed to provide for the ultimate expected cost of investigating, adjusting and settling claims related to defaults by borrowers (both reported and unreported) that have occurred on or before each balance sheet date. Loss reserves are recognized when the first scheduled mortgage payment is missed by the borrower(s). In accordance with GAAP, loss reserves are not established for future claims on insured mortgages that are not currently in default.

Under GAAP, loss reserves are discounted based on the anticipated payout pattern. Loss reserves are broken out into three types of reserves: case reserves, Incurred But Not Reported ("IBNR") reserves and supplemental loss reserves for potential adverse development.

For the purpose of quantifying case reserves, the Company analyzes each reported delinquent loan on a case-by-case basis and establishes a case reserve based on the expected loss, if any. The Company establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the balance sheet date for mortgages in default that have not been reported to the Company. IBNR is calculated for the reporting lag using assumptions of claim occurrence rates and the estimated average claim paid.

The establishment of loss reserves is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns.

Consequently, the establishment of the loss reserving process relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made. Annually, the Company's third party appointed actuary reviews and reports to management, the board of directors of the Insurance Subsidiary and OSFI on the adequacy of policy liabilities, which includes loss reserves.

Risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk and claims development.

Pension and Other Post-Employment Benefits

The benefit liabilities represent the amount of pension and other employee future benefits that employees and retirees have earned as of the period end. The Company's actuaries perform valuations of the benefit liabilities for pension and other employee future benefits as of December 31 of each year using the projected benefit method prorated on service, based on management's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in the health care cost rate. The discount rate is determined by management with reference to market conditions at year end. Other assumptions are determined with reference to long-term expectations.

Share-based Compensation

Employee stock options ("Options"), upon being exercised, provide employees with a choice between being compensated in shares of the Company or in cash equal to the net proceeds from the sale of the shares. These types of awards are commonly referred to as stock options with tandem stock appreciation rights. Options granted by the Company are measured at the difference between the quoted market value of the Company's shares at the end of each reporting period and the Option exercise price. This amount is recorded as compensation expense over the Option vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans.

Employee Restricted Share Units ("RSUs") entitle employees to receive an amount equal to the fair market value of the Company's shares and may be settled in shares or cash. RSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense over the RSU vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans.

Directors' Deferred Share Units ("DSUs") entitle eligible members of the Board to receive an amount equal to the fair market value of the Company's shares as compensation for director services rendered for the period, and may be settled in shares or cash. The DSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense in the period the awards are granted, with a corresponding entry to accrued liabilities.

Performance Share Units ("PSUs") entitle senior executive employees to receive an amount equal to the fair market value of the Company's shares as compensation if the Company meets certain performance conditions based on the Company's earnings per share, net income, contribution margin, underwriting income and investment income at the end of a three year period. The PSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense over the PSU vesting period with a corresponding entry to accrued benefit liability under employer benefit plans, based on management's best estimate of the outcome of the performance conditions.

Long-term Debt

The Company's debentures were issued for gross proceeds of $274.9 million at a price of $99.95 per $100 principal amount, before issuance costs of $2.4 million. The debentures, along with the cost of issuing the debt outstanding are classified as Debt Outstanding and will be amortized over the term of the debentures using the effective interest method.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement, and disclosures. The Company will change over to IFRS for its interim and annual financial statements beginning on January 1, 2011. The 2011 financial statements will include full comparative information for the relevant 2010 periods prepared in accordance with IFRS.

The Company has developed a comprehensive IFRS conversion plan being carried out by our IFRS conversion project team. The project is lead by the Company's financial controller with oversight from the Company's senior management team and the Audit Committee. In addition to regular progress reports to its Board of Directors and Audit Committee, the Company's Insurance Subsidiary has provided semi-annual status updates to OSFI.

