Consolidated Financial Statements of

GENWORTH MI CANADA INC.

Three months and nine months ended
September 30, 2009 and 2008
(Unaudited)

GENWORTH MI CANADA INC.

Consolidated Balance Sheet
(In thousands of dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	
Assets		
Invested assets:		
Cash and cash equivalents (note 6)	$ 505,974	$ 591,654
Short-term securities (note 6)	117,576	113,066
Bonds and debentures:		
Held-for-trading (note 6)	32,203	25,860
Available-for-sale (note 6)	3,749,105	3,423,041
Government guarantee fund (note 7)	567,246	544,810
	4,972,104	4,698,431
Other:		
Accrued investment income and accounts receivable	44,167	31,218
Salvage and subrogation	12,071	8,415
Deferred policy acquisition costs	146,681	150,128
Goodwill	11,172	11,172
Capital assets	18,862	14,583
Other assets	2,023	1,421
	234,976	216,937
	$ 5,207,080	$ 4,915,368

GENWORTH MI CANADA INC.

Consolidated Balance Sheet
(In thousands of dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	
Liabilities and Shareholders' Equity		
Policy liabilities:		
Loss reserves	$ 236,214	$ 171,733
Unearned premium reserves	2,016,879	2,321,665
	2,253,093	2,493,398
Other liabilities:		
Accounts payable and accrued liabilities	36,146	49,869
Due to parent and companies under common control (note 9)	3,041	73,289
Income taxes payable	104,549	3,306
	143,736	126,464
Future income taxes (note 8)	211,610	198,328
Accrued benefit liability under employee benefit plans	9,690	8,082
Total liabilities	2,618,129	2,826,272
Shareholders' equity:		
Share capital (note 12)	1,734,376	1,642,709
Retained earnings	750,221	461,299
Accumulated other comprehensive income (loss)	104,354	(14,912)
	2,588,951	2,089,096
	$ 5,207,080	$ 4,915,368

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Brian Hurley" Director

"Brian Kelly" Director

GENWORTH MI CANADA INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Gross premiums written	$ 107,029	$ 226,625	$ 260,788	$ 565,655
Net premiums written	$ 103,754	$ 222,497	$ 249,883	$ 553,776
Net premiums earned (note 5)	$ 153,783	$ 132,630	$ 554,670	$ 379,918
Fees and other income	31	74	56	276
Underwriting revenues	153,814	132,704	554,726	380,194
Losses on claims and expenses:				
Losses on claims	63,986	36,375	195,415	101,635
Sales, underwriting and administrative	23,734	17,512	73,182	52,069
	87,720	53,887	268,597	153,704
Net underwriting income	66,094	78,817	286,129	226,490
Investment income:				
Interest	43,003	47,582	134,483	137,427
Net realized gains on sale of investments	1,000	3,806	2,169	28,284
Unrealized gain (loss) on held-for-trading securities	4,874	(4,245)	6,344	(8,340)
Equity in earnings of government guarantee fund	977	(118)	3,621	1,058
General investment expenses	(1,230)	(1,054)	(3,638)	(2,784)
	48,624	45,971	142,979	155,645
Intercompany interest expense	(55)	(717)	(1,463)	(2,135)
Income before income taxes	114,663	124,071	427,645	380,000
Income taxes (note 8):				
Current	32,657	23,979	128,086	88,556
Future	3,496	15,445	8,287	29,027
	36,153	39,424	136,373	117,583
Net income	$ 78,510	$ 84,647	$ 291,272	$ 262,417
Income per share (note 11):				
Basic	$ 0.67	$ 0.76	$ 2.56	$ 2.36
Diluted	0.67	0.76	2.56	2.36

