

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

GENWORTH MI CANADA INC.

Three months ended March 31, 2016 and 2015
(Unaudited)

GENWORTH MI CANADA INC.

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

	Notes	March 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	5	\$ 205,435	\$ 390,796
Short-term investments	5	98,656	78,178
Accrued investment income and other receivables		42,492	28,130
Derivative financial instruments	5	4,948	—
Bonds and debentures	5	5,264,809	5,200,715
Preferred shares	5	298,359	247,717
Total invested assets, accrued investment income and other receivables		5,914,699	5,945,536
Income taxes recoverable	8	18,146	15,670
Subrogation recoverable	4(c)	61,437	61,244
Prepaid assets		2,141	2,456
Property and equipment		1,380	1,088
Intangible assets		9,103	9,084
Deferred policy acquisition costs	4(d)	192,455	193,070
Goodwill		11,172	11,172
Total assets		<u>\$ 6,210,533</u>	<u>\$ 6,239,320</u>
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities		\$ 38,002	\$ 65,750
Loss reserves	4(b)	144,232	131,577
Share-based compensation liabilities	7	9,220	8,496
Derivative financial instruments	5	58,418	83,861
Long-term debt	10	432,598	432,504
Unearned premiums reserve	4(a)	1,984,146	2,020,993
Accrued net benefit liabilities under employee benefit plans		38,123	37,241
Deferred tax liabilities		44,192	39,005
Total liabilities		2,748,931	2,819,427
Shareholders' equity:			
Share capital	11	1,366,470	1,366,374
Retained earnings		1,976,302	1,926,949
Accumulated other comprehensive income		118,830	126,570
Total shareholders' equity		<u>3,461,602</u>	<u>3,419,893</u>
Total liabilities and shareholders' equity		<u>\$ 6,210,533</u>	<u>\$ 6,239,320</u>

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board:

_____(signed) "Stuart Levings" Director

_____(signed) "Brian Kelly" Director

GENWORTH MI CANADA INC.

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

		Three months ended March 31,	
	Notes	2016	2015
Premiums written	4(a)(e)	\$ 117,016	\$ 130,279
Premiums earned	4(a)(e)	\$ 153,863	\$ 143,094
Losses on claims	4(b)	36,892	31,422
Expenses:			
Premium taxes and underwriting fees		9,566	10,030
Employee compensation		11,149	8,047
Office		4,546	4,233
Professional fees		1,070	1,109
Promotional and travel		1,184	1,628
Other		348	391
Total expenses		27,863	25,438
Net change in deferred policy acquisition costs	4(d)	615	(1,005)
		28,478	24,433
Net underwriting income		88,493	87,239
Investment income:			
Interest		39,283	41,101
Dividends		3,382	1,538
Net realized gains from investments, derivatives and foreign exchange		140	10,406
Net unrealized gains (losses) from derivatives and foreign exchange		(4,920)	4,616
Total investment income		37,885	57,661
General investment expenses		(1,177)	(1,104)
		36,708	56,557
Interest expense	10	5,681	5,614
Income before income taxes		119,520	138,182
Income taxes:			
Current	8	26,424	22,892
Deferred		5,187	7,840
		31,611	30,732
Net income for the period attributable to owners of the Company		\$ 87,909	\$ 107,450
Earnings per share:	9		
Basic		\$ 0.96	\$ 1.15
Diluted		\$ 0.96	\$ 1.08

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

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

	Three months ended March 31,	
	2016	2015
Net income	\$ 87,909	\$ 107,450
Other comprehensive income:		
Items that may be reclassified subsequently to income:		
Net change in fair value of Available-for-Sale ("AFS") financial assets, net of income tax of \$2,247 (2015 - 23,138)	(7,425)	65,645
Gains on AFS financial assets realized and reclassified to income, net of income tax of \$97 (2015 - 2,287)	(315)	(6,490)
Total other comprehensive income for the period attributable to owners of the Company, net of income tax of \$2,344 (2015 - 20,851)	(7,740)	59,155
Total comprehensive income attributable to owners of the Company	\$ 80,169	\$ 166,605

