Genworth MI Canada Inc.

Management's Discussion and Analysis

For the quarter ended September 30, 2015

Interpretation

The third quarter of 2015 and prior-period comparative results for Genworth MI Canada Inc. ("Genworth Canada" or 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 the provision of 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.

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") on October 28, 2015 is prepared for the three and nine months ended September 30, 2015. The unaudited consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's financial statements.

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.

Unless the context otherwise requires, all financial information is presented on an IFRS basis.

Special note regarding 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.

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 the Company 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 expectations regarding the effect of the Canadian government guarantee legislative framework, the impact of proposed guideline changes by OSFI, the effect of changes to the government guarantee mortgage eligibility rules, and the Company's beliefs as to housing demand and home price appreciation, bond yields, unemployment rates, the impact of oil prices, 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 compensation of directors and officers; the Company's anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing; the Company's plans for and timing of expansion of service and products; the Company's ability to accurately assess and manage risks associated with the policies that are written; the Company's ability to accurately manage market, interest and credit risks; the Company's ability to maintain ratings, which may be affected by the ratings of its majority shareholder, Genworth Financial, Inc.; interest rate fluctuations; a decrease in the volume of high loan-to-value mortgage originations; the cyclical nature of the mortgage insurance industry; changes in government regulations and laws mandating mortgage insurance; the acceptance by the Company's lenders of new technologies and products; the Company's ability to attract lenders and develop and maintain lender relationships; the Company's competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; anticipated trends and challenges in the Company's business and the markets in which it operates; changes in the global or Canadian economies; a decline in the Company's regulatory capital or an increase in its regulatory capital requirements; loss of members of

the Company's senior management team; potential legal, tax and regulatory investigations and actions; the failure of the Company's computer systems; 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 (the "AIF") 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. The forward-looking statements contained in this MD&A represent the Company's views only as of the date hereof. Forward-looking statements and future-oriented financial information 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 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.

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 accumulated other comprehensive income ("AOCI"), operating return on equity and underwriting ratios such as loss ratio, expense ratio and combined ratio. Additional non-IFRS measures used by the Company to analyze performance include insurance in-force, new insurance written, Minimum Capital Test ("MCT") ratio, delinquency ratio, average reserve per delinquency, credit score, debt service ratio, debt-to-capital ratio, ordinary dividend payout ratio, workout penetration rate, 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 this 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 this MD&A.

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Business profile

Business background

Genworth Canada is the leading private-sector residential mortgage insurer in Canada and has been providing 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. 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 main competitor.

The Company offers both transactional (previously referred to as high loan-to-value) and portfolio (previously referred to as low loan-to-value) mortgage insurance.

Federally regulated lenders are required to purchase transactional mortgage insurance in respect of a residential mortgage loan whenever the loan-to-value ratio exceeds 80%. The Company's transactional mortgage insurance covers default risk on mortgage loans secured by residential properties to protect lenders from any resulting losses on claims. By offering insurance for transactional mortgages, the Company plays a significant role in increasing access to homeownership for Canadian residents. Homebuyers who can only afford to make a smaller down payment can, through the benefits provided by mortgage insurers such as Genworth Canada, obtain mortgages at rates comparable to buyers with more substantial down payments.

The Company also provides portfolio mortgage insurance to lenders for loans with loan-to-value ratios of 80% or less. These policies are beneficial to lenders as they provide the ability to manage capital and funding requirements and mitigate risk. The Company views portfolio mortgage insurance as an extension of its relationship with its existing lenders. Therefore, the Company carefully manages the level of its portfolio mortgage insurance relative to its business. Premium rates on portfolio mortgage insurance are significantly lower than those on transactional mortgage insurance due to the lower risk profile associated with portfolio loans.

Seasonality

The transactional mortgage insurance business is seasonal. Premiums written vary each quarter, while premiums earned, investment income, underwriting and administrative expenses tend to be relatively stable from quarter to quarter. The variations in premiums written are driven by mortgage origination activity and associated 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 and characteristics of the insurance in-force portfolio, such as size, age, seasonality and geographic mix of delinquencies. Typically, losses on claims increase during the winter months, due primarily to an increase in new delinquencies, and decrease during the spring and summer months.

The Company's new insurance written from portfolio mortgage insurance varies from period to period based on a number of factors including: the amount of portfolio mortgages lenders seek to insure; the competitiveness of the Company's pricing, underwriting guidelines and credit enhancement for portfolio insurance; and the Company's risk appetite for such mortgage insurance.

Distribution and marketing

The Company works with lenders, mortgage brokers and real estate agents across Canada to make homeownership more affordable for first-time homebuyers. Mortgage insurance customers consist of originators of residential mortgage loans, such as banks, mortgage loan and trust companies, credit unions and other lenders. These lenders typically determine which mortgage insurer they will use for the placement of mortgage insurance written on mortgages originated by them. The five largest Canadian chartered banks are the largest mortgage originators in Canada and provide the majority of financing for residential mortgages.

Overview

Third quarter financial highlights

The following table sets forth certain financial information for the three and nine months ended September 30, 2015 and 2014:

(in millions of dollars, unless otherwise specified)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Income statement data				
Premiums written	$ 260	$ 217	$ 595	$ 462
Premiums earned	$ 148	$ 140	$ 435	$ 422
Losses on claims and expenses				
Losses on claims	31	30	87	74
Expenses	28	24	82	78
Total losses on claims and expenses	59	53	169	152
Net underwriting income	89	87	266	270
Net investment income	39	51	154	149
Interest expense	6	6	17	18
Fee on early redemption of long term debt	—	—	—	7
Income before income taxes	122	133	403	394
Net income	$ 90	$ 98	$ 301	$ 290
Net operating income [1]	$ 92	$ 93	$ 280	$ 283
Weighted average number of common shares outstanding				
Basic	91,794,296	95,015,502	92,465,491	94,971,533
Diluted [2]	92,209,495	95,572,195	92,931,839	95,501,056
Earnings per common share ratios				
Earnings per common share (basic)	$ 0.98	$ 1.03	$ 3.25	$ 3.06
Earnings per common share (diluted) [2]	$ 0.96	$ 1.01	$ 3.19	$ 3.04
Selected non-IFRS financial measures [1]				
Insurance in force [3]	$ 389,972	$ 348,196	$ 389,972	$ 348,196
Total new insurance written	$ 14,464	$ 13,391	$ 35,113	$ 33,368
Transactional new insurance written	$ 8,341	$ 7,354	$ 19,012	$ 15,919
Portfolio new insurance written	$ 6,123	$ 6,037	$ 16,101	$ 17,449
Loss ratio	21%	21%	20%	18%
Expense ratio	19%	17%	19%	18%
Combined ratio	40%	38%	39%	36%
Operating return on equity	12%	12%	12%	12%
MCT ratio [4]	227%	224%	227%	224%
Delinquency ratio	0.10%	0.10%	0.10%	0.10%
Operating earnings per common share (basic)	$ 1.01	$ 0.97	$ 3.03	$ 2.98
Operating earnings per common share (diluted) [2]	$ 1.00	$ 0.97	$ 3.02	$ 2.96

Note: Amounts may not total due to rounding.

[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information.

[2] The difference between basic and diluted number of common shares outstanding, basic and dilated earnings per common share, and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

[3] The Company estimates that the outstanding balance of insured mortgages was approximately $178 billion as at June 30, 2015. Outstanding balances are reported on a one quarter lag.

[4] Company estimate.

Key third quarter financial metrics:

For the three months ended September 30, 2015, the Company reported net income of $90 million and net operating income of $92 million, as compared to $98 million and $93 million in the prior year, respectively.

- Premiums written of $260 million represented an increase of $43 million, or 20%, as compared to the same quarter in the prior year. The year-over-year increase was primarily the result of improved market penetration and higher average premium rates resulting from the 2014 and 2015 premium rate increases for transactional insurance.

- Premiums earned of $148 million increased by $7 million, or 5%, as compared to the same quarter in the prior year due to the higher level of premiums written in recent years. The unearned premiums reserve was $2.0 billion at the end of the quarter, up $196 million, or 11%, over the prior year, 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, or 5%, higher than the same quarter in the prior year primarily due to a higher average reserve per delinquency related to Quebec and Atlantic delinquencies. The resulting loss ratio was 21% for the quarter, unchanged from the same quarter in the prior year.

- Expenses of $28 million were $4 million, or 19%, higher than the same quarter in the prior year primarily due to higher share based compensation. The expense ratio was 19%, 2 percentage points higher than the same quarter in the prior year and remains within the Company's expected operating range of 18 to 20%.

- Net Investment income, excluding realized gains, of $42 million decreased by $1 million, or 3%, as compared to the same quarter in the prior year primarily due to the impact of the lower reinvestment rates. The Company's investment portfolio had a market value of $5.7 billion at the end of the quarter and earned a pre-tax equivalent book yield of 3.3%.

- The number of reported delinquencies outstanding was 1,715. 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.

Year to date financial metrics:

For the nine months ended September 30, 2015, the Company reported net income of $301 million and net operating income of $280 million, as compared to $290 million and $283 million in the prior year, respectively.

- Premiums written of $595 million increased by $134 million, or 29%, in the nine months ended September 30, 2015, as compared to the prior year's period. The year-over-year increase was primarily the result of improved market penetration and higher average premium rates resulting from the 2014 and 2015 premium rate increases for transactional insurance.

- Premiums earned increased by $12 million, or 3%, to $435 million in the nine months ended September 30, 2015, as compared to the prior year's period due to higher level of premiums written in recent years.

- Losses on claims increased by $13 million, or 17%, to $87 million in the nine months ended September 30, 2015, as compared to the prior year's period primarily due to a higher average reserve per delinquency related to Quebec and Atlantic delinquencies and a modest increase in new delinquencies, net of cures. The resulting loss ratio was 20% as compared to 18% in the prior year.

- Expenses increased by $4 million, or 5%, to $82 million in the nine months ended September 30, 2015, as compared to the prior year's period. The expense ratio was 19% as compared to 18% in the prior year and remains within the Company's expected operating range.

- Interest and dividend income, net of investment expenses, decreased $5 million, or 4%, to $125 million in the nine months ended September 30, 2015, as compared to the prior year's period primarily due to the impact of the lower reinvestment rates.

The regulatory capital ratio or Minimum Capital Test ("MCT") ratio was approximately 227% or 42 percentage points higher than the Company's internal target MCT ratio of 185% and 7 percentage points higher than the Company's operating MCT holding target of 220%. The Company currently intends to operate with an MCT modestly above its operating MCT holding target.

Recent business developments

Price increase

The Company reviews its underwriting, pricing and risk selection strategies on an annual basis to ensure that its products remain competitive and consistent with its marketing and profitability objectives. The Company's pricing approach takes into consideration long-term historical loss experience on loans with similar loan-to-value ratios, terms and types of mortgages, borrower credit histories and capital required to support the product.

On June 1, 2015, the Company increased its mortgage insurance premium rates on mortgages with less than a 10 percent down payment by approximately 15%. The new pricing is a reflection of higher current capital requirements and supports the long term health of Canada's housing finance system.

The new premium rates on transactional new insurance written for standard owner-occupied purchase applications are as follows:

Loan-to-Value Ratio	Standard Premium (Prior to June 1, 2015)	Standard Premium (Effective June 1, 2015)
Up to and including 65%	0.60%	0.60%
Up to and including 75%	0.75%	0.75%
Up to and including 80%	1.25%	1.25%
Up to and including 85%	1.80%	1.80%
Up to and including 90%	2.40%	2.40%
Up to and including 95%	3.15%	3.60%
90.01% to 95% (Borrowed Down Payment Program)	3.35%	3.85%

As a result of this price increase, premiums written in 2015 are expected to increase by approximately $25 to $30 million, and premiums earned are expected to increase by approximately $1 million. In the third quarter, the increase in premiums written and premiums earned attributable to the price increase were approximately $12 million and less than $1 million, respectively. In the third quarter, approximately 57% of the transactional new insurance written reflected the post-June 1, 2015 premium rates and the Company expects that this will gradually increase over the remainder of this year as new mortgage insurance approvals transition to new insurance written.

Financial strength ratings

On September 3, 2015 Standard & Poor's ("S&P") affirmed the Insurance Subsidiary's A+ rating with a stable outlook and the Company's BBB+ rating with a stable outlook. S&P noted that the Company had a strong competitive position, low industry risk due the company's disciplined underwriting initiatives and tight governmental regulation and very strong earnings and capitalization.