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Share capital				
Common shares, beginning and end of period	$ 1,642,709	$ 1,622,709	$ 1,642,709	$ 1,622,709
Issuance of common shares	91,667	50,000	91,667	50,000
Capital reduction	–	(30,000)	–	(30,000)
Share capital, end of period	$ 1,734,376	$ 1,642,709	$ 1,734,376	$ 1,642,709
Retained earnings				
Retained earnings, beginning of period	$ 671,711	$ 302,378	$ 461,299	$ 124,608
Net income	78,510	84,647	291,272	262,417
Dividend	–	–	(2,350)	–
Retained earnings, end of period	$ 750,221	$ 387,025	$ 750,221	$ 387,025
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income (loss), beginning of period(a)	$ 54,520	$ (95)	$ (14,912)	$ 18,631
Change in unrealized gains/losses on available-for-sale assets (b)	48,675	(31,667)	121,824	(48,171)
Recognition of realized losses on available-for-sale assets (c)	1,159	(12,688)	(2,558)	(14,910)
Accumulated other comprehensive income (loss), net of income taxes of $47,288 (2008 - $15,422), end of period	$ 104,354	$ (44,450)	$ 104,354	$ (44,450)
Total shareholders' equity	$ 2,588,951	$ 1,985,284	$ 2,588,951	$ 1,985,284

(a) Net of income taxes of $24,110 for the quarter to September 30, 2009 (($5,984) for year-to-date) and (($4,000) for the quarter to September 30, 2008 ($11,598 for year-to-date).

(b) Net of income taxes of $22,709 for the quarter to September 30, 2009 ($54,414 for year-to-date) and $(13,937) for the quarter to September 30, 2008 ($(20,633) for year-to-date).

(c) Net of income taxes of $469 for the quarter to September 30, 2009 ($(1,142) for year-to-date) and ($5,485) for the quarter to September 30, 2008 ($(6,387) for year-to-date).

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Comprehensive Income
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net income	$ 78,510	$ 84,647	$ 291,272	$ 262,417
Other comprehensive income (loss)	49,834	(44,355)	119,266	(63,081)
Comprehensive income	$ 128,344	$ 40,292	$ 410,538	$ 199,336

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net income	$ 78,510	$ 84,647	$ 291,272	262,417
Items not involving cash:				
Amortization of premiums on investments	6,862	2,196	2,673	6,023
Amortization of capital assets	1,110	1,081	3,339	2,829
Change in deferred policy acquisition costs	(616)	(7,650)	3,447	(26,335)
Future income taxes	3,496	15,445	8,287	29,027
Net realized gains on sale of investments	(1,000)	(4,347)	(2,169)	(29,118)
Investment impairments	–	541	–	834
Unrealized loss (gain) on held-for-trading securities	(4,874)	4,245	(6,344)	8,340
	83,488	96,158	300,505	254,017
Change in non-cash balances related to operations:				
Government guarantee fund	(11,926)	(24,399)	(30,716)	(60,979)
Accrued investment income and accounts receivable	(16,409)	(21,935)	(12,949)	(16,842)
Income taxes recoverable/payable	12,431	16,122	52,958	30,027
Other assets and subrogation recoverable	2,808	(2,030)	(4,258)	(3,541)
Accounts payable and accrued liabilities	(14,416)	975	(13,723)	(2,202)
Due to parent and companies under common control	(66,813)	(931)	(70,248)	(1,018)
Loss reserves	6,128	16,259	64,481	45,969
Unearned premium reserves	(50,028)	89,867	(304,786)	173,858
Employee benefit plans	966	455	1,608	1,357
	(53,771)	170,541	(17,128)	420,646
Investing activities:				
Purchase of bonds	(243,568)	(222,565)	(480,696)	(1,114,708)
Proceeds from sale of bonds	136,098	354,809	334,955	1,037,792
Purchase of short-term securities	67,127	(12,467)	(117,576)	(72,434)
Proceeds from sale of short-term securities	–	–	113,066	53,111
Purchase of capital assets	(2,708)	(2,222)	(7,618)	(7,256)
	(43,051)	117,555	(157,869)	(103,495)
Financing activities:				
Dividends paid	-	-	(2,350)	-
Capital reduction	-	(30,000)	-	(30,000)
Issuance of common shares	91,667	50,000	91,667	50,000
	91,667	20,000	89,317	20,000
Increase (decrease) in cash and cash equivalents	(5,155)	308,096	(85,680)	337,151
Cash and cash equivalents, beginning of period	511,129	36,203	591,654	7,148
Cash and cash equivalents, end of period	$ 505,974	$ 344,299	$ 505,974	344,299
Supplemental cash flow information:				
Income taxes paid	$ 20,226	$ 7,857	$ 75,128	58,529
Interest paid on related party debt	933	1,580	2,206	2,856