To date, the Company has made steady progress towards IFRS conversion and is on track for a January 1, 2011 implementation. The conversion plan consists of four key phases, each with clearly defined milestones as outlined below:

Phase	Milestones	Status
Planning	1. Define project scope 2. Appoint project team and assign project leader 3. Train project team and key accounting staff	Complete
Assessment	1. Research applicable IFRS standards and identify differences from Canadian GAAP 2. Assess impact of conversion on key business processes, systems and internal controls: a) Business systems (Underwriting, Claims Management, Investments) b) Financial reporting systems c) Internal controls d) Capital management e) Financial Planning f) Incentive compensation 3. Make accounting policy choices where applicable 4. Quantify impact of differences between IFRS and Canadian GAAP on opening shareholders equity at transition date of January 1, 2010	Complete
Implementation	1. Modify financial reporting systems 2. Prepare January 1, 2010 opening balance sheet under IFRS 3. Develop IFRS financial statement presentation and prepare IFRS financial reporting disclosure templates 4. Prepare 2010 quarterly comparative financial statements under IFRS	In progress
Monitoring of IFRS Developments	1. Monitor standards enacted subsequent to the mandatory IFRS conversion date	Ongoing

As indicated in the plan, as at September 30, 2010, the Company has completed its comprehensive evaluation of IFRS, which included documenting the differences between current Canadian GAAP and IFRS for each of the applicable IFRS standards including:

- IFRS 4 - Insurance Contracts;
- IAS 39 – Financial Instruments – Recognition and Measurement, IAS 32 – Financial Instruments - Presentation, and IFRS 7 Financial Instruments – Disclosure;

- IAS 12 - Income Taxes; and
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The mandatory exceptions and elective exemptions prescribed by IFRS 1 – First Time Adoption of International Financial Reporting Standards have been considered for all standards evaluated.

IFRS Impact on Shareholders' Equity As At January 1, 2010

Based on the Company's evaluation, the identified differences between IFRS and Canadian GAAP and their impact on the Company's opening shareholders' equity have been quantified. The net after-tax IFRS impact on opening shareholders' equity as at January 1, 2010 is not significant.

The impact is summarized in the following table:

Standard	**Description of Change**	**Increase / (decrease) to Shareholders' Equity ($000's)**
IAS 19-Employee Benefits	• Immediate recognition of past service costs	($2,502)
	• Immediate recognition of actuarial gains / (losses)	$2,658
	• Amortization of original transitional obligation	($339)
Total IAS 19 Impact		**($183)**
IFRS 2 – Share-based payments	**Measurement of stock options with tandem stock appreciation rights**	**$130**
Total Impact Before Income taxes		**($53)**
Net After-tax Impact on Shareholders' Equity at January 1, 2010		**($39)**

The Company has engaged its auditors to review its IFRS assessment and the quantification of the IFRS impact on the January 1, 2010 opening balance sheet.

Employee Benefits

With respect to the Company's defined benefit liabilities, under Canadian GAAP, past service costs relating to amendments to a defined benefit plan are deferred and amortized over the service life of active employees. Under IFRS, past service costs are recognized as an expense on a straight-line basis until the benefits are vested. To the extent that the benefits are already vested upon introduction of amendments to a defined benefit plan, the past service costs are expensed immediately. Upon transition to IFRS, previously deferred past service costs related to the Company's defined benefit pension and benefit liabilities are fully recognized as an adjustment to opening retained earnings resulting in a $2.5 million reduction of retained earnings at January 1, 2010 under IFRS.

Under Canadian GAAP, the Company defers actuarial gains or losses within a 10% corridor of its defined benefit pension and benefit obligations. While IFRS permits the "corridor approach" or other systematic and unbiased methods that provide for faster recognition of gains and losses, it also permits the recognition of actuarial gains or losses directly in shareholders' equity, through Other Comprehensive Income ("OCI") without subsequent reclassification of the gains or losses from OCI to income. At January 1, 2010, the Company has taken an election under IFRS 1 to apply "Fresh Start" accounting and record all of its unrecognized net actuarial gains in retained earnings. This results in a $2.7 million increase in retained earnings at transition. Subsequent to transition, the Company has elected to record net actuarial gains and losses directly in OCI.

Share-based Compensation

Under Canadian GAAP, the Company currently measures the cost associated with its stock options with tandem Stock Appreciation Rights ("SARs") at the amount by which the quoted market value of the shares exceeds the exercise price. IFRS requires stock options to be measured using an option pricing model with a revaluation to current assumptions at the end of each reporting period. Under IFRS, the Company will use the Black Scholes option pricing model to value its stock options with tandem SARs resulting in a $0.1 million increase in opening retained earnings as at January 1, 2010.