The Insurance Subsidiary is rated AA and the Company's issuer rating and senior unsecured debentures are AA (Low), with a stable outlook, by DBRS. The ratings from DBRS were confirmed in March 2015. DBRS applies a one-notch differential between the Insurance Subsidiary and the Company to reflect the structural subordination of the Company's financial obligations relative to those of the regulated Insurance Subsidiary.

Dividends

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

The Company also announced on October 29, 2015, that its Board of Directors approved an 8% ordinary dividend increase to $0.42 per common share, payable on November 27, 2015, to shareholders of record at the close of business on November 13, 2015. The Company has increased its dividend in each of the last 6 years.

Share repurchase

During the second quarter and pursuant to the Company's Normal Course Issuer Bid which will expire on May 4, 2016, the Company repurchased 1,454,196 common shares for cancellation, representing 2% of the outstanding common shares, for an aggregate amount of $50 million. The Company did not make any purchases pursuant to Normal Course Issuer Bid during the third quarter.

Regulatory capital

The Company manages its capital base to maintain a balance between capital strength, efficiency and flexibility. As at September 30, 2015, the Insurance Subsidiary's MCT ratio was approximately 227%, or 42 percentage points higher than the Company's internal target of 185% and 7 percentage points higher than the Company's holding target of 220%. The holding target is in place pending the development by OSFI of a new regulatory test for mortgage insurers, which is targeted for implementation in 2017. While the Insurance Subsidiary's internal capital target is calibrated to cover the various risks that the business would face in a severe recession, the holding target is designed to provide a capital buffer to allow management time to take the necessary actions should capital levels be pressured by deteriorating macroeconomic conditions.

Objectives and focus for 2015

In pursuit of being Canada's mortgage insurer of choice, the Company seeks to enhance stakeholder value through working with its lender partners, regulators and influencers to:

- Maintain strong claim paying ability and financial strength;
- Help Canadians responsibly achieve and maintain homeownership;
- Promote strong and sustainable communities across Canada; and
- Advance prudent risk management practices to enhance the safety and soundness of the financial system.

The Company's long term objectives are to enhance shareholder value by achieving a return on equity that exceeds its cost of capital and by increasing net income over time. The Company's priorities to achieve its long-term objective are identified in the following chart where "A" represents an actual result, "E" represents an estimate and "Y/Y" represents year over year.

	2015 Objectives	Reported Key Economic Indicators	Full Year Key Economic Indicators	Year to date 2015 Key Performance Metrics
Top Line Growth	Achieve moderate growth in net premiums written through customer-centric product and service strategies and successful sales execution.	Housing Resales A [1]: Y/Y **4%**	Housing Resales E [1]: Y/Y **3%**	Premiums Written Growth: Y/Y **29%**
Loss Performance	Proactive risk management and focused loss mitigation strategies: • Loss ratio range of 20 to 30% • Workout penetration greater than 50%	GDP [2]: Q2'14A: **3.4%** Q2'15A: **(0.5)%** National Unemployment [3]: Q3'14A: **6.9%** Q3'15A: **7.1%** National Home Price Appreciation [4]: Q3'14A: **2.2%** Q3'15A: **2.8%**	GDP [2]: 2014A: **2.5%** 2015E: **1.1%** National Unemployment [3]: 2014A: **6.7%** 2015E: **7.0% to 7.2%** National Home Price Appreciation [4]: 2014A: **4.9%** 2015E: **4%** to **5%**	Loss Ratio: **20%** Workout Penetration Rate: **57%**
Portfolio Quality and Risk Management	Maintain a high quality insurance portfolio through prudent underwriting guidelines, proactive risk management and disciplined underwriting: • Average Credit score greater than 725 • Average Gross Debt Service ratio less than 26%			Average Credit Score: **742** Average Gross Debt Service Ratio: **24%**
Capital Management	Proactively manage capital to balance capital strength, flexibility and efficiency: • Ordinary Dividend Payout Ratio 35 - 45% • Debt to capital ratio of less than or equal to 15% • MCT ratio modestly above 220%	n/a	n/a	Ordinary Dividend Payout Ratio: **39%** Debt to Total Capital Ratio: **11%** As At September 30th, 2015 MCT Ratio[6]: **227%** As At September 30th, 2015
Investment Management	Optimize investment portfolio to maximize investment yield while maintaining a high quality investment portfolio to minimize the correlation of risk with our insurance in force.	5 year Government of Canada Bond Yields: [5] Q1'15A **0.77%** Q2'15A **0.81%** Q3'15A **0.81%**	5 year Government of Canada Bond Yields: [5] Q4'15E **0.92%**	Investment Yield: **3.3%** Percentage of Investment Grade Fixed Income: **93%** As At September 30th, 2015

[1] Canadian Real Estate Association ("CREA") – CREA Monthly Data (SA), published October 15, 2015 for Actuals and CREA Quarterly Forecast published September 15, 2015 for estimate
[2] StatsCan [Qtrly Actuals Ann., CANSIM Table 380-0064]; 2015 Estimate - Monetary Policy Report, October 2015
[3] Statistics Canada –Labour Force Survey for Actuals and management estimate
[4] Teranet – National Bank Home Price Index for Actuals and management estimate
[5] Bloomberg – Quarterly data for actuals and management estimate for Q4'15 based on Forward Curve at October 13, 2015
[6] Company estimate

Economic environment

The mortgage insurance business is affected by changes in economic, employment and housing market trends as well as changes in government policy. As part of its risk management processes, the Company monitors the macroeconomic environment and housing market conditions and incorporates its assessment of the macroeconomic environment into its risk appetite.

Macroeconomic environment

Economic growth as measured by real Canadian Gross Domestic Product ("GDP") is forecast to grow by 1.5% in the third quarter of 2015 and by 1.1% for 2015. In comparison to a growth rate of 2.4% in 2014, modest growth in 2015 is attributed to the oil price shock and slow global growth which is expected to be partially offset by increasing non-energy exports and business investments in the second half of 2015 and in 2016. A stronger U.S. economy and a weaker Canadian dollar are expected to benefit exports in Central Canada and British Columbia.

The general economic forecasts anticipate oil prices to be in the US $45 to $55 range for the remainder of 2015. Low oil prices will continue to negatively impact economic growth, employment and housing in the oil producing provinces of Alberta, Newfoundland & Labrador and Saskatchewan.

Canada's job creation was slower in the third quarter of 2015 driving unemployment higher to 7.1%, up from 6.8% at the end of the second quarter of 2015 and up from 6.7% at the end of 2014. Management estimates the unemployment rate will remain between 7% and 7.2% for the remainder of 2015.

The Bank of Canada continues to maintain its overnight interest rates at 0.50% in response to slow economic growth. The low interest rate environment should continue through 2015 into 2016.

Housing market

Canada's housing market continues to benefit from the low interest rate environment that has supported affordability. Overall, the Company expects relatively stable housing markets in Ontario, Quebec and British Columbia to offset weakness in the oil producing provinces of Alberta, Newfoundland and Labrador and Saskatchewan. National home resale activity are expected to increase by 3.3% in 2015, according to Canadian Real Estate Association's latest forecast, and the Company expects the increase in the average home price for 2015 to be in the range of 4% to 5%. Going forward, the growth rate of the transactional mortgage insurance market should keep pace with the change in housing resale activity and home price appreciation.

Based on management's current assessment of the likely economic environment in 2016, it is the Company's preliminary view that the annual loss ratio in 2016 could be in the mid-20% to mid-to-high 30% range compared to the expected loss ratio for 2015 of 20% to 30%.

Regulatory environment

Changes to the regulatory capital framework

Effective January 1, 2015, the Company has adopted, on an interim basis, the *Interim Capital Requirements for Mortgage Insurance Companies*, which was released during the third quarter of 2014 by OSFI. This guideline was developed by adjusting the 2015 guideline, *Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies* to reflect the specific characteristics of the mortgage insurance business pending the development by OSFI of a new regulatory test for mortgage insurance companies which is expected to be released later this year and to be effective in 2017. Based on the pro-forma analysis completed at December 31, 2014, implementation of the 2015 MCT guideline resulted in an increase of approximately 3 percentage points to the Company's MCT ratio.

Own Risk and Solvency Assessment Guideline

During 2014, the Company developed and implemented its Own Risk and Solvency Assessment ("ORSA"). The implementation of ORSA did not result in a significant change to the Company's practices of maintaining, evaluating and managing risks.

ORSA is a process that links the Company's risk management framework to its business strategy and decision-making framework. Embedding risk and solvency into the decision making process is a key priority for the business and is supported by the Company's Enterprise Risk Management ("ERM") framework and Risk Appetite Framework ("RAF"). The Company's ORSA provides a baseline assessment of identified risks and the supporting risk management activities. Additionally, ORSA documents the Company's risk exposure relative to its RAF Framework and calculates the capital required to support those risks under certain predefined stress events.

E-21 – Operational Risk Management Guideline

In August 2015, OSFI released its draft E-21 Operational Risk Management Guideline (the "E-21 Guideline"). In the E-21 Guideline, OSFI defines operational risk "as the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. This includes legal risk but excludes strategic and reputational risk". The E-21 guideline sets out four principles: i) integrated and documented operational risk management framework, ii) supports corporate governance structure including a risk appetite statement, iii) use of a "three lines of defense" approach to ensure accountability; and iv) comprehensive identification and assessment process. The E-21 Guideline was open for public comment until October 9, 2015. The E-21 Guideline is consistent with the Company's current risk management framework and the Company does not anticipate any significant changes to its current policies and procedures upon the implementation of the E-21 Guideline.

B-21 - Mortgage Insurance Underwriting Guideline

On November 6, 2014, OSFI published the final B-21 Residential Mortgage Insurance Underwriting Practices and Procedures Guideline (the "B-21 Guideline"). In the B-21 Guideline, OSFI set out principles that promote and support sound residential mortgage insurance underwriting. These six principles focus on three main themes: (i) governance, development of business objectives and strategy, and oversight; (ii) interaction with lenders as part of the underwriting process; and (iii) internal underwriting operations and risk management. The B-21 Guideline also enhances disclosure requirements, which will support greater transparency, clarity and public confidence in mortgage insurers' residential mortgage insurance underwriting practices. The Company is compliant with the B-21 Guideline, which came into effect on September 30, 2015.

Portfolio Mortgage Insurance

On April 1, 2015, CMHC implemented a price increase to its National Housing Act Mortgage Backed Securities ("NHA MBS") guarantee fees. Under the NHA MBS Program, CMHC guarantees timely payment of principal and interest to purchasers of the MBS securities backed by pools of eligible insured mortgages. The NHA MBS fees are in addition to the mortgage insurance premium. For example, the guarantee fee for a NHA MBS with a 5 year term increased from 20 to 30 basis points for annual lender issuance of less than $6 billion and from 20 to 60 basis points for annual lender issuance which exceed $6 billion. This two-tier pricing structure may impact lenders' demand for portfolio mortgage insurance as many of the mortgages that are portfolio insured by the Company are then pooled and securitized through the NHA MBS program.

On June 3, 2015, the Government of Canada published regulations that prohibit the substitution of mortgages in insured pools after May 15, 2015 and limit the time period that a mortgage insurer can commit to insure mortgages to no more than one year. On June 6, 2015, the Government of Canada published draft regulations to implement the prohibition that was announced in the Government's 2013 budget to limit portfolio mortgage insurance to only those mortgages that will be used in CMHC securitization programs and to prohibit the use of government guaranteed insured mortgages in private securitizations. The Company anticipates the regulations will come into force in the first half of 2016.

Although it is difficult to determine the full impact of these changes until all the regulations are in effect, the Company believes that the regulations may result in a decrease in demand for portfolio mortgage insurance.