See accompanying notes to consolidated financial statements.

1. Status of the Company:

Genworth MI Canada Inc. (‘the Company") was incorporated under the Canada Business Corporations Act pursuant to a Certificate of Incorporation dated May 25, 2009. The Company is a subsidiary of Brookfield Life Assurance Company Limited ("Brookfield’), and its ultimate parent company is Genworth Financial Inc., a public company listed on the New York Stock Exchange.

The direct subsidiary of Genworth Canada Holdings I Limited and indirect subsidiary of Genworth MI Canada Inc., Genworth Financial Mortgage Insurance Company Canada, is engaged in mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as financial services regulators in each province.

2. Basis of presentation:

These current period financial statements and the prior period comparative financial statements reflect the consolidation of Genworth MI Canada Inc. and its subsidiaries Genworth Canada Holdings I Limited (“Holdings I”) and Genworth Canada Holdings II Limited (“Holdings II”), including the subsidiary of Holdings I Genworth Financial Mortgage Insurance Company Canada.

These interim consolidated financial statements of Genworth MI Canada Inc. ("Genworth Canada" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies as were used in the consolidated financial statements of Holdings I and the financial statements of Holdings II for the year ended December 31, 2008, except for the new accounting policy described in note 3 and the change in accounting policy described in note 4. These interim consolidated financial statements do not contain all disclosures required by GAAP and, accordingly, should be read in conjunction with the audited consolidated financial statements of Holdings I and the audited financial statements of Holdings II for the year ended December 31, 2008. The results of the operations for the interim periods are not necessarily indicative of the full-year results.

As no substantial change in ownership interests resulted from the Company’s reorganization and Initial Public Offering (“IPO”) (see note 12), the Company carried forward the basis of measurement of assets and liabilities as reflected in the consolidated financial statements of Holdings I and the financial statements of Holdings II.

3. Accounting Policies - share-based compensation:

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

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

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

DSUs participate in dividend equivalents and RSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors. Dividend equivalents are calculated based on the market value of the Company's shares on the date the dividend equivalents are credited to the DSU or RSU accounts and are recorded as additional compensation expense.

The Company accounts for forfeitures related to options and RSUs based on management's best estimate of the options and RSUs that will ultimately vest. This estimate is adjusted if actual experience differs significantly from expectation.

4. Change in accounting policy:

Effective January 1, 2009, the Company adopted The Canadian Institute of Chartered Accountants' Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"), which replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of the standard did not result in a change in the recognition of the Company's goodwill and intangible assets.

5. Change in estimate of unearned premium reserves:

Mortgage insurance premiums are taken into underwriting revenue over the terms of the related policies. The unearned portion of premiums is included in the liability for unearned premiums. The rates or formulae under which premiums are earned relate to the loss emergence pattern in each year of coverage as estimated by management based primarily on the past incidence of losses on claims, and is referred to as the "premium recognition curve". The premium recognition curve in use by the Company until the end of 2008 was established by actuarial studies in 2000 and approved by the Office of the Superintendent of Financial Institutions Canada ("OSFI") for regulatory reporting by Genworth Canada's insurance subsidiary, Genworth Mortgage Insurance Canada.