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

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

		Share capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at January 1, 2016	\$	1,366,374	\$ 1,926,949	\$ 126,570	\$ 3,419,893
Comprehensive income:					
Net income		—	87,909	—	87,909
Other comprehensive loss		—	—	(7,740)	(7,740)
Total comprehensive income		—	87,909	(7,740)	80,169
Total transactions recognized directly in equity:					
Dividends on common shares ⁽¹⁾		—	(38,556)	—	(38,556)
Issuance of common shares		96	—	—	96
Total transactions recognized directly in equity		96	(38,556)	—	(38,460)
Balance at March 31, 2016	\$	1,366,470	\$ 1,976,302	\$ 118,830	\$ 3,461,602

		Share capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at January 1, 2015	\$	1,384,558	\$ 1,701,707	\$ 185,082	\$ 3,271,347
Comprehensive income:					
Net income		—	107,450	—	107,450
Other comprehensive income		—	—	59,155	59,155
Total comprehensive income		—	107,450	59,155	166,605
Total transactions recognized directly in equity:					
Dividends on common shares ⁽¹⁾		—	(36,333)	—	(36,333)
Issuance of common shares		743	—	—	743
Total transactions recognized directly in equity		743	(36,333)	—	(35,590)
Balance at March 31, 2015	\$	1,385,301	\$ 1,772,824	\$ 244,237	\$ 3,402,362

⁽¹⁾The Company paid dividends of \$0.42 per common share in the first quarter of 2016 (\$0.39 per common share in the first quarter of 2015).

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

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

	Three months ended March 31,	
	2016	2015
Cash provided by (used in):		
Operating activities:		
Net income	\$ 87,909	\$ 107,450
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment	595	549
Expensing of deferred policy acquisition costs	15,149	13,634
Income taxes	31,611	30,732
Interest income	(39,283)	(41,101)
Dividend income	(3,382)	(1,538)
Net realized gains from investments, derivatives and foreign exchange	(140)	(10,406)
Net unrealized losses from derivatives and foreign exchange	4,920	(4,616)
Interest expense	5,681	5,614
Net Share-based compensation expense	408	(2,259)
	103,468	98,059
Change in non-cash balances related to operations:		
Accrued investment income and other receivables	343	(12,711)
Prepaid assets	315	169
Subrogation recoverable	(193)	(8,091)
Deferred policy acquisition costs	(14,534)	(14,639)
Accounts payable and accrued liabilities	(33,429)	3,972
Loss reserves	12,655	3,168
Unearned premiums reserve	(36,847)	(12,815)
Accrued net benefit liability under employee benefit plans	882	966
	32,660	58,078
Cash generated from (used in) operating activities:		
Interest received from bonds and debentures	27,408	29,043
Dividends received from preferred and common shares	3,382	1,575
Income taxes paid	(26,557)	(45,649)
Share based compensation awards settled in cash	(1,728)	(1,405)
Settlements of derivative financial instruments	(2,183)	(2,986)
Net cash generated from operating activities	32,982	38,656
Financing activities:		
Dividends paid	(38,556)	(36,333)
Proceeds from exercise of stock options	—	287
Net cash used in financing activities	(38,556)	(36,046)
Investing activities:		
Purchase of short-term investments	(120,979)	(111,698)
Proceeds from sale or maturities of short-term investments	100,501	92,396
Purchase of bonds	(346,845)	(267,901)
Proceeds from sale or maturities of bonds	256,843	334,303
Purchase of preferred shares	(68,624)	(94,077)
Proceeds from sale of preferred shares	223	2,735
Purchase of common shares	—	(8,455)
Proceeds from sale of common shares	—	60,862
Purchase of intangible assets and property and equipment	(906)	(1,231)
Net cash generated from (used in) investing activities	(179,787)	6,934
Increase (decrease) in cash and cash equivalents	(185,361)	9,544
Cash and cash equivalents, beginning of period	390,796	190,375
Cash and cash equivalents, end of period	\$ 205,435	\$ 199,919

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

1. Reporting entity:

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

Genworth Financial Inc., a public company listed on the New York Stock Exchange, indirectly holds approximately 57.3% of the common shares of the Company.

The Company holds a 100% ownership interest in the holding companies Genworth Canada Holdings I Company ("Holdings I"), Genworth Canada Holdings II Company ("Holdings II") and MIC Holdings G Company ("Gco"). The Company also holds an indirect 100% ownership interest in Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary") through Holdings I and Holdings II. These condensed consolidated interim financial statements as at and for the three months ended March 31, 2016, reflect the consolidation of the Company and these subsidiaries.