Insurance Contracts

Under IAS 39 – Financial Instruments Recognition and Measurement, a financial guarantee contract "requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument." This broad definition and terminology does not specifically align with the classes of insurance definitions within the Insurance Companies Act, and mortgage insurance fits into this definition of a financial guarantee contract. As a result, the Company has the option under IFRS to irrevocably elect to account for its mortgage insurance policies as either a financial instrument under IAS 39 or an insurance contract under IFRS 4 – Insurance Contracts. OSFI has communicated the expectation that all Canadian insurers that issue credit insurance products that meet the IFRS definition of a financial guarantee contract will account for these contracts as insurance, consistent with the purpose of their license granted under the Insurance Companies Act. Consequently, the Company has elected to account for its mortgage insurance policies under IFRS 4. IFRS 4 is a provisional standard that is currently under review by the International Accounting Standards Board ("IASB"). Any mandatory changes resulting from this review are not expected to be implemented until after 2013, when Phase II of IFRS 4 becomes mandatory for insurance companies. Until such time, IFRS 4 is similar to Canadian GAAP in all material respects with the exception of the requirement for additional note disclosure. Therefore, the Company will continue using its current practice for measuring and recording insurance liabilities.

IFRS Developments

The Company is monitoring developments in standards that are expected to change subsequent to the mandatory transition date of January 1, 2010.

IFRS 9 – Financial Instruments was issued in November 2009 replacing IAS 39, with mandatory adoption on January 1, 2013. This new standard will significantly impact the Company's financial statements because the standard will require all financial instruments to be accounted for either at amortized cost or at fair value, with fair value changes recorded in the statement of income. The available-for sale-category, which permits entities to account for changes in fair value of financial instruments in OCI, and where the vast majority of the Company's financial instruments are currently recorded, will cease to exist. Prior to the mandatory adoption of IFRS 9 on January 1, 2013, there are no significant differences between IFRS and Canadian GAAP relevant to the Company's invested assets.

On July 30, 2010, the IASB issued an exposure draft ("ED") on Phase II of IFRS 4, which is intended to result in a single, consistent recognition and measurement standard for insurance contracts internationally. The ED continues to apply the same definition for insurance contracts as set out in the existing standard. At the same time, it modifies the scope to require the accounting for financial guarantee contracts as insurance contracts under IFRS 4.

The ED does not include a proposed transition date. Further, the IASB may defer the mandatory adoption of IFRS 9 – Financial Instruments – Recognition and Measurement for insurers to coincide with the adoption of phase II of IFRS 4. The most significant changes to IFRS 4 pertain to the recognition and measurement of insurance contracts. The IASB is proposing that an insurer measure its insurance liabilities using a model based on fulfillment cash flows. The insurance liability is to be comprised of: i) the unbiased, probability-weighted average of future cash flows expected to arise as the insurer fulfils its obligation under an insurance contract discounted to present value and ii) a risk adjustment to reflect the uncertainty about the amount and timing of the future cash flows. Both the cash flows and the risk margin are to be re-measured each reporting period. In addition to the fulfillment cash flows, the ED requires that the measurement of an insurance contract include a residual margin. The residual margin represents a calibration that eliminates positive differences between expected premiums and expected claims, handling expense and incremental deferred acquisition costs at the inception of the insurance contract. The residual margin is not re-measured, but is released over the insurance contract coverage period based on the passage of time or the timing of expected claims. Incremental deferred policy acquisition costs may be included in the determination of fulfillment cash flows. All other acquisition costs are expensed as incurred.

At the date of transition, the ED requires that an insurer measure each portfolio of insurance contracts based on fulfillment cash flows. If a difference between the insurer's existing insurance liabilities and the new measurement arises, that difference is recognized directly in retained earnings. Any existing balances of deferred acquisition costs are also derecognized at the transition date. In other words, to the extent that the Company's existing unearned premium balance exceeds fulfillment cash flows plus risk margin, the excess is recorded directly in retained earnings and is no longer released into income over the insurance contract coverage period based on the expected timing of claims.