The Company has performed regular actuarial studies of its actual multi-year experience, which have indicated an acceleration of premium recognition as compared to the OSFI-prescribed premium recognition curve historically used by the Company through 2008. The Company has used a different premium recognition curve reflecting its actual multi-year experience in reporting to its parent company for the parent company's U.S. GAAP reporting. Effective with the first quarter of 2009, the Company updated its premium recognition curve to reflect its current experience for Canadian GAAP-reporting purposes as well, resulting in an increase in net premiums earned for the period of $100,144 in the quarter. Of this amount, $87,803 represented the cumulative difference from the Company's own experience estimated as of December 31, 2008 and $12,341 represented a further change in estimate from an updated actuarial study completed as of March 31, 2009. The increase in net premiums earned has been accounted for as a change in estimate, and it is not possible to estimate the impact on future periods' premiums earned.

Genworth Canada's insurance subsidiary, Genworth Mortgage Insurance Canada, has obtained OSFI approval for the updated premium recognition curve in its regulatory reporting.

6. Investments:

The fair values of invested assets, excluding the government guaranteed fund, are summarized as follows:

	September 30, 2009				December 31, 2008			
	Market value	Book value	Unrealized gain (loss)	% market value	Market value	Book value	Unrealized gain (loss)	% market value
	(Unaudited)							
Cash and cash equivalents:								
Government treasury bills	$ 319,536	$ 319,536	$ –	7.3	$ 504,922	$ 504,922	$ –	12.2
Bankers' acceptances	129,428	129,428	–	2.9	27,574	27,574	–	0.7
Term deposits	34,040	34,040	–	0.8	23,604	23,604	–	0.6
Money market mutual funds	1,546	1,546	–	0.0	16,517	16,517	–	0.5
Commercial paper	15,713	15,713	–	0.4	1,134	1,134	–	–
Cash	5,711	5,711	–	0.1	17,903	17,903	–	0.4
	505,974	505,974	–	11.5	591,654	591,654	–	14.4
Available-for-sale securities:								
Government bonds:								
Canadian federal	989,127	972,180	16,947	22.5	649,618	617,231	32,387	15.6
Canadian provincial	459,860	435,323	24,537	10.4	528,024	506,095	21,929	12.7
	1,448,987	1,407,503	41,484	32.9	1,177,642	1,123,326	54,316	28.3
Corporate bonds:								
Financial	1,165,081	1,123,519	41,562	26.4	1,090,825	1,160,840	(70,015)	26.2
Transportation and public utilities	381,317	363,179	18,139	8.7	364,973	378,547	(13,574)	8.8
Industrial	419,018	404,722	14,296	9.5	391,893	410,747	(18,854)	9.4
All other sectors	196,622	185,598	11,023	4.5	257,220	255,740	1,480	6.2
	2,162,038	2,077,018	85,020	49.1	2,104,911	2,205,874	(100,963)	50.6
Asset backed bonds	255,656	254,640	1,016	5.8	253,554	260,409	(6,855)	6.1
	3,866,681	3,739,161	127,520	87.8	3,536,107	3,589,609	(53,502)	85.0
Held-for-trading securities:								
Financial	32,203	50,000	(17,797)	0.7	25,860	50,000	(24,140)	0.6
Total securities	$ 4,404,858	$ 4,295,135	$ 109,723	100.0	$ 4,153,621	$ 4,231,263	$ (77,642)	100.0

6. Investments (continued):

The fair value amounts of invested assets, excluding the government guarantee fund and cash and cash equivalents, are shown by contractual maturity of the security. Yields are based upon fair value.