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

The Insurance Subsidiary is subject to regulation under the Protection of Residential Mortgage or Hypothecary Insurance Act ("PRMHIA"). Under the terms of PRMHIA, the Canadian federal government guarantees the benefits payable under eligible mortgage insurance policies issued by the Insurance Subsidiary, less 10% of the original principal amount of each insured loan, in the event that the Insurance Subsidiary fails to make claim payments with respect to that loan due to its bankruptcy or insolvency. The maximum outstanding insured exposure for all private insured mortgages by PRMHIA is \$300 billion.

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

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by International Financial Reporting Standards. Full disclosures were included in the Company's annual consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on April 27, 2016.

(b) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. These significant judgments and estimates made by the Company in preparing these condensed consolidated interim financial statements were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2015.

(c) Seasonality:

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and underwriting and administrative expenses are relatively stable from quarter to quarter, premiums written and losses may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage policies written, which typically peak in the spring and summer months. Delinquencies and losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age. All revenue and expenses are recognized when they occur in accordance with the accounting policies referred to in the Company's annual consolidated financial statements. No revenue or expenses are anticipated or deferred for interim reporting purposes if anticipation or deferral would not be appropriate at the end of the Company's financial year.

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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3. Significant accounting policies:

The Company's complete accounting policies have been included in the consolidated financial statements for the year ended December 31, 2015. Accounting policies and methods of computation followed in the preparation of these condensed consolidated interim financial statements were the same as those applied by the Company in the annual consolidated financial statements as at and for the year ended December 31, 2015.

4. Insurance contracts:

(a) Premiums and unearned premiums reserve:

Changes in the unearned premiums reserve recorded in the condensed consolidated interim statements of financial position and their impact on premiums earned are as follows:

	Three months ended March 31,	
	2016	2015
Unearned premiums reserve, beginning of period	\$ 2,020,993	\$ 1,798,568
Premiums written during the period	117,016	130,279
Premiums earned during the period	(153,863)	(143,094)
Unearned premiums reserve, end of period	\$ 1,984,146	\$ 1,785,753

(b) Losses on claims and loss reserves:

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

Loss reserves comprise the following:

	March 31, 2016	December 31, 2015
Case reserves	\$ 92,382	\$ 83,962
Incurred but not reported reserves	45,315	41,591
Discounting	(1,666)	(1,502)
Provision for adverse deviation	8,201	7,526
Total loss reserves	\$ 144,232	\$ 131,577

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

4. Insurance contracts (continued):

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

		Three months ended March 31,	
		2016	2015
Loss reserves, beginning of period	\$	131,577	\$ 115,493
Claims paid during the period		(24,237)	(28,254)
Losses on claims incurred during the period		36,892	31,422
Loss reserves, end of period	\$	144,232	\$ 118,661

(c) Subrogation recoverable:

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

		Three months ended March 31,	
		2016	2015
Subrogation rights related to real estate, beginning of period	\$	43,223	\$ 46,195
Subrogation rights related to real estate acquired as a result of settling claims, at fair value		44,079	51,657
Change in market value of real estate on hand		99	(2,673)
Subrogation rights related to real estate disposed of during the period		(43,768)	(41,117)
Subrogation rights related to real estate, end of period		43,633	54,062
Borrower recoveries, beginning of period		18,021	20,781
Net estimated future borrower recoveries recognized		871	1,484
Borrower recoveries received		(1,088)	(1,260)
Borrower recoveries, end of period		17,804	21,005
Subrogation recoverable, end of period	\$	61,437	\$ 75,067

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

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three months ended March 31, 2016 and 2015
(Unaudited)

4. Insurance contracts (continued):

(d) Deferred policy acquisition costs:

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

	Three months ended March 31,	
	2016	2015
Deferred policy acquisition costs, beginning of period	\$ 193,070	\$ 172,289
Policy acquisition costs deferred during the period	14,534	14,639
Deferred policy acquisition costs expensed during the period	(15,149)	(13,634)
Net change in deferred policy acquisition costs during the period	(615)	1,005
Deferred policy acquisition costs, end of period	\$ 192,455	\$ 173,294

(e) Reinsurance:

During the year ended December 31, 2015, the Company, through its indirect subsidiary MICICC, terminated its 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").

During the three months ended March 31, 2016, the Company did not recognize any premiums or incur any losses under the reinsurance agreement (2015 - \$490 of premiums recognized and no losses incurred).