Financial performance

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

(in millions of dollars, unless otherwise specified)	Three months ended September 30, 2015	2014	Increase (decrease) and percentage change Q3'15 vs. Q3'14	
Premiums written	$ 260	$ 217	$ 43	20%
Premiums earned	$ 148	$ 140	$ 7	5%
Losses on claims and expenses:				
Losses on claims	31	30	1	5%
Expenses	28	24	4	19%
Total losses on claims and expenses	59	53	6	11%
Net underwriting income	89	87	2	2%
Net investment income:				
Interest and dividend income, net of investment expenses	42	43	(1)	(3)%
Net investment gains (losses)	(3)	8	(11)	NM
Total net investment income	39	51	(12)	(24)%
Interest expense	6	6	0	1%
Income before income taxes	122	133	(11)	(8)%
Provision for income taxes	32	34	(3)	(8)%
Net income	$ 90	$ 98	$ (8)	(9)%
Adjustment to net income, net of taxes:				
Fee on early redemption of long-term debt	—	—	—	—
Net investment gains (losses)	(3)	6	(8)	NM
Net operating income [1]	$ 92	$ 93	$ —	—
Effective tax rate	26.2%	26.0%	—	0.2 pts
Selected non-IFRS financial measures [1]				
New insurance written	14,464	13,391	1,073	8%
Transactional new insurance written	8,341	7,354	988	13%
Portfolio new insurance written	6,123	6,037	85	1%
Loss ratio	21%	21%	—	—
Expense ratio	19%	17%	—	2 pts
Combined ratio	40%	38%	—	2 pts
Operating return on equity	12%	12%	—	—
Investment yield	3.3%	3.4%	—	(0.2) pts

Note: Amounts may not total due to rounding. NM means Not Meaningful.

[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information.

Third quarter review

Transactional new insurance written increased by $1.0 billion, or 13%, to $8.3 billion in the third quarter of 2015 as compared to the prior year's period. The Company believes the increase in transactional new insurance written was primarily driven by higher market penetration as compared to the prior year's period.

Portfolio new insurance written was $6.1 billion in the third quarter of 2015, comparable to $6.0 billion in the prior year's period. The volume and mix of portfolio insurance varies from quarter to quarter based on lender demand.

Premiums written of $260 million represented an increase of $43 million, or 20%, as compared to the same quarter in the prior year.

- Premiums written from transactional insurance increased by $45 million, or 23%, to $236 million in the third quarter of 2015 as compared to the prior year's period. The $45 million increase was due to approximately $25 million from higher volumes, and approximately $8 million and $12 million from the 2014 and 2015 transactional insurance price increases respectively.
- Premiums written from portfolio insurance decreased $1 million, or 5%, to $24 million in the third quarter of 2015 as compared to the prior year's period.

Premiums earned increased by $7 million, or 5%, to $148 million in the third quarter of 2015, as compared to the prior year's period due to higher premiums earned from the relatively larger 2013 and 2014 books of business.

Losses on claims increased by $1 million, or 5%, to $31 million in the third quarter of 2015 as compared to the prior year's period. The $1 million increase was primarily due to a higher average reserve per delinquent loan and a modest increase in the number of new delinquent loans, net of cures. The resulting loss ratio was 21% in the current year's period as well as in the prior year's period. The Company continues to realize savings from its loss mitigation programs, including workout and asset management initiatives which also contribute to lowering losses on claims.

Expenses increased by $4 million, or 19%, to $28 million in the third quarter of 2015 as compared to the prior year's period primarily the result of higher stock based compensation and a modest increase in operating costs to support business growth. The expense ratio increased 2 percentage points to 19% for the third quarter of 2015, as compared to the prior year's period.

Interest and dividend income, net of investment expenses, decreased $1 million, or 4%, to $42 million in the third quarter of 2015, as compared to the prior year's period. The $1 million decrease was primarily due to the impact of lower reinvestment rates which was partially offset by higher invested assets. The investment yield for the quarter was 3.3%, which was 0.1% lower as compared to the investment yield in the prior year's period. The Company recorded $3 million of net investment losses in the third quarter of 2015. This quarter's net investment losses consisted of a $2 million realized gain on the sale of investments which was more than offset by a $5 million unrealized loss on the foreign currency derivatives due to the sharp decline in Canadian foreign exchange rates during the quarter as compared to $8 million of net investment gains in the prior year's period.

Interest expense of $6 million in the third quarter of 2015 was relatively unchanged, as compared to the prior year's period.

The effective tax rate of 26.2% in the third quarter of 2015 was relatively unchanged from the effective tax rate of 26.0% in the prior year's period.

Net income decreased by $8 million, or 9%, to $93 million primarily as a result of the following pretax changes, including $11 million lower net investment gains, $1 million higher losses on claims, $4 million higher expenses and $1 million lower interest and dividend income, net of investment expenses which were partially offset by $7 million higher premiums earned. Net operating income was $92 million, or $3 million higher than net income, as a result of an adjustment to net income, net of taxes, from the exclusion of net investment losses.

The following table sets forth the results of operations for the Company's business for the nine months ended September 30, 2015 and 2014:

(in millions of dollars, unless otherwise specified)	For the nine months ended September 30, 2015	2014	Increase (decrease) and percentage change 2015 vs 2014	
Premiums written	$ 595	$ 462	$ 133	29%
Premiums earned	$ 435	$ 422	$ 12	3%
Losses on claims and expenses:				
Losses on claims	87	74	13	17%
Expenses	82	78	4	5%
Total losses on claims and expenses	169	152	16	11%
Net underwriting income	266	270	(4)	(1)%
Investment income:				
Interest and dividend income, net of investment expenses	125	130	(5)	(4)%
Net investment gains	29	18	10	56%
Total net investment income	154	149	5	3%
Interest expense	17	18	(1)	(5)%
Fee on early redemption of long-term debt	-	7	(7)	NM
Income before income taxes	403	394	9	2%
Provision for income taxes	102	103	(1)	(1)%
Net income	$ 301	$ 290	$ 10	4%
Adjustment to net income, after taxes:				
Fee on early redemption of long term-debt	-	5	(5)	NM
Net gains (losses) on investments	21	13	8	58%
Net operating income [1]	$ 280	$ 283	$ (2)	(1)%
Effective tax rate	25.4%	26.3%	—	(0.9) pts
Selected non-IFRS financial measures [1]				
Total new insurance written	35,113	33,368	1,745	5%
Transactional new insurance written	19,012	15,919	3,093	19%
Portfolio new insurance written	16,101	17,449	(1,348)	(8)%
Loss ratio	20%	18%	—	2 pts
Expense ratio	19%	18%	—	—
Combined ratio	39%	36%	—	3 pts
Operating return on equity	12%	12%	—	—
Investment yield	3.3%	3.5%	—	(0.2) pts

Note: Amounts may not total due to rounding. NM means Not Meaningful.

[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information.

Year to date review

Transactional new insurance written increased by $3.1 billion, or 19%, to $19.0 billion, in the nine months ended September 30, 2015, as compared to the prior year's period. The Company believes the increase in transactional new insurance written was primarily driven by higher market penetration as compared to the prior year's period.

Portfolio new insurance written was $16.1 billion in the nine months ended September 30, 2015, as compared to $17.4 billion in the prior year's period due to a modest decrease in demand, which may fluctuate from quarter to quarter.

Premiums written of $595 million increased by $134 million, or 29%, in the nine months ended September 30, 2015, as compared to the prior year's period.

- Premiums written from transactional insurance increased by $132 million, or 34%, to $523 million in the nine months ended September 30, 2015 as compared to the prior year's period. The $132 million increase was due to approximately $75 million from higher volumes, and approximately $45 million and $12 million from the 2014 and 2015 transactional insurance price increases respectively.
- Premiums written from portfolio insurance increased by $2 million, or 1%, to $71 million in the nine months ended September 30, 2015 as compared to the prior year's period as a result of higher volumes of portfolio insurance business.

Premiums earned increased by $12 million, or 3%, to $435 million in the nine months ended September 30, 2015, as compared to the prior year's period due to higher premiums earned from the relatively larger 2013 and 2014 books of business.

Losses on claims increased by $13 million, or 17%, to $87 million in the nine months ended September 30, 2015, as compared to the prior year's period. The $13 million increase was primarily due to a higher average reserve per delinquent loan related to Quebec and Atlantic delinquencies and a modest increase in the number of new delinquent loans, net of cures, in Alberta and Atlantic Canada partially offset by a decrease in British Columbia and Quebec. The resulting loss ratio was 20% for the nine months ended September 30, 2015, as compared to 18% in the prior year's period. The Company continues to realize savings from its loss mitigation programs, including workout and asset management initiatives which also contribute to lowering losses on claims.

Expenses increased by $4 million or 5% to $82 million, in the nine months ended September 30, 2015, as compared to the prior year's period. A modest increase in operating costs to support business growth was partially offset by lower share based compensation expenses. The expense ratio was 19% relatively unchanged as compared to the prior year's period.

Interest and dividend income, net of investment expenses, decreased $5 million, or 4%, to $125 million in the nine months ended September 30, 2015, as compared to the prior year's period. The $5 million decrease was primarily the result of low reinvestment rates, partially offset by higher invested assets. The investment yield for the nine month period ended September 30, 2015 was 3.3% which was 0.2% lower as compared to the investment yield in the prior year's period. The Company recorded $29 million net investment gains in the nine months ended September 30, 2015, primarily from the sale of common equities, as compared to $18 million in the prior year's period.

Interest expense decreased $1 million, or 7%, to $17 million in the nine months ended September 30, 2015, as compared to the prior year's period. In addition, the prior year's period included a $7 million fee on the early redemption of long term debt.

The effective tax rate of 25.4% for the nine months ended September 30, 2015 decreased by approximately 90 basis points from 26.3% in the prior year's period. The decrease was primarily the result of an approximate $5 million favourable tax adjustment for prior periods and lower non-deductible expenses, partially offset by an increase in the Alberta provincial tax rate.

Net income increased by $10 million, or 4%, to $301 million, primarily as a the result of the following pretax changes: $12 million higher premiums earned, $10 million higher investment gains, a $5 million favorable tax adjustment, $7 million fee on the early redemption of debt in the prior period, and $1 million lower interest expense, partially offset by $13 million higher losses on claims, $5 million lower interest and dividend income, net of investment expenses and $4 million higher expenses. Net operating income was $280 million, or $20 million lower than net income as a result of an adjustment to net income, net of taxes, from the exclusion of net investment gains. Excluding the $5 million decrease in income taxes in the first quarter of 2015 related to the favourable tax adjustment, net income would have been $296 million and net operating income would have been $275 million.

Summary of quarterly results

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

(in millions of dollars, unless otherwise specified)	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13
Premiums written	$ 260	$ 205	$ 130	$ 178	$ 217	$ 160	$ 84	$ 129
Premiums earned	148	144	143	143	140	141	141	142
Losses on claims	31	25	31	37	30	17	28	31
Net underwriting income	89	90	87	76	87	97	86	78
Total investment Income	39	58	57	47	51	49	49	56
Net income	90	103	107	86	98	97	95	93
Adjustment to net income net of taxes:								
Fee on early redemption of long-term debt	—	—	—	—	—	5	—	—
Net investment (gains) losses	3	(12)	(11)	(3)	(6)	(4)	(4)	(8)
Net operating income [1]	$ 92	$ 92	$ 97	$ 84	$ 93	$ 99	$ 91	$ 85
Earnings per common share ratios								
Earnings per common share (basic)	$ 0.98	$ 1.12	$ 1.15	$ 0.92	$ 1.03	$ 1.02	$ 1.00	$ 0.98
Earnings per common share (diluted) [2]	$ 0.96	$ 1.12	$ 1.08	$ 0.91	$ 1.01	$ 1.02	$ 1.00	$ 0.98
Selected non-IFRS financial measures: [1]								
Loss ratio	21%	17%	22%	26%	21%	12%	20%	22%
Expense ratio	19%	20%	17%	21%	17%	19%	19%	23%
Combined ratio	40%	37%	39%	47%	38%	31%	39%	45%
Operating earnings per common share (basic)	$ 1.01	$ 0.99	$ 1.04	$ 0.89	$ 0.97	$ 1.04	$ 0.96	$ 0.90
Operating earnings per common share (diluted) [2]	$ 1.00	$ 0.99	$ 1.03	$ 0.89	$ 0.97	$ 1.04	$ 0.96	$ 0.90
Operating return on equity	12%	12%	12%	11%	12%	13%	12%	12%

Note: Amounts may not total due to rounding.

[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information.