	September 30, 2009		December 31, 2008	
Terms to maturity	Fair value	Yield %	Fair value	Yield %
	(Unaudited)			
Investment securities issued or guaranteed by Canadian federal government:				
1 year or less	$ 319,077	3.04	$ 264,246	3.0
1 - 3 years	269,392	3.86	365,532	4.1
3 - 5 years	619,831	3.91	217,488	4.5
5 - 10 years	158,062	5.07	247,094	5.0
Over 10 years	82,625	4.75	103,025	5.0
	1,448,987	3.89	1,197,385	4.5
Corporate debt:				
1 year or less	126,126	5.74	105,251	6.1
1 - 3 years	749,937	5.33	566,602	5.1
3 - 5 years	576,097	5.41	565,336	5.1
5 - 10 years	692,904	5.12	671,095	5.2
Over 10 years	304,833	5.62	456,298	5.9
	2,449,897	5.35	2,364,582	5.4
	$ 3,898,884	4.80	$ 3,561,967	5.1

7. Guarantee fund and Government of Canada Guarantee Agreement:

The guarantee fund reflects the Company's interest in the assets held in the Government of Canada Guarantee Agreement, including accrued income and net of applicable exit fees. The fair value of the government guarantee fund as at September 30, 2009 is $567,246 (December 31, 2008 - $544,810).

The Company records the results of income from the fund less exit fees of $12,018 (September 30, 2008 - $16,418) in equity in earnings of government guarantee fund.

8. Income taxes:

Provision for income taxes is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Consolidated statements of income				
Provision for income taxes:				
Current	$ 32,657	$ 23,979	$ 128,086	$ 88,556
Future	3,496	15,445	8,287	29,027
	$ 36,153	$ 39,424	$ 136,373	$ 117,583
Consolidated shareholders' equity				
Income taxes (recovery) related to:				
Change in unrealized gains on available-for-sale securities	22,709	(13,937)	54,414	(20,633)
Recognition of realized gains on available-for-sale securities	$ 469	$ (5,485)	$ (1,142)	$ (6,387)
	$ 23,178	$ (19,422)	$ 53,272	$ (27,020)

8. Income taxes (continued):

Income taxes reflect an effective tax rate that differs from statutory tax rate for the following reasons:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Income before income taxes	$ 114,663	$ 124,071	$ 427,645	$ 380,000
Combined basic Canadian federal and provincial income tax rate	32.0%	32.0%	32.0%	32.0%
Income tax expense based on statutory rate	$ 36,692	$ 39,703	$ 136,846	$ 121,600
Increase (decrease) in income tax expense resulting from:				
Non-deductible expenses	178	(140)	230	137
Effect of decrease in rates on future income taxes	(641)	(339)	(1,816)	(4,154)
Effect of tax rate adjustment relating to enactment of new legislation	–	–	1,144	–
Other	(76)	200	(31)	–
Income tax expense	$ 36,153	$ 39,424	$ 136,373	$ 117,583

8. Income taxes (continued):

Future income tax liability is comprised of the following:

	September 30, 2009	December 31, 2008
	(Unaudited)	
Future income tax assets:		
Employee future benefits	$ 2,615	$ 2,182
Policy liabilities	3,189	2,168
Other	–	150
	5,804	4,500
Future income tax liabilities:		
Investments, including unrealized losses on available-for-sale securities	(20,410)	(16,324)
Guarantee fund reserve	(146,354)	(138,188)
Policy reserves	(48,345)	(45,779)
Capital assets and intangible assets	(2,305)	(2,537)
	(217,414)	(202,828)
Net future income tax liability	$ (211,610)	$ (198,328)

The Company has no loss carryforward or net capital loss carryforward balances available for the nine months ended September 30, 2009. (September 30, 2008 - nil).

Management reviews the valuation of future income taxes on an ongoing basis to determine if a valuation allowance is necessary. The Company expects to fully utilize the benefits available from existing future income tax assets. No valuation allowance is required for the nine months ended September 30, 2009 (September 30, 2008 - nil).

The aggregate amount of income taxes paid for the nine months ended September 30, 2009 was $75,128 (September 30, 2008 - $58,529).