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

5. Investments:

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

	March 31, 2016				December 31, 2015			
	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value
Cash and cash equivalents:								
Canadian federal government treasury bills ⁽¹⁾	\$ 136,770	\$ 136,770	\$ —	2.3	\$ 274,166	\$ 274,166		4.6
Cash	68,665	68,665	—	1.2	116,630	116,630		2.0
	205,435	205,435	—	3.5	390,796	390,796	—	6.6
AFS investments:								
Short-term investments:								
Canadian federal government treasury bills ⁽¹⁾	98,656	98,656	—	1.7	78,178	78,178		1.3
Government bonds and debentures:								
Canadian federal government	1,952,377	1,870,545	81,832	33.3	1,963,176	1,884,347	78,829	33.2
Canadian provincial and municipal governments	993,443	918,165	75,278	16.9	1,006,185	932,785	73,400	17.0
	2,945,820	2,788,710	157,110	50.2	2,969,361	2,817,132	152,229	50.2
Corporate bonds and debentures:								
Financial	1,007,995	979,184	28,811	17.2	967,228	933,357	33,871	16.3
Energy	315,470	296,675	18,795	5.4	315,592	293,913	21,679	5.3
Infrastructure	241,445	227,919	13,526	4.1	222,360	208,774	13,586	3.8
All other sectors	568,017	519,234	48,783	9.7	548,607	493,571	55,036	9.3
	2,132,927	2,023,012	109,915	36.4	2,053,787	1,929,615	124,172	34.7
Collateralized loan obligations	186,062	167,817	18,245	3.2	177,567	145,539	32,028	3.0
Total AFS bonds and debentures	5,264,809	4,979,539	285,270	89.8	5,200,715	4,892,286	308,429	87.9
Preferred shares:								
Financial	162,170	189,405	(27,235)	2.7	145,781	164,565	(18,784)	2.5
Energy	43,099	50,898	(7,799)	0.7	52,945	62,036	(9,091)	0.9
All other sectors	93,090	108,762	(15,672)	1.6	48,991	53,949	(4,958)	0.8
	298,359	349,065	(50,706)	5.0	247,717	280,550	(32,833)	4.2
Total investments	\$ 5,867,259	\$ 5,632,695	\$ 234,564 ⁽²⁾	100.0	\$ 5,917,406	\$ 5,641,810	\$ 275,596 ⁽²⁾	100.0

⁽¹⁾ As at March 31, 2016, Canadian federal government bonds and treasury bills includes \$51,175 in collateral posted for the benefit of the Company's counterparties to its derivative financial instrument contracts, as described in the derivative financial instruments section of note 5 (December 31, 2015 - \$85,296).

⁽²⁾ As at March 31, 2016, unrealized gains include unrealized foreign exchange gains of \$66,069 (December 31, 2015 - \$97,019).

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

5. Investments (continued):

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

	March 31, 2016	December 31, 2015
Terms to maturity:		
Federal, provincial and municipal bonds and debentures and short-term investments:		
1 year or less	\$ 334,440	\$ 383,164
1 - 3 Years	530,898	562,108
3 - 5 Years	1,154,741	1,089,309
5 - 10 Years	831,443	822,535
Over 10 Years	192,954	190,423
	3,044,476	3,047,539
Corporate bonds and debentures and collateralized loan obligations:		
1 year or less	279,780	204,396
1 - 3 Years	585,173	619,561
3 - 5 Years	467,759	427,815
5 - 10 Years	684,055	680,621
Over 10 Years	302,222	298,961
	2,318,989	2,231,354
	\$ 5,363,465	\$ 5,278,893

(a) Investments denominated in foreign currencies:

Collateralized loan obligations ("CLOs") are denominated in U.S. dollars. The CLOs are structured credit securities, collateralized by U.S. bank loans with an average AA credit rating that pay interest based on floating interest rates indexed to the London Interbank Offered Rate. Additionally, corporate bonds and debentures includes \$305,560 (December 31, 2015-\$307,941) of emerging market bonds denominated in U.S. dollars.

(b) Investment impairment assessment:

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

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

5. Investments (continued):

(c) 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, subject to exposure limits specified within the Company's investment policy guidelines, which have been approved by the Board of Directors.