[2] The difference between basic and diluted earnings per common share and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

Financial condition

Statement of financial position highlights and selected financial data

(in millions of dollars, unless otherwise specified)	As at September 30, 2015	As at December 31, 2014	Increase (decrease) and percentage change 2015 vs. 2014	
Total investments	$ 5,678	$ 5,443	$ 235	4%
Other assets	347	260	87	33%
Subrogation recoverable	64	67	(3)	(4)%
Total assets	6,089	5,770	319	6%
Unearned premiums reserves	1,959	1,799	161	9%
Loss reserves	121	115	5	4%
Long-term debt	432	432	—	—
Other liabilities	220	153	67	44%
Total liabilities	2,732	2,499	233	9%
Shareholders' equity excluding AOCI [1]	3,232	3,086	146	5%
Accumulated other comprehensive income ("AOCI")	125	185	(60)	(33)%
Shareholders' equity	3,357	3,271	86	3%
Total liabilities and shareholders' equity	$ 6,089	$ 5,770	$ 319	6%
Selected non-IFRS financial measures [1]				
MCT ratio [2]	227%	225%	—	2 pts
Book value per common share				
Number of common shares outstanding (basic)	91,795,125	93,147,778	(1,352,653)	(1)%
Book value per common share including AOCI (basic)	$36.57	$35.12	$1.45	4%
Book value per common share excluding AOCI (basic)	$35.21	$33.13	$2.08	6%
Number of common shares outstanding (diluted) [3]	92,891,155	93,403,036	(511,881)	(1)%
Book value per common share including AOCI (diluted) [3]	36.14	35.02	$1.12	3%
Book value per common share excluding AOCI (diluted) [3]	34.80	33.04	$1.76	5%
Dividends paid per common share during the year	$ 1.17	$ 1.87	—	—

Note: Amounts may not total due to rounding.

[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information.

[2] The MCT ratio as at September 30, 2015 is the company estimate and as at December 31, 2014 is the actual reported figure.

[3] The difference between basic and diluted number of common shares outstanding, book value per common share including AOCI and book value per common share excluding AOCI is caused by the potentially dilutive impact of share-based compensation awards.

Financial instruments

As at September 30, 2015, the Company had total cash and cash equivalents and invested assets of $5.7 billion in its portfolio. All of the Company's invested assets are classified as available-for-sale ("AFS") with the exception of cash and cash equivalents, collateral receivable under reinsurance agreement and accrued investment income and other receivables which are classified as loans and receivables. Fair value measurements for AFS securities are based on quoted market prices for identical assets when available. In the event an active market does not exist, estimated fair values are obtained primarily from industry-standard pricing sources using market observable information and through processes such as benchmark curves, benchmarking of like securities and quotes from market participants. Unrealized gains on AFS securities in the portfolio were $257 million which included $81 million of unrealized foreign exchange gains. Unrealized gains decreased $32 million from the end of 2014 primarily as a result of the gains realized on the sale of common equities during the year and the market decline for preferred shares values. The Company's investment yield for the nine months ended September 30, 2015 was 3.3%, which included the favourable impact of non-taxable dividend income from its Canadian equity investments.

The following tables present the Company's invested assets by asset class for the portfolio.

Asset Class	As at September 30, 2015			As at December 31, 2014		
(in millions of dollars, unless otherwise specified)	Fair value	%	Unrealized gains [3]	Fair value	%	Unrealized gains [3]
Asset backed bonds and debentures [1]	$ 173	3%	$ 27	$ 125	2%	$ 5
Corporate bonds and debentures:						
Financial	1,059	19%	34	1,142	21%	46
Energy	309	5%	21	252	5%	18
Infrastructure	223	4%	14	241	4%	14
All other sectors	562	10%	52	569	10%	37
Total Corporate bonds and debentures	2,153	38%	122	2,205	41%	115
Short term investments						
Canadian federal government treasury bills [2]	17	—	—	85	2%	—
Total Short term investments	17	—	—	85	2%	—
Government bonds and debentures:						
Canadian federal government	1,933	34%	79	1,770	33%	73
Canadian provincial and municipal government	1,005	18%	72	898	16%	68
Total Government bonds and debentures	2,938	52%	151	2,667	49%	141
Common Shares:						
Financials	—	—	—	45	1%	8
Energy	—	—	—	29	1%	2
All other sectors	—	—	—	97	2%	18
Total Common shares	—	—	—	170	3%	28
Preferred Shares:						
Financials	112	2%	(24)	—	—	—
Energy	26	—	(7)	—	—	—
All other sectors	56	1%	(11)	—	—	—
Total Preferred Shares	194	3%	(42)	—	—	—
Total invested assets	$ 5,475	96%	$ 257	$ 5,253	97%	$ 289
Cash and cash equivalents [4]	204	4%	—	190	3%	—
Total investments	5,678	100%	257	5,443	100%	$ 289
Accrued investment income and other receivables	57	—	—	30	—	—
Collateral receivable under reinsurance agreement	28	—	—	28	—	—
Total Invested assets, accrued investment income and other receivables	$ 5,763	100%	$ 257	$ 5,502	100%	289

Note: Amounts may not total due to rounding.

[1] Asset backed bonds are comprised of collateralized loan obligations. (December 31, 2014, asset backed bonds includes $117 million of collateralized loan obligations).

[2] Canadian federal government treasury bills includes $71 million (December 31, 2014 - $22 million) in collateral posted for the benefit of the Company's counterparties to its derivative financial instrument contracts.

[3] Unrealized gains include unrealized foreign exchange gains of $81 million (December 31, 2014 - $30 million).

[4] Cash Includes $300 (December 31, 2014 – nil) as collateral posted to the benefit of the Company from the Company's counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities.

The Company assigns credit ratings based on the asset risk guideline as outlined in OSFI's *Interim Capital Requirements for Mortgage Insurance Companies*, Minimum Capital Test Guideline effective January 1, 2015. Based on this guideline, the Company assigns ratings from DBRS when available. The majority of the assets in Company's current investment portfolio have a DBRS rating. In the absence of a DBRS rating, the Company assigns the lower of S&P or Fitch Rating Services ratings.

The following table presents the Company's invested assets, comprised primarily of fixed income securities, by credit rating for the portfolio.

Credit Rating	**As at September 30, 2015**			As at December 31, 2014	
(in millions of dollars, unless otherwise specified)	**Fair value**	**%**	**Unrealized gains**	Fair value	%
Cash and cash equivalents	**$ 221**	**4%**	**$ —**	$ 190	4%
AAA	**2,050**	**37%**	**90**	1,947	37%
AA	**1,027**	**19%**	**85**	1,099	21%
A	**1,796**	**33%**	**88**	1,700	32%
BBB	**391**	**7%**	**36**	337	6%
Total investments (excluding common shares and preferred shares)	**$ 5,485**	**100%**	**S 300**	$ 5,273	100%
Common shares	**—**		**—**	170	
Preferred shares	**194**		**(42)**	—	
Total invested assets and cash and cash equivalents	**$ 5,678**		**257**	$ 5,443	

Note: Amounts may not total due to rounding.

Investment portfolio management

The Company manages its portfolio assets to meet liquidity, credit quality, diversification and yield objectives by investing primarily in fixed income securities, including federal and provincial government bonds and corporate bonds. The Company also holds short-term investments and preferred shares. In all cases, investments are required to comply with restrictions imposed by law and insurance regulatory authorities as well as the Company's own investment policy, which has been approved by the Board.

To diversify management styles and to broaden credit expertise, the Company has split these assets primarily among four external investment managers. The Company works with these managers to optimize the performance of the portfolios within the parameters of the stated investment objectives outlined in its investment policy. The policy takes into account the current and expected condition of capital markets, the historical return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, the regulatory capital required to support the various asset types, security ratings and other material variables likely to affect the overall performance of the Company's investment portfolio. Compliance with the investment 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.

Asset-backed bonds and debentures

The Company held $173 million in asset-backed bonds and debentures as of September 30, 2015, up from $125 million as of December 31, 2014. These securities are comprised of AA rated floating rate collateralized loan obligations ("CLOs") denominated in U.S. dollars.

Corporate bonds and debentures

As of September 30, 2015, approximately 38% of the investment portfolio was held in corporate bonds and debentures, down from 41% at December 31, 2014. The proceeds from maturities in the first half of 2015 were reinvested in government bonds and debentures. The investment policy limits the percentage of the portfolio that can be invested in any single issuer or group of related issuers. Financial sector exposure through corporate bonds and debentures represents 19% of the investment portfolio, or approximately 49% of the corporate fixed income securities. The Company continuously monitors and repositions its exposure to the financial sector, which represents greater than 50% of the corporate issuances of fixed income securities in the Canadian marketplace. Energy sector exposure through corporate bonds and debentures represents 5% of the investment portfolio, of which approximately 33% is to pipelines and distribution companies that are

primarily regulated entities with stable cash flows. The remaining 67% of the Company's energy sector exposure is integrated oil and gas companies with large capitalizations. Securities rated BBB and below were $391 million, or 7% of invested assets, as of September 30, 2015.

Government bonds and debentures

The Company's investment policy requires that a minimum of 30% of the investment portfolio be invested in sovereign fixed income securities. As of September 30, 2015, 52% of the investment portfolio was invested in sovereign fixed income securities, consisting of 34% in federal fixed income securities and 18% in provincial fixed income securities, as compared to 49% in the prior year.

Canadian federal government treasury bills held by the Company consist primarily of short-term investments with original maturities greater than 90 days and less than 365 days. The Company held $17 million in Canadian short-term treasury bills in the investment portfolio as of September 30, 2015 as compared to $85 million in the prior year.

Common shares

As of September 30, 2015, the Company no longer held any dividend paying Canadian common shares as compared to 3% of the Company's investment portfolio, or $170 million, as of December 31, 2014. The decision to sell the holdings of common shares was primarily related to the substantial increase in the regulatory capital requirements for common shares under the Interim Capital Requirements for Mortgage Insurance Companies which became effective January 1, 2015.

Preferred shares

As of September 30, 2015, the Company held $194 million of preferred shares, of which the financial sector represented 58%. The Company believes that preferred shares have a comparable dividend yield to common shares and offer a more attractive risk and capital adjusted return profile to that of commons shares under the current MCT guidelines. As a result of the continued low interest rate environment, the value of the Company's preferred share investment holdings have an unrealized loss of $42 million at September 30, 2015.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in bank accounts and government treasury bills with original maturities of 90 days or less. 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 in the investment portfolio were $204 million as of September 30, 2015, an increase of $13 million from the $190 million as of December 31, 2014. The increase was primarily the result of an increase in cash from operating activities.

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations. The Company has five 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 and equity. 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 in the future financial years.

The following table provides a summary of the Company's cash flows:

(in millions of dollars, unless otherwise specified)	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Cash provided by (used in):		
Operating activities	$ 406	$ 146
Financing activities	(156)	(96)
Investing activities	(236)	49
Increase in cash and cash equivalents	13	98
Cash and cash equivalents, beginning of period	190	214
Cash and cash equivalents, end of period	$ 204	$ 312

Note: Amounts may not total due to rounding.

The Company generated $406 million of cash flows from operating activities in the nine months ended September 30, 2015, as compared to $146 million in the prior year's period. The strong cash flows in the nine months ended September 30, 2015 are from strong premiums written activity. The lower cash flows from operating activities in the nine months ended September 30, 2014 was primarily the result of $226 million in higher taxes paid in the first quarter, related to the reversal of the government guarantee fund.

The Company utilized $156 million of cash flows for financing activities, primarily related to the payment of ordinary dividends of $0.39 per common share per quarter, as well as the repurchase of common shares, in the nine months ended September 30, 2015, as compared to $96 million primarily related to the payment of ordinary dividends of $0.35 per common share per quarter in the prior year's period.

The Company utilized $236 million of cash flows from investing activities, primarily from the purchase of fixed income assets and preferred shares in the nine months ended September 30, 2015, as compared to the generation of $49 million in the prior year's period primarily from portfolio maturities.

The Company maintains a portion of its investment portfolio in cash and liquid securities to meet working capital requirements and other financial commitments. As of September 30, 2015, the Company held liquid assets of $687 million, comprised of $204 million in cash and cash equivalents, and $484 million in bonds and debentures maturing within one year in order to maintain financial flexibility. Of the $687 million liquid assets, $120 million was held outside of the Insurance Subsidiary. As at September 30, 2015, the duration of the fixed income portfolio was 3.8 years.

In addition to cash and cash equivalents, 52%, or $2,956 million, of the Company's investment portfolio comprises federal and provincial government securities for which there is a highly liquid market. Funds are used primarily for operating expenses, claims payments, and interest expense, as well as dividends and other distributions to shareholders. Potential liquidity risks are discussed in more detail in the "Risk Factors" section of the Company's AIF.