The ED is in its preliminary stages and is subject to change. Comments on the ED are due by November 30, 2010.

IFRS Impact on Business Processes, IT Systems and Internal Controls

Given that IFRS 4 for insurance contracts is similar to existing Canadian GAAP, IFRS does not impact business processes and IT systems related to the underwriting and claims management at this time. As a result, the Company does not anticipate significant changes to its systems of internal controls in this area. However, there are additional disclosure requirements related to insurance contracts. The Company is currently working to develop financial reporting processes necessary to complete these disclosures.

Given that there are currently no significant differences between Canadian GAAP and IFRS related to the Company's recognition and measurement of investments, there will be no change to the Company's investment reporting system at the time of conversion.

The changeover to IFRS is not expected to have a material impact on the Insurance Subsidiary MCT ratio.

IFRS Impact on Financial Reporting and Disclosure Controls & Procedures

The Company is currently preparing IFRS disclosure templates as part of the process of converting Canadian GAAP disclosures to IFRS compliant disclosures. This process will include establishing new financial reporting processes and associated internal controls related to the collection and timely reporting of financial information, including the quarterly and annual financial statements, and the Management Discussion & Analysis.

The Company regularly reviews progress on its IFRS conversion with the Audit Committee of the Board including a review of significant accounting policy changes and their estimated impact on the financial statements.

The Company's IFRS conversion project is on schedule and the Company expects to file its first quarter financial statements under IFRS and Management Discussion & Analysis within the required time frame.

Risk Management

Risk management is a critical part of the Company's business. The Company has an enterprise risk management framework that encompasses mortgage portfolio risk management, underwriting policies and guidelines, product development, regulatory compliance, investment portfolio management and liquidity risk. The Company's risk management framework facilitates the assessment of risk by acting as a proactive decision-making tool to determine which risks are acceptable and to monitor and manage the Company's risks in an ongoing manner. The Company's risk management framework and internal control procedures are designed to reduce the level of volatility in its financial results.

Mortgage Portfolio Risk Management

The Company's mortgage portfolio risk management involves actively managing its borrower credit quality, product and geographic exposures. The Company carefully monitors portfolio concentrations by borrower credit quality, product and geography against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada. The Company's underwriting policies and guidelines are reviewed and updated regularly to manage the Company's exposures and to address emerging trends in the housing market and economic environment. For example, in view of economic conditions in the early part of 2009, the Company took a number of actions focusing on its new insurance written to reduce the overall risk profile of its mortgage portfolio such as more stringent requirements on borrowers' total debt service ratios, credit scores and loan-to-value ratios in economically sensitive areas.

In addition to these internal actions, the Company supported the Canadian government's decision in 2008 to introduce restrictions on high loan-to-value mortgages by eliminating insurance products for mortgages with loan-to-values of greater than 95%, interest-only mortgages and 40-year amortization mortgages. On April 19, 2010, the Canadian government implemented additional changes to the rules for government guaranteed mortgages which (i) require that all borrowers seeking mortgages of a term less than five years or seeking a variable rate mortgage must qualify for the five-year fixed rate mortgage posted by the Bank of Canada, (ii) lower the maximum amount borrowers can withdraw in refinancing their mortgages to 90 per cent, from 95 per cent, of the value of their homes, and (iii) require a minimum down payment of 20 per cent on non-owner-occupied properties purchased for speculation. These rules were formalized in an amendment to the Government Guarantee Agreement between the Government of Canada and the Insurance Subsidiary. The Company supports the implementation of these additional rules and views them as prudent steps taken to protect and maintain the health and stability of the housing market.

The Company's extensive historical database and innovative information technology systems are important tools in its approach to risk management. The Company utilizes components of its proprietary high loan-to-value mortgage performance database to build and improve its mortgage scoring model. The Company's mortgage scoring model employs a number of evaluation criteria to assign a score to each insured mortgage loan and predict the likelihood of a future claim. This evaluation criteria includes borrower credit score, loan type and amount, total debt service ratio, property type and loan-to-value. The Company believes these factors, as well as other considerations, significantly enhance the ability of the mortgage scoring model to predict the likelihood of a borrower default, as compared to reliance solely on borrower credit score. The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology and models. The risk management team analyzes and summarizes mortgage portfolio performance, risk concentrations, emerging trends and remedial actions which are reviewed with the Company's management-level risk committee on a monthly basis.