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

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

During the three months ended March 31, 2016, the Company entered into interest rate swaps. The Company uses fixed for floating interest rate swaps in conjunction with management of interest rate risk related to its fixed income securities. The fixed for floating interest rate swaps are derivative financial instruments in which the Company and its counterparty agree to exchange interest rate cash flows based on a specified notional amount from a fixed rate to a floating rate.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

5. Investments (continued):

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

March 31, 2016	Derivative asset	Derivative liability	Net fair value	Notional amount				Total
				1 year or less	1 - 3 years	3 - 5 years	Over 5 years	
Foreign currency forwards	\$ 779	\$ (34,526)	\$ (33,747)	\$ 15,643	\$ 24,435	\$ 43,572	\$ 190,499	\$ 274,149
Cross currency interest rate swaps	964	(23,258)	(22,294)	134,823	48,081	22,092	33,293	238,289
Equity total return swaps	2,169	—	2,169	13,014	—	—	—	13,014
Interest rate swaps	1,036	(634)	402	—	—	500,000	—	500,000
Total	\$ 4,948	\$ (58,418)	\$ (53,470)	\$ 163,480	\$ 72,516	\$ 565,664	\$ 223,792	\$ 1,025,452

December 31, 2015	Derivative asset	Derivative liability	Net fair value	Notional amount				Total
				1 year or less	1 - 3 years	3 - 5 years	Over 5 years	
Foreign currency forwards	\$ —	\$ (44,886)	\$ (44,886)	\$ 14,351	\$ 26,412	\$ 35,558	\$ 212,535	\$ 288,856
Cross currency interest rate swaps	—	(37,461)	(37,461)	143,590	27,680	19,376	34,019	224,665
Equity total return swaps	—	(1,514)	(1,514)	19,558	—	—	—	19,558
Interest rate swaps	—	—	—	—	—	—	—	—
Total	\$ —	\$ (83,861)	\$ (83,861)	\$ 177,499	\$ 54,092	\$ 54,934	\$ 246,554	\$ 533,079

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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5. Investments (continued):

The Company enters into collateral arrangements with its derivative counterparties that require the posting of collateral upon certain net exposure thresholds being met. As at March 31, 2016, the Company had posted collateral of \$51,175 (December 31, 2015 - \$85,296) in the form of Canadian federal government bonds and treasury bills for the benefit of its counterparties to its derivative financial instruments. The Company has accepted collateral of \$2,118 from its counterparties in the form of Canadian federal government bonds (December 31, 2015 - nil).

(d) Securities lending:

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

	March 31, 2016	December 31, 2015
Cash equivalents	\$ 1,309	\$ 28,648
Short-term investments	20,489	3,823
Bonds and debentures	395,980	435,357
Preferred shares	2,818	2,206
	\$ 420,596	\$ 470,034 ⁽¹⁾

⁽¹⁾ The prior period securities lending balance has been amended in the current period.

As at March 31, 2016, the Company has accepted eligible securities as collateral with a fair value of \$444,518 (December 31, 2015 - \$495,671).

(e) Fair value measurements:

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

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

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

5. Investments (continued):

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

March 31, 2016	Level 1	Level 2	Level 3	Total
Bonds and debentures	\$ —	\$ 5,264,809	\$ —	\$ 5,264,809
Preferred shares	298,359	—	—	298,359
Short-term investments	98,656	—	—	98,656
Net derivative financial instruments	—	(53,470)	—	(53,470)
	\$ 397,015	\$ 5,211,339	\$ —	\$ 5,608,354

December 31, 2015	Level 1	Level 2	Level 3	Total
Bonds and debentures	\$ —	\$ 5,200,715	\$ —	\$ 5,200,715
Preferred shares	247,717	—	—	247,717
Short-term investments	78,178	—	—	78,178
Net derivative financial instruments	—	(83,861)	—	(83,861)
	\$ 325,895	\$ 5,116,854	\$ —	\$ 5,442,749

During the period ended March 31, 2016 and the year ended December 31, 2015, the Company did not hold any investments measured at fair value using unobservable inputs (Level 3). Transfers between levels of the fair value hierarchy may occur if the inputs used to value the investments change. Any transfers between the levels are deemed to have occurred at the end of the reporting period.

Given the types of assets classified in Level 1, which are short-term investments and preferred shares, the Company does not typically have any transfers between Level 1 and Level 2 of the fair value hierarchy, and there were no such transfers during the period ended March 31, 2016 and the year ended December 31, 2015.