Derivative financial instruments

Derivative financial instruments are used by the Company for hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio, as long as the resulting exposures are within the Company's investment policy guidelines, which have been approved by the Board.

The Company uses derivative financial instruments in the form of foreign currency forwards and cross currency interest rate swaps to mitigate foreign currency risk associated with bonds denominated in U.S. dollars and Australian dollars pledged to collateralize reinsurance obligations. The Company uses derivative financial instruments in the form of equity total return swaps to mitigate volatility from changes in the fair market value of the Company's common shares related to risks associated with share-based compensation expenses.

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

		Notional Amount *(in millions)*				
	Net Fair value	1 year or less	1–3 years	3–5 years	Over 5 years	Total
September 30, 2015						
Foreign currency forwards	$(43)	$54	$23	$30	$224	$331
Cross currency interest rate swaps	$(28)	$125	$32	$8	$11	$176
Total	**$(71)**	**$179**	**$55**	**$38**	**$234**	**$507**
December 31, 2014						
Foreign currency forwards	$(15)	$29	$6	$17	$203	$255
Cross currency interest rate swaps	$(8)	—	$121	—	—	$121
Total	**$(23)**	**$29**	**$126**	**$17**	**$203**	**$375**

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. In the nine months ended September 30, 2015, the Company invested approximately $3 million in underwriting, loss mitigation and risk management technologies enhancements. The Company expects that future capital expenditures will continue to be allocated to underwriting, loss mitigation, and risk management technology improvements. The Company expects that capital expenditures in 2015 will be in the $3 million to $5 million range and it is anticipated that such expenditures will be funded primarily from operating cash flows.

Capital management

Minimum capital test

The Insurance Subsidiary is regulated by OSFI. Under the 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 regulatory capital available, as defined for MCT purposes, to required capital of 100%.

Under PRMHIA and the *Insurance Companies Act* (Canada) ("ICA"), the minimum MCT ratio for the Insurance Subsidiary is 175%. In conjunction with this requirement, the Insurance Subsidiary has set its internal MCT target capital ratio to 185%. The Company manages its capital base to maintain a balance between capital strength, efficiency and flexibility. As at September 30, 2015, the Insurance Subsidiary's MCT ratio was approximately 227%, or 42 percentage points higher than the Company's internal target of 185% and 7 percentage points higher than the Company's holding target of 220%. While the Company's internal MCT capital target is calibrated to cover the various risks that the business would face in a severe recession, the holding target ratio is designed to provide a capital buffer to allow management time to take the necessary actions should capital levels be pressured by deteriorating macroeconomic conditions. Under this framework, capital in excess of the holding target may be redeployed.

Capital above the amount required to meet the Insurance Subsidiary's MCT operating targets could be used to support organic growth of the business or declaration and payment of dividends or other distributions, and if distributed to Genworth Canada, to repurchase common shares of the Company, for acquisitions, for repayment of debt, or for such other uses as permitted by law and approved by the Board.

During the third quarter of 2014, OSFI released an advisory guideline, *Interim Capital Requirements for Mortgage Insurance Companies*, which will be used on an interim basis for 2015. This guideline was developed by adjusting the 2015 guideline, *Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies* ("2015 MCT Guideline"), to reflect the specific characteristics of the mortgage insurance business until the new capital guideline for mortgage insurance companies is developed.

The table below illustrates the MCT at the end of September 30, 2015, a pro-forma MCT at the end of December 31, 2014 under the 2015 MCT Guideline which came into effect on January 1, 2015, as well as MCT at the end of December 31, 2014 under the guideline in effect for 2014.

Minimum Capital Test *(in millions, unless otherwise specified)*	**As at Sep 30, 2015**	**2015 MCT Guideline Pro-forma** As at Dec 31, 2014	As at Dec 31, 2014
Capital available	**3,568**[1]	3,445[1]	3,298
Capital required	**1,569**[1]	1,513[1]	1,465
MCT ratio	**227%**[1]	228%[1]	225%

[1] Company estimate

The Company's MCT estimate as at September 30, 2015 of 227% increased by 3 percentage points from the MCT as at December 31, 2014. The Company estimates, based on the pro-forma analysis completed as of December 31, 2014, that an increase of approximately 3 percentage points in the MCT ratio from December 31, 2014 resulted from the implementation of the 2015 MCT Guideline. The impact of the guideline change primarily arose from an increase in available capital due to the inclusion of certain deferred acquisition costs originating from expenses. Previously certain deferred acquisition costs had been deducted from capital available. The increase to capital available was partially offset by an increase to capital required related primarily to higher capital requirements for interest rate risk, operational risk, common equities and other assets. This increase was partially offset by a decrease of approximately 1 percentage points resulting primarily from a decrease in the unrealized gains of the investment portfolio.

Debt

The Company proactively manages capital to balance capital strength, flexibility and efficiency. The Company currently has $432 million in long-term debt with a debt to capital ratio as at September 30, 2015 of 11%.

The following tables provide details of the Company's long-term debt:

	Payment dates due by period *(in millions)*				
	Total	Less than 1 year	1–3 years	3–5 years	After 5 years
Long-term debt	$435	—	—	$275	$160

	Series 1	Series 3
Date issued	June 29, 2010	April 1, 2014
Maturity date	June 15, 2020	April 1, 2024
Principal amount outstanding *(in millions)*	$275	$160
Fixed annual rate	5.68%	4.242%
Semi-annual interest payments due each year on	June 15, December 15	October 1, April 1
Debenture Ratings		
S&P[1]	BBB+, (Stable)	BBB+, (Stable)
DBRS[1]	AA (Low), Stable	AA (Low), Stable

[1] See "Financial Strength Rating" Section for additional information.

The principal debt covenants associated with the debentures are as follows:

- A negative pledge under which the Company will not assume or create any security interest (other than permitted encumbrances) unless the debentures are secured equally and ratably with (or prior to) such obligation.
- The Company will not, nor will it permit any of its subsidiaries to, amalgamate, consolidate or merge with or into any other person or liquidate, wind-up or dissolve itself unless (a) the Company or one of its wholly-owned subsidiaries is the continuing or successor company or (b) if the successor company is not a wholly-owned subsidiary, at the time of, and after giving effect to, such transaction no event of default and no event that, after notice or lapse of time, or both, would become an event of default shall have happened and be continuing under the trust indenture, in each case subject to certain exceptions and limitations set forth in the trust indenture.
- The Company will not request that the rating agencies withdraw their ratings of the debentures.

In the case of certain events of default under the terms of the debentures issued by the Company in 2010 and 2014, the aggregate unpaid principal amount of such debentures, together with all accrued and unpaid interest thereon and any other amounts owing with respect thereto, shall become immediately due and payable. The events of default that would trigger such an acceleration of payment include if the Company takes certain voluntary insolvency actions, such as instituting proceedings for its winding up, liquidation or dissolution, or consents to the filing of such proceedings against it; or if involuntary insolvency proceedings go uncontested by the Company or are not dismissed within a specified time period, or the final order sought in such proceedings is granted against the Company.

For more specific details on the terms and conditions of the Company's debentures, please see the relevant prospectus, copies of which are available on the SEDAR website at www.sedar.com.

Financial strength ratings

The Insurance Subsidiary has financial strength ratings from both S&P and DBRS. Although the Insurance Subsidiary is not required to have ratings to conduct its business, ratings may influence the confidence in an insurer and its products.

On September 3, 2015, S&P affirmed the Insurance Subsidiary's A+ rating and the Company's BBB+ rating and stable outlook. S&P noted that the Company had a strong competitive position, low industry risk due the Company's disciplined underwriting initiatives and tight governmental regulation and very strong earnings and capitalization.

The Insurance Subsidiary is rated AA and the Company's issuer rating is AA (Low), with a stable outlook, by DBRS. The ratings from DBRS were confirmed in March 2015. DBRS applies a one-notch differential between the Insurance Subsidiary and the Company to reflect the structural subordination of the Company's financial obligations relative to those of the regulated Insurance Subsidiary. The rating from DBRS is a function of the financial strength, operating performance and ability to meet obligations to policyholders.

Ratings Summary	S&P	DBRS
Issuer Rating		
Company	BBB+, Stable	AA (Low), Stable
Financial Strength		
Insurance Subsidiary	A+, Stable	AA, Stable
Senior Unsecured Debentures		
Company	BBB+, Stable	AA (Low), Stable

Capital transactions

Share repurchase

On April 28, 2015, the Company received approval from the Toronto Stock Exchange allowing for the Company to undertake a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company may purchase, for cancellation, up to 4,658,577 common shares, representing approximately 5% of its outstanding common shares as of April 27, 2015. Purchases of common shares under the NCIB commenced on or after May 5, 2015 and will conclude on the earlier of May 4, 2016 and the date on which the Company has purchased the maximum number of shares available for purchase under the NCIB.

Pursuant to the NCIB, during the second quarter of 2015 the Company repurchased 1,454,196 common shares for cancellation, representing approximately 2% of the outstanding common shares, for an aggregate amount of approximately $50 million. The Company did not make any purchases pursuant to the NCIB during the third quarter.

Under the Company's prior NCIB, which commenced on April 29, 2014 and expired on May 4, 2015 (the "Prior NCIB"), the Company purchased a total of 1,873,023 common shares for cancellation during the year ended December 31, 2014, representing approximately 2% of its outstanding common shares. No common shares were purchased for cancellation under the Prior NCIB during 2015.

The Company's major shareholder, Genworth Financial, Inc., participated proportionately to maintain its approximately 57.3% ownership interest in the Company throughout the course of both the NCIB and the Prior NCIB. Shareholders may obtain a copy of the NCIB notice, without charge, by contacting the Company.

Restrictions on dividends and capital transactions

The Insurance Subsidiary is subject to certain restrictions with respect to dividend and capital transactions. The ICA prohibits directors from declaring or paying any dividend on shares of an insurance company if there are reasonable grounds for believing that the 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.

Outstanding share data

The following table presents changes in the number of common shares outstanding at September 30, 2015 and December 31, 2014.

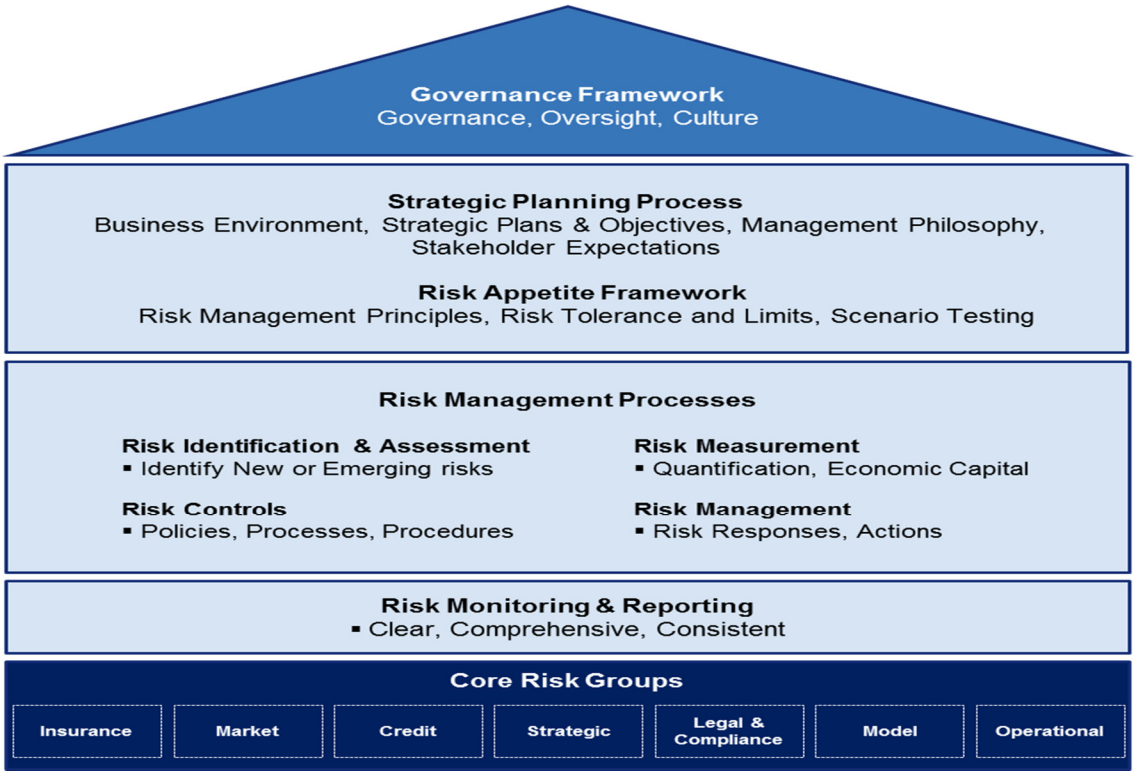
	September 30, 2015	December 31, 2014
Common shares, beginning of period (January 1)	**93,147,778**	94,910,880
Common shares issued in connection with share-based compensation plans	**101,543**	109,921
Common shares repurchased and cancelled	**(1,454,196)**	(1,873,023)
Common shares, end of period	**91,795,125**	93,147,778

At September 30, 2015, Genworth Financial, Inc. beneficially owned 52,562,042 common shares of the Company, or approximately 57.3% of the Company's outstanding common shares, through its wholly-owned subsidiaries, Brookfield Life Assurance Limited ("Brookfield"), Genworth Mortgage Insurance Corporation ("GMIC") and Genworth Mortgage Insurance of North Carolina ("GMINC") which held approximately 40.7%, 14.9% and 1.7% of the common shares of the Company, respectively. On October 1, Brookfield transferred its 40.7% ownership interest in the Company to Genworth Financial International Holdings LLC ("GFIH"). Subsequent to this transaction, Genworth Financial Inc., which is listed on the New York Stock Exchange, continues to beneficially own approximately 57.3% of the common shares of the Company through GMIC, GMINC and GFIH, respectively.