9. Related party balances and transactions:

The Company enters into transactions with related parties. These transactions consist mainly of management and advisory, data processing and administrative services rendered by the parent and affiliated companies. These transactions are in the normal course of business. Accordingly, they are measured at fair value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred related party charges of $5,426 for the nine months ended September 30, 2009 (September 30, 2008 - $1,117). The Company incurred related party charges of $9,803 for the full year ended December 31, 2008. The balance owed for related party services at September 30, 2009 is $3,041 (December 31, 2008 – $5,822).

On July 7, 2009, the Company repaid debentures issued to Genworth Financial International Holdings Inc. of $66,726 along with accrued interest to July 7, 2009 of $791 using a portion of the proceeds from the IPO. Interest payable on this loan at December 31, 2008 was $741.

10. Pensions and other post-employment benefits:

The expense related to the defined contribution pension plan was $1,696 for the nine months ended September 30, 2009 (September 30, 2008 - $1,862).

The expense related to the defined benefit plan was $600 for the nine months ended September 30, 2009 (September 30, 2008 - $656).

The expense related to the other non-pension post-employment benefits was $484 for the nine months ended September 30, 2009 (September 30, 2008 - $716).

11. Earnings per share:

Basic and diluted earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the nine months ended September 30, 2009 of 113,606,593 (2008 -111,209,670) and 113,880,445 (2008 -111,209,670), respectively. The difference between basic and diluted earnings per share is caused by the grant of employee stock options, Restricted Stock Units ("RSUs"), and Directors' Deferred Share Units ("DSUs").

The effect is computed below:

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Basic earnings per share:				
Net income	$ 78,510	$ 84,647	$ 291,272	$ 262,417
Weighted average common shares outstanding	116,767,391	111,754,596	113,606,593	111,209,670
Basic net earnings per common share	$ 0.67	$ 0.76	$ 2.56	$ 2.36
Diluted earnings per share				
Weighted average common shares outstanding	117,580,016	111,754,596	113,880,445	111,209,670
Diluted net earnings per common share	$ 0.67	$ 0.76	$ 2.56	$ 2.36

12. Share capital:

The share capital of the Company is comprised of the following:

	September 30, 2009	December 31, 2008
	(Unaudited)	
Authorized:		
Unlimited common shares		
1 special share		
Issued:		
117,100,000 common shares (111,999,999 at December 31, 2008)	$ 1,734,376	$ 1,642,709
1 special share (nil at December 31, 2008)	-	-
Share Capital	$ 1,734,376	$ 1,642,709

(a) Reorganization and Initial Public Offering ("IPO")

At incorporation, the Company issued one common share for cash of $1. On June 29, 2009, the Company issued one special share to Brookfield Life Assurance Company (“Brookfield”). The attributes of the special share provide that the holder of the special share be entitled to nominate and elect a certain number of directors to the Board, as determined by the number of common shares that the holder of the special share and affiliates beneficially own.

No dividends will be declared or paid by the Company on the special share. In the event of liquidation, dissolution or wind-up, whether voluntary or involuntary, the holder of the special share will be entitled to receive $1.00 for the special share.

Pursuant to an underwriting agreement dated June 29, 2009, the Company filed a prospectus which qualified issuance of 44,740,000 common shares at a purchase price of $19.00. 5,100,000 of these shares were newly issued common shares of the Company, for which the Company collected net proceeds of $91,667. The remaining shares issued to public shareholders were previously owned by the parent company, who collected the remaining proceeds from the IPO. The IPO was completed on July 7, 2009.

12. Share Capital (continued):

On July 30, 2009, the underwriters of the IPO exercised an over-allotment option to purchase and additional 5,034,100 common shares of the Company from the Company's parent company at the IPO purchase price of $19.00 per share. Following the exercise of the overallotment option, the parent Company has a 57.5% ownership interest in the Company.