Valuation of Level 2 financial instruments:

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

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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5. Investments (continued):

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

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

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

6. Related party balances and transactions:

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

The Company incurred net related party charges of \$1,648 for the three months ended March 31, 2016, (March 31, 2015 - \$1,550). The balance payable for related party services at March 31, 2016 is \$245 (December 31, 2015 - \$228) and is reported in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

During the year ended December 31, 2015, the Company, through its indirect subsidiary MICICC, terminated its retrocession agreement with a third party reinsurance company. Additional information about the reinsurance transaction and termination is disclosed in note 4(e).

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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7. Share-based compensation:

The Company provides long-term incentive plans for the granting of stock options ("Options"), restricted share units ("RSUs"), directors' deferred share units ("DSUs"), performance share units ("PSUs"), and executive deferred share units ("EDSUs"). The Company has reserved 3,000,000 common shares of its issued and authorized shares for issuance under these long-term incentive plans. As at March 31, 2016, the Company has 1,665,273 common shares remaining that are available for distribution. Disclosure of long-term incentive plans is included in the Company's annual consolidated financial statements for the year ended December 31, 2015.

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

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

	Number of share-based awards outstanding as at March 31, 2016	Fair value of share-based awards as at March 31, 2016	Share-based compensation expense for the three months ended March 31, 2016
Options	1,047,004	\$ 3,133	\$ 1,432
RSUs	133,745	4,094	387
DSUs	56,758	1,737	319
PSUs	97,220	2,976	189
EDSUs	43,581	1,334	221
	1,378,308	\$ 13,274	\$ 2,548
Effect of equity total return swaps			(2,140)
Net share-based compensation expense			\$ 408

Total share based compensation liability as of March 31, 2016 was \$9,220 (December 31, 2015 - \$8,496).

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
(Unaudited)

8. Income Taxes:

During the three months ended March 31, 2015, the Company recorded a favourable tax adjustment of \$4,501 in respect of taxes for prior periods.

9. Earnings per share:

Basic earnings per share have been calculated using the weighted average number of shares outstanding of 91,797,652 for the three months ended March 31, 2016 (2015 - 93,157,954). Diluted earnings per share have been calculated using the diluted weighted average number of shares outstanding of 91,835,231 for the three months ended March 31, 2016 (2015 - 93,614,487). For the three months ended March 31, 2016, 1,047,004 Options, 42,710 RSUs, 54,143 DSUs and 97,220 PSUs were excluded from the calculation of diluted weighted average number of shares since their effect would have been anti-dilutive due to the cash settlement option (2015 - 167,000 Options and 25,824 PSUs excluded).

	Three months ended March 31,	
	2016	2015
Basic earnings per share:		
Net income	\$ 87,909	\$ 107,450
Diluted earnings per share:		
Re-measurement amount net of income taxes	(173)	(6,266)
Earnings for purposes of diluted earnings per share	\$ 87,736	\$ 101,184
Basic common shares outstanding, beginning of period	91,795,125	93,147,778
Effect of share-based compensation exercised during the period	2,527	10,176
Weighted average basic common shares outstanding, during the period	91,797,652	93,157,954
Basic earnings per share	\$ 0.96	\$ 1.15
Diluted earnings per share:		
Basic weighted average common shares outstanding during the period	91,797,652	93,157,954
Effect of share-based compensation during the period	37,579	456,533
Diluted weighted average common shares outstanding, during the period	91,835,231	93,614,487
Diluted earnings per share	\$ 0.96	\$ 1.08

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2016 and 2015
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10. Long-term debt:

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

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

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

March 31, 2016	Series 1	Series 3	Total
Carrying value	\$ 273,735	\$ 158,863	\$ 432,598
Fair value	297,014	159,674	456,688

December 31, 2015	Series 1	Series 3	Total
Carrying value	\$ 273,670	\$ 158,834	\$ 432,504
Fair value	299,489	159,662	459,151

The Company incurred interest expense of \$5,681 for the three months ended March 31, 2016, (March 31, 2015 - \$5,614) with accrued interest payable of \$8,015 at March 31, 2016 (December 31, 2015 - \$2,429) recorded in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

GENWORTH MI CANADA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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11. Share capital:

On April 28, 2015, the Company received approval by the Toronto Stock Exchange for the Company to undertake a normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Company can purchase, for cancellation, up to 4,658,577 shares representing approximately 5% of its outstanding common shares. Purchases of common shares under the NCIB can commence 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 under the NCIB.

The Company did not purchase any shares under the NCIB during the three months ended March 31, 2016 (March 31, 2015 - nil).

12. Comparatives:

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