Risk management

Enterprise risk management framework

Risk management is a critical part of Genworth Canada's business. The Company's Enterprise Risk Management ("ERM") Framework, comprises the totality of the frameworks, systems, processes, policies, and people for identifying, assessing, mitigating and monitoring risks. The key elements of the Enterprise Risk Management Framework are illustrated in the diagram below.



Governance framework

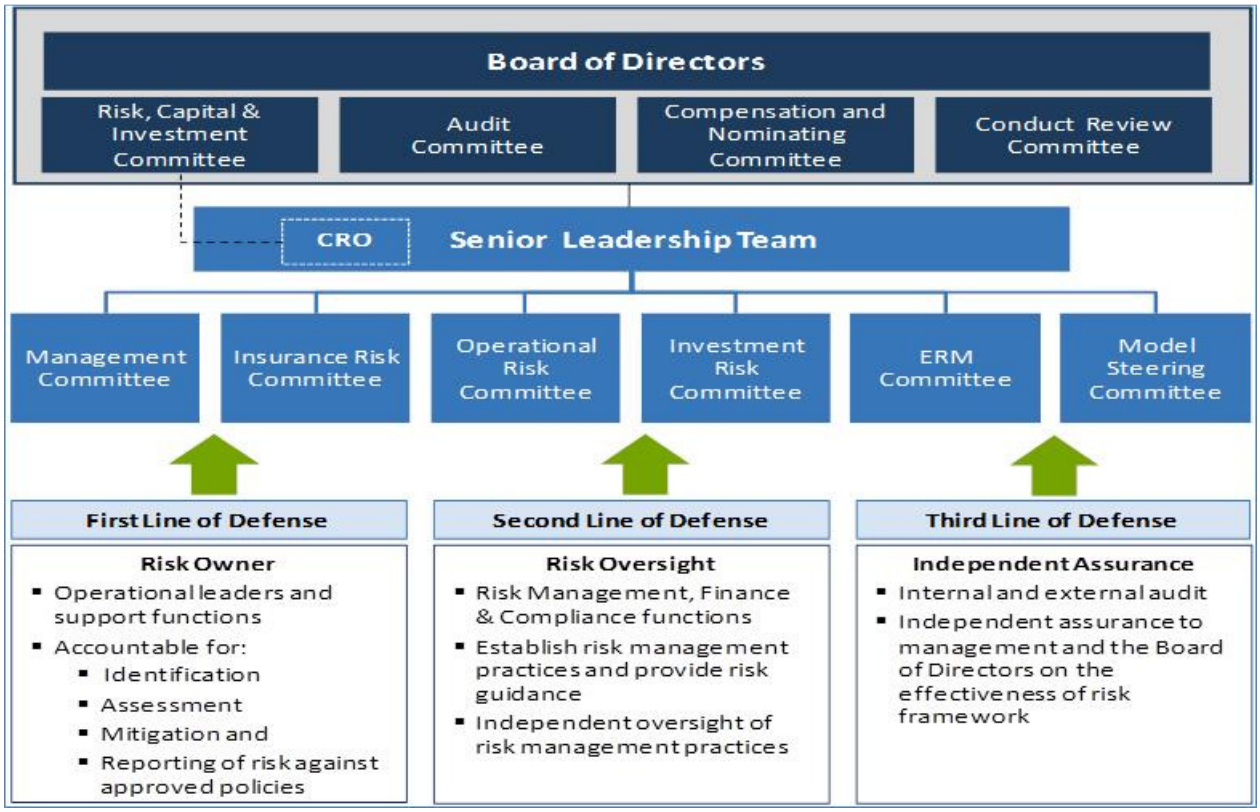
The Company's governance framework is designed to ensure the Board and management have effective oversight of the risks faced by the Company with clearly defined and articulated roles and responsibilities and inter-relationships. The governance framework is comprised of three core elements:

I. Board oversight of risk and risk management practices;
II. Management oversight of risks; and
III. The "three lines of defense" operating model.

The Board, in collaboration with management, is responsible for setting the Company's Risk Appetite and ensuring that it remains consistent with the Company's short and long-term strategy, business and capital plans. The Board carries out its risk management mandate primarily through its committees, with the Risk, Capital and Investment Committee having responsibility for oversight of insurance, investment and operational risks.

The Company's management is responsible for risk management under the oversight of the Board and fulfills its responsibility through several risk committees, as noted in the chart below. The Chief Risk Officer, who oversees the Risk Management Group, reports to the CEO but has direct access via in-camera sessions with the Risk, Capital and Investment Committee of the Board.

Genworth Canada uses a '*three lines of defense*' approach to risk management, which serves to allocate accountability and responsibility for risk management within the various business functions, as outlined in the chart below.



Risk appetite framework

Risk appetite is the maximum amount of risk that the Company is willing to accept in the pursuit of its business objectives. The objective in managing risk is to protect the Company from unacceptable loss or an undesirable outcome with respect to earnings volatility, capital adequacy, liquidity or reputation, while supporting the Company's overall business strategy.

The purpose of the Risk Appetite Framework is to provide a framework for management and the Board for understanding the ultimate level of risk the Company is willing to undertake in pursuit of its strategic objectives with due regard to its commitments and regulatory boundaries. It articulates the desired balance between risk objectives and profitability objectives, and is a key communication tool that enables the Board to cascade key messages throughout the organization. It establishes a common understanding around the acceptable level of variability in financial performance and answers the question of how much risk the Company is willing to take under expected and extreme conditions.

Where possible the Company has set risk limits and tolerances that guide the business and ensure that risk taking activities are within its risk appetite. The Company's risk tolerances and limits will be assessed for appropriateness no less than annually and on a more frequent basis if there is a major change to the economic or business environment. The Company communicates risk tolerances and limits through its policies, limit structures and operating procedures.

Where possible, the Company's risk appetite is subject to stress and scenario testing and can be expressed as the tolerance with respect to acceptable variances for earnings, liquidity and capital to deviate from their target levels under adverse scenarios.

Risk principles

The Company employs the following methods of managing risk that originate from the business objectives of the Company:

- ensure the expected outcomes of risk taking activities are consistent with the Company's strategies and risk appetite;
- ensure there is an appropriate balance between risk and reward in order to maximize shareholder value;
- ensure a deep understanding of risk drivers as they relate to the Company's key objectives;
- ensure responsibility for risk management is shared across the business (by employing "three lines of defense" risk governance model);
- proactively address emerging risks as they arise; and
- ensure strict adherence to legal, compliance and regulatory requirements.

The Company's ERM framework and internal control procedures are designed to reduce the level of volatility in its financial results. During 2014 the Company implemented its ORSA. The key elements and considerations of ORSA include: the comprehensive identification and assessment of risks and the adequacy of the Company's risk management; the assessment of the Company's current and likely future capital needs and solvency positions in light of its risk assessments; the distinguishing of Board oversight and management responsibility for such processes; detailing related monitoring and reporting requirements; and detailing the Company's internal controls and objective review process and procedures for such risk assessments. The Company's ORSA is forward looking and is congruent with the Company's business and strategic planning.

Risk controls

The Company's ERM approach is supported by a comprehensive set of risk controls. The controls are embedded through its ERM framework and risk-specific frameworks. These frameworks lay the foundation for the development and communication of management -approved policies and the establishment of formal review and approval processes. The Company's risk management framework and policies are organized as follows:

- **ERM Framework**: provides an overview of the enterprise-wide program for identifying, measuring, controlling and reporting of material risks the Company faces.
- **Risk-Specific Frameworks**: provides an overview of the Company's program for identifying, measuring, controlling and reporting for each of its material risks.
- **Company-wide Policies and Procedures**: governs activities such as product risk review and approval, project initiatives, stress testing, risk limits and risk approval authorities.

Risk categories

Insurance risk

Genworth Canada'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. For Genworth Canada-insured transactional mortgages, the average credit score has increased by 17 points since 2008 to 744 for the quarter, the average home price has increased modestly since 2011 to $328,000 for the quarter and the average gross debt service ratio has remained relatively stable around 24 to 25% and well below the industry maximum.

To the extent that home prices appreciate over time and/or the principal amount of the loan is paid down, the effective loan-to-value of the Company's insurance written in a given year decreases. The table below illustrates the estimated effective loan-to-value of the Company's outstanding mortgage insurance balances by book of business.

	2015			2014		
	As at June 30, 2015			As at December 31, 2014		
Effective Loan to Value by Year of Policy Origination (%) [1] [2] [3]	**Transactional**	**Portfolio**	**Total**	**Transactional**	**Portfolio**	**Total**
2009 and Prior	50	25	46	52	27	48
2010	68	36	63	71	36	64
2011	72	43	66	75	45	69
2012	78	44	60	80	47	63
2013	82	48	63	85	50	65
2014	88	55	69	91	58	72
2015	90	63	74	-	-	-
Total	**70**	**48**	**61**	**71**	**48**	**62**

[1] Amounts may not total due to rounding.

[2] This is based on the amounts reported by lenders surveyed, which represents the vast majority of insurance in-force. Outstanding mortgage insured balances are reported on a one quarter lag.

[3] Loan to value ratio is based on loan amount including capitalized premium, where applicable.

Genworth Canada'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. This 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 also utilizes internally developed stochastic modelling to estimate projected losses on claims and to measure the severity of loss and delinquency rate sensitivity to both changes in the economic environment as well as individual loan or borrower attributes.

The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology and actuarial modeling. 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. The Company closely monitors the delinquency performance as a key indicator of insurance portfolio performance.

The Company also employs a quality assurance team to ensure that policies and guidelines established by the Company's mortgage portfolio risk management function are adhered to both internally within the Company and by lenders submitting applications to the Company. The quality assurance team conducts daily audits of a random sample of loans adjudicated by the Company's underwriters. Similarly, external lender audits are conducted on a routine basis, using a statistically relevant sample of approved loans. In addition, the quality assurance

team also audits the loss reserving and mitigation functions to ensure compliance with relevant Company policies and reserving standards. Audit results of all three areas are reviewed by management on a monthly basis.

Market and credit risk

The Company monitors and manages the credit risk, liquidity risk and market risk, including interest rate risk, equity price risk, currency risk, emerging markets risk and counterparty risk of its investment portfolio.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk principally through its investment assets. The Company's investment management strategy is to invest primarily in debt instruments of Canadian government agencies and other high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer, business sector, or credit rating category, as specified in its investment policy. Credit quality of financial instrument issuers is assessed based on ratings supplied by rating agencies DBRS, S&P and Moody's and credit analysis completed by the Company and its investment managers.