Immediately prior to the completion of the IPO, the Company's parent company, Brookfield, completed a reorganization whereby the Company acquired all the issued and outstanding shares of Genworth Canada Holdings I Limited ("Holdings I") and Genworth Canada Holdings II Limited ("Holdings II") from Brookfield in return for 111,999,999 newly issued common shares. Share capital as of December 31, 2008 reflects the book value of the share capital of each of Holdings I and Holdings II, and the number of common shares shown as outstanding at that date and throughout 2008 has been conformed to the number of shares issued to Brookfield by the Company in exchange for the shares of Holdings I and Holdings II. Upon completion of the IPO transaction, the Company used $67,500 of the IPO proceeds to purchase additional common shares of Holdings I. The capital provided by the Company allowed Holdings I to repay the debentures issued to Genworth Financial International Holdings, Inc., a company under common control, of $66,726, along with interest on the debentures accrued to July 7, 2009 of $791.

(b) Capital transactions:

On June 13, 2008, Holdings II was incorporated under the Canada Business Corporations Act. On August 5, 2008, Brookfield contributed $50,000 cash to Holdings II in exchange for newly issued common shares. On August 18, 2008, Holdings I made a capital distribution of $30,000 cash to Brookfield. This distribution resulted in a reduction of paid-in capital of Holdings I of $30,000.

13. Share-based compensation:

In connection with its IPO, the Company adopted long-term incentive plans that provided for the granting of employee stock options, employee Restricted Share Units ("RSUs"), and Directors' Deferred Share Units ("DSUs").

13. Share-based compensation (continued):

Upon completion of the IPO, the Company granted 787,500 stock options and 85,900 RSUs to the employees of Genworth Financial Mortgage Insurance Company Canada and Genworth MI Canada Inc. The exercise price of the stock options is equal to the initial price per common share under the IPO of $19.00. These initial grants of stock options and RSUs vest 50% on each of the second and third anniversaries of the grant date, which is the IPO closing date of July 7, 2009. The stock option and RSU incentive plans provide employees with the choice of receiving compensation in the form of common shares of the Company or cash equal to the quoted market value of the Company's shares on the exercise or redemption date. The stock options expire 10 years from the date of grant and the RSUs must be redeemed no later than December 1 in the third calendar year following the calendar year in respect of which the RSUs are granted.

On September 30, 2009, the Company granted DSUs to the eligible directors of Genworth MI Canada Inc. (i.e. all independent directors) as compensation for director services performed in the third quarter. The DSUs vest immediately on the date of grant and shall be redeemed no later than December 15th of the calendar year commencing immediately after the Director's termination date. The DSU incentive plan provides the board of directors with the discretion to elect to pay DSUs credited to directors in common shares of the Company, cash equal to the fair value of the Company’s shares on the redemption date, or any combination of cash and common shares.

The Company has reserved 3,000,000 common shares of its issued and outstanding shares for issuance under these long-term incentive plans.

13. Share-based compensation (continued):

The following table summarizes information about these share-based compensation plans:

	Number of stock options	Weighted average exercise price	Weighted average fair value at September 30, 2009	Number of RSUs	Weighted average fair value at September 30, 2009	Number of DSUs	Weighted average fair value at September 30, 2009
Outstanding, beginning of period	–	$ –	$ –	–	$ –	–	$ –
Granted	787,500	19	4,008	85,900	2,069	1,715	41
Forfeited	(2,500)	19	(13)	(1,600)	(39)	–	–
Outstanding, end of period	785,000	$ 19	$ 3,995	84,300	$ 2,030	1,715	$ 41
Weighted average period (in years) over which expense is recognized	3	–	–	3	–	–	–
Outstanding as a percentage of outstanding shares	0.67	–	–	0.07	–	–	–

The total compensation expense related to stock options, RSUs and DSUs for the three months and nine months ended September 30, 2009 is $376, $194, and $41 respectively for a total of $611 recognized in share based compensation expense.