Transactions with Related Parties

Following the closing of the Company's IPO on July 7, 2009, the Company and the Insurance Subsidiary entered into a Transition Services Agreement ("TSA") with Genworth Financial, Inc., the Company's ultimate parent company. The agreement prescribes that these companies will provide certain services to one another, with most services being terminated if Genworth Financial, Inc. ceases to beneficially own more than 50% of the common shares of the Company. The services rendered by Genworth Financial, Inc. 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 and tax compliance support services. These transactions are in the normal course of business. Accordingly, they are measured at fair value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred net related party charges of $6 million for the nine months ended September 30, 2010.

Special Note Regarding Forward-Looking Statements

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to Genworth Canada, are intended to identify forward-looking statements. Specific forward-looking statements in this document include, but are not limited to, statements with respect to the Company's housing demand and home price appreciation, unemployment rates, future operating and financial results, 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, including the economic assumptions described in the "Outlook" section of this MD&A. 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 risks related to: changes in government regulation; competition from other providers of mortgage insurance in Canada; a downturn in the global or Canadian economies; a decline in the Company's regulatory capital or an increase in its regulatory capital requirements; changes to laws mandating mortgage insurance; a decrease in the volume of high loan-to-value mortgage originations; ineffective or unsuccessfully implemented risk management standards by the Company; a downgrade or potential downgrade in the Company's financial strength ratings; interest rate fluctuations; the 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 22, 2010 ("AIF"). 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 securities regulatory authorities and can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com, including the AIF. The forward-looking statements contained in this MD&A represent the Company's views only as of the date hereof. Forward-looking statements contained in this MD&A 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 shareholders 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.

Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with GAAP, the Company used a non-GAAP financial measure called net operating income. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as net operating income and return on net operating income. The Company believes that these non-GAAP 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-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies.

The table below shows the Company's net operating income and operating earnings per share for the periods specified and reconciles these figures to the Company's net income and operating earnings per share in accordance with GAAP for such periods.

	For the quarter ended September 30,		For the nine months ended September 30,	
(in millions, unless otherwise specified)	**2010**	2009	**2010**	2009
Net income[1]	**$ 95**	$ 79	**$ 264**	$ 291
Adjustment to net income:				
Gains (Losses) on investments, net of taxes	**(3)**	(4)	**(5)**	(6)
Net operating income[1]	**$ 92**	$ 75	**$ 259**	$ 286

Notes:
[1]Excluding impact of changes to the premium recognition curve, net income and net operating income for the nine months ended September 30, 2009 would have been $228 million and $222 million respectively.

	For the quarter ended September 30,			
(in dollars)	**2010**		2009	
	Basic	**Diluted**	Basic	Diluted
Earnings per share	**$ 0.84**	**$ 0.84**	$ 0.67	$ 0.67
Adjustment to earnings per share:				
Gains (Losses) on investments, net of taxes	**(0.02)**	**(0.03)**	(0.03)	(0.04)
Operating earnings per share	**$ 0.82**	**$ 0.81**	$ 0.64	$ 0.63

	For the nine months ended September 30,			
(in dollars)	**2010**		2009	
	Basic	**Diluted**	Basic	Diluted
Earnings per share	**$ 2.29**	**$ 2.27**	$ 2.56[1]	$ 2.56[1]
Adjustment to earnings per share:				
Gains (Losses) on investments, net of taxes	**(0.04)**	**(0.05)**	(0.05)	(0.05)
Operating earnings per share	**$ 2.25**	**$2.22**	$ 2.51[1]	$ 2.51[1]

Notes:
[1]Excluding impact of changes to the premium recognition curve in the first quarter 2009, financial measures for the nine months ended September 30, 2009 would have been earnings per share (basic) $2.00, earnings per share (diluted) $2.00, operating earnings per share (basic) $1.95, and operating earnings per share (diluted) $1.95