Credit risk from derivative transactions reflects the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount. To mitigate credit risk related to derivative counterparties, the Company has adopted a policy whereby, upon signing the derivative contract, the counterparty is required to have a minimum credit rating of A-.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet policy obligations and other financial commitments as they fall due without raising funds at unfavourable rates or selling assets on a forced basis. To ensure liquidity requirements are met, the Company holds a portion of investment assets in liquid securities. Adverse capital and credit market conditions and the MCT requirements of the Insurance Subsidiary may significantly affect the Company's access to capital and may affect its ability to meet liquidity or debt refinancing requirements in the future. Potential liquidity risks are discussed in more detail in the "Risk Factors" section of the Company's AIF and the "Liquidity" section in this MD&A.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Company is exposed are interest rate risk, equity price risk, currency risk, emerging markets risk and counterparty risk.

Interest rate risk

Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income investment portfolio. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher-yielding fixed income investments are called, mature or are sold and the proceeds are reinvested at lower rates, and this will likely result in unrealized gains in the value of fixed income investments the Company continues to hold, as well as realized gains to the extent that the relevant investments are sold. During periods of rising interest rates, the market value of the Company's existing fixed income investments will generally decrease and gains on fixed income investments will likely be reduced or become losses.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and the values of individual stocks. Equity price risk exposure arises from the Company's investment in common and preferred shares. The Company has policies to limit and monitor exposures to individual equity investment issuers and its aggregate exposure to equities.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk arising from investments and receivables denominated in U.S. and Australian dollars. The Company uses foreign exchange forward contracts and cross-currency interest rate swaps to mitigate currency risk.

Emerging markets risk

Emerging markets risk relates to international investment grade bond holdings which are exposed to greater market volatility, have less availability of reliable financial information, carry higher transactional and custody costs, are subject to taxation by foreign governments, have decreased market liquidity and may be exposed to political instability.

Counterparty risk

Counterparty risk relates to the risk that a counterparty will fail to discharge its obligation related to a bond, derivative contract or other trade or transaction.

Financial reporting controls and accounting disclosures

Disclosure controls and procedures and internal controls over financial reporting

As required by National Instrument 52-109, the Company has in place disclosure controls and procedures and internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Framework (2013) to ensure the disclosure of all material information or changes relating to the Company to all members of the public in a fair and timely manner. Such controls and procedures ensure that all relevant material is gathered and reported to senior management (including the CEO, CFO and General Counsel) and the Company's management-level disclosure committee on a timely basis so that appropriate decisions can be made regarding public disclosure. An evaluation and certification of the Company's disclosure controls and procedures and internal controls over financial reporting is done regularly under supervision by the Company's CEO and CFO in accordance with the requirements of National Instrument 52-109 of the Canadian Securities Administrators, and such certifications are available with the Company's filings on the SEDAR website at www.sedar.com. The certifications filed in connection with certain interim and annual financial disclosure documents, confirm that the CEO and CFO have concluded that the design and operation of the disclosure controls and procedures and internal controls over financial reporting were effective, for such periods. There were no changes in the Company's internal controls over financial reporting during the quarter ending September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting.

Changes in accounting policies and future accounting standards

There have been no changes in accounting policies during the year.

IFRS 9 - Financial instruments

IFRS 9, published on July 24, 2014, replaces the existing guidance in IAS 39 – Financial instruments: recognition and measurement ("IAS 39"). The new standard includes revised guidance on the classification and measurement of financial assets and liabilities, including impairment, and supplements the new hedge accounting principles published in 2013.

Recognition and derecognition

IFRS 9 retains, largely unchanged, the requirements of IAS 39 relating to scope and recognition and derecognition of financial instruments.

Classification and measurement of financial assets and financial liabilities

Although the permissible measurement bases for financial assets – amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL") are similar to IAS 39, the criteria for classification into the appropriate measurement categories are significantly different. Financial assets that are debt instruments are classified and measured at Amortized Cost, Fair Value Through Other Comprehensive Income ("FVOCI") or FVTPL based on the business model in which they are held and the characteristics of their contractual cash flows. If classifying a debt instrument at amortized cost or FVOCI would create or enlarge an accounting mismatch in income, an entity can make an irrevocable election to classify it at FVTPL if this would eliminate or significantly reduce the mismatch.

All equity investments are classified and measured at FVTPL. However, for an equity investment that is not held for trading, an entity may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains or losses) in OCI. These changes in fair value are not subsequently reclassified to income under any circumstances.

IFRS 9 retains almost all of the existing requirements from IAS 39 for the classification and measurement of financial liabilities. However, the gain or loss on a financial liability designated at FVTPL that is attributable to changes in an entity's own credit risk is presented in OCI, unless presentation in OCI creates or enlarges an accounting mismatch. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income.

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected loss" model. The new model applies to financial assets that are not measured at FVTPL with the exception of equity investments. The model uses a dual measurement approach, under which a loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Special rules apply to assets that are credit-impaired at initial recognition.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required. The work on macro hedging by the IASB is still at a preliminary stage.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. In September 2015, the IASB made the decision to permit deferral of the effective date of IFRS 9 for entities whose predominant activity is the issuance of insurance contracts in the scope of IFRS 4 to the earlier of January 1, 2021 and the date that IFRS 4 will be effective. As an alternative to deferral, the IASB also decided to permit the "Overlay option" for these entities where re-measurement of financial assets classified at FVTPL under IFRS 9 may be recorded in OCI until IFRS 4 is effective.

The Company is currently evaluating the impact of the standard on its financial assets and financial liabilities and the option for the deferral of IFRS 9 adoption.

IFRS 4 - Insurance contracts

On June 21, 2013, the International Accounting Standards Board ("IASB") issued a revised exposure draft: Insurance Contracts ("revised ED") as part of its ongoing insurance contracts project. The revised ED takes into account the re-deliberations by the IASB since its July 2010 exposure draft: Insurance Contracts ("2010 ED"). The issuance of the revised ED forms part of the IASB's efforts to eliminate the current diversity that exists in insurance contract accounting.

The insurance contract measurement principles that are set out in the revised ED are similar to those in the 2010 ED: a current measurement model comprising of the expected present value of future cash flows, a risk adjustment and a contractual service margin (referred to as "residual margin" in the 2010 ED). However, the IASB made several key changes in response to comments received on the 2010 ED. Some of the most prominent changes relate to addressing the concerns for earnings volatility, for example, how to present the effect of changes in discount rates. Under the 2010 ED, changes in discount rates related to insurance contracts measured at present value were recorded in earnings. The revised proposals also represent a major change for the presentation of insurance contracts in the statement of comprehensive income. The transitional provisions have been amended to include a contractual service margin for existing business when implementing the future insurance standard, thereby permitting insurers to carry forward an unearned profit amount on transition.

During 2014, the IASB conducted re-deliberations on the revised ED. Based on these re-deliberations, key decisions were made relating to the unlocking of the contractual service margin, including the requirement to adjust the contractual service margin for changes in risk adjustment that relate to coverage and other services in the future. The use of OCI to present the effects of changes in discount rates has been made optional. A clarification was issued indicating that for certain contracts, the service represented by the contractual service margin would be insurance coverage that is provided on the basis of passage of time and reflects the number of contracts in force. Guidance was issued to address determining discount rates when an insurance contract extends into a period for which there is a lack of observable data. The IASB introduced an exception to the subsequent measurement principle for reinsurance contracts to better reflect the economic relationship with the underlying insurance contracts. Finally, it was decided that the locked-in interest rate at the inception of an insurance contract would be used for accreting interest on the contractual service margin and calculating the change in the present value of expected cash flows that adjust the contractual service margin.

Re-deliberations pertaining to non-participating contracts have been substantially concluded and the IASB has commenced re-deliberations pertaining to participating contracts. During 2015 to date, the IASB has made key decisions pertaining to the measurement of participating contracts. It is expected that re-deliberations will be completed and a final standard issued in 2016, with implementation not expected before 2019. The Company is currently monitoring the development of this standard and assessing the impact of its adoption.

Significant estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments 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 are outlined below as accounting estimates and judgments. Actual results may differ from the estimates used, and such differences may be material.

Accounting estimates

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment within the next 12 months are as follows:

Premiums earned

Mortgage insurance premiums are deferred and then taken into underwriting revenues over the terms of the related policies. The rates or formulae under which premiums are earned relate to the loss emergence pattern in each year of coverage. In order to match premiums earned to losses on claims, premiums written are recognized as premiums earned using a factor-based premium recognition curve.

In constructing the premium recognition curve, the Company applies actuarial forecasting techniques to historical loss data to determine expected loss development and the related loss emergence pattern.

Loss reserves

Loss reserves represent the amount needed to provide for the expected ultimate net cost of settling claims including adjustment expenses related to defaults by borrowers (both reported and unreported) that have occurred on or before the reporting date. Loss reserves are discounted to take into account the time value of money and include a supplemental provision for adverse deviation. Loss reserves are

recognized when the first scheduled mortgage payment is missed by a mortgage borrower. In determining the ultimate claim amount, the Company estimates the expected recovery from the property securing the insured loan and the legal, property maintenance and other loss adjustment expenses incurred in the claim settlement process. Loss reserves consist of individual case reserves, Incurred But Not Reported ("IBNR") reserves and supplemental loss reserves for potential adverse deviation.

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 ultimate expected claim amount is influenced significantly by housing market conditions, changes in property values, and the condition of properties in default. Accordingly, case reserves include a provision for adverse development, primarily to address potential decline in property values.

The Company establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the reporting date for mortgages in default that have not been reported to the Company. IBNR is calculated using estimates of expected claim frequency and claim severity based on the most current available historical loss data, adjusted for seasonality.

In order to discount loss reserves to present value, the Company's appointed actuary determines a discount rate based on the market yield of the Company's investment portfolio.

The Company recognizes a provision for adverse deviation based on assessment of the adequacy of the Company's loss reserves and with reference to the current and future expected condition of the Canadian housing market and its impact on the expected development of losses.

The process for the establishment of loss reserves relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal and economic trends and on expectations as to future developments. This process involves risks that actual results will deviate, perhaps substantially, from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liability.

Subrogation recoverable

The Company estimates the fair value of subrogation rights related to real estate included in subrogation recoverable based on third party property appraisals or other types of third party valuations deemed to be more appropriate for a particular property.

The Company estimates borrower recoveries related to claims paid and loss reserves included in subrogation recoverable based on historical recovery experience.

Deferred policy acquisition costs

Deferred policy acquisition costs are comprised of premium taxes, appraisal costs, risk fee, certain employee compensation, and other expenses that relate directly to acquisition of new mortgage insurance business. Deferred policy acquisition costs are deferred and expensed in proportion to and over the periods in which premiums are earned.

The Company estimates expenses eligible for deferral based on the nature of expenses incurred and results of time and activity studies performed to identify the portion of time the Company's employees incur in the acquisition of new mortgage insurance business.

Accounting judgments

Objective evidence of impairment of AFS financial assets

As of each reporting date, the Company evaluates AFS financial assets in an unrealized loss position for objective evidence of impairment. For investments in bonds and debentures, evaluation of whether impairment has occurred is based on the Company's best estimate of the cash flows expected to be collected at the individual investment level. The Company considers all available information relevant to the collectability of the investment, including information about past events, current conditions, and reasonable and supportable forecasts. Estimating such cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of any underlying collateral for investments. Where

possible, this data is benchmarked against third party sources. Impairments for bonds and debentures in an unrealized loss position are deemed to exist when the Company does not expect full recovery of the amortized cost of the investment based on the estimate of cash flows expected to be collected or when the Company intends to sell the investment prior to recovery from its unrealized loss position.

For equity investments, the Company recognizes an impairment loss in the period in which it is determined that an investment has experienced significant or prolonged losses.

Transactions with related parties

Services

The Company enters into related party transactions with Genworth Financial, Inc. and its subsidiaries. Services rendered by Genworth Financial, Inc. and subsidiaries 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 and are at terms and conditions no less favourable than market. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred net related party charges of approximately $2 million and $5 million for the third quarter and in the first nine months of 2015, respectively, which was comparable to the prior year's period.

Reinsurance

Effective December 1, 2014, the Company, through its indirect subsidiary MIC Insurance Company Canada ("MICICC"), entered into a retrocession agreement with a third party reinsurance company under which the Company assumed reinsurance risk for approximately 33% of the retroceded liabilities on claims paid by Genworth Financial Mortgage Insurance Pty Limited, an Australian company ("Genworth Australia") in excess of 700 million Australian dollars within any one year up to a maximum exposure to the Company of 30 million Australian dollars less claims paid by the Company in prior years. The term of the agreement is three years. Genworth Australia has a right to terminate the reinsurance agreement after the first year of coverage. Under the agreement, the Company receives premium equal to 6.75% of the maximum exposure in the first year of coverage and 5.75% of the maximum exposure in the second and third years of coverage. These premiums are consistent with current reinsurance market rates.

Under the reinsurance agreement, the Company is required to collateralize its reinsurance obligations by posting cash collateral equal to the maximum exposure of 30 million Australian dollars. As at September 30, 2015, the Company had posted 30 million Australian dollars, equivalent to $28 million, under the agreement (December 31, 2014 - 30 million Australian dollars, equivalent to $28 million).

The Company earned approximately $1 million in reinsurance premiums and did not incur any losses on claims under the reinsurance contract in the nine months ended September 30, 2015.

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 accumulated other comprehensive income ("AOCI"), operating return on equity and underwriting ratios such as loss ratio, expense ratio and combined ratio. Additional non-IFRS measures used by the Company to analyze performance include insurance in-force, new insurance written, Minimum Capital Test ("MCT") ratio, delinquency ratio, average reserve per delinquency, credit score, debt service ratio, debt-to-capital ratio, ordinary dividend payout ratio, workout penetration rate, 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.

The table below reconciles the Company's interest and dividend income, net of investment expenses, net operating income, operating earnings per common share (basic), operating earnings per common share (diluted) and shareholders' equity excluding AOCI for the periods specified to the Company's net income, earnings per common share (basic), earnings per common share (diluted) and shareholders' equity in accordance with IFRS for such periods.

	For the three months ended September 30,		For the nine months ended September 30,	
(in millions of dollars, unless otherwise specified)	**2015**	2014	**2015**	2014
Total net investment income	$ **39**	$ 51	$ **154**	$ 149
Adjustment to total net investment income:				
Net (gains) losses on investments	**3**	(8)	**(29)**	(18)
Interest and dividend income, net of investment expenses	$ **42**	$ 43	$ **125**	$ 130
Net income	$ **90**	$ 98	$ **301**	$ 290
Adjustments to net income, net of taxes:				
Fee on early redemption of long-term debt	**—**		**—**	5
Net (gains) losses on investments	**3**	(6)	**(20)**	(13)
Net operating income	$ **92**	$ 93	$ **280**	$ 283
Earnings per common share (basic)	$ **0.98**	$ 1.03	$ **3.25**	$ 3.06
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**—**		**—**	0.06
Net investment (gains) losses	$ **0.03**	$ (0.06)	$ **(0.22)**	$ (0.14)
Operating earnings per common share (basic)	$ **1.01**	$ 0.97	$ **3.03**	$ 2.98
Earnings per common share (diluted) [1]	$ **0.96**	$ 1.01	$ **3.19**	$ 3.04
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**—**	—	**—**	0.07
Share based compensation re-measurement amount	**0.01**	0.02	**0.05**	—
Net investment (gains) losses	$ **0.03**	$ (0.06)	$ **(0.22)**	$ (0.15)
Operating earnings per common share (diluted) [1]	$ **1.00**	$ 0.97	$ **3.02**	$ 2.96
Shareholders' equity	$ **3,357**	$ 3,322	$ **3,357**	$ 3,322
Adjustment to shareholders' equity:				
Accumulated other comprehensive income ("AOCI")	**(125)**	(164)	**(125)**	(164)
Shareholders' equity excluding AOCI	$ **3,232**	$ 3,158	$ **3,232**	$ 3,158

Note: Amounts may not total due to rounding.

[1]The difference between basic and diluted number of common shares outstanding is caused by the potentially dilutive impact of share-based compensation awards.

The table below shows Company's non-IFRS financial measures for which no comparable IFRS measure is available. For a more meaningful description of the measure, refer to the "Glossary" at the end of this MD&A.

(in millions of dollars, unless otherwise specified)	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Selected non-IFRS financial measures				
Insurance in force	$ 389,972	$ 348,196	$ 389,972	$ 348,196
New insurance written	$ 14,464	$ 13,391	$ 35,113	$ 33,368
Loss ratio	21%	21%	20%	18%
Expense ratio	19%	17%	19%	18%
Combined ratio	40%	38%	39%	36%
Operating return on equity	12%	12%	12%	12%
MCT ratio [1]	227%	224%	227%	224%
Delinquency ratio	0.10%	0.10%	0.10%	0.10%
Investment yield	3.3%	3.4%	3.3%	3.5%
Book value per common share				
Number of common shares outstanding (basic)	91,795,125	95,020,801	91,795,125	95,020,801
Book value per common share including AOCI (basic)	$ 36.57	$ 34.96	$ 36.57	$ 34.96
Book value per common share excluding AOCI (basic)	$ 35.21	$ 33.23	$ 35.21	$ 33.23
Number of common shares outstanding (diluted)[2]	92,891,155	96,081,244	92,891,155	96,081,244
Book value per common share including AOCI (diluted)[2]	$ 36.14	$ 34.57	$ 36.14	$ 34.57
Book value per common share excluding AOCI (diluted)[2]	$ 34.80	$ 32.87	$ 34.80	$ 32.87
Dividends paid per common share	$ 0.39	$ 0.35	$ 1.17	$ 1.05

[1]The MCT ratio for September 30, 2015 is a Company estimate.
[2]The difference between basic and diluted number of common shares outstanding is caused by the potentially dilutive impact of share-based compensation awards.

Glossary

"average reserve per delinquency" means the average reserve per delinquent loan calculated by total loss reserves in dollars divided by the number of outstanding delinquent loans reported by lenders. Average reserve per delinquency measures the potential size of the average loss, including delinquent loans with no expected loss, and is used for trending purposes and comparisons against internal targets.

"book value per common share" is a measure of the carrying value of each individual share of the Company and is a key metric used in assessing the market value of the Company.

"book value per share including AOCI (basic)" means the per share amount of shareholders' equity to the number of basic common shares outstanding at a specified date.

"book value per share excluding AOCI (basic)" means the per share amount of shareholders' equity excluding AOCI to the number of basic common shares outstanding at a specified date.

"book value per share including AOCI (diluted)" means the per share amount of shareholders' equity including AOCI to the number of diluted common shares outstanding at a specified date. Diluted common shares outstanding takes into account all of the outstanding dilutive securities that could potentially be exercised.

"book value per share excluding AOCI (diluted)" means the per share amount of shareholders' equity excluding AOCI to the number of diluted common shares outstanding at a specified date. Diluted common shares outstanding takes into account all of the outstanding dilutive securities that could potentially be exercised.

"**combined ratio**" means the sum of the loss ratio and the expense ratio. The combined ratio measures the proportion of the Company's total cost to its premium earned and is used to assess the profitability of the Company's insurance underwriting activities.

"credit score" means the lowest average credit score of all borrowers on a mortgage insurance application. Average credit scores are calculated by averaging the score obtained from both Equifax and TransUnion for each borrower on the application. This is a key measure of household financial health.

"debt-to-capital ratio" means the ratio (expressed as a percentage) of debt to total capital (the sum of debt and equity). This is a measure of financial leverage that the Company considers in capital management planning.

"delinquent loans" means loans reported by lenders where the borrowers have failed to make scheduled mortgage payments under the terms of the mortgage and where the cumulative amount of mortgage payments missed exceeds the scheduled payments due in a three-month period.

"**delinquency rate**" means the ratio (expressed as a percentage) of the total number of delinquent loans to the total number of policies in-force at a specified date. The delinquency ratio is an indicator of the emergence of losses on claims and the quality of the insurance portfolio and is a useful comparison to industry benchmarks and internal targets.

"dividends paid per common share" means the portion of the Company's profits distributed to shareholders during a specified period and measures the total amount distributed by the Company to shareholders.

"dividend payout ratio" means the ratio (expressed as a percentage) of the dollar amount of ordinary dividends paid during a specified period on net income over the same period. This is measure of how much cash flow is being returned for each dollar invested in an equity position.

"**expense ratio**" means the ratio (expressed as a percentage) of sales, underwriting and administrative expenses to premiums earned for a specified period. The expense ratio measures the operational efficiency of the Company and is a useful comparison to industry benchmarks and internal targets.

"gross debt service ratio" means the percentage of borrowers' total monthly debt servicing costs, in respect of the debt in question, as a percentage of borrowers monthly gross income. This is a key measure of household financial health.

"**insurance in-force**" means the amount of all mortgage insurance policies in effect at a specified date, based on the original principal balance of mortgages covered by such insurance policies, including any capitalized premiums. Insurance in-force measures the maximum potential total risk exposure under insurance contracts at any given time and is used to assess potential losses on claims.

"Interest and dividend income, net of investment expenses" means the total net investment income excluding investment gains (losses). This measure is an indicator of the core operating performance of the investment portfolio.

"investment yield" means the net investment income before investment fees and excluding net investment gains (losses) tax affected for dividends for a period divided by the average of the beginning and ending investments book value, for such period. For quarterly results, the investment yield is the annualized net investment income using the average of beginning and ending investments book value, for such quarter.

"**loss ratio**" means the ratio (expressed as a percentage) of the total amount of losses on claims associated with insurance policies incurred during a specified period to premiums earned during such period. The loss ratio is a key measure of underwriting profitability and the quality of the insurance portfolio and is used for comparisons to industry benchmarks and internal targets.

"**Minimum Capital Test**" or "**MCT**" means the minimum capital test for certain federally regulated insurance companies established by OSFI (as defined herein). Under MCT, companies calculate MCT ratio of regulatory capital available to regulatory capital required using a defined methodology prescribed by OSFI in monitoring the adequacy of a company's capital. The MCT ratio is a key metric of the adequacy of the Company's capital in comparison to regulatory requirements and is used for comparisons to other mortgage insurers and internal targets.

"**net operating income**" means net income excluding after-tax net investment gains (losses) and after-tax fees on early redemption of debt. Net operating income estimates the recurring after-tax earnings from core business activities and is a better indicator of core operating performance.

"**new insurance written**" means the original principal balance of mortgages, including any capitalized premiums, insured during a specified period. New insurance written measures the maximum potential risk exposure under insurance contracts added during a specific time period and is used to determine potential loss exposure.

"operating earnings per common share (basic)" means the net operating income divided by the basic average common shares outstanding at the end of period.

"operating earnings per common share (diluted)" means the net operating income divided by the diluted average common shares outstanding at the end of period. The Company excludes the impact of the share based compensation re-measurement amount from operating earnings per share (diluted) as it believes this results in a better indicator of core operating performance.

"**operating return on equity**" means the net operating income, excluding the impact of the share-based compensation re-measurement amount, for a period divided by the average of the beginning and ending shareholders' equity, excluding AOCI, for such period. For quarterly results, the operating return is the annualized operating return on equity using the average of beginning and ending shareholders' equity, excluding AOCI, for such quarter. Operating return on equity is an indicator of return on equity from the core business activities.

"original amortization period" means the number of years that it will take to repay in full the original mortgage balance on the regularly scheduled payment of principal and interest based at inception.

"**portfolio insurance**" means mortgage insurance covering an individual mortgage that is underwritten as part of a portfolio of mortgages that have a loan-to-value ratio equal to or less than 80% at the time the loan is insured.

"remaining amortization period" means the estimated number of years that it will take to repay the outstanding mortgage balance as of the reporting date based on the regularly scheduled payments of principal and interest.

"share based compensation re-measurement amount" means the impact of revaluation of stock option liability as required under IFRS due to the cash settlement option. The Company believes that excluding this impact from operating earnings per share (diluted) is a better indicator of core operating performance.

"transactional insurance" means mortgage insurance covering an individual mortgage that typically has been underwritten individually, and which is predominantly a mortgage with a loan-to-value ratio of greater than 80% at the time the loan is originated.

"workout penetration" means the ratio (expressed as a percentage) of the number of total workouts approved, including shortfall sales, over total workout opportunities. Total workout opportunities include all new delinquencies and re-delinquencies reported plus total workouts approved over the same period. Workout penetration ratio measures the number of workouts performed relative to the number of existing workout opportunities and is used to assess the success of the loss mitigation homeowner's assistance program.

The Company's full glossary is posted on the Company's website at http://investor.genworthmicanada.ca and can be accessed by clicking on the link under the Investor Resources heading on the bottom navigation bar.